

Amendments to the UK Corporate Governance Code



On 22 January 2024, the Financial Reporting Council (“FRC”) announced important revisions to the UK Corporate Governance Code (“Code”) that aim to enhance transparency and accountability of UK public limited companies and help support the growth and competitiveness of the UK and its attractiveness as a place to invest.

What is the UK Corporate Governance Code and why is it being amended?

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 practice for listed companies in relation to board composition and development, roles and responsibilities, remuneration, shareholder relations, accountability, and audit. The Code takes a ‘comply or explain’ approach, leaving boards some flexibility to adopt governance arrangements that best suit the business and allows shareholders to consider their position regarding any reported non-compliance.

These latest revisions have been made to the 2018 Corporate Governance Code (“2018 Code”), following a 16-week consultation period. The revised document will be known as the UK Corporate Governance Code 2024.

The proposed revisions were originally significantly more far reaching but were scaled back by the FRC during the consultation period following a backlash from respondents that expressed concern regarding the proposed introduction of additional corporate reporting obligations in an already-challenging

environment. The FRC explained that it had decided to scale back the initial changes proposed “to help strike a balance between UK competitiveness and positive outcomes for companies, investors and the wider public”.

What are the key changes?

The key changes to the Code are targeted and can be summarised as follows:

Section 1 – Board leadership and company purpose

A principle has been added to clarify that reporting should focus on board decisions and their outcomes in the context of the company’s strategy and objectives. Where the board reports it has departed in some way from the Code’s provisions, it should provide a clear explanation.

An amendment has also been made to reflect that boards should not only assess and monitor culture, but also how the desired culture has been embedded within the organisation.

Section 3 – Composition, succession and evaluation

This section has been amended to promote diversity, inclusion and equal opportunity, without limiting the provision to specific groups and to recognise that companies may have additional initiatives in place alongside their diversity and inclusion policy.

References to ‘board evaluation’ have also been changed to ‘board performance review’ in line with current thinking that the process should be focused on continued future development, rather than simply trying to determine whether the board is effective or not.

Section 4 – Audit, risk and internal control

This section contains perhaps the most significant changes, making the board responsible not only for establishing but also maintaining the effectiveness of the risk management and internal control framework.

The amendments dictate that risk management and internal controls monitoring and review must cover all material controls, including financial, operational, reporting and compliance controls, and their effectiveness should be reviewed annually with effect from 1 January 2026. The board should provide, in the annual report, a description of how it has monitored and reviewed the effectiveness of the framework, a declaration of effectiveness of the material controls and a description of any material controls which have not operated effectively. These declarations apply as at the balance sheet date. It should also detail the action taken, or proposed to be taken, to improve controls and any action taken to address previously reported issues.

In addition to the amendments detailed above, a number of provisions related to Audit Committees have been removed from the Code to avoid duplication, as they are now covered within the FRC’s [Audit Committees and the External Audit: Minimum Standard](#).

Section 5 – Remuneration

An amendment has been made to require directors' contracts, and/or other agreements or documents which cover directors' remuneration, to include malus and clawback provisions.

There is also a new provision requiring companies to include in their annual reports a description of malus and clawback provisions, including the circumstances in which they could be used, a description of the period for malus and clawback and why the selected period is best suited to the organisation. The reporting should also cover whether the provisions were used in the last reporting period. If used, a clear explanation of the reason should be provided in the annual report.

When will the changes take effect?

The revised Code can be read in full [here](#), and will apply to financial years beginning on or after 1 January 2025, with the 2018 Code remaining in place until then.

Next steps

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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