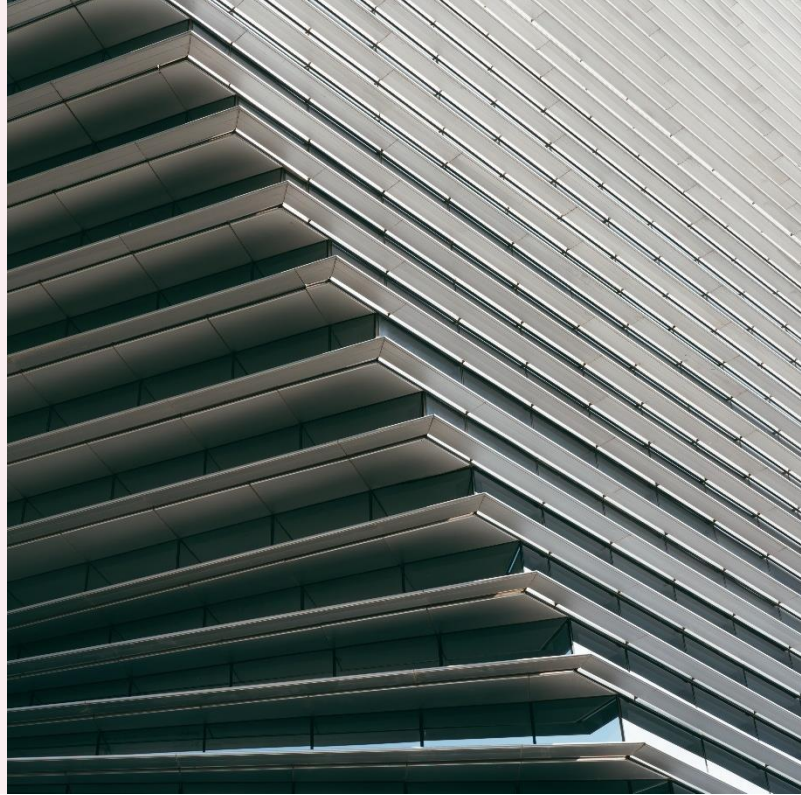


EMBEDDING CULTURE UNDER THE UK CORPORATE GOVERNANCE CODE 2024

July 2024



Under the UK Corporate Governance Code 2024, there is an obligation on the boards of premium listed companies to "assess and monitor... how the desired culture has been embedded." The previous version of the Code contained only a provision to assess and monitor culture, rather than also on how it has been embedded. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the company's purpose, values and strategy, the board should seek assurance that management has taken corrective action. The Annual Report should explain the board's activities and any action taken. As with other Code requirements, reporting is on a 'comply or explain' basis. It applies to financial years beginning on or after 1 January 2025.

Complying with this obligation requires companies to:

- Interpret the Financial Reporting Council (FRC) expectations and guidance, as it applies to their organisation. Building on its previous work on culture since the last iteration of the Code, the FRC has in its Guidance on the Code set out a number of key focus areas such as recruitment, onboarding, performance management & reward and communication with the workforce. It also outlines sources they might want to address in monitoring culture, including surveys, direct engagement, deeps dives, site visits and unsolicited feedback;
- Identify the desired culture within their organisation, in line with their purpose and values (or, if this is not yet clear, establish this);
- Benchmark internal systems, frameworks and controls and perceptions against that desired culture to assess whether it is, in fact, recognised and embedded (and, if it is not, what steps can be taken to remediate this);
- Position the appropriate narrative in their Annual Report (and AGM approach);
- Keep developments and implementation of corrective actions and ongoing compliance under review for successive Annual Reports (working with a range of functions, rather than just People & Culture).

We work with our clients in this systemic and strategic cultural analysis and reporting by:

- Developing an understanding of what their specific desired culture is, how that has been monitored and assessed historically, and any high-level issues to-date in embedding the culture;
- Carrying out desktop paper-based reviews of existing workplace culture governance frameworks and data (including policies, procedures, role descriptions, employee relations case data, staff survey results, remuneration frameworks, board and committee terms of reference and exit data);
- Interviewing board, management and staff to assess their understanding and lived experience of the company culture;
- Preparing internal reports and gap analysis to advise the board and senior stakeholders on findings about whether the desired culture has been embedded and any necessary remediation;
- Supporting on implementing remediation steps (ranging from drafting policy and governance framework changes, to reviewing employee/ manager communication cascades, to advising on carrying out legally compliant written staff surveys (covering cross-jurisdictional diversity data and broader inclusion matters such as psychological safety, to benchmark progress on cultural indicators and to be able to include results in subsequent Annual Reports);
- Advising on planning towards the desired narrative and outcomes for the Annual Report (to include preparation or review of draft content where requested) (taking into account possible stakeholder perceptions).

Beyond our employment team, Clifford Chance's governance experts have significant experience in advising relevant internal stakeholders (including Company Secretarial team) on working towards delivery of Annual Reports and AGMs.

Many corporates have of course devoted significant sections of the people elements of their reports to workplace issues, in line with existing reporting standards. For some, the new requirement may only require an additional layer of nuance or articulation. For others, it may require a more significant review and consideration of existing systems, data and frameworks. However, across in-scope companies, we consider that the new provision will lead to increased scrutiny on cultural outcomes, systemic cultural measures and board effectiveness in cultural oversight.

For an overview of employment law in a large range of key jurisdictions see our easy-to-use digital guide:

[Clifford Chance Employment Law Guide App](#)

Access the web version or download from the App store / Google play.



CHINWE ODIMBA-CHAPMAN
Office Managing Partner for London / Co-
Regional Managing Partner for One Europe

Email: chinwe.odimba-
chapman@cliffordchance.com
Mobile: + 44 207006 2406

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

cliffordchance.com

Clifford Chance, 10 Upper Bank Street, London, E14 5JJ

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ALISTAIR WOODLAND
Head of UK Employment, London

Email: alistair.woodland
@cliffordchance.com
Mobile: +44 207006 8936



ALASTAIR WINDASS
Partner, London

Email: alastair.windass
@cliffordchance.com
Mobile: +44 207006 2458



AMY BIRD
Partner, London

Email: amy.bird
@cliffordchance.com
Mobile: +44 207006 1830



TANIA STEVENSON
Knowledge Director, London

Email: tania.stevenson
@cliffordchance.com
Mobile: +44 207006 8938