



# UK Corporate Governance Code 2024 Provision 29

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# UK Corporate Governance Code (2024): Provision 29

## Revised UK Corporate Governance Code (2024)

In January 2024, the Financial Reporting Council (FRC) announced targeted revisions to the UK Corporate Governance Code, which applies to all premium-listed companies on the London Stock Exchange.

The most significant update was in relation to Provision 29, which requires Boards to formally declare in their annual report how they have monitored and reviewed the effectiveness of their risk management and internal control framework. This declaration must cover all material controls—financial, operational, reporting and compliance—with Boards being responsible for both establishing and maintaining their framework. The definition of “material controls” and the level of assurance required in relation to control effectiveness is left to the Board’s judgement, guided by the FRC’s advice to focus on controls critical to long-term business sustainability.

The principles-based approach remains, which allows Boards flexibility to tailor governance to their circumstances, and the “comply or explain” principle continues to ensure that expectations are proportionate and adaptable. The changes to the Code apply to financial reporting periods beginning on or after 1 January 2025, aside from the declaration on Internal Controls which comes into effect on 1 January 2026.

## Provision 29 – Board Responsibilities (Effective January 2026)

Boards are required to monitor their company’s risk management and internal control framework, and to conduct at least an annual review of its effectiveness. The scope of this review must cover all material controls, including those related to financial, operational, reporting, and compliance activities. Importantly, it is the Board’s responsibility to determine what constitutes a “material” control, taking into account the company’s risks and the potential impact on stakeholders.

The annual report must clearly set out how the Board has monitored and reviewed the effectiveness of their framework. It should include a formal declaration on the effectiveness of material controls as at the balance sheet date. Additionally, the report must describe any material controls that are not designed and operating effectively, outline the actions taken or proposed to address these issues, and provide an update on progress against previously reported weaknesses.

Emerging practice suggests that Boards should keep the set of material controls focused yet comprehensive. Evidence expectations should be agreed up-front, and Boards are encouraged to use iterative, risk-based testing approaches. Boilerplate disclosures should be avoided, and outcomes should be clearly connected to the company’s overall strategy and risk appetite.

## Summary of key changes to the Code

<b>Section 1</b> Effective 1 January 2025	<b>Board leadership and company purpose</b> <b>New Principle C</b> focuses on governance reporting on Board decisions and outcomes in the context of the company’s strategy and objectives. It calls for explanations for departures from Code provisions. <b>Amended Provision 2</b> amended to include that Boards should not only assess and monitor culture, but also how the desired culture has been embedded.
<b>Section 3</b> Effective 1 January 2025	<b>Composition, succession and evaluation</b> <b>Amended Principle J</b> 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. <b>Amended Provision 23</b> acknowledges potential additional initiatives in place alongside their diversity and inclusion policy. Notably, “ <i>Board evaluation</i> ” has been replaced with “ <i>Board performance review</i> ”.
<b>Section 4</b> Amendments – Effective 1 January 2025  <b>Provision 29 – Effective 1 January 2026</b>	<b>Audit, risk and internal control</b> <b>Amended Principle O</b> states the Board should be responsible for both establishing and maintaining the effectiveness of the risk management and internal control framework. <b>Amended Provisions 25 &amp; 26</b> , related to audit, risk, and internal control have been updated detailing the main roles and responsibilities of the Audit Committee and describing minimum standards for Audit Committees and External Audit. <b>Amended Provision 28</b> while the wording has been amended, the activities remain the same. <b>New Provision 29</b> explains the Board’s monitoring and review responsibilities. <b>See next page for more information.</b>
<b>Section 5</b> Effective 1 January 2025	<b>Remuneration</b> <b>Amended Provision 37</b> has been amended to include malus and clawback. <b>New Provision 38</b> mandates including malus and clawback details in the annual report, covering circumstances triggering their use, the specified implementation period aligned with the company, and disclosure of their utilisation in the last reporting period, with clear explanations if applicable.

Note: Section 2: Division of responsibilities is excluded because there were no amendments introduced in 2024.



# Provision 29: the Board's responsibilities

Provision 29 is the most impactful addition in the FRC's 2024 Code revisions. It collectively enhances the Board's responsibilities in relation to the company's risk management and internal control framework and calls for transparent and high-quality reporting to aid decision makers. Set out below are three main concepts of Provision 29.

## 1. Board's responsibilities for internal controls

"The Board should monitor the company's risk management and internal control framework and, at least annually, carry out a review of its effectiveness."

## 2. Concept of material controls

"The monitoring and review should cover all material controls, including financial, operational, reporting and compliance controls."

## 3. Annual reporting requirements

"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."

Method for review

Effectiveness declaration

Reporting on material control weaknesses and remediation plans

01

### Establish and monitor internal controls

- **Material controls** – the Board should review and finalise material controls which mitigate risks to a tolerable level.
- **Control framework** – the Board should establish a reliable risk management and internal control framework to structure risks and internal controls into well defined and meaningful areas.
- **Criteria for monitoring** – the Board should ensure they are involved in defining the scope, quality, and reporting criteria for the effectiveness review.
- **Coverage for monitoring** – the Board should ensure that their review covers control design, implementation, effectiveness assessments, and continuous monitoring of established controls.

02

### Declare effectiveness of material controls

- **Periodic assessment** – the Board should monitor the internal control environment and carry out assessments at least annually.
- **Criteria for assessment** – the Board should establish information, evidence, and reports required to conclude on the effectiveness of material controls.
- **Assume complete accountability** – the Board should not delegate any tasks pertaining reaching independent conclusions on the effectiveness of material controls. The Board can rely on information and reports provided by independent parties such as the Group Head of Internal Audit or appointed independent consultants. In such cases the Board should conclude only based on their independent assessment of the provided information.
- **Declaration of effectiveness** – the Board should declare the effectiveness of the company's material controls explaining the processes utilised to reach conclusions.

03

### Review and report on weaknesses

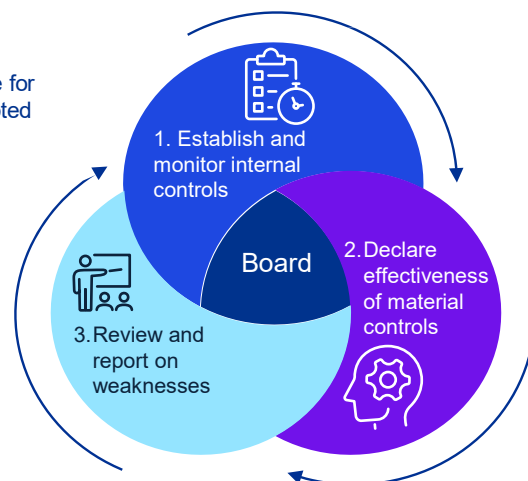
- **Review of weaknesses** – the Board should review the reported lapses and effectiveness issues of material controls and assess their potential impact on the company's long-term strategy, business model, business processes, investors, market, and other stakeholders.
- **Report on weaknesses** – the Board is accountable for clearly stating the noted weaknesses with full transparency.



### Prerequisites

Prior to meeting the Board's responsibilities outlined in Provision 29, the Board should establish the following:

- A. Risk management procedures, governance structures, and reporting format for risk management as **required by Principle O**.
- B. Processes to identify principal risks, emerging risks, and reporting requirements **as required in Provision 28**.



# How KPMG can help

## Specialist Governance and Risk Advisory

KPMG's specialist Risk and Regulatory Consulting practice advises organisations on all aspects of corporate governance, board effectiveness, risk management, regulatory compliance, technology risk, cyber security and internal control frameworks. Our team has the expertise to help Boards address changes required as a result of updates to the UK Corporate Governance Code in a practical and pragmatic manner.

## Practical Solutions for Risk Management and Controls

KPMG has extensive experience in designing and implementing risk management systems and internal control frameworks that address financial, operational, reporting, and compliance risks. We have deep experience in the design and implementation of internal control frameworks, including in relation to US SOX compliance. Our approach blends governance, risk management, controls, automation and culture to create a strong foundation for success, tailored to your business needs. With deep technical expertise and an understanding of real-world challenges, we support some of the largest UK and US registrants, as well as many listed national and global companies.

## End-to-End Managed Services and Board Support

KPMG provides end-to-end managed services for risk management and internal controls, covering annual compliance and testing activities. This includes scoping, risk assessments, documentation, design reviews, self-assessment, testing, reporting, and tracking of control activities. We also advise Boards on best practice, including Board Effectiveness Reviews, ensuring that organisations can navigate updates to the Code smoothly and efficiently.

## Board Leadership Centre and Peer Engagement

Our Board Leadership Centre and Audit Committee Institute engage directors and business leaders to explore critical boardroom challenges, deliver practical insights, and facilitate relevant discussions on governance and risk topics. They offer directors access to a community of board-level peers, topical seminars, thought leadership, and networking opportunities. We equip leaders with the tools and resources needed to be highly effective, enabling them to focus on the issues that matter most to their business. Learn more at: [Board Leadership Centre – Ireland – KPMG Ireland](#)

KPMG is supporting Boards and executive teams in navigating the revised UK Corporate Governance Code, including the requirements under Provision 29. Our approach is practical, tailored, and grounded in the latest regulatory guidance and benchmarking insights.

### 1. Readiness & Gap Assessment

KPMG helps organisations assess their current risk management and internal control frameworks against the new Code requirements. This includes identifying gaps in material controls—financial, operational, reporting, and compliance—and benchmarking your practices against industry peers.

### 2. Defining and Scoping Material Controls

KPMG works with Boards to define what constitutes “material controls” for your business, ensuring that controls are focused yet comprehensive. We guide you in definition and identification of material risks (including by reference to principal risks), mapping risks to controls, setting clear evidence expectations, determining assurance requirements and aligning your approach to long-term business sustainability.

### 3. Framework Design & Implementation

Our team assists in designing and refreshing your risk management and internal control framework, including documentation of risks and controls, governance structures, and continuous monitoring processes. We help you establish robust procedures for annual reviews and ongoing effectiveness assessments.

### 4. Testing, Validation & Assurance

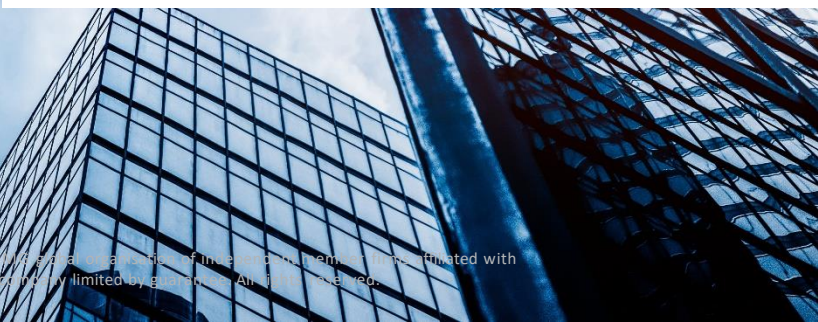
KPMG provides support for iterative, risk-based testing of controls, leveraging Internal Audit and, where appropriate, external assurance. We design and implement integrated assurance frameworks and processes. We help you avoid boilerplate disclosures by ensuring your reporting is meaningful, decision-useful, and tailored to your company's strategy and risk appetite.

### 5. Reporting & Disclosure Support

We assist Boards in preparing clear, compliant annual report disclosures. This includes drafting the required declaration of effectiveness, describing how the Board has monitored and reviewed the framework, and reporting on any material controls not designed and operating effectively, along with remediation actions and progress updates.

### 6. Ongoing Advisory & Best Practice Insights

KPMG offers ongoing advisory services, sharing benchmarking trends and regulatory updates to keep your governance practices current. We provide training, workshops, and Board briefings to build capability and confidence in meeting the evolving expectations of the FRC and stakeholders.



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