THE 2024 REVISION OF THE UK CORPORATE GOVERNANCE CODE

BACKGROUND, PRINCIPLES, AND WHAT COMES NEXT

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The UK Corporate Governance Code has long been a cornerstone of governance for listed companies, setting standards of accountability, transparency and board practice. First introduced in the 1990s and updated periodically since, the Code operates on a "comply or explain" basis, meaning companies must either follow its provisions or explain to shareholders why they have chosen not to. This approach has helped make the Code not only central to companies with a premium listing on the London Stock Exchange, where it applies directly, but also influential for standard-listed issuers, AIM companies, and even some large private businesses that adopt its principles voluntarily.

The most recent update, published in January 2024, reflects a targeted set of revisions following consultation. The changes are designed to clarify expectations in a number of areas, strengthen reporting on outcomes, and introduce a significant new requirement around internal controls. While narrower in scope than some of the initial proposals, the revisions mark an important development in the continuing evolution of governance practice in the UK.

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The Principles and the Latest Revisions

At its core, the Code continues to be structured around five sections. The first deals with board leadership and company purpose, setting the expectation that boards should promote long-term sustainable success, generating value for shareholders while contributing to wider society. The second focuses on the division of responsibilities, emphasising the balance between the chair, executive leadership and non-executive directors to ensure effective oversight. The third concerns composition, succession and evaluation, encouraging boards to promote diversity of skills and experience and to conduct regular evaluations of their own effectiveness. The fourth section covers audit, risk and internal control, which includes the responsibilities for financial integrity, risk management and assurance frameworks. Finally, the section on remuneration seeks to ensure that executive pay is aligned with company purpose and long-term value creation, with clear policies on malus and clawback.

The 2024 revision builds on this familiar structure but adds new emphasis in several areas. Boards are now expected to report more explicitly on outcomes, moving away from generic descriptions of process and towards disclosures that explain the impact of board decisions in the context of company strategy. The revisions also address culture and diversity, with boards encouraged to demonstrate how they are embedding desired culture across the organisation and how they are promoting inclusion, without prescribing particular characteristics. In remuneration, companies must provide fuller disclosure of the conditions under which malus and clawback provisions may be applied to executive pay, how long these provisions remain in place, and whether they have been exercised. Meanwhile, the section on going concern has been expanded so that boards must provide their view not only in annual statements but also in interim reports, making clear any material uncertainties for at least 12 months from the approval date. Audit committee responsibilities have also been clarified and streamlined, aligning them with the Financial Reporting Council's Minimum Standard to provide consistency.

Provision 29 and the Shift in Expectations

Among all of these changes, the most significant is the introduction of Provision 29. This new provision requires boards to make an annual declaration on the effectiveness of their material internal controls. Unlike in the past, where oversight could remain high level, boards will now be expected to state clearly whether controls across financial, operational, compliance and reporting areas are effective as at the balance sheet date. They must also disclose any weaknesses, explain how these are being addressed, and provide updates on previously reported issues.

The new requirement does not come into effect immediately. It applies to accounting periods beginning on or after 1 January 2026, giving boards and their advisers time to prepare. The intervening year—2025—has been described by many as a readiness year. During this period, companies are expected to scope what constitutes "material" controls, carry out gap assessments against the new expectations, document and assign ownership of controls more clearly, and undertake assurance work to test their effectiveness. Some boards are already running so-called "mock declarations" during 2025 as a rehearsal for the real thing, a practice that allows them to test whether their evidence base is sufficient and to refine reporting ahead of the first formal statement.

Preparing for 2026 and Beyond

The risks of being unprepared should not be underestimated. A declaration that later proves to be unsupported could have serious consequences for investor confidence and reputation, while a cautious or ambiguous disclosure may invite questions about whether management truly has control of the business. Conversely, a well-prepared declaration can reassure stakeholders that the company is resilient and transparent. For this reason, the partnership between CFOs and their external advisers is becoming more important. In my experience, it is this combination of internal knowledge and external perspective that provides boards with the confidence to meet the new expectations.

Looking ahead, the 2024 revision of the Code reinforces many of its traditional strengths while raising the bar in key areas. From January 2025, companies will apply the revised provisions around reporting, culture, remuneration and audit practice. From January 2026, the spotlight will turn to Provision 29, and the requirement for a clear declaration on the effectiveness of material internal controls. The next year will be critical in determining how smoothly boards can make this transition. Companies that use 2025 to strengthen their frameworks, test their processes and prepare their boards will be well positioned to meet the expectations of 2026.

THE CODE CONTINUES TO EVOLVE, AND THIS LATEST REVISION REFLECTS A BALANCE BETWEEN PRINCIPLE AND PROOF, FLEXIBILITY AND ACCOUNTABILITY. IT IS NOW UP TO BOARDS, MANAGEMENT TEAMS AND THEIR ADVISERS TO ENSURE THAT THE STANDARDS IT SETS TRANSLATE INTO EFFECTIVE PRACTICE IN THE YEARS AHEAD.

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