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Corporate Governance snapshot:

Preparing your annual report and AGM notice in 2025

This snapshot summarises the key developments and issues which have arisen over the last 12 months and may impact the annual report published in 2025 and the forthcoming AGM. It also looks at the key proposed governance reforms relevant to UK-incorporated listed companies and their groups.



The annual report in 2025

It will no doubt be a relief for those involved in the annual report that there are no significant changes which need to be factored into its production this year.

- **Impact of the introduction of the UKLRs in July 2024:** Companies will need to ensure that any cross-references in the annual report to the Listing Rules are updated to reflect the UK Listing Rules (**UKLRs**) coming into force at the end of July 2024. There are no transitional provisions relating to the annual report, so the numbering of the new UKLRs should be used where needed. The key provisions relating to the contents of the annual report previously set out in Listing Rule 9.8 are now found in UKLR 6.6 and the previous LR 9.8.4 cross-reference table setting out where the disclosures required by LR 9.8.4 could be found, becomes a UKLR 6.6.4 cross-reference table for the disclosures required by UKLR 6.6.4. Companies will also need to amend the pro-forma board and executive management diversity data tables to match the requirements now set out in UKLR 6.6.6(10) and UKLR 6 Annex 1.

Companies which have a controlling shareholder will also need to ensure that they amend their annual report disclosures to reflect the new UKLR regime and the fact that there is no longer a requirement to have a relationship agreement in place. Instead under UKLR 6.6.1(13), the annual report needs to include either a statement that the company continues to be able to carry on its main business activity independently from the controlling shareholder at all times, or an explanation why not, where it does not do so.

For more details on the changes introduced by the UKLRs, see our snapshot [here](#).

- **Compliance with the Audit Committee Minimum Standard:** In May 2023, the Financial Reporting Council (**FRC**) published the [Audit Committees and the external audit: Minimum Standard \(Minimum Standard\)](#) and in January 2024 the Minimum Standard was incorporated by the FRC into the revised UK Corporate Governance Code (**2024 Governance Code**). Although companies do not need to report against the 2024 Governance Code in the annual report published in 2025 (see below for details on the application of the 2024 Governance Code), FTSE 350 companies have been expected to comply with the Minimum Standard since its publication (or explain their non-compliance). Accordingly, in-scope companies should ensure that they include the disclosures relating to the work of the audit committee, the selection criteria used, and process followed, in any tender process which took place during the year, and the activities of the audit committee to meet the requirements of the Minimum Standard.
- **FRC guidance:** The FRC published its annual review of reporting on the UK Corporate Governance Code in November 2024 (see our blog post [here](#)). Key findings in the review include that reporting on culture assessment and monitoring should focus on the board's actions (provision 2); reporting on shareholders and stakeholder engagement should explain the outcomes of those activities (provision 4 and now principle C) and that good principal risk reporting shows how risks have changed over time (provision 28). The review also provides some guidance on monitoring and reviewing the effectiveness of the risk management and internal control systems ahead of provision 29 of the 2024 Governance Code coming into force.

The FRC published its annual review of corporate reporting in September 2024 (see our blog post [here](#)). The review noted that climate-related reporting issues appeared in

the top ten most common issues raised in the context of FRC Corporate Reporting Reviews for the first time.

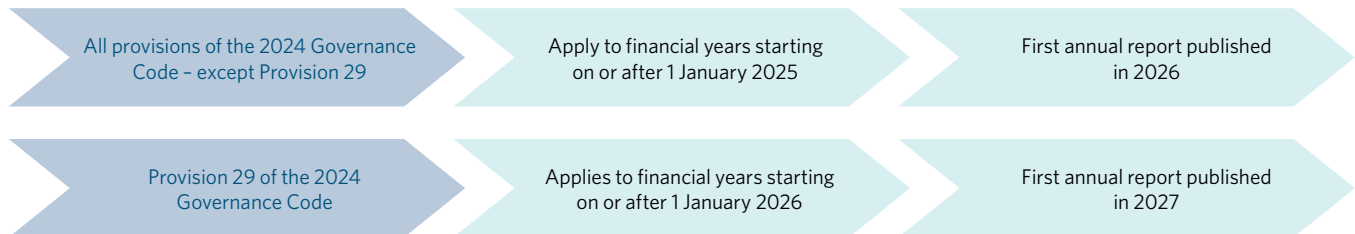
From August to October 2024, the FRC consulted on an [updated draft of its guidance on the going concern basis of reporting](#), to replace the current version of this guidance published in 2016. The revised guidance is expected to be published by the FRC in early 2025 and will be available for use immediately.

The FRC has also indicated that it will shortly publish a thematic review of the climate-related disclosures required by the Companies Act 2006 (**2006 Act**) which should be considered in due course.

Disseminating the ARA: The Financial Conduct Authority (**FCA**) reminded issuers in Primary Market Bulletin 49 (May 2024) that an annual financial report must be made public, at the latest, four months after the end of each financial year pursuant with DTR 4.1.3 and submitted to the National Storage Mechanism (**NSM**) in Extensible Hypertext Markup Language (XHTML) format in accordance with DTR 4.1.15. Following a review of practice, the FCA noted that some announcements of annual financial reports did not contain a statement to indicate either that the full report is available on the NSM as required under DTR 6.3.5(1A)(1)(c) or the website on which the report is available as required under DTR 6.3.5(3)(a). The FCA also noted a number of instances where the consolidated financial statements contained in the annual report had not been correctly tagged in accordance with DTR 4.1.18. For more details on PMB 49, see our blog post [here](#).



Reporting against the 2024 Governance Code: In January 2024, the FRC published the 2024 Governance Code (see our snapshot [here](#) for more details). The effective dates of the 2024 Governance Code mean that companies should continue to report on their compliance against the 2018 version in the annual report published in 2025. Companies will need to ensure that they update processes as necessary during 2025 in order to be able to report against the 2024 Governance Code in their annual report published in 2026.



The AGM in 2025

For those involved in preparing for, and running, the AGM in 2025, again there is good news as there are no major developments which will impact this work. There are however some issues of note to be aware of:

- **Pre-Emption Group Guidelines:** In November 2024 the Pre-Emption Group (PEG) published its second [annual monitoring report](#) on the use of the guidelines it published in November 2022 (see our blog post [here](#)). The review covered 347 FTSE 350 company AGMs held between 1 August 2023 and 31 July 2024. Its key findings include:
 - 96.3% of the companies reviewed tabled a resolution seeking authority to disapply pre-emption rights at their AGM;
 - 67.1% of the companies which tabled a disapplication resolution sought an enhanced disapplication authority in line with the updated guidelines (ie authority which exceeds the level permitted under the previous guidelines), up from 55.7% in the first review period; and
 - only two companies (both in the FTSE 250) failed to pass their proposed disapplication resolution.

Given the apparent support in the market generally for the enhanced authorities, companies which did not take the opportunity to amend the scope of their disapplication authority resolutions in 2024 may wish to do so at the 2025 AGM.

- **Updated proxy voting guidelines:** The ISS and Glass Lewis have both published updates to their proxy voting guidelines for 2025 (see our blog posts [here](#) and [here](#)).

Prospectus reform and impact on AGM authorities: In 2024, the FCA consulted on various revisions to the UK prospectus regime including a proposal to increase the threshold for triggering the requirement for a prospectus on a further issue of shares from 20% of a company's issued share capital to 75%. The FCA plans to make the final prospectus rules by the end of the first half of 2025 and listed companies should keep a watching brief, in particular for any revised institutional investor guidelines on authorities to allot and disapplication of pre-emption rights following publication of these final rules. For more details on the FCA's proposals, see our snapshot [here](#).

The most significant change in both sets of guidance is to reflect the changes made by the Investment Association (IA) in October 2024 to their Principles of Remuneration. Other changes to the guidelines include clarifications around the chair's tenure and in relation to board diversity.

- **IA Principles of Remuneration for 2025:** The updated Principles published by the IA in October 2024 are significantly less prescriptive than before, and their publication has provided an opportunity for companies to take stock of whether their existing incentive arrangements continue to remain fit for purpose. The new Principles open up the possibility of more diverse approaches to the quantum and form of executive pay which companies should consider. There is also greater flexibility in how a company can mechanically choose to settle share awards and so it would be a good time to review hedging strategies. For more details, see this [blog post](#) published by our Remuneration and Incentives team.
- **Dormant assets: amendments to the articles of association?:** In Summer 2024, the Treasury published a [dormant assets scheme participant pack](#) for use by publicly traded companies wishing to participate in the scheme.

The dormant assets scheme enables participating companies to transfer the value of dormant assets that cannot be reunited with their owners to an authorised reclaim fund. The Dormant Assets Act 2022 provides for the proceeds from dormant shares in publicly listed companies and the unclaimed proceeds from corporate actions relating to these shares to be included in the scheme.

The participant pack includes draft wording for articles of association which allow the company to sell dormant shares and transfer the sale proceeds to the authorised reclaim fund operated under the scheme.

It is fairly standard for listed companies to have provisions in their articles of association to deal with unclaimed shares and so companies may wish to consider whether the changes to the articles as drafted in the participant pack are an improvement on the provisions already in their articles. As many companies have updated the untraced shareholder provisions in their articles in recent years, we are not expecting many companies to adopt the drafting proposed by the Treasury as a means of dealing with untraced shareholders.



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Periodic reporting outside the ARA: There are a number of periodic mandatory reporting requirements for listed companies which sit outside of their annual report, including payment practices reporting; modern slavery reporting; and gender pay gap reporting.

There were a number of developments in relation to these requirements in 2024, such as the extension and expansion of the payment practices reporting regime and the inclusion of a draft Equality (Race and Disability) Bill in the July 2024 King's Speech, which would introduce mandatory ethnicity and disability pay reporting. For more details on these reporting requirements, see our [Corporate Governance Fundamentals](#).

AGM format and future developments: The format adopted by FTSE 350 companies for their AGMs in 2024 was broadly in line with that seen in previous years, with 68% of FTSE 100 and 89% of FTSE 250 companies holding "traditional" physical meetings and we do not anticipate any significant shift in this pattern in 2025.

Some companies have adopted a "digitally-enabled" approach to the AGM, seeking to embrace the flexibility offered by modern technology whilst still complying with the requirements of the 2006 Act. It is likely that there will be further developments in this area in the near future as the government [indicated](#) that, as part of its Modern Industrial Strategy, it would consult during 2025 on company law modernisation, including "examining the potential for updating shareholder communication in line with technology and clarifying the law in relation to virtual AGMs".



Future reforms

The following developments on the horizon will impact UK-incorporated listed companies and their groups and require some preparatory steps to be taken ahead of their implementation.

- **Non-financial reporting:** Continuing an initiative to streamline non-financial reporting (NFR) launched by the previous government, in October 2024 the government [confirmed](#) that it would:
 - remove certain disclosure requirements viewed as being redundant from the Directors' Report (including important events affecting the company since financial year-end; likely future developments in the business of the company; branches of the company outside the UK; employment of disabled persons; and engagement with employees, suppliers, customers and others);
 - raise the monetary thresholds used for the classification of companies as large, medium, small and micro by approximately 50%; and
 - launch a wider review of NFR requirements in Spring 2025.

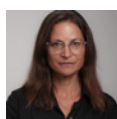
In December 2024, [regulations](#) were made to enact the first two changes which will apply to financial years beginning on or after 6 April 2025 and so for 31 December year-end companies, will only apply to the annual report published in 2027.

- **Sustainability-related reporting:** Whilst these changes will lighten the NFR burden for in-scope companies, there are proposals in the pipeline for enhanced sustainability reporting requirements, in particular for listed companies.
 - Following the adoption by the International Sustainability Standards Board (ISSB) of its first two sustainability disclosure standards in July 2023 (see [here](#) for more details), in May 2024 the government [outlined](#) its plans for the development of the UK sustainability reporting standards (UKSRSSs) based on the ISSB's standards. According to its [latest update](#), the government expects to complete its endorsement of the ISSB's standards in Q1 2025. After this, the FCA will consult on introducing requirements for UK listed companies to report against the UK SRSs and the government will consult on imposing these disclosure requirements on other economically significant companies.
 - At the same time as consulting on the UK SRSs, the FCA is expected to consult on introducing the mandatory disclosure of transition plans by listed companies. This follows the adoption by the Transition Plan Taskforce of its final framework for the disclosure of net zero transition plans (see [here](#) for further details).
- **Audit and corporate governance reform:** Having been included as a draft Bill in the King's Speech in July 2024, audit and corporate governance reform is back on the parliamentary agenda. The precise scope and timing for the reforms are still unclear but are expected to include the creation of the Audit, Reporting and Governance Authority (ARGA) as the successor to the FRC; a widening of the definition of public interest entities (PIEs) to include the largest private companies in the UK; and the grant of powers to the ARGA to investigate and sanction directors for breaches of the provisions of the 2006 Act relating to audit and accounting.
- **Digital reporting:** In August 2024, the FRC published a discussion paper on the [Opportunities for future UK digital reporting](#). Responses to the paper will help inform the workplans of the FRC and other regulators interested in digital reporting in the UK, including Companies House and the FCA, rather than triggering specific action by these bodies. This sits alongside changes being introduced by the Economic Crime and Corporate Transparency Act 2023 which will empower Companies House to require all information to be filed electronically, including requiring companies to file accounts in iXBRL format and tagged, mirroring the requirements already in place under the DTRs for listed companies.

Key contacts



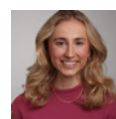
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