

Strong but uneven: The limited state of pension stewardship in 2026



The influence pension schemes have over their investments has increasingly come under scrutiny, not least at the end of 2025 when President Trump ordered regulators to tighten oversight of proxy advisers. This has raised questions about where pension stewardship is heading generally, and, although this hasn't come under direct attack in the UK, there are concerns about its pace of progress.

“Generally speaking, the current state of UK pension stewardship is one of intention but with limitations,” says Vidett associate director, Sarah Booth, who points to the complexity surrounding schemes with competing governance pressures, budgetary limitations and sponsor requirements. “While pension schemes are actively encouraged to engage in stewardship, their ability is often limited by the very regulatory framework that promotes it. This means stewardship needs rethinking and it is evolving.”

In agreement is Investors for Purpose head of impact lens, Bruna Bauer, who applauds the fact stewardship has moved on from a ‘box-ticking exercise’. However, she warns progress is not consistent with some schemes lacking resources and follow-through.

“A key problem is that [stewardship] continues to be assessed through activity-based metrics, such as the

➤ Pension stewardship may be in a good place, but controversial amendments to the Stewardship Code and inconsistent approaches mean much still needs to be tackled

number of engagements or votes, rather than alignment with clear objectives or demonstrable outcomes,” adds Bauer. “This emphasis on reporting over impact creates significant resource burdens without necessarily improving results. Market fragmentation further compounds the issue, with smaller pension funds in particular constrained by limited capacity and expertise.”

This inconsistency is seemingly mirrored by the corporates pension schemes are investing in. While some will willingly engage with their institutional investors, others prefer to delay bringing through meaningful changes. ShareAction head of UK policy, Luke Hildyard, says while “plenty” are open to having constructive conversations, there are “worrying signs” from others.

“Companies such as BP’s push towards an online-only AGM, for example, would make it harder for shareholders to ask questions and hold the board to account,” explains Hildyard. “Shareholder rights only work when they can actually be exercised, and investors, especially pension funds, need to be ready to use them this AGM season.”

The UK Stewardship Code

An influential factor has been the UK’s Stewardship Code, set by the Financial Reporting Council (FRC), which was recently revamped for 2026. This is a

➤ Summary

- Significant progress has been made within UK pension stewardship, although issues remain from regulatory complexity, inconsistent approaches and some schemes having less resources than others.
- The latest revamp of the UK’s Stewardship Code has been very unpopular, with some arguing it’s at odds with the wider regulatory attitudes aimed at fostering stronger stewardship.
- A fiduciary duty amendment to the Pension Schemes Bill has been welcomed, given the greater clarity and certainty it could bring to the topic.
- President Trump’s attack on proxy advisers has not directly impacted UK pension scheme stewardship, but concerns are spreading about the change in sentiment this could bring.

voluntary code designed to encourage stewardship best practices, but some in the industry have taken issue with its evolution. For instance, the 2020 Code stated in Principle Six that asset managers should explain “how assets have been managed in alignment with clients’ stewardship and investment policies”. That has since been deleted by the FRC, with fiduciary and stewardship regulatory obligations now placed down onto pension scheme trustees at the same footing as individual scheme beneficiaries.

According to Association of Member Nominated Trustees honorary president, Janice Turner, this means the new code “isn’t worth the paper it’s written on” for trustees. Instead, she says, this gives the appearance that asset managers have no

need to manage assets in alignment with the trustees' stewardship and investment policies.

"Apparently, it's now fine just to have the occasional dialogue," says Turner. "I fail to see the point of a stewardship code that undermines pension scheme trustees' stewardship responsibilities in this way."

Also concerned by this development is Bauer, who flags that the removal of explicit references to environmental and social factors from the definition of stewardship risks weakening the code's ability to address systemic risks and support long-term value creation.

"This shift appears inconsistent with broader regulatory and policy developments, which increasingly recognise sustainability issues such as climate change and biodiversity loss as financially material," says Bauer. "By narrowing the scope of stewardship, there is a risk the code reduces its influence in promoting responsible investment practices and supporting long-term financial stability."

The Pension Schemes Bill

Currently making its way through the legislative process, the Pension Schemes Bill could also impact schemes' stewardship activities. In October 2025, an amendment was tabled, after campaigning from ShareAction, that could clarify rules trustees need to follow when managing money invested in pensions. This work is required according to Hildyard, as it leaves no room for doubt about schemes' responsibilities: "Clearer guidance would have been genuinely helpful for pension funds' stewardship work because it sets out how this sits within fiduciary duty.

"When schemes can see that engaging on issues that matter to members – or on systemic risks that could undermine long-term returns – is firmly within their remit, they're able to act with far more confidence. Robust guidance gives them the evidence to back these decisions."

Such clarification would be helpful,

especially as some have said there lacks specific guidance around what a pension fund – and its staff – can do or should do. Labaton Keller Sucharow partner, Guillaume Buell, says this is needed especially when the pension landscape contains many differently sized and resourced schemes.

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"It would be quite helpful if the Pensions Scheme Bill were amended to include a discussion, ideally in broad terms, of fiduciary duty," says Buell. "How to get there, and what to do on the contours of those concepts, might not be the same for all asset owners. Hopefully, the Pension Schemes Bill will have language that permits trustees and officers the flexibility to always act in the best interests of their fund, including by doing all they can to maximise their ability to pay pensions and be good stewards of the assets."

Hughes Price Walker director, Ray Hughes, points to stewardship influence being closely linked to size. As such, he favours coordinated action for many schemes to achieve meaningful outcomes, with the bill potentially playing a confirmatory role here. However, he argues this is all hypothetical until assent is secured.

"Let's wait to see the final legislation and, if it survives, the related guidance," adds Hughes. "The House of Lords recently voted against this amendment."

Looking ahead

President Trump's executive order in December 2025, explicitly targeting Glass Lewis and ISS as "foreign-owned and politically motivated proxy advisers" sent a clear signal around the pensions world about stewardship. Fortunately, this seems to be contained to the US for

now, but sentiment changes are hard to ignore. In a survey IFP ran last year after Trump won the election, 93 per cent of UK and European institutional investors reported concern about sustainability under a Trump presidency, and 83 per cent said US developments influenced their strategies.

Here, Bauer says policy spillover is limited but concedes that sentiment impacts can be strong: "This creates a narrative and political risk, where stewardship and environmental, social and governance (ESG) become more contested, even if underlying investor behaviour remains stable.

"Importantly, investor commitment remains resilient, with 58 per cent reporting they planned to increase impact allocations, reinforcing the need to anchor stewardship in fiduciary duty and financial outcomes, not ideology."

Turner is already seeing an impact, with US funds dropping ESG policies as a result, and one asset manager even changing the name of its 'Listed company ESG principles and voting policies' to 'Listed Company Investment Principles and Voting policies.'

"If pension scheme trustees had the right to have their voting policy respected in pooled funds, it would mitigate this because asset managers would be required to vote in alignment with the client's policies even if they had dropped such issues from their own voting policies," adds Turner. "But as the new Stewardship Code allows fund managers merely to have the occasional dialogue with clients rather than respect their voting policy, this is enabling US policy to have greater impact in the UK."

Time will tell as to what extent this will impact UK pension stewardship, but it's clear – from complaints about inconsistent approaches and complex regulations – that more work is currently required domestically.

 **Written by Jon Yarker, a freelance journalist**