

King IV Commenting Platform

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Filled Friday, May 13, 2016

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Welcome to the official King IV Commenting Platform. After you have downloaded and reviewed the draft King IV Report here [if this link does not open, please copy and paste the following into your browser: https://c.ymcdn.com/sites/iodsa.site-ym.com/resource/resmgr/King_IV/King_IV_Report_draft.pdf], you will be able to enter your comments using this platform. The public comment process takes place in 2 phases, the first of which invites comment on the whole of the King IV Report, bar the Sector Supplements. The Sector Supplements are to be subjected to public comment during phase 2. This platform will remain open in respect of phase 1 for two months from 15 March 2016 to 15 May 2016. Phase two of the commentary process, being commentary on the sector supplements, will be opened on notice. Commenting terms and conditions Please note that this process is open and transparent. All comments submitted will be available for public view at <http://www.iodsa.co.za/page/KingIVCommentLibrary> and NO anonymous comments are permitted. Comments received are added to the library for public viewing weekly together with the identity of the individual or organisation on behalf of whom the submission is made. Only comments submitted through this platform will be considered for the finalisation of the King IV Report.

Do you agree to the King IV commenting terms and conditions?

Yes

Page 2

Personal Details Section:

***Title:**

Ms

***First Name:**

Leigh

***Last Name:**

Roberts

***I am commenting on behalf of:**

An organisation

***Name of organisation:**

Integrated Reporting Committee of South Africa

***Capacity within organisation:**

Chief Executive Officer

Page 3

PART 1: Introduction and Foundational Concepts

PART 1: Introduction and Foundational Concepts

Add your comments for this part here:

Variable

Response

PART 1: Introduction and Foundational Concepts | 1.

These comments generally relate to King IV as a whole, particularly as it relates to integrated reporting:- As background, the IRC was founded in

Introduction

2010, stemming from the issuance of the King III Report, with the aim of assisting organisations in South Africa with information on preparing an integrated report. The IRC developed the world's first Discussion Paper on a framework, based on the premises of King III, and this Paper made a major contribution to the development of the International Integrated Reporting Council's (IIRC) International <IR> Framework (IIRC Framework) issued in 2013. Subsequently, the IRC endorsed the IIRC Framework as guidance on good practice on how to prepare an integrated report. The King Committee can be proud of the fact that its thinking and the words of King III fed into the global move to integrated reporting and adoption of the IIRC Framework.- In the Code, Principle 2.2 Recommended Practices include:* that the organisation issue a report annually that presents material information in an integrated manner;* calls on the governing body to determine the reporting frameworks and standards to be applied; and* states that "regardless of reporting frameworks and standards adopted, the organisation should deal with the following in its integrated annual report" (with footnote 2 stating "Adapted from the International <IR> Framework").- It is noted that there is no explicit endorsement of the IIRC Framework in King IV with the Code taking an overall "framework neutral" approach giving discretion as to which reporting frameworks and standards are adopted. Given the multiple references to the IIRC Framework and the rationale for alignment with the IIRC Framework terminology, however, it should be considered whether King IV specifically recommends the IIRC Framework as an acceptable framework.- A consequence of the current situation is that there may be perceived, and real, differences to the IIRC Framework and its meaning resulting in confusion for the many preparers of integrated reports in South Africa. Particularly, the differences in meaning of terms used both in the IIRC Framework and the Report. It is suggested that the final King IV align such terms in the Glossary and throughout the Code and Report, or specify how the terms differ from the meaning in the IIRC Framework. Of concern are King IV's meaning and adapted definitions of "Performance", "Outcomes" and "Value Creation" and their use throughout the Report and Code. Moreover, given that the "drafting convention" in Part 2 on page 28 indicates that King IV will be "non-prescriptive as far as possible" and "limited reference to specific standards and guidelines", alignment or clarification of deviation becomes all the more important.- The Report does not deal with the way that the six forms of capital impact and interconnect with each other. The existing text should be strengthened to reflect this as it is this understanding that gives effect to "integrated decision making".

PART 1: Introduction and Foundational Concepts | 2. Objectives of King IV

Please also see the response to Comment Question 1.

PART 1: Introduction and

(No response)

Foundational Concepts | 3.
King IV definition of
corporate governance

PART 1: Introduction and
Foundational Concepts | 4.
The underpinning
philosophies of King IV

It is encouraging to see how integrated thinking (4.6) and integrated annual reports (4.7) have been prominently placed in the “underpinning philosophies of King IV”. However, we have some comments around this section, as follows: Terminology:- “Value-creation” : While the definition of value creation in the glossary covers the “enhancement, diminishment and transformation of the capitals” the use of the term throughout the Code and Report – and particularly when linked to stakeholders – should be clarified so as to avoid an impression that only positive value creation is covered at the exclusion of potential negative, unintended outcomes. It is strongly recommended that there is alignment with the meaning in the IIRC Framework.- The six capitals model referred to on page 8 and referencing the IIRC Framework incorrectly refers to “social and relational capital” rather than “social and relationship capital”. If this is intended, it will cause unnecessary confusion and we suggest that there is alignment.- “Outcomes” is a term/ concept used and defined in the IIRC Framework. Its use in King IV refers to the desired results of actions. This can be confusing to readers, e.g. on page 4 in the insert block on ethics. It is suggested that, unless the use of the word implies the same meaning, there is consistent use of the term “governance outcomes” as earlier defined in the Report.- King IV refers to “content elements”. We suggest it may be necessary to define this more closely to avoid confusion with the context in which it is used in the IIRC Framework.4.4 Sustainable development:- On page 8 in the discussion of sustainable development it is suggested that, in addition to the discussion of specific social challenges such as transformation, unemployment and skills development, reference be made to the reliance on ecosystem services and the growing impact of and exposure to environmental challenges such as the shortage of natural resources, the realities of climate change, food security, to mention a few.4.5 Stakeholder inclusivity and responsiveness:- Reference is made to the effect that every capital has a stakeholder attached to it. The natural environment (considered a stakeholder resource in and of itself) may not always have an affected stakeholder to publicly voice issues and concerns.4.6 Integrated thinking- In the last sentence, "in turn" may be better phrased as "also".4.7 Integrated annual reports:- It should be clear that the emphasis is on the integrated fashion of reporting rather than the time frame of reporting, with the risk of precluding the ability to issue an interim integrated report (currently released by some organisations).- It is suggested that the content of the block insert is incomplete as it disregards explanation of strategy, governance, and the influence of the external environment on the organisation. The last sentence could be better worded as explanation of what the organisation is currently doing to enhance the positive and ameliorate

the negatives and plans for the future on this. The interpretation as it stands now is that this should only be done when considering future changes to the business model.- The Report states that the integrated report should enable stakeholders “to judge whether the organisation can sustain delivery of value”. Does this mean that the intended audience for the integrated report is all stakeholders? We suggest that clarity be provided to avoid confusion and as a bridge to the guidance offered by the IIRC Framework. This could be achieved by using an approach similar to that followed in the King III Practice Note on Chapter 9 around the integrated report, issued in June 2014, and specifically as set out in the section on “the purpose of the integrated report”.- With regard to the following sentences stated on page 13, second paragraph: "However, financial and sustainability reports are inadequate if not integrated. The two parts on their own do not indicate how organisations actually function, or show how their capitals are interconnected and interdependent". This is true in those instances where there has not been integration, but as currently worded it may cause some users to think that King IV is suggesting that one should move away from having a separate sustainability report. It is suggested that King IV be clearer in this section in recognising that some organisations may find value in having a separate sustainability (and financial) report or detailed information as part of a suite of reports. Adding context here will be helpful to clarify the distinct roles and functions of these different reports (this also has a bearing on the discussion and definition of audience and materiality as discussed elsewhere in these comments).- The definition quoted on page 13, third paragraph, is the IIRC Framework’s definition of an integrated report rather than the definition of integrated reporting as stated.- The IIRC Framework calls for the disclosure of performance against strategy. King IV calls for the success and positive performance to be measured in the economic, social and environmental context (as set out in the Recommended Practice and referencing the explanation of Sustainable Development) – this implies the measurement of impacts in these areas rather than performance against the organisation’s strategic objectives and the resulting outcomes (which can be positive or negative). We suggest that the latter approach is a more balanced approach and that there is alignment with the IIRC Framework.- On page 14, the second paragraph should not be absolutely prescriptive that "more detailed information could be provided in reports accessible through electronic platforms". This is because in some instances, an organisation may find that an electronic format is not the most appropriate means of communication for stakeholders. We suggest the wording “electronic or other formats as may be most appropriate”.- It is strongly suggested that it is simpler, and less confusing to preparers, to align with the IIRC Framework’s definition of an integrated report as earlier stated in the King IV text, rather than creating an entirely new definition which results from the text following “the practice recommended in the

PART 1: Introduction and Foundational Concepts 5. Local and international developments since King III	<p>Code” on page 14. There is no mention of the important element of strategy (refer to recent comments by Larry Fink of BlackRock on the importance of strategy), of the business model, the uses and effects on capitals, or explanation of how the external environment influences the organisation.- Pursuant to the above, there are some concerns and inconsistencies with the definition captured in the Glossary on page 79, namely: “An integrated annual report is a holistic and integrated representation of the organization’s ability to sustainable value creation within the economic, social and environmental context in which it operates in clear, concise and understandable language.” It is suggested that “[A]bility to sustainable value creation” is not clear and “concise language” is not the same as “a concise communication”. It is submitted that the IIRC Framework definition is more useful.- It is suggested that King IV incorporate the IIRC Framework’s criterion that the integrated report is the responsibility of the governing body.4.8</p> <p>The future trajectory:- Page 14, second last paragraph: “The system of donor aid from developed countries to developing countries should be replaced with a change of thinking in value. The aim of aid should be to drive inclusive capitalism in developing countries for holistic value creation. The more the organisation positively impacts on society and the environment, the more the quality of life in developing economies should improve.” It may be questioned in some quarters as to whether King IV is the right place to be making this statement.</p>
	As mentioned earlier, the IRC developed the world’s first Discussion Paper on a framework for an integrated report that later fed into the development of the IIRC Framework.

PART 2: Content Elements and Development

PART 2: Content Elements and Development

Add your comments for this part here:

Variable	Response
PART 2: Content Elements and Development 1. Overview of the nine parts of the King IV Report	(No response)
PART 2: Content Elements and Development 2. King IV Code elements	Please also see the response to Comment Question 2.
PART 2: Content Elements and Development 3. Sector Supplements	(No response)
PART 2: Content Elements and Development 4. Content development process	(No response)
PART 2: Content Elements and Development 5. Drafting	Also refer to comments on Part 1:

convention

PART 2: Content Elements and Development | 6. Presentation features of King IV

Introduction.

(No response)

PART 3: Application of King IV

PART 3: Application of King IV

Add your comments for this part here:

Variable	Response
PART 3: Application of King IV 1. Legal status of King IV	(No response)
PART 3: Application of King IV 2. Scope of application of King IV	(No response)
PART 3: Application of King IV 3. Proportionality – appropriate application and adaption of practices	(No response)
PART 3: Application of King IV 4. Disclosure on application of King IV	(No response)
PART 3: Application of King IV 5. Transition from King III to King IV	(No response)

PART 4: King IV on a page

PART 4: King IV on a page

Add your comments for this part here:

(No response)

PART 5, CHAPTER 1: Leadership, Ethics and Corporate Citizenship

PART 5CHAPTER 1: Leadership, Ethics and Corporate Citizenship

Add your comments for this part here:

Variable	Response
PART 5CHAPTER 1: Leadership, Ethics and Corporate Citizenship 1.1 Ethical leadership	(No response)
PART 5CHAPTER 1: Leadership, Ethics and Corporate Citizenship	Principle 1.2 Recommended Practice 6 – it is suggested to expand ethics policy to incorporate stewardship responsibilities

1.2 Organisation values, ethics and culture	as appropriate to the ethical risk profile and resources used and affected by the organisation.
PART 5CHAPTER 1: Leadership, Ethics and Corporate Citizenship 1.3 Responsible corporate citizenship	(No response)

PART 5, CHAPTER 2: Performance and Reporting

PART 5CHAPTER 2: Performance and Reporting

Add your comments for this part here:

Variable	Response
PART 5CHAPTER 2: Performance and Reporting 2.1 Strategy, implementation, performance	Principle 2.1 Recommended Practice 3 – it is suggested that this include mention of integrated thinking.
PART 5CHAPTER 2: Performance and Reporting 2.2 Reports and disclosure	<p>Also refer to comments on Part 1: Introduction.- Principle 2.2 has a focus on performance. The concerns raised earlier in this submission apply here, notably around strategy, outputs and outcomes.- Principle 2.2 Recommended Practice 11 – there is inconsistency between how materiality is referred to here and in the definition stated in the Glossary on page 79. While it may be appropriate for an integrated report (in line with the IIRC Framework’s definition), it may not be appropriate for all other reports, which is what Principle 2.2 covers.- Principle 2.2 Recommended Practice 12:* There should be a cross reference to Principle 4.5 “Assurance of reports” which deals with “how” to go about applying combined assurance, internal audit, and assurance of reports in carrying out this mandate.* Under either of these there should be a recommendation that the governing body provide a statement that they acknowledge their responsibility to ensure the integrity of the integrated annual report, that they have applied their collective mind to the preparation and presentation of the integrated report, and their conclusion about whether the report is presented in accordance with the framework or standards applied (this is as based on the IIRC Framework).- Principle 2.2 Recommended Practice 14:* It is unclear why King IV finds states this level of detail in terms of content elements. While the elements are largely aligned with the elements of integrated reporting, as mentioned previously it is questioned what the rationale is for divergences as this will necessitate subsequent clarification to avoid confusion in the application of King IV and the IIRC Framework. Also, it is noted that there is no reference to business model.-Principle 2.2 Recommended</p>

Practice 15 should include regulatory considerations as well as stakeholder information needs.

PART 5, CHAPTER 3: Governing Structures and Delegation

PART 5CHAPTER 3: Governing Structures and Delegation

Add your comments for this part here:

Variable	Response
PART 5CHAPTER 3: Governing Structures and Delegation 3.1 Role of the governing body	Principles 3.1 and 4.1 – consideration should be given to include a recommended practice to fight and uncover corruption. Further, it should include reference to covering all six capitals in the determination of risks and opportunities.
PART 5CHAPTER 3: Governing Structures and Delegation 3.2 Composition of the governing body	Please also see the response to Comment Question 5.
PART 5CHAPTER 3: Governing Structures and Delegation 3.3 Committees of the governing body	(No response)
PART 5CHAPTER 3: Governing Structures and Delegation 3.4 Delegation to management	(No response)
PART 5CHAPTER 3: Governing Structures and Delegation 3.5 Performance evaluations	(No response)

PART 5, CHAPTER 4: Governance Functional Areas

PART 5CHAPTER 4: Governance Functional Areas

Add your comments for this part here:

Variable	Response
PART 5CHAPTER 4: Governance Functional Areas 4.1 Risk and opportunity governance	Principles 3.1 and 4.1 should include a recommended practice to fight and uncover corruption. Further, it should include consideration of all six capitals in determining risks and opportunities. Please also see the response to Comment Question 9.
PART 5CHAPTER 4: Governance Functional Areas 4.2 Technology	(No response)

and information governance	
PART 5CHAPTER 4: Governance Functional Areas 4.3 Compliance governance	(No response)
PART 5CHAPTER 4: Governance Functional Areas 4.4 Remuneration governance	Please refer to the response to Comment Question 6.
PART 5CHAPTER 4: Governance Functional Areas 4.5 Assurance	Please also note the response to Comment Questions 7 and 9. Some IRC committee members raised concerns around the use of the terminology of “combined assurance” and how this compares to what is regarded internationally as combined assurance. Clearly, implementation is key in this area. One issue raised is the delegation by the governance body to the audit committee (likely to be comprised mainly of non-executive directors) to establish and oversee a combined assurance model as they may not necessarily appreciate the potential implications of some identified risks that might be significant to the organisation. Consequently, there is a risk that they may not attach sufficient weight to some matters in evaluating the adequacy of the “assurance” obtained. This relates to the level of competence of audit committee members, including their knowledge and understanding of the effectiveness of the organisation’s operations/internal controls and monitoring processes and internal audit functions, the use of independent audit and assurance practitioners etc., and also the oversight by the full governing body. Further, there are views that the Recommended Practices (particularly 46 – 58 under Principle 4.5) confuse the meaning of “assurance” in the context provided by independent external assurance practitioners versus processes such as internal controls, monitoring, internal audit (provided by internal or external providers) and oversight by those charged with governance.

PART 5, CHAPTER 5: Stakeholder Relationships

PART 5CHAPTER 5: Stakeholder Relationships

Add your comments for this part here:

Variable	Response
PART 5CHAPTER 5: Stakeholder Relationships 5.1 Stakeholders	Principle 5.1 Recommended Practices 8 and 9 – consideration could be given to recommending the disclosure of the material concerns and issues raised by key stakeholder groups.
PART 5CHAPTER 5: Stakeholder	Please also note the response to Comment Question 8.

PART 6: Sector Supplements

PART 6: Sector Supplements

Content on Part 6: Sector Supplements will be published and opened for commentary during May 2016.

PART 7: Application Register

PART 7: Application Register

Commentary on Part 7: Application register will be addressed in the Comment Questions section, Question 10.

PART 8: Glossary of Terms

PART 8: Glossary of Terms

Add your comments for this part here:

As noted throughout our submission, many of the definitions related to integrated reporting in the Glossary build on (yet differ from) those in the IIRC Framework. It is not clear what the benefit of this is particularly as this may contribute to confusion and especially so if the new definition is less clear. In addition to earlier comments, we note the following:

- The definition of capitals is regarded as more useful in the IIRC Framework.
- The definition of materiality applies to an integrated report, but not to other reports. This definition (if broadly applied) is at odds with what is stated in Principle 2.2 Recommended Practice 11 (which states amongst other things that materiality depends on audience).
- Consider including a definition for integrated reporting.
- There are some concerns and inconsistencies with the definition of "integrated annual report" . . . "ability to sustainable value creation" does not make sense; and "concise language" is not the same as "a concise communication". It is submitted that the IIRC Framework definition is more useful.
- It is suggested that "Stakeholders" is defined more clearly and usefully in the IIRC Framework.
- "Outcomes", "outputs" and "value creation" are all considered to be more succinctly described in the IIRC Framework.
- Shareholders – adding the definition from the Companies Act that is referred will be useful to readers.

- While the definition of value creation covers the “enhancement, diminishment and transformation of the capitals” the use of the term throughout the Code and Report – and particularly when linked to stakeholders – should be clarified so as to avoid an impression that only positive value creation is covered at the exclusion of potential negative, unintended outcomes. It is strongly recommended that there is alignment with the meaning in the IIRC Framework.

Comment Questions (1-5)

Comment Questions Question 1 - Question 5

Question 1

The set objectives of the King IV Report are to: -promote good corporate governance as integral to running an enterprise and delivering benefits to it;broaden the acceptance of good corporate governance by making it accessible and fit for application by organisations of a variety of sizes, resources and complexity of strategic objectives and operations;reinforce good corporate governance as a holistic and inter-related set of arrangements to be understood and implemented in an integrated manner; andpresent good corporate governance as concerned with not only structure, policy and process but also an ethical consciousness and behaviour.To what extent would the draft King IV Report as it stands achieve each of these objectives?Please comment on how this could be optimised.

- The document sets out its objectives clearly and will enhance corporate governance and the understanding thereof.

- King III had 75 Principles, and although draft King IV is reduced to 17 Principles, there are 226 Recommended Practices which contain numerous sub-sections. All contain the word “should”, which infers a requirement or expectation rather than being enabling. This may potentially result in a compliance-focused checklist. It is suggested that the introductory parts offer more clarity on how people should think about and apply the Principles and the Recommended Practices in order to avoid this. The introductory part is helpful, but is rather long.

- Unfortunately, it holds true that boards do not always have the requisite skills and attitudes regarding governance best practice and therefore implementation may be inconsistent. King IV is unlikely to shift this reality as it is a code that expresses a view that people should behave in a particular way; we suggest that stronger emphasis be placed on demonstrating the value of good governance and implementation of the principles aspired to.

- We have strong concerns regarding the differences to the International <IR> Framework (IIRC Framework). These are noted elsewhere in this submission and under our general comments.

Question 2

Part 2 of the draft King IV Report: Content Elements and Development, deals with outcomes, principles and practices. Clear differentiation of these content elements is key to reinforcing qualitative governance which is outcomes driven rather than about mindless compliance. Is the rationale and the difference between these content elements clearly explained? Please provide suggestions on how this could be further enhanced.

- Part 2 is helpful, although we suggest that strategy should include reference to integrated thinking and the business model. While this section is clear and encourages achievement of outcomes it will be critical for users to familiarise themselves with Part 1 to fully understand the thrust of the Report.

- As noted in our response to question 1, the way the Report content is presented may lead to the creation of a compliance-driven approach.

- Also noted elsewhere, we have concerns around the usage of terminology such as “outcomes” and “content elements”. While the IIRC Framework is not formally endorsed in the Report, it is referenced extensively and therefore alignment with the terminology and approach used in the IIRC Framework will avoid confusion and conflict (whether perceived or real) in the interpretation and application of both the Report and the IIRC Framework, necessitating the issuance of bridging guidance by either or both the IoDSA and the IRC.

- The IIRC Framework presents current best practice and international consensus, and given the strong influence of King III in the integrated reporting movement globally, King IV needs to ensure it remains relevant even as it aims to advance the process of integration.

Question 3

King IV uses the broader form of address namely: ‘organisations’; ‘governing body’; and ‘those charged with governance duties’. Does this make the King IV Report more broadly relevant to all organisations and sectors?

Yes, we believe it does, in principle, provided that the terms are clearly defined as intended and used consistently throughout the Report.

Question 4

The King IV Code recommends that as a minimum, the chief executive officer (CEO) and one other executive should be appointed to the governing body. Other than in King III, it does not specifically recommend the inclusion of the chief financial officer (CFO) as a member of the governing body. This allows flexibility for another executive to be appointed as a member of the board, depending on the nature and needs of the business. Would a recommendation specifically providing for inclusion of the CFO be more appropriate or is flexibility preferable in light thereof that organisations differ?

- Flexibility is preferable as it would enable the organisation to bring appropriate skills and knowledge to the Board as may be necessitated by the business model, strategy and outputs and outcomes.

- The application of this recommendation, however, may depend on the type of organisation, e.g. public sector boards may be comprised wholly of non-executive directors. In such cases the CEO and other executive directors/ senior management should at least attend the meetings of the Board.

Question 5

Do the independence criteria in Chapter 3 of the Code provide clear and useful guidance for assessment of independence on a substance over form basis?

In Principle 3.2, Recommended Practice 27, the sentence “This classification refers to the absence of any interest, position, association, or relationship which is likely to unduly influence or cause a bias in decision making” can be considered somewhat aspirational and may make it difficult to recruit suitable non-executives. The indicators (a - i) are relevant, however, the governing body should be alert to and resist possible undue influence or bias.

Comment Questions (6-10)

Comment Questions Question 6 - Question 10

Question 6

Will the new disclosure and voting requirements on remuneration in Chapter 4 of the Code lead to increased transparency and more meaningful engagement on remuneration between organisations and their stakeholders? Please provide suggestions for further enhancement.

Principle 4.4, Recommended Practices 28 - 44 are an improvement, although they may not overcome all the common problems in this area, and noting that remuneration is also subject to the organisation’s existing legal and contractual obligations. As an overall principle, remuneration should be linked to the achievement of the organisation’s strategy over time and should be balanced against the actual value creation over time.

Question 7

King IV introduces in Chapter 4 of the Code, the 5 lines on assurance in the place of the traditional 3 lines of defence. It also expands on the implementation of the combined assurance model. Will this assist with more effective co-ordination and alignment of assurance? Please provide suggestions for further enhancement.

- We support the enhancements included in King IV, although there are concerns among some IRC committee members particularly around use of the terminology of “combined assurance” and how this compares to what is regarded internationally as combined assurance. Clearly, implementation

is key in this area. One concern is the delegation by the governance body to the audit committee (likely to be comprised mainly of non-executive directors) to establish and oversee a combined assurance model as they may not necessarily appreciate the potential implications of some of the identified risks which might be significant to the organisation. Consequently, there is a risk that they may not attach sufficient weight to some matters in evaluating the adequacy of the “assurance” obtained. This relates to the competence of audit committee members, including their knowledge and understanding of the effectiveness of the organisation’s operations/internal controls and monitoring processes and internal audit functions, the use of independent audit and assurance practitioners etc., and also the oversight by the full governing body.

- Further, there are views that the Recommended Practices (particularly 46 – 58 under Principle 4.5) confuse the meaning of “assurance” in the context provided by independent external assurance practitioners versus processes such as internal controls, monitoring, internal audit (provided by internal or external providers) and oversight by those charged with governance.

- Consideration should be given to the approach taken in the following two papers released by the various national Institute of Internal Auditors (IIA):

a) As regards the three lines of defence model - Enhancing Integrated Reporting Internal Audit Value Proposition - IIA 2015 (refer pages 8, 9 and 32). A publication released by European Institutes of Internal Auditors (IIA France, IIA Netherlands, IIA Norway, IIA Spain, IIA UK and Ireland) with valuable contributions from IIA Global and the IIRC.

b) The Role of internal audit in non-financial and integrated reporting, published by the CIIA - Chartered Institute of Internal Auditors (UK), July 2015.

Question 8

The governing body as the focal point of corporate governance and is therefore the primary audience of the King IV Report. King IV requires the governing body of an institutional investor to ensure that the organisation exercises its rights as holders of beneficial interest in companies, responsibly. Does this principle establish the necessary linkage between King IV and the Code for Responsible Investing in South Africa (CRISA) so that governance is reinforced by all role players? How can King IV further reinforce responsible investing practices? (For access to CRISA go to www.iodsa.co.za.)

It is important that King IV confirm the notion that the principles of good governance extend to the exercise of fiduciary duties wherever they may reside, whether at the governing body of the organisation, trustees of a pension fund or within institutional investors charged with stewardship to the long-term benefit of others. Greater emphasis could be placed on how the integrated thinking and integrated reporting by an organisation can enable investors to perform broader and more informed analysis of strategy, impact, risk and opportunity, in turn enabling more effective shareholder engagement and long-term value creation. This may be embedded within King IV, as well as supplements specific to the financial sector, which in turn should state that employing integrated thinking and ethical governance best practices, both in how institutional investors operate and exercise their fiduciary duties, will contribute to long-term value creation.

Question 9

King IV introduces 'risk and opportunity' governance to emphasise risk as being about uncertainty and the effect of it occurring or not occurring having a possible negative or positive effect on the organisation achieving its objectives. Is it useful to refer to risk and opportunity governance and will it reinforce it as a value-add rather than conformance exercise?

- We support this approach as the two are closely linked and need to be assessed. It is useful to ensure that opportunities and the assessment thereof is not lost within the organisation. Consideration of opportunities can be an important tool for innovation, which has proven to be crucial for the longevity of an organisation in this era.

- It would, however, be useful to consider whether the Principle 4.1 Recommended Practices regarding the governing body's risk and opportunity governance processes are likely to overlap, complement and possibly conflict with the audit committee's implementation of the Principle 4.5 Recommended Practices regarding audit committee lines of assurance and to consider clarification to the extent necessary.

Question 10

The application regime of King IV is 'apply and explain' as opposed to 'apply or explain' in King III. The main difference between the application regime of King III and King IV is that application of the principles is assumed in King IV as they are basic to good corporate governance. Furthermore, the 75 principles in King III have been replaced with 17 principles in King IV. For the 'apply and explain' regime, explanation is required in the form of a high level narrative of the practices that have been implemented and the progress made in the journey towards giving effect to each principle. Will 'apply and explain' encourage greater transparency and qualitative? Should disclosure on King IV application be required to be signed off by the governing body? (For further information on the application regime refer to Part 3: Application of King IV and to Part 7 for a template of the application register.)

- We support this change in principle, however, the difference to the King III approach should be explained more clearly, especially to provide clarity as to what the focus of the disclosure regime should be (namely to focus on the Principles and their application, as opposed to disclosure focusing on explaining non-application or providing a checklist against each Recommended Practice).

- In addition, consideration could be given to clarifying the disclosure regime in case of non-application of a principle - for example by clarifying to what extent an aspiration to apply a principle would be acceptable, or where application of a Principle has taken place through means other than the Recommended Practices.

- In general, we believe the disclosure on King IV application should be signed off by the governing body. This will highlight its importance and could encourage a more diligent consideration and application of the principles at the most senior levels of the organisation.

Survey Questions

Survey Questions

How much do you agree or disagree with the following statements, please give a reason for your answer.

You may need to scroll to the right to see all the options, depending on the size of the screen you are using.

	Why do you say that?	
The King IV document is easy to understand	(No response)	(No response)
The document meets the King IV objectives	(No response)	(No response)
King IV is an improvement on King III	(No response)	(No response)

END

Have you added all the comments you would like to add? If not please click on the section you would like to add comments to. Once you have done this you may return to this page and submit your comments.