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Insights

GOVERNMENT CONSULTATION ON MODERNISING CORPORATE REPORTING

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Summary

The government has published a consultation setting out what it describes as a once-in-a-generation overhaul of the UK's corporate reporting framework. The proposals are wide-ranging and ambitious. A central theme is a reaffirmation that the annual report and accounts should primarily serve investors and creditors, with a decisive shift away from lengthy "tick-box" disclosures towards reporting focused on financially material information. Companies could ultimately produce shorter and more tailored annual reports, but boards may need to exercise considerably more judgement about what is material and what can legitimately be omitted.

Responses are due by 30 November 2026, and the government aims to publish a consultation outcome within six months (mid 2027).

Key proposals

- Distributable profits - replace the complex rules on distributable profits and capital maintenance with a solvency-based regime. The proposal would require companies to state that the payment of the dividend will not affect the company's ability to continue as a going concern;

- Strategic report and climate-related disclosures – although some prescriptive environmental reporting requirements may disappear, the consultation does not signal a retreat from sustainability reporting. The government is proposing a baseline model of reporting which includes:
  - removing the requirement to produce a section 172(1) statement;
  - removing the current mandatory strategic report disclosures on environmental matters (along with employee, social, community and human rights matters) that apply to quoted companies and requiring companies to report on these topics only where they are

financially material to investors' and creditors' decision-making. Companies would have greater flexibility to explain environmental issues through a principles-based strategic report focused on business model, performance, strategy, resources and relationships, and risks. The government believes that this proposed approach of creating a baseline set of disclosures has the potential to both reduce unnecessary duplication and improve the quality of reporting;

  - retaining the climate-related financial disclosure (CFD) requirements. Existing CFD's are being reviewed separately through a post-implementation review, while the government continues to support the ISSB-based UK Sustainability Reporting Standards (UK SRS) and is considering how these should be incorporated into the reporting framework in future. Separately the FCA is consulting on requiring listed companies to report climate-related risks and opportunities in line with UK SRS S2, with disclosure of Scope 3 emissions and broader sustainability information under UK SRS S1 on a comply-or-explain basis;

- Streamlined energy and climate disclosures (SECR) – the government is not proposing immediate substantive changes to SECR but SECR disclosures will no longer have a prescribed location in the annual report. The government intends to hold a consultation, later in 2026, on SECR and the Energy Savings Opportunity Scheme to analyse the current landscape for energy and carbon reporting and explore longer-term options to reform SECR;

- Company thresholds – rationalise the scopes, thresholds and exemptions which determine what disclosures must be made including removing the distinction between small and medium-sized companies and consolidating relevant reporting requirements for 'very large' companies for certain non-financial reporting obligations;

- Remuneration – removing the annual advisory vote on the directors' remuneration report on the basis that the remuneration policy is subject to a vote every three years and removing requirements like CEO-employee pay ratio reporting, various remuneration committee and shareholder engagement disclosures viewed as duplicative or of limited value;

- Embracing digital communications - companies would be able to send annual reports and other shareholder communications electronically as the default, without obtaining prior shareholder consent and clarifying previous concerns that a meeting "place" can include a virtual location, enabling fully virtual AGMs; and

- Revoking the Reports on Payments to Governments Regulations 2014, having found that these regulations are not achieving their intended objectives of increasing transparency in the extractives sector and combating corruption.

Related capabilities

- M&A & Corporate Finance
- UK Public Company
- Securities & Corporate Governance

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