



INSTITUTE OF
DIRECTORS
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CODE

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CONCEPTUAL FOUNDATIONS OF THE CODE

The concepts highlighted in this section establish the foundation for interpreting and applying the principles and recommended practices in the Code. For a more complete understanding of King V and its implications, it is highly advisable to review the **King V Foundational Concepts** document where the concepts referenced below are addressed in more detail. In addition, the terminology used in the Code is defined in the **King V Glossary**.

Definition of corporate governance

The exercise of ethical and effective leadership by the governing body towards the realisation of the following governance outcomes for the organisation within its economic, social and environmental context: Ethical Culture; Performance and Value Creation; Conformance and Prudent Control; Legitimacy.

Building blocks of the Code

Governance outcomes

The governance outcomes set the ultimate criteria against which the governing body and the stakeholders of an organisation should assess the quality of governance in that organisation. Thus, King V is outcomes-based, meaning that the governance of an organisation is judged primarily on its consequences and that an organisation cannot claim to have sound governance simply based on the implementation of the recommended practices. Implementation should result in the realisation of the governance outcomes before such a claim can be made.

Principles

Each of the principles in King V relates to a domain or subject area of corporate governance. A principle is the articulation of the ongoing objective that an organisation should aim to attain with respect to that domain area of governance. Upholding the objectives that the principles represent in the domain areas of corporate governance is essential and foundational to sound governance. Consequently, King V asserts that the principles are universally applicable across all types and sizes of organisations in various sectors.

Recommended practices

The practices offer concrete actions and processes to be carried out in support of the principles. The recommended practices in the Code are not intended to be implemented as if they were rules. This inflexibility leads to an inability to interpret and apply codes of corporate governance in a way that is appropriate for the type and size of organisation and the sector in which it operates. Mindful application, on the other hand, presupposes a thorough understanding of how the implemented practices support the objectives of the principles and ultimately the realisation of the governance outcomes.

Even where not expressly stated, adapting and scaling of practices to suit the organisational setting and conditions are permissible and advisable in accordance with proportionality considerations, which include factors such as:

- › Size of operations of the organisation, including turnover and workforce.
- › Nature and complexity of the business model of the organisation.
- › Ownership structure of the organisation.
- › Organisation's actual and reasonably expected economic, social and environmental impact.



CONCEPTUAL FOUNDATIONS OF THE CODE **CONTINUED**

Disclosure on King V

The application and disclosure regime for King V is “apply and explain” which can be depicted as follows:

Apply principles universally.

Explain non-adoption or modification of **recommended practices**.

Provide a concluding statement on the governance outcomes, specifically on whether the application of the King V principles and the implementation of its recommended practices, in the opinion of the governing body, are considered to have realised value for the organisation within its economic, social and environmental context in accordance with the stated governance outcomes: Ethical Culture; Performance and Value Creation; Conformance and Prudent Control; Legitimacy.

The **King V Disclosure Framework** is an inextricable part of giving effect to the King V Code and, therefore, a requirement for any organisation that wishes to claim application of King V.

The underpinning philosophies of King V

Sustainable development and value creation

King V asserts that all organisations should contribute to sustainable development. Organisations should recognise that their long-term success relies on the vitality and resilience of the socio-ecological systems around them. It is on this premise that organisations should create systems value in the economic, social and environmental context within which they operate.

To help organisations and their leaders apply the concept of systems value creation, King V advocates integrated thinking.

Integrated thinking and related concepts

Integrated thinking suggests that organisations actively consider the connectivity and interdependencies between the range of factors that may affect an organisation’s ability to create value for itself and within its systems context over time. These factors include:

- › The risks and opportunities emanating from the economic, social and environmental systems within which the organisation operates and the tailoring of the organisation’s purpose, business model and strategy to respond thereto.
- › The availability, quality and affordability of the resources and relationships the organisation uses and affects and the critical interdependencies among them, including the trade-offs required.
- › The capacity of the organisation to respond to stakeholders’ significant interests.
- › The organisation’s activities and outputs as well as impacts and outcomes over time with respect to the capitals and the broader economic, social and environmental systems within which the organisation operates.

The Ubuntu-Botho philosophy, corporate citizenship and stakeholder inclusivity are adopted approaches in King V that further elucidate systems value creation and support integrated thinking.

If integrated thinking is applied by the governing body and management of an organisation, it should be mirrored in the way that the organisation reports and discloses on its performance and operations. Consequently, integrated *reporting* is a process founded on integrated thinking which results in the periodic issuing of an integrated *report* by the organisation.



PRINCIPLES AND RECOMMENDED PRACTICES

Leadership

PRINCIPLE 1: The governing body leads ethically and effectively as the focal point of corporate governance in the organisation.

RECOMMENDED PRACTICES

Characteristics and values

Steering and setting direction

1. Members of the governing body should individually and collectively cultivate and exemplify the characteristics as outlined below.
 - a. Integrity, which entails:
 - i. Acting in good faith and in the best interests of the organisation.
 - ii. Avoidance of conflict of interests by refraining from situations where personal interests may conflict with the interests of the organisation; when despite best efforts avoidance is not possible, the diligent disclosure of conflicts and management thereof in accordance with legal duties.
 - iii. Acting ethically beyond mere legal compliance.
 - iv. Exemplifying ethical conduct and setting the tone for an ethical organisational culture.
 - b. Competence, which entails:
 - i. Acquiring sufficient working knowledge of the organisation itself; its industry; the risks and opportunities associated with the organisation's economic, social and environmental context; applicable laws; and policies, non-binding rules, codes and standards as adopted by the organisation.
 - ii. Acting with due care, skill and diligence and taking reasonable steps to become informed about matters for decision making by the governing body.
 - iii. Continually developing the skills to lead ethically and effectively, including corporate governance knowledge and competencies.
 - c. Responsibility, which entails:
 - i. Acknowledgement of the collective power and authority of the governing body to act on behalf of the organisation along with the responsibility of individual members to exercise independence of mind and have the courage to speak up when necessary.
 - ii. The exercise of courage in capturing opportunities and doing so in a responsible manner and in the long-term best interests of the organisation.
 - iii. Anticipating, preventing or otherwise mitigating the negative impacts and outcomes of the organisation's activities and outputs on the resources and relationships it uses and affects, and on its economic, social and environmental context.
 - iv. Committing sufficient time and effort to prepare for meetings of the governing body and its committees.
 - d. Accountability, which entails accepting the obligation to explain or answer for the consequences and outcomes of the execution of responsibilities, even those that have been delegated.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

- e. Fairness, which entails:
 - i. Adopting a stakeholder-inclusive approach in the execution of governance obligations.
 - ii. Taking responsibility for the organisation's actual and reasonably expected impact and outcomes on the natural environment, society and future generations.
- f. Transparency, which entails disclosure that accounts for the governance of the organisation and its creation, preservation and erosion of value within its economic, social and environmental context.

Policy and planning – not applicable.

Oversight and monitoring

- 2. The governing body should ensure that the evaluation of its performance includes measurement criteria for assessing members' individual and collective cultivation and exemplification of the characteristics of integrity, competence, responsibility, accountability, fairness and transparency.

Accountability – see the disclosure requirements for Principle 1 in relation to the characteristics and values of the governing body in the **King V Disclosure Framework**.

Overarching governance role and functions

Steering and setting direction

- 3. The governing body should cover all dimensions of its governance role, namely, focusing *inwards* on the organisation and *outwards* on the economic, social and environmental context within which it operates and, furthermore, by orientating towards the *future* whilst also monitoring and accounting for the *past* and *present*. This involves undertaking the following cyclical functions:
 - a. Steering the organisation and setting its strategic direction.
 - b. Considering and approving policies and planning that give effect to the direction provided.
 - c. Overseeing and monitoring of implementation and execution by management.
 - d. Ensuring accountability for organisational performance by means of, among others, reporting and disclosure to stakeholders.

Policy and planning

- 4. The role and responsibilities, membership and procedural requirements for the governing body as well as the standards for its conduct should be documented in a charter which the governing body should consider, approve and review periodically.

Oversight and monitoring

- 5. The governing body should ensure that the evaluation of its performance includes measurement criteria for assessing the execution by the governing body on all dimensions of its governance role and the fulfilling of its responsibilities in accordance with its charter.

Accountability – see the disclosure requirements for Principle 1 in relation to overarching governance role and functions in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Performance evaluation of the governing body

Steering and setting direction

6. The governing body should be accountable for the evaluation of its performance (including its committees, chairperson and individual members) promoting accountability for the fulfilment of legal duties and governance obligations.
7. The governing body may, at its discretion, delegate its responsibilities for its performance evaluation as outlined below to the committee responsible for nomination governance, if in place, or another committee as may be appropriate for the organisation.

Policy and planning

8. The governing body should consider and approve a formal process for the evaluation of the performance of the governing body (including its committees, chairperson and individual members) to be conducted at least every two years. Its considerations should include the methodology to be employed and whether the evaluation is to be externally facilitated or not.

Oversight and monitoring

9. The governing body should ensure that its performance evaluations result in identifying strengths and areas for development, enabling targeted development programmes or changes in composition and governance arrangements that continually improve the performance of the governing body.

Accountability – see disclosure requirements for Principle 1 in relation to the performance evaluation of the governing body in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Ethics

PRINCIPLE 2: The governing body governs the ethics of the organisation in a way that enables an ethical culture and responsible corporate citizenship.

RECOMMENDED PRACTICES

Organisational ethics

Steering and setting direction

10. The governing body should provide the strategic direction and be accountable for the organisation's management of ethics creating an ethical culture.
11. The governing body may, at its discretion, delegate its ethics-related responsibilities as outlined below to the social and ethics committee, if in place, and in addition to any statutory duties that the committee may have.

Policy and planning

12. The governing body should consider and approve the policies, programmes and codes that give effect to its strategic direction on organisational ethics. These should:
 - a. Set standards for the organisation's interaction with both internal and external stakeholders, the broader society and the organisation's actual and reasonably expected impact and outcomes on the environment and future generations.
 - b. Include the establishment of an ethics programme which comprises assessing and effectively responding to the significant ethics risks and opportunities of the organisation.
 - c. Include the establishment of programmes for the prevention and detection of corruption, fraud and money laundering.

Oversight and monitoring

13. The governing body should exercise ongoing oversight and monitoring of the implementation and execution of policies, programmes and codes to ensure that these result in an ethical organisational culture. In particular, the following should be ensured:
 - a. Access by employees, suppliers and other business partners to applicable ethics codes and policies, and the embedding of these through induction, ongoing training and awareness campaigns.
 - b. Application of the organisation's ethics standards to the recruitment, performance evaluation and reward of employees as well as the sourcing of suppliers and general engagement with external stakeholders.
 - c. Acknowledgement of exemplary ethical conduct and addressing violations of the organisation's ethics standards through suitable sanctions and remedies.
 - d. Provision of protected reporting or anonymous whistleblowing mechanisms for the detection of violations of ethics standards whilst safeguarding that reporting does not lead to occupational or personal detriment, directly or indirectly, against persons who report in good faith.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

14. The governing body should consider periodic assurance on the effectiveness of the organisation's management of ethics in creating an ethical culture.

Accountability – see the disclosure requirements for Principle 2 in relation to organisational ethics in the **King V Disclosure Framework**.

Responsible corporate citizenship

Steering and setting direction

15. The governing body should provide the strategic direction and be accountable for the organisation's purpose, values as well as for the impacts and outcomes of its activities and outputs being congruent with responsible corporate citizenship.
16. The governing body may, at its discretion, delegate its corporate citizenship-related responsibilities as outlined below to the social and ethics committee, if in place, and in addition to any statutory duties that the committee may have.

Policy and planning

17. The governing body should consider and approve the policies and planning that give effect to its strategic direction on responsible corporate citizenship. These should:
- Adhere to the spirit of the Ubuntu-Botho philosophy.
 - Affirm compliance by the organisation with the Constitution of South Africa (including the Bill of Rights), other laws, regulations and adopted policies, non-binding rules, codes and standards.

Oversight and monitoring

18. The governing body should exercise ongoing oversight and monitoring of how the direct and indirect consequences of the organisation's activities and outputs affect its standing as a responsible corporate citizen over time. This should include ensuring measures and targets in all of the following areas:
- Workplace (including employment equity; fair remuneration; safety, health, dignity and development of employees; and diversity, equity and inclusion in the workplace).
 - Economy (including economic transformation; the prevention, detection and response to fraud and corruption; and responsible and transparent tax policies).
 - Society (including public health and safety; consumer protection; community development; safeguarding of human rights; and external stakeholders' interests).
 - Environment (including climate and energy resilience; water stewardship; waste management and circularity; consequences to nature with respect to biodiversity and ecosystem services, land and soil health, and animal rights and welfare).

Accountability – see the disclosure requirements for Principle 2 in relation to responsible corporate citizenship in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Strategy, performance and sustainable value creation

PRINCIPLE 3: The governing body ensures that the organisation's purpose, strategy and business model support performance that creates sustainable value within the organisation's economic, social and environmental context.

RECOMMENDED PRACTICES

Steering and setting direction

19. The governing body should set the direction and be accountable for the organisation having established its purpose and the consequent realisation thereof through its strategy, business model and performance.
20. The governing body should consider and approve organisational strategy that is representative of integrated thinking and takes account of the factors which significantly affect, or reasonably may be expected to affect, the organisation's ability to create value over time. This should encompass appraising the proposed strategy and business model with respect to the following:
 - a. Alignment with the organisation's purpose and its expressed value creation proposition within its economic, social and environmental context.
 - b. The availability, quality and affordability of the resources and relationships the organisation uses and affects along with how these pose risks and opportunities to be considered for strategy formulation.
 - c. The positive, neutral and negative impacts and outcomes that can reasonably be expected over time on the resources and relationships that the organisation uses and affects from the implementation of the proposed strategy, and how such negative impacts and outcomes could proactively be avoided or mitigated.

Policy and planning

21. The governing body should consider and approve the operational planning that gives effect to the approved strategy. Operational planning should include budgets as well as key performance measures and targets relating to the achievement of strategic objectives, outputs, impacts and outcomes over the short, medium and long term.

Oversight and monitoring

22. The governing body should exercise ongoing oversight and monitoring of the implementation and execution of strategy and operational planning. This should include ensuring that:
 - a. The organisation continually assesses, and responsibly responds to, the negative impacts and outcomes of its activities and outputs on the resources and relationships which it uses and affects, and on its economic, social and environmental context.
 - b. There is ongoing monitoring of the longer-term viability of the organisation with respect to its reliance on the resources and relationships that it uses and affects, its solvency and liquidity, and its status as a going concern.

Accountability – see the disclosure requirements for Principle 3 in relation to strategy, performance and sustainable value creation in the **King V Disclosure Framework**.

PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Reporting

PRINCIPLE 4: The governing body ensures that external reports issued by the organisation 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.

RECOMMENDED PRACTICES

Steering and setting direction

23. The governing body should provide the strategic direction and be accountable for the integrity of external reports issued by the organisation.
24. The governing body may, at its discretion, delegate its reporting-related responsibilities as outlined below to the audit committee, if in place, and in addition to any statutory duties that the committee may have. Such delegation does not detract from the responsibility of other committees for the oversight of the content of external reports that pertain to their role and functions.

Policy and planning

25. The governing body should consider and approve the following to give effect to its strategic direction on external reporting:
 - a. The reporting standards, frameworks and guidelines to be used for each external report, taking into account legal requirements as well as the purpose and audience of the report.
 - b. The suite of reports to be issued by the organisation to meet legal requirements and address the legitimate and reasonable information needs of the organisation's stakeholders which may, in addition to the annual financial statements, include an integrated report; sustainability report; the audit committee, social and ethics committee and remuneration committee reports; and the King V Disclosure Framework.
26. The governing body should proactively ensure that sustainability information – whether provided holistically in an integrated report or across multiple reports, or both – encompass both the matters that:
 - a. Generate risks and opportunities which significantly affect, or reasonably could be expected to affect, the organisation's financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term.
 - b. Pertain to the organisation's significant actual, or reasonably expected, positive or negative impacts over the short, medium or long term on its stakeholders, and on the economic, social and environmental context within which the organisation operates.

Oversight and monitoring

27. The governing body should exercise ongoing oversight and monitoring of external reporting, including:
 - a. Ensuring that the organisation issues an integrated report at least annually.
 - b. Approving all formal, external reports by the organisation prior to public issuing.
 - c. Ensuring the publication on the organisation's website of all the external reports issued by the organisation, including its corporate governance disclosures in accordance with the requirements of the King V Disclosure Framework accompanying this Code.

Accountability – see the disclosure requirements for Principle 4 in relation to reporting in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Composition of the governing body

PRINCIPLE 5: The governing body 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.

RECOMMENDED PRACTICES

Composition

Steering and setting direction

28. The governing body should be accountable for its balanced composition, enabling the objective and effective discharge of its governance obligations. It may, at its discretion, delegate its responsibilities related to its composition to a committee responsible for nomination governance.

Policy and planning

29. The governing body should comprise a majority of non-executive members, most of whom should be independent.
30. As a minimum, the CEO and at least one other member of executive management should be appointed to the governing body to ensure that it has more than one point of direct interaction with management.
31. The governing body should promote diversity in its membership across a variety of attributes relevant for promoting better decision making and effective governance, including a diverse mix of competencies as well as diversity in age, culture, race and gender.
32. Arrangements for staggered rotation of its members should be in place to introduce members with relevant, new expertise and perspectives while retaining valuable institutional knowledge, skills and experience for continuity.
33. A succession plan should be developed for the membership of the governing body and that of its committees as well as for critical roles such as the chairpersons of the governing body and its committees and the lead independent member.

Oversight and monitoring – refer to Recommended Practice 37.

Accountability – see the disclosure requirements for Principle 5 in relation to the composition of the governing body in the **King V Disclosure Framework**.

Nomination, election and development of governing body members

Steering and setting direction

34. The governing body should be accountable for the nomination of suitable candidates to serve as its members and the support of members' ongoing development. Where the governing body is not expected to nominate, it should proactively engage on its composition requirements with those who have the power to elect or appoint its members.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

35. The governing body, as a whole, should approve the candidates to be put forward for election but it may, at its discretion, delegate its other nomination-related responsibilities as outlined below to a committee responsible for nomination governance.

Policy and planning

36. The governing body should approve a formal and transparent process for the nomination and election of its members as well as for the continual development of governing body members.

Oversight and monitoring

37. The governing body should oversee and monitor that:
- The nomination process ensures the collective competencies, diversity and independence necessary in the membership of the governing body to enable it to navigate the complexities and risks arising from its economic, social and environmental context.
 - Nomination for re-election of an incumbent of the governing body involves consideration of that member's performance, including attendance of and contributions at meetings of the governing body and its committees.
 - Prior to candidates' nomination for election, thorough background checks are conducted, with qualifications and designations independently verified.
 - A brief professional profile of each candidate standing for election at the AGM, including details of existing professional commitments, accompanies the notice of the AGM.
 - Incoming governing body members undergo a comprehensive and timely induction process to facilitate their optimal participation within a short timeframe.
 - Members of the governing body with no or limited governance experience are provided with mentorship and development opportunities.
 - A programme for professional development, that includes regular briefings on legal, regulatory and corporate governance developments as well as on emerging risks and opportunities, is offered to members of the governing body.

Accountability – see the disclosure requirements for Principle 5 in relation to the nomination and continual development of members of the governing body in the **King V Disclosure Framework**.

Independence and conflicts

Steering and setting direction

38. Members of the governing body, collectively and individually, must be accountable for upholding independence in decision making in the best interests of the organisation.

Policy and planning

39. The governing body should ensure that each member submits a declaration of all personal financial and other professional and business interests held by the member at least annually, or whenever there are significant changes.
40. In addition, at the beginning of each meeting of the governing body and its committees, members should be required to declare any interests they may have, or that they know a related party has, with respect to a matter on the agenda. All such interest declarations should be proactively managed according to legal requirements and further directives that the governing body or committee may have.
41. The governing body may categorise its non-executive members as independent if it concludes that there is no 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 in the best interests of the organisation.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

42. Any single or a combination of factors may indicate that a member cannot be categorised as independent. These factors include that a member of the governing body or a party related to that member:
- a. Is a significant provider of financial capital, or ongoing funding to the organisation, or is an officer, employee or a representative of such provider of financial capital or funding.
 - b. Owns securities in the company, the value of which is considered significant to the personal wealth of that director.
 - c. Has been in the employ of the organisation as an executive manager during the preceding three financial years.
 - d. Had been in the employ of the organisation as an executive manager prior to the preceding three financial years without having served a cooling-off period of at least three years during which there had been no significant involvement in any capacity with the organisation.
 - e. Has been the designated external auditor responsible for performing the statutory audit for the organisation, or a critical member of the audit team of the external audit firm, during the preceding three financial years.
 - f. Is a significant and ongoing customer or supplier of goods or services to the organisation, or is a member of the governing body or the executive management of a significant supplier or customer to the organisation.
 - g. Is a member of the governing body or executive management of, or otherwise stands in a significant relationship to, another organisation which is a related party to the organisation.
 - h. Has served as member of the governing body for longer than nine years.
 - i. Is entitled to remuneration contingent on the performance of the organisation.
43. When determining whether a non-executive member can be categorised as independent or not, the governing body should evaluate all pertinent factors and circumstances holistically and within the substantive meaning of independence. Should the governing body conclude that a member is independent despite the presence of one or more factors that may indicate otherwise, it should provide a rationale for its conclusion.

Oversight and monitoring

44. The governing body should ensure that the evaluation of its performance includes measurement criteria for assessing the ethical and effective management by it and its committees of conflicts of interests and the consideration of independence of members.

Accountability – see the disclosure requirements for Principle 5 in relation to the independence of members of the governing body as provided for under the disclosures on the composition of the governing body in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Chairperson and lead independent member of the governing body

Steering and setting direction

45. The governing body should appoint an independent non-executive member as its chairperson. If the appointed chairperson is not an independent, non-executive member, the governing body should institute a lead independent position for at least as long as the situation persists to strengthen the independent functioning of the governing body.
46. The chairperson should lead the governing body in the objective, ethical and effective discharge of its governance role and responsibilities.
47. The lead independent position may, at the discretion of the governing body, be a permanent position for providing ongoing support to the chairperson, whether the chairperson is independent or not. A lead independent should be appointed at a minimum when required to lead the governing body in the absence of the chairperson, in situations where the chairperson has a conflict of interests or to facilitate the performance evaluation of the chairperson.

Policy and planning

48. The CEO of the organisation should not also chair the governing body, and a retired CEO should not become the chairperson of the governing body until three complete years have passed after the end of the CEO's tenure. The categorisation of the chairperson as independent, or not, remains subject to an evaluation by the governing body of all pertinent factors and circumstances.
49. When determining on which of its committees the chairperson of the governing body should serve, either as member or chairperson, the governing body should consider how this affects the concentration and balance of power across the governing body and its committees. The following should apply:
 - a. The chairperson should not be a member of the audit committee.
 - b. The chairperson may be a member of the committee responsible for remuneration governance but should not be its chairperson.
 - c. The chairperson should be a member and the chairperson of the committee responsible for nomination governance.
 - d. The chairperson may be a member and the chairperson of the committee responsible for risk governance.
 - e. The chairperson may be a member of the social and ethics committee but should not be its chairperson.

Oversight and monitoring

50. The governing body should ensure that the evaluation of its performance includes measurement criteria that assess the ethical and effective leadership of its chairperson and lead independent member.

Accountability – see the disclosure requirements for Principle 5 in relation to the chairperson and lead independent member of the governing body in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Committees of the governing body

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

RECOMMENDED PRACTICES

General

Steering and setting direction

51. The governing body should be accountable for delegation within its own structures by determining if and to what extent to delegate particular responsibilities and decision-making powers to individual members of the governing body or to standing or *ad hoc* committees. The exercise of judgement by the governing body in this regard should be guided by legal requirements and what is considered necessary for achieving the objective and effective discharge of its governance obligations.

Policy and planning

52. Committees should have written terms of reference that are approved and reviewed by the governing body periodically or when circumstances or requirements change. The terms of reference should set out each committee's role, responsibilities, membership and meeting procedures.
53. Each committee should have a minimum of three members and collectively the members should possess the necessary competencies to execute effectively on the responsibilities and functions of the committee.
54. The governing body should ensure:
- Effective collaboration and information exchange among committees through cross-membership, where necessary, and coordinated scheduling of meetings.
 - Balanced membership allocation across committees to prevent dominance and excessive dependence on individual members.

Oversight and monitoring

55. Delegation by the governing body of responsibilities to a committee or an individual member of the governing body will not, by or of itself, constitute a discharge of the governing body's accountability. The governing body should apply its collective mind to the information, opinions, recommendations, reports and statements presented by the committee or the member.
56. The governing body should ensure that the evaluation of its performance includes measurement criteria for assessing the effectiveness of its oversight as well as the functioning of its various committees.

Accountability – see the disclosure requirements for Principle 6 in relation to governing body's delegation to individuals and committees in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Audit committee

Steering and setting direction

57. The establishment of an audit committee is a statutory requirement for some organisations. As a matter of leading practice, the governing body of any organisation that issues audited financial statements should consider establishing an audit committee.
58. A statutory audit committee is empowered to make decisions regarding its statutory duties and is accountable for these. The governing body may delegate responsibilities to the audit committee in addition to its statutory duties. In such instances, the governing body is ultimately accountable for the delegated responsibilities.

Policy and planning

59. The terms of reference of the audit committee must include reference to its statutory duties, if applicable. Generally, its delegated role should comprise oversight of the following:
- a. Assurance functions and services, including combined assurance arrangements.
 - b. The design and implementation of internal financial and reporting controls.
 - c. The CFO and the finance function.
 - d. Assurance of the financial statements and other external reports issued by the organisation.
60. All members of the audit committee should be independent, non-executive members of the governing body.
61. The governing body should appoint as chairperson of the audit committee an independent, non-executive member who is not also the chairperson of the governing body.
62. The audit committee should meet at least annually with the internal and external auditors respectively, without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.

Oversight and monitoring – see Recommended Practices 55-56.

Accountability – see the disclosure requirements for Principle 6 in relation to each committee of the governing body as well as the audit committee in the **King V Disclosure Framework**.

Committee responsible for nomination governance

Steering and setting direction

63. The governing body should delegate the oversight of nomination-related responsibilities to a dedicated committee or add it to the responsibilities of another committee, as is appropriate for the organisation.

Policy and planning

64. The delegated role of the committee responsible for nomination governance should comprise oversight of the following:
- a. The composition of the governing body and its committees.
 - b. The process for nominating, electing and appointing members of the governing body and its committees.
 - c. Succession planning for the members of the governing body, its committees as well as for the CEO position, other members of executive management and other critical positions in the organisation.
 - d. The evaluation of the performance of the governing body (including its committees, its chairperson and individual members).



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

65. All members of the committee responsible for nomination governance should be non-executive members of the governing body, and the majority should be independent.

Oversight and monitoring – see Recommended Practices 55-56.

Accountability – see the disclosure requirements for Principle 6 in relation to each committee of the governing body in the **King V Disclosure Framework**.

Committee responsible for risk governance

Steering and setting direction

66. The governing body should delegate the oversight of the system of organisation-wide risk management to a dedicated committee or add it to the responsibilities of another committee, as is appropriate for the organisation. The governing body may delegate further responsibilities to it including oversight of compliance, as well as of data, information and technology.

Policy and planning

67. If the committees for audit and risk are separate, the governing body should consider having one or more members serve on both committees to facilitate the exchange of relevant information and concerns.
68. The committee responsible for risk governance, if separate, should comprise executive and non-executive members, with a majority being non-executive and at least one independent member.

Oversight and monitoring – see Recommended Practices 55-56.

Accountability – see the disclosure requirements for Principle 6 in relation to each committee of the governing body in the **King V Disclosure Framework**.

Committee responsible for remuneration governance

Steering and setting direction

69. The governing body should delegate oversight of remuneration at all levels in the organisation to a dedicated committee or add it to the responsibilities of another committee, as is appropriate for the organisation.

Policy and planning

70. The terms of reference of the committee responsible for remuneration governance must include reference to its statutory duties, if applicable.
71. All members of the committee for remuneration should be non-executive members of the governing body, and the majority should be independent.
72. The committee for remuneration should be chaired by an independent, non-executive member of the governing body.

Oversight and monitoring – see Recommended Practices 55-56.

Accountability – see the disclosure requirements for Principle 6 in relation to each committee of the governing body as well as the remuneration committee in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Social and ethics committee

Steering and setting direction

73. For some companies, the establishment of a social and ethics committee is a statutory requirement. The governing body of any organisation not so obliged should consider delegating the oversight of organisational ethics together with the workplace, social and environmental responsibilities of the organisation to a dedicated committee or adding it to the responsibilities of another committee, as is appropriate for the organisation.

Policy and planning

74. The terms of reference of the social and ethics committee must include reference to its statutory duties, if applicable. Generally, its delegated role should comprise oversight of the following:
- a. Organisational ethics and responsible corporate citizenship.
 - b. The impact and outcomes of the organisation's activities and outputs on the resources and relationships that it uses and affects, as well as on its economic, social and environmental context.
 - c. Management of stakeholder relationships.
75. The social and ethics committee should comprise executive and non-executive members, with a majority being non-executive and at least one independent member.

Oversight and monitoring – see Recommended Practices 55-56.

Accountability – see the disclosure requirements for Principle 6 in relation to each committee of the governing body as well as the social and ethics committee in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Appointment and delegation to management

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

RECOMMENDED PRACTICES

CEO appointment and role

Steering and setting direction

76. The governing body should be accountable for the appointment of the CEO who should report to it. Where the governing body does not have the authority to appoint the CEO, it should proactively engage on the profile, the general requirements for the position and the appointment process with the party who has the power to make the appointment.

Policy and planning

77. The CEO should be responsible for leading the implementation and execution of the approved strategy, policies and operational planning, and should serve as the primary link between management and the governing body.
78. The CEO should not be a member of the audit committee or the committees responsible for remuneration or nomination but should attend these meetings, or part thereof, by invitation to contribute information and pertinent insights as needed.
79. The governing body should oversee that succession planning is in place for the CEO position which adequately safeguards leadership continuity and the stability of the organisation.

Oversight and monitoring

80. The chairperson of the governing body should lead the formal evaluation of the performance of the CEO against agreed performance measures and targets.

Accountability – see the disclosure requirements for Principle 7 in relation to the CEO in the **King V Disclosure Framework**.

Delegation to management

Steering and setting direction

81. The governing body should be accountable for delegating the implementation and execution of the day-to-day operations to management, ensuring clear definition of the respective roles and decision-making powers of the governing body and management.

Policy and planning

82. The governing body should approve a delegation of authority framework that sets out the decision-making powers to be reserved for itself, and those that are delegated to management.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Oversight and monitoring

83. The governing body should exercise ongoing oversight and monitoring of delegation to management. In particular it should be ensured that:
- a. Critical management functions are led by individuals with the necessary competence and authority and that those functions are adequately resourced.
 - b. The CEO has implemented succession planning for executive management and other critical positions that ensures depth and continuity of leadership.

Accountability – see the disclosure requirements for Principle 7 in relation to delegation to management in the **King V Disclosure Framework**.

Professional corporate governance services to the governing body

Steering and setting direction

84. The governing body should be accountable for establishing arrangements that provide it with access to professional and independent guidance on its legal and corporate governance duties as well as support for its effective functioning.

Policy and planning

85. Regardless of whether a company secretary or other professional is providing ongoing corporate governance services and functional support to the governing body and its committees, the governing body should ensure that the position is empowered and carries the necessary authority to function with independence.
86. The position of the company secretary should be established to have unfettered access to the governing body but, for reasons of independence, should maintain an arms-length relationship with it and its members; accordingly, the company secretary should not be a member of the governing body.
87. The position of the company secretary should be established to report to the governing body, through the chairperson, on all statutory duties and support in connection with the functioning of the governing body and its committees. Regarding other roles, responsibilities and administrative matters, the company secretary should report to the member of executive management designated for this purpose, as is appropriate for the organisation.

Oversight and monitoring

88. The governing body should approve the appointment, including the employment contract and remuneration, and if necessary, the removal of the company secretary.
89. The governing body should ensure that the individual who occupies the position of company secretary has the necessary competence, gravitas and objectivity to provide independent guidance and support at the highest level of decision making in the organisation.
90. The chairperson of the governing body should lead the formal evaluation of the performance of the company secretary with respect to the provision of ongoing corporate governance services and functional support to the governing body and its committees.

Accountability – see the disclosure requirements for Principle 7 in relation to professional corporate governance services to the governing body in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Risk

PRINCIPLE 8: The governing body governs risk in a way that enables the organisation to sustain and optimise its strategy and objectives.

RECOMMENDED PRACTICES

Steering and setting direction

91. The governing body should provide the strategic direction and be accountable for an effective organisation-wide risk management system. It may, at its discretion, delegate its risk-related responsibilities outlined below to a committee responsible for risk governance.

Policy and planning

92. The governing body should consider and approve the policies, frameworks and standards that give effect to its direction on risk management.

Oversight and monitoring

93. The governing body should exercise ongoing oversight and monitoring of the implementation and execution of risk policies, frameworks and standards. In particular, the following should be ensured:
 - a. Risk assessments that include the consideration of risks and opportunities arising from the economic, social and environmental context within which the organisation operates.
 - b. An evaluation and determination of the nature and extent of the risks that the organisation is willing to take in pursuit of its strategic objectives.
 - c. The design and implementation of effective risk responses to ensure the alignment of risk exposures with established risk appetite and tolerance levels.
 - d. The establishment and implementation of business continuity arrangements that allow for organisational resilience, including the ability to operate under conditions of volatility, and to withstand and recover from acute shocks.
 - e. The integration and embedding of risk management into day-to-day operations and decision-making processes as part of the organisational culture.
 - f. The adoption of an iterative approach to risk which is responsive to changing conditions and emerging risks.
94. The governing body should consider periodic assurance on the effectiveness of the risk function and the organisation's risk management system and internal control framework, covering (in collaboration with the audit committee) all significant controls, including financial, operational, reporting and compliance controls.

Accountability – see the disclosure requirements for Principle 8 in relation to risk in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Compliance

PRINCIPLE 9: 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.

RECOMMENDED PRACTICES

Steering and setting direction

95. The governing body should provide the strategic direction and be accountable for an effective organisation-wide system of compliance.
96. The governing body may, at its discretion, delegate its compliance-related responsibilities as outlined below to a committee responsible for risk governance or to another committee, as is appropriate for the organisation.

Policy and planning

97. The governing body should consider and approve the policies, frameworks and standards that give effect to its strategic direction on compliance. This should include specifying which non-binding rules, codes and standards the organisation adopts.

Oversight and monitoring

98. The governing body should exercise ongoing oversight and monitoring of the implementation and execution of compliance policies, frameworks and standards. In particular, the following should be ensured:
 - a. The integration of compliance into the broader organisation-wide risk management system.
 - b. Compliance being understood not only for the obligations it creates, but also for the rights and protections it affords.
 - c. Taking a holistic perspective on the interrelation between applicable laws and regulations and adopted non-binding rules, codes and standards.
 - d. Monitoring of the regulatory environment and appropriately responding to indicators of change or development in regulatory policy.
99. The governing body should consider periodic assurance on the effectiveness of the compliance function and the organisation's system of compliance.

Accountability – see the disclosure requirements for Principle 9 in relation to compliance in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Data, information and technology

PRINCIPLE 10: The governing body governs data, information and technology in a way that enables the organisation to sustain and optimise its strategy and objectives.

RECOMMENDED PRACTICES

Data and information

Steering and setting direction

100. The governing body should provide the strategic direction and be accountable for the effective, compliant and ethical management and control (including acquisition, creation, use, dissemination and disposal) of data and information.
101. The governing body may, at its discretion, delegate its information-related responsibilities as outlined below to the committee responsible for risk governance or to another committee, as is appropriate for the organisation.

Policy and planning

102. The governing body should consider and approve the policies, standards and frameworks that give effect to its direction on the management and control (including acquisition, creation, use, dissemination and disposal) of data and information governance.

Oversight and monitoring

103. The governing body should oversee and monitor that the implementation and execution of policies, standards and frameworks result in the realisation of the envisaged benefits from the organisation's data and information management strategies, investments and assets. In particular, the following should be ensured:
 - a. The structuring of the organisation's data resources and information assets to optimise the management and control (including acquisition, creation, use, dissemination and disposal) of data and information throughout their lifecycle.
 - b. Ethical and responsible management and control (including acquisition, creation, use, dissemination and disposal) of data resources and information assets.
 - c. Compliance with laws and regulations.
 - d. As regards sensitive data and information, identification and classification of the organisation's data resources and information assets to enable effective management and control (including acquisition, creation, use, dissemination and disposal) thereof.
 - e. Information security and data protection which safeguard the confidentiality, integrity and availability of data and information.
 - f. The protection of privacy of personal data and information.
 - g. Adherence to quality requirements for data and information.
 - h. Effective management of the risks associated with the management and control (including acquisition, creation, use, dissemination and disposal) of data and information when using outsourced services, suppliers and third parties, including across jurisdictions.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

104. The governing body should consider periodic assurance on the effectiveness, compliance and ethics of the organisation's management and control (including acquisition, creation, use, dissemination and disposal) of data and information.

Accountability – see the disclosure requirements for Principle 10 in relation to data and information in the **King V Disclosure Framework**.

Technology

Steering and setting direction

105. The governing body should provide the strategic direction and be accountable for the effective, compliant and ethical acquisition, development, use and distribution of technology within and by the organisation.
106. The governing body may, at its discretion, delegate its technology-related responsibilities as outlined below to the committee responsible for risk governance or to another committee, as is appropriate for the organisation.

Policy and planning

107. The governing body should consider and approve the policies, standards and frameworks that give effect to its direction on the acquisition, development, use and distribution of technology products and services within and by the organisation.

Oversight and monitoring

108. The governing body should oversee and monitor that the implementation and execution of policies, standards, and frameworks result in the realisation of the envisaged benefits from the organisation's technology strategies, investments, assets, resources, products and services. In particular, the following should be ensured:
- Compliance with laws and regulations.
 - Arrangements for organisational resilience and disaster recovery planning and testing.
 - Benefit to the organisation that is commensurate with significant investments in technology assets, resources, products and services.
 - Responsible disposal of obsolete technology, including physical assets such as servers and computers, having regard to environmental impact as well as data and information security.
 - Effective cyber security strategies and practices to protect technology assets, resources, products and services.
 - Effective management of the risks associated with the acquisition and utilisation of outsourced technologies and services, including having minimum requirements for assurance to be provided by the service provider with respect to the effectiveness of the controls over significant risks.
109. The governing body should oversee that the organisation's acquisition, development, use and distribution of emerging, innovative and disruptive technologies result in:
- Investment and deployment that create sustainable value for the organisation within its economic, social and environmental context.
 - Assessment, evaluation and responses to the risks and opportunities associated with emerging, innovative and disruptive technologies to ensure the alignment of current risk exposures with established risk appetite and tolerance levels.
 - With respect to artificial intelligence:
 - Adherence to the values of ethics, human centricity, accountability, transparency, explainability, security, privacy, fairness and trustworthiness.
 - Clear accountability for decisions, actions, outputs and outcomes – which includes subjecting the processes, data, models, algorithms, resources and tools used in the development, implementation, monitoring and management of automated technologies to human oversight and override mechanisms that are commensurate with the level of risk to the organisation and its stakeholders.
110. The governing body should consider periodic assurance on the effectiveness, compliance and ethics of the organisation's acquisition, development, use and distribution of technology.

Accountability – see the disclosure requirements for Principle 10 in relation to technology in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Remuneration

PRINCIPLE 11: The governing body ensures that the organisation remunerates fairly, responsibly and transparently to promote sustainable value creation by the organisation within its economic, social and environmental context.

RECOMMENDED PRACTICES

Steering and setting direction

- 111. The governing body should provide the strategic direction and be accountable for fair, responsible and transparent remuneration at all levels in the organisation.
- 112. The governing body may, at its discretion, delegate its remuneration-related responsibilities as outlined below to the committee responsible for remuneration governance, if in place, and in addition to any statutory duties that the committee may have.

Policy and planning

- 113. The governing body should consider and approve the policies and planning that give effect to its strategic direction on remuneration. These should be designed to achieve the following objectives:
 - a. Attract, motivate, reward and retain human capital.
 - b. Promote the achievement of strategic objectives within the organisation's risk appetite.
 - c. Promote fair and responsible remuneration of executive management in relation to overall employee remuneration in the organisation.
 - d. Support positive and minimise negative impacts and outcomes over the short, medium and long term on the resources and relationships that the organisation uses and affects, and on its economic, social and environmental context.
- 114. The governing body should ensure that the remuneration policy addresses:
 - a. The setting of remuneration principles for all levels in the organisation including, where applicable, an appropriate mix of fixed and variable elements.
 - b. Arrangements towards ensuring that the remuneration of executives is fair and responsible in relation to other levels of employee remuneration in the organisation.
 - c. The use of performance measures and targets that support positive and minimise negative impacts and outcomes on the resources and relationships that the organisation uses and affects, and on its economic, social and environmental context.
 - d. The way in which responsible and transparent discretion is to be applied by the governing body in its decision making on variable remuneration in instances where the formulaic application of the policy may result in unintended consequences, such as unanticipated windfall gains or being unfairly punitive.
 - e. Events that may trigger pre-vesting forfeiture (malus) or post-vesting forfeiture (clawback), and how it is ensured that discretion by the governing body is exercised in a way that is substantively and procedurally fair.
 - f. The approaches for sign-on, buy-out, retention, termination, change of control and restraint payments or awards.
 - g. Whether there are provisions for minimum shareholding by executives and, if so, the targets and periods over which the holding should be accumulated.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

115. For companies, the criteria to be applied to determine the fees of the non-executive directors of the board should be outlined in a non-executive director fee policy suitable for submission to shareholders for their consideration when voting on the fees for directors' services in accordance with Companies Act.

Oversight and monitoring

116. To ensure that its policy formulation and decision making on remuneration are informed, the governing body should ensure ongoing engagement with shareholders and other relevant stakeholders.
117. The governing body should ensure that the implementation of the remuneration policy achieves its set objectives and that there is transparent and meaningful disclosure on remuneration decisions and outcomes arising from the implementation of the policy.
118. Subject to remuneration resolutions applicable under the Companies Act, the board of a company that falls within the category that is required in terms of the Act and its regulations to appoint a social and ethics committee, should consider submitting for separate non-binding advisory votes by shareholders both the executive remuneration policy and the statutory remuneration disclosure. The policy should be submitted for voting every three years or when substantively changed, and the statutory remuneration report should be submitted for voting annually.

Accountability – see the disclosure requirements for Principle 11 in relation to remuneration in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Assurance

PRINCIPLE 12: The governing body ensures that assurance functions and services promote an effective internal control environment and safeguard the integrity of external reports issued by the organisation.

RECOMMENDED PRACTICES

Combined assurance

Steering and setting direction

119. The governing body should provide the strategic direction and be accountable for effective combined assurance arrangements subject thereto that the statutory audit committee, if in place, must assume accountability for its statutory duties.
120. The governing body may, at its discretion, delegate its assurance-related responsibilities as outlined below to the audit committee, if in place, and in addition to any statutory duties that the committee may have.

Policy and planning

121. The governing body should satisfy itself that a combined assurance model is developed that incorporates and optimises the assurance-related activities of line management, specialist functions and assurance service providers so that, taken as a whole, these promote an effective internal control environment and safeguard the integrity of external reports issued by the organisation.
122. The governing body should oversee that the combined assurance model is designed to effectively cover the organisation's significant risks through a combination of the following assurance-related activities, as is appropriate for the organisation:
 - a. Line management of the organisation responsible for the design and implementation of management controls.
 - b. Specialist risk and compliance functions of the organisation.
 - c. Internal auditors.
 - d. External auditors.
 - e. Specialist service providers such as sustainability and environmental assurance providers, actuaries, safety and process assessors, as well as forensic fraud examiners and auditors.
 - f. Regulatory inspectors.

Oversight and monitoring

123. The governing body should exercise ongoing oversight and monitoring of the implementation of the combined assurance model. In particular, it should be ensured that:
 - a. The combined assurance activities of line management, specialist functions and assurance services providers are effectively covering the organisation's significant risks.
 - b. Assurance service providers are held accountable for delivering assurance quality that is free from any actual or perceived bias and interference.

Accountability – see the disclosure requirements for Principle 12 in relation to assurance in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Assurance over external organisational reports

Steering and setting direction

124. The governing body should be accountable for the independent oversight of the assurance of external reports and may, at its discretion, delegate its responsibilities as outlined below to an audit committee. This is subject thereto that if a statutory audit committee is in place, it is accountable for the independent oversight of assurance of financial statements as a statutory duty.

Policy and planning

125. The governing body should consider and approve the nature, objective and scope of the non-regulated assurance required for each external report, considering the intended audience and purpose of the report.

Oversight and monitoring

126. The governing body should ensure that all external reports issued by the organisation disclose:
- a. The level of assurance obtained.
 - b. The subject matter information and criteria against which the subject matter information is measured.
 - c. Other factors relevant to the assurance provided.

Accountability – see the disclosure requirements for Principle 12 in relation to assurance in the **King V Disclosure Framework**.

Internal audit

Steering and setting direction

127. The governing body should provide the strategic direction and be accountable for internal audit arrangements that promote an effective internal control environment.
128. The governing body may, at its discretion, delegate its internal audit-related responsibilities as outlined below to the audit committee, if in place, and in addition to any statutory duties that the committee may have.

Policy and planning

129. The governing body should consider and approve an internal audit charter that defines the role and associated responsibilities of internal audit, including its function within combined assurance. The internal audit charter should provide for:
- a. The adoption of an authoritative internal audit standard.
 - b. Designating a CAE to lead the internal audit function and providing that this position:
 - i. Is established to function independently from management.
 - ii. Carries the necessary authority within the organisation.
 - iii. For reasons of independence, is not included in the membership of executive management but may be invited to attend executive meetings, as necessary, to be informed about strategy and policy decisions and their implementation.
 - iv. Reports to the chairperson of the audit committee on the performance of responsibilities and functions that relate to internal audit. On other duties and administrative matters, the CAE should report to the member of executive management designated for this purpose as is appropriate for the organisation.
130. The governing body should consider and approve a risk-based internal audit plan.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Oversight and monitoring

131. The governing body should exercise ongoing oversight and monitoring of the implementation and execution of the internal audit charter and plan. In particular, it should be ensured that:
- The internal audit function is adequately resourced and sufficiently skilled to deal with the organisation's complexities and risks, including having access to specialist assurance services by forensic fraud examiners and auditors, safety and process assessors, statutory actuaries and other as required.
 - The individual who occupies the CAE position has the necessary competence, gravitas and objectivity to execute responsibilities effectively.
 - Where internal audit services are co-sourced or outsourced, there is clarity on who is accountable for fulfilling the role and responsibilities of the CAE position.
 - The internal audit plan is regularly reviewed and adapted when necessary to respond to changes in the organisation's business model or the economic, social and environmental context within which the organisation operates.
 - Internal audit provides an overall statement annually as to the effectiveness of the organisation's governance, risk management and control processes.
 - An external, independent quality review of the internal audit function is conducted at least once every five years.
 - Confirmation is obtained annually from the CAE that internal audit conforms to a recognised industry code of ethics.

Accountability – see the disclosure requirements for Principle 12 in relation to assurance in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Stakeholders

PRINCIPLE 13: The governing body adopts a stakeholder-inclusive approach in the execution of its duties in the long-term best interests of the organisation within its economic, social and environmental context.

RECOMMENDED PRACTICES

Stakeholder relationships

Steering and setting direction

132. The governing body should provide the strategic direction and be accountable for the organisation-wide system of stakeholder relationship management upholding the philosophy of Ubuntu-Botho, responsible corporate citizenship and stakeholder inclusivity.
133. The governing body may, at its discretion, delegate its stakeholder-related responsibilities outlined below to the social and ethics committee, if in place, and in addition to any statutory duties that the committee may have.

Policy and planning

134. The governing body should consider and approve policies and planning that give effect to its strategic direction on stakeholder relationships.

Oversight and monitoring

135. The governing body should exercise ongoing oversight and monitoring of the implementation and execution of stakeholder policies and planning. In particular, the following should be ensured:
 - a. Methodologies for the identification of the interests of stakeholder groupings that:
 - i. Have, or reasonably could be expected to have, significant effects on the organisation due to its reliance on social and relationship capital.
 - ii. Are, or reasonably could be expected to be, significantly affected by the organisation due to the direct and indirect consequences of its operational activities and outputs on the resources and relationships that it uses and affects.
 - b. The analysis and evaluation of the risks and opportunities to the organisation arising from the significant interests of the various stakeholder groupings as well as the implementation of effective risk responses to ensure the alignment of current risk exposures with established risk appetite and tolerance levels.
 - c. The use of dispute resolution mechanisms and associated processes to preserve relationships where possible.
136. The governing body should consider periodic assurance on the effectiveness of the organisation's stakeholder management system and the quality of its relationships with stakeholders.

Accountability – see the disclosure requirements for Principle 13 in relation to stakeholder relationships in the **King V Disclosure Framework**.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

Shareholder engagement (Applicable to companies only)

Steering and setting direction

137. The board should provide the strategic direction and be accountable for the quality of the company's relationship with its shareholders.
138. The board should recognise the rights afforded to shareholders in law whilst also appreciating that the company constitutes a nexus for the interests of a variety of stakeholders.

Policy and planning

139. The board should ensure that the company encourages proactive and constructive engagement with shareholders, including at the AGM and other shareholder meetings of the company. This includes that meetings should be set up to be accessible to shareholders and promote effective communication and participation, regardless of whether the meeting is held virtually, in person or as a hybrid of both.
140. The chairperson or another representative of each board committee should be available at the AGM to respond to shareholders' questions on how the board and its respective committees executed their governance duties.
141. The board should ensure that the designated partner of the external audit firm attends the AGM.
142. The board should ensure that shareholders are treated equitably, and that the interests of minority shareholders are adequately protected.
143. The minutes of the AGM should be an accurate record of meeting proceedings and capture the essence of engagement on issues; AGM minutes of publicly listed companies should be made publicly available within a reasonable time after the meeting.

Oversight and monitoring

144. The board should ensure that the evaluation of its performance includes measurement criteria for assessing its engagement with shareholders.

Accountability – see the disclosure requirements for Principle 13 in relation to shareholder engagement in the **King V Disclosure Framework**.

Relationships within groups of organisations

Steering and setting direction

145. The governing body of the organisation that owns a controlling interest in other organisation(s) ("controlling organisation") should provide the strategic direction and be accountable for the arrangements that formalise the relationships and exercise of authority within the group.

Policy and planning

146. The governing body of the controlling organisation should consider and approve a group governance framework that gives effect to its strategic direction on the governance of the group.
147. To ensure that each subsidiary organisation within the group is recognised as a separate juristic entity to whom its governing body members owe fiduciary duties, the adoption of the group governance framework should also be considered and approved by the governing bodies of the subsidiary organisations.
148. The governing bodies of the controlling organisation and each of the subsidiaries should ensure that the group governance framework is in harmony with jurisdictional legal requirements, the memoranda of incorporation, delegations of authority, shareholder or member agreements, governing body charters, committee terms of references, and related policies and agreements within the group.



PRINCIPLES AND RECOMMENDED PRACTICES **CONTINUED**

149. The governing body of the controlling organisation should ensure that the group governance framework addresses governance matters, as is appropriate for the group, including:
- Definition of the role and authority of the controlling organisation with respect to the group.
 - Consideration of the delegation of certain responsibilities by the governing body of a subsidiary to a committee of the controlling organisation without abdicating accountability.
 - The extent to which governance arrangements and operational policies of the controlling organisation are to be adopted by subsidiary organisations within the group.
 - Engagement by the controlling organisation with the governing bodies of subsidiary organisations before the controlling organisation exercises its rights to elect members to the governing bodies of subsidiaries.
 - Where individuals serve on more than one governing body within the group, arrangements to address the risk of breach of legal duties due to conflict of interests, as well as in relation to the use of information obtained while serving on the governing body of one organisation for the benefit of another.

Oversight and monitoring

150. The governing body of the controlling organisation should ensure that the agreed group governance framework is implemented and adhered to across the group.

Accountability – see the disclosure requirements for Principle 13 in relation to group governance in the **King V Disclosure Framework**.

