26 November 2026

LAPFF Response to Department for Business, Innovation, Science and Trade – Modernising Corporate Reporting

Background

The Local Authority Pension Fund Forum (LAPFF) is a voluntary association of 88 local authority pension funds and six LGPS pools, with combined assets of over £425 billion. It exists to promote the investment interests of member funds, and to maximise their influence as shareholders to promote high standards of corporate governance and corporate responsibility amongst the companies in which they invest.

Detailed response

Introduction

Q1 Do you agree or disagree with the government's objectives and principles for modernising corporate reporting? Please explain your answer.

Neutral / Undecided

LAPFF broadly agrees with the sentiment behind the government's overarching objectives and the principles underpinning its proposals to modernise corporate reporting. We recognise the importance of ensuring the UK's corporate reporting framework is clear, coherent, proportionate and fit for the future. We also support efforts to reduce unnecessary administrative burdens, improve the accessibility and usefulness of disclosure and ensure that reporting requirements are commensurate with the size and nature of businesses.

However, we have reservations about certain aspects of the proposed principles. In particular, we have concerns around the implications of making investors and creditors the primary audience for corporate reporting and the degree of discretion that companies would be afforded in determining what

© Local Authority Pension Fund Forum 2026

information they consider to be financially material and relevant to those audiences.

Please see our response to Q2 for an explanation of the concerns we have in relation to making investors and creditors the primary audience for the annual report.

Our concerns around the principle of flexibility and trust relate to the potential that this could give companies undue discretion over the information they disclose. For instance, the proposal that directors should exercise their judgement to report only financially material information that they deem relevant to the economic decision-making of investors and creditors risks creating an overly company-led approach to determining materiality. This could lead to significantly less consistent and comparable reporting, and result in the omission of information material to assessing long-term risks and prospects.

There is also a risk that this approach encourages a short-term perspective on corporate performance. Companies may prioritise reporting on issues that have an identifiable or immediate financial impact, while giving insufficient attention to longer-term emerging or systemic risks, such as climate change, biodiversity, supply chain vulnerabilities, workforce issues and wider societal dependencies. Such issues may not present an immediate financial risk at the point of reporting but could have profound implications for the long-term sustainability of a company's business model, operating environment and ultimately its financial performance.

The decision-usefulness of information depends on the user and may vary across stakeholders, including investors. Even among investors, information needs differ. For example, long-term investors often require information that differs from the needs of shorter-term market participants.

It is important that the assessment of materiality takes account of the evolving nature of risks and the time horizons over which they may materialise. The absence of an immediate or readily quantifiable financial impact should not be a reason to exclude information that is necessary to understand a company's longer-term resilience, dependencies and exposure to systemic risks. It is important that companies engage with shareholders and other stakeholders when considering what issues are material.

LAPFF therefore believes that greater corporate flexibility must be balanced with appropriate safeguards, clear minimum disclosure expectations and sufficient consistency to ensure that reporting remains transparent, comparable and

© Local Authority Pension Fund Forum 2026

meaningful. Corporate flexibility should not come at the expense of investor protection and trust. Investors need confidence that companies are providing a sufficiently comprehensive and balanced account of their performance, strategy and risks, rather than simply selecting the information they consider most relevant to their own narrative.

While we support the ambition to create a simpler, more coherent and proportionate corporate reporting framework, this should not result in a narrowing of corporate accountability or a reduction in the quality and breadth of information available to investors to understand how companies create long-term value. We encourage the government to ensure that its final principles strike an appropriate balance between reducing burdens and maintaining robust disclosure requirements that support informed investment decisions, wider stakeholder interests and long-term economic resilience.

Q2 Do you agree or disagree that the government should focus requirements in the annual reports and accounts on the needs of creditors and investors, including potential creditors and investors? Please explain your answer.

Disagree

LAPFF is concerned that defining investors and creditors as the primary audience risks overlooking the legitimate information needs of other important stakeholder groups. While investors and creditors are undoubtedly important users of corporate disclosure, companies operate within and derive their long-term success from a much wider group of stakeholders. For example, the workforce, consumers, suppliers and the communities in which companies operate all have legitimate interests in understanding corporate performance, strategy, governance and risk. These stakeholders can also have a significant bearing on a company's long-term resilience, reputation and ability to create sustainable value. They also bear residual risks when a company fails.

Moreover, the interests of these stakeholder groups are not necessarily distinct from those of investors and creditors. Issues impacting the workforce, consumers, suppliers and communities can have material financial implications for businesses over different time horizons (short, medium and long-term). As such, a reporting framework that focuses too narrowly on the immediate information needs of investors and creditors risks failing to capture the wider relationships and dependencies that underpin corporate success.

© Local Authority Pension Fund Forum 2026

Finally, annual reports and accounts serve a wider purpose than simply informing capital allocation decisions. They are an important mechanism for corporate transparency, accountability and scrutiny. Their value should therefore not be assessed solely by reference to the immediate decision-making needs of investors and creditors, but also by their contribution to understanding companies' broader impacts and long-term sustainability. An overly narrow approach to disclosure can allow risks to accumulate, ultimately affecting investors and creditors and undermining a company's social licence to operate.

We would therefore encourage the government to recognise explicitly the importance of wider stakeholder interests within its principles for corporate reporting. This would ensure that the focus on investors and creditors does not come at the expense of transparency, accountability and a sufficiently broad understanding of corporate performance and long-term value creation. It would also be consistent with section 172 of the Companies Act 2006.

Understanding how corporate reporting supports investor and creditor decisions

Q3 Considering the UK's regulatory landscape as a whole, which type of disclosures are most useful for decision-making from either a company, or investor and creditor, perspective?

From an asset owner perspective, the most useful disclosures are those that provide a comprehensive and forward-looking understanding of a company's financial performance, business model, strategy, governance, principal risks and long-term prospects. Disclosures should enable investors to assess not only a company's current financial position and performance, but also its ability to generate sustainable long-term value, manage risks and remain resilient in a changing economic, environmental and social context.

In this regard, LAPFF considers the following categories of disclosure particularly important:

a) Financial performance and position

High-quality financial statements remain fundamental to investment decision-making. Information on a company's financial position, cash flows, profitability, capital allocation, liabilities and financial resilience is essential to assessing financial health, valuation and the ability to generate returns over time. It is important that financial disclosures provide sufficient detail and

© Local Authority Pension Fund Forum 2026

context to enable investors to understand the drivers of financial performance, rather than simply presenting historic financial information.

b) Strategy, business model and long-term prospects

Disclosures explaining a company's strategic objectives and business model, as well as plans for delivering against the strategy, are particularly valuable. Investors need to understand how companies intend to create and sustain value over the longer term, the resources and relationships on which their business models depend, and the factors that could affect their future performance. Forward-looking information is especially important in enabling investors to assess whether a company's strategy is credible, resilient and responsive to changing market conditions.

c) Risk management and emerging risks

Comprehensive disclosure on risks, risk management processes and the effectiveness of board oversight is essential. This should include both immediate and longer-term risks, including those that are interconnected, systemic or may not yet have a readily quantifiable financial impact. For example, climate change, biodiversity loss, supply chain disruption, technological change and workforce-related risks can have significant implications for a company's business model, operating environment and long-term financial performance. Investors need sufficient information to understand how companies identify, assess, manage and mitigate these risks, including how they consider different time horizons and potential future scenarios.

d) Sustainability-related disclosures

Sustainability-related disclosures are important to investment decision-making. Information on environmental matters, including climate-related risks, greenhouse gas emissions, energy use and biodiversity, alongside information on workforce matters, human rights, supply chains and wider social impacts, can help investors assess the sustainability and resilience of a company's business model. Such information is not separate from financial performance and can provide important insights into a company's dependencies, exposure to risk, operational effectiveness and ability to create long-term value. The fact that certain issues may not have an immediate or readily identifiable financial impact should not, in itself, be a reason for excluding them from disclosures.

e) Corporate governance and remuneration

© Local Authority Pension Fund Forum 2026

Information on board composition, skills, experience, independence, diversity, effectiveness, accountability and oversight is important in assessing the quality of the board and their ability to make decisions in the long-term interests of the company. Similarly, remuneration disclosures, including the relationship between executive pay, company performance and wider workforce outcomes, help investors assess whether incentives are appropriately aligned with the company's long-term strategy and interests. These disclosures support investor stewardship and engagement by enabling shareholders to hold boards and management to account.

f) Performance indicators and targets

Consistent and meaningful financial and non-financial key performance indicators (KPIs), supported by clear methodologies, historical comparisons and progress against stated targets, are particularly useful. They allow investors to assess whether companies are delivering against their strategies and commitments, identify trends and compare performance between companies and over time. Disclosures should also explain material changes to metrics, targets or methodologies to ensure transparency and avoid selective reporting.

Across all these categories, the usefulness of disclosures depends not on the volume of information provided but on its quality, reliability, consistency and comparability. Investors need information that is sufficiently specific to the company, supported by appropriate evidence and, where relevant, subject to independent assurance. Boilerplate statements and generic descriptions of risks or policies provide limited decision-making value.

Additionally, financial and non-financial information should not be treated as separate or competing categories of reporting. Understanding a company's financial performance and long-term prospects requires consideration of the wider environmental, social and governance factors that influence its operations, relationships, dependencies and exposure to risk.

Finally, while LAPFF recognises the value of reducing duplication and unnecessary reporting burdens, this should not be achieved at the expense of important information that enables investors to make informed decisions and exercise effective stewardship. Nor should the assessment of disclosure usefulness be limited to whether information has an immediate financial impact. Investors, particularly long-term institutional investors such as pension funds, need to understand the risks and opportunities that may affect companies over

© Local Authority Pension Fund Forum 2026

extended time horizons, including wider systemic risks that can affect the value of their portfolios.

Q4 What weaknesses or gaps, if any, have you identified in the UK's corporate reporting landscape? How do those weaknesses or gaps impact economic decision-making, if at all?

LAPFF considers that while the UK has an established corporate reporting framework, there remain a number of weaknesses and gaps that can limit the usefulness of disclosures. For investors with long-term investment horizons, these typically relate to the consistency, comparability and completeness of the information provided, as well as weaknesses in the forward-looking nature of the information disclosed.

We have summarised our views on gaps and weaknesses below:

a) Inconsistency and lack of comparability in sustainability reporting

One of the key weaknesses is the inconsistent approach to reporting on sustainability-related matters. Differences in reporting practices, such as methodologies, metrics and levels of detail can make it difficult for investors and other stakeholders to compare companies and assess their relative performance and exposure to risk. While the development of the UK Sustainability Reporting Standards (UK SRS) is a positive step towards establishing greater consistency, the "comply-or-explain" nature of the requirements mean that differentiation in reporting will remain.

As a result, inconsistent reporting can undermine an investor's ability to make informed decisions, assess performance against peers and identify those that are effectively managing long-term risks and opportunities. It can also result in an increase in the level of resource required to interpret and reconcile information disclosed by different companies.

b) Insufficient disclosure of long-term and systemic risks

LAPFF is concerned that existing reporting practices do not always provide sufficient information about companies' exposure to long-term, emerging and systemic risks. Companies may focus predominantly on risks that are readily identifiable or have an immediate financial impact, while giving insufficient consideration to issues that may have significant implications over a longer time horizon.

© Local Authority Pension Fund Forum 2026

For example, climate change, biodiversity loss, natural resource dependencies, supply chain vulnerabilities, technological disruption and workforce-related risks can have significant implications for companies' long-term business models and financial resilience. These risks may not always be immediately quantifiable, but their potential impact on companies and the wider economy should not be underestimated.

Long-term institutional investors such as pension funds need to understand how companies identify, assess and manage these risks, including their potential interaction and cumulative effects. Without sufficiently forward-looking disclosures, investors may be unable to accurately assess companies' long-term prospects, allocate capital effectively or identify systemic risks that could affect the value of their portfolios.

c) Gaps in reporting on wider stakeholder relationships and dependencies

Information on workforce skills, retention, health and safety, employee engagement and labour standards can provide important insights into operational effectiveness, productivity and the sustainability of a company's business model. Similarly, information about supply chain practices and dependencies can help investors assess exposure to disruption, human rights risks and reputational damage.

These relationships can be fundamental to the long-term success and resilience of a business, yet reporting does not always provide investors with sufficient insight into how companies manage these relationships or the risks arising from them.

d) Lack of connectivity between financial and non-financial reporting

Another weakness is the extent to which financial and non-financial information is reported and considered in isolation. Sustainability issues are often treated as separate reporting considerations, rather than being clearly connected to a company's strategy, financial performance, capital allocation decisions and long-term prospects.

Greater connectivity between financial and non-financial reporting would enable investors to develop a more comprehensive understanding of a company's performance, business model and long-term financial resilience.

e) Reliability and assurance on non-financial information

© Local Authority Pension Fund Forum 2026

LAPFF considers that there is scope to strengthen the reliability and assurance of non-financial and sustainability-related disclosures. While the quality and maturity of reporting frameworks continue to develop, differences in the extent to which disclosures are independently assured can make it difficult for investors to assess the reliability of the information provided.

LAPFF recognises that assurance requirements need to be proportionate and take account of the costs and practical challenges involved. However, there should be a clear direction of travel towards greater assurance of material sustainability-related information, supporting confidence, consistency and accountability.

Overall, LAPFF believes that the government should focus not simply on reducing the volume of disclosures, but on improving their quality, consistency, comparability and relevance. Simplification and proportionality are important objectives but should not result in the removal of information that is necessary for investors to understand companies' long-term prospects, risks and wider dependencies. A robust corporate reporting framework should support both informed investment decisions and effective stewardship, contributing to sustainable long-term value creation and economic resilience.

Q5 Reflecting on your answer to Q4, are there any information gaps particularly noticeable to specific types of company or sector? Do these gaps affect investment decisions and, if so, how?

LAPFF considers that information gaps are particularly noticeable in sectors where companies have significant environmental and social impacts, complex supply chains or dependencies on natural resources and the workforce.

For example, in sectors such as energy, mining, construction, transport and agriculture, investors would benefit from more consistent and comprehensive disclosures on climate-related risks, biodiversity, natural resource dependencies and transition plans. Similarly, in sectors with extensive or complex supply chains, including retail and manufacturing, there can be insufficient information on labour standards, human rights and supply chain resilience.

Q6 What is your view on the benefits or drawbacks of aligning reporting requirements for publicly listed and private companies? Please explain your answer.

We have no comments.

© Local Authority Pension Fund Forum 2026

Q7 When making financial decisions, how useful are disclosures produced by private companies?

We have no comments.

Q8 What value do investors and creditors place on information deriving from the Companies Act 2006 compared to other sources of information?

LAPFF considers that information disclosed under the Companies Act 2006 to be an important and valuable source of information for investors and creditors. Statutory reporting requirements provide a recognised and regulated framework for corporate disclosure.

The value of Companies Act disclosures lies partly in their statutory basis, which provides investors with greater confidence that companies are subject to common reporting requirements and accountability standards. This supports comparability between companies and enables investors to assess corporate performance and hold boards to account.

LAPFF would therefore caution against reducing the scope or breadth of Companies Act reporting on the assumption that information is available elsewhere. Other sources of information may not offer the same level of consistency, accessibility, comparability or accountability as statutory disclosures. Furthermore, relying on companies to provide information voluntarily risks creating inconsistencies and gaps in the information available to investors.

Categories of companies and application of rules on corporate reporting: a simplified framework

Q9 Do you agree or disagree that medium-sized companies should be able to access the same accounting and reporting regime available to small companies, through an expanded SME regime? Please explain your answer.

N/A or Do Not Want to Answer

We have no comments.

Q10 An exemption to audit currently exists for companies who qualify for the small companies regime. Do you agree or disagree that the audit exemption should be expanded to include companies eligible for the medium-sized company regime? Please explain your answer. We are

interested in evidence of the costs and benefits of audit for medium-sized companies, and the role of audited accounts in companies obtaining loan finance or other credit.

N/A or Do Not Want to Answer

We have no comments.

Q11 Do you agree or disagree with the government's approach to allow more group companies that are micro-entities or small or medium-sized companies to use the relevant accounting and audit exemptions, even if they are a member of a group that includes a regulated financial services provider? Please explain your answer. In addition, should the ineligibility criteria be amended? If so, how?

N/A or Do Not Want to Answer

We have no comments.

Q12 What are your views on updating the definition of an employee to improve the way the size of a company is determined? What kind of changes would you recommend and why?

We have no comments.

Q13 What are your views on introducing a 'very large' company threshold? Please explain your answer, including how the threshold should be defined and what disclosures should apply.

We have no comments.

Q14 Do you have any further comments on the government's proposals for a simplified reporting framework, including on thresholds, exemptions and/or ineligibility, or anything else?

We have no comments.

Re-imagining the UK's financial reporting framework

Q15 What are your views on the financial reporting proposals as set out in the consultation? Please explain your response, such as which proposals you agree or disagree with and why, and what you think needs reform the most.

© Local Authority Pension Fund Forum 2026

LAPFF supports the government's ambition of modernising the UK's financial reporting framework, particularly where this can reduce unnecessary duplication and improve clarity and consistency. However, simplification should not come at the expense of the quality, reliability and transparency of financial information available to investors. From the perspective of LAPFF which represents long-term asset owners, we have two particular areas of concern.

The first area relates to the proposals to simplify the relationship between the Companies Act 2006 and the accounting standards. LAPFF broadly supports proposals to clarify the respective roles of the Companies Act 2006 and accounting standards, particularly where this would remove duplication and inconsistencies between legislative and accounting requirements. Moving detailed reporting requirements into a single, clearly defined source of accounting standards could make the framework easier to understand and apply, while reducing unnecessary administrative burdens.

However, it is important that this process does not result in the removal of disclosures that provide valuable information to investors. Statutory reporting requirements play an essential role in establishing a consistent and legally underpinned baseline for corporate disclosure, supporting transparency, comparability and accountability across companies. This consistency is particularly important for institutional investors seeking to assess and compare corporate performance, financial position and risk exposure across different companies and sectors. While moving requirements into accounting standards may help simplify the reporting framework, it is essential that the substance and breadth of existing disclosure requirements are preserved where they serve an important purpose.

Secondly, LAPFF strongly opposes the proposal to remove the existing capital maintenance regime and replace it with a solvency-based regime. The capital maintenance regime is a foundational investor protection that supports financial resilience, business continuity and long-term value creation. The government's proposed solvency-based regime is inadequate and places excessive reliance on directors' judgement and forward-looking assessments of a company's ability to meet its liabilities. The potential negative consequences of removing the capital maintenance regime and implementing the government's proposed regime extend way beyond the immediate impact to investors and creditors to employees, consumers, suppliers and the wider economy.

We provide a more detailed assessment of our concerns relating to the removal of the capital maintenance regime in our response to Q16.

© Local Authority Pension Fund Forum 2026

Q16 Do you support moving to a solvency model for determining the legality of dividends? Please explain your answer. If you do support the proposal, what key features should be included in that solvency regime?

No

LAPFF strongly opposes the proposed removal of the capital maintenance regime and its replacement with a solvency-based approach. The capital maintenance regime is a foundational investor protection, and its removal would represent a significant weakening of the safeguards governing the distribution of company capital.

The fundamental principle underpinning capital maintenance is that companies should distribute realised profits, rather than the capital invested in the business. Capital provided by shareholders is intended to finance productive activity, investment and the creation of long-term value. Distributing that capital without appropriate safeguards risks weakening a company's financial position, reducing its capacity to meet future obligations and undermining the interests of both shareholders and creditors.

The distinction between profits and capital is therefore paramount. Distributing capital as though it were profit risks creating an artificial impression of financial strength and sustainable returns, while potentially disguising a deterioration in the company's underlying financial position. The capital maintenance regime provides an important safeguard against this, placing legal constraints on distributions that could otherwise undermine a company's financial resilience.

This is particularly important for long-term institutional investors, whose interests depend on companies retaining sufficient capital to invest in their businesses, absorb losses and meet future obligations. Sustainable shareholder returns depend on the long-term financial health and productive capacity of companies, rather than the maximisation of short-term distributions.

An important feature of the existing capital maintenance regime is that it incorporates prudential safeguards that are not necessarily reflected in financial statements prepared under International Financial Reporting Standards (IFRS). In particular, the calculation of distributable profits requires consideration of realised rather than merely unrealised gains, alongside the appropriate recognition of accumulated losses and liabilities. Companies must therefore make adjustments to their accounting profits when determining what is legally available for distribution.

© Local Authority Pension Fund Forum 2026

This distinction is important because accounting standards and capital maintenance rules serve different purposes. IFRS is designed primarily to provide decision-useful financial information to investors and other users of financial statements. IFRS is not used to determine how much capital a company can safely distribute. Compliance with accounting standards should therefore not be treated as a substitute for the separate legal safeguards governing distributable profits and capital maintenance.

LAPFF recognises that the government has identified legitimate concerns regarding the complexity of the existing regime, the costs associated with calculating distributable reserves and the potential for financial engineering to inflate distributable profits. However, these concerns do not justify abandoning the underlying protections provided by capital maintenance.

The proposed alternative, which relies on directors assessing whether a dividend payment would affect a company's ability to continue as a going concern, is not an adequate substitute for the existing regime. A going concern assessment is not equivalent to a prudent assessment of a company's capital position or its ability to withstand future financial shocks. A company may be able to meet its immediate obligations while having a significantly weakened balance sheet, inadequate capital reserves and substantial future liabilities. It may also be able to continue operating through additional borrowing, even as its underlying financial position deteriorates.

Furthermore, such assessments would place considerable reliance on directors' judgement and assumptions about future financial performance and cash flows. This introduces greater subjectivity and uncertainty into decisions about distributions, potentially weakening the consistency and predictability of the legal framework. A statement that a company can continue as a going concern therefore provides insufficient assurance that a proposed distribution is prudent, that adequate capital is being retained to absorb future losses or that unacceptable risks are not being transferred to creditors and other stakeholders.

Moreover, the importance of the capital maintenance regime is particularly relevant in the context of climate-related financial risks and wider sustainability considerations. A central argument underpinning investor stewardship and engagement on climate change is that companies must identify, assess and appropriately recognise the financial consequences of their activities before those consequences crystallise into losses. This includes potential asset impairments, decommissioning obligations, environmental remediation costs, legal liabilities and the financial consequences of an orderly or disorderly transition to a lower-carbon economy. Capital maintenance provides an

© Local Authority Pension Fund Forum 2026

important safeguard by reinforcing the principle that companies should not distribute resources to shareholders without properly accounting for material losses and liabilities associated with their business activities.

For example, oil and gas companies should appropriately recognise relevant asset impairments, decommissioning obligations and environmental liabilities, as well as the financial implications of the energy transition. Similarly, banks and other financial institutions should appropriately assess and recognise expected credit losses and other financial risks associated with their exposure to carbon-intensive activities and the financing of fossil fuels.

Overall, LAPFF considers that the government's proposal is not simply a technical simplification of company law but represents the removal of a foundational investor protection that helps ensure companies remain financially stable and that their shareholder capital is not distributed irresponsibly. The global financial crisis demonstrated the dangers of financial institutions distributing capital and rewarding executives and shareholders (in the short term) while underlying risks and losses were insufficiently recognised. Carillion provides another example of the catastrophic consequences of corporate financial weakness for employees, suppliers, pension schemes and investors.

LAPFF therefore strongly opposes replacing the existing capital maintenance regime with the proposed solvency-based approach. Rather than removing these protections, the government should focus on addressing specific complexities within the existing framework while retaining its fundamental principles and safeguards.

Q17 Do you have any further comment on the government's proposals on financial reporting? Are there any other proposals that government should consider?

We have no comments.

Strategic, financially material reporting

Q18 Should the purpose of the strategic report be expanded from informing members of the company (existing investors) to also include potential investors, and creditors and potential creditors? Please explain your answer.

Yes

© Local Authority Pension Fund Forum 2026

Broadly, LAPFF supports expanding the purpose of the strategic report to include potential investors and existing and potential creditors, alongside existing shareholders. This would better reflect the range of users who rely on corporate reporting to make informed decisions about the position of a company.

However, LAPFF considers it important that this expansion does not lead to an overly narrow interpretation of the purpose of corporate reporting, focused exclusively on short-term financial returns or the immediate interests of capital providers. Institutional investors, including local government pension funds, are long-term investors with an interest in the sustainable creation of value over time. Their investment decisions depend not only on a company's current financial performance but also on its governance, business strategy, management of risks, treatment of its workforce, environmental impacts and relationships with wider stakeholders. These factors can have significant implications for a company's long-term financial performance, resilience and ability to generate sustainable returns.

LAPFF therefore supports a broader audience for the strategic report but emphasises that the needs of investors and creditors cannot be considered in isolation from the wider stakeholder and societal context in which companies operate. The interests of employees, customers, suppliers and communities are often closely connected to the long-term success of a company.

The strategic report should also provide balanced information about how companies' activities and impacts may affect their longer-term financial sustainability. This is important because risks to society and the environment can ultimately translate into financial risks for companies and their investors.

In this light, the changes should not result in a reduction in transparency or accountability to existing shareholders. The strategic report should continue to enable stakeholders to assess how directors have fulfilled their duties, including their duty under section 172 of the Companies Act 2006. Accordingly, LAPFF does not agree with the proposal to remove the section 172 statement, which provides important information on how the directors have promoted the success of the company, and had regard to the interests of employees, business relationships, communities and the environment.

Q19 Do you agree or disagree with the proposed approach to baseline reporting set out in the consultation? Please explain your answer.

Disagree

© Local Authority Pension Fund Forum 2026

While LAPFF supports the underlying objective of simplifying and improving the quality of strategic reporting, we disagree with the proposed approach to baseline reporting in its current form. LAPFF is concerned that the government's proposals go too far in removing specific reporting requirements and relying on companies to determine which matters to report. The proposed removal of explicit disclosure requirements relating to environmental matters, employees, social and community matters, human rights, anti-corruption and anti-bribery, together with the replacement of the section 172 statement, risks reducing the transparency and consistency of corporate reporting. These are not peripheral issues. They are fundamental to understanding how companies operate, how they manage risks and how they create sustainable long-term value.

The proposed replacement of the section 172 statement with broader disclosure on resources and relationships is also a concern. While LAPFF welcomes the inclusion of information about relationships that are important to a company's long-term success, this should not remove the requirement for directors to explain how they have had regard to the matters set out in section 172. Such reporting provides an important mechanism for transparency and accountability, demonstrating how directors consider the interests of employees, business relationships, communities and the environment when making decisions. It should be strengthened and made more meaningful rather than removed.

Q20 Do you agree or disagree that the following areas are appropriate for baseline reporting?

(a) company business model

Agree

(b) performance review

Agree

(c) resources and relationships

Agree

(d) company strategy; and,

Agree

(e) risks. Please explain your answer.

Agree

© Local Authority Pension Fund Forum 2026

While the proposed five areas of baseline reporting provide a useful foundation and a sensible structure for explaining how a company operates, generates value, manages its resources and relationships, and responds to risks and opportunities, the framework should be underpinned by minimum expectations. This would help to ensure that important information is not omitted at the discretion of individual companies.

However, LAPFF is concerned that the proposed headings are too broad to guarantee that companies disclose all the information necessary for investors to assess their long-term sustainability, resilience and governance. The effectiveness of the framework will depend on the expectations attached to each area and the extent to which companies are required to provide meaningful information rather than generic narrative statements.

LAPFF includes a list of recommendations that should be considered under each heading below. Additionally, governance and board oversight should be a cross-cutting element across all five areas. Companies should explain how the board oversees the business model, performance, resources and relationships, strategy and risks, including how responsibilities are allocated, how relevant matters inform board decision-making, and how the board monitors progress and holds management to account. This is essential to demonstrate effective governance, accountability and the board's contribution to long-term sustainable value creation.

- **Business model** – Companies should explain clearly how their business model creates and sustains value, including their principal activities, markets, supply chains and dependencies on natural, human and social capital. Reporting should explain how environmental and social factors affect the business model and its long-term viability. Investors need to understand not only how a company generates financial returns but also whether its business model is resilient and sustainable in the context of changing environmental, economic and social conditions.
- **Performance review** – The performance review should include both financial and relevant non-financial measures. LAPFF considers that companies should continue to report against appropriate key performance indicators (KPIs), including those relating to environmental performance, workforce matters, health and safety, diversity, human rights and progress against sustainability commitments. Companies should explain performance against previously stated objectives, significant changes in performance and any failure to meet targets.
- **Resources and relationships** – A company's long-term success is dependent on its relationships with employees, suppliers, customers,

© Local Authority Pension Fund Forum 2026

communities and other stakeholders, as well as its access to and use of natural resources. This area should also retain the substance of the existing section 172 reporting requirements. It is important that companies explain how directors have considered the interests of stakeholders and the wider consequences of their decisions, rather than simply identifying the resources and relationships they regard as important to commercial success. In particular, this section should include reporting on workforce matters and include information about workforce composition, employment practices, pay and conditions, health and safety, skills development, employee engagement, equality, diversity and inclusion, and workforce retention. Employees are a fundamental resource for most businesses, and the way they are treated can have a significant impact on productivity, operational resilience, innovation and corporate reputation.

- **Company strategy** – Companies should explain their strategic objectives, how these will be achieved and the resources required to deliver them. Reporting should explain how the company's strategy responds to developments in its environment over appropriate short, medium and long-term horizons.
- **Risks** – Companies should be required to explain their principal risks in sufficient detail, including how risks are identified, assessed, managed and monitored. This should include material environmental, social and governance risks, as well as risks arising from supply chains, human rights, workforce practices and relationships with communities. Risk assessments should consider both the likelihood and potential consequences of risks over different time horizons. Companies should not be able to disregard emerging risks simply because their financial implications are not immediately apparent or readily quantifiable.

Q21 Are there any other reporting areas that would be useful for investors and creditors to see as part of baseline reporting? Please give reasons for your answer.

Yes – corporate culture, business ethics and anti-corruption are important areas that should form part of baseline reporting. Companies should report on how they promote ethical business conduct, prevent bribery and corruption, manage conflicts of interest and encourage employees to raise concerns. Information about whistleblowing arrangements, investigations and the effectiveness of relevant controls would also be useful.

Corporate misconduct can result in substantial financial penalties, reputational damage and loss of investor confidence. Investors therefore need assurance

© Local Authority Pension Fund Forum 2026

that companies have appropriate systems and a culture that supports ethical behaviour and accountability.

Q22 Do you agree or disagree with removing the specific disclosure requirements in 414CB and 414C(7)(b) where they are not financially material to the company? For the following areas: (a) environmental matters (b) employees (c) social matters (d) community matters (e) respect for human rights and (f) anti-corruption and anti-bribery matters, what are the advantages and risks of removal?

LAPFF disagrees with removing the specific disclosure requirements under sections 414CB and 414C(7)(b) of the Companies Act 2006. The six areas identified are important indicators of corporate governance, responsible business conduct and long-term sustainability. Their significance should not be determined exclusively by whether directors consider them financially material at the reporting date. Environmental and social impacts, poor employment practices, human rights abuses and corruption can develop into significant financial, operational and reputational risks over time. They can also have substantial consequences for employees, communities and the environment, irrespective of their immediate financial implications for the company. If the ultimate objective is promoting the success of the company, then overlooking these stakeholders will provide users with only a partial view of whether this duty is being met.

For long-term institutional investors, information about companies' environmental and social impacts, stakeholder relationships and governance practices is essential for assessing their long-term sustainability and resilience. Removing these requirements risks undermining the transparency and accountability that effective corporate reporting should provide.

Q23 Do you agree or disagree that these companies should produce baseline reporting in their strategic report:

(a) Publicly listed companies and large private companies (including companies that are not micro-entities, or small or medium-sized)

Strongly agree

(b) A "very large" threshold, as set out in chapter 3

Disagree

(c) Only publicly listed companies. Please explain your answer.

© Local Authority Pension Fund Forum 2026

Disagree

LAPFF considers that baseline reporting should apply to both publicly listed companies and large private companies, as both can have significant economic, environmental and social impacts and present material risks and opportunities for investors, creditors and wider stakeholders.

Limiting the requirement to publicly listed companies would exclude large private businesses whose activities can have substantial implications for employees, communities, supply chains and the environment.

A 'very large' threshold could be appropriate for additional or more extensive disclosure requirements but should not replace the baseline requirements for publicly listed and large private companies.

Q24 Should the government (further) extend which companies can take advantage of exemptions from the strategic report, for example, to include all wholly-owned subsidiaries with a UK parent, or any other examples? Please explain your answer.

No – exemptions for wholly-owned subsidiaries should only be permitted where equivalent information is publicly available through the UK parent company's consolidated strategic report. There should be clear safeguards to ensure that material risks, are not obscured by group-level reporting and that investors and other stakeholders retain access to meaningful information about subsidiary activities.

Q25 Do you have any further comment on the government's proposals in the strategic report section? Are there any other proposals that government should consider?

We have no comments.

Q26 What areas of energy and carbon reporting do you think should be prioritised by DESNZ for review or improvement in future reforms? Please explain your answer.

LAPFF recommends that DESNZ prioritises improving the consistency, transparency and comparability of corporate energy and carbon reporting. In particular, future reforms should focus on:

© Local Authority Pension Fund Forum 2026

- Scope 1, 2 and 3 emissions – Improving the completeness and consistency of emissions reporting, particularly Scope 3 emissions across value chains.
- Climate transition plans – Requiring mandatory disclosure of transition plans, including credible, time-bound decarbonisation targets, interim milestones and progress against commitments.
- Energy consumption – Improving reporting on energy use, energy efficiency and the transition to renewable energy.
- Emissions verification – Strengthening requirements for independent assurance to improve the reliability and credibility of reported data.

Q27 Do you have views on the location of sustainability and climate-related information within the strategic or annual report?

LAPFF considers that sustainability and climate-related information should be incorporated within the strategic report, rather than presented as a separate or disconnected section of the annual report. This would help ensure that environmental and social matters are recognised as integral to a company's business model, strategy, risk management and long-term financial performance, rather than treated as peripheral corporate responsibility issues.

Climate-related disclosures should be connected to financial reporting, including information on capital allocation, business risks, future investment and transition planning.

Where detailed supplementary information is necessary, companies should be able to provide this through clearly referenced additional disclosures. However, the strategic report should contain sufficient information to enable investors to understand the material sustainability and climate-related risks, opportunities, impacts and progress against targets.

Q28 Do you have any further comment on the government's proposals in this sustainability-related disclosures section? Are there any other proposals that the government should consider?

We have no comments.

Q29 What are your views on introducing an additional cyber risk reporting disclosure for very large companies (using the new very large company reporting threshold discussed in chapter 3)? If you think an alternative established Companies Act reporting threshold would be more appropriate, please explain.

© Local Authority Pension Fund Forum 2026

LAPFF supports introducing an additional cyber risk reporting requirement for very large companies. Cyber security is an increasingly significant business risk, with potential consequences for operational resilience, financial stability, data protection, reputation and investor confidence.

Companies should disclose how the board oversees cyber security, how significant cyber risks are identified and managed, and how the company prepares for and responds to cyber incidents. Reporting should also explain the extent to which cyber resilience is integrated into wider risk management and business continuity arrangements.

LAPFF supports using the proposed new very large company threshold, provided it captures companies whose scale, complexity and systemic importance make them particularly exposed to cyber risks.

Q30 Do you have any further comment on the effectiveness of the existing risk reporting framework?

LAPFF considers that the existing risk reporting framework could be improved to ensure that corporate disclosures are more forward-looking, consistent and meaningful to investors. In particular, companies should provide greater clarity on how boards identify, assess, monitor and manage principal and emerging risks, including environmental, social and governance risks. Greater attention should be given to the interconnected nature of risks, particularly climate change, biodiversity loss, human rights and supply-chain vulnerabilities.

LAPFF is concerned that risk reporting can be overly generic and focused on describing risks rather than explaining their potential consequences, the effectiveness of mitigation measures and the board's response. Companies should provide more specific information about the likelihood and potential impact of significant risks, the time horizons over which they may materialise and progress in managing them.

Reporting should also explain how risks inform corporate strategy, capital allocation and business planning. Importantly, companies should not exclude emerging or longer-term risks simply because their financial consequences are not yet readily quantifiable.

Q31 Do you agree or disagree that reporting companies should be required to be transparent about the assurance of strategic reporting information in the annual report, in order to help investors and creditors make financial decisions concerning the company? Please explain your answer.

© Local Authority Pension Fund Forum 2026

LAPPF agrees that companies should be required to be transparent about the assurance of information in the strategic report. Investors and creditors need confidence that the information provided by companies is accurate, reliable and sufficiently robust to inform their financial and investment decisions. This is particularly important for non-financial information, including environmental, social and governance disclosures, climate-related risks, emissions data and sustainability targets, where consistency and reliability remain important challenges.

LAPFF recommends that companies disclose clearly which elements of their strategic reporting have been subject to external independent assurance, the level and scope of that assurance, the standards applied and any significant limitations identified.

Q32 Does your organisation already provide transparency on the assurance that has been undertaken of strategic reporting? What transparency and assurance do you provide? What are the costs and benefits of doing so?

We have no comments.

Q33 Do you have any other feedback or alternative proposals for how the government can ensure credibility and confidence in strategic reporting? When responding to this question, please outline the relative benefit and costs for reporting companies and/or investors and creditors.

We have no comments.

Simplifying corporate governance reporting

Q34 What would help companies make better use of the UK Corporate Governance Code's flexibility? Please explain your reasoning. We are interested in how the Code is used in practice rather than the Code's principles and provisions.

The current comply-or-explain approach in the UK Corporate Governance Code (the Code) remains appropriate and proportionate. The Code sets out clear expectations of good corporate governance while allowing companies sufficient flexibility to adapt their governance arrangements to their individual circumstances.

LAPFF recognises that there are current misperceptions about the willingness of investors to accept departures from the Code. The extent to which investors are

willing to accept departures, and the thresholds they apply when assessing explanations, may differ depending on their investment mandates and stewardship beliefs, as well as the interests of their clients and beneficiaries. While certain investors may regard compliance with particular provisions or principles as essential, investors are generally willing to consider and accept departures where these are supported by clear, credible and sufficiently detailed explanations. However, this should not be interpreted as unconditional acceptance of non-compliance. Generic, boilerplate or weak explanations should be challenged, and investors should not simply overlook them. To do so would risk undermining the purpose of the comply-or-explain framework and would be inconsistent with investors' own stewardship responsibilities to hold companies and their boards to account.

Where a company departs from the Code, the board should provide a clear, well-reasoned and company-specific explanation that sets out why compliance is difficult or inappropriate in its particular circumstances. This should include:

- The rationale for departing from the provision or principles and why the alternative approach is considered appropriate.
- Any safeguards or alternative arrangements introduced to ensure that the effectiveness of governance is maintained.
- Where possible, the anticipated duration of the departure and when the board intends to review its position and reconsider compliance.
- How the board has considered shareholder views and feedback in reaching its decision.

In addition, early and meaningful engagement with shareholders is particularly important. This provides boards with an opportunity to explain their approach, understand investor expectations and consider any concerns before finalising their arrangements. Companies should demonstrate in their disclosures how shareholder feedback has informed their decisions.

LAPFF considers that companies would benefit from practical guidance and examples of good-quality explanations. This would help to illustrate how the flexibility of the Code can be used effectively and address the tendency towards boilerplate disclosures. LAPFF also believes that the government and FRC could work with institutional investors to provide greater emphasis on the quality, transparency and timeliness of departure explanations and the importance of constructive engagement between companies and investors.

Q35 What are your views on the following areas for the reform of corporate governance reporting? Please explain.

© Local Authority Pension Fund Forum 2026

- Proposals to move reporting from company level to group level?

In certain circumstances, it might be appropriate to move to group-level reporting where this provides a clearer, more coherent and less duplicative account of governance arrangements across a group.

However, group-level reporting must not obscure differences in governance arrangements, risks and responsibilities between individual subsidiaries. There is a risk that it becomes unclear which board is responsible for particular decisions and outcomes and therefore challenging for shareholders to hold the relevant board members to account.

Group reporting should therefore identify the respective responsibilities of the parent and subsidiary boards and explain any significant differences in governance arrangements across the group. LAPFF also emphasises that corporate governance reporting requirements should continue to apply to large private companies, given their potential impact and the importance of transparency to investors and other stakeholders.

- To redefine corporate governance in the Companies Act 2006?

While there are no obvious concerns over the current definition of corporate governance in the Companies Act 2006, LAPFF supports introducing a clear and workable definition of corporate governance. Corporate governance can be understood as the system of rules, structure, practices and processes by which a company is directed, managed and controlled, including the associated reporting and disclosure arrangements.

A clear definition would help establish a common understanding of corporate governance and provide a consistent foundation for reporting requirements. It should, however, be sufficiently broad to recognise the importance of board accountability, effective oversight, stakeholder relationships and long-term sustainable value creation.

- To change the location of the statement of corporate governance arrangements?

LAPFF has concerns about changing the location requirements for the statement of corporate governance arrangements. Moving this information away from an established and easily identifiable location within the annual report could make it more difficult for investors to access, compare and analyse corporate governance information. It could also create uncertainty about when

© Local Authority Pension Fund Forum 2026

information was last updated and the period to which it relates, particularly if disclosures are distributed across different documents or online locations.

LAPFF therefore favours retaining a clear and consistent location for corporate governance disclosures within the annual report, with appropriate signposting to any supplementary information. This would support transparency, accessibility and comparability and help investors assess governance arrangements over time.

Q36 Do you have any other comments on the government's proposals in this corporate governance reporting section or any other suggestions that the government should consider? Please explain. We are interested in views on the corporate governance landscape as a whole.

We have no comments.

Simplifying remuneration reporting

Q37 Do you agree or disagree with the government's proposals to retain these elements of the remuneration reporting in the directors' remuneration report? Please explain your answer.

-The annual disclosure of total single remuneration for each director, together with the Statement from the Chair of the Remuneration Committee

Strongly agree

-Disclosure of the performance measures applied to the previous year's pay awards

Strongly agree

-The forward-looking directors' remuneration policy

Strongly agree

-The performance graph showing CEO pay alongside Total Shareholder Return over the past ten years.

Strongly agree

LAPFF agrees with the government's proposals to retain these elements of remuneration reporting. These are core disclosures that provide investors with

essential information to assess remuneration outcomes, the alignment between executive pay and company performance and how the approved remuneration policy has operated in practice.

Retaining these disclosures is important for transparency and accountability, enabling shareholders to evaluate whether remuneration arrangements are appropriate, justified and aligned with the company's long-term sustainable success and the interests of its shareholders and wider stakeholders.

Q38 The government proposes to retain the existing methodologies for calculating the total single figure directors receive (including salary, bonus, share options and other benefits) but are interested in ways in which they could be refined – for example, through the inclusion of a de minimis threshold. Do you agree or disagree with this proposal? Please explain your answer.

Strongly agree

LAPFF agrees with the proposals to retain the existing methodology for calculating the total single figure of directors' remuneration. The existing methodology provides a consistent and transparent basis for investors to assess total remuneration and compare pay outcomes between companies. Retaining it would preserve comparability and avoid unnecessary complexity.

A de minimis threshold to simplify reporting of minor benefits would have to be carefully designed in order to avoid exploitation. In particular, safeguards should prevent companies from circumventing disclosure requirements by fragmenting benefits into multiple amounts that individually fall below the threshold but are significant when aggregated.

Q39 Do you agree or disagree with the government's proposals to streamline (to refine or simplify) these elements of the remuneration reporting in the directors' remuneration report? Please explain your answer.

-The requirement to include information on how the policy will be implemented the following year

Disagree

-The requirement to disclose information on directors' accumulated shareholding interests in the company over time.

© Local Authority Pension Fund Forum 2026

Disagree

LAPFF disagrees with streamlining the requirement to disclose how the remuneration policy will be implemented in the following year. Investors need this information even where the remuneration policy itself remains unchanged as boards can make significant decisions within an existing policy, including changes to salary levels, performance measures, weightings, targets and the exercise of discretion. These decisions have important implications for the alignment between executive pay, company performance and long-term value creation. Investors rely on this information to assess remuneration arrangements, engage effectively with remuneration committees and make informed voting decisions.

LAPFF supports retaining annual disclosure of executive directors' shareholdings against applicable shareholding requirements. This information is most usefully provided within the directors' remuneration report.

Q40 Do you agree or disagree with the government's proposals to remove these elements of the remuneration reporting in the directors' remuneration report? Please explain your answer.

- CEO employee pay ratio;

Strongly disagree

- the relative importance of spend on pay;

Disagree

- executive directors' pay prior to the company becoming a listed company;

Neutral/undecided

- the illustration of long-term incentive plan outcome in the event of 50% share price appreciation during the performance period results, which results in an artificial maximum executive pay figure that is not useful for investors;

Disagree

- Information on the work of the remuneration committee, including disclosure of any parties providing advice to it;

Strongly disagree

- malus and clawback policies, and any use of malus and clawback in the previous year;

Strongly disagree

- how the remuneration committee has engaged with shareholders on pay proposals;

Strongly disagree

- how the remuneration committee has engaged with employees on pay proposals;

Strongly disagree

- how directors' remuneration aligns with wider employee pay policies;

Strongly disagree

- how a company is addressing any significant shareholder dissent on a vote on directors' remuneration

Strongly disagree

- the requirement to disclose results of annual shareholder votes on directors' remuneration.

Neutral/undecided

We have the following comments to raise in relation to the proposed removal of each element of the remuneration reporting requirements:

- CEO-employee pay ratio

LAPFF strongly disagrees with removing the CEO-employee pay ratio disclosure. It provides an important measure of pay inequality within companies and enables investors and other stakeholders to assess the relationship between executive remuneration and wider workforce pay, potentially highlighting future workforce-related risks. It also supports accountability and informs engagement on fair and responsible remuneration.

- The relative importance of spend on pay

LAPFF considers that this disclosure is useful in helping to provide context for shareholders, allowing investors to view executive and workforce pay relative to the returns distributed to shareholders. While its usefulness varies between companies and business models, particularly where workforce pay fluctuates for operational reasons, LAPFF considers it an important disclosure.

- Executive directors' pay prior to the company becoming a listed company

LAPFF recognises that this information may provide useful historical context when assessing executive remuneration but acknowledges that its relevance to current remuneration arrangements may be limited.

- The illustration of long-term incentive plan outcome in the event of 50% share price appreciation

LAPFF disagrees with removing this disclosure given it provides useful information about the potential impact of share price appreciation on executive rewards. The government should consider refining the methodology to make the illustration more meaningful rather than removing it altogether.

- Information on the work of the remuneration committee

LAPFF strongly disagrees with removing this disclosure. Transparency about the work of the remuneration committee and the advice it receives is essential to assessing the independence, robustness and effectiveness of its decision-making. Investors need to understand the basis on which remuneration decisions are reached and whether appropriate independent advice has been obtained.

- Malus and clawback policies

LAPFF strongly disagrees with removing this disclosure as malus and clawback arrangements are important mechanisms for ensuring executive accountability and addressing misconduct, financial misstatement and poor performance. Investors should be informed about the existence and effectiveness of these arrangements, including whether they have been applied during the reporting period. While the UK Corporate Governance Code (the Code) covers malus and clawback provisions, its scope is more limited and the comply-or-explain approach within the Code means statutory disclosure is fundamental for consistent transparency and accountability.

© Local Authority Pension Fund Forum 2026

- How the remuneration committee has engaged with shareholders on pay proposals

LAPFF strongly disagrees with the proposal to remove disclosure on how the remuneration committee has engaged with shareholders. Meaningful engagement with shareholders is essential to ensuring that remuneration arrangements reflect investor expectations and maintain confidence in executive pay decisions. This disclosure enables all shareholders, including those not involved in engagement, to understand how the company has responded to investor views. Companies should explain how shareholder feedback has influenced remuneration proposals and how concerns have been addressed. Furthermore, where information on shareholder engagement is no longer provided, investors may seek to acquire this directly from companies, potentially increasing bilateral engagement and increasing work for both companies and investors.

- How the remuneration committee has engaged with employees on pay proposals

LAPFF strongly disagrees with removing this disclosure. Employee engagement provides important insight into workforce perspectives on remuneration and pay fairness. It helps remuneration committees understand the wider implications of executive pay decisions and supports better alignment between executive and workforce remuneration.

- How directors' remuneration aligns with wider employee pay policies

LAPFF strongly disagrees with removing this disclosure. Investors need to understand whether executive remuneration is consistent with the company's wider approach to pay, reward and workforce treatment. This information is important for assessing pay fairness, corporate culture and the relationship between executive rewards and the experience of the wider workforce.

- How a company is addressing any significant shareholder dissent on a vote on directors' remuneration

LAPFF strongly disagrees with removing this disclosure as it is an important accountability mechanism. Where significant shareholder dissent occurs, companies should explain the reasons for the vote outcome, how they have engaged with shareholders and what actions they intend to take in response. This is an important mechanism for board accountability and demonstrates whether companies take investor concerns seriously. Moreover, without the transparency that this provides, it may result in certain unintended

© Local Authority Pension Fund Forum 2026

consequences. This could include investors seeking further information directly from companies, thus duplicating effort for companies. Finally, investors may also be more likely to escalate through votes against relevant directors where concerns have not been sufficiently addressed.

- The requirement to disclose results of annual shareholder votes on directors' remuneration

LAPFF does not object to removing this disclosure from the remuneration report given that voting results are already required to be published separately. However, it is important to note that these requirements were introduced in the first place due to widespread public concern about pay practices and the global financial crisis. The government should consider this in making its decision and avoid reversing requirements that have historical context.

Q41 Please indicate whether and, if so, how you think the proposals on retaining, reforming or removing the elements could be improved.

We have no comments.

Q42 Does the current scope for reporting ('quoted companies') remain appropriate? Please explain your answer.

Yes

LAPFF supports retaining the current scope of remuneration reporting for quoted companies. Executive remuneration is an important mechanism for promoting accountability and ensuring alignment between directors' interests, company performance and long-term value creation. The existing disclosure requirements provide investors with essential information to assess remuneration outcomes, evaluate the appropriateness of executive pay arrangements and understand how remuneration policies operate in practice. These disclosures also support informed shareholder engagement and voting decisions, enabling investors to hold remuneration committees and boards accountable.

Any reforms should focus on improving the quality, clarity and usefulness of remuneration reporting rather than reducing the companies subject to these requirements.

Q43 Do you agree or disagree with the proposal to remove the shareholders' annual advisory vote on the directors' remuneration report? Please explain your answer.

© Local Authority Pension Fund Forum 2026

Strongly disagree

LAPFF strongly disagrees with the proposal to remove the shareholders' annual advisory vote on the directors' remuneration report. The annual vote is a fundamental element of shareholder oversight and accountability, providing investors with an important opportunity to express their views on how remuneration policy has been applied and the outcomes delivered during the year. It should be retained as a complement to, rather than a substitute for, the binding vote on remuneration policy.

The annual advisory vote enables shareholders to assess whether remuneration outcomes are appropriate in the context of company performance, financial results and the wider circumstances in which the company has operated. It allows investors to scrutinise how remuneration committees have exercised their judgement and discretion under the approved policy, including decisions on performance targets, the achievement of those targets, the application of discretion and the use of malus and clawback provisions. Approval of a remuneration policy every three years does not provide equivalent oversight of the decisions taken under that policy in each subsequent year.

The vote is also an important means of ensuring that remuneration arrangements remain responsive to changing circumstances. Company performance, market conditions, workforce experience and the wider economic environment can change significantly between binding policy votes. An annual opportunity to express a view allows shareholders to challenge remuneration outcomes that may no longer appear appropriate, even where the underlying policy has not changed. This is particularly important where executive pay increases or incentive outcomes appear difficult to reconcile with company performance, workforce pay or the experience of other stakeholders.

Furthermore, the annual vote provides a proportionate and constructive mechanism for identifying concerns and encouraging engagement between investors and companies. Significant shareholder opposition against the remuneration report sends a clear signal that investors have concerns about the outcomes or the way the policy has been implemented. It gives remuneration committees an opportunity to explain their decisions, engage with shareholders and take action to address concerns before the next binding policy vote. Removing this mechanism risks reducing the opportunities for timely dialogue and could result in investor dissent being channelled instead into votes against remuneration committee chairs or other directors. Such votes may be a less precise way of expressing concerns about remuneration and could obscure the specific reasons for shareholder opposition.

© Local Authority Pension Fund Forum 2026

Retaining the annual vote also supports effective stewardship by enabling investors to engage with companies on the relationship between executive remuneration, long-term performance and sustainable value creation. This includes scrutiny of whether performance measures and targets appropriately reflect the company's long-term strategy and risks, and whether remuneration outcomes support responsible corporate behaviour. For long-term institutional investors, including pension funds, this is an important part of assessing board accountability and whether executive incentives are aligned with the interests of beneficiaries and the long-term health of the company.

The importance of this accountability should not be underestimated in the context of wider economic and social pressures, including the cost of living and concerns about pay inequality. Shareholders need to be able to assess executive remuneration in the context of the company's approach to workforce pay and conditions, and to understand whether pay outcomes are fair and defensible. The annual advisory vote provides a formal opportunity to communicate concerns about these matters and reinforces the expectation that remuneration committees should take account of the wider workforce and stakeholder context when making decisions.

Finally, the proposal risks leaving the UK out of step with other major financial markets that retain regular shareholder voting opportunities on remuneration. LAPFF considers that the annual advisory vote remains a valuable and effective accountability mechanism. It encourages responsible remuneration decisions, supports meaningful investor engagement and helps ensure that executive pay is justified, transparent and aligned with long-term sustainable performance.

Q44 Do you have any further comment on the government's proposals in this remuneration reporting section? Are there any other suggestions that the government should consider?

We have no comments.

Corporate communication for the digital age

Q45 The government has committed to making electronic communication with shareholders the default option. What factors should the government consider when introducing this change? Please give reasons for your answer and examples.

Broadly, LAPFF supports making electronic communication with shareholders the default approach as this can reduce costs and limit the environmental impact. However, shareholders should retain the right to request hard copies.

© Local Authority Pension Fund Forum 2026

Companies should actively notify shareholders when and where important materials, such as annual reports and general meeting notices, are published. Simply making documents available on a website risks shareholders missing important information or voting deadlines. Notifications should include clear links to the relevant materials and explain any action required.

The government should also ensure that the intermediary chain, including nominees and custodians, passes communications to beneficial owners promptly and accurately. Beneficial owners must receive sufficient notice to consider resolutions, engage with companies and exercise their voting rights.

Q46 The government will make clear that a virtual location is considered a place in relation to AGMs and other meetings. Are there any additional shareholder safeguards that should accompany this change?

LAPFF supports the use of hybrid AGMs as the preferred approach to shareholder meetings. Hybrid meetings can use technology to broaden participation and improve accessibility for shareholders, while retaining the important opportunity for shareholders to attend physically and directly question and hold board members to account. They also help maintain trust and accountability through direct interaction between shareholders and the board and provide an opportunity for companies to explain complex or contentious issues.

LAPFF does not support the routine use of virtual-only AGMs. Physical attendance at meetings should not be removed as it is an important means of pressing for improvements in the practice of companies, as well acting as an avenue for opening a dialogue with a company's board. AGMs are often the only means through which shareholders can engage face-to-face with the board. This can be particularly beneficial where a previous engagement relationship may not exist, where the company has refused to meet shareholders, or if a shareholder wants to escalate a concern.

Attending meetings in person not only allows shareholders to hold board members to account in relation to their performance during the previous year but also provides an opportunity to highlight risks and opportunities that the board may not currently be addressing and their responsiveness to any concerns raised.

Meetings using a virtual-only format, without the option for investors to attend at a physical venue, could give rise to a situation where boards become unresponsive to investor concerns through manipulating agenda items, ignoring

© Local Authority Pension Fund Forum 2026

questions and avoiding scrutiny. The impact of this will be felt in particular by minority shareholders.

Examples of poor practice around the use of virtual-only AGMs is particularly evident in the US where these meetings became a normalised alternative to in-person meetings following the COVID-19 pandemic. The use of virtual-only meetings in the US has enabled companies to have greater control over the meeting process and therefore management of shareholder questions and scrutiny. This has had an impact on the quality of engagement, transparency and shareholder rights. For instance, the use of virtual-only AGMs has eroded real-time shareholder engagement due to the lack of interaction and dialogue that face-to-face meetings offer. Virtual Q&A sessions are sometimes tightly managed, limiting investors to issuing pre-submitted questions or restricting speaking time. There is also the issue of technical difficulties, with submission failures being widely documented.

Moreover, the European Commission is similarly reviewing AGM formats as part of its review into the Shareholder Rights Directive. However, in publishing the results of the consultation, respondents overwhelmingly indicated that hybrid AGMs were the optimal format for meetings.

Finally, investors have also signalled their preference against virtual-only AGMs in the UK. BP Plc proposed a resolution at its AGM earlier this year which included a provision to allow the company to hold fully virtual AGMs in the future, but shareholders defeated the resolution, demonstrating the concerns that shareholders have. Indeed, such was the strength of feeling, that not only did the resolution fail to meet the 75% threshold needed to pass but a majority of votes were cast against the management resolution.

Despite the inclusion of this question within the consultation, it is disappointing that the government has already committed to clarifying the law to allow virtual-only AGMs. We hope that the government will reconsider this position in light of what we believe to be widespread investor concern. If the government overrides the investor preference evidenced in the UK and in response to the European Commission SRD consultation, LAPFF would at the very least expect significant safeguards to be in place.

First, companies should be required to obtain supermajority approval to hold virtual-only AGMs, with this approval renewed at least every three years. This would ensure that shareholders retain control over the meeting format and can assess whether virtual-only arrangements have operated effectively. Periodic

© Local Authority Pension Fund Forum 2026

reapproval should complement, rather than replace, mechanisms allowing shareholders to request a return to hybrid meetings at shorter notice.

Second, companies seeking authorisation for virtual-only AGMs should provide clear and detailed information in their proxy materials explaining why they consider a virtual-only meeting to be appropriate for their circumstances and how they have taken investor views into consideration.

Third, shareholders should be able to require an in-person element at the next AGM where circumstances materially change during the period of approval. For example, this may arise following significant corporate developments, contentious resolutions, substantial shareholder dissent or other events requiring direct engagement with the board. A qualifying minority, such as holders of 5% of voting rights or 100 shareholders, should be able to trigger this requirement.

Finally, in addition to the above, it is crucial that clear procedural safeguards are put in place to govern the conduct of virtual-only meetings. Companies should ensure that virtual-only AGMs provide shareholders with effective and equivalent opportunities to participate, ask questions, vote and hold directors to account. The use of technology should enhance shareholder engagement rather than restrict it.

Procedural safeguards should include:

- Participation opportunities – Companies should provide clear protocols for questions and answers, including real-time video interaction, so shareholders can challenge directors directly and meetings are not effectively stage-managed.
- Protection against filtering or manipulation – Companies should be transparent about their processes to prevent legitimate shareholder questions or contributions from being unfairly excluded, prioritised or edited.
- Technical transparency – Companies should provide clear information about the virtual platform, how shareholders can access and use it, and contingency arrangements for technical failures or interruptions.
- Independent oversight and assurance – Companies should obtain appropriate independent third-party oversight or assurance of the meeting process. This should provide confidence that shareholders can exercise their rights on an equivalent basis to those attending in person. It should cover access to the meeting, the ability to ask

© Local Authority Pension Fund Forum 2026

questions and participate, the reliability of technology and the handling of unanswered questions.

Ultimately, LAPFF believes that the ability to hold virtual meetings should be used to enhance shareholder participation, not restrict it. Virtual formats can improve accessibility and convenience, but they must not become a means of limiting scrutiny or reducing direct engagement with boards. The government should therefore ensure that any legislative clarification is accompanied by enforceable safeguards that preserve shareholders' ability to question directors, express concerns and hold companies to account. Hybrid AGMs should remain the preferred approach, with virtual-only meetings permitted only where appropriate shareholder approval and protections are in place.

Q47 How does electronic formatting of the annual report and accounts impact how you use corporate reporting in your decision-making?

We have no comments.

Q48 Do you agree or disagree that the electronic formatting of the annual report and accounts should be signed off by the directors as part of their sign-off of the report and accounts? Please explain your answer.

Agree

LAPFF agrees that directors should sign off the electronic formatting of the annual report and accounts as part of their overall approval. Directors are ultimately responsible for the accuracy, completeness and integrity of corporate reporting, and this responsibility should extend to the electronic version. Formal sign-off would reinforce board accountability and help ensure that digitally published information is accurate, accessible and consistent with the approved report and accounts.

Q49 Where a company is audited, do you agree or disagree that the auditor should also report on the electronic formatting? Please explain your answer.

Agree

LAPFF agrees that the auditor should also provide assurance over electronic formatting where reports are published digitally. Investors increasingly rely on digitally published annual reports and electronic tagging to access, analyse and compare company information. It is therefore important that the electronic version is accurate, complete and consistent with the approved reporting.

© Local Authority Pension Fund Forum 2026

Auditor assurance can help strengthen confidence in the integrity and reliability of electronically reported information, including the accuracy of digital tagging and the presentation of financial and non-financial disclosures. Errors in formatting or tagging could affect how investors interpret, extract and compare information, potentially undermining transparency and informed investment decisions.

Clear standards should define the scope of this assurance, the auditor's responsibilities and the level of assurance provided. This would promote consistency between companies and ensure that investors understand what has been checked and what the assurance covers.

Q50 How do you anticipate new technologies (such as a hypothetical successor to iXBRL or sophisticated AI tools) will change how companies prepare or how investors and creditors will use corporate reporting in their decision-making? Please set out any implications this may have for Companies House rules and FRC technical standards.

We have no comments.

Q51 What criteria should determine whether disclosures should be published on a company website or online portal rather than within the annual report? Please give examples and explain your reasons.

LAPFF believes that the annual report should remain the definitive record of material information used by investors to inform investment, voting and stewardship decisions. It should provide a coherent and balanced account of the company's performance, strategy, business model, risks and governance, enabling investors to understand and assess the company's long-term prospects.

Publication of disclosure on a company website or online portal might be appropriate for supplementary material or information that requires updating frequently. However, information should only be moved online where this does not reduce its prominence, accessibility, assurance, comparability or board accountability. Material information necessary to understand the company's performance and prospects should remain within the annual report.

Q52 If some disclosures were to be moved to company websites, what minimum requirements, such as retention timelines, frequency of updates, directors' sign-off, and any other factors, should apply for effective disclosure?

© Local Authority Pension Fund Forum 2026

Where disclosures are published separately, safeguards are essential. These should include clear publication and update dates, retention of previous versions, a transparent audit trail, appropriate director sign-off and confirmation that the information is complete and accessible. Without these protections, website content could be changed or removed without investors being aware, weakening transparency and confidence in corporate reporting.

LAPFF believes that any disclosures moved to company websites should be subject to clear minimum requirements, including:

- Retention – Disclosures should remain publicly accessible for a minimum period of time (e.g. ten years), with previous versions retained to provide a clear historical record.
- Frequency of updates – Information should be reviewed at least annually and updated promptly where material changes occur. Each disclosure should clearly state its publication date and the date of its most recent update.
- Directors' sign-off – The board should take responsibility for the accuracy and completeness of disclosures, with appropriate director approval and oversight.
- Accessibility – Information should be freely available, easy to locate and downloadable, without registration or payment requirements.
- Version control and audit trail – Companies should retain previous versions and clearly identify changes, ensuring information cannot be amended or removed without a transparent record.
- Consistency and signposting – Website disclosures should follow consistent reporting standards and be clearly signposted from the annual report, which should identify where supplementary information can be found.

As highlighted in our response to Q51, the annual report should remain the authoritative point-in-time record, with website disclosures providing reliable and accessible supplementary information.

Q53 What additional digital technologies should be considered when reforming the corporate reporting framework? Please explain your answer, with examples of how these technologies impact corporate reporting currently and what potential impacts they might have in the future.

We have no comments.

© Local Authority Pension Fund Forum 2026

Q54 Do you have any further comment on the government's proposals in this digital reporting section? Are there any other suggestions that the government should consider?

We have no comments.

Other reforms to streamline corporate reporting

Q55 How could the Reporting Gateway process and criteria be improved, if at all?

We have no comments.

Q56 Do you agree with the proposal that the Reports on Payments to Governments Regulations 2014 should be revoked? Please explain your answer. In addition, should the regulations be improved and, if so, how?

We have no comments.

Q57 Will the government's proposed measures to put auditor names on the Companies House register benefit investors and/or creditors as intended? Please explain your answer.

Yes

LAPFF agrees that recording auditor appointments and departures on the Companies House register would benefit investors and creditors. It would improve transparency, allowing users to identify changes in auditors that may warrant further scrutiny. To maximise its usefulness, information should be consolidated in one accessible location and identify both the audit firm and, where appropriate, the responsible individual auditor.

Q58 Do you have any further comment on the government's proposal in this auditor identification section? Are there any other proposals that the government should consider?

We have no comments.

Q59 We are seeking to ensure Companies Act 2006 reporting requirements do not become unnecessarily burdensome in combination with other reporting frameworks (for example those set out by the FCA and the PRA). Are there any current or proposed reporting requirements that are unaligned with other regulatory frameworks? Please explain.

© Local Authority Pension Fund Forum 2026

We have no comments.

Q60 Are there any additional issues or considerations surrounding corporate reporting that you would want to raise with us, and that have not been covered by the consultation? Please explain what they are and why they are important.

We have no comments.

© Local Authority Pension Fund Forum 2026