



INSTITUTE OF
DIRECTORS
SOUTH AFRICA



GUIDANCE NOTE

October 2025

KING V – APPLICATION TO RETIREMENT FUNDS

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Introduction

This guidance applies to all retirement funds (funds), including the following types of funds in accordance with their definitions in the Income Tax Act and/or as recognised under the Pension Funds Act (the Act):

- Pension funds (standalone and umbrella)
- Provident funds (standalone and umbrella)
- Pension and provident preservation funds
- Retirement annuity funds
- Beneficiary funds
- Unclaimed benefit funds

Retirement funds operate within a highly regulated environment, governed primarily by the Act and overseen by the Financial Sector Conduct Authority (FSCA). The FSCA is currently the statutory regulator responsible for promoting the fair treatment of members and the integrity of the retirement fund industry, with a plan for prudential supervision to move to the Prudential Authority (PA) in future. While most retirement funds fall under the Act, some public sector funds are governed by their own enabling legislation, though they should adopt similar governance practices. Given the public interest nature of retirement funds, the quantum of the assets they steward and their impact on the financial ecosystem, high standards of governance are essential.

While the King V Code on Corporate Governance (the Code) is voluntary, it provides a framework that can enhance trust in the retirement fund system, improve decision-making and align trustee conduct with the legitimate expectations of members, beneficiaries and other stakeholders.

In addition to the relevant legislation and King V, CRISA 2¹ is a voluntary code applicable to institutional investors, the definition of which includes retirement funds. CRISA 2 and King V are complementary codes that reinforce and complement each other. Other industry codes and guidance, such as the Financial Services Board Circular PF130 should be considered in conjunction with the guidance in this supplement.

This guidance paper provides a detailed interpretation of the Code as it applies to funds, outlining key nuances, points of emphasis and legislative considerations that may affect the practical implementation of each King V principle.

¹ <https://www.crisa2.co.za/crisa2code/>

Terminology

Term used in King V	Relevant term for Funds
Organisation	Retirement fund, pension fund, provident fund, preservation fund, beneficiary fund, unclaimed benefit fund, or retirement annuity fund (all referred to as “fund”).
Governing body	Board of trustees (or management committee in the case of umbrella funds, where relevant governance responsibilities have been delegated)
Members of the governing body	Trustees or members of management committees in the case of umbrella funds.
Management	Refers to individuals with operational management responsibility within the fund itself, where such roles exist (e.g. the principal officer). In most retirement funds, there is no traditional executive management team as seen in companies.
Chief Executive Officer (CEO)	The nearest equivalent is typically the principal officer, who performs statutory and administrative duties under the Act.
Shareholders	Members (typically individuals who contribute to or participate in the fund).
Stakeholders	Members and beneficiaries, participating employers, trustees, management committee members, the principal officer, regulators, fund sponsors and contracted service providers such as administrators, consultants and asset managers.
No direct equivalent in King V.	Beneficiaries Typically includes the dependents and nominees of a member who may become entitled to receive benefits from the fund in terms of its rules on the death of a member.
No direct equivalent in King V.	Members Typically includes a person who has been admitted to membership of a retirement fund in accordance with its rules.
No direct equivalent in King V.	Sponsor or commercial sponsor Refers to a financial institution that establishes a retirement fund with the intention that the financial institution, or another financial institution within the same financial group, will provide financial products or financial services to the retirement fund.

No direct equivalent in King V.	Fund administrator Typically, a service provider who performs administration functions on behalf of the fund.
No direct equivalent in King V.	Consultant (employee benefits or asset) Typically, specialist companies appointed by the board of trustees to provide employee benefits or asset consulting services.
No direct equivalent in King V.	Fund manager or asset manager Typically, an investment management company appointed by the board of trustees to manage the investment of the fund’s assets.
No direct equivalent in King V.	Service providers Includes externally appointed parties such as fund administrators, consultants, actuaries, investment advisors and fund or asset managers who implement the board’s decisions under contractual arrangements.

Typical corporate governance application considerations

The recommended practices of the Code apply to funds, with the following areas of emphasis or nuance.

Principle 1: Leadership

Principle 1: The board leads ethically and effectively as the focal point of corporate governance in the fund.

Characteristics and values (Recommended practices 1-2)

Trustees, as members of the board of the fund, are charged with exercising ethical and effective leadership in the best interests of the fund and its members.

In terms of the Act, Trustees have clear fiduciary responsibilities, which include the duty to:

- Act with due care, diligence and good faith.
- Avoid conflicts of interest.
- Act in the best interests of the fund and its members.
- Ensure compliance with applicable laws, fund rules and regulatory guidance.

These align closely with the characteristics of ethical and effective leadership (integrity, competence, responsibility, accountability, fairness and transparency) recommended by the Code.

Given the public interest nature of funds, the quantum of the assets they steward and hence the impact on the financial ecosystem, as well as their stewardship over members' long-term financial security, ethical and effective leadership by the board of trustees is foundational to sound fund governance.

Dimensions of governance obligations (Recommended practices 3-5)

The board of a fund should fulfil all dimensions of its governance obligations in line these recommended practices. Of particular importance is ensuring that a board charter clearly sets out the role and responsibilities of the board.

Performance evaluation of the board (Recommended practices 6-9)

The evaluation of the performance of the board (including its committees, chairperson and individual members) applies to funds. The results of performance evaluations should be addressed by the board in order to achieve continued improvement in its effectiveness.

Principle 2: Ethics

Principle 2: The board governs the ethics of the fund in a way that enables an ethical culture and responsible corporate citizenship.

Organisational ethics (Recommended practices 10-14)

An ethical organisational culture is foundational to sound governance in funds. Although most funds may not have internal employees or operations in the traditional sense, the board plays a central role in setting the tone for ethics throughout the organisation. This includes ensuring that these values are reflected in its interactions with service providers, members, beneficiaries and regulators. Ethics should underpin all governance processes and decision-making frameworks, forming the basis for responsible stewardship and legitimacy in the eyes of stakeholders.

Responsible corporate citizenship (Recommended practices 15-18)

Compliance with the requirements of regulation 28 of the Act, particularly the preamble, forms an integral part of the fiduciary duties imposed on fund boards by the Act. Regulation 28 states that the “fund and its board shall, before making an investment in and while invested in an asset, consider any factor which may materially affect the sustainable long-term performance of a fund’s assets, including, but not limited to, those of an environmental, social and governance character”.

The recommended practices in the Code relating to corporate citizenship carry the same sentiment, albeit using different terminology. A fund gives substance to its duty to be a responsible corporate citizen by ensuring that investment decisions and management processes, practices and decision-making (not merely directly in relation to investments, but broadly covering all components) uphold corporate citizenship, whether these are executed by the fund itself or a service provider.

These expectations are further reinforced in CRISA 2, which emphasises an outcomes-based approach to stewardship. CRISA 2 calls for institutional investors to exercise responsible investing by:

- Advancing long-term risk-adjusted returns.
- Promoting sustainable value creation.
- Recognising the interdependence between the financial system and the broader socio-environmental system.

In this context, funds give effect to their duty to be responsible institutional investors by adopting sound governance and investment practices.

Principle 3: Strategy, performance and sustainable value creation

Principle 3: The board ensures that the fund's purpose, strategy and business model support performance that creates sustainable value within the fund's economic, social and environmental context.

Strategy, performance and sustainable value creation (Recommended practices 19-22)

These recommended practices should be interpreted in the context of a fund's specific mandate and public interest purpose. The primary objective of a fund is not to generate profit but to provide benefits to its members and beneficiaries as set out in its rules. The board is therefore responsible for setting the strategic direction of the fund in a manner that promotes long-term sustainable value creation for members. In the case of commercial umbrella funds, this strategic direction should also take account of any commercial considerations arising from the sponsor's role.

Performance and value creation by a fund consist of delivering sustainable risk-adjusted investment returns, whilst considering the needs of different members, the impact of their decisions and managing expenses so that retirement savings may be maximised². For a fund, it is critical that a long-term view is taken of fund performance and value creation for current and future members.

² Stewart, F. and J. Yermo (2008), "Pension Fund Governance: Challenges and Potential Solutions", OECD Working Papers on Insurance and Private Pensions, No. 18, OECD publishing, © OECD. doi:10.1787/241402256531

In fulfilling this role, trustees should ensure that investment, governance, strategies and operational practices are aligned with the fund's fiduciary obligations, its purpose, its regulatory environment and broader responsible investment principles, including those outlined in CRISA 2.

Principle 4: Reporting

Principle 4: The board ensures that external reports issued by the fund enable stakeholders to make informed assessments of how the organisation creates, preserves and erodes value within its economic, social and environmental context over the short, medium and long term.

Reporting (Recommended practices 23-27)

Funds are subject to a range of statutory reporting obligations under the Act and associated regulations. These include the submission of audited annual financial statements, statutory returns to the FSCA, and communications such as the annual trustee report to members.

While these requirements are prescriptive in form and content, funds should also consider adopting the reporting practices recommended in the Code, such as integrated thinking and stakeholder-responsive reporting. Funds will find increasing value through enhancing their reporting to reflect how the fund creates sustainable value over time, the impact of investments (both financial and within a social and environmental context) and how it addresses risks, sustainability and member expectations.

In addition, funds are encouraged to apply the disclosure practices recommended under Principle 5 of CRISA 2, which pertain specifically to demonstrating accountability and transparency in investment decisions, stewardship activities, and the outcomes achieved.

Any fund that wishes to claim application of King V must disclose its implementation using the King V Disclosure Framework.

Principle 5: Composition of the board

Principle 5: The board ensures that its composition is balanced with respect to the mix of competencies, diversity and independence that enables it to discharge its obligations objectively and effectively.

Composition (Recommended practices 28-33)

In addition to the funds that are required by legislation to have independent trustees, all funds (but especially large funds) will benefit from independent trustees as they balance objective decision-making in

the best interests of the fund and its members. For large funds that do not have member elections, the FSCA requires that at least half of the board be independent and professional trustees. Such independent trustees should be free from any relationships which could, in the opinion of a reasonable and informed outside party, affect their objectivity.³

To safeguard continuity and institutional memory, boards of funds should adopt staggered rotation practices. Succession planning is equally important in the fund environment, particularly where elected trustees may not always have prior experience.

Nomination, election and development of board members (Recommended practices 34-37)

Even though the election and appointment mechanisms of fund trustees are prescribed, the boards of funds should still strive towards the objective as expressed in this principle. This can be achieved by employing the appropriate expertise and resources to assist, guide and advise the board in the execution of its duties. Another manner this can be accomplished is for employers or sponsors to use their powers of appointment to ensure that the board has members with the necessary expertise and experience. Those trustees should not be involved in the employer's decisions vis-à-vis the fund, and employers should not use their power of appointment of trustees to ensure some sort of control over funds.⁴

A proactive process of engagement with the employees who elect fund trustees to clearly convey the nature of trustees' duties and the competencies required is also recommended.

As is the case with all organisations, induction and ongoing professional development and learning are of critical importance to ensure that those charged with governance responsibilities are able to execute their duties effectively. Over and above the FSCA requirement that all trustees complete the trustee toolkit training programme, development programmes should be introduced to address competence, expertise and skills in corporate governance, risk management, sustainability and ESG, relevant industry and global trends and responsible investment.

Independence and conflicts (Recommended practices 38-44)

Trustees should act with independence of mind in the long-term best interests of the fund and its members, regardless of who elected or appointed them. Trustees should not act as representatives of their

³ PF Circular 130 Good Governance of Retirement Funds

<https://www.fsc.co.za/Regulatory%20Frameworks/Regulatory%20Frameworks%20Documents/PF%20Circular%20130.pdf>

⁴ Hunter, R, The Governance Of Pension Funds, Paper to be presented by Rosemary Hunter to the annual convention of the Financial Planning Institute Durban, April 2002

‘constituencies’ and meetings of the board should not be understood as forums for collective bargaining. Doing so causes conflicts between the interests of those who appointed or elected the trustees and the interests of the fund itself.⁵

As part of their fiduciary duties, all trustees are bound by confidentiality in respect of the information that comes to their attention during the course of acting as trustees. Such information cannot be disclosed to outside parties such as those who elected the trustees or to members without the express permission by the board on behalf of the fund.

In addition to independence of mind, trustees must actively identify, disclose and manage conflicts of interest. Conflicts can arise, for example, where trustees are also employees of a sponsoring employer or have relationships with service providers. The board should thus manage conflicts in line with these recommended practices.

Chairperson and lead independent member of the board (Recommended practices 45-50)

The chairperson of the board plays a crucial role in providing leadership, setting the tone for the fund’s governance culture, and ensuring effective functioning of the board. While not a legal requirement, it is considered good governance for the chairperson to be an independent trustee.

The board should consider appointing a lead independent trustee to provide independent oversight, particularly in situations where the chairperson may be conflicted or not able to act impartially. This is especially important in funds where the sponsoring employer has significant influence or where complex investment arrangements introduce potential conflicts of interest.

Principle 6: Committees of the board

Principle 6: The board ensures that arrangements for delegation to committees and individuals within its own structures promote the objective and effective discharge of its obligations.

Committees of the board (Recommended practices 51-75)

While there are no statutory requirements for funds to establish board committees, many funds – particularly those with more complex operations – choose to constitute board committees to support the

⁵ Hunter, R, The Governance of Pension Funds, Paper to be presented by Rosemary Hunter to the annual convention of the Financial Planning Institute Durban, April 2002

effective discharge of their governance responsibilities. Common examples include investment, benefits, audit, governance, sustainability or risk committees.

Funds may also draw on the committee structures recommended by the Code, applying them proportionally in line with the fund's size, complexity and available resources.

In relation to the recommended committees in the Code:

- An audit committee is useful, especially in large funds.
- A committee responsible for risk governance can be combined with audit or governance functions and is recommended for proactive risk oversight.
- A social and ethics committee is not typically established, but ethical conduct and acting in members' interests are core board responsibilities.
- A committee responsible for nomination governance is rarely needed due to the prescribed appointment process, but boards should assist sponsors with appointment criteria and due process.
- A committee responsible for remuneration governance is less common but can be useful where independent trustee remuneration needs to be considered or where executive roles or service provider pay structures are complex.

In the context of umbrella funds, it is common for the board to establish management committees (manco) at the participating employer level. These committees typically include representatives of the employer and the members and may be empowered to make certain decisions on behalf of their participating employer and members, within the parameters and governance framework set by the board. Despite not being trustees, manco members should equally apply the principles of good governance, where applicable, in their decision-making.

Principle 7: Appointment and delegation to management

Principle 7: The board ensures that the appointment of and delegation to management promote operational effectiveness and that the respective roles and decision-making powers of the board and management are clearly defined.

CEO appointment and role (Recommended practices 76-80)

The closest equivalent to a CEO in a fund is the principal officer (PO). In terms of regulatory guidance, the PO may serve as a trustee, unless the fund's rules provide otherwise, but may not be appointed as the chairperson of the board, which is aligned to the Code.

If the PO is not a trustee, it should not be interpreted that the PO is excluded from responsibility towards the fund. Legislation dictates that the fund appoints the PO which responsibility should be assumed by the board on behalf of the fund. Hence, the PO is accountable to the board. The board should ensure that the PO has sufficient authority, resources and clarity of role to support the execution of the board's strategic and operational oversight.

Delegation to management (Recommended practices 81-83)

Many funds outsource, in part or in total, the fund's administrative functions and investment activities. Delegation of responsibilities to an outsourced function does not absolve the board from accountability. Oversight of section 13B administrators and other service providers is an integral part of the board's governance role, as the board remains accountable and can be held liable for actions of service providers.

Mechanisms and processes should be introduced for adequate and prudent oversight in the same way as the board would have done if all functions and activities were conducted by the fund itself. This includes setting clear performance expectations and escalation mechanisms for underperformance or non-compliance. The board should ensure that there is a clear mandate in place between the fund and the fund administrator and other service providers so that performance and the aspirations of responsible investing are achieved. The board of a fund should oversee that the fund administrator and other service providers perform in terms of the mandate agreed upon, and that outsourced functions are managed in accordance with the relevant accepted standards. These standards include compliance with the Act, applicable Joint Standards (issued jointly by the FSCA and PA) and Conduct Standards (issued by the FSCA) as well as the fund's own purpose, strategies, investment and other policies and risk appetite.

A specific area where the board needs to be proactive in its oversight role is on the management of conflicts of interest by service providers. Where various funds' investments are pooled, the board should ensure that the interests of the fund are treated fairly amidst the potential competing interests of the investors of co-investment vehicles and parallel funds managed by the same investment manager. Independent trustees could add objective expertise in dealing with inherent conflicts of interest. Conflicts may arise in both expense allocations and investment allocations and in the context of valuations. Valuations can be especially complex when dealing with portfolio companies and assets that are difficult to assess. The board should ensure,

through adequate oversight, that a conflict of interests policy that provides for these eventualities is in place and being followed.

In regard to the oversight of management, these recommended practices are helpful and should be applied by fund trustees with the necessary adaptation in relation to the section 13B administrators and other service providers. All appointments should be based on transparent and arms-length contractual terms, and boards should ensure that service providers meet fit and proper standards and are subject to regular performance assessments.

In addition to operational oversight, the board should ensure that its responsible investment policy is institutionally supported by governance structures and delegation frameworks. As set out in CRISA 2 Principle 4, this includes aligning service provider contracts with the fund's sustainability objectives, embedding ESG into reporting lines and ensuring that delegated functions reinforce the board's accountability.

Professional corporate governance services to the board (Recommended practices 84-90)

With regards to access to professional and independent guidance on corporate governance and its legal duties, as well as support to coordinate the functioning of the board and its committees, it is recommended that boards of larger funds appoint a suitably experienced professional to provide these services and ensure that the position carries the necessary authority.

Principle 8: Risk

Principle 8: The board governs risk in a way that enables the fund to sustain and optimise its strategy and objectives.

Risk (Recommended practices 91-94)

These recommended practices on risk are directly applicable to funds and should be applied. The board of a fund should ensure that a comprehensive and effective fund-wide risk management system is in place. It should cover financial, investment, operational, legal and compliance risks, particularly including those arising from outsourced functions.

Principle 9: Compliance

Principle 9: The board governs compliance with applicable laws and adopted policies, non-binding rules, codes and standards in a way that promotes ethics and responsible corporate citizenship.

Compliance (Recommended practices 95-99)

Compliance management systems within funds should encompass adherence not only to applicable legislation, such as the Act and relevant Conduct Standards, but also to the fund's rules, policies, investment mandates and service provider agreements.

The board remains ultimately accountable for the effectiveness of the fund's compliance system, even where oversight of compliance may be delegated to a board committee.

The board should ensure that compliance risks are appropriately integrated into the fund's broader risk management system. This includes proactively monitoring regulatory developments, evaluating their impact on the fund, and implementing changes where necessary.

The board should also determine and document which non-binding rules, codes or standards (such as King V or CRISA 2) the fund adopts on a voluntary basis and how these will be applied.

Principle 10: Data, information and technology

Principle 10: The board governs data, information and technology in a way that enables the fund to sustain and optimise its strategy and objectives.

Data, information and technology (Recommended practices 100-110)

The practices under this principle are applicable to funds and should be applied, taking into account the fund's operating model and reliance on outsourced administrators and service providers.

The board remains ultimately accountable for ensuring that the fund's information assets, technology systems and member data are appropriately governed, safeguarded and managed.

Funds are specifically required by the FSCA and PA to ensure compliance with Joint Standard 2 of 2024 on Cybersecurity and Cyber Resilience, including development and deployment of a comprehensive Cybersecurity Strategy and Framework as well as Joint Standard 2 of 2025 on Cloud Computing and data offshoring.

Where fund administration or other key functions are outsourced, the board should ensure that data integrity, privacy, cybersecurity and IT continuity risks are addressed through contractual terms, performance standards, adequate oversight and monitoring mechanisms. Service providers should demonstrate appropriate controls and compliance with relevant IT standards and frameworks.

As digital transformation increases in the sector, funds are encouraged to remain informed and vigilant in their oversight of technology and data risks to protect the interests of members.

Principle 11: Remuneration

Principle 11: The board ensures that the fund remunerates fairly, responsibly and transparently to promote sustainable value creation by the fund within its economic, social and environmental context.

Remuneration (Recommended practices 111-118)

Unlike commercial entities, most funds do not have executives employed by the fund itself. However, trustees may receive remuneration or allowances and funds often incur service provider costs.

Accordingly, the board should ensure that all remuneration and fee structures are fair, reasonable and aligned with the fund's purpose of maximising sustainable value for members. This includes:

- Monitoring whether service provider fees reflect value for money.
- Ensuring that trustee remuneration is disclosed, justified and does not create conflicts of interest.
- Avoiding remuneration structures that incentivise excessive risk-taking.

Boards should also consider adopting a remuneration policy in line with recommended practices or at least a fee governance policy, and should disclose trustee remuneration in annual reporting, in line with broader FSCA guidance and public interest expectations.

Principle 12: Assurance

Principle 12: The board ensures that assurance functions and services promote an effective internal control environment and safeguard the integrity of external reports issued by the fund.

Assurance (Recommended practices 119-131)

The use of a combined assurance model is encouraged to provide the board of a fund with a holistic and coordinated view of the effectiveness of the fund's governance, risk and control environment.

Funds typically receive assurance from multiple lines, including:

- Management controls.
- External audit (statutory requirement).
- Compliance and risk reports from service providers.
- Actuarial valuation reports.
- Trustee and PO declarations.

The board of trustees should take reasonable steps to ensure that these various sources of assurance are appropriately coordinated, avoid duplication, whilst covering all key risk areas.

In smaller funds, a simplified assurance plan or assurance matrix may be developed to clarify roles and responsibilities across service providers, auditors and internal control functions.

Principle 13: Stakeholders

Principle 13: The board adopts a stakeholder-inclusive approach in the execution of its duties in the long-term best interests of the fund within its economic, social and environmental context.

Stakeholder relationships (Recommended practices 132-136)

The stakeholders of a fund include, amongst others, the members of the fund, beneficiaries, the participating employer, the sponsor (if different from the participating employer) and the FSCA and other regulators.

Effective stakeholder engagement is key to maintaining trust and legitimacy in the governance of the fund. In particular, the board should ensure that members are kept informed through clear, regular and accessible communication on matters such as fund strategy, performance, changes to benefits, investment strategy, impact and fees.

The board should also maintain constructive engagement with service providers, participating employer, the sponsor (if different from the participating employer) and regulators, guided by the principles of fairness, accountability and the long-term interests of members.

Shareholder engagement (Recommended practices 137-144)

While some forms of communication are prescribed by law (e.g. annual benefit statements and reports), boards are encouraged to adopt additional channels and practices that support inclusivity, transparency and responsiveness to member concerns.

While funds are not required to hold annual general meetings , good practice dictates that trustees provide members with opportunities for communication and engagement.

Relationships within groups of organisations (Recommended practices 145-150)

The concept of “group governance” as contemplated in the Code is not applicable to funds.

Conclusion

Funds hold and manage significant assets on behalf of members and beneficiaries, who depend on sound governance for their long-term financial security. While the regulatory framework applicable to funds is extensive, the application of the Code provides additional value by promoting ethical leadership, transparency and sustainable value creation. King V is a powerful tool to support trustee effectiveness, stakeholder confidence and the legitimate expectations of members and regulators alike.