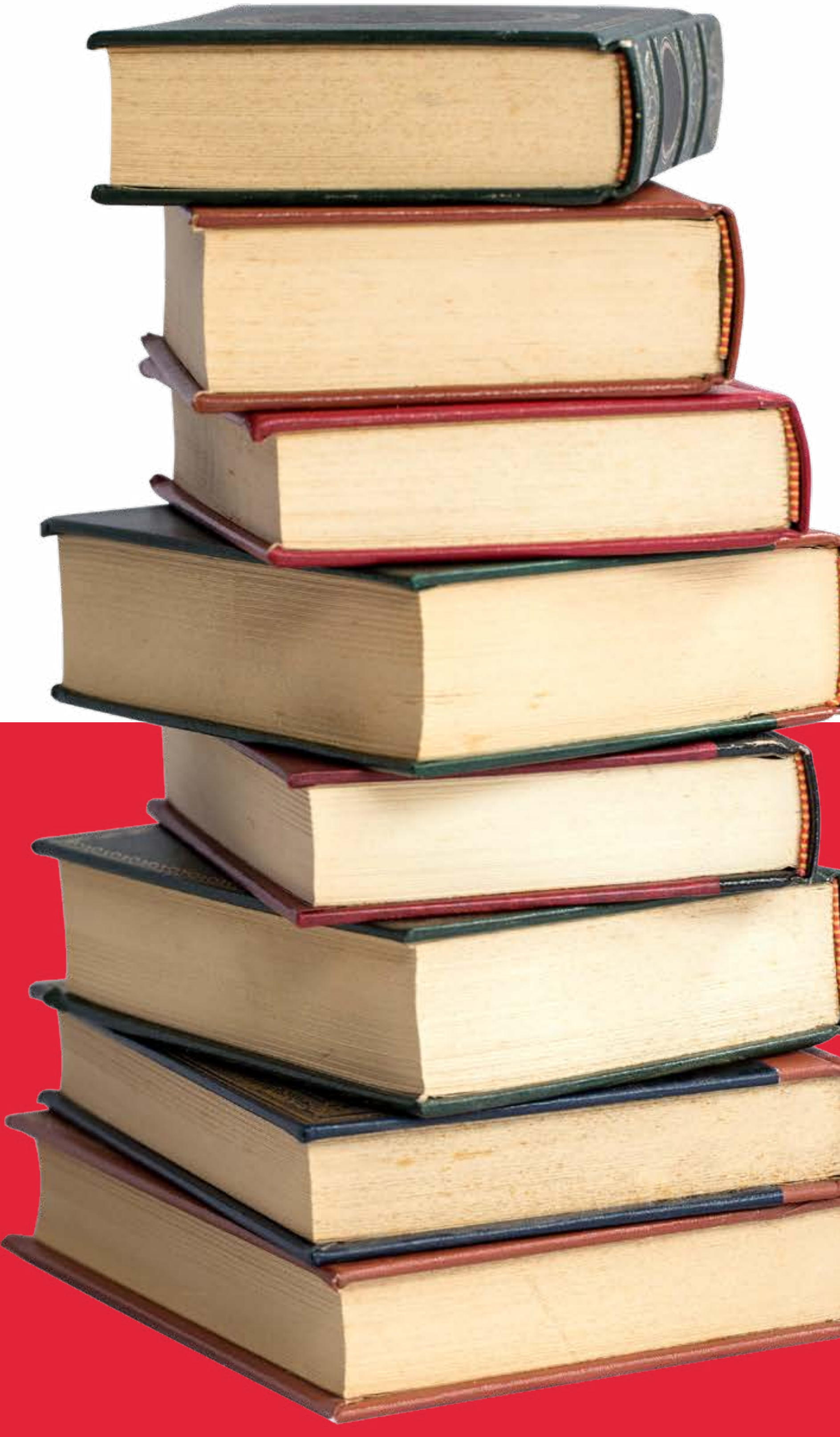
QUOTED COMPANIES ALLIANCE



CLOSE THE BOOK:

It's Time to Cut Annual Reports Down to Size

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FOREWORD

Bilbo Baggins, Robert Langdon, Katniss Everdeen: three popular literary characters that have embarked on great adventures and enthralled generations of readers. Who would have thought that getting public company annual reports under control was going to become such an equivalent voyage of discovery?

Equivalent not because the company secretaries, investor relations experts and, in some smaller companies, finance directors, that must produce thousands of words every year enjoy the exercise just as readers of *The Hobbit*, *The Da Vinci Code* and *The Hunger Games* have enjoyed the twists and turns of these famous tales.

Equivalent because company annual reports routinely rival the length of these great texts, which are by no means the shortest on the shelf.

Our latest QCA research shows that the average public company annual report and accounts has grown 31% in five years to 98,000 words – longer than JRR Tolkien's celebrated first novel. And that is a 2024 figure. This year, we confidently predict the average will pass the symbolic 100,000-word mark.

A good annual report is at once a company marketing tool and a contract between directors and investors that demonstrates due care is being taken in how an organisation is being run. It is often the first place prospective shareholders turn. But two years after the QCA raised significant concerns about the volume of content they contain, chapter after chapter continues to be added – an additional 4,600 words or seven pages every year at the latest count.

Now transparency is an important facet of the public markets. It sets stock market-quoted companies apart from more opaque ownership structures and fosters trust and confidence. But the increasing role of private capital as a source of funding has meant that as of last year, it is estimated that there were 14 times more venture capital and private equity backed companies than public companies in the UK.[1]

"The annual report has become totemic of the challenges of being public.

The annual report has become totemic of the challenges of being public. Regulation, sometimes unintentional, piled on regulation. Corporate advisers, disinclined to put a foot wrong, suggesting companies load all the information in. The pile-up of person hours committed to this exercise. And what else, more productive, could executives be engaged in to expand their enterprise instead of simply writing about it?

In our survey this time, we take a particular interest in the growth of remuneration and ESG coverage. We urge ministers to scrap the "essay on pay" and prune environmental reporting for the sake of the UK economy and productivity.

More broadly, the act of corporate reporting must rethink what is really important for shareholders. What is the corporate growth story? How competent is the board? What are the risks that lie ahead – but also the opportunities?

Enlightened regulators are already talking about equalisation. It feels completely appropriate that there is increased focus on the many companies operating under private equity ownership. If the purveyors of private capital want to power the UK economy they must be accountable. And currently there are some huge anomalies to iron out.

Take Sainsbury's and Asda. Both are big retail brands, employing circa 150,000 people. Yet privately-owned Asda's annual report clocks in at 78,000 words, while FTSE 100 constituent Sainsbury's is a thumping 139,000 words. These lengths are symbolic of so much more.

Why would an organisation that first and foremost champions smaller public companies be concerned about the pressures facing blue chips? Because the demands placed on them inevitably trickle down. With far less resource, a small company faces great pressure to produce an annual report, even if the pagination is a third of some of those that drop onto shareholders' doormats. This is an engrained problem that needs addressing from top down and bottom up.

In our recent policy paper, "Audit for Growth: Proportionality in Audit and Reporting", delivered alongside three other trade bodies, we made clear our preferences for modernising the UK's audit regime, including the introduction of a simpler, size-based threshold for Public Interest Entity (PIE) status to capture truly large and systemically important entities.

It is to be hoped that a fresh approach will address the competition, choice and resilience issues in the UK audit market that the QCA has previously raised, so that this vital profession better supports broad-based UK growth.

Where reporting is concerned, the recent increase in financial thresholds that determine company size are a welcome indicator of the Government's thinking and direction of travel, and has impacted around 132,000 companies. We know the Business Secretary, Jonathan Reynolds, plans to launch a consultation at the end of this year to further simplify and modernise the UK's non-financial reporting framework. It should complement and be delivered in tandem with the draft Audit Reform and Corporate Governance Bill which is due in summer.

The EU Commission has already thrown down the gauntlet to the UK. Its omnibus plan promises to recalibrate some rules – including reporting rules – so that by 2029 companies' administrative burdens will be reduced by 25% – and at least 35% for SMEs.

It is to be hoped UK quoted companies will feel the benefit by then. In the meantime, the only increase in wordage we welcome is the column inches covering a radical overhaul of reporting requirements, to the benefit of all.

James Ashton.

James Ashton
Chief Executive | *Quoted Companies Alliance*

[1] UK Finance. *UK public and private capital markets – A unified strategy for growth and prosperity*. (2025)

01: Executive summary

The never-ending story continues…

Average public company annual report and accounts grows

31%

in five years to

98,000 words

– longer than JRR Tolkien's *The Hobbit*.

4,600 words

or seven pages added every year.

The equivalent of an epic novel published every year…

FTSE 100 annual reports up by

27%

since 2019 to

152,000 words

– longer than *The Da Vinci Code* by Dan Brown.

6,500 words

or ten pages added every year.

The squeezed middle, where verbiage has risen most…

LSE Main Market annual reports up by

40% to **101,000** words

- longer than *The Hunger Games* by Suzanne Collins.

5,800 words

or nine pages added every year.

And the wrong sort of growth for growth companies…

AIM annual reports up by

23% to **42,000** words

– longer than CS Lewis' *The Lion, the Witch and the Wardrobe*.

1,500 words

or almost three pages added every year.

The average public company annual report is predicted to surpass **100,000** words in 2025.

Let's stop UK companies' "essay on pay"…

The average remuneration report runs to almost

10,000 words

up

31%

in five years. That's as long as *The Art of War* by Sun Tzu (English translation).

And it's time to prune back environmental reporting….

The average ESG disclosure exceeds

11,000 words

up a staggering

236%

That's as long as Franz Kafka's *The Metamorphosis*.

On page 16, the QCA sets out a series of recommendations to improve the UK's non-financial reporting framework, including standardisation, rationalisation and digitisation.

02:

Introduction to the research

This research paper analyses the change in length of annual reports and accounts of FTSE 100, LSE Main Market and AIM companies over a period of five years. Building on our 2023 study into the same issue, our starting assumption for this report is that the length of public company annual reports and accounts has continued to increase due to existing reporting requirements.

We analysed the overall word count and pagination of:

- 98 FTSE 100 companies
- 100 LSE Main Market companies with a market capitalisation of between £250 million and £750 million
- 100 AIM companies with a market capitalisation of less than £250 million.

Given that not all companies release their annual report at the same year end, we used the most recent report produced by the company for the year end 2023/24 and 2018/19. In addition, it is important to highlight that the sample of companies we used for this research is different to that of our 2023 report and therefore it is not possible to directly compare both reports.

This study also takes a more granular look at two areas of the annual report that we identified in our 2023 research as having created additional reporting burdens due to recent rule changes: remuneration reporting, and ESG disclosures.

When analysing companies' ESG disclosures, we focused on the word count of sections within the annual report dedicated to sustainability and/or wider ESG information. This included sections such as the ESG Report, ESG/ Sustainability Committee Report, TCFD report and diversity reporting, amongst other areas.

In the final section of this study, we discuss our recommendations for improving the UK's non-financial reporting framework and for streamlining company annual reports.

A company annual report and accounts is a document produced by a company at the end of its financial year setting out to its shareholders (and other stakeholders) how the business has performed over that year. The content of the report is determined by a suite of legislation, rules and regulations that impact the amount and type of disclosures companies are required to supply, based on their size, nature and the market they operate on.

The report may include the chair's statement, directors' report, directors' remuneration report, strategic report, corporate governance statement and disclosures, balance sheet, profit and loss account and the auditor's report.

03: Overall findings and analysis

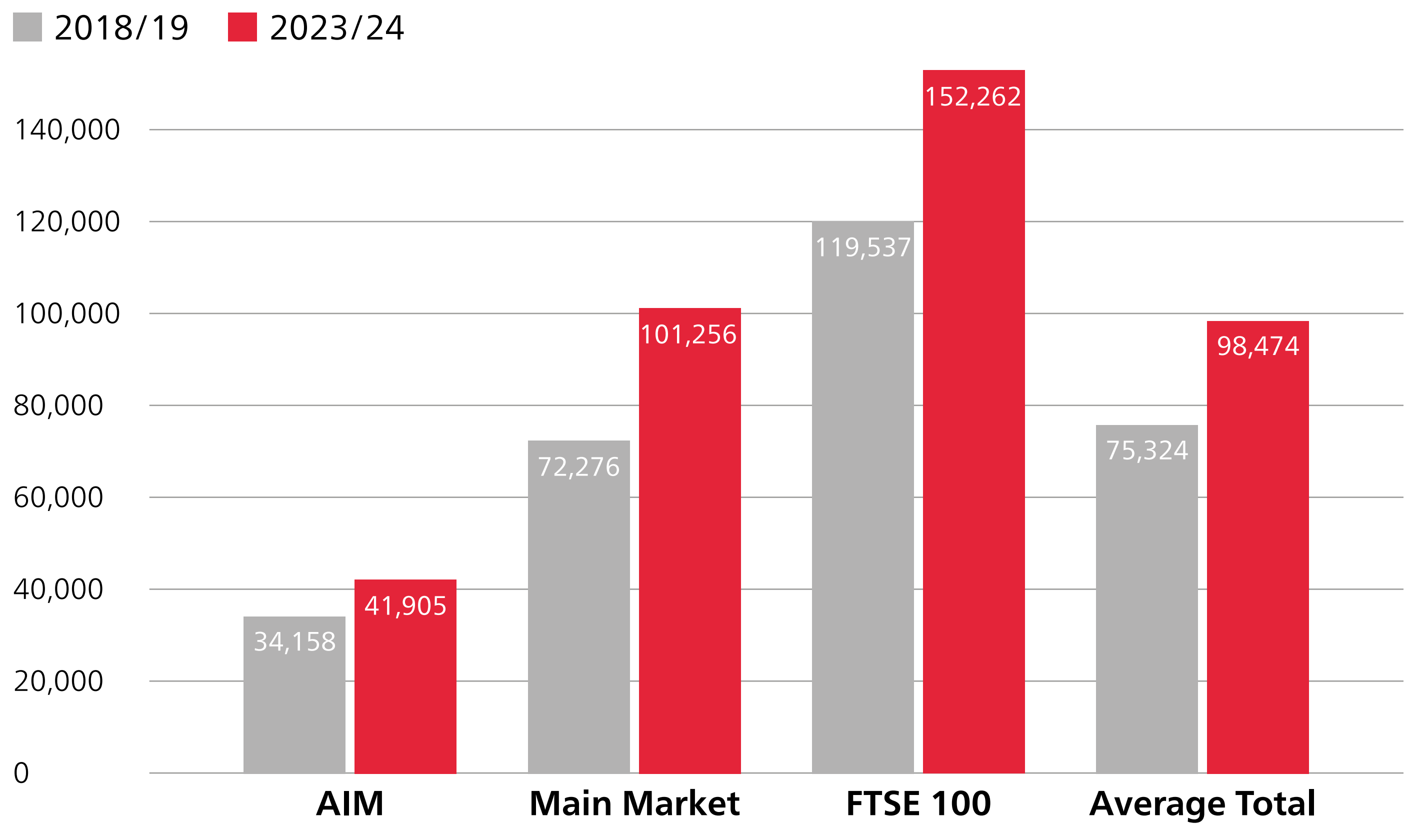
The average word count of companies' annual report increased across all market segments over the period this research was conducted.

Figure 1 shows that, from 2018/19 – 2023/2024, the average total word count across AIM, the LSE Main Market and FTSE 100 jumped by 31% from just over 75,000 words to over 98,000 words.

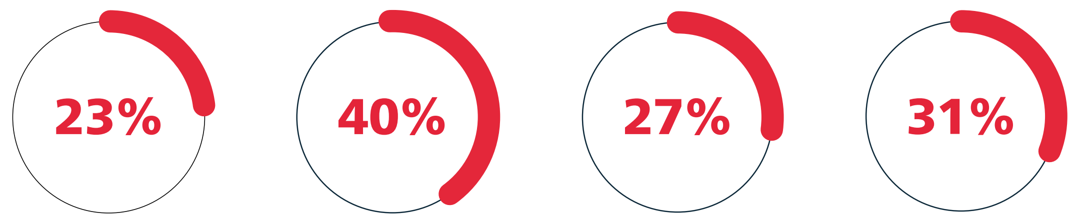
Overall, AIM companies had the lowest rise in word count as a percentage compared to companies on the LSE Main Market and FTSE 100. This is unsurprising given the increased regulatory burdens and reporting requirements placed on companies listed on the LSE Main Market. Nevertheless, the five-year trend for AIM companies from 2018/19 – 2023/24 shows that AIM company annual reports have increased overall, with a 23% rise in word count during that period. Given their lesser resource, the extra length and associated complexity is harder to manage than at a large company.

LSE Main Market companies experienced the largest jump in annual reporting length with a 40% rise. This is significantly more than both AIM and FTSE 100 companies and points to a squeezed middle whereby medium-sized Main Market companies are absorbing the highest increase in reporting burdens and are being expected to behave as large companies prematurely.

Figure 1: Average company annual report and account word count
2018/19 - 2023/24



Word count percentage change
2018/19 - 2023/24

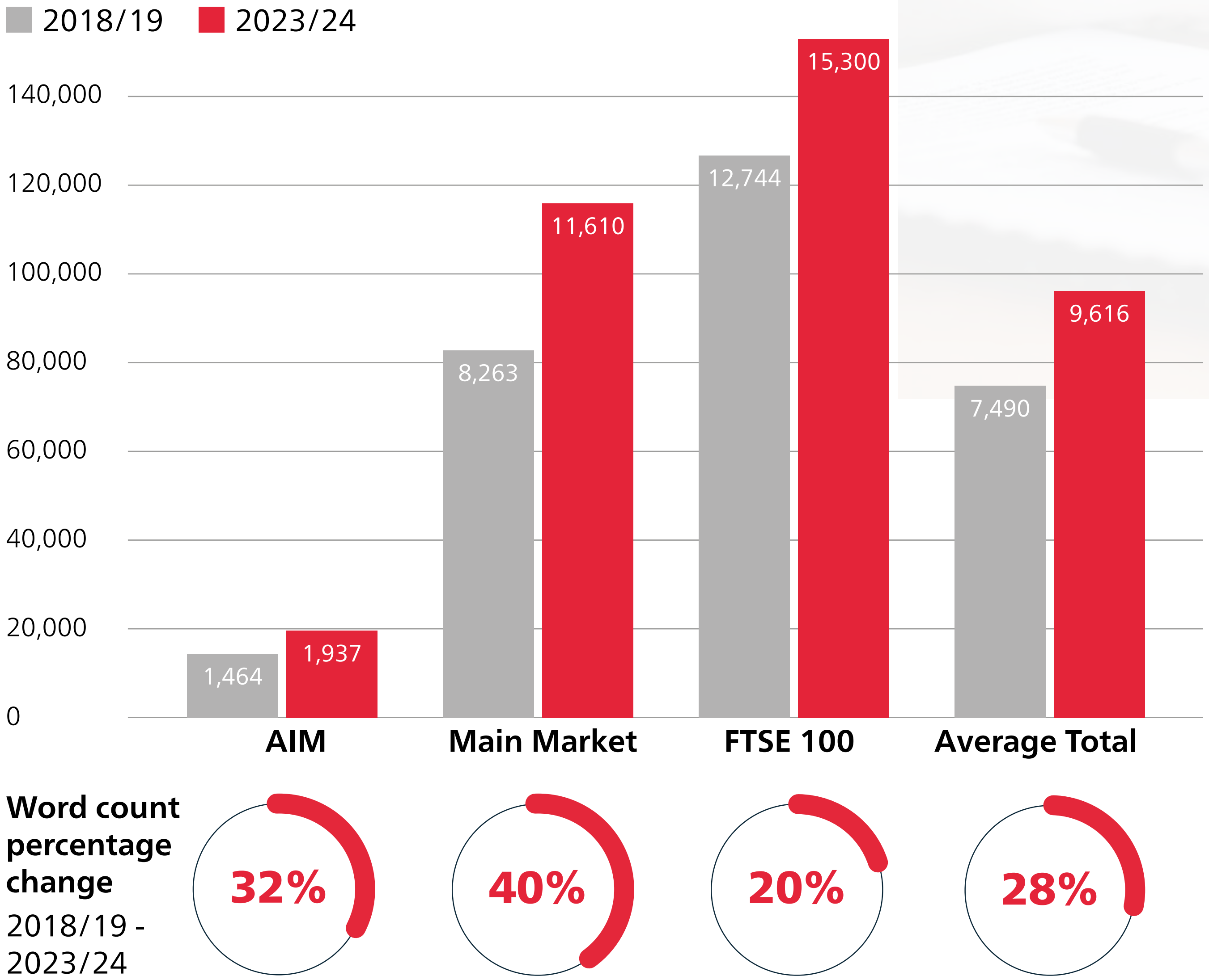


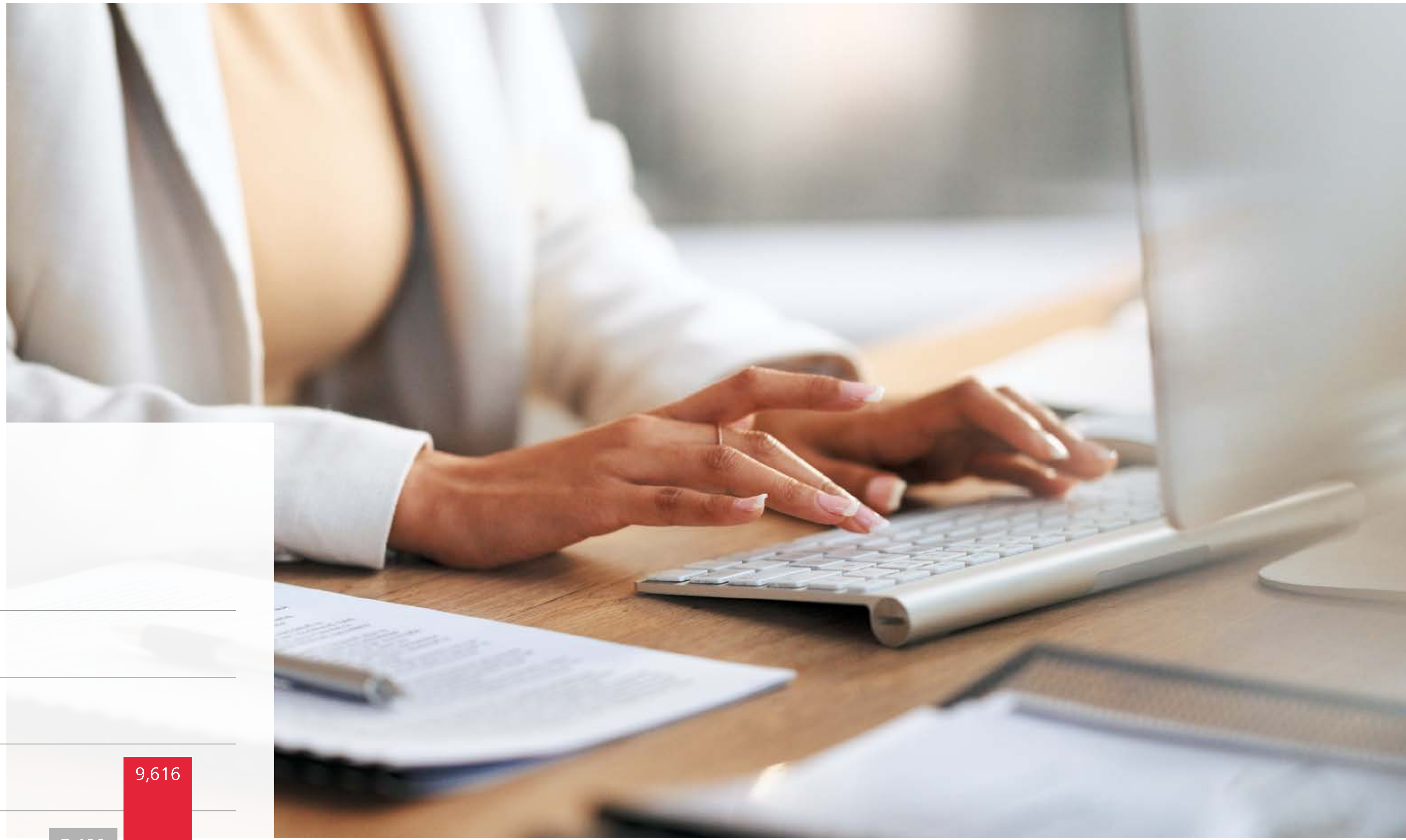
Number of pages

AIM	Main Market	FTSE 100	Average Total
In 2018/2019, the average AIM company's annual reports amounted to 83 pages. By 2023/2024, this number had risen by 18% to 97.	In 2018/2019, the average Main Market company's annual report amounted to148 pages. By 2023/2024, the number of pages of an average Main Market company's annual report had expanded by 31% to 193.	In 2018/2019, the number of pages for the average FTSE 100 company was 207. By 2023/24, this had increased by 24% to 257 for the average FTSE 100 company.	The average number of pages in 2018/2019 was 146. By 2023/24, the average total number of pages had grown by 25% to 182.

04:
Remuneration reporting:
findings and analysis

Figure 2: Remuneration reporting: average word count
2018/19 - 2023/24





Companies' remuneration reporting has increased by 28% from 2018/19 – 2023/24 across all market segments.

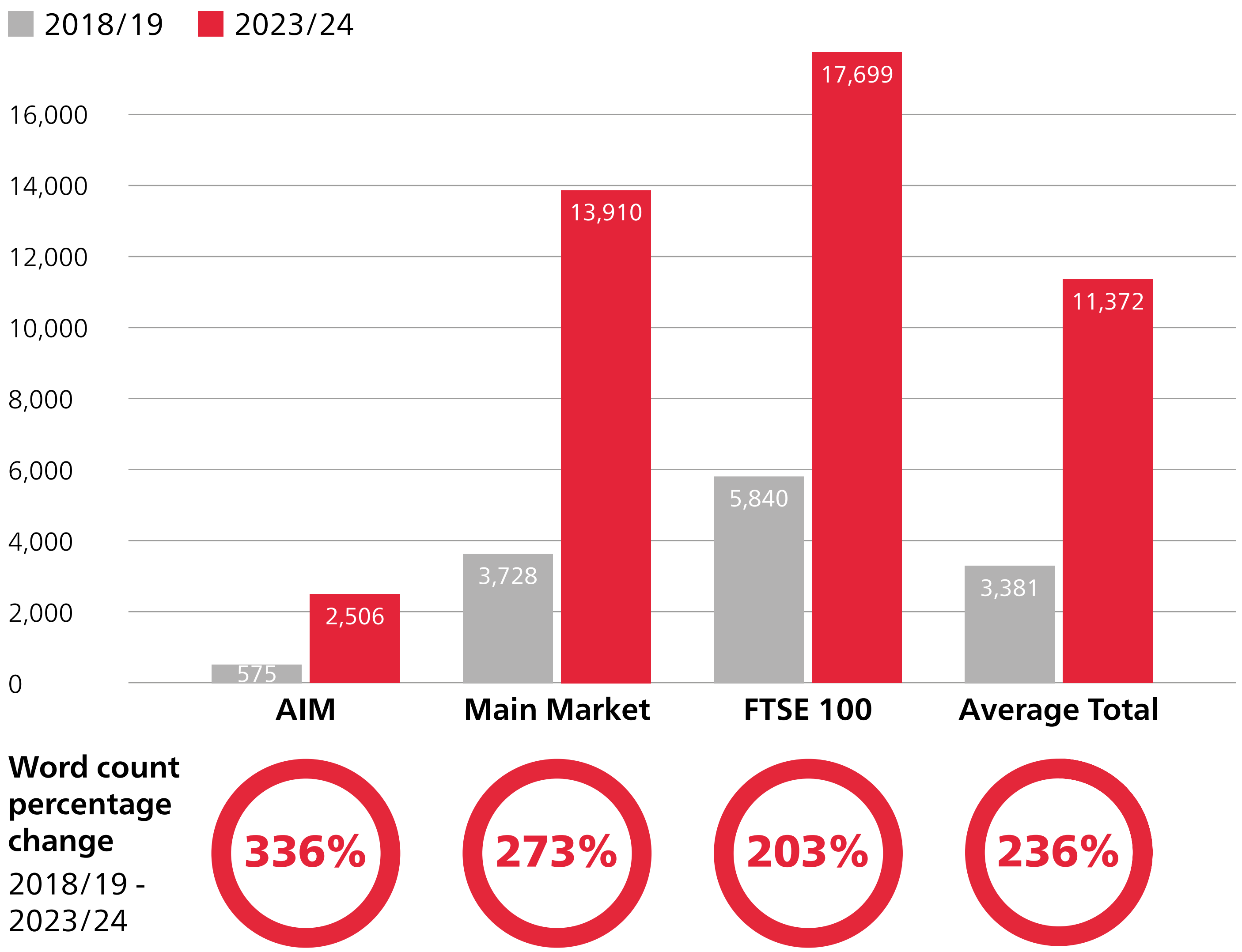
This rise coincides with the introduction of new regulations including the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) in 2019, and requirements for companies with over 250 employees to disclose their CEO pay ratio with the pay of the average UK employee introduced in 2018.

Given the more onerous reporting requirements placed on LSE Main Market companies to produce a full directors' remuneration report, alongside size-based scoping criteria for relevant reporting requirements, the overall average word count for AIM companies is predictably lower than their Main Market and FTSE 100 peers. However, despite lesser regulatory burdens, AIM companies are still increasing their disclosures around directors' remuneration, with a 32% rise over the period this research was conducted.

Again, our findings underline the particular reporting pressures that Main Market companies are experiencing, with the average LSE Main Market company undergoing the largest increase in the length of its directors' remuneration reporting (40%), twice as much as the average FTSE 100 company.

05:
ESG disclosures
findings and analysis

Figure 3: ESG disclosures average word count
2018/19 - 2023/24



Based on our analysis of ESG-related disclosures, we found that the average amount of words for the relevant sections in companies' annual reports grew by 236% across all market segments from 2018/19 – 2023/24.

The jump in ESG disclosures follows the introduction of Taskforce on Climate-related Financial Disclosures (TCFD) reporting requirements for listed companies (introduced in 2021 for the previously named Premium-listed companies and 2022 for Standard-listed companies). Outside of the Listing Rules, the mandatory climate-related financial disclosures in the Companies Act 2006 were also introduced in 2022 and apply to in-scope AIM companies (those with over 500 employees).

Over the five-year period this research examined, there was a 336% increase in words on ESG matters for the average AIM company, the largest rise of all three market segments. Given that the majority of mandatory ESG reporting requirements only apply to large AIM companies (500+ employees), our findings suggest that a process of regulatory creep – whereby companies over-disclose even if they are not mandated to do so in order to meet increasing investor expectations and compete with their industry peers – is markedly increasing the length of AIM companies' reporting on ESG matters.

These results are a clear indication of the pressures that new ESG requirements, as well as expectation creep, are having on all public market constituents.

06: Recommendations

Since we last produced this report in 2023, the Government has taken steps to increase the size thresholds contained in the Companies Act 2006 to reduce the reporting burden of eligible companies through reforms announced in March 2024. However, due to exclusions of certain companies relating to their nature – for example, publicly traded companies – these threshold changes left public company disclosure requirements untouched as they only affected private businesses.

As we anticipate a further Department for Business and Trade (DBT) consultation on changes to the UK's non-financial reporting framework later in 2025, this section provides a set of recommendations that offer a starting point for the Government to create a regulatory regime for UK businesses that is unencumbered by disproportionate reporting requirements and geared towards growth.

RECOMMENDATION 01

Standardise non-financial reporting

While companies use International and UK Financial Reporting Standards or Generally Accepted Accounting Principles (GAAP) for financial reporting, there exists no equivalent for non-financial reporting. For example, a 2020 report by the Department for Business, Enterprise and Industrial Strategy (BEIS) identified as many as 13 different non-financial reporting frameworks, including TCFD and B Corp, which covers companies with high standards of social and environmental performance[2].

The future UK endorsement of the ISSB's IFRS S1 and IFRS S2 standards under the proposed UK Sustainability Reporting Standards is a positive first step towards a more integrated non-financial reporting framework.

However, as part of the next stage of the non-financial reporting review, the Department for Business and Trade should look to develop a standardised set of reporting requirements. Within this standardised framework, the principle of proportionality must be central so that companies of different sizes, sectors and complexity are able to tell their own story and thereby reduce the clutter of unnecessary disclosures in their annual report.

RECOMMENDATION 02

Rationalise reporting requirements for very large companies

Rationalising new thresholds aimed at 'very large' companies through the Companies Miscellaneous Reporting Regulations governance reporting, and the proposed new PIE definition (750:750) into a single category, would simplify reporting overall for larger companies.

Different layers of reporting requirements aimed at companies of different sizes and natures increases complexity for companies. Any new threshold should be based on company size and not discriminate according to specific sectors or markets that companies operate on. Such an approach would signal an effort by the Government to capture those companies that are genuinely large and are of systemic and public importance[3].

This forms part of a broader demand to level the playing field between public and private companies in terms of the considerably higher corporate disclosure regime that public companies must navigate compared to their private counterparts.

RECOMMENDATION 03

Simplify reporting requirements by addressing group ineligibility criteria in the Companies Act 2006

While the Companies Act 2006 has always had size thresholds, it continues to exclude certain types of companies from less stringent, smaller company reporting requirements, such as if they are a subsidiary of a larger group. This can affect quoted companies of any size, which can be counterproductive and burdensome for smaller companies.

Moreover, it is time consuming for preparers of annual accounts to determine which requirements apply, and for users to understand why comparable information is not always presented due to the different reporting criteria that apply across the group. To address the disproportionate reporting burdens and complexity that the group ineligibility criteria places on both smaller companies and the larger conglomerate as a whole, the Government should review its application. This review should focus on developing reporting requirements based on an appropriate level of reporting for the constituent companies within a larger group.

[2] BEIS. *Frameworks for standards for non-financial reporting: final report.* (2020).
[3] QCA, BSA, AFM and UK Finance. *Audit for Growth: Proportionality in Audit and Reporting*. (2025). p.17.

RECOMMENDATION 04

Remove areas of duplication and excess in pay & ESG reporting

Directors' remuneration reporting

Reporting on executive pay needs to be transparent, demonstrating how rewards are set and tied to performance and the delivery of shareholder value. But as we identified in our 2023 report, there are a number of amendments and removals that could be made to remove burdensome reporting requirements and areas that add little value for LSE Main Market companies and investors including:

1. Removal of the requirement to disclose the annual percentage change in the remuneration of all company directors compared with that of the company's employees built up over a five-year period.

2. The inclusion of the comparative table on remuneration against distributions to shareholders.

3. The statement of voting at general meetings specifically in relation to voting results on remuneration resolutions from past shareholder meetings.

4. Scenario charts of potential remuneration under different outcomes to illustrate the application of the remuneration policy.

5. Removal or simplification of the Chief Executive pay ratio comparison with the UK employee average by basing the calculation on salary only rather than total remuneration to avoid complexities resulting from calculating incentives.

ESG and climate-related financial disclosures

LSE Main Market listed companies with 500+ employees have two sets of climate-related reporting obligations to comply with. The Listing Rules require that these disclosures be made in the annual report while the Companies Act 2006 states they should be set out in the strategic report. This regulatory overlap presents substantial issues for many companies when reporting.

In addition, reporting on Section 172 of the Companies Act 2006 already imposes proportionate requirements to report on environmental issues. The Government should consider how any new disclosure requirements that may be imposed through the Green Taxonomy interact with existing reporting requirements for non-PIEs, such as Section 172 and the proposed UK Sustainability Reporting Standards, so they remain proportionate and do not create additional reporting burdens for companies.

RECOMMENDATION 05

Conduct regular stress testing of reporting requirements

The Government should conduct a regular exercise to consider duplication between existing regulations in order to identify where alignment needs to be made and where requirements can be removed or amended. Under EU proposals, regular stress testing of the stock of regulation is planned for implementation. Crucially, these tests "will look critically at the potential to simplify and focus on finding opportunities to reduce costs and consolidate rules, taking particular account of the challenges of SMEs."[4]

In the interests of the growth and competitiveness of UK businesses, a similar process should be adopted in the UK – one that focuses squarely on the particular challenges that smaller companies face. Stress testing could be held every 10 years and should be placed on a statutory footing.

RECOMMENDATION 06

DBT and the Financial Reporting Council (FRC) should explore the potential for developments in artificial intelligence (AI) and digital reporting

Digital reporting, including advances in the adoption of new technologies such as AI, has the potential to streamline reporting for companies and improve ease of use for investors.

For example, recent evidence shows the transformative impact of artificial intelligence on the ability to summarise the most salient information for investors in the annual report[5].

This presents an opportunity for a joined-up approach across regulators and other Government work streams. Specifically, the Government's AI Opportunities Action Plan – which requests all regulators assess the development of AI in its domain alongside its safe adoption AI.

In line with the recommendations set out in the AI Opportunities Action Plan, the FRC should explore the implications of developments in AI and digital reporting technologies to streamline the annual report alongside barriers to its adoption among market participants of different sizes[6].

This could be achieved through a market study that assesses any regulatory, cost, or other barriers to companies employing AI and other digital technological solutions to their reporting processes.

The Government should also explore additional solutions to support smaller companies in their use of AI for reporting purposes including through incentives for its adoption among smaller businesses.

Contributors

This report was authored by Ben Cornwell, the QCA's Policy and Research Manager, with primary research conducted by Suleiman Ashraf.

[4] EU Commission. *A Simpler, Faster Europe: Communication on implementation and simplification 2024 – 2029*. (2024). p.7.

[5] The researchers note how 'bloat' in the corporate reporting statements of companies can be significantly refined through the use of Large Language Models (LLM) to filter only the most salient information for investors. Source: Kim, A, Muhn, M, and Nikolaev, V. *Bloated Disclosures: Can ChatGPT Help Investors Process Information?* (2023).

[6] Research from KPMG into the use of AI in financial reporting among 1800 companies globally shows that adoption of AI for financial reporting clusters at the higher end of the market with the largest companies (>$10 billion market cap.) twice as likely to have AI systems in place for financial reporting compared to smaller companies (<$5billion market cap.): *KPMG. AI in financial reporting and audit: Navigating the new era.* (2024). p.4.

QUOTED COMPANIES ALLIANCE

About the QCA

The Quoted Companies Alliance champions the UK's community of 1000+ small and mid-sized publicly traded businesses and the firms that advise them.

We believe the public markets can be the best place for companies to source the funds to grow, operate transparently and distribute wealth, fairly.

The QCA seeks to inform policy in dialogue with regulators and government, showcase the latest thinking on leadership, investment, technology and governance through our events and research, and provide a forum to share good practice among our members, who are quoted on the Main Market, AIM and the Aquis Stock Exchange.

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