



Corporate Governance snapshot: Preparing your annual report and AGM notice in 2024

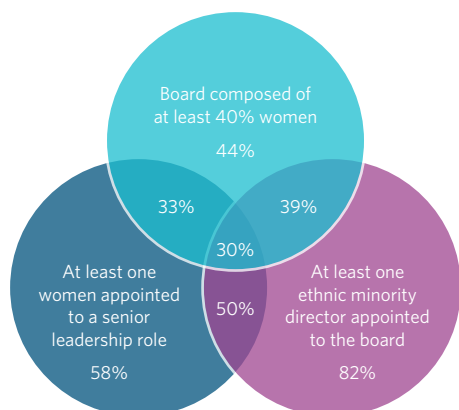
This snapshot summarises the key developments and issues arising over the last 12 months which impact the annual report published in 2024 and the forthcoming AGM. It also considers a number of ongoing reform programmes which will impact UK-incorporated listed companies.



The annual report in 2024

- **Diversity-related disclosures:** For financial years commencing on or after 1 April 2022, listed companies are required to include prescribed diversity and inclusion disclosures in their annual report. These disclosures include confirming whether three board diversity targets have been met (see our [Corporate Governance Fundamentals](#) for further details).

For companies with a 31 December year-end, it was not necessary to include these disclosures in the annual report published in 2023. However, the Financial Conduct Authority (FCA) encouraged early adoption. Looking at the annual reports considered at the 2023 AGM of 255 FTSE 350 companies, 30% of those companies had met all three targets, with 82% reporting that they had achieved the target to have at least one ethnic minority director appointed to the board.



In line with the Parker Review, FTSE 350 companies should also include in the annual report the target they have set themselves to be met by December 2027, for the percentage of their senior management that self-identify as being from an ethnic minority (see our [Corporate Governance Fundamentals](#) for further details).

- **Climate-related disclosures:** Both the Listing Rules and the Companies Act 2006 contain disclosure regimes aligned with the recommendations and recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD).

The regime in the Companies Act applies to financial years starting on or after 6 April 2022, so for in-scope companies with a 31 December year-end, the non-financial and sustainability information statement in the annual report published in 2024 will be the first in which the Companies Act disclosures need to be included, in addition to the Listing Rule requirements. Companies falling within the scope of both regimes will need to review their disclosures to ensure that all requirements of both are satisfied – for more details on the requirements of, and the interplay between, the two regimes, see our [Corporate Governance Fundamentals](#).

- **Structured electronic reporting:** The requirement for listed companies to use structured electronic format for their annual reports has been in place since financial years starting on or after 1 January 2021 (see our [snapshot](#) for more details).

With effect from July 2023, the FCA inserted the detailed requirements in relation to structured electronic format reporting into the DTRs, replacing the previous cross-reference to the retained EU versions of the requirements and simplifying the structure of the rules. The requirements in the DTRs are supported by a [new Technical Note](#), setting out the approved taxonomies for use when tagging information in the financial statements and notes to the financial statements.

The Financial Reporting Council (FRC) Lab published a [report](#) on structured digital reporting in December 2023 which reviewed 50 annual reports during the second year the requirements were in force and put forward recommendations to help companies comply with these obligations.

- **Minimum standard for audit committees:** The FRC published its [Minimum Standard for the audit committees of FTSE 350 companies in relation to external audit](#) (Standard) in May 2023. The Standard covers areas such as the external audit tender process, oversight of the external auditor and disclosures to be included in the annual report on the work of the audit committee. The Standard took effect

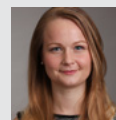
immediately, operating on a “comply or explain” basis until such time as the Audit, Reporting and Governance Authority (ARGA) is created, when it will become mandatory for FTSE 350 companies (see overleaf for more details on the creation of ARGA).

FTSE 350 companies will need to reflect the requirements of the Standard in their annual report published in 2024.

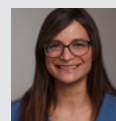
- **FRC guidance:** As well as its annual review of reporting on the UK Corporate Governance Code (Governance Code) (see our blog post [here](#)) and its annual review of corporate reporting (see our blog post [here](#)), the FRC has published a series of articles to help companies assess the concept of materiality in corporate reporting (see our blog post [here](#)) and a number of ESG-related reports (see our blog posts [here](#) and [here](#)).

In December 2023, the FRC [confirmed](#) its areas of supervisory focus for the 2024/2025 reporting season. The priority sectors for its reviews include retail, food producers and gas, water & multi-utilities and it will focus on areas including cash flow statements and climate-related risks (including TCFD disclosures).

Key contacts



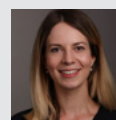
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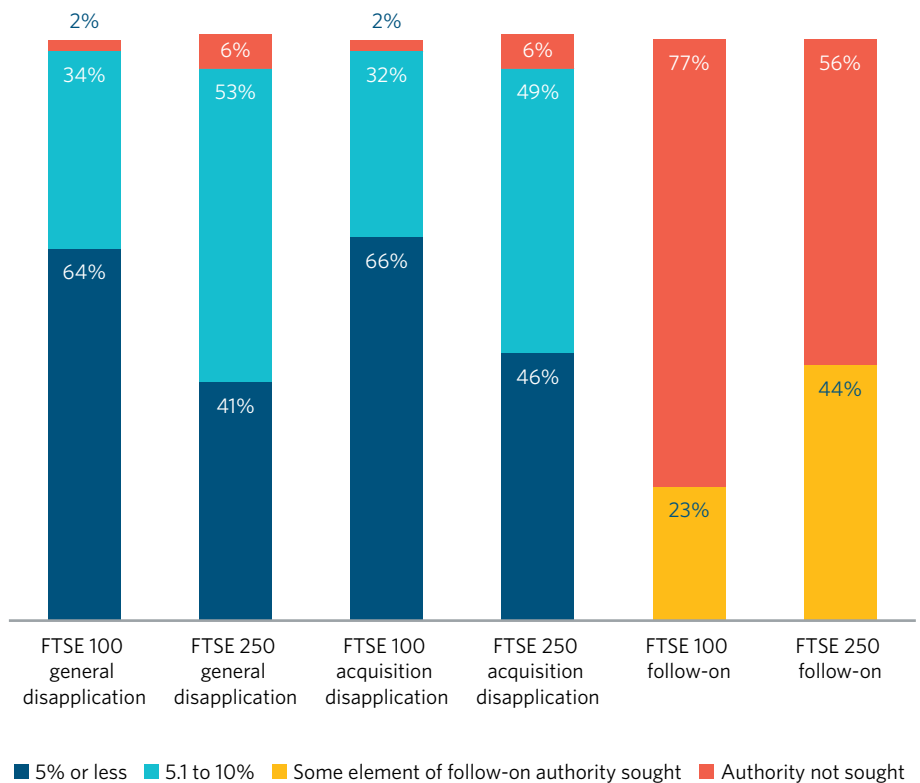
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 **The AGM in 2024**

- **Latest proxy voting guidance:** Both ISS and Glass Lewis have published updates to their proxy voting guidelines for 2024 (see our blog posts [here](#) and [here](#)). ISS in particular made few changes to its UK policy, mostly reflective of developments elsewhere in the market (for example, streamlining the guidelines in the light of the FCA's board diversity changes).
- **Pre-Emption Group Guidelines:** Following the adoption of the [updated guidelines by the PEG](#) in November 2022 (see our blog post [here](#)), a number of companies took the opportunity to amend the scope of their disapplication of pre-emption rights authority resolutions at their 2023 AGM. 32% of 97 FTSE 100 and 49% of 158 FTSE 250 companies reviewed sought authority at their 2023 AGM to disapply pre-emption rights over more than 10% of their issued share capital (see the chart for more details).
- **Preparing for disruption:** There were a handful of high-profile disturbances at AGMs held during 2023, mostly orchestrated by climate action groups. Ultimately the meetings were all held and all AGM business was concluded. Companies should review and update their contingency plans for disruption and disturbance to ensure they are well prepared for this possibility.

Approach to revised PEG guidelines at 2023 AGM



 **Future reforms impacting listed company corporate governance & reporting:**

The following developments will impact UK-incorporated listed companies and require some preparatory steps to be taken ahead of their implementation:

- **UK Corporate Governance Code:** the FRC is expected to publish its updated version of the Governance Code in January 2024, which will apply to financial years beginning on or after 1 January 2025. However, following the FRC's [policy update](#) in November 2023 in the light of the withdrawal of the audit and corporate governance reporting regulations (see below), the changes will focus on internal controls and a number of other changes consulted on will not be taken forward.
- **Restructuring of the UK listing regime:** though the genesis of these [proposed rule changes](#) is the desire to attract more companies to list in London, they will have a significant impact on existing listed companies. In relation to corporate

governance and reporting, for the most part the proposed rules for the new "equity shares (commercial companies)" category, which will replace the current premium and standard segments, maintain the status quo for existing premium listed companies. For more details on the reform of the UK listing regime, see our summary [here](#) and for more details in the new ESCC listing category, see [our snapshot](#) here.

- **Reform of Companies House:** companies will need to review their internal processes and administration as a result of the reforms being introduced by the Economic Crime and Corporate Transparency Act 2023 (ECCTA), including verifying the identity of all directors and those filing information with Companies House, and providing Companies House with an appropriate email address. For an overview of the changes introduced by the ECCTA, see our snapshots [here](#).
- **Creation of ARGA and audit and corporate governance reform:** despite the reform program hitting a number of obstacles this year and the withdrawal of draft regulations which would have introduced reporting on

distributable profits and a new resilience statement (for an overview of the withdrawn regulations, see our snapshot [here](#)), the government says that it remains committed to the creation of the ARGAs as the successor to the FRC. This will not happen before the next General Election though as the necessary bill was not included in the November 2023 King's Speech.

- **Non-financial reporting requirements:** the government is reviewing the scope of non-financial reporting requirements and considering ways to lessen the burden for in-scope companies. Following a call for evidence conducted during 2023 (see our blog post [here](#)), the government plans to develop proposals for consultation in 2024.
- **Enhanced ESG reporting:** companies will need to keep developments in climate, and wider sustainability, related reporting on their radar. On the horizon for 2024 are broader sustainability disclosure requirements and the mandatory disclosure of climate transition plans.