

Guidance to the UK Corporate Governance Code 2024



Following publication of its UK Corporate Governance Code 2024 (“Code”), the Financial Reporting Council (“FRC”) has now published accompanying guidance (“Guidance”) to support boards and their advisors by providing further detail, advice and examples to underpin the Code and illustrate best practice.

The purpose of the Guidance

As discussed in [our earlier IndigoINSIGHT](#), the Code constitutes a set of principles of good corporate governance and is aimed at companies listed on the London Stock Exchange’s main market. It is published by the FRC and sets out standards of good practice in relation to board composition and development, roles and responsibilities, remuneration, shareholder relations, accountability, and audit. It takes a ‘comply or explain’ approach, requiring organisations to either comply with the provisions of the Code in line with the Financial Conduct Authority’s Listing Rules or provide meaningful explanations as to how it still meets the Code principles whilst departing from a specific provision.

New accompanying Guidance was published on 29 January 2024 and assists boards by providing clarification and stimulating discussion to support decision-making. It is not intended to be prescriptive or constitute a tick list and recognises that practices should be appropriate and proportionate to the size, complexity, and maturity of the organisation.

The new Guidance builds on the FRC's three earlier publications: Guidance on Board Effectiveness, Guidance on Audit Committees and Guidance on Risk Management and Related Financial and Business Reporting.

Guidance content

The Guidance is set out in five distinct sections to reflect the Code and includes hyperlinks to the Code for ease of reference.

Section 1 - Board leadership and company purpose

This section focuses on strategic decision-making, directors' conduct, culture, and stakeholder engagement. It prompts boards to clearly define their organisation's purpose and includes a series of questions to assist with self-reflection and help promote continuous development. It also lists potential sources of cultural insights and metrics, suggests risk factors for poor decision-making and advises on steps to help address them. Examples of how relationships with key stakeholders can be developed and additional sources of guidance are also signposted.

Section 2 - Division of responsibilities

This section outlines the role of the chair, the senior independent director, the executive and non-executive directors, and the company secretary. It details key responsibilities and outlines the way in which the various roles promote effective governance. It also includes guidance on good practice for the successful management of board committees and questions for the various committees to ask themselves to help drive continuous improvement.

Section 3 - Composition, succession and evaluation

This section focuses on the importance of the board's composition, future planning, and self-reflection. It discusses the importance of having a breadth and depth of skills, perspectives and personal attributes on boards and makes suggestions related to succession planning, recruitment and talent pipeline development. The Guidance emphasises the role of board in promoting organisation-wide equality, diversity and inclusion, and links to a broad selection of diversity initiatives. It steers boards away from limiting their efforts to a narrow choice of minority groups, in line with the recent amendments to the Code.

The importance of board performance reviews is covered in detail, including both internal and external provision. Boards are encouraged to share and discuss review outcomes to help promote continuous improvement, rather than simply determining whether the board is effective.

Section 4 - Audit, risk and internal control

The majority of updates to the Code are focused within this section, and accordingly the Guidance on this section is particularly helpful. It is split into audit, risk management and internal controls sub-sections. This section of the Guidance should be read in conjunction with [Audit Committees and the External Audit: Minimum Standard](#).

The audit guidance is intended to help boards make appropriate arrangements for their audit committees and to support committee members to fulfil their roles effectively. It stresses the need for audit committees to be provided with the necessary information, and empowered to act independently from the executive team to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal controls.

The risk management guidance is intended to help boards understand their role in managing and mitigating emerging and principal risks. It does not set out any one specific framework or standard that an organisation must adopt, but instead leaves boards to make their own selection as part of their risk management processes. It also includes questions to encourage self-reflection, and guidance on the necessary disclosures within the annual report and accounts.

The internal controls guidance covers the Code's new requirement for annual reports to include a description of how the effectiveness of material controls has been reviewed and monitored, along with a declaration of their effectiveness as at the balance sheet date. The Guidance clarifies that, when deciding which controls are 'material', boards should consider how a deficiency in the control could impact the interests of the organisation, its shareholders, and wider stakeholders. It also clarifies that material controls might include controls beyond those associated with principal risks and provides examples, such as information technology (including cyber security), data protection and artificial intelligence.

Section 5 - Remuneration

This section relates to the role of the remuneration committee, including responsibilities around workforce remuneration, and a reminder that such responsibilities do not generally extend to arrangements for non-executive directors' fees. It also includes recommendations for the remuneration policy, championing targeted incentives, innovation, and simplification. Guidance is also provided on the new requirement for directors' contracts, with their agreements now to include malus and clawback provisions.

Next steps

The new [Code](#) will apply to financial years beginning on or after 1 January 2025, and the Guidance can be read in full [here](#). If you have any questions or would like to discuss your board's readiness for the changes, please contact one of our directors:

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