



LEGAL & INDUSTRY UPDATE – JANUARY 2026

In this publication we look at:

- The Institute of Directors South Africa's guidance note on the application of King V to retirement funds.

In October 2025, the Institute of Directors South Africa (IoDSA) issued specific guidance for retirement fund trustees and advisors on applying the King V Code on Corporate Governance (King V), which takes effect for financial years from 1 January 2026.

Given the public interest nature of retirement funds, the quantum of the assets they steward and their impact on the financial ecosystem, high standards of governance are essential. While complying with King V is voluntary, it provides a framework that can enhance trust in the retirement fund system, improve decision making and align trustee conduct with the legitimate expectations of members, beneficiaries and other stakeholders.

Trustees and management committees should also keep in mind that King V's principles don't exist in isolation but rather are complementary to and reinforce the existing legislative framework for retirement funds, including the Pension Funds Act, CRISA 2 and PF130.

Let's look at some of the practical steps that retirement funds can take in terms of King V.

PRINCIPLE 1:

The board leads ethically and effectively as the focal point of corporate governance in the fund.

Characteristics of ethical and effective leadership are integrity, competence, responsibility, accountability, fairness and transparency. Trustees must ensure that the annual review of the fund's board, its sub-committees and other fund officers places emphasis on these.

PRINCIPLE 2:

The board governs the ethics of the fund in a way that enables an ethical culture and responsible corporate citizenship.

Ethics should underpin all the fund's governance processes and decision-making frameworks.

What deserves special mention is the interplay between King V, Regulation 28 and the updated Code for Responsible Investing in South Africa (CRISA 2) when it comes to responsible corporate citizenship. Regulation 28 states that the *"fund and its board shall, before making an investment in and while invested in an asset, consider any factor which may materially affect the sustainable long-term performance of a fund's assets, including, but not limited to, those of an environmental, social and governance character"*.

The recommended corporate citizenship practices in King V, carry the same sentiment. A fund becomes a responsible corporate citizen by ensuring that investment decisions and management processes, practices and decision making (not only when it comes to investments) uphold corporate citizenship, whether these are executed by the fund itself or a service provider.

These expectations are further reinforced in CRISA 2, which calls for institutional investors to exercise responsible investing by:

- Advancing long term risk adjusted returns.
- Promoting sustainable value creation.
- Recognising the interdependence between the financial system and the broader socio-environmental system.

PRINCIPLE 3:

The board ensures that the fund's purpose, strategy and business model support performance that creates sustainable value within the fund's economic, social and environmental context.

The board is responsible for setting the fund's strategic direction to promote long term sustainable value creation for members. In the case of commercial umbrella funds, this strategic direction should also take account of any commercial considerations arising from the sponsor's role.

PRINCIPLE 4:

The board ensures that external reports issued by the fund 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.

King V provides a Disclosure Framework that funds can use to evidence the above.

PRINCIPLE 5:

The board 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.

In addition to completing the trustee toolkit, trustees should attend ongoing training, to refresh their knowledge, skills and competence, on matters like corporate governance, risk management, sustainability and ESG, relevant industry and global trends and responsible investment.

Funds must record, and manage, conflicts of interest that arise.

PRINCIPLE 6:

The board ensures that arrangements for delegation to committees and individuals within its own structures promote the objective and effective discharge of its obligations.

King V sets out several committees a fund's board could consider taking into account the fund's size and complexity, for example, an audit committee, or a death claims committee.

PRINCIPLE 7:

The board ensures that the appointment of and delegation to management promote operational effectiveness and that the respective roles and decision-making powers of the board and management are clearly defined.

Many funds outsource, in part or in total, the fund's administrative functions and investment activities. Mechanisms and processes must be implemented for adequate and prudent oversight.

A specific area where the board needs to be proactive in its oversight role is on the management of conflicts of interest by service providers.

PRINCIPLE 8:

The board governs risk in a way that enables the fund to sustain and optimise its strategy and objectives.

Trustees must ensure that their fund has a comprehensive risk management framework in place, covering financial, investment, operational, legal and compliance risks, especially those arising from outsourced functions.

PRINCIPLE 9:

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

This includes proactively monitoring regulatory developments, evaluating their impact on the fund, and implementing changes where necessary.

PRINCIPLE 10:

The board governs data, information and technology in a way that enables the fund to sustain and optimise its strategy and objectives.

As digital transformation accelerates, funds are encouraged to remain informed and vigilant in their oversight of technology and data risks to protect members' interests.

Where fund administration or other key functions are outsourced, the board should make sure that data integrity, privacy, cybersecurity and IT continuity risks are addressed through contractual terms, performance standards, adequate oversight and monitoring mechanisms.

PRINCIPLE 11:

The board ensures that the fund remunerates fairly, responsibly and transparently to promote sustainable value creation by the fund within its economic, social and environmental context.

Trustees must ensure that all remuneration and fee structures are fair, reasonable and aligned with the fund's purpose of maximising sustainable value for members.

PRINCIPLE 12:

The board ensures that assurance functions and services promote an effective internal control environment and safeguard the integrity of external reports issued by the fund.

A combined assurance model is encouraged to give the trustees a holistic and coordinated view of the effectiveness of the fund's governance, risk and control environment. For example, the fund could consult management controls, external audits (which is a statutory requirement), compliance and risk reports from service providers, actuarial valuation reports, and trustee and Principal Officer declarations.

PRINCIPLE 13:

The board adopts a stakeholder inclusive approach in the execution of its duties in the long-term best interests of the fund within its economic, social and environmental context.

The board should maintain constructive engagement with service providers, participating employers, the sponsor (if different from the participating employer) and regulators, guided by the principles of fairness, accountability and the long-term interests of members. Opportunities for member communication and engagement should be identified.

While the regulatory framework applicable to funds is extensive, the application of the Code provides additional value by promoting ethical leadership, transparency and sustainable value creation. King V is a powerful tool to support trustee effectiveness, stakeholder confidence and the legitimate expectations of members and regulators alike.