

KING V DRAFT:

INFORMATION SHEET AND PUBLIC COMMENT FORM

To aid your review, an information sheet summarising key changes is embedded in the comment form. *Should you wish to download this Information Sheet and Comment Form to work through prior to submitting comments [click here](#). (Note: no hard/soft copy comments will be accepted, all comments must be submitted using this online form).*

COMMENTER INFORMATION

Name

Surname

Role/Position:

- ☒ Non-executive Director
- ☐ Chief Executive Officer
- ☐ Chief Financial Officer
- ☐ Other member of Executive Management
- ☐ Company secretary
- ☐ Other (Please Specify)

. **I am commenting on behalf of:**

- ☒ Myself
- ☐ An organisation

. **Organisation name:**

This question was not displayed to the respondent.

. **Please indicate the nature of the organisation?** (Select one)

This question was not displayed to the respondent.

. **King V Code Draft Commenting Terms and Conditions ***

***Comments cannot be submitted unless this is agreed to.**

By submitting comments on this King V Code Draft for public comment you agree for your comments to be published and attributed to you or your organisation, depending on the capacity in which the comments are submitted.

- ☒ **I Agree**

. **OBJECTIVES OF THE REVIEW**

To ensure that our guiding standards for corporate governance remain relevant and effective, considering both local and global developments since the launch of King IV in 2016, the King Committee has embarked upon a review and update of the Code. These efforts are aimed at incorporating critical shifts such as the recent amendments to the Companies Act, evolving practices in remuneration governance, global developments in sustainability reporting, and the rapidly advancing technological landscape.

In addition to updating the content of the Code and supporting documents, another key objective of the review was to support organisations in their efforts to interpret and apply the principles of good governance. To this end, the review process included the consideration of opportunities to simplify the Code and make it more user-friendly and accessible to a wider range of stakeholders. This involved, among others, the use of plain language, streamlining content and changes to the presentation of the Code and its supporting and ancillary documents.

A final objective was to develop a standardised approach to the disclosure of the Code's application to enhance accountability and comparability across different organisations. This is helpful to regulators, shareholders and other users of reports on corporate governance. However, the King Committee is also of the view that the newly established disclosure approach provides organisations with the added advantage of facilitating and clarifying their disclosures on their governance application.

In summary, the objectives of this review are to:

- Update King IV with respect to local and national developments in corporate governance, including legislation.

- Streamline the content and presentation of King V to support the interpretation and application of the Code by users.
- Standardise and facilitate disclosure on the application of King V.

Outside of these objectives, there are no significant deviations from King IV. Therefore, organisations that are already applying King IV should find the transition to King V relatively straightforward.

. **INTENDED CHANGES IN THE VISUAL PRESENTATION OF THE CODE**

To enhance accessibility, logical flow and visual structure of King V, the current design of King IV as a single report that consists of multiple parts will be replaced with a deconstructed presentation. This will have the advantage of providing overall visibility of all the individual parts that currently comprise the King IV Report and each of these can then be directly accessed from a single webpage instead of having to search for it within the bigger report. The consequence of this is that the King V Code itself will be presented as a stand-alone document and not as part of a report. The webpage that gives access to the Code will also offer clearly visible anchor links or tabs will enable direct navigation to each of the other separate sections including the Disclosure Template, a glossary (currently Part 1), an explanation of the fundamental concepts underpinning King V (currently Part 2) and application and the disclosure regime (currently Part 3).

Since there will no longer be a “Report”, as such, is to be noted that the King V Code, together with the set of supporting documents is simply referred to in this information document as “King V”. Reference to the Code itself will be indicated as in this document as “the Code” or the “King V Code”. “Draft” is added depending on context.

The single webpage will also offer separate links to ancillary information including the members of the King Committee, background and reasons for the drafting of King V as well as guidance documents that, among other, will accommodate guidance to the various sectors which will replace the sector supplements.

The use of graphics and design elements in King V will be limited, to ensure greater accessibility for reading-impaired individuals and to align the style of it with regulatory drafting convention. The King IV app will be discontinued and no new app will be developed for King V but the King V Code together with its supporting and ancillary documents will be made freely downloadable in pdf format.

THE SEPARATION OF THE PREVIOUS COMBINED REPORT INTO MULTIPLE PARTS THAT CAN BE NAVIGATED FROM A SINGLE ACCESS POINT ENHANCES ACCESSIBILITY.

- ☒ STRONGLY AGREE
- ☐ AGREE
- ☐ DISAGREE
- ☐ STRONGLY DISAGREE

. **PLEASE SUBMIT FURTHER SUGGESTIONS, IF ANY, TO MAKE KING V OPTIMALLY ACCESSIBLE AND USER-FRIENDLY.**

SIMPLIFICATION OF CONTENT AND PLAIN LANGUAGE

It is an ongoing goal of the King Committee to foster a clearer understanding of corporate governance and its potential value to organisations. Enhancing the accessibility and usability of the Code is one of the ways in which this can be achieved; and with this in mind a thorough simplification and streamlining of language and content was initiated.

In the King V Draft an intentional attempt was made to use plain language and avoid technical jargon whenever feasible. A notable instance of substituting technical terminology with clearer language is the shift from using the term “six capitals”, as outlined in King IV, to expressing the same concept as “the resources and relationships that the organisation utilises and influences.” In the King V Code Draft the shorthand term “triple context” has been replaced with more detailed descriptions which denote the economy, society and natural environment that establishes the context within which the organisation operates or in which it is embedded. The meaning associated with these alternative phrasings remains consistent with that of the terminology used King IV.

The Glossary has been similarly updated and the definitions simplified and clarified where deemed necessary. As was the case with King IV, the use of the Glossary should be understood as an inextricable part of interpretation and giving effect to the King V Code.

Recognising that no corporate governance code could fully encompass all potentially advantageous governance practices, necessitated an evaluation of the significance of each practice as to whether it was fundamental as part of the framework that establishes the guiding standard on governance practice. Practices identified as primary and essential were differentiated from those classified as supplementary or supportive. If determined to be the latter, those recommended practices were removed from the King V Code Draft and designated for inclusion in guidance notes instead. This evaluation has been conducted respecting the philosophical foundations of King V while also considering the specific context of South Africa.

THE OVERALL SIMPLIFICATION OF CONTENT AND THE USE OF PLAIN LANGUAGE IN THE KING V CODE DRAFT AND GLOSSARY ASSIST WITH ITS ACCESSIBILITY AND USABILITY.

- ☐ STRONGLY AGREE
- ☒ AGREE
- ☐ DISAGREE
- ☐ STRONGLY DISAGREE

PLEASE SUBMIT COMMENTS AND SUGGESTIONS, IF ANY, ON THE STREAMLINING AND SIMPLIFICATION OF LANGUAGE AND CONTENT. *(Please note that further questions below on each principle and its supporting practices provide an opportunity to comment on specific instances of simplification.)*

. PHILOSOPHY AND APPROACH

Scope of King V

As with King IV, King V is intended to apply to all organisations regardless of their form of incorporation. For this reason, the broader forms of address, namely “organisations” and “governing body” are upheld in the Code Draft and there are no changes in this respect.

Executive summary

Now preceding the Code Draft is an executive summary of the fundamental concepts and philosophy that underpin the Code Draft and that will inform King V. It has been included for convenient reference; as well as to highlight the importance of reading and interpreting the Code against the setting of its fundamentals and philosophy. The executive summary encompasses the definition of corporate governance, fundamental concepts and philosophy of the Code Draft, an outline of the structural components (outcomes, principles and practices) and the application of the Code Draft and its disclosure regime.

It is to be noted that the core tenets and underpinnings of the Code Draft have remained largely consistent with those in King IV, with some refinements in the explanation of integrated thinking and how it links to the associated ideology of Ubuntu and concepts like corporate citizenship, stakeholder-inclusivity and sustainable development.

It is important to note that the executive summary and the aspects that it deals with will be supplemented with more detailed information which will be prepared and included in a dedicated section of King V when finally published.

THE INCLUSION OF AN EXECUTIVE SUMMARY IN THE KING V CODE DRAFT HIGHLIGHTS THE MEANING OF THE FUNDAMENTAL CONCEPTS AND PHILOSOPHIES THAT UNDERPIN IT AND ASSISTS WITH THE INTERPRETATION OF THE CODE.

- ☒ STRONGLY AGREE
- ☐ AGREE
- ☐ DISAGREE
- ☐ STRONGLY DISAGREE

. PLEASE SUBMIT COMMENTS AND SUGGESTIONS, IF ANY, ON THE INCLUSION AND CONTENT OF THE EXECUTIVE SUMMARY AS A PREAMBLE TO THE KING V CODE DRAFT.

Under "Performance", I recommend that phrases in the explanation are switched to read "... creating value in a sustainable manner within its ... context. In general, I do feel that the explanations could be worded in plainer language and could be better punctuated to provide greater clarity - one example is the penultimate sentence of the "Principles" summary which does not make complete sense to me.

. Contemporary corporate governance topics and concerns

The King V Code Draft reflects the King Committee's continued approach, as in King IV, to addressing contemporary corporate governance topics and concerns primarily at the level of the principle of it, rather than focusing on specifics. Consequently, concerns such as the pace of change and instability in the operating environment, disruption, climate change, transformation, and inequality are addressed in the Code within the overarching themes of social and environmental considerations. Governing bodies should consider the economic, social, and environmental context within which organisations operate, or from a more granular perspective, should consider the relationships and resources that organisations utilise and influence. These thematic strands operate as directives contained in the recommended practices across the diverse domains or subject areas of governance that the Code encompasses.

By means of an illustration, this approach suggests that climate change, along with other nature-related risks like biodiversity loss and water scarcity, should (as part of contextual, relational and resource considerations) be incorporated across governance domains as integral to organisational ethics and corporate citizenship, the formulation of strategy and performance indicators, organisational reporting, risk and compliance, remuneration, assurance, and stakeholder relationships. This approach is an illustration of the integrated thinking that underpins the philosophy of the Code and applies to other governance concerns also.

THE APPROACH OF THE KING COMMITTEE TO ADDRESSING CONTEMPORARY CORPORATE GOVERNANCE TOPICS AND CONCERNS (AS EXPLAINED ABOVE) CONSTITUTES A CLEAR AND PRACTICAL APPLICATION OF INTEGRATED THINKING.

- ☐ STRONGLY AGREE
- ☒ AGREE
- ☐ DISAGREE
- ☐ STRONGLY DISAGREE

. PLEASE SUBMIT COMMENTS AND SUGGESTIONS, IF ANY, ON THE KING COMMITTEE'S APPROACH TO ADDRESSING CONTEMPORARY CORPORATE GOVERNANCE TOPICS AND CONCERNS.

STRUCTURAL COMPONENTS OF CODE

The structural components of King IV, namely the *Outcomes*, *Principles* and *Recommended Practices* and their respective functions are carried forward into the King V Draft.

Outcomes

Wide engagement with those who apply or consult on King IV reveals a general consensus on the outcomes-based approach of King IV. However, it is evident that there is lack of clarity on the intended meaning of each of the outcomes. In King IV the outcomes of sound corporate governance are articulated as: Ethical Culture; Good Performance; Effective Control and Legitimacy and no further descriptions are provided. The King V Draft has been refined to clearly articulate the outcomes, using precise terminology and descriptors as follows:

Ethical culture:	The shared values, beliefs and practices within the organisation that promote ethical behaviour and decision making.
Performance:	The organisation creating value within its economic, social and environmental context in a sustainable manner.
Conformance:	Effectiveness, consistency and discipline with respect to adherence by the organisation to laws, regulations and adopted standards as well as the establishment and monitoring of the system of internal controls.
Legitimacy:	The organisation having a good reputation and being trusted as a result of responsible corporate citizenship and strong stakeholder relationships.

THE TERMINOLOGY AND DESCRIPTORS USED IN THE KING V DRAFT WITH RESPECT TO THE GOVERNANCE OUTCOMES ASSIST WITH CLARITY ON THE INTENDED MEANING OF EACH OUTCOME.

- ☒ STRONGLY AGREE
- ☐ AGREE
- ☐ DISAGREE
- ☐ STRONGLY DISAGREE

Principles

The King V Draft upholds the principles as essential and foundational to effective governance, asserting their universal applicability across various types, sizes and natures of organisations. Each of the principles relate to a domain or subject area of corporate governance, including ethics and corporate citizenship, strategy and performance, reporting, governing body composition, governing body committees, delegation, risk and compliance, information and technology, remuneration, assurance, and stakeholder relationships. They articulate the ongoing objective(s) organisations should aim for with respect to each domain.

All principles are now articulated in the present tense to reflect the essential and lasting nature of these goals within a corporate governance framework of guiding standards. Some of the principles have also been re-phrased or even combined to enhance clarity and conciseness as described more fully below when each of the principles is addressed.

Practices

The recommended practices as the third component of the Code structure, have been maintained in their current format except for streamlining language and reducing the number of practices as explained under each specific principle.

THE RATIONALE FOR THE USE OF THE STRUCTURAL COMPONENTS OF THE CODE (CONSISTING OF THE OUTCOMES, PRINCIPLES AND RECOMMENDED PRACTICES) AS IN KING IV IS CLEAR AND WILL CONTINUE TO BE APPROPRIATE FOR KING V.

- ☒ STRONGLY AGREE
- ☐ AGREE
- ☐ DISAGREE
- ☐ STRONGLY DISAGREE

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON THE USE OF THE STRUCTURAL COMPONENTS OF THE CODE CONSISTING OF THE OUTCOMES, PRINCIPLES AND RECOMMENDED PRACTICES.

APPLICATION OF THE CODE

King V is applicable to all organisations regardless of their form of incorporation. As stated, the King V Draft maintains the outcomes-based approach and still regards the principles as essential and foundational to sound governance. This perspective holds that principles are universally applicable regardless of the type, size or nature of organisation. Once an organisation has committed to the Code it is not considered conceivable to not strive for continuous application of that which is essential and foundational to governance.

As in King IV, scaling of practices is permissible and advisable in accordance with proportionality considerations, which include factors such as the size of operations of the organisation, the nature and complexity of its business model and its economic, social and environmental impact. An overriding condition of proportional application is that the practices linked to a specific principle should be implemented in a manner that, considering the organisation itself and its context, reinforces and actualises the aspirations articulated in that principle.

THE UNIVERSAL APPLICATION OF THE PRINCIPLES AND THE PROPORTIONAL IMPLEMENTATION OF RECOMMENDED PRACTICES AS IN KING IV IS CLEAR AND WILL CONTINUE TO BE APPROPRIATE FOR KING V.

- ☐ STRONGLY AGREE
- ☒ AGREE
- ☐ DISAGREE
- ☐ STRONGLY DISAGREE

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON THE APPLICATION OF THE CODE AND PROPORTIONALITY.

Noting what has been prepared for Principle 12 with Recommended Practices 88 to 93, I wonder if a fuller review of the Draft could be carried out to identify other areas of the Code which would be appropriate for Companies only and that could be separated/headed accordingly?

DISCLOSURE REGIME

The disclosure regime operates on a “apply and explain” basis, meaning that principles are assumed to have been applied; the implementation of recommended practices – whether adopted or not - requiring explanation.

Since the principles are regarded as universally essential to a governance framework of guiding standards, ongoing effort to apply the principles is assumed and a binary indication by organisations of “apply” or “not apply” when they disclose with respect to principles is unnecessary.

Concerning the recommended practices, any practices that have not been implemented should be clearly stated, along with an explanation of the reasons therefore. This explicit requirement to disclose by exception represents an enhancement of what is outlined in King IV. With respect to the recommended (or alternative) practices that were implemented, a narrative should be included detailing how these implemented practices - when considered as a whole - achieve or actualise the associated principle. In summary, the recommended practices are to be disclosed by exception (where not implemented) alongside a narrative explanation of the practices that have been implemented.

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON THE DISCLOSURE REGIME AS ARTICULATED ABOVE.

There are many recommended practices in the draft Code and narrating against every one, especially for smaller organisations, could be onerous. Similarly, if organisations wish to report with full compliance of King V, obtaining assurance for public disclosure could be costly. Could varying bases/levels for/of compliance be considered (e.g. public company, NPO, pty company etc; and/or number of employees; and/or "turnover" etc?

DISCLOSURE TEMPLATE

A [Disclosure Template](#) now accompanies the Code Draft which details both the form and content for disclosure on the application of the principles and the explanation of the practices. This constitutes a notable shift from King IV.

The aim with offering the template is twofold: Lived experience and feedback from users and regulators since King IV became effective in 2016 indicate that the requirements for disclosure on the application of the Code are perceived as complex and challenging, both to implement and to oversee. The template is, primarily, about assisting organisations with meaningfully and qualitatively accounting for their implementation of King V. Additionally, its purpose is to enhance transparency and consistency in King V disclosures across organisations since the form of content and layout of corporate governance disclosures would be standardised and be available from a single access point (i.e. the Disclosure Template). In brief, the use of the template is intended to benefit organisations in their implementation and ongoing monitoring of application as well as be of value to stakeholders, including shareholders, investors and regulators.

In King IV the practices that address disclosure under each principle are included in the Code itself. With respect to the King V Code Draft all recommended practices pertaining to disclosure have been moved from the Code to the Disclosure Template. With this being the case, it is important to recognise that the use of the template is an inextricable part of giving effect to the Code. As such, the King Committee is positioning the Disclosure Template as a document that the governing body is accountable for, similarly to how it is accountability for the application of the Code.

To avoid the burden of having to make duplicate disclosures, the template provides for the use of links to other reporting platforms such as the integrated report. It is recommended that the template, once completed, be published and kept updated on organisations' websites.

THE DISCLOSURE TEMPLATE WILL ASSIST ORGANISATIONS TO MEANINGFULLY AND QUALITATIVELY ACCOUNT FOR THEIR IMPLEMENTATION OF KING V.

- ☐ STRONGLY AGREE
- ☒ AGREE
- ☐ DISAGREE
- ☐ STRONGLY DISAGREE

THE DISCLOSURE TEMPLATE WILL ASSIST USERS OF GOVERNANCE REPORTS BY ENHANCING TRANSPARENCY, CONSISTENCY ACROSS ORGANISATIONS AND ACCESSIBILITY SINCE CORPORATE GOVERNANCE DISCLOSURES ARE STANDARDISED AND WILL BE AVAILABLE AT A SINGLE ACCESS POINT.

- ☐ STRONGLY AGREE
- ☒ AGREE
- ☐ DISAGREE
- ☐ STRONGLY DISAGREE

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON THE DISCLOSURE TEMPLATE.

CHANGES TO INDIVIDUAL PRINCIPLES AND ASSOCIATED PRACTICES

Simplification of language was applied also to the phrasing of principles as explained in more detail below with respect to each principle. In an attempt to present the content more clearly and accessibly, some of the principles currently in King IV have been combined in the King V Code Draft. This was done in instances where two or more principles were considered to be part of the same domain or subject area of governance. These instances are more fully explained below where the respective principles are addressed.

Furthermore, Principle 17 which pertains specifically to institutional investors such as pension and retirement funds and life insurers, has been deleted in the King V Code Draft due to its misalignment with the other principles that apply universally to all organisations. In King IV, in view of the rights, influence and legal duties that institutional investors have, it was stated as follows in Principle 17: *The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.* The idea at the time was that the inclusion of Principle 17 in a code for governing bodies, despite its applicability being limited to institutional investor organisations, would establish a connection between King IV and the responsible investing principles and practices are set out in the Code of Responsible Investment in South Africa (CRISA). However, it was observed that, in practice, confusion was created due to its lack of universal application. The King Committee has therefore decided to remove Principle 17 from the King V Draft Code and to instead continue its advocacy that institutional investors, in addition to their implementation of King IV, should also embrace the principles and practices of CRISA 2. Doing so will achieve the objective as was envisaged with Principle 17.

As a result of combining some of the principles and the removal of Principle 17, the 17 principles in King IV have been reduced to 12 in the King V Code Draft.

Concerning the practices, it bears repeating that recommended practices identified as fundamental and essential were differentiated from those classified as supplementary or supportive. If determined to be the latter, those recommended practices were removed from the King V Code Draft and designated for inclusion in guidance notes instead. It should also be noted that all recommended practices pertaining to disclosure have been moved from the King V Code Draft to the Disclosure Template.

Further detail on the changes to the principles and practices are set out below.

Ethical and effective leadership

PRINCIPLE 1: The governing body leads ethically and effectively as the focal point of corporate governance in the organisation.

Now also incorporated under **Principle 1** is the previous **Principle 6**: *The governing body should serve as focal point and custodian of corporate governance in the organisation, as well as the previous Principle 9*: *The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, supports continued improvement in its operations and effectiveness.*

Serving as the focal point and custodian of corporate governance as well as holding itself accountable by conducting evaluations of its performance are both regarded as key components that relate directly to the ethical and effective leadership role of the governing body. Being the custodian of governance and the governing body conducting self-evaluations are embodiments of the ICRAFT characterises (Integrity, Competence, Responsibility, Accountability, Fairness, Transparency) referred to in the practices under Principle 1. For this reason it has been considered appropriate to combine these principles in the interest of logical flow and to streamline content.

The practices supporting the previous Principle 1 have remained largely intact. Those that are associated with Principle 6 and Principle 9 have been simplified and reduced somewhat for purposes of the King V Code Draft.

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON PRINCIPLE 1 AND ITS ASSOCIATED PRACTICES IN THE KING V CODE DRAFT.

I would argue that Principle 1, Recommended Practice 2 should lead with the governing body operating with a future orientation as the emphasis is on (longer-term) sustainability; this orientation can then be supported by inward focus, monitoring of past performance etc. [See recommended Practice 11 which talks of the organisation's ability to create value over time.] I also feel that the heading to Recommended Practices 4 and 5 - "Self-evaluation" - is at odds with some of the content of those practices (which allows, for example, for external facilitation of the evaluation), and that the suggested processes for evaluation, although being initiated by the governing body, should ensure objectivity and not just be a rubber-stamping or back-slapping exercise.

Governance of ethics

PRINCIPLE 2: The governing body governs the ethics of the organisation in a way that fosters an ethical organisational culture and promotes responsible corporate citizenship.

The previous **Principle 3** on corporate citizenship: *The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen*, has been encapsulated under **Principle 2** since corporate citizenship is considered as an integral aspect of organisational ethics. Other than this and the general simplification of language, the practice recommendations remained largely intact.

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON PRINCIPLE 2 AND ITS ASSOCIATED PRACTICES IN THE KING V CODE DRAFT.

There is an unspoken "step" between Recommended Practices 6 and 7 under Principle 2 in that the governing body should also ensure that a Code of Ethics is developed, reviewed and put into place.

Strategy and sustainable value creation

PRINCIPLE 3: The governing body ensures that the organisation's purpose, business model and strategy result in sustainable value creation within its economic, social and environmental context.

This principle is essentially about strategy and performance understood for purposes of the King V Code Draft as sustainable value creation. The wording as is in King IV, **Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable**

elements of the value creation process, has been significantly simplified and clarified to read as above.

Overall, the practice recommendations have been stated more succinctly. The review of the practices was undertaken with the view to ensure a logical flow that firstly, deals with the setting the direction of the organisation's purpose and its realisation; followed, secondly, by consideration and approval of the organisation's strategy by the governing body having taken into account (in line with integrated thinking) how availability of resources and relationships affect the proposed strategy and what potential outward impact the strategy has on the operating context. Finally, implementation of the approved strategy is then overseen and assessed for negative impacts and consequences of its activities and outputs. Improving the logical flow is aimed at facilitating the ease of implementation of the recommended practices.

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON PRINCIPLE 3 AND ITS ASSOCIATED PRACTICES IN THE KING V CODE DRAFT.

Reporting

PRINCIPLE 4: The governing body ensures that reports issued by the organisation enable stakeholders to make informed and holistic assessments of how the organisation creates sustainable value within its economic, social and environmental context.

This principle has been rephrased somewhat from the wording of **Principle 5** in King IV: *The governing body should ensure that report issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long term prospects.*

In view of recent and ongoing developments in corporate reporting, practice recommendations in the King V Code Draft that support this principle make reference to the responsibility of the governing body with regards to, among other:

- The determination of the reporting standards, frameworks and guidelines to be used, by the organisation.
- Consideration of what the suite of reports to be issued by the organisation should consist of.
- Issuing of an integrated report at least annually that reflects the integrated thinking of the organisation and its participation in sustainable development.
- Ensuring that the basis for materiality for sustainability information to be included in external reports encompasses both financial materiality and impact materiality.

The latter prescription in the recommended practice that the basis for evaluating the materiality of sustainability information for disclosure includes both financial materiality and impact materiality (described in more detail in the Glossary to be included in King V when published) is a clear indication that the King V Draft supports, so called, double materiality. Although this is implied in King IV it is not directly stated as it is now in the King V Code Draft.

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON PRINCIPLE 4 AND ITS ASSOCIATED PRACTICES IN THE KING V CODE DRAFT.

Composition of the governing body

PRINCIPLE 5: The composition of the governing body is balanced with respect to the mix of competencies, diversity and independence that enables it to discharge its governance role and responsibilities objectively and effectively.

Principle 7 in King IV, which is the equivalent of Principle 5 in the King V Code Draft: *The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively*, has been slightly reworded but without changing the substance thereof.

A number of the recommended practices under the current King IV principle, have been deleted in the King V Code Draft with the view to incorporate these into guidance papers.

Noteworthy is that some amendments have been made to the independence criteria in the King V Code Draft. As is the case with King IV, and this is reinforced in the King V Code Draft, all factors that may adversely affect independence should be considered holistically and on a substance-over-form basis by the governing body when categorising its non-executive members as independent or not. Now addressed, among other, in the independence criteria are parties related to the member of the governing body with respect to whom independence is evaluated. Cooling off periods are also described with more specificity. Furthermore, nine years of service as governing body member is included as criterion to be considered together with other relevant factors whereas in King IV it is dealt with separately from the other indicators.

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON PRINCIPLE 5 AND ITS ASSOCIATED PRACTICES IN THE KING V CODE DRAFT.

For Principle 5, Recommended Practice 21 sub-paragraphs a to c refer to Nomination and Election of board members per the heading; this is separate to sub-paragraphs d to f which deal with the (ongoing) building of capacity of governing body members - I would argue that a separate Recommended Practice should deal with the ongoing capacitation of board members. Also, I do not think Recommended Practice 24/5 are a "practice"; those sections are self-described as a categorisation task and would only become Recommended Practice(s) in my view if it was first stated that the board needs to monitor the split between independent and other members because.... Recommended Practice 26 should be combined with Recommended Practice 27's sub-paragraph e as they deal with the Elected Chairperson being an independent non-executive or not.

Committees of the governing body

PRINCIPLE 6: The governing body ensures that arrangements for delegation to its committees and individuals within its own structures support the objective and effective discharge of its governance responsibilities.

The wording of the principle has been simplified from its current wording in King IV as **Principle 8:** *The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties*, whilst the practice recommendations remained largely the same.

Delegation by the governing body to its committees is now dealt with throughout the document under the various governance domains or subject areas so that it is clear (but not prescriptive) as to which committee oversight is generally delegated to with regards to a particular governance subject area. Such delegation should always be understood as subject thereto that the governing body retains accountability for whatever responsibilities are delegated, as the relevant recommended practice under this principle indicates.

Since the general approach with the King V Code Draft, similar to King IV, is not to repeat legal provisions and because there are no direct contradictions between King IV and the changes introduced through the Companies Amendment Act, pertaining to the remuneration committee and the social and ethics committee, the recommended practices as to these committees in the King V Code Draft remain largely the same. The provisions contained in the Companies Amendment Act should be viewed as additional to the recommendations in the King V Code Draft.

One notable change with respect to the risk committee and the social and ethics committee is that the practice recommendation now is for these committees to consist of a majority of non-executive members and at least one independent member. This is a departure from King IV which recommends a simple majority of non-executive members to these committees. It is also a higher requirement than what the Companies Act provides for with respect to social and ethics committees. (There is no Companies Act provision with respect to the composition of risk committees but other regulatory provisions are relevant.)

THE PRACTICE RECOMMENDATION FOR THE RISK COMMITTEE TO CONSIST OF A MAJORITY OF NON-EXECUTIVE MEMBERS AND AT LEAST ONE INDEPENDENT MEMBER WILL ASSIST WITH THE OBJECTIVE AND EFFECTIVE FUNCTIONING OF THE COMMITTEE.

- ☐ STRONGLY AGREE
- ☒ AGREE
- ☐ DISAGREE
- ☐ STRONGLY DISAGREE

. THE PRACTICE RECOMMENDATION FOR THE SOCIAL AND ETHICS COMMITTEE TO CONSIST OF A MAJORITY OF NON-EXECUTIVE MEMBERS AND AT LEAST ONE INDEPENDENT MEMBER WILL ASSIST WITH THE OBJECTIVE AND EFFECTIVE FUNCTIONING OF THE COMMITTEE.

- ☐ STRONGLY AGREE
- ☒ AGREE
- ☐ DISAGREE
- ☐ STRONGLY DISAGREE

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON PRINCIPLE 6 AND ITS ASSOCIATED PRACTICES IN THE KING V CODE DRAFT.

Appointment and delegation to management

Principle 7: The governing body ensures that the appointment of and delegation to management result in operational effectiveness and clarity on authority and responsibilities.

The wording of **Principle 10** in King IV: *The governing body ensures that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities*, has been amended slightly in the Code Draft with the practice recommendations remaining largely the same.

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON PRINCIPLE 7 AND ITS ASSOCIATED PRACTICES IN THE KING V CODE DRAFT.

Risk and compliance governance

PRINCIPLE 8: The governing body governs risk and compliance to enable the organisation to expand its opportunities, and set and achieve its strategic objectives.

The previous separate risk and compliance principles have been combined into a single principle, since compliance is considered to operate in tandem with and as a sub-set of risk. The current phrasing of the respective principles in King IV is as follows. **Principle 11:** *The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives*; **Principle 13:** *The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen*. It should also be noted that King IV, Principle 13 dealt with compliance and its connection to ethics and corporate citizenship. Principle 1 and Principle 2 of the King V Code Draft are considered to address these aspects adequately and are therefore not repeated here.

The practice recommendations under this principle have remained largely the same.

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON PRINCIPLE 8 AND ITS ASSOCIATED PRACTICES IN THE KING V CODE DRAFT.

Under Principle 8 and risk governance, I have difficulty with the ordering of the sub-paragraphs - particularly as, under 68a, the governing body must identify the risks it is prepared to take without embarking on an initial survey of all risks arising from the context in which it operates that is required for monitoring under 68c(i) - in practical terms surely the first step is to develop a full "register" of risks before setting levels of tolerance etc?

Information governance

PRINCIPLE 9: The governing body governs information and deployment through technologies to enable the organisation to expand its opportunities and set and achieve its strategic objectives.

Since technological developments and the emergence of new technologies are happening at such a rapid pace and are very relevant currently, this is one of the domain areas in the King IV Code Draft which has been updated the most.

In an attempt to clarify terminology, the Code Draft has been drafted on the basis that *information governance* is presented as the overarching concept with its strategic imperative being to ensure that information is managed in a way that maximises its value to the organisation while minimising associated costs. *Information technology* (IT), data and *emerging technologies* are regarded as related components and converging technologies within the broader information governance framework.

The practice recommendations have been rewritten to address the objectives and risks to the governance of IT and Data. Artificial Intelligence (AI) specifically is dealt with, with a focus on the governance of the risks that its use or deployment may involve for organisations and their stakeholders.

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON PRINCIPLE 9 AND ITS ASSOCIATED PRACTICES IN THE KING V CODE DRAFT.

Remuneration governance

PRINCIPLE 10: The governing body ensures that the organisation remunerates fairly, responsibly and transparently to promote sustainable value creation within its economic, social and environmental context.

The wording of the principle itself is very similar to the previous version of it with no substantive change. The current **Principle 14** in King IV reads: *The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.*

In view of the reform in this area introduced by the Companies Amendment Act and in line with the approach not to repeat legislative provisions, the practice recommendations related to remuneration voting have been deleted in the King V Code Draft and the practices have been simplified to make the content more succinct. However, the non-binding votes on remuneration have been retained for companies that must have their annual financial statements audited, but are not subject to the provisions of the Act in relation to voting on remuneration.

THE RETENTION OF THE NON-BINDING REMUNERATION VOTES IN THE KING V CODE DRAFT FOR COMPANIES NOT SCOPED INTO THE PROVISIONS OF THE ACT WILL ADD TO TRANSPARENCY AND GOOD PRACTICE.

- ☐ STRONGLY AGREE
- ☐ AGREE
- ☐ DISAGREE
- ☒ STRONGLY DISAGREE

. PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON PRINCIPLE 10 AND ITS ASSOCIATED PRACTICES IN THE KING V CODE DRAFT.

Under Principle 10 (Remuneration), Recommended Practice 76 needs to be much clearer than simply stating "... how remuneration is approached" - should it perhaps talk about how fair and ethical remuneration is determined? Also, Recommended Practices 78 and 79 slip into the assumption that all organisations have "shareholders" - could "stakeholders" rather be used in this context?

Assurance

PRINCIPLE 11: The governing body ensures that assurance services and functions enable an effective control environment and safeguard the integrity of information used for decision making and disclosure by the organisation.

The wording of **Principle 15** in King IV: *The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation’s external reports*, has been amended to simplify language.

Supporting practice recommendations under the sub-section “Combined assurance” have been reduced to make it more succinct and readable. The sub-section “Assurance of external reports” has been deleted in its entirety since it overlaps with the reporting principle and have been overtaken by regulatory provisions. The practices under “Internal audit” are substantially

similar to those in King IV with a number of minor amendments.

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON PRINCIPLE 11 AND ITS ASSOCIATED PRACTICES IN THE KING V CODE DRAFT.

Stakeholders

PRINCIPLE 12: The governing body, in acting in the best interests of the organisation over time, adopts a stakeholder-inclusive approach which takes into account material stakeholders' interests.

In King IV **Principle 16** as the equivalent of Principle 12 in the Code Draft reads: *In the execution of its governance role and responsibilities that governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.* This wording has been amended to simplify and clarify.

Subject to minor refinements in the shareholder engagement and group governance sections, the recommended practices in the King V Code Draft are largely consistent with what is currently in King IV.

PLEASE SUBMIT COMMENTS OR SUGGESTIONS, IF ANY, ON PRINCIPLE 12 AND ITS ASSOCIATED PRACTICES IN THE KING V CODE DRAFT.

GENERAL

On reflection, I feel that there are a number of cases in which the first recommended practice under a principle is more a statement of the objective of that principle rather than of a practice to be put in place, which generated some of my comments against individual principles. If this could be reviewed, there may be greater clarity in having a brief introductory sentence for each set of practices under a principle.

Location Data

Location: [\(-33.914, 18.4129\)](#)

Source: GeolIP Estimation

