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Key Topics for the 2026 UK AGM Season

An overview of the top trending issues for UK listed companies and their investors in this year's AGM and reporting season

January 2026

Contents

Corporate Governance and Internal Controls

On 22 January 2024, the Financial Reporting Council (FRC) published the updated UK Corporate Governance Code, applying to accounting periods beginning on or after 1 January 2025. The first annual reports addressing the new Code will be published during the 2026 reporting season.

The new requirement in Provision 29 — under which boards must declare the effectiveness of material controls as at the balance sheet date and describe the monitoring and review undertaken — applies one year later, for financial years beginning on or after 1 January 2026, with first disclosures expected to be featured in 2027 annual reports.

The FRC has reiterated that the Code remains a “comply or explain” regime. Companies should continue to leverage this flexibility by providing clear, company-specific explanations where their arrangements depart from particular provisions.

Implications for the 2026 Reporting Season

The FRC’s 2025 Annual Review of Corporate Governance Reporting offers a clear forward view of expectations as companies transition to reporting against the 2024 Code in 2026 and prepare for the Provision 29 declaration in 2027. The FRC welcomes concise, outcomes-focused reporting and warns against duplication, boilerplate, and restating Code text. In relation to risk and internal controls, the Review emphasises three themes relevant for 2026 and beyond.

1. **Scope and coverage:** Boards should ensure that monitoring and the annual effectiveness review cover all material controls — financial, operational, compliance, and reporting — not just controls addressing principal risks. “Material” remains company-specific, so boards should be able to articulate how materiality has been determined and which frameworks, if any, inform the assessment.

2. **Process and governance:** The Review points to stronger disclosures that explain how effectiveness work was performed, who undertook reviews, what information was considered, and how findings were escalated and addressed. The Code does not prescribe the establishment of an internal audit function, instead allowing companies to determine its necessity based on their individual circumstances.

3. **Outcomes and readiness:** The FRC expects companies to report succinctly on the outcome of the annual review, including whether material weaknesses were identified and how remediation has progressed. Many companies have launched multi-year programmes to map material controls, enhance risk and control frameworks, deploy governance, risk, and compliance (GRC) tooling, and “dry run” the 2026 effectiveness declaration. The Review highlights these preparations as good practice.

Related Governance Touchpoints to Prioritise for 2026

Audit committee reporting should evolve in parallel. From 2026, committees are expected to describe actions taken to meet the “Audit Committees and the External Audit: Minimum Standard”, including policies on non-audit services, auditor effectiveness and independence assessments, audit tendering approach, and auditor tenure. Where applicable, transparent reporting on interactions with the FRC’s corporate reporting review team and any audit quality review inspection results remains a marker of mature governance.

Cybersecurity and technology risks continue to feature prominently in principal risk disclosures, with the FRC’s 2025 Review noting increased board level oversight and training, and growing coverage of AI governance. Boards should ensure these areas are integrated into the risk and control framework and that oversight arrangements and outcomes are reported succinctly.

Provision 29: Expectations for the First Declaration in 2027

Provision 29 will require boards to describe how they monitored and reviewed the effectiveness of the risk management and internal control framework during the period, declare the effectiveness of material controls at the balance sheet date, and describe any material controls that did not operate effectively, together with actions taken or proposed.

The FRC’s Review underscores proportionality and materiality — companies should therefore avoid unnecessary duplication or immaterial detail — while ensuring the declaration is supported by robust evidence. Early articulation of the “material controls universe”, governance over scoping decisions, and an auditable trail of testing and remediation will be critical.

Action Points for UK Listed PLCs	
✓	Launch or complete a dry run in early 2026 of the Provision 29 processes, including control design and operating effectiveness testing, evidence retention, issue tracking, and board-level reporting.
✓	Strengthen governance over internal controls, consider updating audit committee terms of reference for Provision 29 oversight, and align internal audit plans with material controls.
✓	Integrate cyber and AI risk governance into the risk and control framework, ensure regular board engagement and training, and report on oversight activities and outcomes succinctly.

Remuneration

UK investor guidance on directors' remuneration has continued to evolve in favour of flexibility, outcomes-focused design, and clear alignment with long-term value creation.

Refreshed Guidance on Remuneration Reporting

On 5 June 2025, the GC100 and Investor Group issued updated Directors' Remuneration Reporting Guidance, reflecting best practice and the Companies (Directors' Remuneration and Audit) (Amendment) Regulations 2025. With effect from 11 May 2025, the 2025 Regulations removed most of the duplicative requirements introduced in 2019 under the EU directive implementation, enabling reporting teams to streamline disclosures for financial years commencing on or after that date.

The updated guidance clarifies areas of overlap with the UK Corporate Governance Code, notably in relation to significant votes against resolutions, employee consultation, and workforce pay and conditions. It also provides practical direction in several key areas.

1. **Shareholder engagement:** Companies should disclose the nature of engagement undertaken, key themes raised, and how feedback influenced policy and outcomes.

2. **ESG in variable pay:** The guidance encourages selecting metrics tied to operational or strategic drivers of long-term value and aligning them with the company's broader ESG strategy.

3. **Workforce pay:** Disclosures should evidence how workforce pay and conditions were considered when setting executive pay, with meaningful detail such as pay distribution and, where relevant, reporting on staff with pay awards over specified thresholds.

4. **Potential windfall gains:** Where share prices materially fell ahead of long-term incentive plan (LTIP) grants, investors would typically expect consideration of reduced grant sizes; decisions and rationale should be clearly disclosed.

Overall, companies can leverage the removal of duplicative rules to simplify reports, reduce boilerplate, and focus on clear, decision-useful disclosures that demonstrate alignment with strategy, stakeholder feedback, and the Code.

Clarifications on NED Remuneration

On 5 November 2025, the FRC updated guidance supporting the UK Corporate Governance Code 2024 in relation to non-executive director (NED) remuneration. The guidance clarifies that, in line with the Code, boards have flexibility to pay NEDs a portion of their fees in shares, provided they maintain transparency about their rationale and approach:

- Boards may pay a portion of NED fees in shares (at market rates), with transparent explanation of the rationale, process, and any holding or sale restrictions.

  Many companies encourage NEDs to build a personal shareholding to align interests and reinforce long-term commitment; expectations should reflect role, time commitment, sector, and company size, and be considered within the broader remuneration and governance context.

- Performance-related remuneration remains inappropriate for independent NEDs given the need to preserve objective oversight and challenge. Where options or rights to acquire shares are considered for independent NEDs, they should not be performance-related (for example, options should not have a meaningful exercise price, which would impair director independence) nor structured in a way that creates short-term incentives or conflicts with independence, including under the Code's division of responsibilities. The approach should be set out in the annual report with clear, company-specific rationale.

Principles of Remuneration Reaffirmed

On 13 November 2025, the Investment Association (IA) confirmed that its Principles of Remuneration (last updated in October 2024) would remain unchanged for 2026. However, the IA also identified a small number of areas where investors feel the implementation of the new Principles can be further improved, without changing the overall approach:

- **Company-specific rationales:** Explanations should be more company-specific, providing high-quality information on why decisions are made, why they are right for the company's business' strategy, and how they will impact its future success.

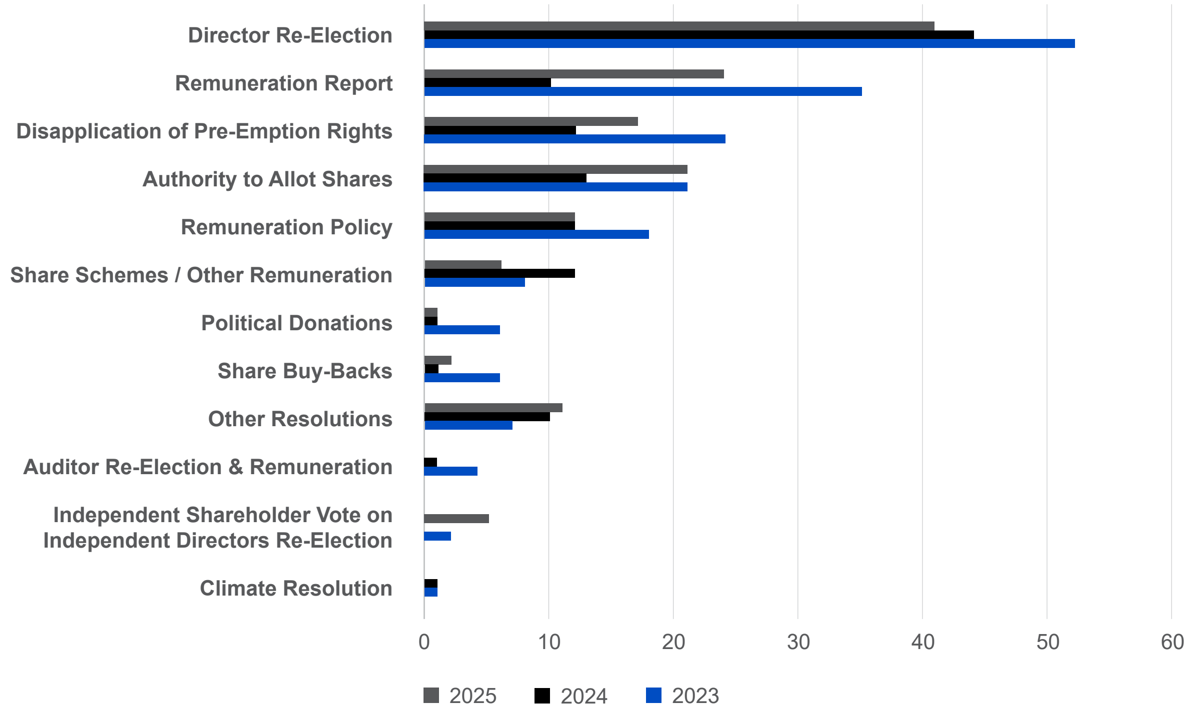
- **Use of benchmarking and peer comparisons for remuneration increases:** The Principles state that investors analyse levels of remuneration on a case-by-case basis. Investors encourage companies to provide benchmarking analysis as part of their initial consultation with their investors. This will allow for greater transparency and constructive dialogue at an earlier stage of the consultation process.

- **Hybrid schemes:** While the Principles provide the flexibility for companies to consider hybrid schemes, IA members generally remain cautious about the use of hybrid schemes, which seek to balance certainty and retention against performance alignment.

- **Bonus deferral and shareholding requirements:** The Principles acknowledge that companies can take a proportionate approach; if an executive has built up a significant long-term shareholding, a reduced portion of their annual bonus might be deferred into shares. Members do not expect companies to remove completely the deferral mechanism once shareholding guidelines have been met, as the bonus deferral offers an important mechanism to operate malus and clawback provisions.

- **In-flight awards:** The integrity and credibility of share schemes are compromised if there are retrospective changes or retesting of performance or vesting conditions. Remuneration committees may wish to use discretion to make adjustments to in-flight awards in exceptional circumstances, but this needs to be clearly justified, subject to consultation, and supported by shareholders.

Remuneration Remains a Significant Source of Shareholder Dissent



Source: Investment Association Public Register of Shareholder Dissent (data up to 30 November 2025)

Action Points for UK Listed PLCs

- Streamline the directors' remuneration report to reflect the updates from the 2025 Regulations and the GC100 guidance. Map disclosures to eliminate duplication, enhance clarity around shareholder engagement and outcomes, and improve workforce pay narratives with relevant, granular data. Where LTIP grants followed share price declines, document and disclose the committee's assessment of potential windfall gains and any adjustments.
- Review NED remuneration structures in light of the clarifications to the FRC guidance. If paying fees in shares or encouraging NEDs to build a shareholding, provide a clear rationale and set out any holding periods and restrictions. Consider propriety of performance related elements for independent NEDs and test any alternative structures against independence, conflicts, and short term risks. Summarise the approach in the annual report, explaining how it fits the company's circumstances.
- Review the current directors' remuneration policy, as any NED remuneration must be within a company's shareholder-approved remuneration policy. Amendments to the policy are likely required. Accordingly, consider the timing of implementing any changes. For example, is the policy due for renewal at the next AGM, or should the policy be revised before the end of the three-year cycle to reflect any changes to NED remuneration? A review of share scheme rules should also be conducted to assess whether awards can be granted under the existing framework or whether additional steps will need to be taken to comply with relevant requirements.
- Continue to reassess remuneration architecture against the IA's Principles of Remuneration 2024. Confirm that the overall pay structure demonstrably supports strategy, long-term value, and risk management. Where relevant, consider whether hybrid or simplified structures could improve competitiveness, and ensure share plan limits, vesting periods, holding requirements, malus and clawback, and discretion frameworks are well-explained using company-specific rationales.

Recap on the IA Principles of Remuneration 2024

- **Dilution limits:** The IA's 2024 Principles removed the recommendation that only 5% of a company's share capital be subject to discretionary share plan awards in any rolling 10-year period, instead accepting that a 10% limit applying to both discretionary and all-employee schemes is sufficient. The IA also acknowledged that for certain recently listed, high-growth companies that need to incentivise their employees with share-based awards, a higher limit could be appropriate in exceptional cases — with an expectation that the company will align itself with normal dilution limits over time.

- **"Hybrid schemes":** The revised 2024 Principles acknowledge that "hybrid" arrangements — in which executives receive a combination of performance-based awards and awards subject to service-based vesting only — can be appropriate, as is the case in the US. The IA notes that companies adopting these schemes typically have a significant US footprint and/or compete for global talent.

- **Deferral requirements:** Previously, the IA recommended that a proportion of any annual bonus in excess of 100% of base salary should be deferred. This recommendation has been replaced with a more fluid requirement to have a deferral policy in place which can allow for a less stringent approach to deferral, particularly for executives with large shareholdings in the company, if adequate malus and clawback policies are in place.

- **Upwards discretion:** The IA's guidance on when a remuneration committee can exercise discretion over an executive's reward now expressly states that upwards discretion is permitted to reward exceptional achievements or contributions not otherwise captured in performance metrics. Previously, the guidance only referred to downwards discretion leading to a practice in which UK companies felt constrained in their ability to reward outperformance.

- **Shareholding guidelines:** The revised IA Principles reflect that a director would usually meet the minimum director shareholding requirement by retaining the equivalent of one year's LTIP award.

- **Change of control:** The 2024 IA Principles no longer expressly warn against the use of transaction bonuses or retention awards for executives. However, there will still be UK Takeover Code considerations — principally the need for transaction parties to navigate the UK Takeover Code prohibition of offer-related arrangements when agreeing management incentivisation arrangements in a takeover context. The IA removed the previous guidance that time pro-rating should be applied to outstanding share awards on a change of control.

ESG and Sustainability Reporting

Inbound reforms will tighten expectations on listed companies across transition planning, sustainability reporting, and assurance. At the same time, board diversity and inclusion expectations continue to rise.

Inbound UK Sustainability Reporting Standards and Climate Transition Planning

On 25 June 2025, the UK government launched three consultations as part of London Climate Action Week, which are intended to form key parts of the government's programme to make the UK the "sustainable finance capital of the world".

The three consultations focus on:

- the approach to meeting the government's commitment to require FTSE 100 companies (and other regulated entities) to develop and implement transition plans that align with the 1.5°C goal of the Paris Agreement. The government is considering leveraging the existing work undertaken by the Transition Plan Taskforce (TPT), which published its final framework in October 2023;
- new UK Sustainability Reporting Standards (i.e., a UK-endorsed version of the ISSB Standards), which seek to provide clear, comparable information for investors on sustainability-related financial risks and opportunities, enabling them to make informed investment decisions; and
- developing a voluntary registration regime for the providers of assurance of sustainability reporting.

The three consultations closed on 17 September 2025, with the responses informing upcoming drafts of the relevant UK legislative decisions. The Financial Conduct Authority (FCA) is expected to launch its own consultation on sustainability disclosure requirements for UK-listed companies in January 2026.

Learnings From the FRC's Review of Climate-Related Financial Disclosures

On 21 January 2025, the FRC published its thematic review of climate-related financial disclosures (CFD) by AIM-traded and large private companies, following the first cycle of mandatory reporting under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. The review found inconsistent quality among the reports, although the FRC stated that it believed that companies sampled had tried to meet the CFD requirements.

The findings in this review are relevant to UK-registered listed companies that are subject to both the CFD requirements and the "comply or explain" requirements in connection with the Task Force on Climate-related Financial Disclosures (TCFD).

The FRC identified the following key disclosure issues:

- **Scenario analysis and targets:** The FRC reminded companies of the requirement to provide their analysis of business resilience under various climate scenarios, and noted that many struggled with this disclosure. Improvement was also needed in disclosing targets and key performance indicators (KPIs). Only half of the companies sampled provided complete information.

- **Governance and risk management:** Most companies disclosed governance on climate risks, but the FRC found that such disclosures often lacked structure, with information spread throughout the annual report and lacking clear cross-references. Further, it was determined that although there were sufficient disclosures concerning climate risk management processes, some lacked detail on risk identification.

- **TCFD versus CFD:** Some companies voluntarily based their disclosures on the TCFD, but missed disclosures required under the CFD. Although there is significant overlap between CFD and TCFD, the disclosures required by the TCFD framework are provided on a "comply or explain" basis and can be presented outside the annual report and accounts. In contrast, the CFD disclosures are mandatory (unless an exemption applies) and must be set out within the annual report and accounts.

Action Points for UK Listed PLCs
Conduct a gap analysis from current TCFD/CFD disclosures to UK Sustainability Reporting Standards (SRS), once finalised, to establish the extent to which additional disclosures may be required.
Consider the development of requirements regarding transition plans, including the extent to which the FCA will oblige transition plans to be 1.5°C-aligned, and also recognising investor scrutiny of feasibility, interim targets, and performance against KPIs.
Monitor regulatory timetables by tracking the government's post-consultation position, and the FCA's parallel consultation to embed UK SRS and transition plan requirements into the UK Listing Rules.

Board Diversity

Ethnic Diversity on UK Boards

On 11 March 2025, the Parker Review Committee published the 2024 results of its voluntary census on the ethnic diversity of the boards of FTSE 350 companies and 50 of the UK's largest private companies.

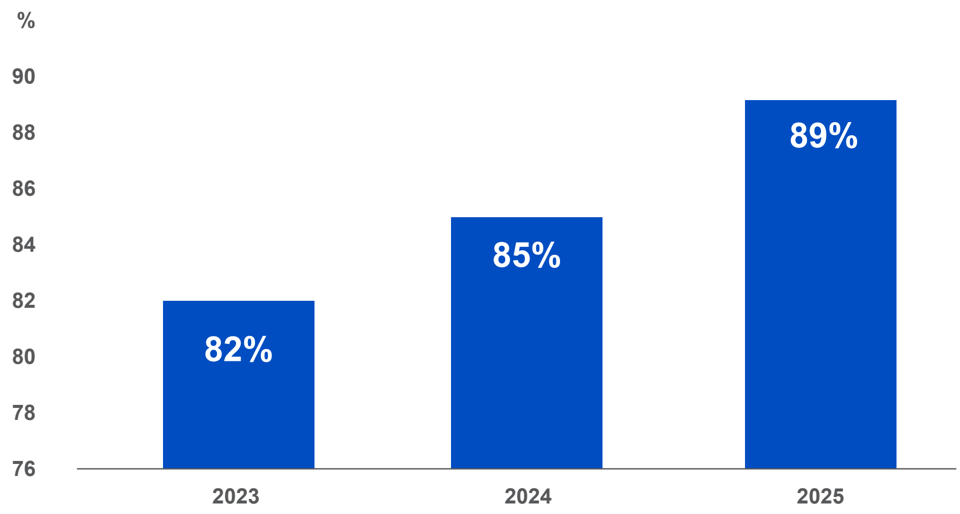
Summary of key data as at December 2024:

- 95 FTSE 100 companies met the Parker Review's target, with at least one minority ethnic director on their boards, which is consistent with last year.
- 204 of the 236 FTSE 250 companies reported having at least one ethnic director, compared to 175 last year — a rise of 17%.
- In the average company (i.e., across the FTSE 100, FTSE 250, and in-scope private companies surveyed within the Review), ethnic minority executives comprised between 9% and 11% of the total number of UK-based senior managers. The average target level (for ethnic representation in senior management) set by these companies for 2027 is between 13% and 15%.

Listed companies may also be interested in the Review's supplementary guidance on the practicalities around executive recruitment for boards in the FTSE 250. In particular, the guidance notes that FTSE 250 companies face greater challenges in meeting diversity targets compared to the FTSE 100, due to smaller board sizes, limited seat rotation, cost concerns, and a higher demand for directors with broad leadership skills, which necessitates openness to candidates with specific expertise or those lacking public company experience.

The Review also provided supplementary guidance on the legal considerations for collecting ethnicity data from employees in the UK and internationally, covering issues around compliance with privacy and data protection legislation when gathering ethnicity data, satisfying varying reporting standards, and navigating diverse legal frameworks across jurisdictions.

Increasing % of FTSE Companies Meeting the Parker Review Target of Having ≥ 1 Ethnic Minority Directors



Source: Practical Law (data up to 30 November 2025)

Women in Senior Leadership Roles

On 25 February 2025, the FTSE Women Leaders Review published its latest report, which showed that women now occupy 43% of board roles and 35% of leadership roles at FTSE 350 companies. Both statistics represent a year-on-year increase from 2024.

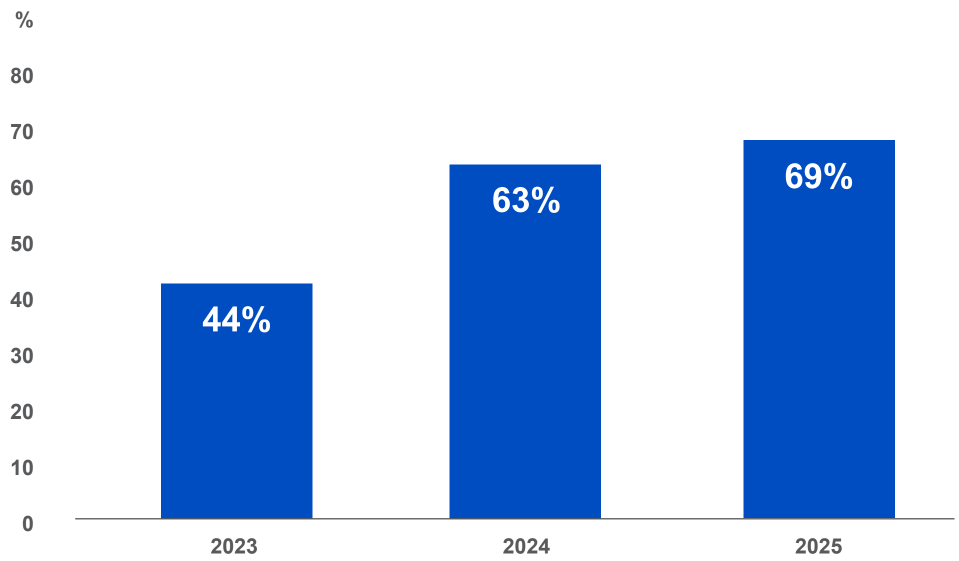
However, fewer women were appointed to the most senior board and leadership roles (i.e., CEO, chair, SID, and finance director) than anticipated. The review noted that the increase in the number of women on executive committees is dominated by those in functional roles, such as HR, general counsel, company secretary, and chief information officer.

The review recommends the following:

- The voluntary target for FTSE 350 boards and FTSE 350 leadership teams should be increased to a minimum of 40% (from 33%) women's representation by the end of 2025.
- FTSE 350 companies should have at least one woman in the chair or SID role, and/or one woman in the CEO or finance director role, by the end of 2025.

Given that the timeline for achieving the FTSE Women Leaders Review targets has now passed, Glass Lewis' Benchmark Policy 2026 was updated to reflect that it will typically recommend against the re-election of the nomination committee chair where the board does not comprise at least 40% gender-diverse directors, absent any mitigating circumstances.

% of FTSE 350 With 40%+ Women Board Representation



Source: Practical Law (data up to 30 November 2025)

Action Points for UK Listed PLCs
Continue to align governance disclosures and talent pipelines with the expectations set out in the Parker Review and FTSE Women Leaders Review.

AGM Meeting Formats

Market Practice

Hybrid AGMs, combining in-person attendance with virtual participation, remain widely accepted by proxy advisers and are now commonly enabled under companies' articles following post-pandemic amendments. While the use of hybrid meetings has reduced since COVID-19, most UK listed companies retain the flexibility to deploy a hybrid format where it supports effective engagement.

Virtual-only AGMs remain uncommon in the UK and are still viewed by many investors and proxy advisers as potentially limiting shareholder participation and board accountability. There continues to be uncertainty as to whether wholly virtual shareholder meetings are permissible under English company law. In October 2024, the government signalled its intention to explore legislative clarification in this area. In anticipation of potential clarification, the GC100 has prepared guidance to support the responsible use of virtual meetings, with an emphasis on safeguarding shareholder rights and engagement (see below).

Companies should continue to use the FRC's 2022 Good Practice Guidance for Company Meetings and the FRC's 2024 Corporate Governance Code Guidance when planning AGMs. These resources set expectations for access, transparency, and accountability at meetings and include practical steps to maximise engagement, including where electronic participation is offered. If a company proposes to hold a virtual-only meeting, it should also have regard to the GC100's guidance summarised below.

GC100 Guidance on Virtual Meetings

In December 2025, the GC100 published its guidance for virtual shareholder meetings in anticipation of legislative changes to the Companies Act 2006 to confirm that virtual meetings are permissible.

The guidance recognises that some companies can already hold virtual meetings if their articles of association allow it. Others wishing to enable virtual meetings will need shareholder approval to amend their articles.

GC100 Virtual Meeting Guidance

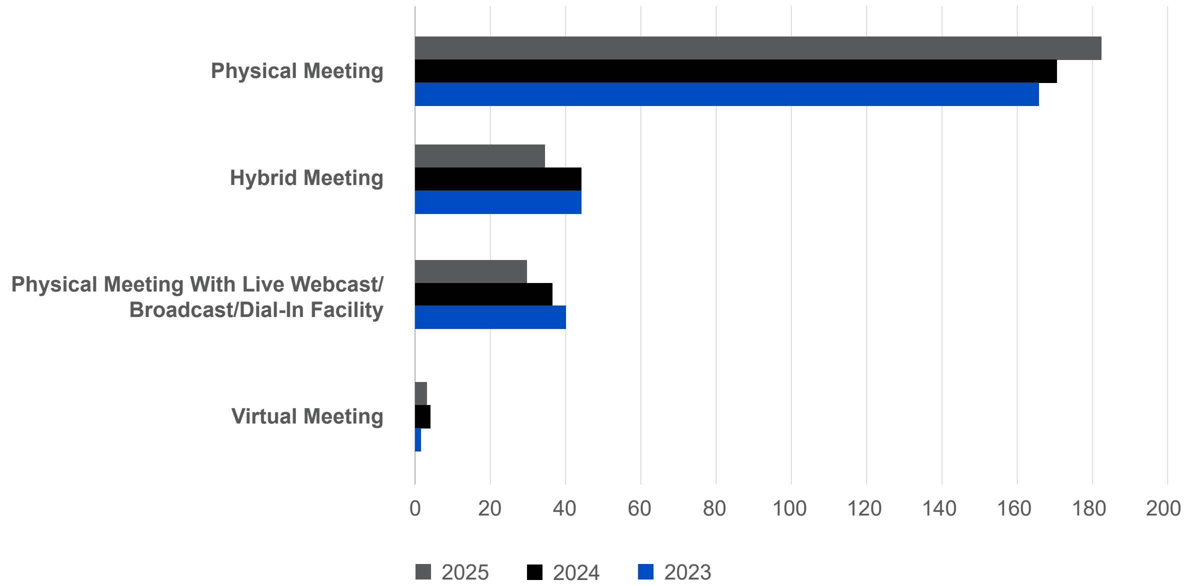
The GC100 guidance sets out principles to ensure engagement, dialogue, and transparency in virtual meetings. These include:

- Maintain a dedicated, up-to-date area of the website or virtual platform with the latest information on the meeting, and make any documents required to be displayed available there.
- Include in the notice of the meeting its access details and instructions on how to log in, ask questions and vote, and a link to the dedicated area.
- Enable shareholders to hear and see directors when questions are asked and answered (with best practice for the chair to be visible and audible throughout).
- Provide multiple channels for live questions (phone or VoIP as well as a typed Q&A), subject to the chair’s management of the lines to ensure orderly conduct.
- Explain at the outset how questions will be moderated or grouped and, where practicable, allow follow-ups if a response does not address a shareholder’s specific point. The guidance confirms that the chair is responsible for the orderly conduct of the meeting, acting impartially and in the interests of the meeting.
- Ensure the virtual meeting arrangements allow attending shareholders to see or hear questions put at the meeting.

Further, the guidance sets out points that companies may consider in seeking shareholder support for holding virtual meetings:

- Where the articles of association already permit virtual meetings, the company may wish to include a statement within the AGM notice that the directors consider that holding virtual meetings is in the best interests of the company and its shareholders.
- Where changes to the articles are needed, the company should consider proposing a time-limited authority for virtual meetings (after its articles have been amended). In this respect, a period of up to five years before seeking further approval for an indefinite period may be appropriate. The guidance contains suggested wording for the explanatory statement to accompany a special resolution to adopt articles of association permitting virtual meetings.

Declining Use of Hybrid AGMs



Source: Practical Law (data up to 30 November 2025)

Action Points for UK Listed PLCs
Assess whether hybrid AGMs remain the most effective format for their shareholder base, taking account of engagement levels, cost, technology, and accessibility. Where appropriate, they should maintain or build flexibility in their articles to permit hybrid participation.
Companies proposing to enable virtual-only meetings should review their articles and, if necessary, consider preparing a special resolution to adopt new articles permitting virtual meetings. In line with GC100 guidance, they should also consider proposing a time-limited authority for virtual meetings with an initial period of no more than five years before seeking further approval for an indefinite period.
Engage early with key shareholders and investor bodies on any proposed article changes and clearly explain the safeguards for shareholder rights and engagement. Proxy advisers, including ISS and Glass Lewis, continue generally to recommend against virtual-only meetings; time-limited authorities accompanied by robust engagement commitments may be viewed more favourably.
Consider committing, in AGM documentation, to follow the GC100 guidance where a virtual meeting is held, including providing live audio (and, where practicable, video) access to directors during Q&As; multiple channels for real-time shareholder questions; clear moderation principles; and visibility of Q&As to all attendees.
Monitor legislative developments concerning virtual-only AGMs under English law and assess whether to adopt the GC100's time-limited approach to virtual-only authorities, pending statutory clarification.

Share Capital Authorities

This AGM season is the third since the Investment Association and Pre-Emption Group (PEG) revised their guidance to increase the routine share capital authorisations that companies may seek at their AGMs. These changes were implemented to improve companies' capital raising processes, following the recommendations from the Secondary Capital Raising Review in 2022.

In December 2025, PEG released its third report monitoring the application of its updated Statement of Principles regarding the disapplication of pre-emption rights for UK listed companies. Key findings from the report, which covers FTSE 350 AGMs from 1 August 2024 to 31 July 2025, include the following:

- 77.6% of FTSE 350 companies sought the enhanced disapplication authority as permitted under PEG's Statement of Principles updated in November 2022 (increase from 67.1% in the 2024 monitoring period)

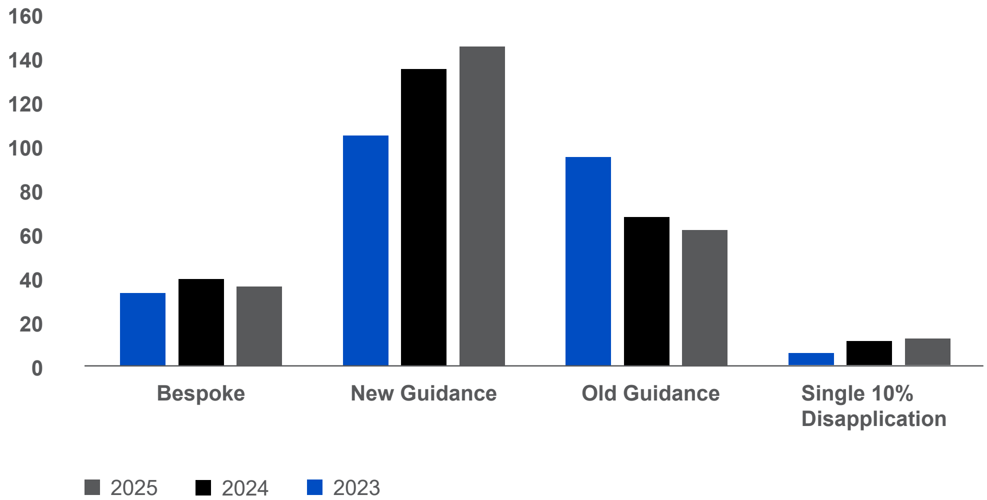
- Of the companies that sought to disapply pre-emption rights, 60.8% tabled a resolution in relation to specified capital investment (down from 64.1% in the 2024 monitoring period). PEG noted that it is not uncommon for companies to use elements of the PEG template resolutions, alongside an explanation for why deviation is appropriate for the company.

- 99.1% had all disapplication resolutions passed, with an average of only 5.1% votes against.

However, the report also notes that a small minority of investors still disagree with the Principles, in part due to the elevated limits of disapplication authority they allow.

Action Points for UK Listed PLCs
Given the broad support for the enhanced authorities, companies should (subject to appropriate shareholder engagement as noted below) consider leveraging the latest investor guidelines by seeking shareholder approvals that incorporate the enhanced flexibility for both allotment authorities and pre-emption disapplications at their upcoming AGMs.
Simultaneously, companies should engage with their shareholders to assess whether the enhanced disapplication authorities would be acceptable within the context of the company's capital needs and governance framework.

Increasing Majority of FTSE 350 Companies Seeking Enhanced Disapplication Authorities



Source: Practical Law (data up to 30 November 2025)

Recap on Latest Share Capital Guidelines

Annual authorities for pre-emptive fundraisings

- Up to two-thirds of the issued share capital, provided that any amount in excess of one-third may be used for all forms of fully pre-emptive offers (including open offers).

(Investment Association's Share Capital Management Guidelines, February 2023)

Annual authorities for non-pre-emptive fundraisings

- May disapply pre-emption rights up to 10% of the issued share capital for general purposes and a further 10% for acquisitions or specified capital investments.
- Additional 2%+2% for follow-on offers to existing shareholders.
- Additional flexibility for capital-hungry companies.

(PEG's Statement of Principles, November 2022)

Lessons From Recent FRC and FCA Guidance

We set out key takeaways from the FRC's 2024/25 corporate reporting reviews and related FCA updates to help issuers prepare for the 2026 AGM and annual reporting season.

Takeaways From the FRC Annual Review of Corporate Reporting 2024/25

The FRC's latest Annual Review of Corporate Reporting indicates incremental improvement in overall quality, with fewer reviews resulting in queries and a reduction in restatements compared with the prior three years. Nonetheless, the FRC continues to identify recurring areas of weakness that should be addressed proactively through more rigorous pre-issuance reviews.

Impairment remains the most frequently raised topic. Although no restatements were required for impairment in the period, the FRC's focus reflects ongoing concerns around the robustness of impairment models, the clarity and consistency of key assumptions and sensitivities, and alignment between narrative and financial reporting. Cash flow statements also continue to present challenges, including classification errors and reconciling items, alongside inconsistencies between the financial statements and other sections of the annual report.

The FRC highlights a persistent quality gap between FTSE 350 companies and smaller listed companies, with the majority of restatements arising outside the FTSE 350. The FRC has launched a thematic review specifically focused on reporting by smaller listed companies, signalling heightened scrutiny of their processes, judgments, and disclosures. Across the market, the FRC stresses that many common issues are identifiable (and avoidable) through sufficiently robust pre-issuance controls and governance over the reporting process.

Action Points for UK Listed PLCs
Issuers should intensify pre-issuance reviews of impairment models, cash flow statements, and cross-document consistency, involving finance, internal audit, and advisors early.
Boards and audit committees should ensure they receive clear, decision-useful reporting on critical judgments and estimates, and mandate targeted remediation plans where recurring findings persist.
Smaller listed companies should anticipate deeper FRC scrutiny and allocate resources to uplift reporting controls and documentation accordingly.

Structured Digital Reporting: Takeaways From the FRC's Review and FCA Primary Market Bulletin 55

The FRC's annual review of structured digital reporting underscores that technical quality and usability remain uneven across filers. The FRC identifies continued misuse of custom tags, inappropriate selection of tags from irrelevant accounting standards, and design choices that impair data consumption. The regulator also signals a more assertive supervisory approach, including a sample review in parallel with its regular monitoring and direct engagement with companies that exhibit significant tagging issues.

In parallel, the FCA's Primary Market Bulletin 55 confirms updates to the FCA's technical note on structured digital reporting to reflect the latest European Single Electronic Format (ESEF) taxonomies. The National Storage Mechanism will accept filings tagged using the most recent ESEF taxonomies (including ESEF 2024), reinforcing expectations that issuers implement timely taxonomy updates and maintain accurate XHTML submissions with correctly applied tags.

Together, the FRC and FCA messages emphasise that structured reporting is not a formality: accuracy, consistency, and machine readability are integral to disclosure quality. Tag selection should reflect the underlying accounting basis and the closest-available standard element, with custom extensions used sparingly and anchored appropriately. Presentation decisions — such as layering, embedded images, or unusual formatting — should not compromise the integrity or extractability of the tagged data.

Action Points for UK Listed PLCs
Reporting teams should conduct a comprehensive post-season review of tagging quality, focusing on reducing custom extensions, selecting the most specific applicable standard elements, and validating anchoring and calculation linkbases.
Filers should update to the latest ESEF taxonomy, confirm XHTML compliance before NSM submission, and perform cross-checks to ensure digital tags align with the human-readable financial statements and narrative disclosures.
Where material tagging or design issues were identified in prior years, issuers should document remedial actions, engage with software providers to enhance controls, and be prepared for FRC outreach during the forthcoming cycle.

Horizon Scan

Key upcoming regulatory developments in 2026 affecting AGMs and annual reporting.

1 January 2026
Provision 29 of the UK Corporate Governance Code 2024 (board declaration on the effectiveness of internal controls) takes effect.
UK Stewardship Code 2026 takes effect; existing 2020 signatories remain on the list during the 2026 transition year without immediate reassessment.
Earliest anticipated implementation of UK SRS (via FCA rules or legislation) for accounting periods beginning on/after.
Companies (Directors' Report) (Payment Reporting) Regulations 2025 take effect for financial years beginning on or after this date.
Glass Lewis 2026 UK Proxy Voting Policy Guidelines take effect.
January 2026
FCA consultation on implementing UK SRS and transition plan disclosures.
1 February 2026
Institutional Shareholder Services 2026 benchmark voting policies take effect (expected).
2026
Government consultation on "Modernisation of Corporate Reporting".
IA Public Register of significant shareholder dissent expected to be discontinued.

Major Proposals to Reduce Corporate Reporting and Governance Burdens

On 21 October 2025, the UK government announced it will introduce reforms that would:

- remove the requirement to produce a directors’ report, with some provisions to be removed entirely and others relocated elsewhere in the Annual Report;
- exempt medium-sized private companies from producing a strategic report in the Annual Report; and
- exempt wholly-owned subsidiaries from producing a strategic report if they are covered by the reporting of a UK parent.

These potential legislative changes, planned for 2026, would streamline corporate reporting requirements for UK listed companies and their UK private subsidiaries.

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