

Financial Reporting Council
8th Floor, 125 London Wall
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Date: 29 August 2025

Sent via email: stewardshipcode@frc.org.uk

Dear team,

Railpen response | Financial Reporting Council (FRC) UK Stewardship Code 2026 | Draft Guidance

About Railpen

Railpen is the trading name of Railway Pension Investments Limited, which is authorised and regulated by the Financial Conduct Authority (FCA). Railpen acts as the investment manager for the railways pension schemes and is responsible for c. £34 billion of assets on behalf of over 350,000 members. The Railways Pension Trustee Company Limited (the Trustee) is Railpen's only client, ensuring that all our activities are aligned with the interests of the schemes' members.

Railpen operates with a hybrid asset management model, with significant in-house asset management capabilities and resource that enable cost control and transparency, as well as ensuring that investment and stewardship decisions and activities are aligned to client needs. However, we also partner with external asset managers where this could improve outcomes for our client and members. As well as reviewing our managers' reports, Railpen has been a signatory to the 2020 Stewardship Code in our own right since inception.

Sustainable Ownership is Railpen's approach to incorporating material governance and sustainability considerations into the investments it manages on behalf of members. Railpen's work is enabled by the Trustee's related investment belief: "Incorporating and acting upon climate risk and other environmental, social and governance (ESG) factors is a significant driver of investment outcomes and part of our fiduciary duty."

Our approach to stewardship, focused on long-term value creation and influencing corporate and policy behaviour on the most material idiosyncratic and systemic ESG issues, has long been supported by our senior stakeholders. We believe that financial and sustainability outcomes are not mutually exclusive – they are complementary and integral to protecting the interests of members of the railways pension schemes over the long term.

Our response to the draft guidance builds upon our full consultation response to the proposed changes to the UK Stewardship Code earlier in 2025¹, as well as previous discussions with the Financial Reporting Council (FRC) as part of its pre-consultation process.

We welcome the FRC's decision to open up the draft guidance for feedback, which aligns with our request and those of others in the initial consultation process. We also commend the FRC

¹ See Railpen's response to the UK Stewardship Code consultation (available to read [here](#))

for the extensive discussions with asset owners undertaken throughout the previous consultation process.

Summary

We provide our comments from the perspective both as a *user* of the reports produced, from our asset managers, and as a *preparer* of our own stewardship reports. Our response also reflects our perspective as an organisation that manages most of its assets in-house and as a multi-asset, growth-oriented investor.

Overall, we believe the draft guidance, in combination with the ‘how to report’ prompts in the updated Code, aligns well with the structure and areas of disclosure of the 2020 UK Stewardship Code that we valued. However, given the optional nature of the guidance, we are concerned that relying solely on the Code’s ‘how to report’ prompts may not be sufficient for signatories to produce comprehensive and usefully comparable reports. Our concern is this could lead to asset owners submitting more additional information requests to asset managers compared to the reporting under the 2020 Code.

We appreciate the clarification around engagement outcomes in the introduction to the guidance, and recognise the need to genuinely encourage more honest and balanced reporting by signatories. However, this point could be emphasised further in the main body of the guidance. We also appreciate additional clarity provided on areas such as engagement case studies and systemic risks. Following the removal of standalone principles for escalation and collaboration from the Code, we are pleased with how escalation is addressed in the draft guidance and ‘how to report’ prompts, however collaboration feels underrepresented.

To support comparability across managers, we also believe more concrete definitions of engagement and referencing existing high-quality vote reporting templates could improve consistency in reporting. We also see value in including more real-world examples—especially in asset classes beyond listed equity and in engagements with non-company stakeholders—to enhance practical understanding and comparability. Given our extensive experience in both these areas, we would be happy to work with the FRC to produce this.

Our response

Our thoughts on the 2026 UK Stewardship Code

Although the 2026 UK Stewardship Code does not land exactly where we would have wished, we welcome many of the adjustments the FRC made to its initial consultation proposals, and we appreciate the FRC’s responsiveness to consultation feedback.

We offer our high-level perspective on some of the final changes below, in the hope that it will be of use to the FRC in its future thinking on the Code.

- **Asset owner and asset manager principles:** We welcome changes to the Principles clarifying that stewardship activities such as direct engagement and voting could be undertaken by asset owners (even where investing via third party managers), and that it is up to each organisation to determine the most suitable approach.
- **Changes to stewardship definition and supporting text:** Although we would prefer that the key text of the stewardship definition remained largely the same as for the 2020 Code, we appreciate the updates to the supporting text in response to

stakeholder feedback. We believe this supporting text² now aligns with what other UK policymakers and the wider industry consider to be the role of capital markets in supporting the real economy, while also recognising that other factors are in play as regards the success of the wider economy, society and environment.

- **Structure of reporting:** Although we remain sceptical of the benefits of publishing separate 'Policy and Context' and 'Activities and Outcomes' reports, we appreciate the clarification in the final 2026 Code requiring necessary info to be contained in the submitted reports rather than linked to externally. As a user of reports, having a 'one-stop-shop' setting out an asset manager's approach to, and outcomes from, stewardship is very useful.
- **Removing standalone escalation and collaboration principles:** We previously expressed concerns about potential unintended consequences that the proposed changes to streamline the Code's principles—removing the standalone collaboration and escalation principles—might lead to a de-emphasis of the importance of effective stewardship through collaboration and escalation that evidence shows can be effective in achieving good outcomes for beneficiaries. We remain concerned that collaboration is less prominent in both the 'how to report' prompts and draft guidance. We have provided further thoughts as to how this might be addressed below.

Our response on the draft guidance

Overall, we believe the FRC's draft guidance is at the right level so as to be helpful to signatories and that the draft guidance—considered alongside the 'how to report' prompts—overall largely continues to address the disclosure areas we valued from the UK Stewardship Code 2020, while following a broadly similar structure. However, given the guidance is only intended to be optional, it is not clear to us as how a signatory could prepare a comprehensive report relying solely on the 'how to report' prompts in the 2026 Code. We would have concerns about the comparability of reports across managers in the case that they elected not to use the optional guidance—we elaborate further on concerns around comparability below. We recognise there is a role for asset owners to make clear to their managers (building upon the Code) the reporting they want to see but that this is not necessarily practical with a large range of clients. Our concern is this could lead to asset owners submitting more additional information requests to asset managers compared to the reporting under the 2020 Code.

Aspects of the draft guidance we particularly welcome

'What makes a useful case study?': We appreciate the inclusion of this box setting out guidance for engagement case studies. The prompts listed are clear and helpful. We would note that one point missing from the existing prompts is how an engagement links to a signatory's wider stewardship strategy. This may not always be the case, sometimes an engagement is a one off e.g. in response to specific event, but where relevant this would help readers of a report to understand the broader context in which the engagement is taking place.

- **Market wide and systemic risks:** We appreciate the emphasis placed overall on addressing market-wide and systemic risks, and the emphasis placed on engagement with stakeholders such as policymakers and regulators. We also think the more comprehensive example list of market-wide risks (particularly social and technological risks) is very useful, as well as the definition of Macro Stewardship.

²The following supporting text, in particular: *"In doing so, investors take account of long-term risks and opportunities, having regard to the economy, the environment and society, upon which beneficiaries' interests depend."*

- **Engagement and outcomes:** We appreciate the additional clarity provided in the introduction to the guidance that engagements with companies can occur for very different reasons with very different outcomes. However, perhaps more examples informed by real world practice could be included around this where engagement is undertaken with non-company stakeholders such as policymakers, regulators or standard setters. We would be happy to share our own experiences if it would help inform such additional examples.
- **Use of examples:** In general, the examples included so far are helpful, but we think that the investor community would benefit from further inclusion of examples of real life practice. Any more that the FRC could include, particularly as it relates to expectations in asset classes outside of listed equity, and (as above) engagement and outcomes with non-company stakeholders, would be appreciated.

On aiming for balanced reporting and assessment of outcomes

As above, we appreciate the clarification around potential outcomes that is included in the introduction to the guidance, and recognise the need to allow for outcomes that are more varied and pragmatic in order to encourage more honest and balanced reporting by signatories.

To this point, the introduction to the guidance states: *“Not all outcomes have to be ‘successful’; sometimes reporting on an engagement that has not progressed and any lessons learned from that can be just as informative for the reader.”* However, this point is largely missing from both the main body of the guidance and the ‘how to report’ prompts across the principles in the ‘Activities and Outcomes Report’—where we believe it would be relevant—particularly for Principle 2 (market wide and systemic risks) and Principle 3 (engagement). We would suggest that there could be more emphasis placed on a balanced assessment of outcomes and the lessons learned from these outcomes.

Addressing escalation and collaboration as non-standalone principles

We raised concerns in our previous consultation response that removing escalation and collaboration as standalone principles could lead to what might be considered a de-emphasis of these as important stewardship activities.

Escalation

We were pleased to see specific ‘how to report’ prompts addressing escalation across principles 2, 3, 4 and 5, in addition to the specific aspects of the guidance addressing escalation and providing examples. Where examples are provided of escalation activities, this could be clarified that these activities do not necessarily constitute escalation, for example joining a collaborative engagement, engaging with regulatory and policymakers, and engaging with the board or senior executives would not necessarily need to be considered as escalation depending on the purpose or context of such activities.

Collaboration

We are concerned that collaboration is not given as much prominence in the new Code and draft guidance relative to the previous Code. Although not part of the draft guidance, it is not specifically addressed in the ‘how to report’ prompts for Principle 2 (Systemic and market-wide risk), where we would say collaboration is particularly relevant for effective stewardship.

In the draft guidance, there is also limited text dedicated to collaboration, for Principle 2 we would suggest that collaboration is addressed with its own sub-heading similar to how it is presented in the draft guidance for Principle 3.

Signatories' definition of engagement

There is a trade-off between giving signatories the latitude to define and report in a way that reflects their individual approach, and reporting that allows for comparability between for readers. This is particularly important for asset owners reading their managers' reports and using them not only to form a view of an individual manager, but to help them understand how one manager's approach compares—in as far as it is possible—to that of a close peer. We therefore believe there could be additional thought given to minimum standards of comparability through further guidance on how to define engagement.

On defining what engagement means, the draft guidance states: *"It may be useful for signatories to explain what they consider an 'engagement' to be. Engagements may consist of a range of interactions, such as written correspondence, phone or video calls, in-person meetings or site visits."* We would argue that some additional guidance on what constitutes an engagement, or different types of engagement, should be provided and think that the stewardship market is sufficiently well-developed for such guidance. As already stated in the draft guidance: *"Effective reporting will cover the objective of an engagement"*. We agree with this and suggest that when defining engagements some consideration is given as to the objectives as a minimum, such the difference between engaging for change and engaging for understanding.

This is particularly relevant where the guidance states: *"Statistics that quantitatively describe engagement methods over the reporting period can be helpful. However, they are not a substitute for qualitative reporting on engagements that enables the reader to understand the depth of a signatory's engagement approach."* Although we wholeheartedly agree with this statement, without further clarity on what constitutes an effective definition or how to effectively categorise, then the use of quantitative statistics on engagements run the risk of being unclear in their own right and incomparable across managers.

Summary vote information

On summarising voting, the guidance states: *"You may wish to use a standardised industry template to guide the format in which you report on summary voting information."* We think it would be useful to highlight where standard industry templates already exist that are of a high quality. For example, the Vote Reporting Group launched an updated vote reporting template in 2025³ which Pensions UK has since committed to take forward. The guidance could reference this and the existence of other frameworks as relevant. This would help the issue of comparability among asset owners on vote reporting in the Stewardship Code and elsewhere.

³ Vote Reporting Group and Pensions UK template available to download [here](#).

We hope that the views expressed in this submission will be helpful in your work going forward. We would welcome the opportunity to discuss any of the issues raised here. We continue to welcome the FRC's commitment to supporting effective investment stewardship which in turn is fundamental for economic growth.

Yours sincerely,

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