PIRC

Government's corporate reporting reforms risk weakening the foundations of good governance and economic growth

The Government's *Modernising Corporate Reporting* proposals, published yesterday, are presented as a programme of modernisation. But modernisation should not mean removing the mechanisms that allow shareholders to scrutinise companies, challenge boards and hold executives to account.

Taken together, the proposals risk doing precisely that.

At their heart is a troubling diminution of shareholder oversight. The proposed changes would make it easier for companies to hold virtual-only AGMs, despite the concerns investors have raised about whether these meetings allow meaningful participation and challenge. The experience of the BP AGM vote on virtual meetings should be a reminder that what may appear convenient from a company's perspective is not necessarily welcomed by investors.

The proposals would also remove the annual shareholder vote on remuneration reports, remove CEO-to-employee pay ratios, and dispense with the requirement for companies to report on their consultation with shareholders following a significant vote against remuneration. Each of these measures removes a piece of the information or accountability framework that enables investors to assess how boards are behaving and how they respond when shareholders disagree.

The same is true of the proposed removal of disclosures on malus and clawback arrangements. These provisions provide important transparency around the circumstances in which executive remuneration can be reduced or recovered. Removing the disclosures does not make executive pay arrangements more effective; it simply makes them harder for shareholders to see and assess.

This matters because shareholders are not peripheral to the corporate governance framework. They are central to it. Investors have stewardship responsibilities, and they need the information and rights necessary to discharge them effectively. Removing those tools risks turning stewardship into an expectation without the means to deliver it.

Nor should stronger governance be characterised as an obstacle to growth. Transparency, accountability and effective shareholder oversight are central foundations on which a successful capital market is built. They help investors allocate capital with confidence and help companies maintain the trust on which long-term investment depends.

The risk is that, proposal by proposal, we create a less transparent and less accountable corporate environment while calling it modernisation.

That is not progress. A UK corporate sector that is harder for shareholders to scrutinise and hold boards to account is ultimately a less trusted place to invest. When combined with wider reforms and market trends that are already reshaping the corporate environment, weakening these safeguards risks creating the conditions for poorer governance and, ultimately, corporate failure.

Modernisation should strengthen the foundations of good governance, not remove them.

8 September 2026