Institute of Directors South Africa
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04 April 2025

Subject: Draft King V Code

Below responses to the consultation questions were submitted via the online comment form.

Responses to consultation questions

1. **The separation of the previous combined report into multiple parts that can be navigated from a single access point enhances accessibility**

   Strongly agree

   Agree [X]

   Disagree

   Strongly disagree

   Please submit further suggestions, if any, to make King V optimally accessible and user friendly.

No further comments.

2. **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 [X]

   Disagree

   Strongly disagree

   Please submit comments and suggestions, if any, on the streamlining and simplification of language and content

We appreciate the efforts to simplify technical jargon and to streamline content across the Code. We believe the proposed changes have helped improve readability, without watering down key terminology and concepts.

3. **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 [X]

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

We welcome the suggestion to include an Executive Summary of fundamental concepts and philosophies as a preamble to the Code.

4. **The approach of the King Committee to addressing contemporary corporate governance topics and concerns constitutes a clear and practical application of integrated thinking.**

   Strongly agree

   Agree **[X]**

   Disagree

   Strongly disagree

   Please submit comments and suggestions, if any, on the King committee's approach to addressing contemporary corporate governance topics and concerns.

We commend the King Committee for its leadership in promoting sustainable business practices and we support the Committee's continued principles based approach, as in King IV, to addressing contemporary corporate governance topics and concerns.

We agree with Principle 3 of the Code which states that “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.” ICGN *Global Governance Principles* establish that boards are accountable to shareholders and relevant stakeholders for preserving and enhancing sustainable value over time (Principle 1). The ICGN Principles highlight that boards should adopt a comprehensive approach to the oversight of risk, extending beyond financial capital to include human and natural capital as relevant to the company’s business model (Principle 6. ‘Risk oversight’). Sustainability factors may present material risks, as well as opportunities, for companies. How these are managed could impact companies’ performance over time.

We understand that the Code requires companies to disclose “information which addresses both financial materiality and impact materiality”. We encourage the Committee to consider the work of the International Sustainability Standards Board (ISSB), whose mission is to develop a global baseline for sustainability-related disclosures. The ISSB standards focus on information that is financially-material for investors, but with the idea of a building block approach which allows national regulators and standard-setters to ask for a broader set of information if they deem it necessary.

Investors have been calling for comparable, reliable, and verifiable corporate sustainability disclosures, grounded in financial materiality, to make informed investment and stewardship decisions, and for their own reporting to beneficiaries. Global harmonisation of sustainability-related reporting is crucial to ensure consistency and comparability of information across jurisdictions. Therefore, we hope that the ISSB standards will be adopted globally. We strongly encourage the Committee to recommend explicitly that companies report financially-material sustainability-related information according to the ISSB standards.

The King Code has played a crucial role in promoting integrated reporting globally. It is therefore worth noting the long-term commitment by the Chairs of the ISSB and IASB to include the principles and concepts of the Integrated Reporting Framework in their standards development work.

5. **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 **[X]**

   Disagree

   Strongly disagree

Please submit comments or suggestions, if any, on the terminology and descriptions used with regards to the outcomes.

No further comments.

6. **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 **[X]**

   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

No further comments.

7. **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 **[X]**

   Disagree

   Strongly disagree

Please submit comments or suggestions, if any, on the application of the Code and proportionality

No further comments.

8. **Please submit comments or suggestions, if any, on the disclosure regime.**

We welcome the new proposed requirement that companies provide clear explanations on any recommended practices that have not been adopted, and which compensating measures have been implemented to achieve the associated principle. Explanations from companies for any deviations should be meaningful and provide investors with a clear reason for the alternative approach.

9. **(a) The disclosure template will assist organisations to meaningfully and qualitatively account for their implementation of King V.**

Strongly agree

Agree **[X]**

Disagree

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e: membership@icgn.org | **w:** www.icgn.org
in: International Corporate Governance Network

Strongly disagree

9. **(b) 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 **[X]**

Disagree

Strongly

Disagree

Please submit comments or suggestions, if any, on the disclosure template.

We welcome the proposal to enhance reporting against the Code through a Disclosure Template. We agree that a standardised reporting format supports enhanced comparability of disclosures, which is useful for investors.

10. **Please submit comments or suggestions, if any, on Principle 1 and its associated practices in the King V Code draft.**

No further comments.

11. **Please submit comments or suggestions, if any, on Principle 2 and its associated practices in the King V Code draft.**

No further comments.

12. **Please submit comments or suggestions, if any, on Principle 3 and its associated practices in the King V Code draft.**

No further comments.

13. **Please submit comments or suggestions, if any, on Principle 4 and its associated practices in the King V Code draft.**

We understand that the Code requires companies to disclose “information which addresses both financial materiality and impact materiality”. We encourage the Committee to consider the work of the ISSB, whose mission is to develop a global baseline for sustainability-related disclosures. The ISSB standards focus on information that is financially-material for investors, but with the idea of a building block approach which allows national regulators and standard-setters to ask for a broader set of information if they deem it necessary.

Investors have been calling for comparable, reliable, and verifiable corporate sustainability disclosures, grounded in financial materiality, to make informed investment and stewardship decisions, and for their own reporting to beneficiaries. Global harmonisation of sustainability-related reporting is crucial to ensure consistency and comparability of information across jurisdictions. Therefore, we hope that the ISSB standards will be adopted globally. We strongly encourage the Committee to recommend explicitly that companies report financially-material sustainability-related information according to the ISSB standards.

14. **Please submit comments or suggestions, if any, on Principle 5 and its associated practices in the King V Code draft.**

We welcome the enhanced criteria for determining the independence of non-executive directors. Considering the 9-year tenure as one factor among other relevant criteria, rather than a standalone factor as in the earlier Code, enables a comprehensive assessment of the various factors and circumstances that may influence independence. Moreover, we appreciate the specific recommendation to clarify appropriate cooling off period.

We recommend removing the recommendation on staggered boards. We are concerned that staggered boards may weaken shareholder rights by making it more difficult to hold directors accountable.

15. **Please submit comments or suggestions, if any, on Principle 6 and its associated practices in the King V Code draft.**

We question the recommendation that "the committee for risk governance should have executive and non-executive members, with a majority being non-executive members of the governing body and at least one independent member". We would recommend that the risk committee be composed of independent non-executive directors, in line with global best practices. We note, for instance, that Glass Lewis 2024 Benchmark Policy Guidelines for South Africa ask a majority of non-executive members for this committee. The UK Corporate Governance Code asks that the risk committee is composed of independent non-executive directors.

The King V Code could also be more specific about the audit committee. We recommend that at least one member of the audit committee should have recent and relevant financial expertise and all audit committee members should be financially literate, including a basic understanding of accounting.

16. **Please submit comments or suggestions, if any, on Principle 7 and its associated practices in the King V Code draft.**

No further comments.

17. **Please submit comments or suggestions, if any, on Principle 8 and its associated practices in the King V Code draft.**

No further comments.

18. **Please submit comments or suggestions, if any, on Principle 9 and its associated practices in the King V Code draft.**

We agree with the Committee that technological developments and the emergence of new technologies are happening at a rapid pace and updates to the Code are helpful. We welcome the new recommendations to address objectives and risks related to the governance of information technology (IT), data, and emerging technologies, including artificial intelligence (AI).

ICGN *Investor Viewpoint on Artificial intelligence: An engagement guide* (2024) affirms that the rapid development and use of AI necessitates comprehensive AI governance and risk management processes. We recommend continuous learning for board members in this area, to ensure they are properly equipped to oversee the management of AI-related risks and opportunities.

19. **Please submit comments or suggestions, if any, on Principle 10 and its associated practices in the King V Code draft.**

No further comments.

20. **Please submit comments or suggestions, if any, on Principle 11 and its associated practices in the King V Code draft.**

No further comments.

21. **Please submit comments or suggestions, if any, on Principle 12 and its associated practices in the King V Code draft.**

No further comments.

22. **Please submit any further comments:**

The International Corporate Governance Network (ICGN) appreciates the opportunity to comment on the Committee's and the IoDSA's draft King V Code.

Led by investors responsible for assets under management of >US$90 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 40 countries. ICGN's *Global Governance Principles* and *Global Stewardship Principles*, written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.

ICGN recognises the pioneering role of the South Africa King Code in establishing a globally recognised blueprint for corporate governance. We commend the Committee or their ongoing efforts to revise the Code according to emerging international and national best practices, while preserving its strong foundation in outcomes-based reporting, which has inspired Codes around the world.

We would like to make a final comment on a topic not covered by the consultation questions. We understand that Principle 17 (regarding institutional investors) may have become redundant or less relevant given that institutional investors are now subject to a range of standards and regulations addressing their responsibilities and obligations in corporate governance, such as the Code for Responsible Investing in South Africa (CRISA). Whilst the need for a separate Principle on institutional investors stewardship rights and obligations may not be necessary, we believe the King Code should expressly recognize the importance of institutional investors applying the CRISA code and governing bodies of organizations should be expressly required to engage institutional investors in accordance with stewardship best practices.

Thank you again for the opportunity to share our perspective on the draft King V Code. If you would like to follow up with questions or comments, please contact our Global Policy Director (severine.neervoort@icgn.org) or Policy Executive (wendela.rang@icgn.org).

Yours faithfully,

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Chief Executive Officer, ICGN

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