KPMG

Modernising corporate reporting

KPMG Board Leadership Centre

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September 2026

The UK Government launched a consultation on Modernising Corporate Reporting to support long-term economic growth which will be open until 30 November 2026. It seeks views on how the corporate reporting framework in the UK could be modernised to better meet the needs of companies, investors and the wider economy.

Although the UK's corporate reporting system is generally considered successful, many believe it has become overly complex, prescriptive and burdensome through incremental additions over time. Annual reports have expanded to serve numerous audiences and policy objectives, reducing their effectiveness as a decision-making tool for investors and creditors. The consultation is intended to create a more proportionate reporting framework that supports economic growth, reduces administrative burdens and is better suited to a digital environment.

The key proposals and considerations:

01 Users of corporate reporting and categories of company

02 Financial Reporting

03 Strategic Reports

04 Corporate Governance

05 Remuneration reporting

06 Technology

07 Other reforms to streamline corporate reporting

01 Users of corporate reporting and categories of company

The consultation opens by seeking to validate that investors and creditors are the primary users of corporate reporting, and to identify the disclosures which genuinely provide meaningful support to investment and lending decisions.

It then sets out a number of questions and proposals about the value of disclosures made by different types and categories of company, including:

- Considering whether current disclosure requirements remain proportionate for private companies.
- Assessing the wider information landscape including the importance of Companies Act disclosures compared with other sources such as due diligence, direct engagement and third-party data providers.
- Exploring whether more subsidiaries and group companies should qualify for reporting exemptions, while maintaining appropriate safeguards.
- Modernising company size thresholds, including replacing employee headcount with measures such as full-time equivalent employees when determining company size.
- Introducing a “very large” company category, which would be a single threshold for certain non-financial reporting requirements.

02 Financial reporting

The government firstly proposes redesigning the relationship between company law and accounting standards so that accounting standards become the primary source of detailed reporting requirements, while legislation would contain only high-level principles and scope provisions. In addition, other core proposals include:

- Aligning legislation across both UK-adopted International Accounting Standards (UK-IAS) accounts and Companies Act 2006 accounts, so that a single true and fair requirement is applied to all companies that are within scope.
- Simplifying UK accounting frameworks into four main standards: UK-IAS, UK Generally Accepted Accounting Practice (UK GAAP) standard for large companies, UK GAAP standard for small and medium-sized enterprises (SMEs) and UK GAAP standard for micro-entities.
- Creating a dedicated SME reporting standard and a not-for-profit reporting standard.
- Extending and simplifying statutory audit exemptions to all SMEs and wholly owned (non-Public Interest Entity (PIE)) subsidiaries with UK parent companies.
- Replacing the current distributable profits framework with a solvency-based dividend regime. Government intends to work with the Prudential Regulation Authority (PRA) to ensure that any changes are interoperable with banks and insurers prudential requirements.

03 Strategic reports

The government has proposed simplifying the strategic report requirements to transform the UK's legal framework from a prescriptive set of rules to a principles-based framework that focuses on financially material information and gives directors greater discretion to determine what information is relevant to investors and creditors. A new set of baseline strategic reporting requirements would replace most existing detailed disclosures. The proposed baseline areas are:

- Business Model.
- Performance Review.
- Resources and Relationships.
- Company Strategy.
- Risks.

Other proposals include:

- Removing existing topic-specific reporting requirements (for example environmental, social and diversity matters) and instead would expect companies to report on those matters only where they are financially material to the business.
- Considering which companies should continue to produce strategic reports, including whether requirements should apply to all large companies, only "very large" companies, or predominantly public companies.
- Additional cyber security and cyber resilience disclosure requirements applicable for "very large" companies, covering cyber governance arrangements, use of cyber security guidance and frameworks and incident response planning.
- Greater transparency regarding the extent to which assurance has been obtained over information within the strategic report and the nature of that assurance, recognising that some users may regard the information in the strategic report as equally important as audited financial statements.

Sustainability-related financial disclosures

The consultation does not propose immediate reforms to climate-related financial disclosure requirements however; it seeks views on the future structure and location of sustainability reporting and how the recently published UK Sustainability Reporting Standards (UK SRS 1 and UK SRS 2) should be reflected within the wider reporting framework.

The government supports the financial materiality approach adopted by the International Sustainability Standards Board (ISSB) and is considering how existing climate disclosure requirements, UK SRS and transition plan disclosures should operate together while minimising duplication.

04 Corporate governance

The government believes there is an opportunity to streamline governance reporting and focus disclosures on information that is most useful for investors and creditors. It remains supportive of the principles-based "comply or explain" model but notes concerns that many organisations do not fully utilise the flexibility available under governance codes.

The consultation considers which companies should remain within scope of governance reporting obligations, and proposes that governance arrangements are disclosed at a group level. It also considers whether governance reporting remains justified for large private companies.

Additional proposals include:

- Simplifying the statutory definition of corporate governance.
- Moving reporting from company level to group level.
- Potentially allowing governance information to be published only on a company website rather than also in the annual report.
- Reviewing interactions between governance reporting and other reporting regimes.

05 Remuneration reporting

Current remuneration reporting disclosures are considered to be overly lengthy and complex. The consultation identifies a core set of disclosures that investors continue to find valuable, including:

- Total remuneration for each director.
- Statement from the remuneration committee chair.
- Pay performance measures.
- The forward-looking remuneration policy.
- The long-term CEO pay and Total Shareholder Return graph.

It then sets out a number of proposals:

- Simplifying disclosures relating to policy implementation and director shareholdings, particularly where information is available elsewhere.
- Removing a range of disclosures which are either duplicate or do not provide decision-useful information. For example, CEO-to-employee pay ratio reporting, remuneration committee activity reporting, etc.
- Considering whether annual advisory votes continue to add value given the separate binding shareholder vote on remuneration policy every three years.

06 Technology

The government has set out proposals to take advantage of opportunities posed by new technologies. These include:

- Making electronic communication the default method of communication with shareholders while preserving a right for shareholders to opt into hard-copy communications.
- Allowing fully virtual annual general meetings (AGMs) where there is shareholder consent.
- Examining how future technologies could transform the preparation, filing and use of corporate reporting, including digital filing, structured data, machine readability and AI-enabled analysis.
- Expanding digital tagging requirements of the annual report and accounts, giving the Financial Reporting Council (FRC) statutory authority over technical formatting standards, requiring directors to approve digital formatting and potentially requiring auditors to report on digital formatting compliance.
- Exploring whether some disclosures could be removed from the annual report and instead published on company websites or central portals.
- Seeking to understand how AI is currently used in preparing and analysing annual reports and how the reporting framework should evolve as AI adoption grows.

07 Other reforms to streamline corporate reporting

Other proposals in the consultation include:

- Creating a permanent "Reporting Gateway" within government to assess future reporting proposals, to prevent future reporting obligations being introduced without sufficient evidence of value.
- Revoking the Reports on Payments to Governments Regulations 2014.
- Requiring auditor appointment information to be more prominently recorded at Companies House, auditor registration numbers to be included in filings and simplifying certain auditor departure reporting requirements.

Why this matters

As a once-in-a-generation review of the UK reporting framework, the consultation provides an important opportunity for stakeholders to help shape reforms that support growth, improve capital allocation and enhance the effectiveness of corporate reporting.

Further information on how to respond are included in the government’s consultation document. The consultation closes on 30 November 2026.

The KPMG Board Leadership Centre

The KPMG Board Leadership Centre offers support and guidance to non-executive directors, whether managing a portfolio non-executive career or embarking on a first appointment. Membership offers you a place within a community of board-level peers with access to topical and relevant seminars, invaluable resources and thought leadership, as well as lively and engaging networking opportunities. We equip you with the tools you need to be highly effective in your role, enabling you to focus on the issues that really matter to you and your business.

Please contact us if you would like to become a member and receive invitations to our events.

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