



Pensions UK

Voting Recommendations: Summary

**Pensions UK Stewardship
and Voting Guidelines 2026**

About us

The voice of pensions

Pensions UK is the voice of pensions in the UK, trusted and heard by the Government and the pensions industry. For more than 100 years we've delivered influential thought leadership, practical guidance and research for our members; pro-actively solving the sector's biggest issues and setting the future direction. As a not-for-profit organisation, we exist for the benefit of our members, and to deliver the best possible outcome for savers in the UK, so they can retire in confidence and with dignity.

Our membership and reach

We're the voice of pension schemes that together provide a retirement income to more than 30 million savers in the UK and invest £2 trillion in the UK and abroad. Our members also include asset managers, consultants, law firms, fintechs, and others who play an influential role in people's financial futures. Across our work in strategic and regulatory policy development, advocacy, membership engagement, events and communications, we engage with over 2,500 organisations, with nearly 16,000 contacts within our membership and a further 17,000 in the pensions and financial services industries.

Our objectives

Pensions UK has set five strategic objectives for 2025 to 2029. These are:

- Making pensions better
- Influencing pensions policy
- Giving outstanding value to our members
- Building a great place to work
- Securing our future as a purpose-led, forward-thinking organisation

Introduction

In a rapidly changing global context, marked by technological disruption, geopolitical uncertainty, and shifting societal expectations, effective stewardship is more critical than ever. Pension schemes have a responsibility to act as long-term stewards of capital, ensuring that companies are equipped to manage risks and seize opportunities in ways that protect and grow members' savings. Our guidelines are designed to support this mission. They provide a clear framework for voting and engagement that reflects both enduring principles and emerging realities. By applying these guidelines, schemes can help shape corporate behaviour, foster sustainable value creation, and uphold the integrity of markets, delivering outcomes that matter for members and society alike.

The 2026 Stewardship and Voting Guidelines come at a time of profound change in the investment and corporate governance landscape. Over the past year, we have seen a sharp rise in shareholder resolutions on artificial intelligence (AI) and a surge in cybersecurity-related incidents, underscoring the need for stronger expectations of corporate behaviour in these areas. Our updated guidelines provide clearer principles and voting recommendations to ensure companies are managing these risks responsibly and transparently.

Governance remains a cornerstone of stewardship, but the dynamics are shifting. While scrutiny of boards and leadership continues to intensify, shareholders increasingly face structural limits on their ability to influence outcomes. This reality calls for more collaborative approaches and engagement through emerging industry initiatives, which we highlight in this year's guidance.

On climate and sustainability, the global backlash against ESG has grown louder, even as policy developments in 2025 have reinforced the need for credible transition planning and disclosure. Our narrative reflects this duality: the need to maintain long-term sustainability objectives while navigating a more contested environment. Similarly, social factors and workforce issues have moved up the agenda, with investors recognising their impact on resilience and performance. Our strengthened guidance on these themes reaffirms our commitment to equity, diversity, and inclusion (EDI) as a driver of better outcomes.

This year's guidelines also introduce two new elements. First, a framing section on emerging trends from the 2025 voting season, providing context for the evolving stewardship landscape. Second, an introduction to pass-through voting (in Section 9) as an option for exercising shareholder rights. While not suitable for all schemes, we present this neutrally as part of a broader conversation about member voice and choice. These updates equip pension schemes with the tools and insight needed to navigate complexity and fulfil their stewardship duties in an era of unprecedented change.

Issue	Pensions UK statement	Vote outcome (resolution)
Section 1: Board leadership and company purpose	<p>The most appropriate route for voicing general concerns is through voting on the annual report and accounts. Investors should consider voting against adoption of a company’s annual report and accounts if:</p> <ul style="list-style-type: none"> • Key stakeholder relationships, including with shareholders and the workforce, are being neglected and the board is not adhering to the spirit of the Corporate Governance Code requirement to engage and support stakeholder constituencies. • Disclosure of the business model fails to convey how the company intends to generate and preserve long-term value. • The company fails to provide a fair and balanced explanation of the composition, stability, skills and capabilities and engagement levels of the company’s workforce. 	Annual report and accounts
	<p>More specific concerns related to the quality of the company’s interaction with shareholders could be addressed by voting against the re-election of the chair if:</p> <ul style="list-style-type: none"> • The chair has declined a legitimate shareholder request for a meeting without offering a valid reason as to why or has failed to find a mutually convenient time without undue delay. • The chair has repeatedly failed to address investors’ concerns about the relationship between the company and key stakeholders. 	Chair

	<ul style="list-style-type: none"> • The chair has had significant involvement, whether as an executive director or a non-executive director, in material failures of governance, stewardship or fiduciary responsibilities at a company or other entity. • The company has adopted virtual-only meeting formats without providing adequate mechanisms for shareholder participation and scrutiny. • The company has used bundled resolutions that prevent shareholders from expressing views on individual governance matters. 	
<p>Section 2: Division of responsibilities</p>	<p>Investors should consider voting against the election of the chair if:</p> <ul style="list-style-type: none"> • There is a combination of the role of chair and CEO without a convincing explanation as to why, where an ‘interim’ period extends for more than one year or where there is evidence of poor succession planning. • Investors judge that the arguments presented to justify the succession of the CEO to chair are insufficient. It is important to note that complexity of the business is unlikely to be sufficient explanation in itself. • The chair is director of more than four companies and/or a chair of two or more global and highly complex companies (unless there is a compelling explanation as to why this will not impact their availability and commitment). <ul style="list-style-type: none"> ○ The situation of a combined role persists and there remains serious concern that the specific arrangements create unresolvable challenges for board oversight of executive management. • Material corporate governance failings under the chair’s watch are evident. This should include an inadequate response in addressing shareholder concerns. • Investors should consider also voting against the election of the director responsible for the appointment process (often the SID) when issues persist. 	<p>Chair; director responsible for the appointment process; (annual report and accounts)</p>
<p>Section 3: Composition, succession and evaluation</p>	<p>Investors should consider voting against the approval of the annual report and accounts if:</p> <ul style="list-style-type: none"> • There is limited or boilerplate disclosure about the board performance review and review of corporate governance arrangements. 	<p>Annual report and accounts</p>

	<ul style="list-style-type: none"> • A diversity statement is not disclosed or is considered unsatisfactory based on our above recommendations of what good company behaviour should be. 	
	<p>Investors should consider voting against the re-election of the chair if:</p> <ul style="list-style-type: none"> • Practice does not improve regarding the composition and succession or there is consistently no independent board performance review conducted. 	Chair
	<p>Investors should consider voting against the re-election of the chair and the chair of the nominations committee if:</p> <ul style="list-style-type: none"> • There is no evaluation process. • There is a failure to disclose a reassuring succession plan, even after engagement with shareholders. • The board is consistently failing to move closer to the latest FCA requirements on diversity and inclusion – or did not successfully explain the reason for non-compliance – the FTSE Women Leaders Review on gender diversity and the Parker Review recommendations on ethnic diversity. • The board has not established a diversity and inclusion policy and strategy. • The board is consistently failing to, or showing lack of effort to, move closer to our above recommendations of what good company behaviour should be regarding board diversity. • There is no evidence of progress on broader diversity dimensions (e.g. disability, socio-economic background) despite stated commitments. • The company has failed to disclose its alignment with recognised diversity frameworks or explain its absence. • There is a failure to move to annual director elections and an absence of an acceptable explanation. 	Chair / Chair of the nomination committee
	<p>Investors should consider voting against the re-election of a director (including re-election of the chair) if:</p> <ul style="list-style-type: none"> • Previous legitimate investor concerns have not been sufficiently addressed. 	Director / Chair

	<ul style="list-style-type: none"> • The director has had significant involvement, whether as an executive director or non-executive director, in material failures of governance, stewardship or fiduciary responsibilities at another company or entity. • Engagement with a director has resulted in a judgement against their effectiveness and suitability, including with regards to conflict of interest. <ul style="list-style-type: none"> ○ There is no supporting statement from the board. ○ There is clear evidence of poor performance or poor attendance at meetings without provision of a satisfactory explanation. • There is concurrent tenure of a non-executive director with an executive director for over nine years and no satisfactory explanation given as to why the director remains independent. • The composition of the key committees or the balance of the board has been compromised by the presence of one (or more) specific non-independent non-executive directors. • There is failure of a specific aspect of reporting or function (with investors voting against the director responsible e.g., the chair of the relevant committee). <ul style="list-style-type: none"> ○ There is no clear evidence that diversity is being sufficiently considered by the board, or where previously committed timescales are not being met, in the senior board positions. 	
<p>Section 4: Audit, risk and internal control</p>	<p>Investors should consider voting against the annual report and accounts and perhaps also the auditor and/or audit committee chair if there are ongoing concerns in relation to:</p> <ul style="list-style-type: none"> • The audited accounts fail to provide a true and fair view of profit or loss, assets or liabilities (for example, they overstate profit or assets or understate likely liabilities such as pension or climate-related liabilities). Please note: if the auditor is seen to have helped reveal this issue, then their re-election, all other things being equal, should be strongly supported. • The ongoing use of alternative performance measures to report on business performance where their use is not transparent and fully justified or appears to 	<p>Annual report and accounts / auditor / audit committee chair</p>

	<p>flatter management delivery through unclear use of generally accepted accounting principles or regularly changing calculations.</p> <ul style="list-style-type: none"> • There is poor disclosure of the strategy and risk exposures or a lack of disclosed review of the company’s risk management and internal control systems. • There is either no viability statement which looks multiple years ahead, or one which does not evidently consider a full range of risk factors. • The climate change assumptions that underlie calculations of relevant and publicly stated asset valuations or business profits are not sufficiently transparent or appear to be inconsistent with science and expert opinions on climate change. • The company has not demonstrated that cybersecurity risks are sufficiently well governed or managed. • The company has experienced a material cyber breach and failed to disclose lessons learned or governance improvements. 	
	<p>Investors should consider voting against the re-election of the chair of the audit committee and reappointment of the auditor if:</p> <ul style="list-style-type: none"> • The tenure of an external auditor extends beyond ten years and there has not been a recent tender process and where no plans to put the audit service out to tender are disclosed. • The auditor has been in place for more than 15 years. • The non-audit fees exceed 50% of the audit fees in consecutive years without an adequate explanation being provided. • There are major concerns regarding the audit process and quality of accounts – particularly a failure to provide a true and fair view (or good visibility over the payment of dividends) and these are not resolved satisfactorily by the board. • Cybersecurity risks (or any breach responses) are not being sufficiently well managed. 	<p>Chair of audit committee / reappointment of auditor</p>

	<p>Investors should consider voting against authorisation of auditor’s remuneration (or the reappointment of the auditor if these resolutions are bundled) if:</p> <ul style="list-style-type: none"> • The auditor’s report fails to address a key issue or is otherwise unsatisfactory. • Audit fees have been either increased or reduced by a significant proportion (e.g. more than 20%) in a given year without a clear justification. • Resolutions are bundled (e.g. auditor reappointment and fee authorisation), and there are concerns about either component, investors should consider voting against the bundled resolution and request future separation for transparency. 	<p>Auditor’s remuneration; reappointment of auditor</p>
	<p>Investors should consider voting against the re-election of the chair if:</p> <ul style="list-style-type: none"> • There are extreme concerns or persistently poor disclosure in regard to the sufficient auditing of the company. 	<p>Chair</p>
	<p>Investors should consider voting against the re-election of a director (including re-election of the chair) if:</p> <ul style="list-style-type: none"> • AI is deployed in high-risk areas and the company fails to disclose governance structures, responsible safeguards, or board-level accountability. • There is evidence of egregious conduct attributable to a particular director around the development and deployment of AI. • Companies are failing to act on AI proportionate to risk exposure, business model and potential impacts, focusing on the key pillars of board accountability, risk management and transparency. 	<p>Director / Chair</p>
<p>Section 5: Remuneration</p>	<p>Investors should consider voting against the remuneration policy if:</p> <ul style="list-style-type: none"> • The company’s remuneration policy fails to meet the standards outlined above. • Pay policies may result in pay awards that could bring the company into public disrepute or foster internal resentment. • The pay policy awards ‘sign-on’ bonuses without the inclusion of any conditionality or allows for the payment of awards not already vested at the previous employer. • The process of engagement prior to the AGM vote fails to produce a remuneration policy that shareholders can support. This represents a serious 	<p>Remuneration policy</p>

	<p>failure on the part of the chair of the remuneration committee in what is the most fundamental aspect of their role.</p> <ul style="list-style-type: none"> • There is no provision to enable the company to claw back sums paid or scale back unvested awards. Such provisions should not be restricted solely to material misstatements of the financial statements. • The pension payments or payments in lieu of pension (as a percentage of salary) for new appointments are not in line with the proportion paid to the rest of the workforce. • There is no plan to bring pension payments to incumbent Directors in line with the proportion paid to the rest of the workforce over the next few years. • There is an excessive amount of flexibility being provided for ‘exceptional circumstances’. • The recruitment policy is vague and unlimited or substantial headroom is given and not accompanied by substantial additional hurdles. • There are guaranteed pensionable, discretionary or ‘one-off’ annual bonuses or termination payments. • There is any re-testing of performance conditions to enable awards to be made. • New share award schemes are layered on top of existing schemes. 	
	<p>Investors should consider voting against the remuneration report if:</p> <ul style="list-style-type: none"> • There is insufficient evidence of alignment with shareholders’ interests and company long-term strategy. This could include, but is not limited to, a shareholding requirement for which the level is set at less than two times salary. • The metrics used are inappropriate or there are insufficiently stretching targets for annual bonus or LTIP. • There are annual pay increases in excess of those awarded to the rest of the workforce and an absence of a convincing rationale. 	<p>Remuneration report</p>

	<ul style="list-style-type: none"> • Pension payments to incumbent directors (as a percentage of salary) are higher than the rest of the workforce and there is no evidence that this will be reduced. • The pension payments, or payments in lieu of pension (as a percentage of salary) for new appointments, are not in line with the proportion paid to the rest of the workforce. • There is a failure to disclose (or to have a retrospective disclosure of) variable pay performance conditions for annual bonuses or ex-gratia and other non-contractual payments. • There is a change in control provisions which trigger earlier and/or larger payments and rewards and there is an absence of service contracts for executive directors. • The process of engagement prior to the AGM vote fails to produce a remuneration policy that shareholders can support – this represents a serious failure on the part of the chair of the remuneration committee in what is the most fundamental aspect of their role. 	
	<p>Investors should consider voting against the remuneration committee chair (director’s election) if they have been in post for more than one year and:</p> <ul style="list-style-type: none"> • The company has repeatedly failed to take investors’ concerns into account and fail to respond in what investors consider to be an appropriate fashion. • The process of engagement pre-AGM has failed to result in a remuneration policy that shareholders can support, or shareholders feel that the chair has failed to take on board their concerns about the remuneration report. • Any revised policy continues, on a repeat basis, to fail to meet the principles outlined above. • ESG-linked pay metrics are absent or poorly defined. • The company fails to disclose or justify significant increases in executive pay amid stagnant workforce pay. 	<p>Remuneration committee chair (director’s election)</p>

Section 6: Climate change and sustainability	<p>Investors should consider voting against the annual report and accounts if:</p> <ul style="list-style-type: none"> • There is insufficient disclosure on how a company intends to monitor and manage the risks and opportunities brought about by climate change. • The business has operations which are highly carbon intensive and there has been no disclosure of the climate-related assumptions which underlie its financial calculations, or where those assumptions are not consistent with the Paris Agreement. • The business has operations which are highly carbon intensive and there is no commitment to disclose memberships and involvement in trade associations that engage on climate-related issues. 	Annual report and accounts
	<p>Investors should consider voting against the remuneration policy if:</p> <ul style="list-style-type: none"> • There are no plans to align senior executive remuneration to performance against relevant sustainability metrics within a reasonable timeframe. • The business has operations which are highly carbon intensive and has not included at least one climate-related metric in the calculation of executive incentives. The metrics also should not be contradictory. 	Remuneration policy
	<p>Investors should consider voting against the re-election of the director or the re-election of the chair if:</p> <ul style="list-style-type: none"> • Shareholders have attempted to engage on the issue, and the company has still failed to demonstrate effective board ownership, for example providing a detailed risk assessment and response to the effect of climate change on the business or incorporating appropriate expertise on the board. • The business is not already moving towards disclosures consistent with mandatory TCFD obligations or, where relevant CDSB, SASB or another established third-party framework. For smaller businesses, they are not readying themselves at a pace proportional to the resources available and the TCFD roadmap. 	Director / Chair

	<ul style="list-style-type: none"> • The business has operations which are highly carbon intensive and has not made sufficient progress in providing the market with investment-relevant climate disclosures including committing to publish science-based targets. • The company has not listened to investor concerns about any direct or indirect corporate lobbying activity whose objectives are considered to frustrate climate change mitigation. • The company has not responded appropriately to the result of a climate change-related resolution, whether binding or not, and whether it was passed or not. • The company efforts to mitigate agricultural commodity-driven deforestation are considered insufficient. • In relation to nature, a company is deemed to have breached the 'Do No Significant Harm' (DNSH) to the environment criteria as defined by the EU Taxonomy Framework. In these cases, investors should consider voting against the chair of the sustainability committee, chair of the risk committee or the chair of the board as appropriate. 	
	<p>Investors should consider voting in favour of relevant climate-related or similar resolutions – including Say on Climate resolutions – by making assessments on a case-by-case basis.</p>	<p>Climate related or similar resolutions</p>
<p>Section 7: Social factors and workforce</p>	<p>Investors should consider voting against the approval of the annual report and accounts if:</p> <ul style="list-style-type: none"> • FTSE 100 companies do not have a formal approach to workplace wellbeing disclosure, including mental health management and disclosure. • After engagement initiatives with companies, there is insufficient progress on wellbeing activities disclosures. • FTSE 350 companies fail to address the legal minimum requirements of the Modern Slavery Act. 	<p>Annual report and accounts</p>

	<p>Investors should consider voting against the re-election of the responsible director if:</p> <ul style="list-style-type: none"> • Companies identified as highly exposed to modern slavery risks, or where there have been confirmed incidents, fail to demonstrate an adequate risk management and a willingness to change their approach. • Companies do not adopt sufficient measures to prevent, monitor, mitigate or remediate negative human rights impacts within its operations. 	<p>Director</p>
<p>Section 8: Capital structure and allocation</p>	<p>Investors should consider voting against approval of the final dividend if:</p> <ul style="list-style-type: none"> • The dividend does not seem sustainable and appropriate, when considered in the context of the financial position, maturity and business strategy, or where issues such as DRC are not appropriately reflected. • There is no cash dividend available as an option to a scrip dividend or equivalent. • They have concerns regarding the accounting standards and assumptions used in the metrics provided. 	<p>Approval of the final dividend</p>
	<p>Investors should consider voting against a resolution on issuance of new shares if:</p> <ul style="list-style-type: none"> • Section 551 and Section 570 resolutions are bundled together. The issuance is not consistent with Pre-Emption Principles without a satisfactory explanation. 	<p>A resolution on issuance of new shares</p>
	<p>Investors should consider voting against a resolution on market purchase of shares if:</p> <ul style="list-style-type: none"> • The resolution proposes a waiver of Rule 9 of the Takeover Code. • The buyback is not deemed a prudent use of the company’s cash resources, is not supported by cash flows of the underlying business and introduces excessive and unsustainable leverage. 	<p>Resolution on market purchase of shares</p>
	<p>Investors should consider voting against the chair of the board if:</p> <ul style="list-style-type: none"> • Companies proceed with a significant RPT or a significant transaction without a shareholder vote in advance. • An RPT has not been subject to proper oversight by the board and regular review (through the audit or shareholder approval). 	<p>Chair</p>

	<ul style="list-style-type: none"> The RPT is not: clearly justified or beneficial to the company; undertaken in the normal course of business; on fully commercial terms; in line with best practice; or in the interests of all stakeholders. <p>It is of course important to caveat here that the updated UK Listing Rules mean that resolutions for related party transactions are no longer mandatory. We would still expect that as best practice, companies will choose to offer resolutions on RPTs as a matter of good governance and transparency. These recommendations apply where that is the case.</p>	
	<p>Investors should consider voting against a resolution on re-election of the chair if:</p> <ul style="list-style-type: none"> There is an unsustainable level of interim dividends issued and they have reason to believe that this is being done to avoid shareholder scrutiny. Please note that this is a serious issue and if investors have concerns in this space, they could accompany this with a vote against the annual report and accounts. Shares are issued outside of the Pre-Emption Group Principles. 	<p>Resolution on re-election of chair</p>
	<p>Investors should consider voting against the governance committee chair (or equivalent) if:</p> <ul style="list-style-type: none"> Company has a dual-class share structure without a sunset clause of seven years or less from the date of the IPO. <p>It is again important to caveat here that the updated UK Listing Rules are likely to lead to an increase in companies issuing dual-class share structures. While we accept that as a decision, we still call for investors to encourage companies to adopt best practice in the form of a sunset clause of seven years or less from the date of IPO. We would encourage members to consider the variety of investor approaches to voting-on-voting rights which are set out in ICEV ‘Voting on Voting Rights’ report, published in November 2024.</p>	<p>Governance committee Chair (or equivalent)</p>

Section 9: Taking a holistic approach	<p>Investors should consider voting against the annual report and accounts if:</p> <ul style="list-style-type: none"> • The report has not fulfilled its purpose of giving insight into the company’s strategy, vision and business model. 	Annual reports and accounts
	<p>Investors should consider voting against the chair or against the senior independent director if:</p> <ul style="list-style-type: none"> • There are particularly serious concerns about the company’s business model, plan or the implementation of its plan for engagement with long-term shareholders. • The company seems unwilling to change its approach despite significant investor concerns. • The company does not follow corporate governance provisions to respond to dissent. • Cumulative governance failures persist, especially if previous engagement has not led to meaningful change. • Collaborative stewardship efforts have identified systemic concerns or poor responsiveness across multiple companies, investors may wish to align voting decisions to reinforce collective expectations. <p>Please note that where investors may wish to take the extremely significant step of voting against the whole board, they should be able to clearly articulate an alternative proposition for the board’s approach.</p>	Chair / SID

Disclaimer

Copyright © Pensions UK (the trading name of Pensions and Lifetime Savings Association) 2025. All rights reserved.

This material provided is meant as general information on matters of interest and is not intended as accounting, financial, legal or any other professional advice. You should speak to your professional advisers for advice.

The publisher cannot accept responsibility for any errors in this publication, or accept responsibility for any losses suffered by anyone who acts or fails to act as a result of any information given in this publication.