
UK Corporate Governance Code overview

Who should follow the Code?

- The UK Corporate Governance Code should be followed by premium-listed companies.
- Others may choose to follow the Code.

When does the new Code apply?

- The 2024 Code is applicable for financial years starting on or after 1 January 2025, except for Provision 29 which commences one year later (on or after 1 January 2026).
- Until then, the 2018 Code applies.

What is the approach?

- The Code is flexible and principles-based, using 'comply or explain' for its provisions.
- The FRC is clear that companies may take a different approach to some of the provisions, depending on their circumstances. What is important is that explanations for departures from the Code offer insights into why the approach has been chosen.

Changes to Provision 29 (from 1 January 2026)

- The changes to Provision 29 on risk management and internal controls build on the same Provision in the 2018 Code, which included all material controls.
- The scope of the new Provision will remain the same, but a declaration is now required on material controls not the whole framework.

Provision 29 – 2018 Code	Provision 29 – 2024 Code
<p>The board should monitor the company’s risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.</p>	<p>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.</p> <p>The board should provide in the annual report:</p> <ul style="list-style-type: none">• A description of how the board has monitored and reviewed the effectiveness of the framework;• 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.

Current reporting against Provision 29

**2023 FRC Annual Review of Reporting – Level of Reporting against provision 29.
The slide shows that over 50% of the sample reported on controls beyond financial ones.**

Companies that reported on carrying out a review of effectiveness	84/100
Companies that reported on effectiveness	69/100
Companies going beyond financial controls in their reporting	57/100
Companies whose reporting covers all material/key controls	27/100

Comparison with Sarbanes-Oxley

Sarbanes-Oxley

- Strict legal requirements enforced by SEC.
- CEO and CFO responsible for compliance.
- Financial statements and the internal control structure to be filed periodically with SEC, with assessment of effectiveness.
- To be accompanied by accounting firm attestation on the assessment made by the management of the issuer.
- Enforced by the Securities and Exchange Commission
- Scope internal controls for financial reporting

2024 UK Corporate Governance Code

- Flexible, proportionate approach tailored to individual companies.
- Board as a whole responsible for compliance.
- Monitor and review the effectiveness of the risk management and internal controls framework, and annual declaration of effectiveness of the material controls.
- No requirement for attestation or report by the external auditor.
- Reporting is required under the Listing Rules, but consideration of the content is for the shareholders of the company.
- Material controls, including non-financial