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ATTORNEYS



**KING V:
SOUTH AFRICA'S
GOVERNANCE
EVOLUTION**

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KING V: SOUTH AFRICA'S GOVERNANCE EVOLUTION

1 THE LAUNCH AND SCOPE OF KING V

The publication of the first King Report on Corporate Governance in 1994 broke new ground in South Africa and was at the forefront of international best practice. Subsequent iterations refined and supplemented the principles and recommended practices, as the King Committee distilled commercial norms that merge international trends with South African perspectives. The fifth edition of the King Report on Corporate Governance ('King V') follows this trend and sets out the philosophy, principles, practices and outcomes which serve as the benchmark for corporate governance in South Africa.

A draft of King V was published for public comment on 24 February 2025 and a final version was launched on 31 October. As always, the project was spearheaded by the Institute of Directors in Southern Africa NPC (IoDSA) in its capacity as Secretariat for the King Committee and custodian of the King Reports on Corporate Governance in South Africa. King V will replace the previous edition ('King IV') and will be effective for financial years beginning on or after 1 January 2026. **King V** is available from the IoDSA and consists of four components: The King V Foundational Concepts, the King V Code ('the Code'), the King V Glossary and the Disclosure Framework.

2 WHY GOVERNING BODIES SHOULD TAKE NOTE

Companies listed on the JSE have faced strict censure for failing to comply with previous editions of the King Code. What is more, the gradual evolution from a 'comply or explain' reporting standard to one that requires companies to 'apply and explain' now requires substantive compliance as opposed to perfunctory adherence. Key changes incorporated into King V add weight to this imperative. The boards of listed and unlisted companies alike are also increasingly at risk of falling foul of their statutory and common law duties where they unjustifiably disregard the Code's principles and recommended practices. Legal consequences however constitute only some of the potentially negative outcomes that a failure to comply could bring about, and companies face reputational, strategic and financial risks when they disregard principles that have increasingly become standard commercial practice. Perhaps most importantly, the King Committee strongly emphasises that King V is a guide to support company boards in achieving the goals and objectives of their organisations. It should be approached as a framework to empower company leadership and not as yet another compliance burden.

3 WHY THE UPDATE FROM KING IV?

King V was introduced to ensure that corporate governance standards remain relevant, effective, and easy to interpret and apply. It was drafted to address both national and global developments, improve accessibility for all types of organisations, and promote the ongoing evolution of governance outcomes. The King Committee specifically incorporated updates that reflect changes in local legislation, and streamlined the Code for clarity and to facilitate consistent reporting and application.

4 FROM KING IV TO KING V: EVOLUTION, NOT REVOLUTION

King V retains many of the substantive principles and recommended practices of its predecessor. Companies that have incorporated these principles should therefore be able to adapt relatively easily. Despite this, some changes and refinements are noteworthy:

Simplified Structure and Principles

King V is a leaner governance code. The core principles have been reduced from 17 to 13, with some merged for clarity and to reduce redundancy. Recommended disclosures have been removed from the Code itself and instead form part of a Disclosure Framework that was designed to facilitate and standardise implementation (see below). The text has been streamlined to make it more accessible, especially for smaller organisations, and, where possible, technical jargon has been replaced with plain language. King V does not retain the sectoral supplements that accompanied the previous edition and opted not to include a principle specifically devoted to institutional investors. The underlying guidance for institutional investor responsibilities was instead integrated into King V's overall principles, and will apply alongside the Code for Responsible Investing in South Africa ([CRISA 2](#)) which was issued by the CRISA Committee.

Enhanced Focus on Sustainability and Stakeholders

King V takes a robust approach to sustainability, which is now fully integrated as a core governance principle. In step with international trends, it retains a strong emphasis on stakeholder accountability, and this is buttressed by clearer reporting mechanisms and more explicit expectations around social and environmental responsibilities in an operational context. To further integrate social and environmental requirements, remuneration and sustainability reporting principles directly reference related outcomes.

New Disclosure Framework and Transparency

The sectoral supplements that were a trademark of King IV have been jettisoned. Instead, King V facilitates compliance and consistent reporting by means of a Disclosure Framework that requires structured disclosures and explicit explanations if companies deviate from the recommended practices. The Disclosure Framework is one of the most significant changes introduced by King V, and must be implemented by any organisation that claims compliance with its principles. Of further significance is the fact that organisations must assess and report both financial and impact materiality (also referred to as double materiality). The governing body must further provide a concluding statement that notes specifically whether, in its opinion, the governance outcomes of the organisation have been realised.

Technology, Risk and Opportunity

Technological developments remain a complex governance challenge. King V responds to this by incorporating expanded recommendations for the governance of artificial intelligence (AI), data, and emerging technologies, such as the ethical use of technologies, compliance with laws and regulations, and security measures to protect and preserve business information. The recommendations are timeous, as organisations that take cybersecurity and data-related risks lightly increasingly do so at their peril. In addition, most organisations will have to navigate changes introduced by the disruptive potential of AI and related risks. As far as the governance of risk more generally is concerned, King V pivots towards a more opportunity-focused approach in the formulation of its core principle, while specific recommended practices still encourage responsible innovation tempered by a strong governance framework.

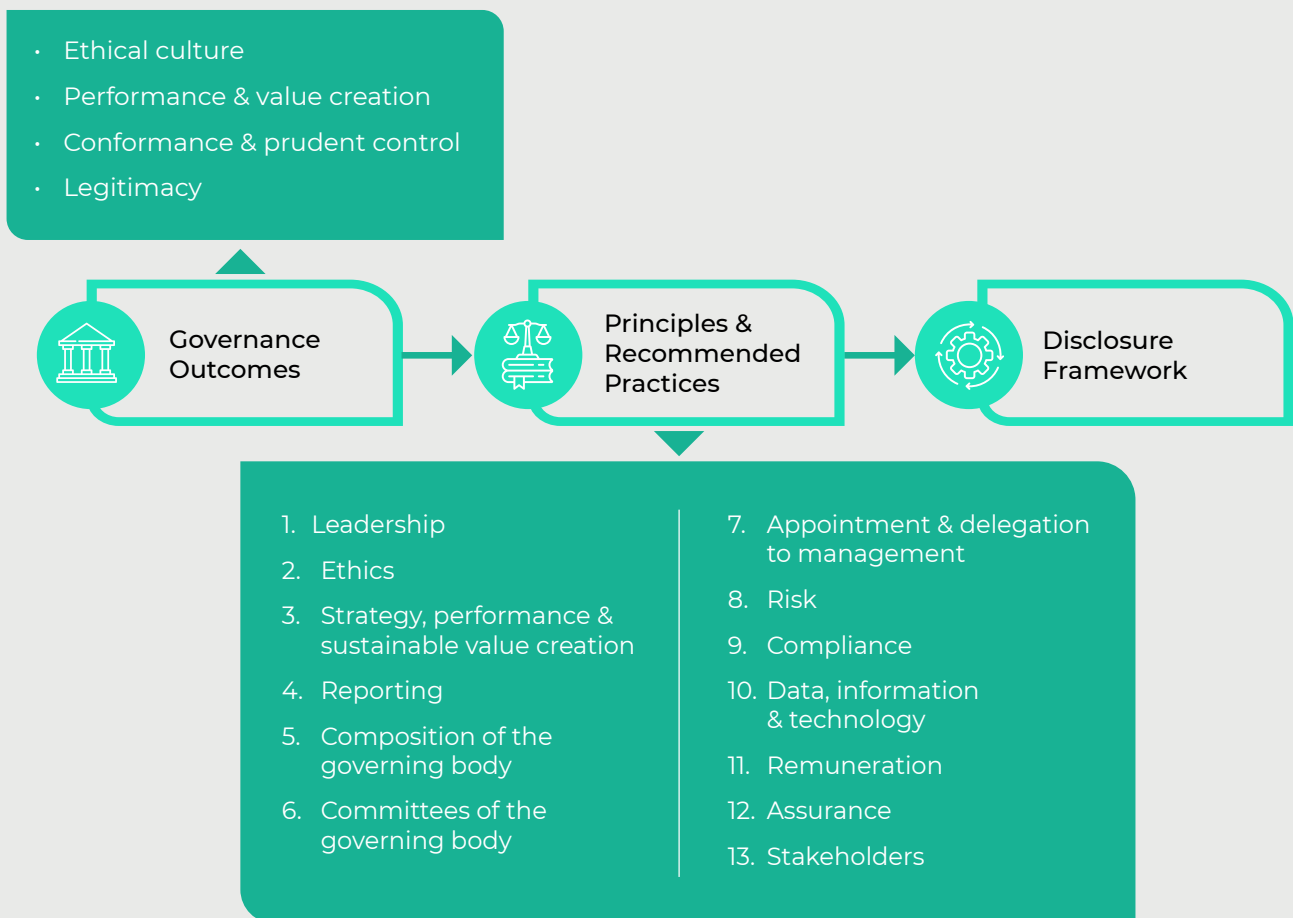
Proportionality and Adaptability

One of the perennial challenges posed by a governance code with universal application is the extent to which the principles and the recommendations that comprise them can be adapted to varied circumstances. To address this, some jurisdictions - notably the United Kingdom - rely on bespoke governance guidelines for private enterprises. King V instead maintains its wider application but aims to incorporate inherently flexible practices that can be scaled to the size and complexity of organisations and that will, hopefully, ensure appropriate and proportional adoption. Despite this, smaller and even medium-sized entities may have to grapple with the principles to adapt them in a manner that meaningfully responds to the unique conflicts and tensions created by their ownership structures and contextual realities. The approach balances flexibility with accountability and transparency, which in turn highlights the significance of the Disclosure Framework.

Board Independence and Ethics

Independent non-executive directors remain a key pillar of good governance, and independence should be determined objectively with reference to holistic criteria. Stated criteria have been extended to take into account parties related to directors in all cases. Ethical and effective leadership principles have been consolidated and remain at the forefront of King V. Integrated thinking likewise remains a key philosophy, and its underlying concepts permeate the Code. Specifically, “the philosophies and ideologies of Ubuntu, corporate citizenship and stakeholder inclusive approaches (as opposed to adhering to the primacy of the interests of the providers of financial capital) are all expressions of the tenets of integrated thinking.”

5 KEY ELEMENTS OF KING V



6 THE 13 PRINCIPLES



Principle 1 - Leadership

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

Key notes:

As the traditional custodians of corporate governance, it is fitting that the first principle addresses the pivotal role of the governing body and the complementary dimensions of ethical and effective leadership. Leadership must actively demonstrate the key governance outcomes: integrity, competence, responsibility, accountability, fairness, and transparency in all aspects of governance. King V sets clear behavioural expectations and requires transparent reporting on leadership effectiveness and impact, not mere intent or policy formulation.



Principle 2 - Ethics

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

Key notes:

The Code refines and streamlines its principles to add clarity and practical guidance to ethical governance practices. Specifically, the principles of ethical and effective leadership and responsible corporate citizenship have been merged and framed within the outcome of establishing and sustaining an ethical culture. Evidence-based disclosure on the effectiveness of ethical governance mechanisms further bolsters this core principle.



Principle 3 - Strategy, Performance and Sustainable Value Creation

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.

Key notes:

Voluntary codes rely on disclosure and reporting and performative compliance and 'box ticking' undermine their efficacy. In response, King V expects companies to articulate how sustainability principles shape strategy and how this in turn is reflected in measurable outcomes. Sustainable value creation has been incorporated as a key principle as opposed to one of several recommended practices that inform stakeholder relationships. This integration aligns with international developments in environmental, sustainability, and governance (ESG) responsibilities and reporting.



Principle 4 - Reporting

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.

Key notes:

King V maintains the foundational “apply and explain” model of King IV, but introduces a standardised Disclosure Framework that prescribes the form and content of governance disclosures. This consistent reporting format is aimed at preventing variability across sectors and companies, and at making it easier for external stakeholders to interpret and compare governance reports reliably. The Disclosure Framework requires organisations to address each principle and provide evidence in support thereof, but allows flexibility for organisations of different size and complexity to provide context-specific commentary on how principles have been scaled and adapted in proportion. The Disclosure Framework has been lauded for its potential to facilitate consistent and centralised disclosures that are likely to benefit institutional investors, regulatory bodies and stakeholders and further enhance transparency and accountability.



Principle 5 - Composition of the Governing Body

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.

Key notes:

King V retains a holistic approach to board composition that emphasizes competencies, balance, and independence. As has been the case, independence is assessed objectively and with reference to all relevant factors - some of which are expressly mentioned. King V extends all the independence criteria to apply also to related parties. The criteria have further been amended to include express reference to a three-year cooling-off period for individuals who served as executive management prior to the preceding three financial years. Although the mere fact that members have served on the governing body for nine years or longer *could* justify the conclusion that they are no longer independent, King V does not *per se* exclude such members from being categorised as independent. It remains a relevant factor to be considered ‘holistically and on a substance-over-form basis,’ that alone or in combination may indicate that a member cannot be categorised as independent. King IV did not include a nine-year tenure as a distinct criterion but instead provided guidance to monitor independence in such cases.

In the context of diversity, King V maintains metrics that extend beyond gender and race and encourages boards also to consider age and culture. Notably, however, organisations are required only to report on targets set for gender and race representation (although the age and the qualifications of each member of the governing body should be disclosed).



Principle 6 - Committees of the Governing Body

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.

Key notes:

King V's approach to committees of the governing body closely mirrors the model set out in King IV, preserving the board's discretion to establish committees that support effective governance, oversight, and accountability. The principles of independent membership, defined mandates, and regular evaluation of committee effectiveness remain unchanged, apart from the fact that both the risk and social and ethics committee must now comprise at least one independent non-executive director. Subtle changes are introduced where the position of the chairperson is concerned. It is now recommended that the chairperson should also chair the nominations committee and may chair the risk committee. Previous recommendations allowed discretion in the case of both these committees.



Principle 7 - Appointment and Delegation to Management

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

Key notes:

King V's approach to appointment and delegation to management is fundamentally similar to King IV, retaining the principles of transparent, fair, and competency-based appointments as well as clear delegation of authority with necessary oversight and accountability mechanisms. The Code emphasizes proactive leadership development, expanded succession planning and annual performance assessments tied to agreed performance measures and targets.



Principle 8 - Risk

The governing body governs risk in a way that enables the organisation to sustain and optimise its strategy and objectives.

Key notes:

King V's approach to risk remains broadly consistent with King IV, maintaining a principles-based, integrated model whereby the board is accountable for overseeing risk culture across all organisational activities. The Code shifts slightly to emphasize opportunity-focused risk-taking in the formulation of the main principle and requires boards to consider both risks and opportunities, treating calculated risk-taking as essential for sustainable growth. King V retains an emphasis on cybersecurity and technology risks as strategic business risks rather than operational IT issues.



Principle 9 - Compliance

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

Key notes:

It is increasingly clear that South Africa suffers not from a lack of appropriate and robust legislation but instead from a lack of ethical leadership. One of the key animating principles of King V is to bridge a gap that legislation and regulation is unable to fill, namely to ensure that ethical leadership becomes the bedrock of South African companies. Compliance remains critically important, but organisations must not fixate on a legalistic approach that disregards ethics and the company's role as a corporate citizen.



Principle 10 - Data, Information and Technology

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

Key notes:

Data and information governance is positioned as a strategic board-level responsibility, requiring organisations to safeguard, manage, and ethically deploy information and emerging technologies—including AI—under explicit oversight and policy frameworks. King V aligns with global standards (such as ISO 38505 and ISO 27001) by requiring risk-integrated data management, legal compliance, assurance of data quality and security, and structured arrangements for data lifecycle and architecture. AI systems must be subject to human oversight mechanisms, and these should align with the severity of the risk involved for the organisation or third parties.



Principle 11 - Remuneration Governance

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

Key notes:

King V's remuneration governance principles are closely aligned with the requirements of the Companies Act 71 of 2008 and the JSE Listings Requirements, to avoid incongruity and ensure a unified framework for transparency, accountability, and stakeholder engagement. Boards must ensure remuneration policies comply with statutory requirements for disclosure, shareholder approval, and fairness, particularly around director and prescribed officer pay. The JSE Listings Requirements reinforce these expectations and require listed companies to disclose remuneration practices and outcomes in their annual reports. King V explicitly ties remuneration outcomes to sustainable value creation and ESG factors and requires remuneration policies that provide an appropriate response to the wage gap by ensuring that the remuneration of executive management is fair and responsible within the context of overall employee remuneration in the organisation. It is less prescriptive than its predecessor regarding the Remuneration Report and Policy, in light of peremptory provisions that will apply once relevant provisions of the Companies Amendment Act 16 of 2024 come into force. Organisations that will not be subject to the statutory provisions are nonetheless urged to submit their remuneration policy and statutory remuneration disclosures to shareholders for non-binding advisory votes from time to time. This serves as an interim measure, pending the coming into force of the amendments mentioned above, and the publication of concomitant regulations and as an incentive for companies not subject to the statutory provisions that nonetheless aim to comply with the principles of the Code.



Principle 12 - Assurance

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.

Key notes:

King V maintains the fundamental flexibility of King IV with an increased emphasis on the board's responsibility to explain how assurance over disclosures and key outcomes is achieved with reference to the Disclosure Framework. As mentioned, the contents of the Disclosure Framework must be approved by the governing body which aligns with the approach taken generally in the case of formal disclosures.



Principle 13 - Stakeholders

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.

Key notes:

King V maintains a foundational stakeholder-inclusive approach and requires stakeholder accountability, reporting, and ethical engagement, retaining practices rooted in Ubuntu and integrated thinking. The Disclosure Framework specifically requires organisations to explain what measures were taken to monitor stakeholder relationships and how outcomes were addressed. Companies should not focus exclusively on areas where operational interests intersect with socio-economic and environmental interests, but should instead recognise that these interests don't merely intersect but are embedded in each other.

7 HOW SHOULD THE PRINCIPLES BE IMPLEMENTED?

Companies should implement the principles of King V by adopting its outcomes-based, “apply and explain” approach, using the standardised Disclosure Framework, and proportionally tailoring governance practices to organisational context and complexity. The governing body must ensure that corporate governance outcomes are achieved through the integrated application of the thirteen principles, with clear reporting through the Disclosure Framework. Implementation is an iterative, integrated process and organisations should be able to demonstrate substantive engagement with principles and recommended practices.

8 THE CONSEQUENCES OF NON-COMPLIANCE

Non-compliance with King V may have significant reputational and commercial consequences, particularly for listed and regulated entities. Although King V itself is a voluntary framework, it is incorporated into the JSE Listings Requirements and other sectoral codes, making non-adherence a potential cause for enforcement action, public censure, or even suspension from trading for listed companies. Organisations that fail to apply and explain the principles may lose investor confidence, suffer negative stakeholder perception, and risk board and director liability for breaches of their statutory and common law fiduciary duties, where poor governance results in financial loss, fraud, data breaches, or regulatory violations.

Although King V is not directly enforced in the case of private companies, ignoring its recommendations entirely may weaken their standing in stakeholder, partner, or procurement relationships and increase strategic and operational risks. This is the case especially in sectors where King V application is expected or contractually required. While the courts have referenced the Code when interpreting the legal duties of company directors, their approach in the context of unlisted private companies has not been consistent. It therefore remains possible that the courts will find it appropriate to consider King V when interpreting legal requirements, especially where larger unlisted and private entities are involved. Boards should consider this risk when weighing the extent to which their companies should incorporate the principles and recommended practices. Ultimately, good governance supports legitimacy, performance, and effective risk management, and the potential benefits of compliance mostly outweigh the associated costs.



9 MEET THE AUTHORS



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Established in the early 1900s, Werksmans is a leading South African corporate and commercial law firm, serving multi-nationals, listed companies, financial institutions, entrepreneurs and government.

Operating in Gauteng and the Western Cape, the firm is connected to an extensive African legal alliance through LEX Africa. LEX Africa was established in 1993 as the first and largest African legal alliance and offers huge potential for our clients seeking to do business on the continent by providing a gateway to Africa.

The firm comprises a team of independent-minded professionals with a shared commitment to client service. With a formidable track record in mergers & acquisitions, banking & finance, insolvency & business rescue, commercial litigation and dispute resolution, Werksmans is distinguished by the calibre of our people, the clients we serve and the work that we attract.

Our success is built on a solid foundation of insightful legal advice, innovative deal structuring, a keen understanding of business and economic imperatives and an unwavering focus on achieving the best legal outcome for our clients.



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