

UK corporate governance – Key developments in 2025

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As UK companies prepare for the publication of their year-end annual reports and to hold their annual shareholder meetings, this client update provides an overview of some of the key developments that took place in the UK corporate governance sphere in 2025.

Governance regulations and guidance

Modernisation of UK corporate reporting

On 21 October 2025, the Department for Business and Trade published a [written statement](#) announcing its plans to further modernise and simplify the UK's corporate reporting framework. The written statement outlines the government's intention to bring forward legislation to exempt most medium-sized private companies and wholly-owned subsidiaries from producing a strategic report (which forms part of a company's annual report) and to remove the requirement for any company to produce a directors' report, with a view to removing redundant and duplicative reporting. This expanded reform programme on corporate reporting is intended to build on the reform of non-financial reporting requirements which became effective on 6 April 2025 (see our [client update](#) published last year for more detail). It is expected that a consultation on the expanded 'Modernisation of Corporate Reporting' will be delivered in 2026. In its written statement, the government also highlighted that in order to meet industry requests, it will co-design reforms covering remuneration reporting, corporate governance reporting, the financial reporting framework as well as improving regulatory alignment across reporting frameworks and consider how corporate reporting should function in a digital age.

For the government's 'Regulation Action Plan – Progress Update and Next Steps', please follow this [link](#).

FRC publishes new UK Stewardship Code 2026

On 3 June 2025, the FRC announced the publication of the [UK Stewardship Code 2026](#). The updated code was the result of a public consultation in 2024 in respect of changes to the UK Stewardship Code 2020 designed to ensure a clearer focus on the purpose of stewardship and the outcomes that it delivers. Being a signatory to the code signifies an investor's commitment to stewardship and providing transparent reporting on the stewardship they undertake on behalf of their clients and beneficiaries. The code applies to asset owners (such as pension schemes, insurers, foundations and sovereign wealth funds), asset managers (who manage assets on behalf of UK clients or invest in UK assets) and service providers (including investment consultants and proxy advisors). The updated code remains voluntary and is applicable from 1 January 2026.

For FRC's guidance on the reporting against the UK Stewardship Code 2026, please follow this [link](#).

Amendments to IFRS S2 and creation of UK Sustainability Standards

On 11 December 2025, the International Sustainability Standards Board (ISSB) issued targeted [amendments to greenhouse gas emissions disclosure requirements in IFRS S2](#) following a consultation in April 2025, in order to address specific application challenges which were identified during the implementation of IFRS S2. The amendments to IFRS S2 are effective for reporting periods beginning on or after 1 January 2027 (with early application permitted). For a summary of the IFRS S2 amendments, please follow this [link](#).

By way of a reminder, IFRS S1 and IFRS S2 were issued by the ISSB in June 2023 with a view to setting a global baseline for sustainability reporting. IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) sets the requirements for disclosing information about an entity's sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long-term, while IFRS S2 (Climate-related Disclosures) focuses on disclosures about climate-related risks and opportunities (including greenhouse gas emissions).

IFRS S1 and IFRS S2 are expected to be available for use in the UK through the adoption of UK versions of the standards, respectively called UK Sustainability Reporting Standards (UK SRS) S1 and S2. The final UK SRS were expected to be published in late 2025. For more information on the UK Government's work on UK SRS, see its [Framework and Terms of Reference for the Development of UK Sustainability Reporting Standards](#) as well as its general [Guidance: UK Sustainability Reporting Standards](#).

For further information on the UK's developing sustainability reporting and disclosure regimes, see our [client update](#) published last year.

Reviews of governance reporting

FTSE Women Leaders Review 2024

On 25 February 2025, the FTSE Women Leaders Review (an independent, business-led framework supported by the UK government) published its [fourth report](#) on the representation of women on the boards and leadership teams of FTSE 350 and 50 of the UK's largest private companies. The report found that the representation of women on FTSE 350 boards (in aggregate) was at an all-time high of 43.4% in 2024 (up from 42.1% in 2023) and 35.3% on FTSE 350 leadership teams (up from 34.5% in 2023). The fifth FTSE Women Leaders Report for 2025 is expected to be published in late-February 2026.

For a brief overview of the recommendations set by the FTSE Women Leaders Review, please follow this [link](#).

Parker Review 2024

On 11 March 2025, the Parker Review (which sets voluntary targets with respect to ethnic minority representation on boards and senior management positions of UK-listed and large UK private companies) published its seventh update report titled [Improving Ethnic Diversity of UK Business](#). The report noted good progress by the FTSE 250 towards meeting the Parker Review's benchmark recommendations, with 82% of the FTSE 250 companies meeting the target of having at least one ethnic minority director on their boards by the end of 2024 (as compared with 70% in 2023).

For a brief overview of the recommendations set by the Parker Review, please follow this [link](#).

FRC review of corporate governance reporting

On 13 November 2025, the FRC published its [Annual Review of Corporate Governance Reporting](#). The review provides an overview of corporate governance reporting based on the annual reports of a sample of 100 randomly selected FTSE 350 and Small Cap companies that follow the UK Corporate Governance Code. The review identifies trends in reporting and provides commentary on those areas where reporting is of high quality as well as areas of opportunities for strengthening or streamlining annual reports. This latest FRC review highlighted the need for greater focus on ensuring annual reports of companies are as concise as possible, with companies being encouraged to assess the volume and relevance of their disclosures and remove boilerplate language, repetitive content and generic statements that add little value. Another area of focus of FRC's review has been the extent to which companies are preparing for the implementation of new Provision 29 (which comes into force for financial years starting on or after 1 January 2026) of the UK Corporate Governance Code 2024. The report shows that more than half of the reviewed companies mentioned the new provision, with many providing further information on how they are preparing for compliance with the provision. The FRC report highlights examples of good reporting in this area.

This annual review is the last review of reporting under the UK Corporate Governance Code 2018 as the UK Corporate Governance Code 2024 became effective on 1 January 2025 (save for Provision 29 as noted above). From 2026 onwards, the FRC will review annual reports against the UK Corporate Governance Code 2024.

For an overview of the key changes incorporated in the UK Corporate Governance Code 2024, see our [client update](#).

QCA publishes report on its Corporate Governance Code

On 9 December 2025, the Quoted Companies Alliance published a report titled [QCA Corporate Governance Code: Supporting Growth Flexibly](#), which outlines findings from its analysis conducted in September 2025 on the application of its Corporate Governance Code (QCA Code). The analysis focused on annual reports and accounts and corporate governance statements of companies listed on AIM, Aquis and those in the Main Market's equity shares (transition) category, assessing, amongst other, the current levels of adoption of the QCA Code and how adoption varies by market capitalisation and jurisdiction.

The QCA Code is a practical, outcome-oriented and principles-based approach to governance that is tailored for small and mid-sized quoted companies. Through its ten principles, its approach is to facilitate and enable companies, rather than prescribing them to adhere to set requirements. The QCA Code was first published in 2013 and last revised in 2023, with the December 2025 report presenting the first opportunity to evaluate how companies are beginning to apply the revised framework published in 2023.

Institutional and voting guidelines

Investment Association principles of remuneration

In a letter to Remuneration Committee Chairs published on 12 November 2025, the Investment Association (IA) confirmed that it will not be making any changes to its [2025 Principles of Remuneration](#) for the 2026 AGM season. The principles outline IA member views on the commonly accepted approach to executive pay for companies listed on the Main Market. This year's messaging emphasised:

- the need for company-specific rationale for proposed changes to pay structures or quantum, avoiding boilerplate explanations such as “competitiveness” or “retention”;
- robust use of benchmarking, with clear justification on peer selection, relevance, and structure;
- that companies should be cautious introducing hybrid long-term incentive plans (i.e., structures combining performance shares and restricted shares) due to the potential weakening of the link between pay and performance;
- maintenance of bonus deferral and shareholding requirements to support malus and clawback;
- changes to in-flight awards should only occur in exceptional circumstances and need to be clearly justified, subject to consultation and supported by shareholders; and
- improving the shareholder consultation process:
 - the IA will create a directory of IA member contacts for remuneration consultations; and
 - the IA will seek to re-establish collective meetings on remuneration proposals.

Glass Lewis 2026 benchmark policy guidelines

On 4 December 2025, Glass Lewis published its 2026 Proxy Voting Policy Guidelines (which include its [guidelines for shareholder proposals](#)) for the US, Canada, UK and Europe. Glass Lewis will cease issuing its “benchmark” or “house” voting policies in 2027, moving instead towards multiple bespoke policy perspectives aligned with client stewardship goals, enabled by AI and analytics. In addition to incorporating certain clarifying amendments, the [UK version](#) of the proxy voting guidelines includes policy changes with respect to approach to committee size recommendations, gender diversity on boards, pay for performance and AIM companies' board independence. The guidelines apply to shareholder meetings held from 1 January 2026 onwards.

Institutional Shareholder Services updated proxy voting guidelines for 2026

On 25 November 2025, Institutional Shareholder Services (ISS) published its [Benchmark Policy Updates for 2025 \(EMEA\)](#). ISS annually conducts a robust, inclusive, and transparent global policy review process to consider global updates to its benchmark guidelines for the upcoming year and beyond. The annual policy update process begins with an internal review of emerging issues, relevant regulatory changes and notable trends seen across the globe, regionally and/or at market level.

Notably, ISS plans to expand its pay-for-performance analysis from a three-year to a five-year window and has indicated greater flexibility towards longer-horizon, time-based equity awards, such as five-year restricted stock units.

For a summary of the latest ISS policy updates, please follow this [link](#). The updated policies will be effective for shareholder meetings taking place on or after 1 February 2026.

Pensions UK Stewardship and Voting Guidelines 2026

On 11 December 2025, Pensions UK (formerly Pensions and Lifetime Savings Association) published its [Stewardship and Voting Guidelines 2026](#). The 2026 guidelines outline clear principles to assess and engage with companies for sustainable long-term value. The guidelines consider key topics emerging in 2025 (including AI and cybersecurity, governance, climate and sustainability, social factors, workforce and equity, diversity and inclusion) as well as introduce two new sections: the first on emerging trends, which highlights the most significant developments from the 2025 voting season; and the second on the introduction of pass-through voting, as an option for exercising shareholder rights.

For a summary of the guidelines and an outline of Pensions UK's stewardship fundamentals, please follow this [link](#).

Private companies and directors

FRC review of reporting against the Wates Principles

On 3 December 2025, the FRC published [Reporting Insights: The Wates Principles for Large Private Companies](#), providing an assessment of the quality of reporting by private companies who have chosen to follow the [Wates Principles](#). The report marks the first publication since the principles were brought in-house at the FRC. The Wates Principles were published on 10 December 2018 to provide a framework to help large private companies raise their standards of corporate governance by offering a structure for reporting to demonstrate good practice and fulfil their statutory governance obligations under [the Companies \(Miscellaneous Reporting\) Regulations 2018](#).

For a summary of the Wates Principles, please follow this [link](#).

FRC review of reporting by smaller listed companies

On 19 November 2025, the FRC published [Thematic Review: Reporting by the UK's smaller listed companies](#). The FRC performed a desktop review of 20 companies from various sectors, listed outside of the FTSE 350 (both on the Main Market and AIM). The review highlights four key areas that attract most investor focus (including reporting related to revenue recognition, cash flow statements, impairment of non-financial assets and financial instruments) where the FRC has historically identified room for improvement. The aim of the thematic review is to help companies improve their reporting quality in these areas through better understanding of requirements and good practice and by providing greater detail on the common triggers for FRC enquiries.

Institute of Directors commission to explore the evolving role of NEDs

On 10 April 2025, the Institute of Directors (IoD) [announced](#) the launch of a Commission to explore the evolving role of, and challenges faced by, non-executive directors in the UK. The Commission ran between February and July 2025 in order to investigate whether non-executive directors are truly delivering the anticipated benefits and how they can better contribute to value creation. The findings of the Commission are expected to be published in the coming weeks.

For updates regarding the IoD's findings, please follow this [link](#).

Private Intermittent Securities and Capital Exchange System

On 10 June 2025, following a consultation in 2024 on the proposed framework for implementing and overseeing the Private Intermittent Securities and Capital Exchange System (PISCES), the FCA published [Policy Statement 25/6: Private Intermittent Securities and Capital Exchange System – sandbox arrangements](#) (PS 25/6) setting out its final rules for the PISCES sandbox enabling the intermittent trading of existing shares in private companies. PISCES was designed to allow private companies to access a broader range of investors, supporting investment in growth companies and boosting the competitiveness of UK markets. For more detail on PISCES, please refer to our [client update](#).

As at the date of this publication, London Stock Exchange plc and JP Jenkins Limited have been approved by the FCA as PISCES platform operators.

PERG publishes 2025 annual report on the Walker Guidelines

On 10 December 2025, the Private Equity Reporting Group (PERG) published its eighteenth [annual report](#) on the Walker Guidelines for Disclosure and Transparency in Private Equity (Guidelines). The Guidelines were updated by PERG in 2024 to reflect significant changes in disclosure requirements since 2014. The increasing importance of disclosures around environmental matters, gender and diversity, employees, and principal risks and uncertainties to key stakeholders have been considered in the updated Guidelines.

By way of a reminder, the Guidelines, which were recommended by Sir David Walker in 2007, seek to increase transparency through enhanced reporting and disclosure by the largest UK portfolio companies and their private equity owners. PERG was established in 2008 to monitor the industry's compliance with the Guidelines and make periodic recommendations to the British Private Equity and Venture Capital Association. The Guidelines (which serve as a voluntary code of practice) have four main components – three that apply to portfolio companies and a fourth that applies to the private equity firms managing or advising funds that own the portfolio companies.

To access the full Guidelines, please follow this [link](#).

For a comprehensive overview of the UK corporate governance regime, please see the [UK chapter](#) we contributed to *Lexology's In-Depth: Corporate Governance, Edition 15*.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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