



# UK Corporate Governance Code Provision 29

Practical market  
insights, key themes  
and observations



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# 1

## Introduction and reminder of the requirements

# Introduction and reminder of the requirements

In September 2025, we brought together nearly 100 companies across several roundtables to discuss Provision 29, also known as the new **‘Material Controls Declaration’** (the declaration). This applies to companies applying the UK Corporate Governance Code and comes into effect from January 2026.

The roundtables brought together professionals leading the daily management of programmes to support the declaration. Participants included those from risk and compliance, internal audit and finance across a diverse range of industries, such as retail, utilities, media, engineering, manufacturing, and aerospace.

This publication reflects the insights, themes and observations from these roundtables. Insights from our series of separate roundtables for Investment Trust Company board members have been included as a dedicated appendix, reflecting the unique structural considerations of these companies.

## A reminder of the requirements

The provision means boards must make an annual declaration as to the effectiveness of all material controls as at the balance sheet date. This includes those related to financial and non-financial reporting, operational activities, and compliance. The declaration should be accompanied by a disclosure providing **information on the basis for the board’s review** and assessment of control effectiveness. It should describe any material controls that were not effective at the balance sheet date and any planned or implemented actions to remedy these.

The core obligation for boards to establish, monitor, review and report on their risk management and internal control frameworks has long existed. Nonetheless, the introduction of this requirement has attracted considerable **attention, and we’ve seen many companies are** making significant changes as a result.



## Additional insights from audit committee discussions

We have also heard from several audit committees and board members on what they see as the most important considerations when approaching the declaration. This was consistent with the views included in this publication, with additional insights highlighted throughout.



## Our point of view and practical guidance

Our point of view and the practical guidance we have developed for approaching the declaration should be read in conjunction with this publication and can be found here [‘Spotlight on material controls’](#) and here [‘Disclosure points to consider’](#).

# 2

## Benchmarking data

# Benchmarking data

We asked participants to complete a brief survey about their approach to the declaration. Views expressed are incorporated throughout this publication, but here is some interesting benchmarking information up front:

## Who is leading the process

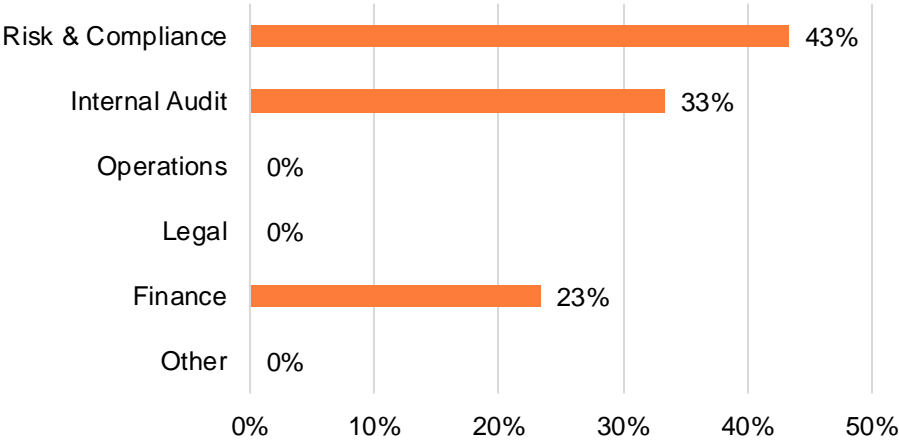
As can be seen from the chart, programmes to support the new declaration have largely been led by risk and compliance-type functions (almost 50%), with internal audit and finance being the next most common. In the early days, we often saw more finance functions taking the lead – perhaps largely because the declaration is an annual report disclosure, or because finance is an area where there has traditionally been a more well-established control framework.

Although internal audit are well-represented amongst those running the programme, this is not as common as risk and compliance functions. This perhaps speaks to a desire to maintain a degree of independence and/or use internal audit in the lines of defence when assuring the effectiveness of the controls.

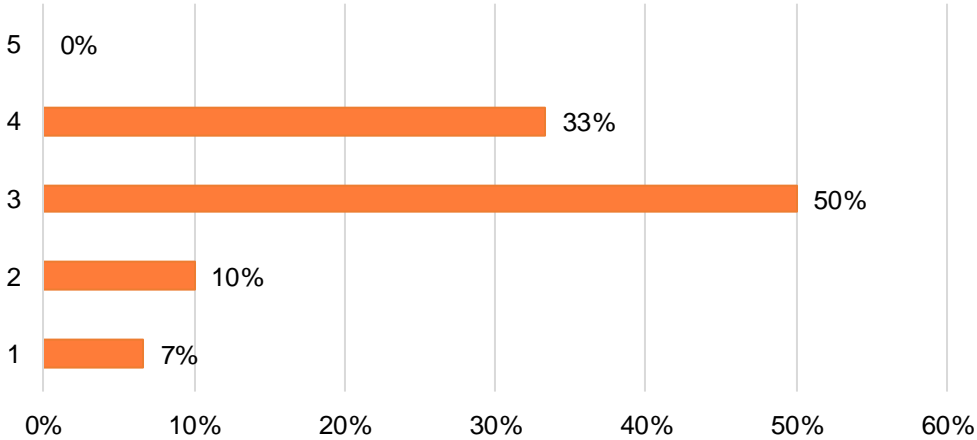
## How prepared are companies

Respondents largely fell into the 3-4 range, with none feeling fully prepared – not unexpected at this stage. Very few respondents were only in the initial stages of preparation. This shows significant progress from what we were seeing six months ago. We would expect to see more companies moving towards 'fully prepared' as the requirement becomes effective at the start of 2026 – though this may depend on a company's year-end.

Which department is primarily responsible for running the Provision 29 programme in your company?



On a scale from 1 to 5\*, how would you assess your company's readiness?



\*Where 5 is fully prepared and 1 is just beginning the process

# Benchmarking data (continued)

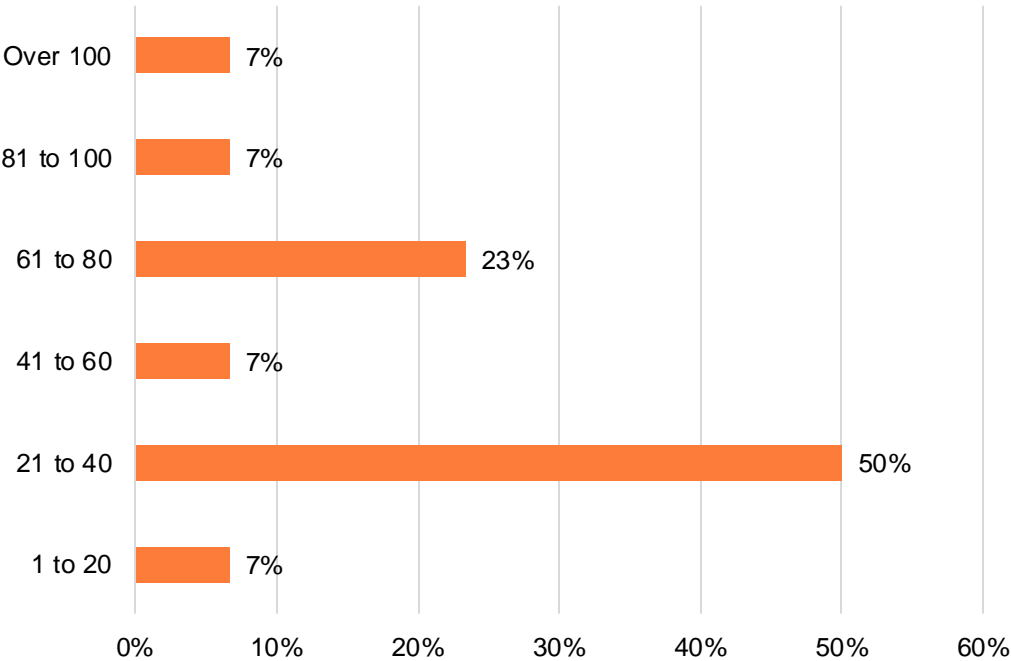
## Number of material controls

Probably the most intriguing number. 21-40 (50%) was the most common range of material controls reported in the survey, with a significant minority (23%) in the 61-80 range. Keep in mind that these are largely non-financial services companies – if financial services were included, given their often-complex regulatory requirements, we might see a trend towards the higher end of the range.

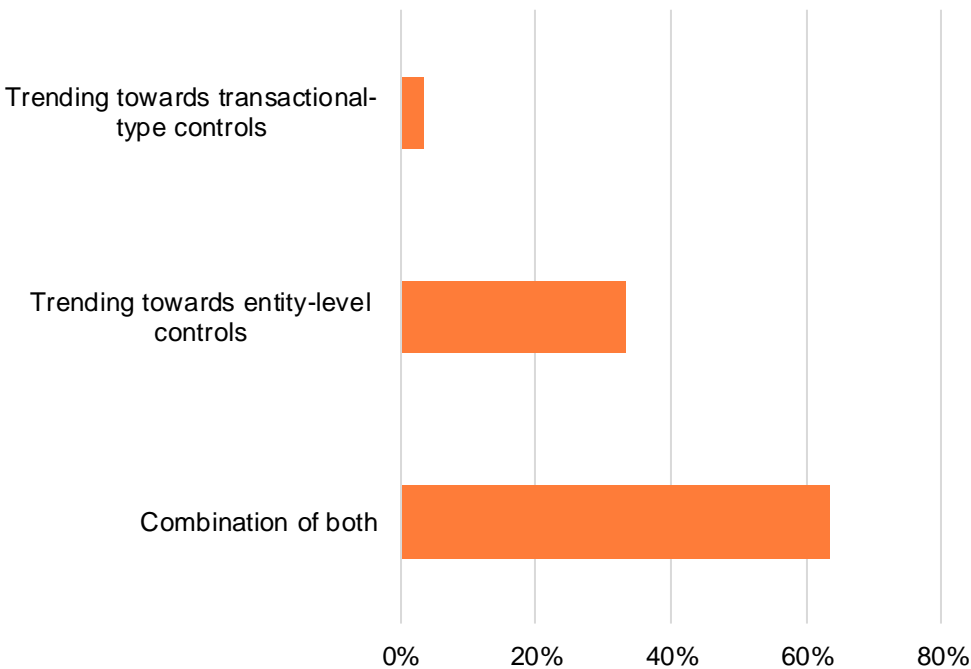
## Types of material control

The types of control reported included both more granular controls and those higher-level controls implemented at an entity, oversight, framework, or system level. This reflects what we have seen in practice as companies trend towards identifying more oversight-type controls as material controls as they progress through this process.

## Even if not yet finalised, approximately how many material controls has your company identified in preparation for the declaration?



## Types of material controls identified



# 3

## Insights from roundtable discussions



# Determining materiality

How to determine material risks and related material controls was the most extensively discussed topic at the roundtables. The collective views were as follows:

## 01

Participants emphasised the importance of maintaining focus on the risk management aspects of Provision 29 – noting that ongoing engagement with risk management functions remains essential. However, it was generally acknowledged **that the term ‘material control’ is not widely used** within risk management frameworks outside of the specific Code requirements.

## 02

In terms of identifying material risks and controls, our survey and discussions highlighted that the key challenges are in:

- Clearly defining what constitutes a material control
- Distinguishing it from key and other controls
- Balancing the number of controls and identifying those most relevant to stakeholders

## 03

The vast majority of participants agreed that identifying material risks should be the first step in determining material controls. The most common starting point for operational and compliance risks was the existing principal risks and underlying risk registers. Financial and non-financial reporting risks were then incorporated, largely based on where there could be the most reputational damage or damage to share price or investor decisions, should the reporting be incorrect.

## 04

Participants also agreed that some disaggregation or refinement of initial risk identification would be needed, often through collaboration with risk owners and specialists to understand the most material elements of risk. It was discussed that, in some cases, not all principal risks might be considered material in their entirety, in the context of the declaration, even though they are important risks that should be monitored.

## 05

Some participants use enterprise risk management systems and impact/likelihood matrices to filter for the most significant risks, mapping associated **controls using models like the ‘risk bow tie’ for clarity** when mapping associated controls. Challenges include managing risks that are beyond direct organisational control — such as commodity price fluctuations—requiring a focus on mitigation and adaptability.

## 06

In terms of materiality measures, some participants referenced quantitative measures as benchmarks for material impact. Many also recognised that materiality could include where unmitigated risks could result in substantial reputational harm, notable shifts in stakeholder expectations or investment decisions, or where it would warrant disclosure on its own merit. Also considered were factors emphasised **by the FRC’s guidance, such as** the potential to significantly affect the business model, liquidity, or solvency, or investor decisions.

# Determining materiality (continued)

## 07

In terms of the number of material controls, participants observed that at the outset of this process, reported numbers were generally higher. The consistent decrease is attributed to many companies changing how they identify or classify their material controls, e.g., incorporating framework-level or entity-level controls or control aggregation. Many have also used ‘stand back exercises’ with audit committees to refine their lists.

## 08

In fact, there was consensus amongst participants that the audit committee (and board to some extent) should be involved early as their engagement is essential for validating streamlined control sets and reconciling business and board risk perspectives.



### Additional insights from audit committee discussions

Audit committee members strongly agreed with the need for a robust yet proportionate approach that considered risk tolerance - accepting that a control could rarely mitigate a risk to nil and that it is important to define what constitutes a tolerable level of risk. They were keen to be involved in the decisions over what is considered a material risk and control throughout the process, as it was felt that they **could offer a valuable ‘stand back’ perspective.**



# Types of material controls

Participants discussed the type of controls they were identifying as material and if this was changing as they went through the process. The collective views were as follows:



## Additional insights from audit committee discussions

Audit committee members agreed that it is highly likely there will be material controls at the audit committee or board level that need to be considered in the overall material control set. Examples could be formal reviews and sign offs, succession planning, choosing the right external provider, and setting the right culture within the company.

## 01

Participants are trialing different types/categories of controls (for example, standalone or oversight/framework-level controls) to ensure a proper risk focus, and to balance sufficient coverage with practicality and proportionality. As indicated in our survey, over time, there is a noticeable shift towards these higher-level controls, and we anticipate that this trend will continue.

## 03

Similarly, impact assessments affect the number and type of controls being identified and there is a growing emphasis on impact criteria, with companies focusing on proactive risk management. One participant spoke about '**Jenga controls**' (those material controls whose removal would significantly compromise processes or increase risk exposure).

## 02

Additionally, some participants talked about aggregation of controls into material control '**groupings**'. **These higher-level** controls tend to cover a broader range of risks, although they often need to be supplemented by more detailed, granular controls. Many agreed that rationalising and bundling controls helps streamline frameworks, but that all important controls should remain documented and monitored, regardless of whether **they are classified as 'material'**.

## 04

Using control frameworks or aggregated controls that consolidate multiple related controls into single groupings can reduce the overall number of material controls. However, participants acknowledged the challenges in identifying what effectiveness looks like at the framework or aggregated level (discussed further on the next page).

# Judging whether a material control is effective

Participants were agreed that determining material control effectiveness is complex, especially where material controls are at a higher level or are aggregated into material controls groupings. The collective views were as follows:

01

In terms of the practical aspects of determining effectiveness, participants are considering:

- Error rates
- Frequency and timeliness of control activities
- Completion rates and remediation metrics
- Control design adequacy
- Execution consistency
- Personnel competence
- Documentation quality

02

Where controls are standalone, determining effectiveness can be less of a challenge. However, participants noted the difficulty in assessing the effectiveness of higher-level controls that are aggregated or a system or framework. For example, if a fraud risk framework is a material control, **it's unclear how many elements must** function for it to be deemed effective, or whether one failure means the whole control is compromised.

03

Some participants indicated that effectiveness can be assessed at the system level, suggesting that if the overall control environment remains robust and responsive, an individual failure does not necessarily indicate a material control failure. They also felt that the failure of an individual control does not automatically render the overarching material control ineffective.

04

Others felt that determining the effectiveness of individual controls was necessary, but that it could be to a varied extent depending on the nature and maturity of the controls. Some were also of the view that impact assessments for grouped controls should consider severity, recurrence, and stakeholder impact when determining the need for disclosure.

05

In addition, real-life events, such as prior incidents or outcomes from dry run testing, can provide useful information for evaluating control effectiveness.

06

There was ongoing uncertainty in **defining what constitutes 'effectiveness' and 'failure' for controls related to high-emotion risks** (e.g. health and safety, reputational incidents).

07

Others agreed that there could be **reliance on 'reasonable person' and 'reasonable procedures' tests to apply** professional judgement when assessing control effectiveness for complex risks.

08

A small number of participants suggested that it might not be necessary to set a bar up front for what failures would require disclosure. Rather companies might develop reporting criteria and apply these when failures actually happen.

# Judging whether a material control is effective (continued)

**09**

There was consensus that board discussions on control effectiveness should be clear and pragmatic, focusing on genuine effectiveness rather than regulatory box-ticking. It was also agreed that ongoing, open dialogue between executive sponsors and the audit committee and board is key to improving understanding and oversight of controls, even if it differs from traditional testing approaches. There was a view that effectiveness reporting should be integrated into established governance reports for consistency.

**10**

Continuous and open dialogue with auditors was also felt to be key, particularly around materiality considerations and findings coming out of the audit.





# Assurance over effectiveness

Determining effectiveness is important but so is considering the assurance the board has over that effectiveness. The collective views were as follows:



## Additional insights from audit committee discussions

Audit committee members agreed that the lines of defence model was a good option and most saw assurance mapping as a useful tool for assessing **what is “enough”**.

Discussions are emerging around the possibility of external assurance.

## 01

The **‘lines of defence’** model was the most common approach to assuring effectiveness of material controls, as it clearly defines organisational roles and provides layered comfort against risk.

## 02

Participants described how they are using assurance mapping to visually represent assurance coverage, helping boards identify gaps and overlaps across the different ‘lines of defence’.

## 03

Approaches driven by risk appetite are being used to align assurance activities with material controls. These ensure that where gaps exist, areas with lower tolerance receive additional assurance.

## 04

At least one company is considering a phased assurance approach, initially focusing on defining and documenting material controls, with rigorous effectiveness testing deferred to later years to prevent significant operational disruption.

## 05

Hybrid assurance models are emerging, with controls either assured through established frameworks or subject to evolving monitoring. Some participants are considering the possibility of external assurance over aspects of the process.

## 06

Many participants valued **‘dry runs’** as pilots for assurance models. These were noted as especially important for controls that only operate annually, and therefore have less chance of successful remediation.

## 07

The concept of operating effectiveness **‘as at the balance sheet date’** was a common topic of discussion, with the consensus being that it is less of a drop-dead date for effectiveness testing and assurance, and more of a reflection point for the board. It was also deemed likely that some material controls will operate after year end but relate to the financial year, and that these should still be taken into consideration.

# Collaborating effectively with the board and beyond

Participants felt that active collaboration within the company at board level and beyond was a key success factor. The collective views were as follows and are in line with what we heard in our audit committee discussions:

- 01** This is a board declaration. Although a lot of responsibility may often be delegated to audit or risk committees, the board must ultimately take responsibility for the declaration.
- 02** Many participants felt that board-level engagement is critical for materiality decisions. Discussions may be led by the audit or risk committees but should be integrated by the board within existing governance processes.
- 03** Regular updates to the audit committee covering material risk areas help maintain focus. In some companies, risk owners present principal risks to the audit committee on a rotating basis, ensuring ongoing dialogue and closer links with the work being performed.
- 04** It was clear that proactive involvement from senior leadership and the audit committee is intensifying as Provision 29 reporting deadlines approach. In several cases, however, this was yet to fully filter through to the full board.
- 05** Several participants noted ongoing difficulty in engaging stakeholders outside finance. Embedding controls in dynamic, evolving business environments amid competing strategic priorities can be challenging and there were varied approaches to this, with some companies framing Provision 29 as a compliance obligation while others highlighted the opportunity to enhance risk maturity and efficiency, depending on the company culture and levels of engagement.
- 06** Many felt that the audit or risk committee embedding a risk culture where risk owners routinely engage senior leadership, improves accountability and risk culture in a company.
- 07** Comprehensive training and communication across all levels of the company was also thought to be crucial, as it ensures that all teams within a company understand the purpose and requirements of controls.

# Benefits of refocusing on internal controls

Many participants felt that the declaration offered an opportunity to refocus, refine and improve **the company's internal controls** and resulted in several benefits. The collective views were as follows:



## Additional insights from audit committee discussions

Some audit committee members felt comfortable with the current measures in place at their companies, considering the process more of an exercise in formalisation. However, many took the view that a refreshed view of their internal controls framework would be needed. All recognised the benefits associated with a focus on controls and **instilling a 'controls culture'**.





# 4

## Appendix: Specific considerations for Investment Trust Companies

# Appendix – Specific Investment Trust Company considerations

Many of the insights mentioned above are relevant to Investment Trust Companies (ITCs), but there are some specific considerations. Since many ITCs outsource significant portions of their operations, material controls are likely to exist not just within the company (at the board level), such as specific oversight controls including the review of System and Organization Controls (SOC) reports, but also at service providers, such as the timely reporting of net asset values performed by the administrator.

Unlike in a more standard 'operating company' where processes and controls largely operate 'in-house' the identification and design of controls at service providers are typically not directly determined by an individual ITC board as these providers generally serve multiple ITCs. Service providers often supply SOC reports, which are frequently subject to external assurance. These reports can be utilised by the board as part of their assessment over the effectiveness of material controls, to the extent that the controls identified in the SOC report are relevant controls for the ITC.

The distinct characteristics of an ITC structure necessitate specific considerations for ITC boards when assessing the effectiveness of their material controls. To understand how ITC boards are adapting to the new declaration, we conducted roundtable discussions with several ITC audit committee members. A summary of these discussions combined with our own views follows, to be read alongside the main points of this publication.

## Corporate governance reporting requirements for Investment Trust Companies

Listed closed-ended investment trusts are required to apply the UK Corporate Governance Code (the Code), and report on a 'comply-or-explain' basis against its provisions. Members of the Association of Investment Companies (AIC) may choose to apply the AIC Corporate Governance Code (AIC Code) instead. The AIC Code is endorsed by the FRC, meaning that companies that report against the AIC Code are meeting their obligations under the Code. AIC Code Provision 34 has the same new requirements as those in Provision 29 of the Code.

## 1. Identifying where material controls reside

One of the key discussion points at the roundtables was the extent to which controls at service providers could be designated as material controls.

Participants agreed that material controls should be identified at both the board and service provider level, as outsourcing does not absolve the board of its responsibility to manage material risks and ensure effective controls are in place. Given this, it was agreed that, depending on individual ITC circumstances, a variety of methods may be required across the industry to identify material controls and be reassured of their effectiveness.

The consensus was that the board should first identify the most material risks to operations, compliance, and reporting, both financial and non-financial, regardless of where the risk is managed. In doing so, emphasis was placed on focusing on what could most seriously impact and damage the business model, solvency or reputation of the ITC.

After identifying these risks, the board should determine whether they are managed at the board level or by the service provider. Where the latter, participants highlighted the importance of understanding the board's direct input into the design and effectiveness of controls managed by service providers.

# Appendix – Specific Investment Trust Company considerations (continued)

## 2. Engaging with service providers

Aligned with other listed companies, ITC boards need to identify what is a material risk and that there is a material control in place to address that risk. However, as they rely heavily on service providers, ITCs often have less direct input into how the service provider designs and tests controls for material risks and what is included in their SOC reporting.

Some participants suggested service providers should update SOC reporting to reflect the new declaration and allow for the consideration of specific material risks. While others see their Alternative Investment Fund Managers (AIFM) as intermediaries to ensure proper oversight.

Either way, the consensus was that boards should clearly communicate expectations early to service providers, particularly their AIFM to gain a deeper insight into how material risks are identified at the service provider and the effectiveness of the material controls over those risks.

## 3. Judging operating effectiveness of material controls

As noted above, ITCs do not always have full input into the testing that is carried out by service providers or set the terms or scope of SOC reports, so early and regular communication about scope and effectiveness will be important. Also important will be timely notification about control deficiencies from the service provider, so that the board can adequately assess the deficiency and any potential remediation or compensating controls. It would also be helpful to discuss whether an individual ITC was included in sample testing for SOC reporting when a deficiency has been noted as the testing may be over a control that doesn't impact the ITC directly.

The ITC board should have a process to understand and evaluate whether what they would consider a material control at the service provider has failed and whether it has been remediated and is effective by year-end.

Participants also focused on the need to consider whether deficiencies noted in SOC reports indicate, individually or collectively, that a material control has failed, and whether there have been any compensating controls at the board level.

## 4. Assurance over material control effectiveness

Boards of ITCs need assurance that material controls are functioning effectively. Service-provider SOC reports should offer some comfort if they cover the board's material controls and are timely. However, the board must decide if additional assurance is necessary.

The discussion also highlighted the need for boards to identify the material controls that sit at the board level, for example appointing the right service provider and reviewing SOC reports, and the assurance they need that those controls are effective, given they won't normally have the structure for independent testing, e.g., by internal audit.

## 5. Non-coterminous SOC reports and bridging letters

Participants highlighted challenges with SOC reports not aligning with ITC year-ends, noting that even when they do, boards may not receive them promptly. They also highlighted that bridging letters are often non-specific and may not involve additional testing or detailed consideration of the controls up to the financial reporting period end, which creates a mismatch with the declaration date. The service provider's process for producing a bridging letter was discussed as a key process for boards to understand.

It was suggested that boards could request more tailored bridging letters for ITCs or more frequent controls reports specifically confirming the effective operating of material controls, though it was agreed this might not be feasible, given service providers often serve multiple ITCs. At a minimum, this is another area where it was felt that early communication of expectations between the board and the service provider was essential.

# Thank you