



UNPACKING KING V - RELEVANCE
OF MODERN CORPORATE
GOVERNANCE FOR BOARDROOMS

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AGENDA

- 1) **Context**
- 2) **Key questions**
- 3) **International Trends**
- 4) **Foundation to King V**
- 5) **Principles & Recommended Practices**
- 6) **Way forward**

CONTEXT – EVOLUTION TO KING V

The world of today is characterised by significant progress in various fields such as science, medicine, and technology but, at the same time, the number of challenges has steadily grown.

Some of the major challenges we have to contend with include:

- geopolitical turbulence and deteriorating peace and security;
- extreme weather events and the catastrophic effects of climate change,;
- growing inequality;
- rising inflation and a cost-of-living crisis;
- poor pandemic preparedness;
- global extreme poverty remains widespread;
- the rapid pace of technological innovation; and
- a sovereign debt crisis



TIMING

Governance revamp informed by:

- Legislative reforms in SA since King IV
- Global regulatory reforms and the introduction of new sustainability reporting standards
- The increased use of technology and the rise of emerging technologies such as artificial intelligence (AI)
- Ensuring that risk management frameworks are enhanced to be “fit-for-purpose”
- Persistent social challenges in SA, including political fragmentation, unemployment, economic and education inequalities, as well as fraud and corruption have intensified calls for inclusive governance that prioritises social impact
- Realization that the global and local conditions being faced by SA organisations necessitates a code of corporate governance that equips organisations to meet these challenges
- SA strategy to be a champion for Africa and the developing world by adopting leading corporate governance standards
- Affirming the interconnectedness of corporate governance with human development and technology advancements



QUESTIONS TO CONSIDER

For organisations that have applied the principles from the prevailing governance code, have they experienced improved performance?

For organisations that have not applied the recommended principles, have they incurred the wrath of stakeholders, and ultimately been subject to punitive measures such as a withdrawal of the social licence to operate?

Do members of a governing body or even governance professionals employed by an organisation, have sufficient influence to take decisions that can result in a positive impact beyond the organisation at which they serve?

Should corporate governance even attempt to venture beyond the traditional financial and non-financial performance metrics reported by organisations and directly seek to address the challenges that society is experiencing today?

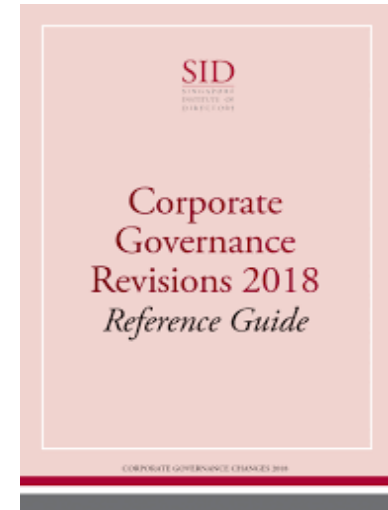


INTERNATIONAL TRENDS

Upon review of corporate governance codes in the UK, Australia, Japan and Singapore, there are certain commonalities.

These include:

- That the company does not exist in isolation
- Affirmation of the legitimacy of stakeholders and that companies should conduct themselves lawfully, ethically and responsibly to enhance sustainability
- That companies should take appropriate measures to address sustainability issues, including environmental, social and governance matters
- The appointment of directors who understand their duties collectively and individually in the complex society of today
- Have a boardroom where robust debate takes place, not characterised by “group think”
- Encourage openness and accountability at every level in the way the company conducts business



THEN....THERE'S THE UNITED STATES

The Trump administration has reversed measures of the previous administration requiring companies to disclose information on a broader agenda related to climate, diversity and labour rights.

Measures taken to reinstate shareholder primacy include:

- Rewarding States that have introduced anti-ESG legislation
- Renewed focus on “Financial materiality”
- Advisory firm disclosures, proxy voting recommendations amended to offer multiple perspectives to clients instead of promoting diversity and environmental criteria; or recommendations withdrawn entirely
- Glass Lewis and ISS are both suing Texas over a state law that limits guidance that proxy advisors can give to shareholders on corporate governance, diversity and environmental practices
- “Greenhushing” – downplaying climate pledges
- SEC withdrawing a proposal to impose standardized ESG disclosures on investment advisers and funds. It would have required detailed reporting on ESG strategies, greenhouse gas emissions metrics, and standardized tables to enhance transparency and combat greenwashing



ESG – LEGAL AND REGULATORY TRENDS

Mounting stakeholder pressure to align fiduciary duties with sustainability considerations

Sustainability reporting and disclosure requirements are becoming mandatory

Mandatory supply chain due diligence requirements are gaining momentum

There is increasing litigation and liability risks relating to sustainability

Corporate governance codes are increasingly embracing sustainability principles

There are growing mandatory requirements on board diversity

TOP RISKS FOR 2025 - WEF

Global Risks Report 2025

Global risks ranked by severity

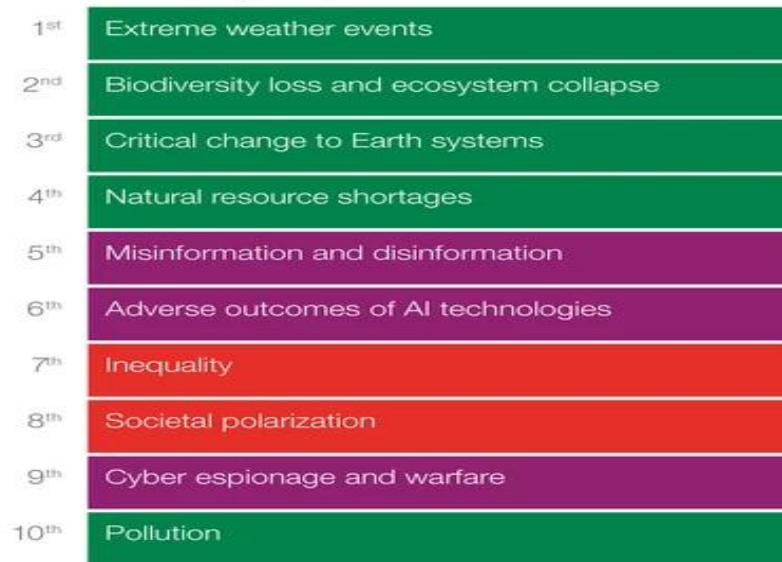


Please estimate the likely impact (severity) of the following risks over a 2-year and 10-year period.

Short term (2 years)



Long term (10 years)

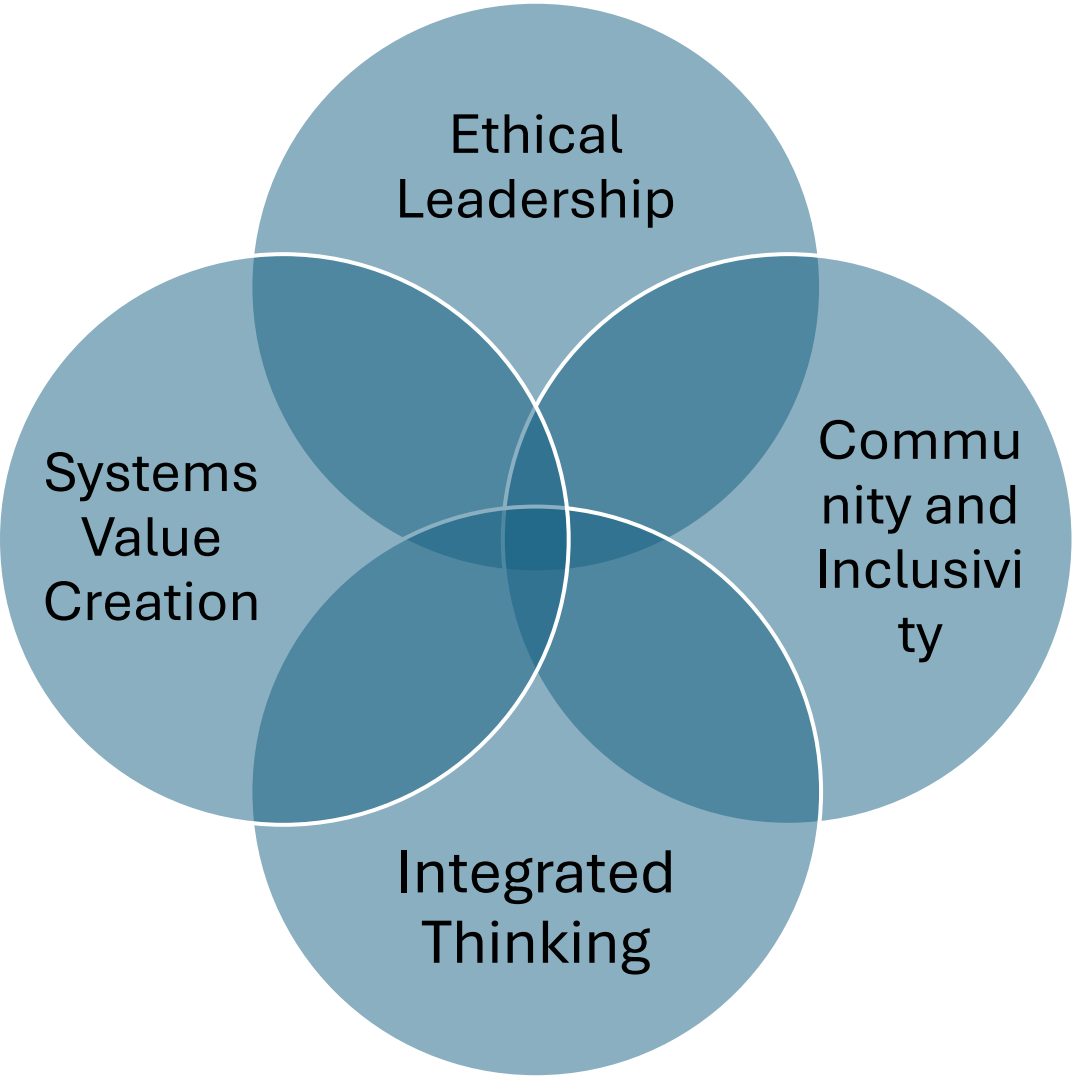


Risk categories ● Economic ● Environmental ● Geopolitical ● Societal ● Technological

Source: World Economic Forum, Global Risks Perception Survey 2024-2025



PHILOSOPHICAL FOUNDATIONS & FORMAT



King V
*Foundational
Concepts*

King V Code

King V

King V
*Disclosures
Template*

King V
Glossary

PRINCIPLES & RECOMMENDED PRACTICES – KING V

<i>Principle 1 - Leadership</i>
<i>Principle 2 - Ethics</i>
<i>Principle 3 – Strategy, performance and sustainable value creation</i>
<i>Principle 4 - Reporting</i>
<i>Principle 5 – Composition of the governing body</i>
<i>Principle 6 – Committees of the governing body</i>

<i>Principle 7 – Appointment and delegation to management</i>
<i>Principle 8 - Risk</i>
<i>Principle 9 - Compliance</i>
<i>Principle 10 – Data, information and technology</i>
<i>Principle 11 - Remuneration</i>
<i>Principle 12 - Assurance</i>
<i>Principle 13 - Stakeholders</i>

ETHICAL & EFFECTIVE LEADERSHIP – KING V

- The Principle that the governing body must lead ethically and effectively has been expanded to incorporate Principles that were disclosed separately in King IV, namely that positioning of the governing body as the focal point of corporate governance and the evaluation of the governing body's performance.
- Emphasis placed on:
 - ❖ the responsibility of directors to focus not just on the *inward prospects* of the organisation, but also on the *outward prospects* (ESG factors) and learn from past and present circumstances as well as monitor *prospects for the future*
 - ❖ the methodology approved by the governing body for the evaluation, which to the expectation of stakeholders, the *outcomes of evaluation will often inform succession planning* and should be intended to *enhance performance and reporting*
 - ❖ the *governing body remaining accountable for the evaluation of its performance* (including its committees, chairperson and individual members), although this function may be delegated



REPORTING – KING V

- Double materiality has been the implicit approach in King IV through its adoption of the concepts of corporate citizenship, stakeholder-inclusivity, the Ubuntu-Botho philosophy underpinned by certain recommended practices and acknowledging the organization's effect on the six capitals.
- King V is explicit in stating that an organisation should include in reports not only sustainability information about matters that significantly affect its finances and prospects (or are reasonably expected to do so) but also information about matters that impact its ability to create sustainable value for stakeholders over time
- Emphasis placed on:
 - ❖ Recognition that the *ability of an organisation to create value for itself, over the long term, is interrelated with the value the organisation creates, preserves or erodes for its stakeholders* and the economic, social and environmental systems within which it operates



COMPOSITION OF THE GOVERNING BODY – KING V

- The criteria for independence has been revised to explicitly address relationships involving parties related to the member under evaluation.
- In addition, cooling-off periods have been clarified to provide additional specific guidance. Furthermore, the tenure of nine years as a member of the governing body has been incorporated as a factor to be considered alongside other relevant indicators, whereas in King IV it was treated separately
- Emphasis placed on:
 - ❖ substance over form
 - ❖ whether a non-executive member can be categorised as independent or not, should involve the governing body evaluating all pertinent factors and circumstances holistically and within the substantive meaning of independence

COMMITTEES OF THE GOVERNING BODY – KING V

- Composition of the risk committee and the social and ethics committee has been enhanced. The practice recommendation now stipulates that each of these committees should comprise a majority of non-executive members, including at least one independent member.
- This represents a departure from King IV which required only a simple majority of non-executive members without specifying independence as a requirement
- Emphasis placed on:
 - ❖ the role of the risk committee and placing this committee on a similar footing to other committees
 - ❖ the importance of strengthening the social and ethics committee, even beyond legislative standards

DATA, INFORMATION & TECHNOLOGY – KING V

- The Code now 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. It is noteworthy that this encapsulates the various modes of deployment of these technologies within and by organisations, including their acquisition, development, use and distribution
- Emphasis placed on:
 - ❖ 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*
 - ❖ the *identification of biases and errors* as well as *the enablement of users to understand, verify and even challenge AI-driven outcomes* are defining factors

REMUNERATION – KING V

- Reforms in this area were introduced following changes in legislation. 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 legislation.
- 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.
- Emphasis placed on:
 - ❖ the responsibility of directors for balancing different interests when it comes to executive remuneration

EXECUTIVE REMUNERATION



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BECOMES THE FIRST
PERSON IN HISTORY
WITH A NET WORTH
OF \$500B.**

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**TESLA HAS OFFERED ELON
MUSK A RECORD-BREAKING
\$1 TRILLION PAY PACKAGE**

SWIPE FOR MORE

TAKEAWAYS

Board directors, governance professionals and aspiring directors should be mindful of the following:

- That boards should comprise ethical leaders with a diverse skills set, socio-economic backgrounds and ages, and are clear minded about the purpose of the organisation with sustainable value creation at the centre
- Governments worldwide are cracking down on unsustainable practices and are placing pressure on organisations to become more responsible corporate citizens
- Stakeholders expect reporting to be on outcomes
- Digital technologies such as analytics and AI will become even more embedded into processes such as compliance, risk assessment, decision-making, and stakeholder engagement
- Stakeholders such as customers, employees, suppliers, shareholders, regulators, and other interest groups are increasingly demanding greater organisational transparency about their operations



THANK YOU