

## Boardroom Briefing – February 2025

A brief monthly update on corporate governance and related areas

### FRC reviews climate reporting by AIM and large private companies

Having reviewed the first cycle of mandatory climate-related financial disclosures (CFD) by twenty AIM and large private companies, the Financial Reporting Council [found](#) that the overall quality of reporting was inconsistent. Under the Companies Act 2006, certain entities including those AIM companies and private companies that have more than 500 employees and, in the case of private companies, those that have an annual turnover greater than £500m, are required to prepare CFD in their strategic reports. This requirement is separate from the rules requiring LSE Main Market listed companies to present disclosures consistent with the TCFD (Taskforce on Climate-related Financial Disclosures) framework.

Several companies in scope had failed to disclose the effect of different climate-related scenarios on their business and strategy and only half of those surveyed included information about climate-related targets in their annual report and accounts (ARA). Governance arrangements relating to climate change had been explained in most cases, the FRC noted, but some disclosures lacked structure and were spread throughout the ARA without specific cross-referencing. Most companies had disclosed climate-related risks but did not always identify climate-related opportunities, and the FRC noted that better disclosures were generally more concise, often using tables and diagrams. The FRC recognises that companies will continue to develop reporting approaches over time and has set out its key expectations and good practice examples to assist companies in meeting the requirements.

### FRC publishes 3-year plan and takes on governance of the Wates Principles

The FRC has [published](#) its draft strategy for 2025-28 and a draft annual plan and budget for 2025-26 in which it highlights its combined purpose of upholding high standards and of discharging its growth duty, and states that, by the end of this 3-year strategy, the legislative reform and transition to ARGA, the intended successor organisation to the FRC, "should hopefully be a reality". It also plans to continue to ensure the UK Stewardship Code supports high quality investor stewardship, and to work with companies to embed the updated UK Corporate Governance Code (UKCGC), particularly new Provision 29, which will require boards, for financial years beginning on or after 1 January 2026, to declare how they have monitored the effectiveness of their internal controls, as we reported in the February 2024 edition.

The FRC also [announced](#) that it has assumed governance of the Wates Principles, the corporate governance reporting framework for large private companies, from 31 December 2024, and notes its commitment to maintaining high standards of corporate governance for large private companies "in a proportionate manner that supports economic growth and protects the broader public interest".

### Non-financial reporting regulations published

The government has published [regulations](#) to increase by approximately 50% the size thresholds that classify companies as either micro-entities, small, medium, or large, thereby streamlining the reporting they will have to do. The directors' report is also being slimmed down and will not need to include certain information which the government considers provides little material value to shareholders or which is duplicative of accounts disclosures, such as a company's use of financial instruments, significant events occurring after financial year-end, likely future developments affecting a company's direction, investment in research and development, and engagement with employees, customers and suppliers. The regulations will apply to financial years from 6 April 2025.

### Cabinet Office reports on review of Notifiable Acquisition Regulations

We reported in the October 2024 edition on the government's 2023-24 annual report into the UK's foreign screening regime under the National

Security and Investment (NS&I) Act, which gives the government powers to intervene in certain acquisitions and investments to protect national security. The Notifiable Acquisition Regulations (NARs) set out the 17 sensitive areas of the economy that are subject to mandatory notification under the NS&I Act. In its [report](#) on the first statutory review of the NARs, the Cabinet Office concludes that the NARs are broadly covering high risk acquisitions as intended. It also notes that further consideration should be given to certain particular areas, for example in AI and data infrastructure, that are not currently covered by the NARs but may present risk. The NARs are not disproportionately covering activities that are unlikely to present risk, according to the report, and stakeholders broadly understand when they must notify. The government intends to keep the NARs under review.

### PERG publishes updated Walker Guidelines and 2024 annual report

We reported in the October 2024 edition on proposals to update the Walker Guidelines, a voluntary reporting code for large private equity-backed companies. The Private Equity Reporting Group (PERG) has now [published](#) updated guidelines and a report into its review of compliance by portfolio companies during 2024. The report found that 43% of companies surveyed prepared disclosures to a good standard, compared with 60% in the previous two years, and that no company had prepared disclosures to an excellent standard across the guidelines. The report also found that the trend of basic disclosure around social, community and human rights issues, as well as gender diversity information, continued in 2024, while there was a deterioration in the standard of compliance with financial key performance indicators, in a reversal of prior year trends.

The updated Walker Guidelines amend the scope and size thresholds for qualifying portfolio companies to make them more comparable to constituents of the FTSE 250, noted PERG.

### 2025 Proxy Guidelines published by ISS and PLSA

Institutional Shareholder Services has [published](#) updated proxy guidelines, effective for meetings from 1 February 2025. Key changes relate to executive remuneration to reflect the updated Remuneration Principles of the Investment Association, on which we reported in the November 2024 edition, and updated versions of the UKCGC and QCA Governance Code. They also address board diversity, reflecting UK Listing Rule (UKLR) requirements to report against gender and ethnicity targets on a "comply or explain" basis.

The Pensions and Lifetime Savings Association has [published](#) its 2025 stewardship and voting guidelines for scheme investors exercising their votes during AGM season. Key areas include political and economic events that have a direct impact on stewardship issues, the impact that the UKLRs and AI developments have had on shareholder rights, developments in sustainable finance and workplace issues such as ethnicity and disability pay reporting.

### FCA consults on PISCES rules

Following publication of draft legislation and a response statement from the government, on which we reported in the January 2025 edition, the FCA is [consulting](#) on how PISCES, the proposed secondary market trading platform for the periodic trading of shares in private companies, will operate in practice. The draft rules include the core information which companies must disclose to all investors participating in a trading event. Responses are requested by 17 February 2025. The FCA expects to publish final rules after the government introduces PISCES legislation, which it aims to do by May 2025.

If you would like further information on any of the topics covered, please get in touch with your usual Pinsent Masons contact or [Kirsty Divers](#).

This note reports on topical legal developments which, while current at the time of writing, may evolve over time. This note does not constitute legal advice; specific legal advice should be taken before acting on any of the topics covered.

Pinsent Masons LLP is a limited liability partnership, registered in England and Wales (registered number: OC333653) authorised and regulated by the Solicitors Regulation Authority and the appropriate jurisdictions in which it operates. Reference to "Pinsent Masons" is to Pinsent Masons LLP and/or one or more of the affiliated entities that practise under the name "Pinsent Masons" as the context requires. The word "partner", used in relation to the LLP, refers to a member or an employee or consultant of the LLP or any affiliated firm, with equivalent standing. A list of members of Pinsent Masons, those non-members who are designated as partners, and non-member partners in affiliated entities, is available for inspection at our offices or at [www.pinsentmasons.com](http://www.pinsentmasons.com). © Pinsent Masons.

For a full list of the jurisdictions where we operate, see [www.pinsentmasons.com](http://www.pinsentmasons.com)