The Government's Proposals to Overhaul the UK Corporate Reporting Framework: What Do You Need to Know?

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Executive Summary

- **What's new:** On 7 September 2026, the Department for Business, Innovation, Science and Trade published a consultation outlining far-reaching proposals to reform the UK's corporate reporting framework as well as the rules on distributable profits and capital maintenance.
- **Why it matters:** Described as a "once-in-a-generation opportunity to reset the UK's corporate reporting framework", the proposals have implications for a wide range of companies, from smaller private companies benefiting from simplification of reporting requirements to larger companies affected by proposals to pare down corporate governance and remuneration reporting.
- **What to do next:** Companies should consider reviewing the proposals and responding to the consultation before the 30 November 2026 deadline. In particular, companies may want to assess the potential impact of the proposals on their annual reporting, dividend policies and governance disclosures.

On 7 September 2026, the UK Department for Business, Innovation, Science and Trade (BIST) published a consultation paper on "Modernising Corporate Reporting" (the Consultation Paper), in which it proposes widespread reform to corporate reporting obligations, with a focus on the reporting requirements in the Companies Act 2006 (the Companies Act) and the annual report.

The UK government recognises that the piecemeal development of UK corporate reporting obligations has led to duplication and unnecessary complexity and characterises this consultation as a "once-in-a-generation opportunity" for change in this area.

The Consultation Paper follows the government's announcement in October 2025 of plans for an ambitious review of corporate reporting and sets out a package of proposals aimed at supporting economic growth and the UK's international competitiveness by ensuring the UK's corporate reporting framework is effective and proportionate, reflecting the company's size, ownership structure and economic impact.

We set out below a summary of some of the key proposals and their potential implications.

Refocusing the Annual Report on Investors and Creditors

One of the central themes of the Consultation Paper is that the annual report and accounts should be refocused as a document primarily intended to provide financially material, decision-useful information to investors and creditors. In line with that objective, the government is considering a reporting framework that is less prescriptive and more closely tied to financial materiality, with a view to reducing duplication and boilerplate disclosure.

The consultation also signals a more fundamental rethink of the extent to which private companies should be subject to mandatory non-financial and corporate governance reporting requirements.

Unlike public companies, private companies often have more concentrated ownership structures and closer, more direct relationships with investors and lenders, which may

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reduce the value of mandatory public disclosures in areas such as strategic reporting, governance and other non-financial matters.

While no final policy position has been proposed, the consultation seeks views on whether such requirements remain justified for private companies, and how useful they are.

Simplifying the Framework for Categorising Companies

The government aims to simplify the reporting framework by rationalising multiple definitions, thresholds, ineligibility criteria and exclusions that determine companies' reporting, audit and disclosure requirements.

Key proposals include:

- **Wider access to exemptions for group companies.** Currently, a company cannot take advantage of reporting exemptions if its group includes a Public Interest Entity (which includes a publicly traded company), a medium-sized or larger regulated financial services provider, or certain other categories of financial services providers. The Consultation Paper considers allowing more subsidiaries to make use of reporting exemptions available to group companies.
- **A new "very large" company threshold.** Certain non-financial reporting requirements currently apply only to the largest companies but use a range of different thresholds and definitions. BIST is seeking views on whether these should be consolidated into a new "very large" category. This could make the reporting framework easier to understand and apply.
- **Removing the distinction between small and medium-sized companies.** The government is considering removing the distinctions between small and medium-sized (SME) companies in corporate reporting. This would allow medium-sized companies greater access to exemptions, including potentially an audit exemption, which are currently available only to eligible small companies.

Clarifying the Financial Reporting Framework

Financial reporting requirements are currently contained in both the Companies Act and accounting standards. The proposals aim to clarify this relationship in the following ways:

- **Removing detailed requirements from the Companies Act.** The Companies Act would set out high-level obligations and identify which reporting standards should be used by which set of companies, whilst accounting standards would become the single source of detail for preparing company accounts.
- **Streamlined set of accounting standards.** There would be a set of four accounting standards available to UK companies: (i) UK-adopted International Accounting Standards (UK-IAS), (ii) UK Generally Accepted Accounting Practice (UK GAAP) for large companies, (iii) UK GAAP for SMEs, and (iv) UK GAAP for micro-entities. The Companies Act would specify the standards to be used by the different categories of company, as well as the primary statements which are required.

Other proposals include:

- Limiting mandatory financial statement audits to cases where the risk to investors and creditors justifies them.
- Extending the current audit exemption to all SMEs, as mentioned above.
- Simplifying the subsidiary audit exemption.
- Introducing a new voluntary assurance standard for SMEs.
- Considering ways to reduce the disclosure requirements for wholly owned subsidiaries.

Reforming the Regime for Distributable Profits

The government is considering moving away from the current regime for distributable profits and capital maintenance to a solvency-based regime for determining the lawfulness of dividends and other distributions. This is a fundamental shift away from a long-established principle of the Companies Act and will be welcomed by many companies as a clearer, less restrictive basis for declaring dividends and other distributions.

The new solvency-based regime would remove the requirement for extensive and complex calculations and guidance. Instead, companies would be required to state that the payment of a dividend will not affect the company's ability to continue as a going concern.

The proposed changes would not affect the prudential requirements applicable to banks and insurers.

Reforming the Strategic Report Requirements

The Consultation Paper notes that strategic reports have become too lengthy and compliance-driven, resulting in unfocused "box-ticking" reporting that obscures financially material and useful information. To improve the quality of reporting and encourage boards to engage meaningfully with issues that are relevant to their business, the government proposes a fundamental overhaul of the strategic report requirements.

Key proposals include:

- **New baseline narrative disclosures.** The government proposes removing most existing prescriptive strategic report requirements and replacing them with a set of baseline narrative disclosures relating to the company's business model, performance review, resources and relationships, company strategy and principal risks. The detail included under these baseline disclosures would be consistent with the size and complexity of the business.
- **Removing the current requirement for a Section 172(1) statement.** The new baseline "resources and relationships" requirement (see above) would replace the current requirement for a statement disclosing how directors have fulfilled their duty to have regard to a range of matters.
- **Removing specific disclosure matters.** Certain explicit disclosure matters would be removed from the legislative framework, such as those relating to employees; environmental, social or community matters; respect for human rights; and anti-corruption and anti-bribery matters. However, the Consultation Paper states that this does not mean companies should stop reporting on these specific topics where these are financially material to their performance or operations.
- **Scope of strategic report requirements.** The Consultation Paper proposes simplifying the current patchwork of thresholds by introducing a single scope for the new baseline strategic report requirements. It is seeking views on which companies should be required to report, such as publicly listed companies only, publicly listed plus large private companies or companies meeting a new "very large" threshold.

Examining the Sustainability-Related Financial Disclosures

The government recognises there are significant interactions and overlaps between existing sustainability-related disclosures. These interactions are the subject of ongoing policy formation, and the government is working to ensure that any decisions on the future of these requirements consider the sustainability reporting landscape coherently and reduce unnecessary duplication where possible.

The sustainability-related financial disclosure requirements are being examined through several separate reviews and consultations, as outlined below:

- **Climate-related financial disclosures.** The Consultation Paper makes no proposals on the future of the existing climate-related financial disclosure requirements. The government is conducting a separate post-implementation review of the regulations that introduced these disclosures to test how companies are reporting against them and how they are being used by investors and other users. This review is due to be completed by spring 2027 and would be subject to further consultation.
- **UK Sustainability Reporting Standards (UK SRS).** The government will also consider how the UK SRS should be reflected in the Companies Act, taking into consideration feedback to the Consultation Paper and the above-mentioned post-implementation review.
- **Streamlined energy and climate disclosures.** Separately, the Department of Energy Security and Net Zero intends to hold a consultation on streamlined energy and climate disclosures later in 2026.
- **Transition plans.** In addition, in the consultation on the manifesto commitment on transition plans published in June 2025, the government sought feedback on options for transition plan reporting. It is considering responses to this consultation, and future decisions will have regard to this wider review of corporate reporting.

Simplifying Corporate Governance Reporting

The Consultation Paper seeks to simplify corporate governance reporting requirements. These requirements currently derive from several sources, including legislation, the Financial Conduct Authority's (FCA's) UK Listing Rules, the FCA's Disclosure Guidance and Transparency Rules, and, for AIM companies, the London Stock Exchange's AIM Rules for Companies.

Key proposals include:

- **Threshold for corporate governance reporting.** BIST seeks views on the appropriate reporting threshold and on whether corporate governance reporting should be required only for very large private or public companies.
- **Moving corporate governance reporting to group level.** Strategy and risk management in groups are usually set at group rather than individual company level. BIST considers that investors gain the most value from understanding the group's approach and proposes to shift reporting accordingly.
- **Website-only publication of the governance statement.** Following the announcement in October 2025 of the planned removal of the requirement for companies to produce a directors' report, the statement of corporate governance arrangements will remain in the annual report pending further reform. As companies must already publish this statement on their website, BIST is seeking views on whether that disclosure is sufficient.

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Simplifying Remuneration Reporting

The Consultation Paper proposes removing the annual advisory shareholder vote on the directors' remuneration report which is currently required for quoted companies. It also proposes simplifying or removing a number of disclosures, including:

- CEO-employee pay ratio reporting.
- The relative importance of spend on pay.
- Executive directors' pay prior to listing.
- Information on the work of the remuneration committee.
- Malus and clawback policies and their use.
- The remuneration committee's engagement with shareholders and employees on pay.
- Alignment with wider employee pay policies.
- How significant shareholder dissent is addressed.

Updating Corporate Communications for the Digital Age

Some stakeholders view the Companies Act as inadequate for the digital age. It requires annual reports and other information to be sent to shareholders in hard copy by post except in certain circumstances and is increasingly seen as out of step with the modern business world.

The Consultation Paper proposes a digital-first approach to shareholder communications and seeks views on implementation. Key proposals include:

- **Electronic shareholder communication as the default.** Companies would be able to send documents and information to shareholders electronically without prior agreement. Individual shareholders would retain the right to opt in to hard-copy communications, and companies would still be required to alert shareholders by electronic means (typically email) when documents are available on the website.
- **Statutory clarity on fully virtual annual general meetings (AGM).** The government will make clear that a "place" in the context of an AGM can include a virtual location if there is shareholder consent. This would give companies more freedom to decide what is most appropriate for their business and address the current lack of clarity in the Companies Act as to how the requirement for an AGM notice to specify the "place" of the meeting applies to virtual locations.

Next Steps

The consultation will close on 30 November 2026, and the government aims to publish a consultation outcome within six months of that date. Interested companies and stakeholders should consider:

- Responding to the consultation.
- The potential impact of the proposals on their reporting.
- The changes to their internal processes and systems which may be required to accommodate the extensive scope of these proposed reforms.

We will continue to monitor and report on the proposals as they move forward.

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