

South Africa 2025 King V CIMA Consultation Response



The King V Draft presented a revised and streamlined update of King IV. The on-line consultation closed on 4 April 2025. This paper sets out the CIMA consultation response.

General Comments

King V should provide stronger links between governance, financial management, and strategic decision-making to ensure that organisations understand the financial implications of governance principles.

The code could expand on the role of financial data analytics, AI, and automation in governance reporting and risk management.

We recommend aligning King V with global governance and financial reporting standards to ensure consistency in disclosures. South Africa is expected to propose further legislative reforms in relation to ESG reporting and many aspects of the sustainability reporting framework will, in that event, be enshrined in primary legislation.

King V presents a progressive step in corporate governance and reflects the evolving corporate governance and reporting landscape. From a management accounting perspective, it is well-structured, clear, and relevant to modern governance challenges. By integrating financial governance principles, strengthening ESG considerations, and ensuring international alignment, King V can be an even more powerful tool for sustainable business success.

Consultation Questions

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

We **agree** with the approach to separate the report into multiple parts for easier access, usability, and navigation. This supports improved usability, particularly for finance and accounting professionals who are familiar with applying structured governance frameworks. Nonetheless there is a relationship and interoperability between the sections of the Code. We suggest ensuring cross-referencing between the sections to maintain continuity. A structured index or digital navigation tools could also be considered.

Management accountants and other professionals rely on governance codes for financial planning, risk assessment, and strategic decision-making. The ability to access specific sections directly will improve efficiency in applying these principles.

The overall simplification of content and the use of plain language in the King V Code Draft and glossary assist with its accessibility and usability.

We **strongly agree** with the use of plain language and simplified terminology. This aligns with global best practices in corporate governance, as well as in the field of corporate reporting and financial disclosures. Simplified terminology benefits professionals across different levels of financial literacy, ensuring that the principles are widely understood and implemented effectively in day-to-day operations. It also supports a global focus on transparency of corporate related information (financial and non-financial), and improves accessibility for a range of stakeholders, including the public.

However, while simplifying, it is crucial to maintain accuracy in financial and risk governance terminology to avoid uncertainty.

The inclusion of an executive summary in the King V Code Draft highlights the meaning of the fundamental concepts and philosophies that underpin it and assists with the interpretation of the code.

Agree. The executive summary highlights effectively the fundamental concepts and philosophies underpinning King V. This is beneficial for professionals who need a quick reference to governance principles.

The approach of the King Committee to addressing contemporary corporate governance topics and concerns (as explained above) constitutes a clear and practical application of integrated thinking.

We **agree** that the approach to addressing contemporary issues in the revised Code keeps it aligned with the evolving principles of integrated thinking.

Integrated thinking is essential for strong corporate governance, which is the foundation for robust corporate reporting and high-quality audit. In South Africa, and around the world, management accountants are at the forefront of not only driving organisational performance and value creation, and embedding sustainability into business strategy through financial planning, risk management, and performance measurement. The inclusion of sustainability reporting and climate risks aligns with global trends but there are likely to be legislative changes to come as countries around the world embed IFRS S1 and S2 in law. Given the broader application of the Code for companies, regardless of their form of incorporation, King V presents an early opportunity for companies to reflect on and embrace sustainability related reporting alongside future formal amendments to the Companies Act.

Companies have a broad range of metrics and data and from our experience of other jurisdictions around the world, many companies will require guidance and support navigating this new corporate governance and reporting landscape.

The terminology and descriptors used in the King V Draft with respect to governance outcomes assist with clarity on the intended meaning of each outcome.

Agree.

The rationale for the use of the structural components of the Code (consisting of the outcomes, principles and recommended practices) as in King IV is clear and will continue to be appropriate for King V.

We **agree** with keeping the structure of outcomes, principles, and recommended practices as this maintains continuity and ensures governance principles remain actionable. This structure aligns well with how management accountants analyse and report on governance performance.

It could be further beneficial if examples or case studies could be provided demonstrating the practical application of these components.

Whereas we agree with the revised definitions we would recommend further clarity on "Performance," as it seems to limit value creation to ESG, whereas management accountants understand the importance of balancing organisational performance to drive value creation, thereby balancing financial viability and a broad range of stakeholder interests.

The universal application of the principles and the proportional implementation of the recommended practices as in King IV is clear and will continue to be appropriate for King V.

We **agree** that the ability to scale governance practices based on the size and complexity of an organisation is critical given the broad application of the Code and allows organisations to tailor governance practices based on their size and complexity. This is particularly relevant for companies that are not listed, may have limited resources but still want to embrace best practice or require strong governance structures.

Management accountants often assess proportionality in financial governance, so clear guidance on applying this principle would be beneficial. To encourage companies to adopt King V for the first time, consideration could be given to issuing guidance on proportional application for different business sizes, with specific examples for SMEs and large enterprises.

The disclosure template will assist organisations to meaningfully and qualitatively account for their implementation of King V.

We **agree** with the "apply and explain" approach, which ensures transparency while allowing flexibility. However, for consistency in financial reporting and governance disclosures, we recommend that organisations follow a standardised methodology to ensure equivalence.

The disclosure template will assist users of governance reports by enhancing transparency, consistency across organisations and accessibility since corporate governance disclosures are standardised and will be available at single access point.

We **agree** a structured disclosure template enhances transparency and comparability. This will be especially useful for investors, financial analysts, and governance professionals who require consistent governance disclosures for decision-making. From a management accounting perspective, it is essential to align governance disclosures with financial reporting frameworks to ensure consistency across regulatory requirements.

We also suggest aligning the disclosure template with international financial reporting standards such as IFRS Sustainability Standards.

Comments on the revised King V Principles

Principle 1: Ethical and Effective Leadership

We agree with the proposal to combine previous principles related to leadership, governance evaluation, and accountability. The ICRAFT (Integrity, Competence, Responsibility, Accountability, Fairness, Transparency) framework aligns well with the ethical responsibilities of finance professionals.

Principle 2: Governance of Ethics and Corporate Citizenship

We agree with the proposal to merge corporate citizenship with governance of ethics, as responsible business conduct is integral to financial and risk management.

The principle should explicitly address the role of financial professionals in identifying, measuring, and reporting ethical risks (e.g., fraud, corruption, unethical financial reporting).

Principle 3: Strategy and Sustainable Value Creation

We agree with the proposed emphasis on sustainable value creation. Management accountants contribute to strategy formulation by integrating financial insights with operational objectives. They play a crucial role in aligning financial performance with long-term business objectives.

The impact of digital transformation and AI on financial sustainability should also be considered in strategic governance discussions.

Principle 4: Reporting

We agree with the proposed updates to reporting requirements. Management accountants ensure that reports reflect an organisation's financial and non-financial performance. We support the inclusion of both financial and impact materiality, as this aligns with global reporting trends such as IFRS Sustainability Standards. King V should strengthen alignment with integrated reporting frameworks such as the IFRS Sustainability Disclosure Standards.

Organizations should be encouraged to adopt assurance mechanisms for non-financial disclosures to ensure credibility.

Principle 5: Composition of the Governing Body

There was a need to strengthen independence criteria for board members, including clearer cooling-off periods and evaluating related party relationships and this is included in King V.

In certain jurisdictions, most notably the revised UK Corporate Governance Code, there is a growing focus on board diversity, inclusion and equality, which goes beyond gender and seeks to ensure boards benefit from a combination of skills, experience and knowledge. Clearly in the context of King V, the focus is on non-executive composition but a Board will want to have regard to (and report on) the overall diversity and skills balance of the executive and senior management team of the organisation and their direct reports.

A finance and risk competency requirement for board members should be explicitly mentioned, ensuring that governance bodies include financially literate professionals who can oversee complex financial decisions.

Principle 6: Governance Committees

We agree with requiring a majority of non-executive members for the risk and ethics committees, and at least one independent member. This enhances governance objectivity.

The principle should emphasize the importance of broad risk management expertise as well as financial expertise in risk governance committees to ensure effective oversight of financial, operational and strategic risks, including liquidity, solvency, and fraud risks.

Principle 7: Delegation to Management

Governance frameworks should ensure clarity in management delegation, and this is highlighted in this principle.

The principle should also emphasize the role of CFOs and accountants in governance oversight, particularly in ensuring financial sustainability, capital allocation, and ethical financial management.

Principle 8: Risk and Compliance Governance

We agree with the proposal to integrate risk and compliance governance under one principle. Management accountants play a crucial role in identifying financial risks and ensuring compliance with financial regulations. The emphasis on compliance as a subset of risk aligns with the integrated thinking approach advocated by CIMA.

The framework should explicitly address broad risk management and financial risk management (liquidity, credit, market, and operational risks) within an enterprise-wide risk approach. Also, it would be beneficial to include specific guidance on how to integrate risk management into strategic planning and performance measurement.

Principle 9: Information Governance

We agree that AI and emerging technologies should be included in governance frameworks as it is highly relevant, topical and evolving.

King V should highlight and provide guidance on the impact of digital financial transformation (AI-driven forecasting, blockchain, automated reporting) on financial governance. Guidance should include how to govern AI and other emerging technologies, especially in relation to data privacy, cyber security and ethical considerations. Data governance should include financial data security and fraud prevention.

Principle 10: Remuneration Governance

The retention of non-binding remuneration votes for companies not covered by the Companies Amendment Act is a positive step in retaining transparency, which is critical for maintaining stakeholder trust.

The King V could highlight the role of performance-linked remuneration and ESG-related financial incentives in governance, i.e. how to align remuneration policies with long-term value creation, particularly in relation to ESG performance.

Principle 11: Assurance and Control Environment

Contrary to the wording of the Code, assurance arrangements do not deliver an “effective control environment”. Companies, and the executive officers, take a lead role in relation to the control environment, with assurance playing a role in providing confidence to the governing body, and to stakeholders. It may be that the Code wording needs to be revisited to reflect this shift of emphasis.

We understand the important role that accounting professionals play in relation financial control assurance and fraud detection. Some members with experience of the Code have indicated that detailed guidance is still required on how to integrate assurance processes into decision-making and reporting.

Principle 12: Stakeholders

We agree that a stakeholder-inclusive approach is vital. However, financial stakeholders (investors, analysts, creditors) play a significant role in governance, and their perspectives should be highlighted more explicitly in governance reporting. We therefore need more detailed guidance on how to identify and prioritise material stakeholders, especially in relation to ESG issues.

This consultation response was submitted on 4 April 2025.

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