Taking the UK Corporate Governance Code into its next quarter-century

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In 1992, the original iteration of the UK Corporate Governance Code—the Cadbury Report—marked the beginning of large-scale changes to British boardroom culture and operations. In the quarter-century following, the Code has grown, evolved and proved influential to the formation of other corporate governance frameworks around the world.

In many ways, there's a lot to celebrate about our 25-year-old Code. Its principle-based guidance has enabled broad application, avoided the need for consistent revision, and has fundamentally brought about clear agreement among business, investors, and policymakers on the principle of governance. It has, of course, facilitated further discussions about the various facets of governance, but these are generally contextualised by an understanding of the basic concept of 'good' governance.

This milestone is also a good opportunity for us to review the Code as it stands today, and to consider how we can future-proof it for the next quarter-century. Because today's Code, for its many benefits, may not be perfect for tomorrow's environment.

The past 25 years have seen several high profile instances of failed corporate governance. And these, in turn, led to expansive debates on better practice and calls for action to prevent reoccurrence. The Code has grown longer, in both principles and guidance material, to encompass the debates, policies, and suggested and demonstrated best practice examples.

The environment surrounding corporate governance has changed substantially, in tandem with the changing characteristics of businesses, and ways of doing business. Developments in technology, globalisation, new business models and more have created a very different working environment to that of the 1990s. New issues have arisen, and debates have occurred, leading to tweaks and extensions to the Code and its contents.

The relative ease and flexibility of extending the Corporate Governance Code makes it, in many cases, a preferred solution to legislation. But extending a voluntary code may not always address the need to raise the minimum standard of conduct by way of regulation, and has also transformed the Code itself.

Corporate governance has become an expansive topic, and the Code has grown to incorporate not only the principles of good governance, but also ideas, details and examples on a range of topics. Holistic thinking on the multifaceted issue of corporate governance is a good thing, but the more we add to the Code, the more we risk losing its original clarity and consistency.

At the same time, the fundamental principles of the Code may also need to be revisited, and adapted, as times change. When the Cadbury Report was written, there were large institutional investors providing long term funding for listed companies. Since then, the profile of investors has diversified and investment intentions have changed, with the rise of necessitated short-term decision-making sometimes overriding the intention to maintain long-term prosperity.

Over the past 25 years, the concept of corporate governance has been accepted by a much wider group than just those listed companies targeted by the initial Cadbury Report. This is good news, but does also mean that we need to consider ways that we can make today's Code useful to a broader audience.

We now have an opportunity to revisit the fundamental principles of the Corporate Governance Code: to review its content and to think about the form it could take to remain relevant over the next 25 years and beyond. If we focus on fundamental and universally applicable principles, such as the role of leadership and accountability, the Code should be able to help many different types of organisations to apply good governance – from listed companies to private and small companies, universities, public sector entities, charities and more.

. In today's world, we expect leadership to take more responsibility for corporate governance. It's no longer just about directing from the top: we expect today's leaders to establish a positive corporate culture within their organisation, and to instil strategic direction and company values from the bottom up. This is not just useful, but essential for a successful business in today's increasingly complex environment.

The Corporate Governance Code is as important, if not more, now as it was back in 1992. But it must remain succinct, focused and true to the pared back principles of good corporate governance as we understand it today. A principles-based document serves a broader use than one which is extensive and prescriptive, and forces the user to engage with the content as it has to be tailored to context.

Enough time has passed that we will need to consider in-depth revision of the original contents of the Code, rather than small tweaks every time a new issue enters the broad debate. The recent Government green paper provided us with a useful opportunity to review specific aspects of the code: perhaps this could be done on a larger scale.

ACCA and its members look forward to continuing to work with the Financial Reporting Council over the next quarter-century and beyond to maintain and improve this effective, principles-based approach to corporate governance.