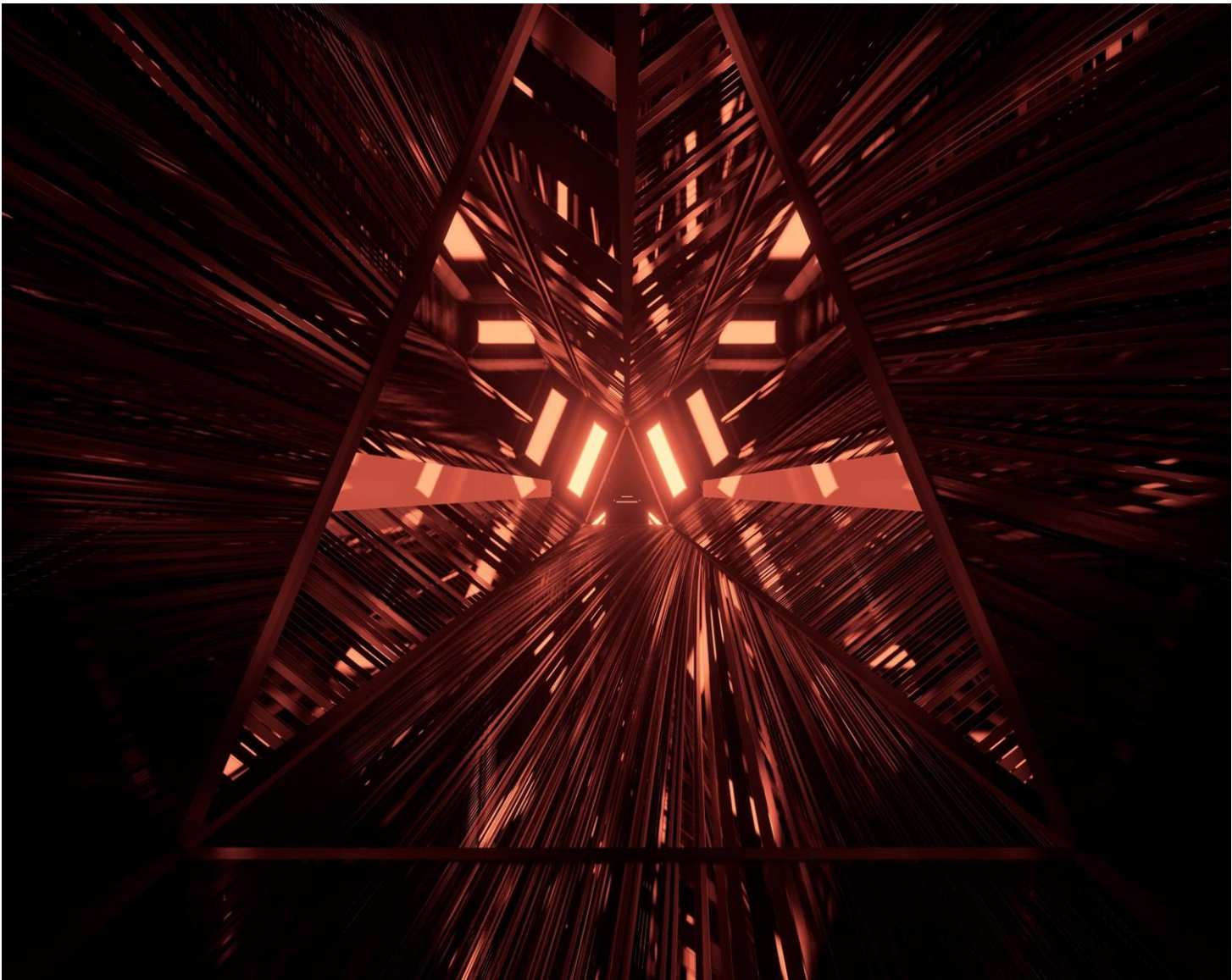


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2025 AGM and reporting season: what to expect

January 2025



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INTRODUCTION

This briefing summarises key developments to be aware of when preparing for 2025 annual general meetings and compiling the narrative aspects of annual reports.

It is aimed principally at UK incorporated companies with a listing on the new 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 and large private companies.

Considerations for 2025 AGMs

We cover:

- Resolutions and practice in 2024.
- Key points from various updated voting guidelines for 2025, including those of Institutional Shareholder Services (ISS), Glass Lewis and others.
- Reminders for AGMs of AIM companies following the publication of the 2023 Quoted Companies Alliance Corporate Governance Code (2023 QCA Code).
- Miscellaneous issues relevant to AGMs.
- Horizon scanning in relation to developments that may affect AGMs in the future.

Considerations for 2025 narrative reporting

We cover:

- Sustainability reporting including reporting pursuant to The Taskforce on Climate-Related Financial Disclosure (TCFD) recommendations, climate-related financial reporting under the Companies Act 2006 (2006 Act) and other international, EU and UK developments.
- Diversity reporting pursuant to the UKLRs and the FCA Disclosure Guidance and Transparency Rules (DTRs) and various voluntary initiatives.
- Remuneration reporting.
- Publications issued by the Financial Reporting Council (FRC) and others analysing, among other matters, the quality of annual and corporate governance reporting.
- Reporting pursuant to the FRC's Audit Committees and the External Audit: Minimum Standard.
- Reporting by listed companies following the publication of the 2024 UK Corporate Governance Code (2024 Code).
- Reporting by AIM companies in light of the 2023 QCA Code.
- Reporting by large private companies.
- Horizon scanning in relation to developments that may affect narrative reporting in the future.

At the end of this briefing we also set out, and link to, key documents published in 2024.

We considered many of these issues at our November 2024 AGC conference. Click [here](#) to go to the event landing page where you will find the session materials, a recording of proceedings and links to other useful information.

A. CONSIDERATIONS FOR 2025 AGMs

CONSIDERATIONS FOR 2025 AGMs: <i>What we cover</i>	
1.	A retrospective on AGM practice and resolutions in 2024
2.	Updated voting guidelines: Glass Lewis, ISS and PLSA
3.	Reminders for AIM companies in relation to the 2023 QCA Code
4.	Miscellaneous issues relevant to AGMs
5.	Horizon scanning – developments that may affect AGMs

A1. A RETROSPECTIVE ON AGM PRACTICE AND RESOLUTIONS IN 2024

In this section we summarise our view of market practice from the 2024 AGM season. Some statistics are sourced from Practical Law's **'What's Market practice Insights and Trends report on Annual Reporting and AGMs 2024'** (published November 2024); and others are sourced from the LexisNexis **'Market Standards Trend Report - AGM Season 2024 - investor voting and key trends'** (published for subscribers in December 2024).

Meeting format

According to Practical Law, in 2024 there has been a slight increase in the number of companies holding physical meetings, while the number holding hybrid meetings continues to fall.

This is echoed by LexisNexis - see the next table summarising the format of its surveyed AGMs in 2024:

LexisNexis AGM Season Report 2024: <i>Meeting format</i>
Physical AGMs: 82.3 per cent (191 physical meetings and 27 physical meetings plus webcast)
Hybrid AGMs: 15 per cent (41 meetings)
Fully virtual AGMs: 1.5 per cent (4 meetings)
Other AGMs: 0.8 per cent (2 meetings described as virtual with restricted physical attendance)

Similar to LexisNexis (see last line of previous table), Practical Law also notes the development of a new type of meeting that it refers to as a "digitally-enabled AGM". These are typically broadcast under "studio" conditions from a physical location (often the company's head office), where physical attendance is permitted but politely discouraged. Practical Law identified four such meetings in 2024.

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, there was a slight decrease in the number of companies allowing questions to be asked in advance of a meeting. Nevertheless, the overwhelming majority do so and of the 195 companies from its survey allowing questions in advance, 133 included a statement in their notice as to how answers would be provided. Of these, 61 confirmed that responses would be given before the proxy voting deadline.

Disruption at AGMs

We are aware of very little disruption at AGMs this year. Where it did occur, it was largely occasioned by climate protesters. Reported disruption took the form of protests outside the meeting and, within the meeting, repeated questions, chanting, the deployment of banners and, this year, a

confetti canon. In some cases protesters were removed by security.

Additional one third allotment authority resolutions

According to Practical Law, the number of companies seeking the additional one-third allotment authority (i.e. upto 66 per cent of issued share capital permitted by the Investment Association Share Capital Management Guidelines 2023 (**IA Guidelines**)) remains relatively consistent at:

- 65 per cent of FTSE 100 companies (62 per cent in 2023); and
- 79 per cent of FTSE 250 companies (also 79 per cent in 2023).

Practical Law notes that of the 188 companies which sought the additional one third allotment authority, 108 confirmed that the additional authority would be for fully pre-emptive offers, whereas 80 restricted the allocation to rights issues only. Therefore, a significant number continue **not** to take advantage of the flexibility introduced into the IA Guidelines.

Pre-emption disapplication resolutions

According to Practical Law, although most companies seek the additional 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), 2024 saw a small decrease in the number of companies which sought the additional pre-emption disapplication as follows:

- 80 per cent of FTSE 100 companies (compared with 82 per cent in 2023); and
- 81 per cent of FTSE 250 (compared with 86 per cent in 2023).

As regards the levels of pre-emption disapplication authorities sought, two years

on from publication by the Pre-Emption Group (**PEG**) of its 2022 Statement of Principles (**2022 SoP**), growing numbers of companies are seeking 'enhanced' authorities – i.e. above the levels permitted by the 2015 Statement of Principles. In its second monitoring report, issued in November 2024, PEG reports that 67.1 per cent of FTSE 350 companies in its survey sought an enhanced authority permitted by the 2022 SoP (compared with 55.7 per cent in its first 2023 monitoring report). Other key issues from the PEG monitoring report are set out in the next table.

Practical Law notes that this trend is most noticeable in the number of companies seeking a disapplication authority over 24 per cent of their issued share capital. From its 2024 research, 105 sought the full 24 per cent authority (compared with 84 in 2023).

PEG 2nd annual monitoring report 2023/24: *Some key points*

2022 SoP: PEG encourages all companies to adopt the 2022 SoP and engage with shareholders, particularly if any resolution sought is **outside** the limits set by the SoP.

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 also no longer refer to the 7.5 per cent rolling limit on the issue of shares for cash in any three year period; the investor protections in the 2022 SoP should be referred to instead.

Investor support: PEG notes a small minority of investors who do not support the 2022 SoP. PEG will monitor this and may engage with them in the future.

Reminders: PEG reminds companies of the need to file a post transaction report on the [FRC Post Transaction Reports Database](#) if a pre-emption disapplication authority is used. It also reminds investors to report companies that they consider to be misusing disapplication authorities.

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 B for more on this) and/or are relatively content with the extent of climate-related disclosure. Practical Law notes just ten companies (six FTSE 100 and four FTSE 250) in 2024 tabling board-proposed climate-related resolutions. One company had a shareholder-requisitioned climate-related resolution.

Requisitioned resolutions

Practical Law notes only three shareholder requisitioned resolutions, all of which failed. One was climate related, one related to the impact of share buybacks on the satisfaction of earnings per share performance conditions under a company's LTIP, and the third related to a company's pension scheme.

Adoption of new articles of association

We are aware of one AGM where a resolution to amend articles was voted down. In the company's results announcement, it noted that its board "was made aware, late in the AGM notice period, that certain of the proxy voting agents had recommended a vote against or provided an advisory note against this resolution to update the Articles, specifically due to the proposed changes to allow the Company to convene virtual-only general meetings".

This is a timely reminder that some investors and proxy voting agencies continue to object to changes to articles of association that allow, or seem to allow, the holding of virtual meetings. It is also a reminder to consider including assurances in the notes accompanying any such resolution that the company has no intention to hold virtual-only (i.e. wholly online) meetings.

Other issues on resolutions

Resolutions not passed. Fewer resolutions failed in 2024. Practical Law notes 11 resolutions that did not pass (compared to 23 in 2023). The resolutions that failed were:

- Authority to disapply pre-emption rights (three failed resolutions).
- Shareholder-requisitioned resolutions (three) (see earlier section on 'requisitioned resolutions').
- Approval of the annual remuneration report (two).
- Authority to allot shares (two).
- Re-election of a director (by independent shareholders in the context of a company with a controlling (30 per cent +) shareholder) (one).

Shareholder dissent. LexisNexis notes the lowest level of shareholder dissent during an AGM season in seven years and a continuing declining trend in shareholder dissent levels since 2021. The next table summarises some key points regarding dissent, i.e. where 20 per cent or more votes are cast against a resolution.

LexisNexis AGM Season Report 2024: Significant dissent

Number of companies

37 out of 265 FTSE 350 companies (11 FTSE 100, and 26 FTSE 250) received significant dissent in relation to at least one resolution. This represents a fall of 26 per cent compared with 2023.

Types of resolutions

The resolution types that most commonly received significant dissent were:

- Director re-election/election (20 resolutions).
- Directors' remuneration report (7).
- Authority to allot (6).
- Directors' remuneration policy (6).

A2. UPDATED VOTING GUIDELINES

In this section we cover: (i) Glass Lewis 2025 UK proxy voting guidelines and ESG guidelines; (ii) updates to the ISS proxy voting guidelines; and (iii) PLSA stakeholder and voting guidelines.

IA Shareholder Priorities 2023

In the past, we have covered the Investment Association (IA) Shareholder Priorities. However, none were published in 2024. The IA is still following its 2023 shareholder priorities which we covered in our 2024 season AGM briefing [here](#).

Glass Lewis 2025 UK Proxy Voting Policy Guidelines

Proxy advisory agency Glass Lewis has published its 2025 UK Proxy Voting Policy Guidelines effective for meetings from 1 January 2025. The guidelines are still based on the FRC 2018 Corporate Governance Code (**2018 Code**) but have been updated for the 2023 QCA Code. Key amendments include those set out in the table below. (See section B3 below for some of Glass Lewis' changes as regards remuneration.)

GLASS LEWIS 2025 UK PROXY VOTING POLICY GUIDELINES: <i>Some key changes</i>	
Director tenure	The rationale for extending the tenure of a board chair beyond nine years will now be looked at on a case-by-case basis (this being a more flexible approach).
Gender diversity	GL will generally recommend against the re-election of the chair of the Nomination Committee on any main market board which has failed to appoint at least two gender diverse directors (previously one) where it has not given a clear and compelling reason for that lack of diversity. Their benchmark policy continues to expect 33 per cent gender diversity on FTSE 350 boards.
Ethnic diversity	GL will generally recommend against the re-election of the chair of the Nomination Committee at any FTSE 250 board (mirroring their existing position for the FTSE 100) failing to appoint at least one director from an ethnic minority background where it has not given a clear and compelling rationale for that lack of ethnic diversity.
Board oversight of AI	GL have added a new section on Artificial Intelligence (AI) which, among other issues, expects that boards: be cognisant of, and take steps to mitigate exposure to, material risks from use/development of AI; adopt strong internal frameworks that include ethical considerations and ensure effective oversight of AI; and make clear disclosure on how they are overseeing AI and expanding their collective expertise and understanding in this area. If board oversight, response or disclosure is considered insufficient, GL may recommend voting against the re-election of accountable directors or other matters put for shareholder vote.
Other changes	The guidelines now include positions on multi-class share structures and special purpose acquisition vehicles. There are also clarifications on a number of other issues including holding virtual meetings and the publication of proxy voting results.

Glass Lewis 2025 Shareholder Proposals & ESG-Related Issues

Glass Lewis has also published its 2025 Shareholder Proposals & ESG-Related Issues. These are also effective for meetings from 1 January 2025.

The guidelines have been updated to include a new section on AI, stressing that companies should provide sufficient disclosure to allow shareholders to understand broadly how AI is being used in a company's operations.

ISS Proxy Voting Guidelines.

In December 2024, ISS published its 2025 Executive Summary Proxy Voting Guidelines Updates. The revised policies will apply for shareholder meetings taking place on or after 1 February 2025. Changes are principally in the area of remuneration (see section B3 below for more). ISS aim to publish their final guidelines reflecting these updates in early January.

PLSA Stewardship and Voting Guidelines

At the time of writing, the Pensions and Lifetime Savings Association (**PLSA**) has **not** published its guidelines for 2025. These are usually published in February of each year. The next table sets out some key points from the **2024** PLSA guidelines. When the 2025 guidelines are published, we will cover them in an AGC Update.

PLSA 2024 STEWARDSHIP AND VOTING GUIDELINES: <i>Some key points</i>	
Social factors:	A new section has been added on social factors (including workforce and wellbeing practices) recommending that investors start engaging with this topic and promoting best practice for companies to follow.
Cybersecurity:	Investors should encourage companies to disclose the governance and oversight structures in place to identify and manage cybersecurity risks and provide timely reporting of breaches and response measures. Related recommendations include voting against the annual report where disclosure on cybersecurity risk and steps to mitigate it is considered particularly poor, and voting against the re-election of the audit committee chair and reappointment of the auditor if cybersecurity risk (or any breach responses) are poorly managed.
Artificial Intelligence:	Investors are recommended to ensure that companies are aligned with evolving industry good practice. 'Egregious conduct' by a director in relation to the deployment or development of AI may lead to voting against that individual's re-election.
Biodiversity:	The guidelines are expanded to address the importance of biodiversity loss and the need to treat this with the same prominence as climate change.
Executive pay:	Companies should exercise restraint over executive pay awards, and investors should evaluate all aspects of a company's remuneration policy to ensure that it is closely aligned with investors' interests and is in line with wider workforce policies. Investors should consider voting against a remuneration policy not reflecting the PLSA's standards.

A3. REMINDERS FOR AGMs OF AIM COMPANIES

The 2023 QCA Code applies to financial years beginning on or after 1 April 2024. By way of reminder, the key changes in the

2023 QCA Code that impact on 2025 AGMs are set out in the next table. AIM companies not already putting these matters to a shareholder vote should consider doing so or setting out 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: In its 2025 Dividend Procedures Timetable, the London Stock Exchange specifically notes some learning points. Dividends can be announced as part of an Interim or Final Results announcement or under the Headline Category 'Dividend Declaration' but should **not** be announced under other headlines as this can lead to dividend details not being noticed. Dividend details must be in the body of the announcement and not just referred to as being available on a web page link or included in a separate circular. In such cases, an issuer may be asked to change and re-announce dividend details. (See also section B4 below for FRC comments on lawfulness of dividends.)

Sanctioned persons: Companies are reminded to continue to consider the sanctions regime when paying dividends.

New UK Listing Rules: In July, the FCA issued its new UKLRs, which came into force on 29 July 2024. As a result, references to the UKLRs within notices of meetings or announcements should be updated. In particular, note that most of the continuing obligations no longer sit within chapter 9, but are now found in chapter 6.

Whilst there is no longer a requirement in the UKLRs for a controlling shareholder agreement where a company has a controlling (30 per cent +) shareholder, there is still a need for a dual vote on the election/re-election of independent non-executive directors and to follow the procedures in the UKLRs should the vote by independent shareholders fail.

A further change to be borne in mind for listed companies with controlling shareholders is new UKLR 6.2.10R. It requires that if a controlling shareholder or its associate proposes or procures the proposal of a shareholder resolution which a director considers is intended or appears to be intended to circumvent the proper application of the UKLRs, the circular accompanying the notice of meeting containing the resolution must set out a statement by the board of the director's opinion on the relevant resolution.

A5. HORIZON SCANNING

By way of reminder, there is some doubt that fully virtual AGMs can legally be held (even if permitted by articles of association). This is due to a tension between section 360A of the 2006 Act 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, 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. Even if the law is clarified to permit such meetings, the views of the proxy voting agencies and shareholders will still need to be considered should that format be contemplated.

B. CONSIDERATIONS FOR 2025 NARRATIVE REPORTING

We cover the developments listed in the table below at B1 – B6 and B9 as being particularly relevant for the 2024 annual reports of those with 31 December year ends.

We also consider reporting pursuant to the 2024 Code for listed companies and pursuant to the 2023 QCA Code for AIM companies (B7 and B8). In B10, we consider some miscellaneous reporting developments.

CONSIDERATIONS FOR 2025 NARRATIVE REPORTING: <i>What we cover</i>
1. Sustainability reporting
2. Diversity reporting
3. Remuneration reporting
4. The FRC's annual reviews and other publications
5. Reporting and the FRC's 'Audit Committees and the External Audit: Minimum Standard'
6. FCA and other reminders
7. Reporting by listed companies pursuant to the 2024 Code
8. Reporting by AIM companies pursuant to the 2023 QCA Code
9. Reporting by large private companies
10. Miscellaneous

B1. SUSTAINABILITY REPORTING

In this section we look, briefly, at the current state of play and recent developments as regards; (i) TCFD reporting; (ii) international and UK sustainability reporting; (iii) EU sustainability reporting; and (iv) transition plans. Please access the recording, slides and other materials from our November 2024 AGC conference [here](#) for more information.

TCFD reporting and related developments

Recap. TCFD reporting is in force and 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 in force and required of certain large 'traded', banking, insurance and AIM companies and large, high turnover private companies and LLPs, pursuant to the 2006 Act.

There have been no detailed reviews of climate-related reporting by the FCA or FRC this year, but the reports issued by the FRC in 2022 and 2023 – see [here](#) and [here](#) – remain useful reference resources. That said, the FRC's Annual Review of Corporate Reporting 2023/24 does reflect on the issue – its key points are set out in the next table.

FRC ANNUAL REVIEW OF CORPORATE REPORTING 2023/2024: *Points to note on TCFD and CFD reporting*

- **Statements of consistency with the TCFD framework:** The FRC notes that it corresponded with companies on matters including; failure to report against TCFD despite being in-scope of the UKLRs; providing disclosures that were unclear as to the extent of compliance or which did not clearly identify the areas of non-compliance with climate-related reporting requirements; providing inadequate references to information disclosed outside the annual report; and not explaining the steps being taken to address areas of non-compliance, and the expected timeframe for doing so.
- **Other TCFD related disclosures:** The FRC asked companies to explain apparent inconsistencies between their disclosures and the TCFD framework, or a lack of clarity, in relation to the following pillars: strategy (including climate-related risks and opportunities); and metrics and targets.
- **Climate reporting in the Strategic Report and financial statements:** The FRC challenged companies in relation to: the level of prominence given to green initiatives in the Strategic Report where there had been relatively little discussion of core activities that generated the majority of the company's carbon emissions; and when it was unclear how the impact of climate change had been reflected in a company's impairment assumptions.
- **Materiality:** The FRC reminds issuers of the need to focus on materiality, ensuring material information is not obscured. Companies should also make it clear how any material impact of climate change has been reflected in the financial statements.
- **Non-Financial and Sustainability Information Statement:** The FRC reminds UK incorporated listed companies that the CFD disclosure requirements are **mandatory** (rather than working on a limited 'comply or explain' basis as is the case with TCFD expectations under the UKLRs) and thought must be given as to where those disclosures are located, amongst other issues.

Key issues for UK companies. The FRC noted that it entered into substantive correspondence with more companies this year (four per cent of reviews; compared with two per cent in 2022-23) on TCFD issues. Given increasing expectations from the FRC and FCA as to the quality of disclosure, we expect this trend to continue. The FRC has stated that it expects to publish a thematic review report on CFD reporting in the coming months, focusing on how well companies have complied with their CFD reporting obligations, identifying good practice, and setting out the FRC's expectations for future reporting.

Sustainability reporting and related developments – International and UK Recap. As mentioned in last season's briefing, the International Sustainability Standards Board (**ISSB**) was created to deliver a comprehensive global baseline of

sustainability-related disclosure standards to inform investors and others about companies' sustainability-related risks and opportunities. In June 2023, the ISSB published its first two Sustainability Disclosure Standards (**SDSs**), S1 and S2 – see next table and our August 2023 briefing [here](#) for more on IFRS S1 and S2.

The government has committed to make reporting against UK endorsed versions of IFRS S1 and S2 mandatory in the UK and established two committees to assist it in this area. One of these committees is the UK Sustainability Disclosure Technical Advisory Committee (**TAC**). TAC's remit was to undertake technical assessments of the IFRS SDSs to inform its recommendations to the Secretary of State for the Department for Business and Trade, who decides whether to endorse the standards.

ISSB SDSs: S1 and S2

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

S1 requires companies to disclose material information about all sustainability-related risks and opportunities that could affect their cash flows, access to finance or cost of capital over the short-, medium-, or long-term. It covers a wide range of environmental risks and opportunities such as greenhouse gas emissions, water pollution and waste.

IFRS S2 Climate-related Disclosures

S2 requires companies to disclose information about climate-related risks and opportunities that could affect their cash flows, access to finance or cost of capital over the short-, medium-, or long-term. It incorporates and augments the TCFD recommendations.

Where are we now? TAC undertook detailed technical assessments of IFRS S1 and S2 during 2024. On 19 September 2024, the government published information on its framework to create UK Sustainability Reporting Standards (**UK SRS**) and reiterated the timeline for endorsement of the standards. It stated that it still aims to consult on the exposure drafts of UK SRS in Q1 2025. It has also confirmed that the FCA will introduce the requirements for UK listed companies following the completion of the assessment process and endorsement decision, subject to a consultation process.

TAC published its recommendations on endorsement of IFRS S1 and S2 on 18 December 2024. TAC concluded that endorsement of IFRS S1 and S2 with its proposed amendments would be conducive to the long-term public good in the UK and suggested minimal amendments relating to: (i) the use of an internationally recognised industry classification system when disaggregating gross financed emissions; (ii) transitional relief; and (iii) the effective date of the SDSs.

Key issues for UK companies. Following the government consultation on the first two UK SRS and an endorsement decision during Q1 2025, the government will then consult on disclosure requirements against the UK SRS for certain UK registered companies in Q2 2025. Legislation to mandate those disclosures could be made in the second half of 2025 and take effect for financial years starting in 2026.

The government and FCA are encouraging large companies, whether listed or not, to familiarise themselves with S1 and S2 to help prepare for forthcoming UK disclosure requirements.

Sustainability reporting and related developments – EU

Recap. The Corporate Sustainability Reporting Directive (**CSRD**), which requires in-scope large and listed companies, including certain UK-incorporated companies doing business in the EU, to publish reports on the sustainability risks they face, how their activities impact people and the environment and related governance issues, was due to be transposed by Member States into national legislation by 6 July 2024.

The related Corporate Sustainability Due Diligence Directive 2024 (**CS3D**) establishes a corporate environmental and human rights due diligence duty for in-scope EU and non-EU companies operating in the EU. It 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. In addition, in-scope companies must adopt and put into effect a climate Transition Plan (**TP**). After considerable renegotiation of the previously agreed text, the CS3D came into force on 25 July 2024. Member States have until 26 July 2026 to transpose the Directive into national laws and compliance

obligations will commence in 2027 (see our April 2024 briefing [here](#) for more).

Where we are now? Reporting requirements (European Sustainability Reporting Standards or ESRS) that provide further detail on the obligations under the CSRD came into force in January 2024 (see our January 2024 briefing [here](#) for more on ESRS).

The European Financial Reporting Advisory Group (**EFRAG**) published implementation guidance on materiality assessments (IG 1), value chains (IG 2) and datapoints (IG 3) in July 2024. In November and December 2024, it also published drafts of the sustainability reporting standards for non-EU parent entities (**NESRs**) and draft implementation guidance on transition plans (IG 4).

The IFRS Foundation and EFRAG have also published Interoperability Guidance, which explains the alignment between the ESRS and IFRS S1 and S2 on issues such as materiality and presentation as well as defined terms. The guidance aims to reduce the reporting burden on companies by explaining how they can avoid duplication when complying with both sets of standards.

Notwithstanding that many Member States are yet to transpose the CSRD (and the EU Commission has commenced infringement proceedings against them), most in-scope companies that are due to report in 2025 as part of the first cohort, have taken active steps in preparation for doing so.

Key issues for UK companies. CSRD and CS3D have extra-territorial effect so that they apply potentially to non-EU companies or non-EU parents of large groups. Even those not directly required to report may need to provide sustainability-related information as part of the value chain of in-scope reporting companies. There is a phased introduction of CSRD obligations between 2025 and 2029. Transitional

provisions allow EU subsidiaries of non-EU parent companies that generate the most EU turnover to prepare a consolidated sustainability report for all in-scope EU subsidiaries. In addition, subsidiaries included in consolidated group reports are exempt from reporting provided certain conditions are met (such as a link to the consolidated report and related assurance opinion being provided in the subsidiary's 'management' report).

Many UK companies in-scope of CSRD have started to conduct double materiality assessments to determine precisely what sustainability disclosures need to be reported on and when.

In addition, for UK companies likely to be required to report under both the UK SRS and the CSRD's ESRS, further work will be needed to determine how to satisfy the requirements under both reporting standards. The ISSB/ EFRAG Interoperability Guidance is a helpful starting point.

Transition Plans

Recap. By way of a reminder, a climate-related transition plan (**TP**) is part of an entity's overall strategy that sets out the entity's targets, actions or resources for its transition towards net zero. The UKLRs already include some guidance encouraging a company that is developing and disclosing a TP to consider any national commitments to a net zero economy or explain why it has not considered them.

At COP26 in Glasgow, the government committed to make TPs mandatory for large companies and some financial sector firms. The Transition Plan Taskforce (**TPT**) was set up in 2022 to develop a 'gold standard' for credible TPs, which are considered key to delivering corporate net zero targets and the global transition to a decarbonised and climate-resilient economy. In October 2023 the TPT finalised and launched its

Disclosure Framework and Implementation Guidance, and called for companies to start developing their TPs using its resources.

Where are we now? In April 2024, the TPT published sector specific guidance for 30 different sectors across financial services and the real economy on how to prepare and communicate net zero TPs. It also published sector-specific guidance for asset managers, asset owners, banks, electric utilities and power generators, food and beverage, metals and mining, and oil & gas companies.

In June 2024, the ISSB announced that the IFRS Foundation (which convened the ISSB) has assumed responsibility going forward for the materials developed by the TPT to help streamline transition planning across the globe.

In May 2024, the then government indicated it would consult in Q2 2024 on how large UK companies might disclose their TPs, however this timetable was impacted by the General Election. Given the commitments on TPs in the prospective Labour government's manifesto, it is anticipated that they will consult on making TPs mandatory in the near future.

The UK is also joining the recently launched International Transition Plan Network, which has been set up to support continued global momentum for transition planning and to enable international norms and national action on TPs.

In the EU, the adoption of the CS3D will, once transposed by EU Member States, require in-scope EU and non-EU companies and groups to adopt and implement a TP. This will also likely create a demand for TPs, or at least certain information in TPs, for companies that are not themselves in-scope but are part of the chain of activities of in-scope companies.

Key issues for UK companies. Although not yet mandated, the voluntary preparation of TPs indicates they are becoming a crucial and normal part of companies' strategic planning and reporting that will help to deliver the global net zero transition. It is anticipated that the TPT's Disclosure Framework and Guidance will form the basis of UK mandatory requirements for TPs. UK-regulated financial institutions and listed companies that are likely to be in-scope of these requirements should familiarise themselves with the Disclosure Framework and the Guidance as developing a TP is an entity-wide undertaking that will take considerable time and resources.

The IFRS is considering using the TPT's materials to develop guidance on S2, so the TPT's recommendations and methodology could inform the UK SRS as well.

The TPT's Final Report in October 2024 noted that outside of the UK, several other jurisdictions such as Australia, China and Singapore are developing or have developed guidance on TP disclosures. The TPT Disclosure Framework has been recognised as a key resource for countries looking to develop guidance on TPs and for corporates that are developing their own TP. Early understanding of the TPT's materials is therefore recommended.

B2. DIVERSITY REPORTING

In this section we look at: (i) diversity reporting pursuant to the UKLRs and the DTRs; (ii) developments relating to FTSE Women Leaders Initiative; and (iii) developments relating to the Parker Review of the ethnic diversity of UK boards.

Diversity reporting pursuant to the UKLRs and DTRs

In PS 22/3 (published in April 2022) the FCA introduced its new rules on diversity and inclusion on company boards and executive management including 'comply or explain' basis reporting against diversity

targets in the UKLR, and mandatory reporting on board diversity policies in the DTRs.

There has been no specific monitoring report published by the FCA since Primary Market Bulletin 44 (March 2023), which we reported on in our AGC Update [here](#). However, in Primary Market Bulletin 49 (**PMB 49**), the FCA reiterated that it had committed to reviewing its rules for listed company disclosures within three years of publication of PS 22/3 to assess their impact. It also said that it will consider and seek views on whether to revise the nature of data reported and whether to consider targets on other aspects of diversity. On this basis, we may hear from the FCA in H1 2025.

In PMB 49, the FCA also noted that, given its approach of aligning with Office of National Statistics/ONS categories on ethnicity in order to assist comparability of reported data, it would make a change to the 'Other Ethnic Group' category in its UKLR standardised board diversity tables to align with the ONS 'Other Ethnic Group' category description by removing the 'including Arab' guidance. In-scope companies should follow suit. In addition, in PMB 49, the FCA encouraged companies to be flexible and allow individuals to use the 'Other Ethnic Group' category to identify themselves within a broad range of groups, including religious groups.

Diversity reporting: FTSE Women Leaders Review

In February 2024, 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 encompassed within the UKLR requirements, the Review remains an influential initiative as well as having points of difference. In particular, the Review has extended its scope beyond FTSE 350

companies to include the largest 50 private companies by sales in the UK.

Headlines from the latest report include:

- The average figure across the FTSE 350 for women on boards is 42.1 per cent, showing further gains in the past year.
- The average figure for women in senior leadership roles is 35.2 per cent for the FTSE 100 and 33.9 per cent for the FTSE 250. The Review notes that "... *businesses are urged to double down on their efforts to reach the 40% Women in Leadership target by the end of 2025*".
- The average figure across the Top 50 private companies for women on boards is 31 per cent and for senior leadership roles is 36 per cent.

Diversity reporting: the Parker Review

In March 2024, the Parker Review Committee published its 2024 update on the ethnic diversity of UK business. Headlines from the update are set out in the next table.

PARKER REVIEW: *Some key results*

Target of at least one ethnic minority director on the board achieved by:

- 96 per cent of the FTSE 100
- 70 per cent of the FTSE 250 (with the target to be met by end 2024)
- 44 per cent of top 50 private companies (with the target to be met by end 2027)

Self-set target for senior management positions to be occupied by ethnic minority executives by end 2027

- Average target set by FTSE 100 is 17 per cent
- Average target set by FTSE 250 is 15.5 per cent

B3. REMUNERATION REPORTING

The debate on executive pay and the need for revisions to investment guidelines for the UK to remain competitive in attracting top talent culminated in the publication of updated guidelines on remuneration by the Investment Association in October 2024.

IA Principles of Remuneration

The IA Principles of Remuneration for 2025 have been completely rewritten to emphasise that they are guidelines and not a prescriptive set of rules. They are intended to set out an approach to remuneration practices commonly accepted as appropriate for the majority of companies. Where a company follows a more bespoke approach, that should be

clearly and comprehensively explained to shareholders. The guidance has been rewritten to support three overarching principles for setting remuneration policy:

- to promote long-term value creation through alignment with corporate strategy;
- to support individual and corporate performance, sustainable long-term financial health and sound risk management; and
- to seek to deliver remuneration levels clearly linked to company performance.

Some key takeaways from the revised IA Principles are set out in the table below.

IA Principles of Remuneration: <i>Some key points</i>
Remuneration committees should engage proactively and constructively with shareholders to take account of their views and expectations, not simply to seek their approval for remuneration proposals but to understand shareholder expectations and then report back.
Executive remuneration should be set at levels appropriate for the company's circumstances taking into account the need to attract and retain talent and meet corporate objectives.
Dilution limits may be relaxed. The limit of five per cent of issued share capital that may be used for executive/discretionary plans in any rolling ten year period has been removed. The ten per cent dilution limit over the same period has been retained with an acknowledgment that the limit may be increased with shareholder approval.
Hybrid plans are now recognised as an alternative to single structure plans. The guidance on the different long-term incentive plans has been completely rewritten. Hybrid plans that typically combine performance shares and restricted shares may be appropriate for companies with a significant US presence or which compete for global talent. There should be an appropriate discount of the restricted share portion of such awards to reflect the lower risk and higher certainty of attainment.
The 42 day post-announcement of results grant window applies only to grants to executive directors, so it may be relaxed to provide greater flexibility for timing of awards more generally.

Voting guidelines and remuneration

It remains to be seen whether the proxy voting agencies will follow the IA's lead in changing or relaxing their voting guidelines, but the early indications are encouraging.

The Glass Lewis 2025 Benchmark Policy Guidelines published in November 2024 have acknowledged the use of hybrid plans subject to further disclosure of the rationale

for choosing a hybrid model over a single structure, a reduction in maximum opportunity for the restricted share portion with explanation of the discount rate methodology and a total vesting and post-vesting holding period of at least five years (in line also with the UK Corporate Governance Code requirements). They have also dropped the five per cent in any ten year period share dilution limit for

executive/discretionary plans but state more cautiously that removing that limit will no longer generally lead to a recommendation to oppose equity awards.

The ISS Executive Summary Global Proxy Voting Guidelines Updates for 2025 were published in December 2024 (see section A2 earlier). They also align with the overall ten per cent in any ten year period share dilution limit in the Investment Association guidelines, while maintaining that a five per cent dilution limit for executive (discretionary) schemes is considered good market practice by many investors and expecting an explanation if that limit is exceeded.

B4. FRC VIEWS ON CORPORATE REPORTING

We now look at FRC publications relating to corporate reporting including: (i) priority sectors; (ii) the Annual Review of Corporate Reporting; (iii) the annual Review of Corporate Governance Reporting; and (iv) Audit Committee reporting.

FRC priority sectors

In September 2024, as part of its Annual Review of Corporate Reporting, the FRC reiterated its priority sectors for 2024/25, as set out in the next table.

FRC: <i>Priority sectors 2024/25</i>
Construction and materials
Food producers
Gas, water and multi-utilities
Industrial metals and mining
Retail

Companies and audits not in a priority sector may still be selected for review, particularly those in financial services.

We are not yet aware of the priority sectors for 2025/26.

FRC Annual Review of Corporate Reporting 2023/24

In September 2024, the FRC published its Annual Review of Corporate Reporting which contains the findings from the FRC's monitoring activities, together with its expectations for the coming reporting season. Overall, the FRC felt that the general quality of corporate reporting across FTSE 350 companies had been maintained, but observed some evidence of a widening gap in reporting quality between companies within the FTSE 350 and elsewhere.

The principal focus of the review is on financial reporting. As in the past, the FRC set out its top ten most frequently raised areas in need of improvement, including impairment of assets, cash flow statements and financial instruments as its top three. Climate-related reporting entered the top ten for the first time.

As regards narrative reporting, the following table contains examples of specific instances where the FRC challenged companies.

FRC ANNUAL REVIEW OF CORPORATE REPORTING 2023/24: *Strategic Report and other Companies Act 2006 matters*

<p>Ensuring 'fair, balanced and comprehensive reporting'</p>	<p>The FRC expect:</p> <ul style="list-style-type: none"> • Unbiased discussion of positive and negative aspects of performance. • A clear articulation of the effects of economic uncertainty on the business. • Reporting to address significant movements in financial statements.
<p>Strategic Report omissions</p>	<p>As in past years, the FRC noted Strategic Reports which did not discuss:</p> <ul style="list-style-type: none"> • Material balance sheet and cash flow items, and significant changes in balances. • Significant fair value loss on disposal of an asset. • Litigation claims disclosed in other company publications.
<p>Other Strategic Report areas of challenge</p>	<p>The FRC also challenged:</p> <ul style="list-style-type: none"> • Prominence given to a company's alternative performance measures where the FRC were unable to locate any IFRS measures in the Strategic Report. • Strategic Reports discussing only some parts of the business; giving prominence to green initiatives with little discussion of the rest of the business; and having no information about key performance indicators.
<p>Lawfulness of distributions</p>	<p>The FRC queried the lawfulness of dividends:</p> <ul style="list-style-type: none"> • Not supported by the company's last audited accounts, and where the required interim accounts had not been filed at Companies House. • When a public company's net assets were lower than the total of its share capital and undistributable reserves.
<p>Other issues</p>	<p>The FRC also asked questions of companies relating to:</p> <ul style="list-style-type: none"> • Companies which were part of a large group having taken advantage of the small company audit exemption. • Significant differences between the share premium balances disclosed in the consolidated and parent company financial statements.

The Annual Review of Corporate Reporting also includes the FRC's key disclosure expectations for 2024/2025 annual reports and accounts. These are summarised in the next table.

FRC ANNUAL REVIEW OF CORPORATE REPORTING 2023/24: *Key disclosure expectations for 2024/2025*

Pre-issuance checks

Ensure there is a sufficiently robust review process in place to identify common technical compliance issues. Many questions, corrections and restatements could be avoided by review against the top ten issues which the FRC challenge most frequently, including ensuring that clear, company-specific accounting policies are included for key matters such as revenue recognition.

Risks and uncertainties

Ensure clear and consistent disclosures about uncertainty and risk are given that are sufficient for users to understand the positions taken in the financial statements.

FRC ANNUAL REVIEW OF CORPORATE REPORTING 2023/24: *Key disclosure expectations for 2024/2025*

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.

Taking a step back

Companies should consider whether the annual report and accounts as a whole:

- 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, 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 annual Review of Corporate Governance Reporting 2024

In November 2024, the FRC issued its annual Review of Corporate Governance Reporting 2024. The review considers the reporting of 100 premium listed companies, comprising a mixture of FTSE 100, FTSE 250 and Small Caps as regards their reporting against the UK Corporate Governance Code. As regards risk management reporting, which is an area of particular FRC focus this year, the review considered 130 annual reports.

Overall, the FRC notes that reporting quality remains strong, but there is still a need for more concise, outcomes-focused disclosure. Reporting on risk management and internal controls could be enhanced considerably. The next table contains a brief summary of some of the key messages to focus on in this reporting season. See our December 2024 client briefing [here](#) for more detail.

FRC REVIEW OF CORPORATE GOVERNANCE REPORTING 2024: *Key messages*

Departures from the Code	Explanations of departures from the Code should be clear and sufficiently detailed, and should be provided even if the company has 'rectified' non-compliance by the end of the reporting period.
Company purpose and values	Reporting on purpose was limited. Better reporters explained each element of their purpose and provided supporting narrative, at times even demonstrating direct links to their strategy and KPIs. Better practice in values disclosure included not only listing corporate values but also ensuring they are company-specific, explained and supported by a disclosure of matching behaviours.
Over-boarding	Although the FRC noted good reporting on the issue of 'over-boarding' with companies generally setting out clearly the other commitments of their board members, it encourages the disclosure of external board committee appointments given the additional responsibilities attendant to them.

FRC REVIEW OF CORPORATE GOVERNANCE REPORTING 2024: *Key messages*

Corporate culture	More thorough reporting is needed in this area generally including on culture assessment and monitoring. The FRC would like to see reporting on actions taken in the year. It would also like more thorough reporting on how boards promote the desired culture.
Shareholder and stakeholder engagement	<p>The FRC stresses the importance of explaining the outcome of engagement activities with shareholders.</p> <p>It is often unclear how the board, as distinct from senior management or other employees, undertake stakeholder engagement. While the FRC acknowledge that engagement does not always require the board to take action, where action is taken, good governance practice is to explain it in the annual report.</p>
Audit Committees	The FRC encourages audit committees to include updates about the Minimum Standard in future annual reports even though the Minimum Standard was voluntary for financial years ending 2024. The FRC found that the quality and clarity of the disclosures by audit committees of Audit Quality Review inspection results could be improved.
Principal risks	Good reporting on principal risks is not static but shows how risks have changed during the year, and over years. It is also important for boards to have a clear view of the responsible development and use of AI within the company and the governance around it.
Internal controls and effectiveness	<p>It is for boards to determine whether they review risk management and internal control systems more frequently than once a year. The aim of the review should be to identify strengths, gaps, deficiencies and areas for improvement, and be followed up by a plan to take forward any actions.</p> <p>Reporting on the effectiveness of internal controls remains at an early stage with work to do for many companies before the commencement of new Provision 29 of the 2024 Code. No early adopters of Provision 29 of the 2024 Code were noted.</p>

B5. REPORTING AND THE FRC'S AUDIT COMMITTEES AND THE EXTERNAL AUDIT MINIMUM STANDARD

Recap. As we covered in last season's briefing, in May 2023 the FRC published its 'Audit Committees and the External Audit: Minimum Standard'. The Minimum Standard covers: scope and authority of the audit committee; its responsibilities; audit tendering; oversight of audit and auditors; and reporting.

The FRC encourages audit committees to include updates about the Minimum Standard in annual reports even though the Minimum Standard was voluntary for financial years ending 2024.

The 2024 Code came into force and is applicable for accounting periods beginning on or after 1 January 2025. The Minimum Standard features in the 2024 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. 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.

Preparations by companies. Audit Committees should ensure they are briefed on and familiar with the Minimum Standard. They should undertake or oversee a gap analysis which compares current 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 Provisions 25 and 26.

B6. FCA AND OTHER REMINDERS

FCA reminders. In Primary Market Bulletin 49, published in May 2024, the FCA

reminds issuers of a number of areas where they have seen shortcomings in relation to disclosure and filing requirements for Annual Financial Reports (**AFRs**) including those set out in the next table.

FCA PMB 49 (May 2024): Compliance shortfalls

NSM filings

AFRs that have been made public via a regulatory announcement, but the report has not been filed on the National Storage Mechanism (**NSM**).

Announcements

Announcements of AFRs that do not contain a statement to indicate that the full report is available on the NSM.

Announcements of AFRs that do not contain a statement indicating the website on which the report is available.

AFRs in structured digital format

AFRs that contain consolidated financial statements that have not been correctly tagged.

AFRs that have been filed on the NSM but not in XHTML format.

New UKLRs. As mentioned in section A4, the new UKLRs are now in force. Any references to the UKLRs within annual reports and/or related announcements should be updated accordingly.

B7. REPORTING BY LISTED COMPANIES PURSUANT TO THE 2024 CODE

Recap. The 2024 Code applies to financial periods beginning on or after 1 January 2025 (with the exception of Provision 29 which will apply one year later). This means that for December year-end companies, their 2024 accounts do not need to comply with the 2024 Code and first reporting pursuant to the 2024 Code (other than Provision 29) should be in their 2025 annual reports published in 2026. Although the changes made in the 2024 Code are significantly scaled back from the FRC's initial consultation (other than on risk

management and internal control – see more below), there is still work to do to meet additional disclosure expectations.

Preparations by companies. In the next table, we set out areas that companies could start to consider in 2025 in order to move their reporting towards 2024 Code expectations.

2024 CODE: <i>Enhanced disclosures to consider in 2025</i>
Outcomes of decisions within the framework of the company's strategy and objectives.
How culture is embedded.
The impact of 2024 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'.

The key change in the 2024 Code concerns Provision 29 on risk management and internal controls, although in-scope companies are only 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 the board 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 Code expressly refers to reporting controls, alongside financial, operation and compliance controls, when setting out the material controls to be included in the board's monitoring and review processes.

Companies should start to consider now what they need to have in place to comply with Provision 29 when it applies.

For more on the 2024 Code, see our January 2024 client briefing [here](#).

The FCA is currently consulting on Handbook changes to incorporate the 2024 Code into its rules. The Association of Investment Companies (**AIC**) has also updated its AIC version of the 2024 Code for investment companies.

B8. REPORTING BY AIM COMPANIES PURSUANT TO THE 2023 QCA CODE

Recap. The 2023 QCA Code applies to financial years beginning on or after 1 April 2024 (with the first disclosures expected in 2025). Companies with financial years ending on 31 December 2024 will first apply the 2023 QCA Code for their financial year beginning on 1 January 2025, making updated governance disclosures in their annual report to be published in H1 2026.

The QCA also states on its website that companies which apply the QCA Code should be afforded a 12-month transition period in the first year of the 2023 QCA Code applying to them – i.e. investors should give companies additional latitude as to their governance practices as they build the necessary capacity and capabilities to be able to apply its Principles.

Nevertheless, it is also worth noting that Glass Lewis has said, notwithstanding the QCA's transition period, that it will review the governance practices of in-scope companies against the 2023 QCA Code.

Preparations by AIM companies. Most AIM companies applying the QCA Code will

already have undertaken a gap analysis comparing their current approaches with the 2023 QCA Code. The next table sets out some of the enhanced disclosure issues which in-scope companies should consider in their first year of applying the 2023 QCA Code. For more on the 2023 QCA Code, see our November 2023 briefing [here](#).

2023 QCA CODE: Suggestions for disclosures to focus on	
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.

B9. REPORTING BY LARGE PRIVATE COMPANIES

Two key reports were issued in 2024 focused on assisting large private

companies to improve their narrative reporting.

The first report, the FRC's Thematic Report on reporting by the UK's largest companies,

was issued in January 2024. It contains the results of the FRC's review of the annual report and accounts of 20 UK companies with revenues ranging from £1.5 billion up to £24 billion, employing between 1,000 and 145,000 people.

The FRC considers that "*Overall, the quality of reporting was mixed, particularly in terms of how clearly companies explained material matters that were complex or judgemental.*"

The next table sets out key observations from the Thematic Report.

**FRC Thematic Report on reporting by private companies, January 2024:
Some key observations**

To improve Strategic Reports

Focus on elements of development, performance and position that are key to understanding the company and explain them in a clear, concise and understandable way that is consistent with disclosures in the financial statements.

To enable a fuller understanding of a business

Disclosure should explain the nature of the company's operations and how it fits into the wider group structure.

Need for critical review of annual report before finalisation

Consider whether the report as a whole is clear, concise and understandable, omits immaterial information and whether additional information is necessary to understand particular transactions, events or circumstances. Pre-issuance checks should also include a review for internal consistency and detailed presentation and disclosure matters.

The second report, issued in August 2024, constitutes the FRC's second assessment of reporting quality by companies that follow the Wates Corporate Governance Principles for Large Private Companies (**Wates Principles**), which is the most widely adopted corporate governance code among large private companies.

The FRC's view of Wates Principles reporting is that:

- Companies continue to struggle to provide meaningful disclosures in key areas: defining company purpose; connecting purpose, strategy, culture and values and describing those issues; and explaining how stakeholder engagement impacts board decision-making.
- There is an over-reliance on boilerplate, rather than company-specific disclosure.
- There are high levels of similarity between corporate governance statements of different companies, and also between reports by the same company in different years.

Suggestions for improvement include providing:

- Context-relevant, time-specific disclosures.
- More outcomes-based reporting linking governance activities to company actions.
- Clearer rationales for approaches to / philosophy on issues like risk and remuneration.
- Better signposting across the annual report.

In December 2024, the FRC announced that it would assume governance of the Wates Principles following the decision of Sir James Wates CBE to step aside from his role as chair of the Wates Principles Coalition Group.

B10. MISCELLANEOUS INCLUDING FUTURE REPORTING DEVELOPMENTS

There are a number of UK specific further developments of which companies should

be aware in 2025 In the table below, we note where in our AGC Updates more information can be found.

MISCELLANEOUS AND FUTURE REPORTING DEVELOPMENTS: <i>Where more information can be found</i>	
<ul style="list-style-type: none">Regulations to reduce reporting burdens by removing duplicative or low value disclosures and uplifting financial thresholds (for financial years beginning on or after 6 April 2025)	AGC 60 and AGC 57
<ul style="list-style-type: none">Enhancement of the National Storage Mechanism	AGC 60
<ul style="list-style-type: none">Proposals for the reform of the narrative reporting framework	AGC 57
<ul style="list-style-type: none">Enhanced disclosure requirements in relation to payment practices	AGC 60 , AGC 57 and AGC 56
<ul style="list-style-type: none">Enhancement of the Modern Slavery Act 2015 reporting regime	AGC 60 and our December 2024 briefing
<ul style="list-style-type: none">Employment Rights Bill - proposals for ethnicity and disability pay gap reporting and Equality Action Plans	AGC 54 and our October 2024 briefing

APPENDIX – KEY PUBLICATIONS

This table contains a non-exhaustive list of publications (with links), which may be useful during the 2025 AGM and reporting season, and more generally.

Title	Date
The Department for Business and Trade	
Companies (Accounts & Reports) (Amendment & Transitional Provision) Regulations 2024	December 2024
The UK's modern industrial strategy and written statement by Jonathan Reynolds (Secretary for State for DBT)	October 2024
Financial Conduct Authority	
Primary Market Bulletin 53	December 2024
Primary Market Bulletin 49	May 2024
Financial Reporting Council	
Review of Corporate Governance Reporting	November 2024
UK Stewardship Code consultation	November 2024
Annual Review of Corporate Reporting	October 2024
In conversation: looking forward to the first reporting cycle of the 2024 UK Corporate Governance Code	September 2024
Thematic Review into IFRS 17 Insurance Contracts – Disclosure in the first year of application	September 2024
Thematic Review into offsetting in the financial statements	September 2024
2024 UK Corporate Governance Code	January 2024
Thematic Review: Reporting by the UK's Largest Private Companies	January 2024
Investment Association	
Principles of Remuneration	October 2024
Voting guidelines	
ISS Benchmark Policy Updates for 2025 (including for the UK)	December 2024
Glass Lewis 2025 UK Benchmark Policy Guidelines	November 2024
Glass Lewis 2025 Shareholder Proposals & ESG-Related Issues	November 2024
PLSA Stewardship and Voting Guidelines 2024 and voting recommendations summary	March 2024

Title	Date
Diversity reports	
<u>Improving the Ethnic Diversity of UK Business: an update report from the Parker Review</u>	March 2024
<u>FTSE Women Leaders Review: Achieving Gender Balance</u>	February 2024
ISSB, UK SDS and related (excluding EU)	
<u>TAC issues final recommendations</u>	December 2024
<u>TPT final report</u>	October 2024
<u>UK sustainability reporting standards framework</u>	September 2024
<u>ISSB delivers further harmonisation of the sustainability disclosure landscape as it embarks on new work plan</u>	June 2024
<u>TPT sector specific guidance (now hosted on the IFRS website)</u>	April 2024
Miscellaneous	
<u>Pre-emption Group annual monitoring report 2023 - 2024</u>	November 2024
<u>LSE Dividend Procedures Timetable 2025</u>	September 2024
<u>AIC Corporate Governance Code</u>	September 2024
<u>Pre-Emption Group annual monitoring report 2022 - 2023</u>	March 2024

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