

UK corporate governance – FRC publishes updated UK Corporate Governance Code

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The Financial Reporting Council has today published a revised UK Corporate Governance Code which will apply from 1 January 2025.

2024 UK Corporate Governance Code

The Financial Reporting Council (FRC) has today published a [revised UK Corporate Governance Code](#) (2024 Code) which in 2025/2026 will replace the [current version of the UK Corporate Governance Code](#) (2018 Code) (see [FRC statement](#)). The UK Corporate Governance Code is applicable to all companies with a premium listing, whether incorporated in the UK or elsewhere.

The FRC noted that following its consultation on the revisions to the 2018 Code, the 2024 Code has been designed to take 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 2024 Code continues to uphold the flexibility of 'comply or explain' reporting and seeks to deliver improvements that promote trust, transparency and accountability in companies.

In terms of key changes incorporated in the 2024 Code:

- A new Principle C has been included to encourage companies to report on board decisions and their outcomes in the context of the company's strategy and objectives (rather than making declaratory or boilerplate statements). Where boards report on departures from the 2024 Code's provisions, they should provide a clear explanation;
- 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;
- Principle O has been amended to make boards responsible not only for establishing but also maintaining the effectiveness of the risk management and internal control framework. In addition, a number of provisions related to Audit Committees have been removed from the 2024 Code, to avoid duplication, as these provisions are now contained within the [Audit Committees and the External Audit: Minimum Standard](#);
- Provision 29 has been amended to set out the disclosures that boards should include in their annual reports with respect to their company's risk management and internal controls, including, notably, boards making a declaration in the annual report in relation to the effectiveness of their material controls;
- Provision 37 has been amended to include that directors' contracts and/or other agreements or documents which cover director remuneration should include malus and clawback provisions; and
- A new Provision 38 has been included, which asks companies to include in their annual reports on remuneration a description of their malus and clawback provisions, including: (i) the circumstances in which malus and clawback provisions could be used; (ii) a description of the period for malus and clawback and why the selected period is best suited to the organisation; and (iii) whether the provisions were used in the last reporting period and if so, a clear explanation of the reasons for their use.

For further information on the changes to the 2024 Code, please see the FRC's [summary of key changes](#) as well as the FRC's [UK Corporate Governance Code 2024 mythbuster](#).

Timeline

The 2024 Code will apply to financial years beginning on or after 1 January 2025, save for Provision 29 which will apply to financial years beginning on or after 1 January 2026 (until then, Provision 29 of the 2018 Code will continue to apply).

The 2024 Code will be supported by revised guidance, which the FRC expects to publish on 29 January 2024.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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