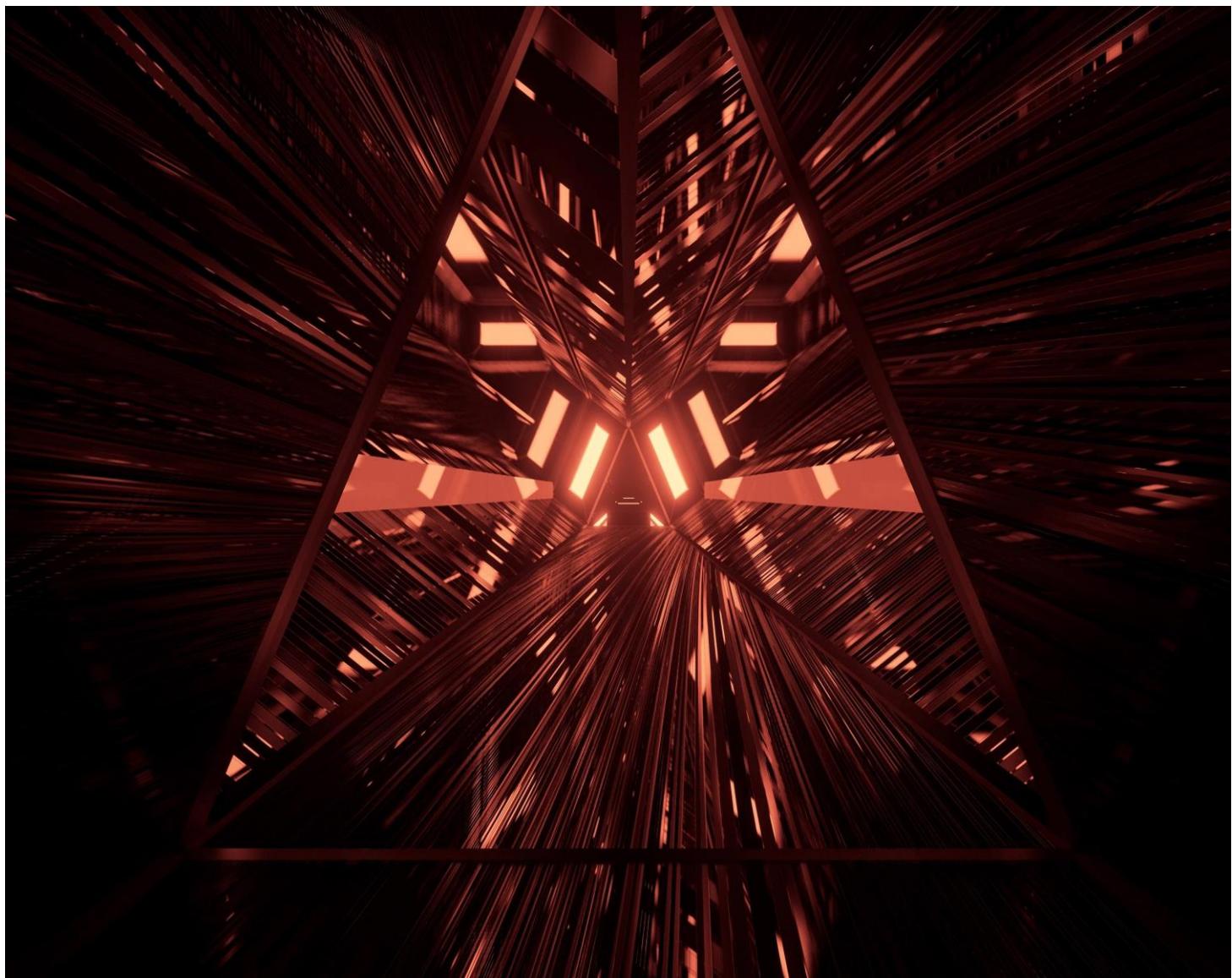


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2026 AGM and reporting season: what to expect

January 2026



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Introduction

This briefing summarises key developments to be aware of when preparing for 2026 annual general meetings and compiling the narrative aspects of annual reports.

It is aimed principally at UK incorporated companies with a listing in the Equity Shares Commercial Companies category under the Financial Conduct Authority's (**FCA**) UK Listing Rules (**UKLRs**) (**listed companies**). It also covers material developments for AIM companies. The headline points we cover are set out below.

Considerations for 2026 AGMs

- Resolutions and practice in 2025.
- Key points from various updated voting guidelines for 2026, including those of Glass Lewis, Institutional Shareholder Services (**ISS**) and Pensions UK.
- AGM reminders for AIM companies.
- Miscellaneous issues relevant to AGMs.
- Horizon scanning – issues relevant to AGMs in the future.

Considerations for 2026 narrative reporting

- The Financial Reporting Council's (**FRC**) views on corporate reporting.
- Reporting by listed companies pursuant to the FRC 2024 UK Corporate Governance Code (**2024 FRC Code**).
- Remuneration reporting.
- Diversity reporting pursuant to the UKLRs and the FCA Disclosure Guidance and Transparency Rules (**DTRs**) and various voluntary initiatives.
- Sustainability reporting.
- Reporting by AIM companies in light of the 2023 Quoted Companies Alliance Corporate Governance Code (**2023 QCA Code**).
- Other reporting developments.
- Horizon scanning – issues relevant to narrative reporting in the future.

At the end of this briefing we also set out, and link to, key documents published in 2025.

We considered many of these issues at our November 2025 AGC conference. Click [here](#) to access the event landing page where you will find the session materials, a recording of proceedings and links to other useful information.

A. Considerations for 2026 AGMs

Considerations for 2026 AGMs: <i>what we cover</i>
1. A retrospective on AGM practice and resolutions in 2025
2. Updated voting guidelines: Glass Lewis, ISS and Pensions UK
3. AGM reminders for AIM companies
4. Miscellaneous issues relevant to AGMs
5. Horizon scanning – issues relevant to AGMs in the future

A1. A retrospective on AGM practice and resolutions in 2025

In this section we summarise our view of market practice from the 2025 AGM season. Statistics are sourced from Practical Law's '**What's Market practice Insights and Trends report on Annual Reporting and AGMs 2025**' (published for subscribers in November 2025) and the LexisNexis '**Market Standards Trend Report – AGM Season 2025 – investor voting and key trends**' (published for subscribers in December 2025).

Meeting format

According to Practical Law, 2025 saw another modest increase in the number of FTSE 350 companies holding physical meetings, with 84% of meetings held this way (compared with 81% in 2024), while hybrid meetings continue to fall, comprising 15% of meetings (compared to 17% in 2024). It notes just 1% of companies (three in number) that held a virtual meeting and continues to note a separate type of meeting – "digitally-enabled AGMs" – of which it identified five such meetings in 2025 (all were FTSE 100, an increase of one on 2024). (Note the change to the ISS voting guidelines for 2026 as regards such meetings (see Section A2 below).)

These figures are broadly similar to those in LexisNexis's research which are summarised in the table below.

LexisNexis AGM Season Report 2025: <i>meeting format</i>	
FTSE 100 (96 notices in study)	FTSE 250 (170 notices in study)
Physical AGMs: 79.2% (57 physical meetings and 19 physical meetings with webcast or streaming)	Physical AGMs: 93.5% (150 physical meetings and 9 physical meetings with webcast or streaming)
Hybrid AGMs: 18.8% (18 meetings)	Hybrid AGMs: 4.7% (8 meetings)
Virtual AGMs: 2% (2 meetings)	Virtual AGMs: 1.8% (3 meetings)

Engagement with shareholders

By way of reminder, the FRC Good Practice Guidance for Company Meetings (published July 2022) remains key guidance in this area.

According to Practical Law, the number of companies allowing questions to be asked in advance of a meeting has remained largely static, at 194 out of their sample of 252 FTSE 350 companies. Of the 194, 135 included a statement in their notice as to *how* answers would be provided. Of these, 124 companies stated *when* answers to questions would be provided and 33 (down from 61 in 2024) confirmed that responses would be given *before* the proxy voting deadline.

Disruption at AGMs

We are aware of relatively little disruption at AGMs this year. Where it did occur, it appears to have been in relation to climate-related or political issues. Reported disruption took the form of confrontation, disruption and protests within the meeting; in some cases protesters were removed by security.

Authority to allot resolution

Practical Law notes that the number of companies seeking the additional one-third allotment authority (i.e. upto 66% of issued share capital as permitted by the Investment Association Share Capital Management Guidelines 2023 (**IA Guidelines**)) is in line with previous years at:

- 69% of FTSE 100 companies (65% in 2024); and
- 77% of FTSE 250 companies (79% in 2024).

It also notes that of the 186 companies which sought the additional one-third allotment authority, 122 confirmed that the additional authority would be used for fully pre-emptive offers (up from 108 companies in 2024), whereas 63 restricted use to rights issues only (down from 80 companies in 2024). Put another way, a reduced but still significant number of companies continue **not** to take advantage of the relevant flexibility introduced into the IA Guidelines.

Pre-emption disapplication resolutions

According to Practical Law, most companies continue to seek the additional pre-emption disapplication authority (i.e. a power to disapply pre-emption rights for use in connection with an acquisition or specified capital investment – commonly the second pre-emption disapplication resolution proposed at AGMs) as follows:

- 77% of FTSE 100 companies (compared with 80% in 2024); and
- 82% of FTSE 250 companies (compared with 81% in 2024).

In December 2025, the Pre-Emption Group (**PEG**) issued its third annual report reflecting the use of its 2022 Statement of Principles on Disapplying Pre-emption Rights (**2022 SoP**) – key findings are set out in the next table.

PEG Third Annual Monitoring Report 2024/25: <i>key findings</i>	
77.6%	Companies with an AGM during the study period which sought an enhanced disapplication authority allowed under the 2022 SoP (i.e. that exceeds the 5% levels previously allowed under the 2015 Statement of Principles). This compares with 67.1% in PEG's 2024 report and 55.7% in its 2023 report.
5.1%	The average percentage of votes cast <i>against</i> disapplication authority resolutions (up from 4.7% in PEG's 2024 report).
99.1%	Companies with an AGM during the study period that had all disapplication resolutions <i>approved</i> by shareholders.

The most popular level of authority sought is 24% of issued share capital (comprised of two resolutions of 12% each) – i.e. the fullest extent permissible by the 2022 SoP. Other key learning points from the latest monitoring report are set out in the next table.

PEG Third Annual Monitoring Report 2024/25: *some key points*

2022 SoP: PEG notes continued uptake of the 2022 SoP. It also notes that the majority of resolutions for disapplication authorities were approved.

Mistakes: PEG reiterates that it is no longer best practice to use the six month look back period for acquisitions or specified capital investments (12 months should be referred to instead). Companies should no longer refer to the 7.5% rolling limit on the issue of shares for cash in any three year period. PEG notes four companies that tabled resolutions that did not include a percentage amount in the resolution. It also mentions two companies that presented a single resolution for both authorities instead of two.

20% authority for general corporate purposes: PEG notes five companies (all closed-ended investment funds) that sought 20% disapplication for general corporate purposes. All five resolutions were approved.

Investor support: PEG continues to note a small minority of investors which do not support the 2022 SoP. PEG may engage with them in the future if levels of dissent remain elevated.

Reminders: PEG reminds companies that, when filing a post transaction report, the disclosure of discounts should include expenses (as defined).

Misuse of disapplication authorities: PEG continues to encourage investors to report misuse of authorities, including the use of cash box structures to raise funds in excess of the disapplication authority granted at a company's most recent AGM.

Say-on-climate resolutions

Say-on-climate resolutions continue to be relatively few in number. As noted in previous briefings, this may be because both companies and activist shareholders await the imminent publication of sustainability standards and rules (see Section B5 below for more) and/or are relatively content with the extent of climate-related disclosure. Practical Law notes that just seven companies (five FTSE 100 and two FTSE 250) tabled board-proposed climate-related resolutions in 2025; all these resolutions passed.

Requisitioned resolutions

We are aware of six shareholder requisitioned resolutions in 2025, all of which failed. Three were coordinated by ShareAction and related to the company's approach to human capital management including the publication of more information as to whether the Real Living Wage was paid to employees and third party contracted staff. Two of these resolutions received sufficient support (i.e. above 20%) to require further company engagement and disclosure under Provision 4 of the FRC 2024 Code, and in each case the company has agreed, following shareholder feedback, to enhance its disclosures.

Adoption of new articles of association

We mentioned in last year's briefing that one company's proposal to amend its articles was defeated primarily due to the proposed changes allowing it to convene virtual-only general meetings. This was a timely reminder that some investors and proxy voting agencies continue to object to constitutional changes that allow, or appear to allow, meetings in this format.

As regards 2025 AGMs, Practical Law notes that two companies proposed amendments to their articles to allow them to hold virtual-only shareholder meetings, although one of them withdrew the resolution before the meeting took place. The second company's resolution was approved but with a significantly higher vote against relative to other resolutions put to the meeting.

The debate on amending articles to allow for virtual-only meetings continues. See Section A2 below for a clarification in ISS's voting guidelines in this area and Section A5 below for an update on related developments.

Other issues on resolutions

Resolutions not passed. Practical Law notes that 15 resolutions failed in 2025 (compared with 11 failed resolutions in 2024 and 23 in 2023). The resolutions that failed are listed below:

- Six shareholder-requisitioned resolutions (see earlier Section on 'Requisitioned resolutions').
- Three resolutions to approve the annual remuneration report.
- Two resolutions to approve the disapplication of pre-emption rights.
- Two resolutions to approve directors' authority to allot shares.
- One resolution to re-elect a director (by independent shareholders).
- One resolution to approve a Rule 9 waiver.

Shareholder dissent. Dissent remains relatively low although with a noticeable uptick on the record lows of 2024. The next table summarises some key points regarding dissent, i.e. where 20% or more of the votes are cast against a board-proposed resolution.

Practical Law Annual Reporting and AGMs 2025: <i>significant dissent</i>	
Companies experiencing dissent	
24% of the companies sampled (18% FTSE 100, and 28% FTSE 250) received significant dissent in relation to at least one resolution (82 resolutions in total).	
Types of resolutions	
Types of resolution most commonly the subject of significant dissent:	
<ul style="list-style-type: none">• Director re-election/election (20 resolutions)• Directors' remuneration report (17)• Directors' remuneration policy (14)• Share plan approval (8)• Pre-emption disapplication (5)• Rule 9 waiver (4)	

A2. Updated voting guidelines

In this section we cover updates to: (i) Glass Lewis' UK Benchmark Policy Guidelines; (ii) ISS' Benchmark Policy Recommendations; and (iii) Pensions UK's Stakeholder and Voting Guidelines.

Investment Association Shareholder Priorities

For completeness, it appears that Investment Association no longer publishes its 'Shareholder Priorities'; the last such publication being in 2023.

Glass Lewis 2026 UK Benchmark Policy Guidelines

In December 2025, proxy advisory agency Glass Lewis published its 2026 UK Benchmark Policy Guidelines containing its voting policy effective for meetings from 1 January 2026. The guidelines are now based on the 2024 FRC Code. (See Section B3 below for changes as regards remuneration.)

Glass Lewis 2026 UK Benchmark Policy Guidelines: <i>some key changes</i>	
Board committee size	The guidelines have been updated to reflect that Glass Lewis will typically recommend that shareholders vote against, rather than abstain from voting on, the re-election of the audit and/or remuneration committee chair where the committee is of an 'insufficient size'.
Gender diversity at board level	Given that the timeline for achieving the FTSE Women Leaders Review targets has now passed, the guidelines have been updated to reflect that Glass Lewis will typically recommend against the re-election of the nomination committee chair where a FTSE 350 board does not comprise at least 40% gender diverse directors, absent any mitigating circumstances.
AIM companies – board independence	The 'AIM-Quoted Companies' section of the guidelines has been updated to reflect the 2023 QCA Code expectation that independent non-executive directors should comprise at least half of the board and there should as a minimum be at least two independent non-executive directors. Accordingly, in the event that more than half of the members are affiliated or inside directors, Glass Lewis will typically recommend a vote against one or more of the non-independent directors in order to satisfy this threshold.

Glass Lewis 2026 Benchmark Policy Guidelines for Shareholder Proposals & ESG-Related Issues

Glass Lewis has also published its 2026 Benchmark Policy Guidelines for Shareholder Proposals & ESG-Related Issues. These are also effective for meetings from 1 January 2026. Whilst the UK Benchmark Policy Guidelines discussed above should be the starting point and also cover UK ESG matters, they point readers wanting more detail on compensation, environmental, social, and governance shareholder proposals to the Shareholder Proposals & ESG-Related Issues Guidelines.

Glass Lewis – new approach in the future

In October 2025, Glass Lewis announced plans to make significant changes over the next two years to the way it applies proxy voting policies and delivers its proxy research and voting recommendations. First, it will help clients move beyond standard policies, guiding them to create voting frameworks that reflect their individual investment philosophies and stewardship priorities. It notes that a majority of its clients already use their own customised policy guidelines or a specific thematic policy, and their goal is now to enable all clients to vote according to their own policies.

Second, Glass Lewis will move away from research and voting recommendations based on its house policy and shift to providing multiple perspectives that reflect the varied viewpoints of its clients. While still under development, the spectrum of perspectives could range from one that leans toward management and others that reflect more governance fundamentals. Beginning in 2027, Glass Lewis' clients will be able to access any or all of these perspectives to inform their voting decisions.

ISS Proxy Voting Guidelines.

In December 2025, ISS published its 2026 Proxy Voting Guidelines Benchmark Policy Recommendations for the UK and Ireland. The revised policies will apply for shareholder meetings taking place on or after 1 February 2026. Some changes are in the area of remuneration (see Section B3 below for more). Other key changes are set out in the next table.

Updated ISS policies: <i>key points</i>	
Amending articles of association for virtual meetings	<p>A new definition of "physical or in-person shareholder meeting" has been added. The ISS rational is that it reflects a recent development, whereby a limited number of companies have sought to introduce more restrictive in-person shareholder meetings, where for example, participating shareholders are provided with a physical meeting venue but no directors are present. ISS states that while some flexibility in meeting formats is not inherently problematic, proposals that restrict in-person interaction with directors could raise concerns, particularly where such changes might diminish shareholder participation or restrict opportunities for engagement with the board.</p> <p>The change has been made in the context of ISS's overall policy as regards amendments to articles to allow virtual-only shareholder meetings where it generally recommends a vote <i>against</i> proposals allowing the convening of such meetings and generally recommends a vote <i>for</i> proposals allowing the convening of hybrid shareholder meetings.</p>
2024 UK Listing Rules	Reflecting the UKLRs as amended in 2024, the wording of the related ISS policies pertinent to controlling shareholders and related party transactions has been updated.
Other changes	Updates to reflect the latest amendments made to the 2024 FRC Code, and the 2023 QCA Code as well as minor typographical corrections.

Pensions UK Stewardship and Voting Guidelines

Although the Pensions and Lifetime Savings Association's 2024 Stewardship and Voting Guidelines were put behind a paywall, the rebranding of PLSA to Pensions UK appears to have precipitated a change of heart and the latest guidelines are freely available.

In December 2025, Pensions UK issued its Stewardship and Voting Guidelines for 2026 along with various related documents including a voting guidelines summary. The guidelines contain a new 'emerging trends' section highlighting the most significant developments from the 2025 voting season, including declining support for say-on-climate votes, growing dissent on governance flashpoints, and the expanding risk focus on AI and cyber security. The guidelines also introduce 'pass-through' voting as one option for schemes seeking to exercise shareholder rights directly. Pass-through voting enables asset owners to exercise voting rights on shares held in pooled or index funds, offering a potential route to strengthen alignment between scheme policies and actual voting outcomes.

The next table sets out other key changes in the 2026 Pensions UK guidelines.

Pensions UK 2026 Stewardship and Voting Guidelines: *key changes*

AI and cyber security: Strengthened narrative on what good company behaviour in these areas looks like and strengthened voting recommendations.

Governance: A change in narrative to reflect that while governance scrutiny is rising, shareholders have less ability to influence it. This leads to a greater focus on potential collaborative stewardship options and emerging industry initiatives.

Climate and sustainability: The guidelines reaffirm the importance of acting on financially material environmental risks while recognising that investor expectations must remain evidence-based and resilient amid shifting sentiment (noting the global political backlash against ESG).

Social factors and workforce: This section has been refreshed to reflect the increasing prominence of social issues, from workforce wellbeing and fair pay structures to supply-chain labour practices.

Equality, Diversity and Inclusion (EDI): The guidelines reinforce Pensions UK's commitment to EDI as a driver of stronger outcomes. Investors are encouraged to scrutinise transparency on workforce and board diversity, data disclosure and progress against clear objectives.

A3. AGM reminders for AIM companies

As mentioned in last year's briefing, the 2023 QCA Code applies to financial years beginning on or after 1 April 2024. By way of reminder, the key changes that impact AGMs for AIM companies following the 2023 QCA Code are set out in the next table. AIM companies not already putting these matters to a shareholder vote should consider doing so or explaining why they have decided not to.

2023 QCA Code: <i>key AGM points</i>	
Principle 6	All directors should submit themselves for election or re-election on an annual basis.
Principle 9	The annual directors' remuneration report should be put to an advisory vote. As regard remuneration policies, where not mandated to be put to a binding vote, policies should at least be put to an advisory vote. Larger companies may wish to follow best practice and put their remuneration policy to a binding vote.
Principle 9	New (or significant amendments to existing) share schemes or long-term incentive plans should be put to a shareholder vote.

A4. Miscellaneous issues relevant to AGMs

Dividends: The London Stock Exchange has issued the 2026 iteration of its Dividend Procedures Timetable. By way of reminder, a dividend timetable which follows the guidelines set out in the Dividend Procedure Timetable need not be notified to the Exchange in advance, provided the announcement of the dividend includes the relevant information set out in the Timetable. (See Section B1 below for FRC comments on lawfulness of dividends.)

Sanctioned persons: Companies should continue to consider relevant sanctions when paying dividends.

A5. Horizon scanning

By way of reminder, in previous client briefings we noted that there is some doubt that virtual-only AGMs are legal (even if permitted by articles of association). This is due to a tension between section 360A of the Companies Act 2006 which provides that nothing precludes the holding of a meeting by electronic means, and section 311 which requires notice of a meeting to specify a 'place' at which the meeting will be held. Analysing the interaction of the two sections can lead to differing interpretations and the issue has yet to be determined by the courts.

In a Written Statement to Parliament on 14 October 2024, the then Secretary of State for Business and Trade, Jonathan Reynolds, stated that, as part of efforts to modernise UK company law, the government would examine the potential for updating shareholder communication in line with technology and for clarifying the law in relation to virtual AGMs. However, it is still not clear when that legislative clarification will find Parliamentary time.

More recently, in December 2025 the GC100 issued new guidance for virtual-only meetings of shareholders. The guidance states that the GC100 has engaged extensively with government officials, investor bodies and industry stakeholders to develop guidance for listed companies wishing to hold virtual meetings.

The guidance encourages companies to take advantage of advances in technology to maximise shareholder participation and engagement, and to ensure that shareholder meetings remain accessible, efficient and fit for the future. However, it also recognises that the circumstances of individual companies and the nature of their engagement with shareholders will vary.

The core of the guidance comprises eight provisions focused on assisting companies when holding virtual-only meetings. For a company that seeks authority from shareholders (by way of special resolution) to amend its articles of association to allow the holding of virtual meetings, it may choose to state in its explanatory statement to the resolution that it will follow the GC100 guidance and its eight provisions so far as it is appropriate and/or practicable to do so. The next table briefly summarises the areas covered by the eight provisions.

The GC100 virtual-only meetings guidance: <i>headline provisions</i>
1. Promoting engagement, dialogue and transparency
2. Dedicated company website area for the latest information
3. Details to be included in the notice of meeting
4. Documents for display
5. Ability to see and hear the directors and chair
6. How shareholders can ask questions
7. The company's approach to answering and grouping questions
8. The ability of shareholders to see and hear questions put

The guidance also includes an appendix in which it states that a company may wish to consider proposing a time-limited authority for virtual-only meetings and that a period of up to five years before seeking further approval for an indefinite period may be appropriate. This would give companies sufficient time to invest in technology and processes to deliver high-quality virtual

meetings, while giving shareholders the opportunity to review and confirm that virtual meetings continue to meet their expectations for engagement and accountability.

The GC100 notes that it will continue to engage with stakeholders in the coming months to obtain broad-based support for the guidance and will review it as market practice evolves.

B. Considerations for 2026 narrative reporting

We cover the developments listed in the table below in Sections B1 – B6 as being particularly relevant for the 2025 annual reports of those with 31 December year ends to be published in 2026. In Section B7, we consider some miscellaneous reporting developments and in Section B8 we look at horizon scanning.

Considerations for 2026 narrative reporting: <i>what we cover</i>
1. The FRC's views on corporate reporting including corporate governance reporting
2. Reporting by listed companies pursuant to the 2024 Code
3. Remuneration reporting
4. Diversity reporting
5. Sustainability reporting
6. Reporting by AIM companies
7. Other reporting developments
8. Horizon scanning – developments that may affect narrative reporting in the future

B1. FRC views on corporate reporting

Significant FRC publications relating to corporate reporting this year comprise: (i) the Annual Review of Corporate Reporting; (ii) the Thematic Review on Reporting by the UK's Smaller Listed Companies; and (iii) the Annual Review of Corporate Governance Reporting. We also look at audit committee reporting.

FRC Annual Review of Corporate Reporting 2024/25

In September 2025, the FRC published its Annual Review of Corporate Reporting which contains the findings from its monitoring activities, together with its expectations for the forthcoming reporting season. Overall, and as last year, the FRC felt that the general quality of corporate reporting across FTSE 350 companies had been maintained. However, it still considers that there remains a gap in quality between the FTSE 350 and other companies, noting that the majority of FRC-requested restatements continue to arise in smaller companies. To address this the FRC published its Thematic Review on 'Reporting by the UK's Smaller Listed Companies' which we cover briefly below.

The principal focus of the Annual Review of Corporate Reporting is on financial reporting. As is customary, the FRC sets out its top ten most frequently raised areas in need of improvement, including the top three issues of impairment of assets, cash flow statements and use of financial instruments. Climate-related reporting remains in the top ten list having appeared for the first time last year. As regards narrative reporting, the table below contains examples of specific instances where the FRC challenged companies.

FRC Annual Review of Corporate Reporting 2024/25: *strategic report and other matters*

Ensuring 'fair, balanced and comprehensive' reporting'	<p>The FRC encourages use of its Guidance on the Strategic Report (June 2022) which explains that the review of strategy should include:</p> <ul style="list-style-type: none"> • Unbiased discussion of positive and negative aspects of performance. • Where appropriate, references to, and additional explanations of, amounts included in the financial statements.
Strategic Report: omissions and areas of challenge	<p>The FRC challenged companies where:</p> <ul style="list-style-type: none"> • The description of the business model and strategy was unclear. • A parent company heading a large group took advantage of the small companies' exemption from the need to present a strategic report.
Lawfulness of distributions	<p>The FRC challenged companies where:</p> <ul style="list-style-type: none"> • Dividends were not supported by the company's last audited accounts and where the required interim accounts had not been filed at Companies House. • There were significant differences between the share premium balance disclosed in the consolidated and parent company financial statements. • Unrealised profits in respect of intercompany transactions were included in the profit and loss account by companies preparing accounts under UK GAAP. <p>It also challenged companies on the timing of the recognition of distributions.</p>

The Annual Review of Corporate Reporting also includes the FRC's key disclosure expectations for annual reports and accounts as set out in the next table.

FRC Annual Review of Corporate Reporting 2024/25: *key expectations for 2025/26*

Pre-issuance checks: Ensure a sufficiently robust review process to identify common technical compliance issues. Many corrections and restatements could be avoided by a review of accounts against the top ten issues of FRC challenge identified in its annual review.
Judgements, risks and uncertainties: Ensure clear and consistent disclosures about judgements, uncertainty and risk are given that are sufficient for users to understand the positions taken in the financial statements.
Narrative reporting: Ensure the Strategic Report includes a fair, balanced and comprehensive review of the company's development, position, performance and future prospects. Companies should take care to comply with the applicable climate-related reporting requirements, ensuring disclosures are concise and that material information is not obscured.
<p>Taking a step back: Consider whether the annual report and accounts as a whole:</p> <ul style="list-style-type: none"> • Tell a consistent and coherent story throughout the narrative reporting and financial statements. • Are clear, concise and understandable. • Include all material and relevant information, including information not specifically required by standards but where it is necessary for users' understanding. • Include only material and relevant information – good quality reporting does not necessarily require a greater volume of disclosure.

FRC Thematic Review: Reporting by the UK's Smaller Listed Companies

In November 2025, the FRC published its Thematic Review on Reporting by the UK's Smaller Listed Companies with the aim of narrowing the reporting gap that the FRC sees in corporate reporting between companies within and outside the FTSE 350. The review also reviews reporting by AIM companies.

The principal focus of the review is on financial reporting concentrating on areas where the FRC most frequently asks questions of smaller listed companies, namely revenue, cash flow statements, impairment of non-financial assets, use of financial instruments and clear and concise reporting. It also sets out its key expectations for smaller listed companies as regards transparency, consistency and accuracy of annual reports.

FRC Annual Review of Corporate Governance Reporting 2025

In November 2025, the FRC issued its Annual Review of Corporate Governance Reporting against the 2018 Code, noting that from 2026 it will review against the 2024 Code.

The FRC notes many improvements over the past five years and that companies are now "*moving towards*" more outcomes-based reporting which describes the actions taken during a given year and the impact of those actions. The FRC hopes the review will help companies "*strengthen and streamline*" their reporting as it believes that there needs to be greater focus on ensuring annual reports are as concise as possible. Companies are encouraged to assess the volume and relevance of their disclosures, streamlining the content to the most material strategic and governance considerations while removing boilerplate language, repetitive content and generic statements which add little value. Areas which the FRC suggest should be considered in this context are set out in the table below.

FRC Review of Corporate Governance Reporting 2025: <i>improvements to consider</i>	
Focus on board actions and outcomes	Annual reports should focus on board actions, reducing reporting on matters where there is no board involvement.
Avoid narrative without purpose	Before including any content, consider whether the information is necessary and whether readers would find it useful. If the answer is unclear, it may be worth removing or refining the content.
Eliminate boilerplate language	Avoid boilerplate statements that offer little or no insight, such as: "People are central to our success". The FRC suggests that these phrases are often repeated by companies and do not reflect tangible actions or outcomes.
Avoid duplication	Disclosures, such as those on stakeholder engagement or risk management, are frequently dispersed across sections of the annual report, resulting in duplication and fragmented narratives. Consolidating related content or using suitable cross-referencing can enhance coherence and readability.
Minimising regulatory repetition	Rather than verbatim repetition, companies should focus on demonstrating how the principles of the UK Corporate Governance Code are applied in practice, offering context and practical insight.

Other key FRC messages from its annual review include those listed in the table below.

FRC Review of Corporate Governance Reporting 2025: *other key messages*

Explanations: The FRC continues to highlight the value of including a dedicated statement that confirms whether all principles of the Code have been applied and the extent that individual provisions have been followed. It also reiterates the need for clear and specific explanations for non-compliance with provisions that set out the rational for any departure and describe any alternative governance arrangements/safeguards in place.

Culture: The FRC reminds companies of the need for transparent, insightful, outcomes-based reporting that is concise and purposeful, which highlights the board's actions and oversight in the area, and which explains how culture has been embedded.

Stakeholder engagement: The FRC stresses the need for insightful reporting on the *board's* shareholder activities carried out in the year, the outcomes it achieved and how investor perspectives informed board decision-making. Simply listing policies and procedures should be avoided. The FRC also notes that for the section 172 statement, the annual report should show how the board has considered *all* of the factors and stakeholder interests in section 172(a)-(f) of the Companies Act 2006.

Reporting on outcomes: Outcomes-orientated reporting should focus on actions that stem directly from *board* engagement or consideration.

Overboarding: The FRC believes that annual reports could be more informative if companies disclosed the specific factors considered during the evaluation of directors' time commitments, therefore moving away from a purely numerical approach to overboarding – i.e. merely listing a directors' commitments.

Role of the SID: The FRC encourages companies to provide company-specific and time-relevant information on the role of the SID and to explain the activities of the SID during the year.

Audit quality review inspections and interactions with the FRC's Corporate Reporting Review team:

The FRC believes that there remains room for improvement in disclosures of AQR results, particularly around the scope of the review and how findings were addressed. It reiterates that reporting on interactions with the FRC CRR team provides valuable insight for investors.

New Provision 29 of the Code (effective for periods beginning on or after 1 January 2026):

The FRC notes that more than half of companies in its sample mentioned the prospective changes to the Code. Examples of preparations include: training for the board and committees; enhancing internal control frameworks; identifying material controls; reviewing the development of new frameworks; changing the scope of audit committee responsibilities; and, for some companies, carrying out a dry run of the process intended to support the prospective internal control declaration of effectiveness. The report provides examples of such preparations.

Cyber security and information technology: Given the increasing prevalence of incidents and sophistication of threats from cybercriminals and state-backed actors, the FRC notes that there is a necessity for businesses to strengthen their cyber security frameworks, enhance resilience and ensure robust risk management practices are in place. As regards AI, the FRC believes there is a need for robust governance and oversight to manage risk.

Remuneration: The FRC notes a trend of cautious use of discretion in adjusting variable awards, widely adopted but rarely invoked malus and clawback arrangements and a majority of companies having post-employment shareholding guidelines.

Reporting and the FRC'S Audit Committees and the External Audit Minimum Standard

Recap. As previously covered, the FRC's 'Audit Committees and the External Audit: Minimum Standard' (**Minimum Standard**) covers: the scope and authority of the audit committee; its responsibilities; audit tendering; oversight of audit and auditors; and reporting. The Minimum Standard features in the 2024 FRC Code in both Provisions 25 and 26.

Provision 25 states that one of the main roles and responsibilities of the audit committee is to "follow" the Minimum Standard. **Provision 26** states that the annual report of a company should describe the work of the audit committee, including "the matters set out in" the Minimum Standard. If a company chooses to depart from any aspect of the Minimum Standard as envisaged by Provisions 25 and 26, a clear and sufficiently detailed explanation of non-compliance should be given.

As regards reporting, many reporting expectations in the Minimum Standard repeat the expectations of Provision 26 of the 2018 Code and may not present new challenges to companies, particularly as regards disclosure. However, other aspects are new or more detailed. For example, reporting expectations in Paragraph 24 of the Minimum Standard include disclosure of:

- An explanation of the application of a company's accounting policies.
- Where shareholders have requested that certain matters be covered in an audit and that request has been rejected, an explanation of the reasons why.
- Where a regulatory inspection of the quality of a company's audit has taken place, information about the findings of that review, together with any remedial action the auditor is taking in the light of these findings.
- If a tender process has taken place within the year, the audit committee should explain the criteria used to make the selection and the process followed.

What companies need to do. We mentioned in last year's briefing that audit committees should ensure they are briefed on and familiar with the Minimum Standard and should undertake or oversee a gap analysis which compares approaches and policies, including committee terms of reference, with the Minimum Standard and make relevant updates as considered appropriate in order to be able to comply with the expectations of Provisions 25 and 26, including as regards disclosure.

In its Annual Review of Corporate Governance Reporting 2025 (discussed above), the FRC notes that it looks forward to seeing more comprehensive reporting against the Minimum Standard in 2026 audit committee reports. It notes that where a company considers that following a particular element within the Minimum Standard is not proportionate or relevant to its circumstances or business needs, an explanation will support users' ability to understand the company's rational and approach.

The Annual Review also looks at the effectiveness and independence of the external audit process and audit tendering which may be useful to audit committees as regards their general reporting.

B2. Reporting by listed companies pursuant to the 2024 FRC Code

Recap. The 2024 FRC Code applies to financial periods beginning on or after 1 January 2025 (with the exception of Provision 29 which applies to financial periods beginning on or after 1 January 2026). This means that for December year-end companies, first reporting pursuant to the 2024 FRC Code (other than Provision 29) should be in their 2025 annual reports published in 2026.

Enhanced disclosures. In the next table, we set out the principal areas of change that companies should consider when reporting against the 2024 FRC Code and its associated guidance.

2024 FRC Code: <i>enhanced disclosures</i>
Outcomes of decisions within the framework of the company's strategy and objectives.
How culture is embedded.
The impact of the 2024 FRC Code (embracing diversity, inclusion and equality of opportunity in the widest sense) on D&I policies and procedures.
How the board maintains its risk and internal control framework.
More detail on malus and clawback arrangements in directors' remuneration arrangements, including how they have been used in practice.
Work undertaken and route-map towards Provision 29 'compliance'.

Preparations by companies for Provision 29. The key change in the 2024 FRC Code concerns Provision 29 which focuses on risk management and internal controls. In-scope companies are expected to report against it for their financial period beginning on or after 1 January 2026. As to the disclosure itself, the board will need to:

- Describe how it has monitored and reviewed the effectiveness of the company's risk management and internal control framework covering all material controls, including financial, operational, reporting and compliance controls.
- Make a declaration of effectiveness of those material controls as at the balance sheet date.
- Describe any material controls which have not operated effectively as at the balance sheet date, the action taken, or proposed, to improve them and any action taken to address previously reported issues.

Note that the 2024 FRC Code expressly refers to reporting controls, alongside financial, operational and compliance controls, when setting out the material controls to be included in the board's monitoring and review processes.

Companies should continue with their preparations to comply with Provision 29. As set out in Section B1 above, the FRC's Review of Corporate Governance Reporting 2025 includes examples of disclosures by some companies on their preparations for the application of the provision.

For more on the 2024 FRC Code, see our January 2024 client briefing [here](#). Note also that in February 2025, the FRC updated its Guidance on the Going Concern Basis of Accounting and Related Reporting (including Solvency and Liquidity Risks) which will be of particular relevance to those charged with undertaking going concern assessments and associated reporting and evaluating and framing viability disclosures.

B3. Remuneration reporting

There has been considerable attention on hybrid schemes and alternative remuneration structures this year.

Investment Association's ("IA") Letter to Remuneration Committee Chairs

While the IA confirmed there was no intention to update its Principles of Remuneration (**IA Principles**) again this year, its November 2025 letter focused on encouraging improved implementation of the IA Principles, which we also reported on in [AGC Update, Issue 73 – Item 8](#). The IA emphasised that the rationale for remuneration decisions must be well-substantiated and company-specific. The IA also noted that hybrid schemes would only be appropriate where a company has a significant US footprint and/or is competing for global talent.

Voting Guidelines

As a reminder, Glass Lewis introduced a new section on hybrid plans in its 2025 UK Benchmark Policy Guidelines, published in November 2024, which largely mirrored the IA Principles. While hybrid plans are assessed for approval on a case-by-case basis, Glass Lewis expects disclosure of the rationale for choosing a hybrid model over a single structure, a reduction in maximum opportunity compared with the previous LTIP (with an explanation of the methodology used to determine the discount rate) and total holding period (pre- and post-vesting) of at least five years. Where competition for US or global talent is cited as part of the rationale, companies are expected to disclose their consideration of relevant peers.

Glass Lewis published its 2026 UK Benchmark Policy Guidelines in December 2025. They include a description of the proprietary pay for performance model which Glass Lewis has introduced to assess alignment between executive remuneration and company performance. While a poor alignment score may influence voting recommendations, decisions remain subject to a holistic review of remuneration structure, disclosure quality, incentive design, and business context.

ISS published its Proxy Voting Guidelines Benchmark Policy Recommendations for the United Kingdom and Ireland in January 2025. It noted that the flexibility provided by the IA to choose a pay structure appropriate for a company's strategy and business needs may lead to structures that differ from the traditional bonus/LTIP model. ISS is open to such arrangements, provided they are designed with due regard to its guidelines.

In its Proxy Voting Guidelines Benchmark Policy Recommendations for the United Kingdom and Ireland for 2026 (published in December 2025), ISS introduced an expectation that companies should make clear disclosures regarding executive director leaving arrangements, including a rationale and justification for the leaver treatment. This reflects the IA's position and aims to align leaver treatment with market practice and investor expectations.

UK Corporate Governance Code Guidance

The FRC recently updated its 2024 FRC Code Guidance (**Guidance**) regarding the remuneration of non-executive directors.

The Guidance recognises that many companies wish to support non-executives in building a personal shareholding in a company to foster alignment between their interests and those of shareholders.

The 2024 FRC Code is unaltered in stating that non-executive remuneration should *not* include share options or performance-related elements, but the Guidance clarifies that boards may offer alternative remuneration structures, including options or other rights to acquire shares provided that:

- the grant of such options or similar rights does *not* jeopardise the independence of directors; and
- *no* performance-related conditions are included.

Companies are encouraged to include in their annual reports the rationale and process for allowing non-executive fees to be paid in shares and, where alternative remuneration structures are adopted, to disclose them clearly.

Companies (Directors Remuneration and Audit) (Amendment) (Regulations) 2025

These Regulations came into force on 11 May 2025 and aim to streamline directors' remuneration reporting obligations by repealing overlapping requirements derived from EU law.

We summarised the Department for Business and Trade's (**DBT**) guidance on the Regulations in [AGC Update, Issue 65 – Item 5](#). It is important to note that some disclosure requirements no longer enshrined in statute will remain expected under the 2024 FRC Code (for example, disclosure of the remuneration policy decision-making process and the vesting and holding periods for share awards).

Reminder – Malus and Clawback

As a reminder, under Provision 38 of the 2024 FRC Code, companies are expected to provide a more detailed description of their malus and clawback provisions in their annual reports, including:

- the circumstances in which malus and clawback provisions could be used;
- a description of the period for malus and clawback and why the selected period is best suited to the company; and
- whether the provisions were used in the last reporting period and, if so, a clear explanation of the reasons for their use.

This is an area on which the FRC commented in its Annual Review of Corporate Governance Reporting 2025. See Section B1 above.

B4. Diversity reporting

When the FCA published its Policy Statement (PS 22/3) alongside the revised UKLRs and DTRs which enhanced DEI reporting, it noted that it would review the rules within three years to assess whether the nature and level of targets remained appropriate and sufficiently ambitious. As yet, no such review has been published.

Diversity reporting: FTSE Women Leaders Review

In February 2025, FTSE Women Leaders Review published its latest report on the gender balance of the boards of the largest UK companies. Although the review's targets have now been largely incorporated in the UKLRs, the review remains an influential initiative as well as having

points of difference including extension of its scope beyond FTSE 350 companies to include the largest 50 private companies by sales in the UK. Headlines from the report include:

- The average figure across the FTSE 350 for women on boards is 43.4%, showing further progress in the past year.
- The average figure for women in senior leadership roles across the FTSE 350 is 35.3%.
- In terms of which of the four key senior leadership roles are held by women across the FTSE 350, the review notes that the number of Chairs increased significantly up seven to 60 Chairs, Finance Directors are up nine to 57, and Senior Independent Directors increased by 30 to 192. In contrast, the number of women CEOs fell one to 19.
- The average figure across the top 50 private companies for women on boards is 30.5% and in senior leadership roles is 36.8%.

Diversity reporting: the Parker Review

In March 2025, the Parker Review Committee published its 2025 update on the ethnic diversity in UK business. Headlines from the update are set out in the next table.

Parker review: some key statistics
Target of at least one ethnic minority director on the board achieved by: <ul style="list-style-type: none">• 95% of the FTSE 100• 82% of the FTSE 250• 48% of top 50 private companies (with the target to be met by the end of 2027)
Self-set target for senior management positions to be occupied by ethnic minority executives by the end of 2027 <ul style="list-style-type: none">• Average target set in FTSE 100 is 15%• Average target set in FTSE 250 is 13%• Average target set by top 50 private companies is 13%

B5. Sustainability reporting

In this section we look, briefly, at the current state of play and recent developments as regards: (i) reporting requirements pursuant to the Taskforce on Climate-Related Financial Disclosure (**TCFD**) recommendations; (ii) international and UK sustainability reporting; (iii) EU sustainability reporting; and (iv) transition plans.

TCFD reporting and related developments

Recap. TCFD reporting is required by all listed companies on a partial 'comply or explain' basis pursuant to the UKLRs. In addition, mandatory TCFD-aligned climate-related financial disclosure requirements (**CFD**) are required of certain large 'traded', banking, insurance and AIM companies and large, high turnover private companies and LLPs, pursuant to the Companies Act 2006.

The FRC's detailed 2025 thematic review of climate-related financial disclosures by AIM and large private companies (**2025 FRC review**) found a variable quality of disclosures, although

their Annual Review of Corporate Reporting 2024/25 found that there were fewer substantive queries in respect of TCFD, CFD and climate-related narrative reporting in 2024/25 (2% of reviews compared to 4% in 2023/24).

Issues with disclosures identified in the 2025 FRC review included:

- Failing to provide an analysis of the resilience of the company's business model and strategy under different climate-related scenarios.
- Failing to provide an assessment of progress against climate-related targets using key performance indicators.
- Unstructured governance disclosures across the annual report and accounts that were not cross-referenced.
- Failing to explain how climate-related risks and opportunities (**CROs**) were identified.
- Failing to cover all the disclosures required under the CFD regime.
- Failing to identify climate-related opportunities or to describe the timeframes over which CROs were assessed.
- Referencing climate-related information outside the annual report, a practice which does *not* comply with CFD regime requirements.

The FRC states that it will take into account the growing sophistication of reporting entities when it corresponds with companies on their reporting in future.

TCFD: key issues for UK companies
The 2025 FRC review set out several considerations which would enhance reporting:
<ul style="list-style-type: none">• Good CFD disclosures do not have to be long or complex and better disclosures were generally more concise and often conveyed information using tables or diagrams.• Materiality is important – some companies disclosed seemingly minor CROs without explaining why they were considered principal CROs. Companies should only highlight matters that could affect their business model or strategy significantly.• Companies with operations across multiple locations should explain if the CROs identified vary across geographic areas.• Companies should be clear about the extent and scope of any external assurance obtained.
Sustainability reporting and related developments – International and UK
Recap. In 2023, the International Sustainability Standards Board (ISSB) published its first two Sustainability Disclosure Standards (SDSs): S1 (which covers all sustainability-related risks and opportunities that could affect company cash flows, access to finance or cost of capital over the short-, medium-, or long-term); and S2 (which covers climate-related risks and opportunities and incorporates and augments the TCFD recommendations).

In 2023, the UK government committed to make reporting against UK endorsed versions of IFRS S1 and S2 mandatory in the UK. In December 2024, the UK Sustainability Disclosure Technical Advisory Committee (**TAC**) made recommendations to the Secretary of State for the DBT regarding some minor changes that would be needed to make S1 and S2 relevant for use in the UK.

In June 2025, the UK government consulted on exposure drafts of the UK Sustainability Reporting Standards (**UK SRS**) (see [UK Government consults on adopting ISSB sustainability reporting standards and mandating Transition Plans](#)).

Where are we now? It is anticipated that the Secretary of State will make a decision on endorsing UK SRS in 2026 following the ISSB's December 2025 changes to S2, on which they consulted earlier in 2025. The UK SRS may be used on a voluntary basis by reporting entities at that point.

After the UK SRS are endorsed, both the FCA and the government will consider mandatory sustainability disclosures using the UK SRS for companies subject to the UKLR and companies outside the FCA's regulatory perimeter (respectively). It is not clear which private companies may be in-scope of any mandatory requirements but it is likely that those in scope of the current CFD regime will be included.

The FCA is expected to consult on referencing the UK SRS in UKLR disclosure requirements and strengthening its expectations for transition plan (**TP**) disclosures referencing the TPT's Disclosure Framework early in 2026. This could lead to changes to the UKLR during 2026 which could, in turn, mandate disclosure in annual reports published in 2027. For companies outside the FCA's regulatory perimeter, mandatory reporting requirements are not likely in the short-term. Announcements in Autumn 2025 indicated there will be two consultations in 2026 that, amongst other things, will make changes to sustainability reporting requirements:

- A consultation on **removing redundant reporting requirements**, relocating certain requirements such as SECR reporting, as well as making technical fixes to the UK's audit framework.
- A wider consultation on **modernising corporate reporting**, which is, amongst other things, expected to cover mandatory reporting against the UK SRS.

International and UK sustainability reporting: key issues for UK companies

Companies should determine if they are in-scope of mandatory sustainability reporting requirements based on the UK SRS once UKLR and Companies Act 2006 amendments are published.

Those in scope will need to understand the implementation timing and the uplift from the existing TCFD and CFD requirements.

Sustainability reporting and related developments – EU

Recap. The first reports by the largest companies in-scope of the Corporate Sustainability Reporting Directive (**CSRD**) were published in 2025. By way of reminder, CSRD requires in-scope large and listed EU companies and non-EU companies operating in the EU to publicly report on their sustainability risks, the impact of their activities on people and the environment and related governance issues.

Responding to concerns about EU competitiveness, and before these reports were published, in February 2025 the EU Commission's First Omnibus Package proposed changes to the CSRD and the related Corporate Sustainability Due Diligence Directive (**CS3D**). By way of reminder, CS3D establishes a corporate environmental and human rights due diligence duty for in-scope EU and non-EU companies operating in the EU. CS3D also places obligations on in-scope companies to identify, prevent, end or mitigate adverse environmental and human rights impacts

from their operations or those of their subsidiaries and certain business partners in their chain of activities (see [EU Commission publishes first Omnibus Package to simplify sustainability regulations](#)).

In April 2025, the 'Stop the Clock' Directive delayed the application dates of certain corporate sustainability reporting and due diligence requirements under the CSRD and CS3D and also delayed the transposition deadline of the CS3D (see [EU Parliament adopts Stop-the-clock Omnibus Proposal and process to simplify ESRS starts](#)).

Where we are now? Following extensive negotiations, which resulted in significant changes to the Commission's original Omnibus proposals particularly in relation to threshold requirements and transition plans, EU legislators have reached a provisional agreement on the First Omnibus Package Content Directive (**Content Directive**) and, on 16 December 2025, the EU Parliament formally adopted the final text of that directive. The EU Council must now itself formally adopt the final text of the Content Directive, which will then be published in the EU Official Journal.

EFRAG (formerly the European Financial Reporting Advisory Group) has provided technical advice to the EU Commission on the draft revised European Sustainability Reporting Standards (**ESRS**). By way of reminder, ESRS is the reporting framework adopted in 2023 that forms the basis of reports under CSRD. The revised ESRS will simplify reporting under the CSRD by (amongst other things) reducing the number of mandatory datapoints to be reported on by 61%, deleting voluntary disclosures and simplifying the materiality assessment which needs to be undertaken. Within six months of the Content Directive entering into force, the Commission will prepare legislation to amend the ESRS (see [EU sustainability reporting Omnibus reaches destination as Content Directive agreed](#)).

EU sustainability reporting: key issues for UK companies

Companies previously in-scope of CSRD and CS3D should review the revised threshold criteria to see if they remain in-scope.

If still in scope, understand the revised obligations and when they take effect.

Consider how any previous CSRD or CS3D preparations (such as a materiality assessments) should be adapted for compliance with the revised regimes.

Transition Plans

Recap. A TP is part of an entity's overall strategy that sets out the targets, actions or resources for its transition towards net zero.

There is currently no requirement for UK companies to develop and publish a TP. That said, a TP is arguably an expectation of reporting against the TCFD recommendations for certain listed companies under the UKLR 'comply or explain' TCFD requirements.

In 2021, the UK government committed to make TPs mandatory for large companies and some financial sector firms. In October 2023, the Transition Plan Taskforce (**TPT**) launched its Disclosure Framework, which is intended to be a 'gold standard' for credible TPs and subsequently published various guidance documents. The ISSB took over responsibility for the TPT's disclosure-specific materials in 2024 (see [Transition Plan Taskforce publishes final report on next steps for Transition Plans](#)).

Where are we now? The UK government published a high-level consultation on TP requirements on 25 June 2025 alongside the UK SRS consultation mentioned above. In doing

so, it sought to gather information on transition planning and use cases as opposed to setting out specific proposals (see [UK Government consults on adopting ISSB sustainability reporting standards and mandating Transition Plans](#)).

Although it is not clear from the consultation or subsequent government announcements when specific proposals will be brought forward, it is anticipated that this will be linked to mandatory disclosures using the UK SRS and will also follow a similar timeframe.

As regards listed companies, the FCA is anticipated to consult in Q1 2026 on strengthening its expectations for TP disclosures referencing the TPT's Disclosure Framework when it consults on amending the UKLR to mandate sustainability disclosures using the UK SRS.

Guidance. The IFRS Foundation has published guidance to support disclosures under IFRS S2 on corporate transitions to a low carbon economy (see [AGC Update, Issue 68 – Item 10](#)). This guidance will be useful to companies in-scope of requirements mandating sustainability reporting using the UK SRS.

In November 2025, the Taskforce on Nature-related Financial Disclosures (**TNFD**) released guidance on how organisations should incorporate nature into forward looking TPs (see [AGC Update, Issue 73 – Item 14](#)).

The guidance on Sector Transition Plans (**STPs**) published by the UK Net Zero Council and the Transition Finance Council in October 2025 sets out a framework for sectors to develop collaboratively decarbonisation pathways aligned with national net zero targets. It is designed to help companies determine their transition pathways (see [Sector Transition Plans guidance supports sector benchmarking, coordination and accountability](#)).

Transition Plans: key issues for UK companies
Companies should:
<ul style="list-style-type: none">• Familiarise themselves with both the TPT's Disclosure Framework, related TPT guidance and the IFRS TP guidance, which are likely to be incorporated in any mandatory TP requirements introduced in the UK.• Consider benchmarking their transition planning against that of peers.• Assess nature-related impacts and opportunities for their business and understand TNFD recommendations for incorporating these issues in their TPs.

Market Practice. Voluntary publication of TPs by companies continues to grow. Practical Law's What's Market Practice report for 2025 found that 21% of FTSE 350 companies reviewed had adopted TPT's Disclosure Framework.

B6. Reporting by AIM companies pursuant to the 2023 QCA Code

By way of reminder, the 2023 QCA Code applies to financial years beginning on or after 1 April 2024. This means that companies with financial years which ended on 31 December 2024 are expected to have applied it in their subsequent reporting period and reflect it in their governance disclosures to be published in 2026. By way of reminder, the QCA has stated that the first year of adoption of the 2023 QCA Code should be on the basis of a 'transition period', the implication being that investors should afford companies additional latitude as to their governance practices as they build the necessary capacity and capabilities relative to the 2023 QCA Code Principles.

The QCA has issued a number of publications to assist AIM and other companies applying the 2023 QCA Code. In July 2025, it published revised guidance for remuneration, audit and nomination committees, which it describes as 'companion guides' to the 2023 QCA Code.

The table below sets out some of the enhanced disclosure issues which in-scope companies should consider in relation to the 2023 QCA Code.

2023 QCA Code: <i>suggestions for disclosures to focus on</i>	
Chair's statement	Impact of governance on purpose; outcomes of governance developments and evolution of governance as the company grows.
Purpose	Explanation of company purpose and its link to, and impact on, strategy (per Principle 1).
Culture	Description of culture; how tone from the top supports it and how the board assesses, monitors and acts on cultural indicators (Principle 2).
ESG	Quantitative and qualitative reporting on ESG to meet investor expectations (Principle 3).
Stakeholder engagement	Description of relevant ESG issues and associated KPIs. How the board receives and assimilates stakeholder information, particularly in relation to the workforce (Principle 4).
Risk management	How risks, including emerging risks, are identified and managed and how the board assures the effectiveness of internal controls. The governance of climate-related risks and opportunities should be explained, as should how the audit committee monitors and considers auditor independence (Principle 5).
Board effectiveness	Director contribution to the board and independence considering factors which may impair that conclusion. Expectations as to time commitment and restrictions on additional roles. Extent of shareholder consultation on non-executive director performance-related remuneration. Impact of diversity on board effectiveness and succession planning (Principle 6).
Governance	Director development initiatives and structural governance developments such as the establishment of new committees (Principle 7).
Board performance	Plans for external board performance reviews and detail on succession plans and processes (Principle 8).
Remuneration	An entirely new Principle 9 merits significant attention in the context of a company's directors' remuneration report, particularly the link between policy on remuneration and purpose, business model, strategy and culture.

For more on the 2023 QCA Code, see our November 2023 briefing [here](#).

B7. Other reporting developments

Reducing reporting burdens

New regulations increasing company size thresholds and removing certain requirements from the Directors' Report came into force in 2025. The Companies (Accounts & Reports) (Amendment & Transitional Provision) Regulations 2024 came into force for financial periods beginning on or after 6 April 2025.

As regards the company size determination tests, the balance sheet and turnover tests were increased by 50% to afford more companies and LLPs the opportunity to take advantage of less burdensome reporting regimes permitted by a different size classification. Note that the employee threshold test currently remains unchanged and that transitional provisions apply. The thresholds for small and medium-sized companies are set out in the below table.

Balance sheet and turnover test for company size determination: new thresholds	
• Small companies/LLPs	Not more than £15 million turnover and not more than £7.5 million balance sheet total (BST).
• Small company groups/LLP groups	Not more than £15 million net (or £18 million gross) aggregate turnover and not more than £7.5 million net (or £9 million gross) aggregate BST.
• Medium-sized companies/LLPs	Not more than £54 million turnover and not more than £27 million BST.
• Medium-sized company groups/LLP groups	Not more than £54 million net (or £64 million gross) aggregate turnover and not more than £27 million net (or £32 million gross) aggregate BST.

To assist companies with the new thresholds, the FRC has updated several of its publications and also issued a short summary document entitled 'Changes to company size thresholds' outlining the changes to reporting thresholds, along with key considerations for stakeholders.

The revised thresholds are also relevant as regards payment practices reporting. See Section B8 below for other developments in this area.

The second element of the regulations concerns the removal of requirements for large and medium-sized companies to report on certain issues in their directors' report which duplicate, or have been superseded by, other reporting requirements or which, in the government's opinion, lead to "low-value" disclosures. Disclosures removed include information on engagement with employees; information on the use of financial instruments; and information on important events since the financial year-end.

Further information on miscellaneous developments in 2025 relating to narrative reporting is set out in the table below with links to further reading.

Miscellaneous: <i>where more information can be found</i>	
• PERG annual report on reporting in private equity	AGC Update, Issue 76 – Item 2
• FRC insights on quality of Wates Principles reporting	AGC Update, Issue 76 – Item 1
• Ethnicity and disability pay gap reporting consultation	AGC Update, Issue 64 – Item 2
• Payment practices developments	AGC Update, Issue 73 – Item 11 AGC Update, Issue 69 – Item 1 AGC Update, Issue 63 – Item 3 AGC Update, Issue 62 – Item 5
• Market study on SME audit and reporting challenges	AGC Update, Issue 62 – Item 4

B8. Horizon scanning

Narrative reporting. In last year's briefing, we noted proposals for the reform of the narrative reporting framework. Key developments in this area in 2025 are set out below.

Regulation Action Plan. In October 2025, HMT issued its Regulation Action Plan – progress update and next steps which, among other things, aims to tackle complexity and the burden of regulation. The update includes an announcement that the government will bring forward further changes to the corporate reporting landscape including:

- Exempting most medium-sized private companies from the requirement to produce a strategic report in their annual report.
- Exempting wholly owned subsidiaries from producing a strategic report where they are covered by the reporting of a UK parent.
- Removing the requirement to produce a directors' report, with some underlying provisions to be removed entirely, and others relocated elsewhere in the annual report.

Modernisation of Corporate Reporting. At the same time, a DBT Ministerial Statement was issued on the subject of the Regulation Action Plan Update and Modernisation of Corporate Reporting. The statement sets out plans for a broad consultation, now framed as the 'Modernisation of Corporate Reporting' programme which is to take place in 2026 and which will cover:

- Remuneration reporting.
- Corporate governance reporting.
- The financial framework as well regulatory alignment across reporting frameworks.
- How corporate reporting should function in a digital age.

The statement notes a desire to "*restore company reporting to its original purpose, providing concise, decision-relevant information for investors and creditors, while removing unnecessary burdens on businesses*".

Payment practices reporting in annual reports. As well as various developments that we have reported on during 2025 in relation to payment practices reporting (see Miscellaneous table above), new regulations now mandate a certain amount of payment practices reporting to be included in annual reports (that is in addition to the half-yearly filings already required). The Companies (Directors' Report) (Payment Reporting) Regulations 2025 are effective for financial reporting periods beginning on or after 1 January 2026 for 'large' companies, and so reporting will commence in 2027. [AGC Update, Issue 73 – Item 11](#) contains more detail on the reporting requirements. In December 2025, DBT issued guidance which explains the reporting requirements in the regulations. We will cover this in a further AGC Update which you will be able to find on our website.

Appendix – Key publications

This table contains a non-exhaustive list of publications (with links), which may be useful during the 2026 AGM and reporting season, and more generally.

Title	Date
The Department for Business and Trade	
The Companies (Directors' Report) (Payment Reporting) Regulations 2025 and related DBT guidance	January 2026
HMT Policy Paper on Policy paper on Regulation Action Plan – Progress Update and Next Steps	October 2025
Ministerial Statement on Regulation Action Plan Update, and Modernisation of Corporate Reporting	October 2025
The Companies (Directors' Remuneration and Audit) (Amendment) Regulations 2025 and related DBT guidance	April 2025
The Companies (Accounts & Reports) (Amendment & Transitional Provision) Regulations 2024	April 2025
Financial Reporting Council	
Review of Corporate Governance Reporting	November 2025
Thematic Review: Reporting by the UK's smaller listed companies	November 2025
Thematic Review: IFRS 2 – Share-Based Payments	October 2025
Thematic Review: Investment Trusts, Venture Capital Trusts and similar Closed-Ended Entities	October 2025
Annual Review of Corporate Reporting 2024/25	September 2025
Stewardship Code 2026	June 2025
Changes to Company Size Thresholds – summary document	March 2025
Scoping Tables re: Companies Act 2006 Disclosure Requirements for the Strategic Report, Directors' Report and Energy and Carbon Report	March 2025
Guidance on the Going Concern Basis of Accounting and Related Reporting (including Solvency and Liquidity Risks)	February 2025
Thematic review: Climate-related Financial Disclosures by AIM and Large Private Companies	January 2025
Investment Association	
Letter to remuneration committee chairs on the IA's Principles of Remuneration	November 2025
Voting guidelines	
ISS 2026 Proxy Voting Guidelines Benchmark Policy Recommendations for the UK and Ireland	December 2025
Pensions UK Stewardship and Voting Guidelines 2025 and Voting Recommendations Summary	December 2025

Title	Date
Glass Lewis 2026 UK Benchmark Policy Guidelines	December 2025
Glass Lewis 2026 Shareholder Proposals & ESG-Related Issues	December 2025
News Release – Glass Lewis Leads Change in Proxy Voting Practices	October 2025
Diversity reports	
Improving the Ethnic Diversity of UK Business: an update report from the Parker Review	March 2025
FTSE Women Leaders Review: Achieving Gender Balance	February 2025
ISSB, UK SDS and related (excluding EU Sustainability)	
ISSB issues targeted amendments to IFRS S2 to support implementation	December 2025
ISSB work on nature-related disclosures	November 2025
FCA Sustainability Reporting Requirements webpage	August 2025 (last update)
DBT Consultation - Exposure draft of UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2	June 2025
Miscellaneous	
Pre-emption Group annual monitoring report 2024 – 2025	December 2025
GC100 Guidance for Virtual Meetings of Shareholders	December 2025
LSE Dividend Procedures Timetable 2026	November 2025
QCA Boardroom Guides (subscription only)	July 2025

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