UK Corporate Governance Code 2024 mythbuster

Financial Reporting Council

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What is the role of the UK Corporate Governance Code?

Good corporate governance underpins and supports the success of the UK economy. The UK Corporate Governance Code 2024 provides companies with a flexible framework that promotes trust, transparency and accountability, so that investors have confidence in the long-term integrity and competitiveness of some of the UK's largest and most complex businesses. The Code supports companies in meeting their governance responsibilities to their stakeholders and ensures they are compliant with elements of UK listing rules.

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Guidance is more rules by the back door – what is the status of FRC guidance?

Throughout our consultation and outreach on the updated Code, we repeatedly heard from stakeholders calling for guidance to support them in their corporate governance reporting. Therefore, the Code will be supported by updated guidance.

The guidance is not an instruction manual on the 'right way' to apply the Code. It is intended to stimulate thinking on how boards can carry out their role most effectively; there is no single way to apply the Principles and comply with or explain against the provisions. Code companies differ in their size, sector and maturity, and this should be taken into account when using the Guidance as a supportive tool. The guidance is designed to aid boards with their actions and decisions when applying the Code.

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Are these changes to the Code going to stop boilerplate statements?

The UK Corporate Governance Code itself cannot stop boilerplate reporting. Genuine insights, rather than repetition of generic language, are essential for the application of the Code's principles-based system. Good governance goes beyond box-ticking to embed the right behaviours and culture. It is Directors that need to take the lead and ensure that the company is reporting effectively on its governance arrangements in a way that is relevant and beneficial to the users of their reporting. Directors should focus on practices, as opposed to policies and procedures, to demonstrate that a company is well governed, sustainable and able to deliver investment, growth and competitiveness.

The FRC continues to highlight examples of boilerplate reporting through our Annual Review of Corporate Governance Reporting and to promote companies delivering high-quality and insightful reporting on outcomes tied to their strategy and objectives.

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Does the Code really offer the flexibility to explain?

The FRC encourages high-quality explanations that demonstrate good governance practices. The 'comply or explain' regime gives companies the scope to communicate salient and pertinent information to stakeholders, whilst recognising that there is no one size fits all approach for companies reporting on their governance. There are instances when strict adherence with the Code's detailed provisions may not be the right approach for a company. The FRC's 2023 Annual Review of Corporate Governance Reporting found that well over 50% of companies departed from one or more provision of the Code.

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What does outcomes-based reporting' mean?

Outcomes-based reporting means providing your stakeholders with information on how decisions taken by the board have, and will, impact the company's strategy, objectives and long-term viability. Outcomes may not always be observable in the short term and may change over time. The Code encourages the use of corporate governance reporting to demonstrate how governance decisions have delivered change.

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Why are you introducing a board declaration on non-financial internal controls?

Principles relating to internal controls have been a long-term feature of the UK Corporate Governance Code, reflecting the role directors have always played in ensuring the long-term resilience for their company. Provision 29 builds upon existing Code expectations and recognises the increasing importance non-financial disclosures hold for many companies.

Provision 29 asks companies to take a view on the effectiveness of the controls most material to the long-term sustainability of their company.

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Won't the changes you've set out in the 2024 Code increase the reporting burden for companies?

Our approach to the Code has always been focused on delivering positive outcomes for companies, investors and the UK as a financial market. Regulation, including the UK Corporate Governance Code, must at its heart be centred on quality, proportionality and taken with a targeted approach – above all promoting the interests of the UK.

In line with this approach, we have taken a more streamlined approach to the 2024 Code, focusing on the elements that will deliver the biggest impact whilst minimising the reporting burden. This ensures that the Code strikes the right balance between delivering on our objectives to enhance trust and confidence in governance whilst supporting UK economic growth and competitiveness.

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Get in touch

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