

Changes to UK Corporate Governance Code 2024

On 22 January 2024 following the outcomes of a consultation process in May 2023, the Financial Reporting Council (the “FRC”) published its new edition of the UK Corporate Governance Code (the “Code”).

The Code is applicable to companies with a premium listing on the London Stock Exchange, regardless of where they are incorporated. Corporate Governance is not only important for the largest companies; all companies should have appropriate systems, policies and practices in place, therefore many companies that are not required to follow the Code choose to do so.

The Code will apply to financial years beginning on or after 1 January 2025, except for provision 29 (as detailed below) which will apply to financial years beginning on or after 1 January 2026. The [current version of the \(2018\) Code](#) remains in place until this time.

According to the FRC *“The updated Code takes a targeted approach, focusing on a limited number of changes to ensure the right balance is struck between UK competitiveness and positive outcomes for companies, investors and the wider public”*

The principal changes to the Code are as follows:

Changes effective 1 January 2025

Section 1 – Board leadership and company purpose

- A new **Principle C** sets out that governance reporting should focus on board decisions and outcomes in the context of the company’s strategy and objectives. The new principle reiterates that where the board reports on departures from the Code’s provisions, it should provide a clear explanation.
- **Provision 2** has been amended to include that boards should not only assess and monitor culture, but also how the desired culture has been embedded.

Section 3 – Composition, succession and evaluation

- **Principle J** has been amended to promote diversity, inclusion, and equal opportunity, without referencing specific groups. The list of diversity characteristics has been removed to indicate that diversity policies can be wide ranging.
- **Provision 23** has been amended to reflect the fact that companies may have additional initiatives in place alongside their diversity and inclusion policy.

Section 4 – Audit, risk and internal control

- **Principle O** has been amended to make the board responsible not only for establishing, but also for maintaining the effectiveness of, the risk management and internal control framework.
- **Provision 25** and **Provision 26** have been updated to reflect the Minimum Standard: Audit Committees and the External Audit, and duplicative language has been removed.

Section 5 – Remuneration

- **Provision 37** has been amended to the effect that directors’ contracts and/or any other agreements or documents which cover director remuneration should include malus and clawback provisions that would enable the granting company to recover and/or withhold sums or share awards, and specify the circumstances in which it would be appropriate to do so.

- A new **Provision 38** asks companies to include a description of a company's malus and clawback provisions in the annual report.

Changes effective 1 January 2026

Section 4 – Audit, risk and internal control

- A new **Provision 29** requires that the board should monitor the company's risk management and internal control framework and, at least annually, carry out a review of its effectiveness. The monitoring and review should cover all material controls, including financial, operational, reporting and compliance controls.
- In addition, Provision 29 has been amended to provide that the board should include in the annual report:
 - a description of how the board has monitored and reviewed the effectiveness of the framework; and
 - a declaration of effectiveness of the material controls as at the balance sheet date; and
 - a description of any material controls which have not operated effectively as at the balance sheet date, the action taken, or proposed, to improve them and any action taken to address previously reported issues.

The full Code can be viewed [here](#). There is also supplementary guidance, published on 29 January 2024, available [here](#).

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