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Corporate Governance Update

Spring 2026

Spring 2026 corporate governance update

This UK corporate governance update covers the period from January 2026 to April 2026.

Audit and corporate governance reform

On 20 January 2026, the Government confirmed in a letter to the House of Commons Business and Trade Committee that it would not be consulting on a proposed package of audit and corporate governance measures to be introduced in an Audit and Corporate Governance Reform Bill. The move to scrap the Audit and Corporate Governance Reform Bill comes after the bill's publication was initially delayed until the parliamentary session starting in May 2026.

Instead, the Government plans to focus on simplifying and modernising corporate reporting, with the stated goal of making "the UK's reporting regime the most streamlined and proportionate in the world". As we reported in our Winter Corporate Governance Update, these plans include moves to:

- Exempt most medium-sized private companies and wholly owned subsidiaries from producing a strategic report as part of the annual report and accounts
- Remove entirely the requirement to produce a directors' report

There will also now be an expanded review of the UK's corporate reporting framework which will take place in 2026 and consider the annual report and accounts in its entirety rather than narrowly looking at non-financial reporting.

Virtual AGMs

On 20 January 2026, the Government confirmed in a written statement that it would include the topic of virtual AGMs in the forthcoming consultation on modernising corporate reporting.

Pending clarification of the legal position by the Government, virtual AGMs continue to be topical (see our Winter Corporate Governance Update for an article on the GC100 guidance on virtual AGMs). The Quoted Companies Alliance has published a research report "Meeting Expectations: AGMs for Growth Companies in the Digital Age" which makes some recommendations aimed at the Government as well as setting some best practice guidance in relation to using technology for AGMs. It also presents some findings from some research undertaken to ascertain the experiences of small and medium sized companies when using technology for AGMs currently and their views on virtual AGMs. Interestingly, respondents were split 50:50 as to their willingness to hold

virtual AGMs once the legal issues are resolved. Respondents also commented on the cost of both virtual and hybrid AGMs for smaller companies.

Economic Crime and Corporate Transparency Act (ECCTA) update

In our Winter Corporate Governance Update, we noted that identity verification requirements introduced by ECCTA came into force on 18 November 2025. On 19 January 2026, Companies House updated its outline transition plan for ECCTA by postponing the implementation date for requiring presenters of documents to Companies House to have their identity verified from Spring 2026 to no earlier than November 2026. Companies House stated that this postponement will allow it to prioritise the completion of the transition period for identity verification of directors and persons with significant control, and will provide more time to address feedback received from stakeholders.

Our identity verification briefing sets out further detail on the reforms and timing.

UK Sustainability Developments

Finalisation of UK Sustainability Reporting Standards (UK SRS)

On 25 February 2026, the Government published the final versions of the UK Sustainability Reporting Standards (UK SRS). The publication of these final versions follows the government consultation on exposure drafts of the UK SRS which are based on the standards published by the International Sustainability Standards Board in June 2023 (the ISSB Standards) – reported on in our Summer Corporate Governance Update.

The UK SRS can now be reported against by UK companies on a voluntary basis. In conjunction with the expanded review of the UK's corporate reporting framework expected to take place this year, we expect the Government will consider whether to introduce legal requirements on UK companies to report against the UK SRS in the future.

Financial Conduct Authority (FCA) consultation

On 30 January 2026, the FCA published CP 26/5, its consultation on how listed issuers who currently have to "comply or explain" against the TCFD recommendations and recommended disclosures (TCFD Recommendations) will be required to disclose against UK SRS. Draft UK SRS S1 sets out general content requirements that apply to sustainability-related disclosures where there is no specific standard. UK SRS S2 sets out requirements that relate specifically to climate-related risks and opportunities and broadly aligns with the TCFD Recommendations. However, it also requires additional detail in certain areas such as Scope 3 emissions reporting (indirect greenhouse gas emissions in the value chain of the entity), and any information about climate-related

transition plans the entity has. The consultation closed on 20 March 2026. We expect final rules and a policy statement from the FCA in the autumn.

Please click here for our detailed briefing.

EU Sustainability Developments

On 18 March 2026, the omnibus directive simplifying sustainability reporting and due diligence requirements introduced by the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) (the Simplification Directive) came into force, having been approved by the Council of the EU on 24 February 2026 and published in the EU's official journal on 28 February 2026. Please see our briefing here for more details of the changes in the omnibus directive.

Member states now have until July 2028 to transpose the CSDDD into national law, and in-scope companies will not be required to comply with the CSDDD until July 2029.

As part of the Omnibus I package to simplify EU rules across sustainability reporting, the stop-the-clock directive delayed the application of the CSRD for wave two and three companies by two years. The Quick Fix Delegated Regulation has also delayed the requirement for wave one companies to report on the anticipated financial effects of sustainability-related risks until 2027. Further details can be found here.

Diversity and Ethnicity Reporting

Parker Review 2026 update report

On 9 March 2026, the Parker Review committee published its latest update report (Update) looking at ethnic diversity of boards and senior management of FTSE 350 companies and the 50 largest private companies in the UK for the calendar year 2025. All of the FTSE 100 and 231 of the FTSE 250 responded to the Parker Review's survey. Key statistics are as follows:

- **FTSE 250** – 82% had at least one ethnic minority director (the same as in 2025)
- **FTSE 100** – 98% had at least one ethnic minority director (which is a record) and 56 companies now have two or more ethnic minority directors on their boards
- **50 largest private companies** – 42% of the total 50 had at least one ethnic minority director although only 36 companies responded
- **Senior managers** – since 2023, companies have been asked to set their own targets to reach by 2027 for the proportion of ethnic minority senior managers. As at 31 December 2025, the percentage of ethnic minorities in senior management in the

FTSE 100 was 11% (which is the same as 2025). The average target amongst FTSE 100 companies is 15%, meaning that FTSE 100 companies are aiming for an increase of 4% by 2027

As a reminder, companies listed in the equity shares (commercial companies) category (ESCC) are required to include a statement in their annual report as to whether at least one board member is from an ethnic minority. If this target has not been met the company must give the reasons why i.e. reporting is on a "comply or explain" basis. There is no mandatory requirement to have a board director from an ethnic minority.

FTSE Women Leaders Review report 2026

On 24 February 2026, the FTSE Women Leaders Review published its latest report looking at gender balance on boards and in leadership positions in the FTSE 350 and the 50 largest private companies in the UK for the calendar year 2025. The Review continues the work of the Hampton-Alexander Review and the Davies Review. The most significant target of the Review was to have 40% of board and leadership roles held by women. The women on boards target was achieved by the FTSE 350 in 2022.

Overall the report highlights progress in a number of areas, including the following:

- **Women on boards** - women now hold 43% of board roles at FTSE 350 companies and 44% at FTSE 100 companies. There were no all-male boards. Women non-executive directors of FTSE 350 companies are roughly at par with men, however, only 15.4% of executive roles were held by women

- **Women in leadership (the executive committee and reports to the executive committee)** – women now hold 36% of leadership roles at FTSE 350 companies which is close to the target of 40% (the equivalent figure for the FTSE 100 is 37% which is similar)

- **Private companies** – although the percentage of women on boards of private companies is lower at 30%, 30% of executive directorships are held by women and 31% of non-executive directorships so the picture for private companies is nuanced

As a reminder, companies listed on the ESCC are required to include a statement in their annual report as to whether at least 40% of the individuals on its board are women and also whether at least one of the four key roles is held by a woman. If these targets have not been met the company must give the reasons why i.e. as set out above in relation to ethnicity reporting the targets are not mandatory.

Government response to consultation on mandatory ethnicity and disability pay gap reporting

On 26 March 2026, the Government issued a response to its consultation on introducing mandatory ethnicity and disability pay gap reporting for large employers (those with 250 or more employees) (see our spring 2025 corporate governance update), confirming that it will go ahead with the proposal. 87% of respondents to the consultation supported mandatory ethnicity and disability pay gap reporting. Draft clauses for the future legislation to implement the proposals are attached to the response, however, the response does not provide a timetable for implementation.

Gender pay gap reporting and action plans

On 4 March 2026, the Government launched a new initiative to encourage employers to put in place action plans to tackle the gender pay gap and improve menopause support in the workplace.

Employers with 250 or more employees are encouraged to voluntarily publish the steps they are taking to address these issues, with the Government providing guidance and working collaboratively with businesses to share best practice. The new guidance includes evidence-informed lists of actions to support employers in formulating their plans.

These action plans, which (subject to secondary legislation) may become mandatory from Spring 2027, aim to break down barriers to women's progression, improve workplace cultures, and ensure fairer pay, while also supporting women through key life stages such as menopause.

Updates from the Financial Reporting Council (FRC)

New guidance on "comply or explain"

The FRC has published new guidance on the "comply or explain" regime (New Guidance). The UK Corporate Governance Code (Code) is comprised of both principles and provisions. The UK Listing Rules require that companies admitted to listing on the ESCC category are required to explain (i) how they have applied the principles and (ii) whether they have complied with the provisions and, in cases of non-compliance, the reasons. The New Guidance updates previous guidance published in 2021 and sets a change in tone, particularly in relation to non-compliance with the provisions.

Key points from the New Guidance are as follows:

- Applying the principles – in a new section on applying the principles, the FRC makes two points. The first is that in explaining how the principles are applied, the focus of

reporting should be the board's activities and decisions, not the work of senior management, as it is the board who has responsibility for the company's governance. Secondly, explanations should demonstrate actions and outcomes, not policies and procedures

- Non-compliance with the provisions – in the FRC's view, an explanation of non-compliance is evidence of better governance than tick box compliance, especially in cases where a provision is not suited to a company's circumstances. Shareholders, proxy advisers and other stakeholders are encouraged to take into account departures from the Code positively in their voting policies and to build in flexibility to consider alternative arrangements and the explanation provided

- Provisions 25 and 26 – there is a new appendix B which sets out how compliance with these two provisions interacts with the Audit Committee and the External Audit: Minimum Standard.

Updated FRC guidance on the strategic report

On 4 February 2026, the FRC published new guidance on the strategic report (the Strategic Report Guidance). The Strategic Report Guidance is aimed at helping entities address their reporting obligations in a way that is practical, proportionate and supports high-quality reporting. The Strategic Report Guidance has been updated to reflect the following key points:

- Changes in the corporate reporting framework, including changes introduced by the UK Corporate Governance Code 2024, changes to directors' report disclosures, and other developments in sustainability-related and wider corporate reporting practice

- Changes to emphasise the status of the Strategic Report Guidance as non-mandatory, good practice guidance and the importance of proportionate application of the legal and regulatory requirements as appropriate to an entity's specific circumstances

- Improvements to place additional emphasis on the purpose and objectives of reporting and updates to the communication principles

Alongside this, the FRC has also published updated Scoping Tables to guide entities on how the Companies Act 2006 disclosure requirements for the strategic report apply to different types of entities.

Insolvency Service consultation on the directors disqualification regime

On 25 March 2026, the Government launched a consultation on a number of proposals to update the company winding up and director disqualification regimes. On director disqualification in particular, the consultation seeks views on three proposals:

- Mandatory director disqualification – this would require the courts to disqualify directors on the making of a winding up order on public interest grounds under s 124A Insolvency Act 1986. The disqualification period would be a minimum of five years

- Director restrictions regime – this would introduce a process to impose restrictions on directors who have acted negligently or incompetently rather than with intent to commit wrongdoing. Directors would be allowed to continue to act as a director with tailored restrictions on their activities for a three year period. Those directors subject to restrictions would be published on a register of restricted directors

- Secretary of State as decision-maker – under this proposal, decision-making authority for director disqualification would be the Secretary of State (rather than the courts as currently is the case), with a statutory right of appeal to the HM Courts & Tribunal Service

The consultation closes on 17 June 2026.

Late payment reforms

On 24 March 2026, the Department of Business and Trade published a response to its 2025 Late Payment Consultation which was open from July-October 2025 (see our autumn 2025 update). The Government intends to take forward the following key measures:

- Fines – the Small Business Commissioner will be given powers to fine businesses, including significant fines for large companies that persistently pay their suppliers late or fail to comply with late payment legislation

- Public commentary by boards – the boards or audit committees of large companies who have made a significant proportion of payments late within a reporting period will be required to publish commentary on GOV.UK to explain how the company intends to improve its payment performance

- Maximum payment terms – a maximum payment term of 60 days between businesses will be introduced

The timing is not clear as the changes will require both primary and secondary legislation.

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