SLAUGHTER AND MAY

September 2026

Corporate reporting: UK government proposes far-reaching changes

The Department for Business, Innovation, Science and Trade (BIST) has published the long-awaited consultation on corporate reporting, seeking views on how the rules could be modernised to better meet the needs of companies, investors and the wider economy. The Government describes the consultation as a "once-in-a-generation" opportunity to reset the UK's corporate reporting framework. Although the primary focus is on annual reports, significant changes are also proposed in relation to AGMs, dividends and shareholder communications.

In this briefing we summarise the key proposals. In some areas, the Government has set out what it intends to do, but with certain details left to be worked out; in other areas, the Government is more open-minded and asks for views on whether a proposal should be taken forward. For simplicity, this briefing generally refers to changes that "would" be introduced; but in all cases this will depend on responses to the consultation and what the Government ultimately decides to do. With that in mind, companies should treat the proposals as a strong indication of direction of travel, rather than settled policy.

The proposals described below are additional to those announced in October 2025: see the box on the following page, "*October 2025 Policy Statement*".

Timing

The consultation is open for 12 weeks, closing on 30 November 2026, with the Government aiming to publish a response by the end of May 2027. It will work closely with the FCA, PRA and FRC on the proposals, in particular, to ensure alignment with the FCA's forthcoming review of the Disclosure Guidance and Transparency Rules (DTR) and alignment with the UK Sustainability Reporting Standards (SRS) disclosure obligations. Further consultations may follow on specific proposals. Amending legislation will then need to be drafted and taken through Parliament.

As a result, none of the proposed changes are likely to come into force until next summer at the earliest and, given the breadth and ambition of the reforms, implementation may in fact be phased in over a number of years. Corporate reporting and AGMs in 2027 are therefore unlikely to be affected.

Key proposals

- Rationalise the number of company size categories for reporting purposes
- Permit medium-sized companies to qualify for the same exemptions from disclosure as small companies
- Create a new category of "very large" companies that would be required to disclose certain non-financial information
- Permit more companies to qualify for exemption from audit
- Move most of the detailed requirements for annual reports that are currently set out in legislation into accounting standards
- Reduce the amount of information required in a strategic report
- Reduce the number of companies that are required to report on their corporate governance arrangements
- Reduce the amount of information required in a remuneration report
- Drop the requirement for an annual "advisory" shareholder vote on the remuneration report
- Make electronic communication the default method for companies to send information to shareholders
- Move to a solvency-based model for assessing the lawfulness of dividends
- Make clear that, as a matter of law, AGMs can be held fully virtually

October 2025 Policy Statement

In October 2025 the Government published a Policy Statement confirming it intends to introduce various changes designed to reduce the corporate reporting burden. In particular:

- Most wholly-owned subsidiaries (except Public Interest Entities (PIEs)) will be exempted from preparing a strategic report where they are covered by the consolidated reporting of a UK parent.
- Most medium-sized private companies and groups will be exempted from preparing a strategic report.
- No company will have to prepare a directors' report. Some directors' report requirements that are redundant or duplicative will be removed entirely – for example, information relating to political donations, takeovers, buybacks and indemnities for directors. Other requirements, such as reporting on energy emissions and payments to suppliers, will be relocated elsewhere in the annual report.

Core principles

In developing its proposals, the Government has had regard to five core principles:

1. Clarity of purpose: the annual report and accounts should provide financially material and decision-useful information to investors and creditors.
2. Flexibility and trust: companies should be trusted to tailor their disclosures to the needs of their particular investors and creditors.
3. Simplicity and coherence: requirements should not be duplicated across legislation, accounting standards and regulatory frameworks.
4. Proportionality: requirements should reflect company size, ownership structure and economic impact.
5. Fit for the future: the framework should be flexible to adapt to a changing world economy and take advantage of the opportunities of digital reporting and emerging technologies.

Rationalising the size categories for companies and reducing disclosure obligations

The Companies Act 2006 (CA 2006) contains multiple different definitions, thresholds, ineligibility criteria and exclusions that determine which companies must report particular types of information, and which qualify for exemption from having their accounts audited. Various simplifications are proposed, including:

- removing the distinction between small and medium-sized enterprises (SMEs) in corporate reporting, giving medium-sized companies access to a wider package of exemptions;
- establishing a category of "very large" companies that would be required to report on certain non-financial matters;
- extending the small companies audit exemption to medium-sized companies; and
- making it easier for wholly-owned subsidiaries to qualify for audit exemption, including removing the statutory parent company guarantee under section 479B CA 2006.

Strategic report

Many of the specific content requirements, including the section 172 statement, would be dropped or simplified. Instead, companies would be required to make a core set of baseline narrative disclosures covering the business model, performance, resources and relationships, strategy and principal risks, and would have more flexibility to disclose additional information they consider material.

Except where such information is financially material to performance or operations, companies would no longer have to disclose in the strategic report information about environmental matters, employees, social matters, community matters, respect for human rights or anti-corruption and bribery matters.

As the Government notes, strategic reports have become too long, complicated and unfocussed; and the section 172 statement arguably adds little to the information that must be disclosed elsewhere. The proposed streamlining of the strategic report is therefore to be welcomed.

Sustainability reporting

Location of disclosures and the "safe harbour" in section 463 CA 2006

Views are sought as to where sustainability information should be located. If the Government decides that such information should be located somewhere other than the strategic report, it would extend the protection afforded to directors by section 463 CA 2006 to cover such information.

UK Sustainability Reporting Standards

Timings for introduction of UK SRS disclosures in the CA 2006 remain uncertain. The Government will consider how the UK SRS should be reflected, taking into consideration feedback from the consultation, the post-implementation review of climate-related financial disclosure (CFD) requirements (see further below) and related processes. The consultation does confirm that the FCA will publish its final Listing Rules on UK SRS disclosure requirements for in-scope issuers in autumn 2026, with the new rules expected to apply from 1 January 2027. Companies caught by the FCA's rules and the CFD requirements will be able to use their UK SRS S2 disclosures to meet their CFD obligations.

Streamlined energy and carbon reporting (SECR)

The location of SECR disclosures will be moved because of the removal of the directors' report from the annual report (see the box above, *October 2025 Policy Statement*). The Government does not intend to prescribe a specific location for SECR reporting in the annual report.

A consultation on SECR and the Energy Savings Opportunity Scheme is planned for later in 2026, which will explore longer-term options for reform.

Assurance

At this stage, the Government does not intend to introduce new requirements for reporting companies to obtain assurance over future UK SRS reporting, or for other strategic reporting topics. However, it seeks views on whether in-scope companies should have to report on what, if any, assurance they have obtained over sustainability reporting, including the scope and level of assurance, any standards applied and whether an external party was involved.

The FRC is still expected to develop a voluntary sustainability assurance provider registration regime from 2026/27.

Climate-related financial disclosures and transition plans

The Government is conducting a post-implementation review of CFD requirements which is due to be completed by Spring 2027. This will inform future changes to CFD reporting.

Transition plans have been the subject of a separate consultation, and the Government will announce in due course what it plans to do.

Corporate governance reporting

Only the parent company of a group would have to disclose corporate governance arrangements, and the size threshold that determines which companies have to report may be raised.

Companies may be permitted to make corporate governance disclosures on their website instead of in the annual report.

Views are sought on whether "very large" companies should be required to report specifically on how they are managing cyber security risks.

Financial reporting requirements: location of rules and 'true and fair view'

To make it easier to find all the requirements in one place, nearly all the detailed content requirements for annual reports currently set out in legislation would be moved into one of four streamlined accounting standards: UK-adopted IAS, UK GAAP for large companies, UK GAAP for SMEs and UK GAAP for micro-entities. Only high-level obligations for financial reporting would be set out in the CA 2006.

At the same time, the Government wishes to align legislation across both UK-IAS accounts and CA 2006 accounts, so that a single 'true and fair' requirement is applied to all companies that would be within scope.

> Having a plethora of content requirements scattered across various sources has presented a challenge for finance teams, auditors, advisers and others involved in preparing annual reports. Although the Government's proposals will not result in all relevant sources being consolidated into one place – for example, companies will still need to refer to the UK Corporate Governance Code and the Payment Reporting Regulations – it would be helpful for most of the key requirements to be located in one place.

Dividends and buybacks

A company's ability to pay a dividend or launch a share buyback programme would depend not on its having sufficient realised profits (determined in accordance with accounting principles), but on the directors being satisfied that the proposed dividend or buyback would not affect the company's ability to continue as a going concern – i.e. a "solvency-based model".

A previous proposal to require large companies to disclose in their accounts the amount of profits available for distribution will not be taken forward. The Government is concerned that introducing such a requirement could result in significant additional costs for companies.

> Making dividends and buybacks subject to a solvency-based test, instead of a realised profits test, would be a significant change. In 1999 the Company Law Review (CLR) considered and rejected such a change. This was partly because, at the time, the UK was subject to EU rules that required distributions by public companies to be subject to a realised profits test, and it was not considered sensible to introduce a different test for private companies. The UK is no longer bound by those EU rules, but the other grounds on which the CLR rejected the idea remain relevant: in particular, that the existing statutory requirements are based on previous common law rules, and making such a change would be a major departure from current UK practice and could have many broader and perhaps unforeseen consequences.
>
> Nevertheless, a solvency-based model has significant merits. In particular, it is conceptually simpler, does not involve having to calculate realised profits - which can be complex - and is similar to the going concern exercise carried out when preparing annual and half-yearly financial results. If designing a distribution regime from scratch, one might therefore prefer a solvency-based model. However, given that the current realised profits model is long-established, the critical question will be whether the benefits of switching to a solvency-based model would outweigh the cost and effort involved. Making such an assessment is likely to be possible only when it is clearer how the solvency-based model would work, and what related changes to law and practice might be needed.

Remuneration

Acknowledging that the current scope of the directors' remuneration report has become unwieldy, the Government proposes to reduce the amount of information required and to drop the requirement to put the report to an "advisory" shareholder vote each year. However, quoted companies would continue to be required to put their directors' remuneration policy to a shareholder vote at least once every three years.

Remuneration reports

Remuneration reports would continue to have to include the annual disclosure of remuneration for each director, broken down by salary, bonus, long-term share awards, pension contributions and any other taxable benefits (through the "single figure table"); the statement by the RemCo chair summarising key decisions or proposals on directors' pay contained in the report; performance measures applicable to pay awards in the previous year; the forward-looking directors' remuneration policy; and the performance graph showing CEO pay and total shareholder return in the past ten years.

Most of the other, non-audited, information would, however, no longer be required, including:

- how the approved directors' remuneration policy will be implemented (with the new regime potentially only requiring a summary where there has been a material update);
- the CEO pay ratio;
- voting results relating to remuneration-related resolutions;
- the importance of spend on pay (compared to shareholder distributions);
- the size of executive directors' pay packages assuming 50% share price growth;
- the work of the remuneration committee and their appointed advisers;
- the operation of malus and clawback policies (which is already covered in some detail in the directors' remuneration policy);
- engagement with employees and shareholders on creating the directors' remuneration policy; and
- differences between executive directors' and employees' pay.

> Companies frequently say that much of the information in the remuneration report is not material to determining shareholders' views on directors' remuneration packages, so we expect the proposed changes in this area will be well-received by companies although investor acceptance remains to be seen.
>
> Dropping the requirement for an annual vote on the remuneration report is likely to be more controversial. Companies are likely to welcome an opportunity to streamline AGM business, and avoid a potential flashpoint with shareholders and resulting media comment; but investors may be concerned about transparency being reduced and losing an opportunity to express any concerns by voting against the report. However, it should be remembered that companies will continue to have to obtain shareholder approval for their directors' remuneration policy, which will set the parameters for permissible remuneration over the next three years and, as now, shareholders will be able to express any concerns about remuneration privately or, in extremis, by voting against the (re)election of the chair of the RemCo or another resolution.

Moving some disclosures to company websites or central portals

On a more general note, the Government asks whether it may be better for some information – particularly information that tends to remain fairly static - to be relocated from the annual report to company websites or central online portals. This could create a shorter and less cluttered annual report and allow greater integration of digital tools into company websites. From a company perspective, it could reduce time pressure around the annual report by allowing some information to be produced to a different timetable. However, other implications would need to be worked through.

Revoking the Reports on Payments to Governments Regulations 2014

Following a review of their effectiveness, the Government proposes to revoke the Reports on Payments to Governments Regulations 2014. The Regulations require UK-registered large companies and PIEs to report annually via the Companies House extractives service on all their payments made to governments totalling £86,000 or more, if they are active in the extraction of oil, minerals or gas, or in logging of primary forests.

The review found that the Regulations are not achieving their objectives of increasing transparency in the extractives sector and combatting corruption by governments of resource rich countries, and by UK companies operating in those countries. Accordingly, the Government proposes to revoke the Regulations, although it will consider suggestions for making them more effective.

Listed companies are required to comply with similar requirements in DTR 4.3A. It is not yet clear whether the FCA will remove those requirements.

Virtual AGMs

It will be made clear that, as a matter of law, an AGM can be held fully virtually - i.e. without a physical location. However, a company would need to obtain shareholder approval before holding a fully virtual AGM.

Views are sought on what form such approval should take – for example, whether an ordinary or special resolution should be required; and how often – and whether other conditions should have to be satisfied or safeguards put in place.

> Clarifying that, as a matter of law, general meetings can be held fully virtually will remove any doubts about whether it is lawful to hold a meeting this way. However, companies will need to consider carefully whether they should do so. To date, investor bodies and proxy advisers such as the Investment Association, ISS and Glass Lewis have tended to oppose fully virtual meetings, and very few companies have so far held a fully virtual AGM. Companies will also have noted that, earlier this year, BP's shareholders rejected a resolution to change its articles to, among other things, seek to permit fully virtual AGMs.
>
> If a company does propose to switch to fully virtual AGMs, it will need to consider what measures to put in place to address any shareholder concerns. In December 2025, the GC100 published guidance on virtual AGMs suggesting that companies should seek approval from shareholders every five years. As very few companies have so far held a fully virtual AGM, it is difficult to predict whether the GC100 guidance will be widely adopted. In due course, and depending on consultation responses, the GC100 guidance could be codified into statutory requirements.

Digital shareholder communication

As recommended by the Digitisation Taskforce (for details see this briefing), by default companies would be permitted to send annual reports and other documents to shareholders in digital form. Individual shareholders would be able to obtain a hard copy on request.

General views on the usefulness of corporate reports

In addition to the key proposals described above, the Government invites views on how the reporting framework should be reformed to be a more useful decision-making tool for investors and creditors. For example, it asks which categories of information and disclosures under the Companies Act are seen as most useful to investors and creditors; whether any disclosure obligations are superfluous or unnecessary for certain types of company; and whether there are any information gaps in particular market segments. It also asks for views on the amount of information private companies should have to disclose, taking into account variations in their size, nature and ownership structure.

What should companies do now?

Companies should consider responding to the consultation directly. Alternatively, we will be contributing to a legal industry response, so please let us know of any points you would like to see reflected. Otherwise, companies should look out for the Government’s response in spring/summer 2027.

We will be discussing the Government's consultation further in our AGM Season seminar being held in November 2026.

Contact

Paul Dickson
Partner
T: +44 (0)20 7090 3424
E: Paul.Dickson@slaughterandmay.com

Holly Mumford
Senior Knowledge Lawyer
T: +44 (0)20 7090 3935
E: Holly.Mumford@Slaughterandmay.com

London	Brussels	Hong Kong	Beijing
T +44 (0)20 7600 1200	T +32 (0)2 737 94 00	T +852 2521 0551	T +86 10 5965 0600
F +44 (0)20 7090 5000	F +32 (0)2 737 94 01	F +852 2845 2125	F +86 10 5965 0650