King V Report on Corporate Governance (South Africa): Key Changes

The **King Report on Corporate Governance** is one of the world's most influential principles-based corporate governance frameworks. It emerged from South Africa's democratic transition and the need to establish internationally credible yet locally relevant governance standards. Over the years, it has evolved from a traditional governance code into a globally respected framework that integrates ethical leadership, stakeholder inclusivity, sustainability, risk management, and long-term value creation.

The King IV Report released in 2016 (effective from 2017) focused on an outcomes-based approach centered around 17 core principles that promote ethical leadership, good performance, effective control, and legitimacy. However, in view of evolving corporate governance landscape both globally and locally, becoming increasingly complex, unpredictable and volatile, the King IV Report was reviewed nine years after its publication and the Institute of Directors in South Africa and the King Committee of South Africa released the King V, the fifth iteration of South Africa's corporate governance reports, on 31st October 2025, effective for financial years beginning on or after 1st January 2026.

The King V report has strengthened expectations for board accountability, independence, sustainability, and information governance. It simplifies and refines the principles, introduces a standard Disclosure Framework, and reinforces compliance as a fundamental component of ethical and effective leadership.

The key changes introduced in King V compared to King IV include the following –

- ***Disclosure***

  To support effective and transparent disclosure, the King V Code is now accompanied by a dedicated King V Disclosure Framework (the Framework). The Framework sets out the required form and content for reporting on the application of King V. Notably, the recommended practices related to disclosure under each principle have been moved from the Code to be included in the Framework which marks a significant departure from King IV. The primary purpose of the Framework is to assist organisations in providing a meaningful and qualitative account of their implementation of King V.

  In addition to supporting organisations in their application of King V, the Framework serves as a valuable resource for stakeholders – including shareholders, investors and regulators – who seek to understand how an organisation applies the principles and recommended practices of the Code.

  Another change introduced through the Disclosure Framework is that organisations should explicitly state any practices not adopted. Such statements must be accompanied by a clear explanation of the reasons for non-adoption and the compensating measures implemented to ensure that the principle's objective is nonetheless achieved. Furthermore, the governing body is expected to make a concluding statement on the realisation of the governance outcomes.

- ***Principles and practices***

  As part of the effort to enhance clarity and accessibility, several principles from King IV have been consolidated in King V. This consolidation was applied where multiple principles addressed related governance domains. In a further structural refinement, Principle 17 from King IV, which focused specifically on institutional investors such as pension funds, life insurers and asset managers, has been excluded from King V. While Principle 17 aimed to link King IV with the Code for Responsible Investment in South Africa (CRISA), its limited applicability appeared to create confusion in practice. The King Committee has therefore opted not to include it in the King V Code and instead continues to advocate that institutional investors should apply both King V and the updated CRISA 2 principles and practices to achieve the intended outcomes of responsible investment and value creation.

  As a result of all these adjustments, *the number of principles has been reduced from 17 in King IV to 13 in King V.*

- ***Sustainability and Double Materiality***

  King V adopts the concept of **double materiality**, which requires organizations to report not only on matters that are financially material to the entity but also on issues that have significant impacts on stakeholders, society, the environment, and the organization's long-term value creation.

- ***Independence criteria for members of the governing body***

  The King V Code introduces significant refinements to the assessment of director independence. Consistent with the principles established under King IV, the governing body is required to evaluate all circumstances that may affect a non-executive member's independence through a holistic, substance-over-form approach when determining whether such a member qualifies as independent.

  It is noteworthy that "independence", as defined in the Glossary, is a broad concept which refers to "the exercise of objective, unfettered judgement". The definition further expands: "When used to categorise a non-executive member of the governing body or its committees as independent, it means the absence of an interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to unduly influence or cause bias in decision making."

King V further strengthens the independence framework by explicitly incorporating relationships involving parties related to the member under evaluation into the assessment criteria. The Code also provides greater clarity regarding cooling-off periods, offering more specific guidance on their application. Additionally, a tenure of nine years as a member of the governing body is no longer treated as a standalone consideration; instead, it is assessed alongside other relevant factors that may influence independence.

- ***Committees***

  A significant development in King V concerning committees of the governing body relates to the composition of the Risk Committee and the Social and Ethics Committee. The revised practice recommendation requires each of these committees to comprise a majority of non-executive members, including at least one independent member. This marks a notable shift from King IV which required only a simple majority of non-executive members and did not expressly require the presence of an independent member.

  The updated recommendation introduces a more rigorous standard than that set out in the Companies Act with respect to social and ethics committees. While the Act prescribes certain requirements for these committees, it does not mandate the inclusion of independent members. Furthermore, the Act does not address the composition of risk committees, although other legal and regulatory provisions may be applicable depending on the nature of the organisation.

- ***Data, information and technology***

  Rapid advancements in data, information and technology – driven by legal developments and the emergence of transformative innovations – have significantly reshaped operational environment of the organisations. Recognising their growing importance to organisational strategy and oversight, the King V Code introduces its most extensive revisions within this governance domain.

  To support effective governance, the Code treats data, information and technology as distinct yet interconnected fields. The recommended practices have been reorganised to focus on the specific governance objectives associated with each of these fields, as well as the identification, management and control of related risks.

  The Code also addresses emerging, innovative and disruptive technologies. Its scope encompasses the various modes of deployment of these technologies within and by organisations, including their acquisition, development, utilisation and distribution. Among these technologies, AI is specifically addressed, and the importance of clearly establishing accountability for decisions, actions, outputs and outcomes arising from AI systems are emphasised. In addition, the key values that should be applied by organisations in the deployment of AI are stated, namely ethics, human centricity, accountability, transparency, explainability, security, privacy, fairness and trustworthiness.

  For clarification, it is added that in the context of AI –

  - *transparency* refers to openness regarding the design, data sources and functionality of AI systems;
  - *explainability* emphasises that one has to provide clear, understandable reasons for specific AI decisions or outputs.
  - *Human centricity* refers to an AI approach that enhances human capabilities and is guided by fairness, justice and privacy with the aim of preventing harm and bias.

  Transparency, explainability and human centricity are fundamental to the ethical deployment of AI, its trustworthiness and allowing for accountability, the identification of biases and errors as well as the enablement of users to understand, verify and even challenge AI-driven outcomes in regulated and general use.

- ***Remuneration***

  In view of the reform in this area introduced by the amendments to the Companies Act, and in accordance with the King V drafting convention not to repeat legislative requirements, the practices related to voting have been simplified. Separate, non-binding advisory votes by shareholders on the remuneration policy and disclosure are recommended in a practice to the extent that voting is not provided for in the Companies Act (as is the case until the amendments become effective and, afterwards, for organisations that are not public or state owned companies).

  This practice would also only apply to companies with enhanced governance and accountability requirements. For the purpose of the recommended practice, the threshold has been set at the level of companies that in terms of their public interest score must establish social and ethics committees. In this way the Code addresses the situation both before and after the amendments becoming effective.

  Rather than prescribing particular standards, King V recommends in its practices that governing bodies consider and approve the use of the relevant standards and frameworks pertinent to the domain area of each principle. This approach reinforces the governing body's role in ensuring that adopted standards support the organisation's governance objectives and contribute to meaningful, transparent reporting.

  Governing bodies are encouraged to consider the broader economic, social and environmental context in which their organisations operate, including the significant risks and opportunities associated with it.

Source: *https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/927F0970-C1E9-4F30-803C-D74BF386A2B6/King_V_Background_Objectives_and_Key_Changes.pdf*