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Want to know more about the new Corporate Governance Code?

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Chartered Governance Institute South West of England Branch – 24th February 2025



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Presentation outline:

- Code updates
- Economic Crime and Corporate Transparency Act
- Reporting update
- AI
- Recent Institute publications



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UK Corporate Governance Code 2024



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UK Corporate Governance Code 2024

- Published 22 January 2024
- Guidance published 29 January 2024
- Separation is an attempt to convince some market participants that the guidance is separate from the Code and is not mandatory
- Neither is the Code, as it is 'comply or explain'

Introduction and background

May-Sep 23:
Consultation and
engagement

Sep-Dec 23:
Analysis of responses

Jan 24:
Publication of responses

- From May until September 2023, for an extended 16-week period, the FRC consulted on proposed changes to the UK Corporate Governance Code.
- Central to the consultation were changes to the Code to strengthen reporting on risk management and internal controls, requested by the Government as part of its *Restoring trust in audit and corporate governance* policy proposals.
- Further updates were included in the consultation, reflecting those areas identified by the FRC, as part of its annual reviews of corporate governance reporting, as requiring further support and strengthening.
- The consultation was supported by an extensive programme of stakeholder engagement which reached over 5,000 people through webinars, roundtables and externally hosted events.
- More than 250 written responses to the consultation were received from companies, investors, advisers, associations and other interested parties.

The 2024 Code will deliver:

An increased emphasis on 'comply or explain'

Amendments to Section 1 also highlight the importance of high-quality explanations.

Outcomes-based reporting to deliver more relevant and concise annual reports

Encourage reporting on specific, relevant outcomes of the governance activities.

Strengthened but proportionate reporting on risk management and internal controls

New declaration in annual reports on effectiveness of risk management and internal controls.

A more relevant Code in areas such as culture and diversity

New references to embedding of culture, and updated diversity and inclusion terminology.

Sections 1 and 4

Section 1 – Board Leadership and Company Purpose

- Outcomes reported on should be material and of use to the reader and include topics which are relevant to stakeholders. The aim of the change is to reduce ‘boiler plate reporting.

Section 4 – Audit, Risk and Internal control

Principle O

- The board should not only establish risk management in internal control frameworks but also maintain them

Provision 29

- Provision 29 has been amended to build on the current requirements of the Code by setting out clearer reporting expectations including on the evidence gathered by the company in support of its reporting.
- The 2018 Code already includes a reference to all material controls, including financial, operational and compliance controls. The scope of the Provision will remain the same but will include ‘reporting’ controls. This is not an exhaustive list therefore ‘reporting’ is not being added due to it being omitted before, it was just not one of the examples.
- Some surprising responses regarding scope and specificity (asking for all terms to be defined, e.g. material control).
- Provision 29 was altered from the original proposal due to feedback on the similarity to US SOX, issues with the declaration period and respondents feeling more time was needed to develop frameworks over non-financial controls.

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.
- The scope of the new Provision will remain the same, but a declaration is now required.

Provision 29 – 2018 Code

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.

Provision 29 – 2024 Code

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.

The board should provide in the annual report:

- 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.

Comparison with Sarbanes-Oxley

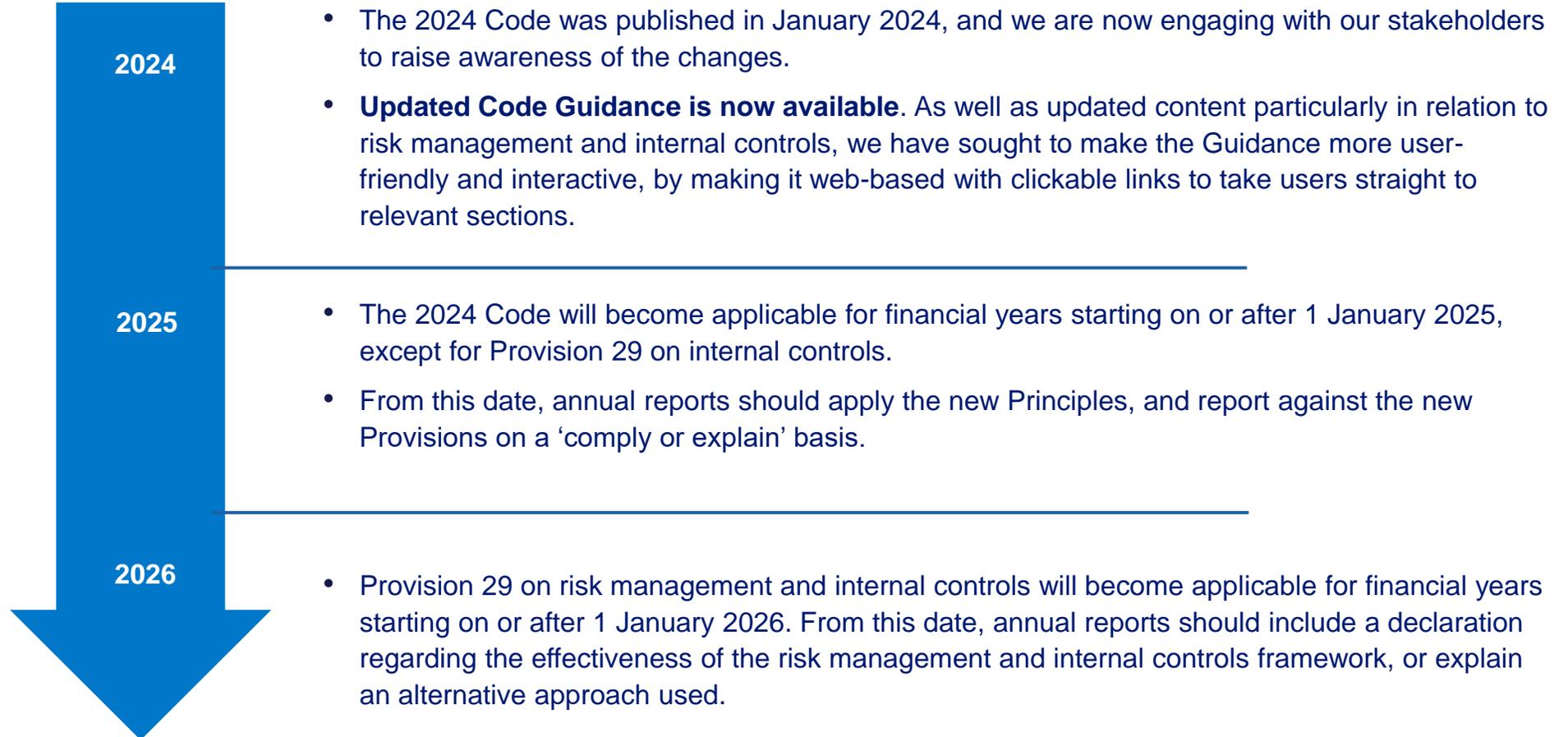
Sarbanes-Oxley

- 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 Exchange Commission
- Scope covers financial controls

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.
- Covers material controls including non-financial controls

Implications for Code companies





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Charity Governance Code update 2024



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Charity Governance Code

- Exists to raise standard of governance across the sector – voluntary
- Review & update to the Code ongoing
- Public consultation complete
- Series of roundtables
- Key issues:
 - tiering of the Code
 - boardroom behaviours
 - role of governance professional
 - risk & financial resilience
 - raising the Code's profile
- Updated Code due out early 2025

**Charity
Governance
Code**

Charity governance resources



Governance guidance

New guidance from CGI: trustee recruitment & diversity, trustee induction

Charity Commission: ongoing updates to several pieces of guidance, CGI involved in review

Governance training

Level 4 Certificate in Charity Law and Governance

Charity Commission inquiry into the Captain Tom Foundation

The Charity Commission has concluded and published the results of its [inquiry into the Captain Tom Foundation](#). The Commission found that “there were serious and repeated instances of misconduct and/or mismanagement in the administration of the charity”, which was originally established in honour of Captain Sir Tom Moore’s efforts to raise money for the NHS during the covid-19 pandemic.

The Commission’s report includes an [instructive section on learnings for the sector](#), which covers conflicts of interest and loyalty; trustee payments; fundraising agreements; and trademark and copyright.



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Stewardship Code update 2025



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Stewardship Code consultation

The Financial Reporting Council (FRC) is consulting on proposed changes to the UK Stewardship Code. It proposes clearer requirements for signatories to demonstrate stewardship outcomes and seeks views on whether the updates will improve transparency and support effective stewardship. The revised Code is expected to be published by mid-2025.

One of the proposals is for a revised definition of stewardship. The Institute believes that this revised definition undermines the purpose of effective stewardship, and risks diluting its important role in our economy and society.

Other proposed updates include less emphasis on escalation and collaborative engagement, more streamlined reporting for signatories of the Code, and increased specificity in the Code's principles which relate to service providers.

The CGI response was lodged on 18 February and is available on the website.



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Economic Crime and Corporate Transparency Act 2023



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Why is the Economic Crime and Corporate Transparency Act important?

- NOW – the board just meets and appoints a new director ... And they are effective immediately – only after the fact do you have to register them at Companies House
- The Act (when in force) states (s167M CA 2006) that:

(1) An individual must not act as a director of a company unless the individual's identity is verified (see section 1110A).

(2) A company must ensure that an individual does not act as a director unless the individual's identity is verified (see section 1110A).

(3) A person who contravenes subsection (1) commits an offence.

(4) If a company contravenes subsection (2) an offence is committed by—

(a) the company, and

(b) every officer of the company who is in default.

For this purpose a shadow director is treated as an officer of the company.

(5) A person guilty of an offence under this section is liable on summary conviction—

(a) in England and Wales, to a fine;

(b) in Scotland or Northern Ireland, to a fine not exceeding level 5 on the standard scale and, for continued contravention, a daily default fine not exceeding one-tenth of level 5 on the standard scale.

(6) The only consequences of contravening subsections (1) and (2) are the offences provided for by this section (so that, for example, a contravention does not in any way affect the validity of an individual's acts as a director).

Why is the Economic Crime and Corporate Transparency Act important?

- So a director will not be able to act until they have been verified
- Which necessitates a process for the appointment of new directors, particularly during a corporate action
- Expected to come into effect from Autumn 2025, with a year's grace for existing directors
- Each Director will have to do direct ID&V with Companies House, but only once, before Autumn 2026.

Economic Crime and Corporate Transparency Act timeline

On Wednesday 16 October, Companies House published its intended implementation timeline for the Economic Crime and Corporate Transparency Act 2023. This shows how more measures will be introduced under the act over the next few years.

We have been talking about these changes from some months in Technical Briefings and in our policy presentations, so it is good to see the dates firming up. Companies House are, in any event, committed to giving us plenty of notice before you need to take action. Timelines are dependent on secondary legislation and will be kept under review.

There will be key moments on the implementation timeline that are important to you. So, it's important that you start to prepare, and that you keep your **registered email address and other details up to date**, and make sure your emails are monitored. You can also keep up to date by visiting the Changes to UK company law website. This is regularly updated with new information.

Failure to prevent fraud: government guidance

On 6 November, the government published important guidance for companies on the new corporate criminal offence of 'failure to prevent fraud'. This was introduced last year as part of the Economic Crime and Corporate Transparency Act (ECCT) to hold large organisations to account if they profit from fraud and will come into effect from 1 September 2025.

The guidance has been developed with input from the Crown Prosecution Service (CPS), Serious Fraud Office (SFO), HM Treasury, HMRC, Ministry of Justice, Cabinet Office, Attorney General's Office and Financial Conduct Authority (FCA).



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Reporting update



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Companies (Accounts and Reports) (Amendment and Transitional Provision) Regulations 2024

On 10 December, the Government laid the Companies (Accounts and Reports) (Amendment and Transitional Provision) Regulations 2024, which come into effect from 6 April 2025.

These regulations reduce reporting burdens on companies by increasing by approximately 50% the turnover and balance sheet criteria that help determine whether a company is a micro-entity or small, medium-sized or large for the purpose of reporting and audit requirements under the Companies Act 2006. They also remove several reporting requirements from the Directors' Report.

This is the first piece of output from the non-financial reporting review in 2023 and comes into effect for financial years commencing on or after 6 April 2025.

Companies (Accounts and Reports) (Amendment and Transitional Provision) Regulations 2024

Part 2 reduces the information required to be included in the directors' report. Regulation 4 removes the requirement for small companies to include in their directors' report disclosure on the employment of disabled persons. Regulation 5 removes the requirements for large and medium-sized companies to include in their directors' report information on financial instruments, miscellaneous provisions, disclosure on the employment of disabled persons and their engagement with employees, suppliers, customers and others. Regulations 6 and 7 make consequential amendments.

Part 3 increases the turnover and balance sheet thresholds to determine the size of a company for reporting and audit purposes. Regulation 8 is a transitional provision for the amendments made by Part 3. Regulation 9 increases the thresholds for a company to qualify as small, including the thresholds for parent companies and groups to fall within the small companies regime. It also increases the thresholds for micro-entities. Regulation 10 increases the thresholds for medium-sized companies, including the thresholds for parent companies and groups to fall within the medium-sized companies regime. Regulation 11 extends the increased thresholds for micro-entities and small and medium-sized companies to limited liability partnerships.”



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Artificial Intelligence (AI)



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AI

- One of the greatest drivers of change of our time – see by some as like the invention of the internet; by others as like the invention of writing
- Presents both opportunities and threats
- For the company secretary – the opportunity to delegate simple, predictable tasks to AI and focus on the more added value parts of the job; and the risk that AI will take over the job itself.
- For the board – the opportunity created by the use of AI in the business; and the risk of the market disruption brought about by the use of AI by others, not to mention the risk of the inappropriate use of AI in the business.

AI

- AI hub on the CGIUKI website
- Guidance on:
 - AI and the governance professional
 - Generative AI
 - Governing AI use in your organisation
- Articles, blogs and links to useful resources
- Conference sessions:
 - How to lead your board through the jungle of AI
 - An AI centre of excellence; How does it help your organisation?
 - The AI adoption journey
 - AI: innovation or regulation?

AI event series

- The Chartered Governance Institute UK and Ireland ran a series of events dedicated to AI and held in partnership with Brunel University.
- Each of our six topics was led by the Dean of Brunel Business School and the Director of Brunel's Research Centre for AI and AI Lab, Professor Ashley Braganza.

1 A & B- What is AI and what does it mean for boards and senior management? - 9 & 14 May 2024

2 - AI Series: Strategy and Leadership - 4 June 2024

3 A & B - AI Series: Organisational Change and Transformation - 11 & 16 July 2024

4 - AI Series: Structural Changes, Talent Capacity and Development- 5 September 2024

5 - AI Series: Business Model Innovation - 9 October 2024

6 - AI Series: Culture - 14 November 2024



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I am change.
I am impact.
I am governance.





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Institute research & publications



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Our purpose



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Purpose

To Champion good governance and develop the value, skills and effectiveness of governance professionals because we believe that better governance drives better decision- making, and better decision- making creates a better world.

CGI is the only body to offer a range of qualifications and certificates which includes Chartered Governance Professional. Our members work to globally recognized professional standards for the benefit of organisations in the public, private, not for profit, academic and charity sectors.

CGIUKI Manifesto 2024



1 Government should deliver a Commission on Governance.



2 Government should commit to completing its reform of audit by delivering ARGA.



3 Government should deliver on the transformation of Companies House to help fight economic crime.



4 Government should show leadership on corporate sustainability by endorsing and implementing the ISSB's standards.



5 Government should support diversity in leadership at board level through robust reporting.



6 Government should encourage employee share ownership by reducing the holding period for Share Incentive Plans (SIPs).



7 Government should ensure that regulation keeps pace with advancements in AI.



8 Government should renew focus on effective publicservice governance.

2024 Policy output

4 pieces of thought leadership

8 new guidance notes

12 press statements

16 consultation responses

40 speaking engagements

70 meetings with government or regulators

65 blogs

442 stakeholder meetings

And, of course, **15 Technical Briefings** – we really hope you find these useful.

CGI blogs

3 December - [How do you renew your board?](#)

9 December - [Governance North: Key Lessons on Resilience](#)

16 December - [A Controversial Shift: The PSR's U-Turn on Fraud Refunds and Its Legal Implications](#)

13 January - [The ESG Implications of Big Tech](#)

20 January - [Navigating UK Listing Rule Reforms: Lessons from Shein's Prospective London IPO](#)



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Take your governance skills to the next level

What we offer

- Chartered and non-chartered membership
- Virtual or face-to-face training in governance, risk and compliance, effective Chairing skills, emotional intelligence and resilience
- Enhance your team leadership, strategic and influencing skills
- Tailor made training to suit company and individual requirements at all levels (entry to established)
- We also offer a variety of books on a wide range of governance topics



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To learn more on how we can help you and your business, please contact Patrick Courtney on pcourtney@cgi.org.uk



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New Year, new training courses from CGIUKI

AI for Governance Professionals - 4 new courses available starting in March!

Navigating AI: A Guide for Company Secretaries: 7 March 2025

AI Discussions in the Boardroom: Masterclass: 7 March 2025

Deploying AI in the Secretariat: Masterclass: 21 March 2025

AI Regulatory Landscape: 21 March 2025

DE&I for Boards – 2 new courses

Diversity, Equity, and Inclusion Fundamentals – Part 1: 3 March 2025

Embedding Diversity, Equity and Inclusion (DEI) fundamentals: Part 2: 10 March 2025

Career Development – 3 new courses – starting in February

Mastering People Management and Feedback Cycles: 23 June 2025 (more dates available)

Time Management Mastery Toolkit: 23 June 2025 (more dates available)

Decoding Business Structures: 30 June 2025 (more dates available)

There are additional dates available for all these courses throughout 2025



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2025 events and training

Events - cgi.org.uk/events

- 26 Feb – EY+G2 Legal presents 'What to Expect in 2025' (Online, South East of England branch)
- 5 Mar – Networking Coffee Group (In person, North West of England branch)
- 6 Mar – 14th Annual Company Secretaries and Directors Conference (In person, Uganda)
- 11 Mar – ESG: why it matters now more than ever (In person, South East of England branch)
- 12 Mar – Unlocking the future: Gen AI opportunities for company secretaries (Online, South West of England branch)
- 13 Mar – Boardroom bots: the future of decision-making and strategy (In person, West Midlands branch)

Training – [CGI Training](#)

- 25 Feb – Introduction to Corporate Governance
- 4 Mar – Company Secretarial Practice for Support Staff
- 12 Mar – The role of the company secretary: part one
- 13 Mar – Directors and their duties
- 19 Mar – The role of the company secretary: part one
- 20 Mar – Effective minute taking



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2025 events and training

Conferences - cgi.org.uk/events

- 27 March – Governance Jersey
- 15 May – Governance Ireland, Dublin – early bird offer available until 18 March
- 1 and 2 July – Governance 2025 – early bird offer finishes this week!
- 16 September – Subsidiary Governance Conference, in London – tickets will go on sale soon.
- 7 October – Governance North, in Manchester – tickets will go on sale soon.



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Thank you

**Thought
leadership from**



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