

A horizon scan for 2025

Liz Cole highlights the key themes from this feature section and lays out a road map.



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As you have read throughout this ‘Government and IR’ feature section, you will have seen that there is a real appetite for change from the new UK government – and a broad mix of areas where there will be greater regulation plus others where there is a desire to improve UK competitiveness by reducing friction and regulatory burdens.

While there will be a significant number of new policies and regulation that will impact certain sectors, the road map for the capital markets in general and listed companies also has a stacked agenda. From the Society’s policy committee’s horizon scanning, it is clear the following three core themes will continue into the 2025 calendar.

Market reforms

Some of these have been covered by Mark Leftly in his article on page 28, including the recast ‘PISCES’ trading platform for private companies, which will be a lighter touch regime aimed at helping to boost the ‘growth escalator’ for the capital markets. However, a number of other 2024 initiatives have been joined together by recent announcements by ministers looking to boost market competitiveness and the growth agenda.

Pensions reform, a new Financial Services Growth and Competitiveness strategy, relaxation of the Prospectus regime and a narrowing of the Takeover Code all have the potential to encourage market activity and transactions.

Governance

With most of the new Corporate Governance Code effective from January, reforms are likely to be quite technical in detail, with a focus on outcomes reporting and reinforcement of ‘explanations’

for code departures. Improved transparency around the effectiveness of internal controls will come in 2026, but the groundwork will need to be laid in 2025. These are alongside audit reform and proposals for greater regulation of ESG ratings providers, something the IR Society has long campaigned for.

The Stewardship Code review is likely to concern itself in particular with proxy advisers and the use of proxies themselves, another longstanding point of concern for IROs, and will be joined by consultations on the use of technology for both reporting and AGMs.

ESG

It wouldn’t be possible to omit a section on ESG, given the amount of regulation coming through from both UK and EU regulatory bodies. UK sustainability and transition plan disclosure rules are due to be published and there will be consultations on mandating their use, and on various aspects of corporate reporting focused on the non-financial framework. This is alongside the UK green taxonomy, which will form part of a wider sustainable finance framework aimed at driving investment in the green transition and delivering economic growth. We also have proposals for nature transition plans, a ‘Nature Data Public Facility’ (NDPF) and a new task force on financially material social issues – the Taskforce on Inequality and Social-related Financial Disclosures or TISFD – yet more acronyms to add to the alphabet soup!

From Europe, most IROs are gearing up for implementing CSRD and scoping out CS3D, but with rumours of the alignment of these with the EU Taxonomy as a single ‘omnibus regulator’, it is clear that there is still some long way to go before UK IROs can feel there is a stable ESG reporting environment.

Conclusion

IROs can expect to hear throughout the year in our policy roundups as to the progress on various consultations and get advanced warning of the likely direction of travel of much of this regulation. Our consultation responses are set out on the IR Society website, and give an understanding of the areas we believe to be of greatest concern to our members and the IR profession as a whole. ■

Market reforms

New Prospectus regime in Q1 2025, with higher threshold for further issuances, liability safe harbour for profit forecasts, and possible material climate disclosures.

UK Green Taxonomy (consultation closing 6th February), part of the ‘Transition Finance Market Review’ roadmap of initiatives to drive investment in the green transition and deliver economic growth. (See page 15)

Private Intermittent Securities and Capital Exchange System (PISCES) sandbox to be set up by May 2025, allowing private companies to trade their shares, fuelling the ‘growth escalator’ for the capital markets. (See page 13 and page 28)

Scope of Takeover Code is narrowed from 3 Feb 2025 to focus on companies registered in the UK, the Channel Islands or the Isle of Man and whose securities are (or were recently) admitted to trading in one of those jurisdictions. (See page 14)

New UK Financial Services Growth & Competitiveness Strategy to be issued in Spring 2025, focusing on five priority growth opportunities including sustainable finance, asset management and London's capital markets.

Pension Scheme reforms will aim to boost pension fund investment in London's capital markets, alongside Pensions Investment and ‘value for money’ review, which may boost transparency around where investments are held. (See page 14)

Investment research – consultations due on the outstanding ‘Kent recommendations’, including a research platform, a new code of conduct for issuer-sponsored research and greater access for retail investors.

Governance

Revised Corporate Governance Code in force from January, with increased focus on outcomes reporting, reinforcement of ‘explanations’ (where Code departures are more appropriate), embedding culture and improved transparency around ‘malus and clawback’ arrangements/usage. Also prepare for the declaration on effectiveness of internal controls, required from January 2026.

Shareholder engagement to be brought into the digital age by making it easier for companies to share digital copies of their annual accounts and reports with members, and clarifying the law in relation to virtual AGMs – consultations expected in 2025.

New ‘failure to prevent fraud’ offence comes into effect on 1st September 2025, before which companies should establish reasonable procedures to prevent fraud.

Stewardship code consultation closes on 19th February, proposing a new definition of stewardship, and new principles focusing on the use of proxies in the investment chain. (See page 15)

Regulation of ESG ratings providers - the FCA will consult on detailed rules in H1 2025 (current technical consultation on legislation closes 14th January) with the equivalent EU regime applicable from July 2026 and UK regime finalised by 2029. (See page 15)

Draft Audit Reform and Corporate Governance Bill to enhance financial transparency and accountability, to extend ‘Public Interest Entity’ (PIE) status to larger private companies, and give the FRC a statutory footing as ‘ARGA’ (the Audit, Reporting and Governance Authority) with enforcement powers over directors and corporate reporting.

Reporting and ESG

Future of non-financial reporting (NFR) – DBT to consult on improved framework as investors call for NFR to be better assured, more easily comparable across companies, and easier to use.

Payment practices disclosure in annual reports - to increase transparency around treatment of smaller businesses in supply chains, legislation will require large companies to include payment reporting in their annual reports.

Digital reporting – possible replacement of the EU ‘ESEF’ taxonomy with a global/IFRS taxonomy or bespoke UK tagging system, which could affect international comparability and consistency.

UK sustainability disclosure requirements expected in early 2025, with draft disclosure rules and likely assurance and tagging requirements to follow, effective from 2026.

Ongoing roll out of CSRD, and preparation for CS3D (phased in from mid-2027 to mid-2029, with the largest companies (5000 employees and €1500M EU turnover) being brought in first), and their possible combination with the EU Taxonomy to form an ‘Omnibus Regulation’.

Consultation on **UK Voluntary carbon and nature markets** (VCNM) in early 2025.

Taskforce on Inequality and Social-related Financial Disclosures (TISFD) to develop a global framework for inequality and social-related disclosures.