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KING V DISCLOSURE FRAMEWORK

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PURPOSE OF THIS GUIDANCE

Following the release of the King V Disclosure Framework (“Disclosure Framework” or “Framework”), questions have arisen regarding its application, level of prescription and whether it limits organisations in how they communicate their governance story.

This guidance note clarifies the intent of the Disclosure Framework and provides practical insights, including observations from early adopters.

PART A – UNDERSTANDING THE DISCLOSURE FRAMEWORK

PURPOSE OF THE DISCLOSURE FRAMEWORK

It is important to note that a voluntary code of corporate governance mainly operates on the basis of social and market forces rather than legal sanctions. For society and the market to hold organisations accountable, transparency is necessary. The Disclosure Framework fulfils a critical function in that respect and establishes a minimum disclosure baseline for organisations that state they apply King V.

Organisations that claim application of King V must use the Disclosure Framework in support of that claim. The Framework therefore establishes the minimum disclosure baseline for organisations that state that they apply King V.

Its purpose is to:

- ✓ promote consistency and comparability of governance disclosures from one financial year to the next for a particular organisation, as well as across various organisations and sectors;
- ✓ ensure accessibility and completeness of information for stakeholders; and
- ✓ support the “apply and explain” regime.

MINIMUM VERSUS ADDITIONAL DISCLOSURE

The Framework prescribes the minimum content that must be addressed.

It is important to emphasise that the Framework is:

- a required instrument for disclosure that enables accessibility and comparability; and
- not a substitute for judgement, nor a limitation on additional disclosure.

Therefore, organisations remain free to:

- provide additional narrative;
- include examples, case studies or metrics;
- expand on context and how they applied judgement; and
- enhance disclosures within their integrated report or broader reporting suite.

The Framework therefore does not dilute disclosure — it ensures a minimum level of transparency while allowing organisations to say more where appropriate. It assists with avoiding a situation where the use of generic and “*boilerplate*” language obfuscates the specifics that need to be addressed as a minimum.

THREE CATEGORIES OF DISCLOSURE THAT ARE REQUIRED

∴ **First category: Concluding statement on governance outcomes**

The Framework requires the governing body to provide its conclusion on whether the application of the King V principles and implementation of the recommended practices have, in its opinion, realised value for the organisation within its economic, social and environmental context, having regard to the four governance outcomes.

This disclosure is intended to reflect the governing body's overarching judgement on the effectiveness and impact of governance within the organisation during the reporting period.

∴ **Second category: Exception declarations and compensating measures**

The Framework requires disclosure where recommended practices are not adopted.

A meaningful exception declaration should:

- clearly identify the practice not adopted;
- explain why it has not been adopted;
- describe compensating measures in place if applicable; and
- indicate, where relevant, whether implementation is planned.

Exception disclosures should not be treated as compliance failures, but rather as an opportunity to demonstrate transparent and thoughtful governance.

∴ **Third category: Specific disclosures**

Some of these specific disclosures require a statement of satisfaction by the governing body or a committee regarding particular governance arrangements, controls, structures or processes. Others require factual disclosures, such as board composition and meeting attendance.

The purpose of these specific disclosures is to ensure that stakeholders receive both:

- the governing body's considered assertions on the effectiveness of governance arrangements; and
- the factual information needed to assess those assertions and the quality of governance for themselves.

PUBLICATION AND INTEGRATION INTO THE REPORTING SUITE

The Disclosure Framework should:

- form part of the organisation's external reporting suite; and
- be published alongside other reports (typically on the organisation's website).

It should be read together with the integrated report and other disclosures, rather than as a standalone document in isolation.

PART B – APPLYING THE FRAMEWORK IN PRACTICE

USE OF CROSS-REFERENCING

To avoid duplication, organisations are encouraged to:

- cross-reference to their integrated report or other disclosures; and
- provide links where relevant.

However, cross-referencing should be:

- specific and precise (e.g. page-level references), and
- directly relevant to the principle or practice being disclosed.

Generic or broad references (e.g. to an entire report) should be avoided.

GOVERNING BODY ACCOUNTABILITY

The governing body:

- assumes responsibility for its reporting on King V, using the Disclosure Framework; and
- must formally approve the disclosure.

This reinforces that using the Disclosure Framework for King V disclosures is not a technical exercise, but a governance statement owned by the board.

FLEXIBILITY IN FORM AND PRESENTATION

The Framework allows flexibility in how disclosures are presented.

Organisations may:

- adapt the format and design;
- present disclosures in narrative or tabular form; or
- integrate the King V disclosures using the Framework into their broader reporting suite.

What may **not** vary is the requirement that all prescribed content is addressed.

PROPORTIONALITY

Proportionality does not mean that the use of the Disclosure Framework itself is proportionate or optional in content. Where an organisation claims application of King V, the Disclosure Framework sets out the minimum disclosure required to support that claim.

Accordingly, where an organisation has, on grounds of proportionality, not adopted one or more recommended practices, this does not preclude it from claiming application of King V. It does, however, require clear disclosure of:

- the recommended practice not adopted;
- the reasons why it was not adopted;
- the compensating measures implemented, if any; and
- why the governing body is satisfied that the approach remains appropriate in the organisation's particular circumstances and that the objective as set by the relevant principle is still achieved.

In some cases, proportionality may therefore result in more disclosure rather than less, because departures from recommended practices need to be explained.

Organisations should be careful not to treat proportionality as a basis for avoiding governance discipline or limiting transparency. If an organisation has so many departures from recommended practices that it cannot credibly explain how the objectives of the principles are nevertheless being achieved and the outcomes realised - it should think carefully before stating that it applies King V.

The central question is not whether every recommended practice has been adopted in identical form, but whether the organisation can demonstrate, through thoughtful application and transparent disclosure, that the principles of King V are being applied in a manner that is credible, justifiable and meaningful to its stakeholders.

Making evident how the implemented practices deliver on the ongoing objectives set by the principles, and how the achievement of these principles, in turn, led to the realisation of the governance outcomes is the coherent storyline that organisations should strive to present when using the Disclosure Framework.

APPLICATION OF THE DISCLOSURE FRAMEWORK IN A GROUP STRUCTURE

The obligation to use the Disclosure Framework attaches to the entity that states that it applies King V.

Accordingly:

- where a holding company states that it applies King V, the holding company should publish a Disclosure Framework addressing its governance arrangements and disclosures at holding company or group level, as appropriate;
- subsidiaries cannot rely solely on the holding company's Disclosure Framework in order to state that they themselves apply King V, unless the disclosures adequately address the subsidiary's own governance arrangements and application of King V; and
- where a South African subsidiary of an international group states that it applies King V, it should use the Disclosure Framework in support of that statement, irrespective of the governance disclosures made by its foreign parent company.

In practice, this means that:

- a group may elect for only the holding company to state that it applies King V, supported by a single group-level Disclosure Framework; or
- individual subsidiaries may also state that they apply King V, but in that case each such entity should ensure that an appropriate Disclosure Framework is provided in relation to that entity.

The key consideration is that stakeholders should be able to understand how King V is applied by the specific entity making the claim, rather than inferring application from disclosures made in relation to another entity within the group.

Cross-referencing within a group reporting suite may be used where appropriate, provided that:

- the disclosures remain entity-relevant;
- accountability is clear; and
- all required disclosures are adequately addressed for the entity claiming application of King V.

OPTIONAL ENHANCEMENTS ORGANISATIONS MAY CONSIDER

While not required, organisations may enhance their disclosures by:

- linking principles to governance outcomes;
- including a short “*how to use this report*” or “*basis of preparation*” note;
- providing detailed cross-references to supporting reports;
- including supporting schedules (e.g. board attendance, committee composition); and
- explaining how judgement was applied in practice.

Such enhancements can improve usability and stakeholder understanding, but are not mandatory.

PART C - OBSERVATIONS FROM EARLY ADOPTERS

Early adoption by organisations such as JSE Limited and Absa Group Limited provides useful practical insights into how the Framework can be applied.

JSE approach (enhanced, outcomes-linked narrative)

The JSE has adopted a more enhanced and narrative-driven approach, including:

- A Board statement upfront on the realisation of governance outcomes;
- A short “*direction for use*” section explaining how the use of the Framework integrates with the broader reporting suite;
- A short narrative under each principle; and
- An additional layer linking each principle to:
 - The relevant governance outcomes achieved by each Principle,
 - A short explanation of how those outcomes were realised in practice, and
 - Supporting cross-references.

This approach demonstrates how organisations can:

- explicitly connect principles to governance outcomes; and
- provide richer context without departing from the Framework.

The JSE also provides a strong example of exception disclosure around AI governance.

This reflects a transparent and credible application of “*apply and explain*”.

Absa approach (structured, cross-referenced model)

Absa has adopted a more structured and streamlined approach, characterised by:

- A clear, concise booklet format;
- A strong reliance on cross-referencing to the integrated report and other reports;
- A mapping of required disclosures to page references; and
- Inclusion of supporting schedules such as:
 - Board meeting attendance; and
 - Committee details.

This approach demonstrates how organisations can:

- implement the Framework efficiently;
- avoid duplication; and
- maintain a clean, navigable disclosure that integrates with the broader reporting suite.

KEY TAKEAWAYS FROM THESE EARLY ADOPTERS

The approaches taken by JSE and Absa illustrate that:

- The Disclosure Framework supports different presentation styles.
- These early-adopter organisations adopted different approaches, including:
 - a more narrative, outcomes-linked approach; and
 - a more structured, cross-referenced approach.
- Both approaches are valid and illustrate the flexibility permitted by the Framework in presentation and structure, provided that the minimum disclosure requirements are met.

Importantly:

- Neither approach deviate from the requirements of the Framework; and
- Enhancements (such as linking to outcomes) remain optional, not required.

COMMON PITFALLS TO AVOID (GENERAL MARKET OBSERVATIONS)

As organisations begin disclosing on King V using the Disclosure Framework, some misunderstandings seem to be emerging. Organisations should take care to avoid these.

1. Confusing an “assessment” with King V disclosure using the Framework

The King V disclosure as required per the Framework is not intended to be a presentation of high-level governance assessments, maturity reviews or gap analyses by organisations. Instead, it is a specific disclosure framework intended to support an organisation’s claim that it applies King V. The Disclosure Framework has, therefore, been designed to provide clear insight on how judgement has been exercised with respect to the implementation of recommended practices and the governing body’s satisfaction (or not) with the results of certain governance arrangements and the realisation of the governance outcomes. This constitutes the essence of the disclosure required.

It is not expected that the full detail of policies, frameworks and processes implemented be referenced in support of assertions as would be required for a King V assessment, review or gap analysis. In this respect, users of the King V disclosures provided through the Framework, rely on the assurances given by the governing body through its statements as required by the Framework. The governing body, in turn, relies on the policies, frameworks and processes implemented (including monitoring mechanisms and independence assurance) for its statements and should any of these transpire to have been defective in some way, the governing body is accountable on behalf of the organisation. This is indeed the case for all organisational reports.

Organisations should also avoid presenting broad governance assessments or future implementation plans as substitutes for the disclosures required by the Framework. Where an organisation is still assessing its readiness for King V adoption or is transitioning towards fuller implementation, it should carefully consider whether it is yet appropriate to state that it applies King V.

2. Vague or non-specific exception declarations

The Framework requires specificity in exception reporting.

Exception declarations should clearly identify:

- which recommended practice has not been adopted;
- why it has not been adopted; and
- what compensating measures are in place.

Broad or vague statements such as:

- “*substantially applied*”;
- “*satisfactorily applied with no material exceptions*”; or
- “*partially implemented*”

are generally inconsistent with the structure and intent of the Disclosure Framework.

3. Omitting required categories of disclosure

Some organisations may focus heavily on narrative commentary or governance philosophy, while overlooking required disclosures in the Framework itself.

Organisations should ensure that all three categories of disclosure are addressed:

- the board’s concluding governance outcomes statement;
- exception declarations and compensating measures; and
- the specific disclosures required under each principle.

The disclosures are an essential part of the Framework and are not optional.

4. Using future intentions in place of current disclosure

The Disclosure Framework requires disclosure in relation to the reporting period under review.

Statements indicating that governance arrangements, frameworks or practices are still being developed, assessed or planned for future implementation should be accompanied by:

- clear exception declarations where relevant; and
- transparent disclosure of the organisation’s current position.

The Framework is intended to disclose current application — not merely future aspirations.

5. Treating the Framework as a compliance exercise only

The Framework should not be approached as a mechanical checklist exercise. The intent is to provide stakeholders with meaningful insight into:

- governance quality;
- the exercise of judgement;
- oversight effectiveness; and
- how governance contributes to the achievement of the King V governance outcomes.

CONCLUSION

The King V Disclosure Framework:

- establishes a minimum, standardised disclosure baseline;
- strengthens the credibility and comparability of governance reporting; and
- reinforces the apply and explain philosophy.

It does not limit organisations in telling their governance story. Organisations are encouraged to:

- comply with the Framework as the minimum requirement; and
- build on it, where appropriate, to provide meaningful, organisation-specific insight into their governance practices.