

ESG investing under fiduciary management

How the fiduciary management
market is keeping pace with
evolving ESG practices

June 2026



The better the question. The better the answer.
The better the world works.



Parthenon

Shape the future with confidence

Introduction

Over the past year, ESG integration in UK pension scheme fiduciary management has continued to mature, but it has largely been a case of evolution rather than revolution. Fiduciary managers are refining established approaches, improving the usability of data and reporting, and broadening coverage across asset classes, whilst operating in a more complex external environment. Three themes stood out in respondents' commentary and in our wider market observations:

1. The implications of defence-related investing for responsible investment frameworks.
2. The ongoing politicisation and bifurcation of ESG expectations.
3. The rapid increase in the use of artificial intelligence, alongside associated energy, data and governance considerations.

In parallel, nature-related risks are moving up the agenda. The UK government's nature security assessment has added urgency to the conversation by highlighting biodiversity loss and ecosystem degradation as strategic risks.

“

Climate change and wider sustainability issues, including related transition and physical risks, continue to be a concern for trustees and employers. Trustees should work with the employer and their advisers to understand the potential implications.

The Pensions Regulator from the Annual Funding Statement 2026

Scope

5

key areas

14

fiduciary
managers

£250bn

of assets in the UK

EY Parthenon team's approach

This is EY Parthenon team's sixth industry-wide survey looking at how ESG is being incorporated by the fiduciary management market. The survey covers 14 fiduciary managers who collectively manage over £250 billion of assets for UK pension schemes and focusses on their activities over the last 12 months. The fiduciary managers cover a range of client sizes and both those that mostly use external asset managers or offer in-house funds.

In this survey, we have assessed the participating fiduciary managers across five key areas: governance, risk management, investment integration, stewardship and reporting. As an independent oversight provider, we believe EY Parthenon teams are distinctively placed to build a picture of the entire industry and assess the different stages of ESG maturity exhibited by different fiduciary managers.

Whilst this survey focused on the fiduciary management industry, the key conclusions also apply to the adviser market, given the overlap between the number of providers who provide both advisory and fiduciary management services and take a consistent approach across both.

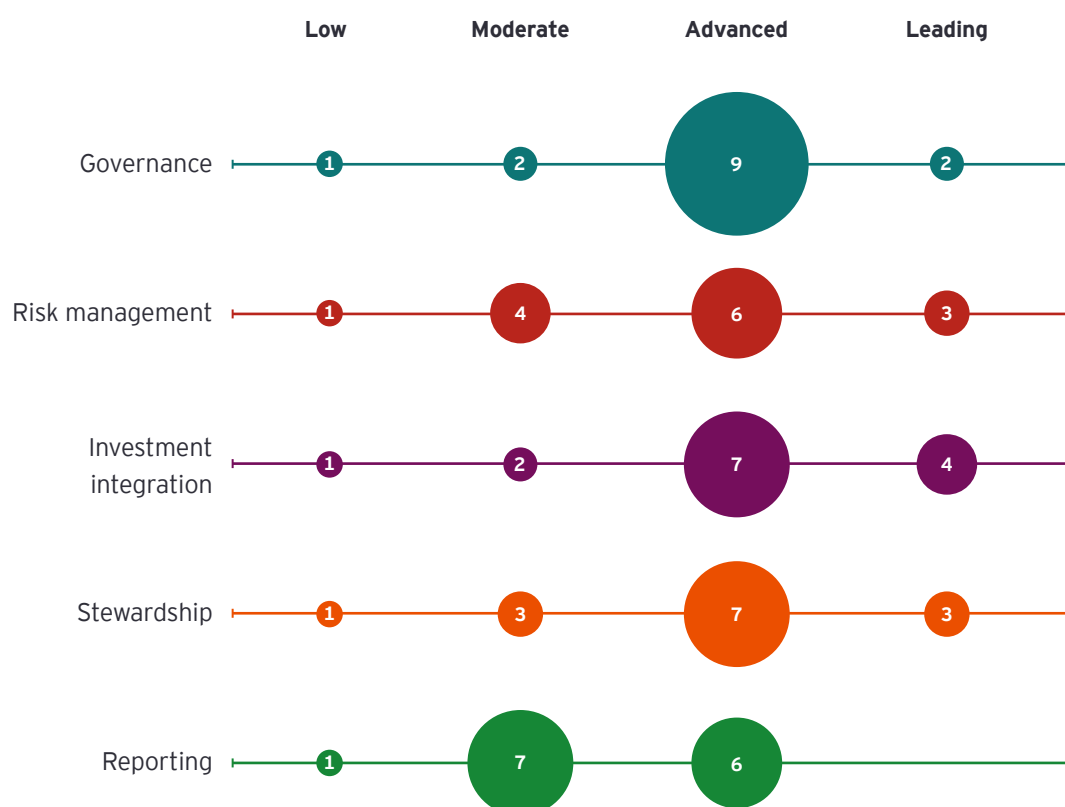
Given the pace of change in both ESG and fiduciary management, it is often difficult to navigate these areas and be confident your provider is adopting current best practices. This is a key area EY Parthenon teams look into when providing our fiduciary management selection and oversight services. We hope this survey provides insights to help you navigate the market and ensure your member outcomes are protected.

We would like to thank all respondents who participated in the 2026 annual ESG survey.

Survey highlights

From the survey results, and EY Parthenon teams' continued research, we have assessed the maturity of each participating UK fiduciary manager across five key ESG areas. As can be seen from the chart, there is a range of capabilities across the market with a spread in maturity amongst fiduciary managers in most areas. In comparison to the previous survey, there have been few significant updates in the ESG approach of fiduciary managers, but rather a continued evolution and refinement of existing approaches. Reporting remains an area that requires improvement across the board.

The chart shows how the fiduciary managers that we surveyed score against the five pillars.



Survey highlights

What questions should scheme stakeholders be asking?

Risk management

Climate scenario analysis is now a mainstream tool used by fiduciary managers, but transition plans and SBTi-validated targets are not universal.

How is our fiduciary manager incorporating nature risks alongside climate?

Governance

Dedicated sustainability resourcing and making use of external specialist support (especially for nature and social factors) is a key differentiator amongst fiduciary managers.

Are we clear on our fiduciary duty in relation to financially material ESG risks and is this reflected in our decisions and actions?

Investment integration

ESG-focussed product development continues, including three UK fiduciary managers launching new ESG-focussed products in the last 12 months.

Can our fiduciary manager evidence delivery of our ESG preferences across all relevant asset classes?

Stewardship

86% of UK fiduciary managers are signatories to the UK Stewardship Code. Stewardship expectations are shifting toward evidenced outcomes and escalation.

What outcomes have engagements and votes achieved, and what escalation occurs when progress stalls?

Reporting

ESG reporting remains inconsistent across managers, often limited to listed assets, constrained by scope 3 and private market data, and with nature-related reporting in a nascent stage.

Do we receive consistent, decision-useful reporting across asset classes (not just listed), with clear limitations and a plan to close key data gaps?



Governance

How ESG is embedded into the decision-making processes of a fiduciary manager and how it permeates through their business, culture and staff is critical to good governance. Having robust ESG governance in place increases the likelihood of achieving any decarbonisation, or other ESG targets, the fiduciary manager may have.

Key themes over the year

- Limited year-on-year governance and policy changes were observed with most updates being incremental (for example, policy refreshes and tweaks to governance structures) rather than major overhauls.
- Client ESG training is often claimed to be done for all clients, but tracking is inconsistent and several fiduciary managers are reactive in delivering training (i.e., only providing it when requested by clients).
- Dedicated sustainability resourcing and making use of external specialist support (especially for nature and social factors) is a key differentiator amongst fiduciary managers.
- Stronger fiduciary managers show more proactive client support in areas such as ESG belief and target setting, aligning with client stewardship priorities and sharing thought leadership.
- 12 out of 14 fiduciary managers reported no client fines by the Pensions Regulator for non-compliance with reporting regulations, with two fiduciary managers not disclosing this information.

12/14

respondents have provided ESG training for all or most of their UK fiduciary management clients in the past 12 months.

12/14

respondents have not had a client fined for non-compliance with climate reporting regulations.

Industry developments

Transition plan requirements consultation by Department for Energy Security and Net-zero

What happened

The UK government consulted on mandating credible climate transition plans for UK-regulated financial institutions, explicitly including pension schemes.

Why it matters for schemes

Shifts focus from climate disclosure to transition planning, and likely increasing scrutiny of targets, implementation pathways and manager alignment. Stakeholders should watch out for scope, timing, and how requirements interact with TCFD reporting and future UK sustainability reporting standards.

Debate on role of sustainability within Fiduciary Duty

What happened

Fiduciary duty has been a hotly debated topic, with ShareAction having proposed an amendment to the Pension Scheme Bill to clarify fiduciary duty around system-level financial risks like climate change. This was voted down in the House of Lords, delaying much-needed clarification on fiduciary duty and ESG considerations.

Why it matters for schemes

Clarity on fiduciary duty would provide pension scheme trustee with confidence to act on system-level financial risks like climate change.

Risk management

ESG risk management covers the approach to using data and modelling techniques to identify, assess, manage and mitigate sustainability (including climate and nature) risks. This should ideally be embedded into a scheme's wider risk management and framework and be backed up with appropriate tools to monitor risks over time. Estimating the potential future impacts of climate change relies on complex scenario modelling and climate metrics, with evolving levels of data available. Best practice is to use the available data and modelling to set clear decarbonisation strategies and consider the impact of climate change across investments, funding, and covenant holistically.

Key themes over the year

- Use of climate scenario analysis is now mainstream, with several fiduciary managers continuing to enhance their asset liability modelling, stress testing and reporting capabilities. Tooling refreshes, for example scenario assumption updates, are common.
- Net-zero and decarbonisation commitments are common amongst fiduciary managers, however Transition Plans are not universal with only a minority having clear standalone plans.
- Nature-related commitments remain early stage with seven fiduciary managers having commitments in place. Many are adding portfolio analytics and insights (for example biodiversity and land-use) to their risk management toolkit.

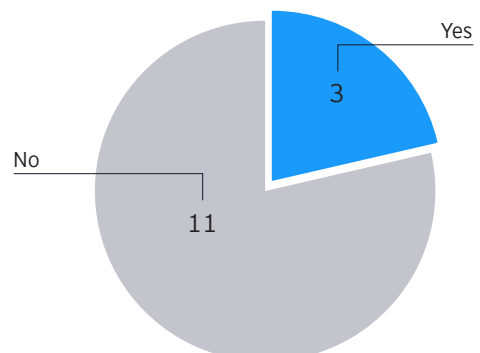
11/14

respondents have in place carbon commitments.

7/14

respondents have nature-related commitments in place.

Climate transition plan in place?



Industry developments

UK Government nature security assessment on global biodiversity loss, ecosystem collapse, and national security

What happened

In January 2026, the UK government released a strategic assessment which explores how global biodiversity loss and the collapse of critical ecosystems could affect the UK's resilience, security, and prosperity. To safeguard the natural systems that underpin long-term security and prosperity, the global financial system needs to strengthen long-term resilience planning, increase investment in nature conservation and restoration, and focus on innovation and global partnerships.

Why it matters for schemes

Highlights nature loss as a financially material, system-level risk, supporting the argument for stronger integration of nature risk alongside climate in trustee risk frameworks and asset manager oversight.

Institute of Actuaries thinks climate change impacts could be drastically underestimated

What happened

The Institute and Faculty of Actuaries has an ongoing collaboration with the University of Exeter, producing a series of reports around Climate Risk. The report titled "Parasol Lost: Recovery plan needed", released January 2026, has received significant publicity, with headlines reporting that the hit to global GDP from climate change may have been drastically underestimated. The report is primarily a call to policy makers, aiming for them to place more weight on downside risk. It provides discussion for the climate sensitivity metric (how the Earth's average surface temperature would increase if atmospheric concentrations double from pre-industrial levels) and what actions may need to be taken in a tail risk scenario. The report isn't stating that "this will happen", but rather "if these risks are real (and there is strong evidence that they are), then our current risk frameworks are not fit for purpose".

Why it matters for schemes

The report provides valuable thought leadership for schemes to consider when reviewing and discussing their current risk frameworks.



Investment Integration

Investment processes cover the investment strategy setting approach, asset allocation, manager selection and ongoing monitoring. Given that responsibility is delegated in a full fiduciary arrangement, it is important to assess how the fiduciary manager is integrating ESG throughout the investment process, as well as their ability to reflect any bespoke ESG client preferences.

Key themes over the year

- Helping clients set ESG metrics and targets varies hugely (from all clients to none or very limited) and is a differentiator amongst fiduciary managers.
- Proportion of ESG-focussed allocations for clients vary widely amongst fiduciary managers.
- ESG-focussed product development continues, with three fiduciary managers launching new ESG-focussed products.
- A few fiduciary managers have highlighted the challenges in navigating ESG and sustainability in an increasingly bifurcated and politicised climate. National security in relation to investing in defence and nuclear has been another area of discussion.
- The increasing use of artificial intelligence (AI) and how to address this within the context of risk management and investing has been a key challenge for leading fiduciary managers as they consider the impact of AI on energy and water consumption, data and privacy concerns, and labour management.

3

key areas of challenge have been defence, politicisation of ESG, and AI.

3/14

respondents launched new ESG-focussed solutions for their clients.

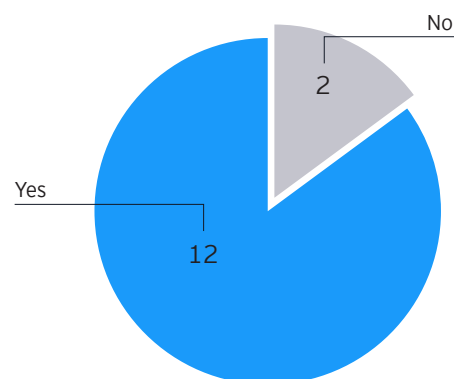
Stewardship

Stewardship represents the use of influence by investors to maximise the overall long-term value of the assets they invest in and ultimately create value for pension scheme members. Depending on the nature of invested assets, varying levels of influence are possible, and stewardship can include voting and engagement on a range of ESG and sustainability issues that pose a risk to investments. Stewardship, including engagement and voting, forms some of the most important tools in which fiduciary managers can bring about actual positive change within the industry.

Key themes over the year

- Although the FRC's UK Stewardship Code is voluntary, it is widely adopted amongst fiduciary managers to demonstrate their commitment and approach to good stewardship and engagement practices.
- Inclusion by asset class in stewardship programmes is strongest in listed assets, with only leading fiduciary managers including LDI, government bonds and private assets in their engagement programme.
- Common engagement themes include climate, nature and deforestation, human rights, modern slavery, Diversity, Equity and Inclusion (DEI), responsible artificial intelligence (AI), and other systemic themes such as supply chains.
- Escalation frameworks and stewardship platforms are maturing, with various fiduciary managers that did not have formal escalation frameworks in prior years putting these in place. There has also been better tracking and monitoring of voting divergences and engagement behaviour of underlying asset managers.

Signatory to the FRC's UK Stewardship Code



Priority Engagement Themes

Climate

Nature and Deforestation

Human Rights

Modern Slavery

Diversity, Equity and Inclusion (DEI)

Responsible artificial intelligence (AI)

Industry developments

FRC's UK Stewardship Code 2026

What happened

The FRC published the UK Stewardship Code 2026 (effective from 1 January 2026), reshaping how signatories explain stewardship policies, activities and outcomes.

Why it matters for schemes

Raises expectations on evidence of real-world stewardship outcomes and manager oversight, which is key for trustees assessing fiduciary managers' engagement and voting behaviour.

ICSWG Stewardship Alignment Tool

What happened

The Investment Consultants Sustainability Working Group (ICSWG) launched the Asset Owner Investment Stewardship Alignment Tool in February 2026. The tool is designed to help asset owners assess how well their investment managers' stewardship activities, particularly proxy voting and engagement, align with the schemes' own responsible investment and stewardship expectations. It provides a structured, flow-chart-based framework covering stewardship approach, voting alignment, engagement alignment, and potential steps where misalignment is identified.

Why it matters for schemes

This matters for schemes given increasing regulatory, fiduciary and stakeholder expectations that stewardship is well governed, outcomes focused and demonstrably overseen, rather than relying on high level policies or manager assurances. This tool supports stronger oversight conversations and clearer stewardship assurance for clients.



| Reporting

In conjunction with the regular reporting provided to clients by fiduciary managers across areas such as asset performance, funding level developments and market outlooks, trustees should also receive high quality, digestible, and meaningful reporting that both informs and, if necessary, promotes actions around ESG considerations, risks, and outlooks within their portfolio.

Key themes over the year

- There have been no significant updates to the overall ESG reporting of fiduciary managers, with typical ESG reporting comprising of annual and quarterly reporting which differs in terms of level and depth by fiduciary manager. There remains no standardisation of ESG reporting across the industry.
- Nature disclosures and Taskforce on Nature-related Financial Disclosures (TNFD) aligned reporting is generally not produced; a few fiduciary managers offer TNFD aligned analytics or have run pilots on their investment portfolios, with one able to produce a dedicated combined climate & nature report.
- As in prior years, several fiduciary managers are lagging leading practice in that they can only report on a limited number of asset classes (typically equities and fixed income).
- Data constraints, particularly for scope 3 and private assets remain a recurring limitation, although coverage has been increasing over time.

13/14

respondents provide ESG reporting to their clients.

Industry developments

Review of the pensions climate reporting regime by Department for Work and Pensions

What happened

The Government confirmed the Department for Work and Pensions (DWP) will review the 2021 Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations.

Why it matters for schemes

This review could expand or refine the content and scope of trustee climate governance and reporting expectations and drive greater consistency across the market. Watch for potential alignment with transition plan rules and any move toward wider sustainability and nature-related reporting.



| In closing

Our survey findings point to continued, incremental progress in how fiduciary managers are integrating ESG for UK pension schemes. Governance, risk management, investment integration and stewardship approaches are steadily becoming more embedded, whilst capability gaps remain – most notably in the consistency, clarity and comparability of reporting, and in underlying data coverage (particularly beyond listed markets).

At the same time, trustees are navigating a more complex external environment. Defence-related investing, the politicisation of ESG, rapid adoption of AI (and associated energy, data and governance considerations), and the rising profile of nature-related risks are all testing how fiduciary managers interpret fiduciary duty and translate beliefs into practical decision-making and oversight.

EY Parthenon teams continue to work with trustees, fiduciary managers and asset owners to assess ESG capabilities, strengthen oversight and support practical implementation – so that evolving ESG practices translate into protected member outcomes.

If you would like to discuss the findings, benchmark your fiduciary manager, or review your ESG governance, reporting and transition planning approach, please get in touch.

Assessment methodology

EY Parthenon teams' ESG market practice assessment is based on the maturity matrix methodology, which sets out four levels of maturity: "Low", "Moderate", "Advanced" and "Leading".

In defining the characteristics of the four levels of maturity, EY Parthenon teams have considered the features of the different ESG approaches adopted by not only fiduciary managers but also by other asset owners that EY Parthenon teams have engaged with in relation to ESG. A 'Low' maturity level means that the fiduciary manager is yet to fully adapt their processes and solutions to enable clients to comply with minimum ESG requirements. A 'Leading' maturity level implies that the fiduciary manager is a market leader and is actively driving ESG developments within the industry. Based on the survey analysis and individual feedback meeting discussions with UK fiduciary managers, EY Parthenon teams have assessed the ESG capabilities of fiduciary managers and positioned each fiduciary manager within a maturity bracket across the five dimensions.

It is essential to recognise that the maturity matrix captures a snapshot market position as of March 2026. As the industry evolves, EY Parthenon teams expect the maturity matrix methodology to evolve and the position of different fiduciary managers to change.

Key sustainability questions that EY Parthenon teams help pension scheme clients and their sponsors to address

Stewardship, reporting and disclosures

Benchmarking

How is our stewardship and governance approach vs. market practice?
Are we ahead or behind?

Gap completion

As an FRC Stewardship Code signatory, what gaps do I need to fill?
How do I fill those gaps?

Disclosure compliance

How do I meet ESG climate and TCFD reporting hurdles?
How do I fulfil corporate carbon accounting demands?

Net-zero and strategy

Net-zero strategy

What is the plan and timeline for my scheme to reach net-zero?
How do I “justly” design and execute this transition?

Management actions

What is my joint company-trustee plan for net-zero?
How do I best measure, monitor and manage this plan?

Financed emissions

As the primary enterprise-wide source of financed emissions, how do I measure the scheme's contribution to this key metric?

Risk-led transformation

Risk appetite

How do I set controls and risk appetite for ESG considerations?
How do I measure and manage climate risk?

Integrated frameworks

How do I design an integrated ESG and climate risk framework?
How do I implement this in a practical manner?

Modelling and understanding

How do I raise stakeholders' familiarity with climate risk exposure?
How can modelling or stress testing help?



EY Parthenon teams

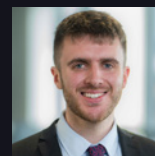
EY pension ESG contacts



Tatiana von Petersdorff
tatiana.e.von.petersdorff
@uk.ey.com

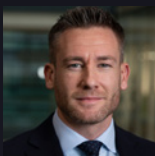


William Compton
william.compton
@uk.ey.com

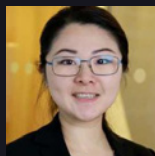


Tom Newton-Price
tom.newton-price
@uk.ey.com

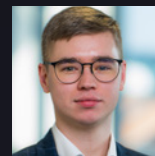
EY fiduciary management oversight contacts



Kevin Humpherson
kevin.humpherson
@uk.ey.com

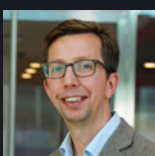


Yanlin Wu
yanlin.wu
@uk.ey.com

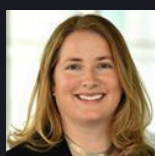


Thomas Greeves
thomas.greeves
@uk.ey.com

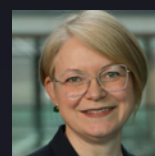
EY pensions leadership contacts



Paul Kitson
paul.kitson
@uk.ey.com



Karina Brookes
kbrookes
@parthenon.ey.com



Jane Evans
jane.evans
@parthenon.ey.com

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

About EY-Parthenon

Our unique combination of transformative strategy, transactions and corporate finance delivers real-world value – solutions that work in practice, not just on paper.

Benefiting from EY's full spectrum of services, we've reimaged strategic consulting to work in a world of increasing complexity. With deep functional and sector expertise, paired with innovative AI-powered technology and an investor mindset, we partner with CEOs, boards, private equity and governments every step of the way – enabling you to shape your future with confidence. EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit ey.com/parthenon.

The views of third parties set out in this publication are not necessarily the views of the global EY organization or its member firms. Moreover, they should be seen in the context of the time they were made

© 2026 EYGM Limited.
All Rights Reserved.

EYSCORE 112175-26-GBL

UKC-043810.indd (UK) 05/26. Artwork by [Creative UK](https://www.creativeuk.co.uk).
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com