Progress to date

The *set-up (Phase 0 on the project plan)* has been completed with the governance structures and project plan having been finalized.

Similarly the *Phase1 research* has been completed. The initial research consisted of:

- stakeholder consultation
- a comparative analysis of King III with the major international governance codes

Stakeholder consultations comprised individual meetings with institutions and representative bodies which are affected by and which are influencers within the governance sphere to inform them about the reasons for embarking upon King IV, to explain the drafting process envisaged and to source input regarding experiences with the implementation of King III and its predecessors.

We are planning further engagement with City Of Tshwane, City of Joburg and Ethekwini Municipality as well as with union representatives.

The King IV Project Lead was invited by the International Finance Corporation (IFC) to join a Global Practice Group meeting on Corporate Governance Codes and Standards in May 2015. The discussions covered the latest governance developments. South Africa presented on whether it was appropriate for a corporate governance code to address sustainability. This elicited lively debate.

We are also attending a panel discussion at a conference during September 2015 hosted by the Centre for Corporate Governance of the HHL and the IFC. This conference has a more of an investor focus which is pertinent to the King IV linkage with CRISA.

A third international engagement is to be planned depending on a needs assessment to be performed.

Phase 2 with the initial content development is currently in progress.

Process for initial content development

Background

Content development for King IV is taking place on the premise that we build on the good work that has been performed in creating King III. It has therefore further been decided to use the Appreciative Inquiry methodology for the facilitation of the working sessions. The philosophy that underpins this methodology makes it particularly suitable for the approach with King IV in that it provides for building on current strengths. It looks to the positives and possibilities which sets up an environment for creating and exploiting opportunities rather than getting stuck in the downward spiral of deficiencies.

A primary aim of the King IV content development is to reinforce the code as an integrated and holistic system. The Task Team has therefore developed a matrix (King IV on a page) that serves as a standing reference point for content development.

The content is developed through working sessions. There are no standing working groups or sub-committees. Participants to the working sessions consist of a combination of corporate governance experts (technical contributors) who have volunteered and who have been specifically invited to participate.

In order to maintain the integrity of the integrated approach that we are taking to content development, the working sessions are planned from a broader perspective towards more specificity as the discussions evolve.

The working sessions held to date evolved in roughly three rounds:

During the *first round* the discussions were organised around four broad themes:

1. Corporate Citizenship
2. Corporate Performance
3. Conformance
4. Stakeholder Relationships.

During the *second round* of sessions the broader themes were narrowed down to focus on specific matters highlighted during the first round of sessions. These specific matters may continue to be addressed at an increasingly granular level depending on the need that arises to do so.

The *third round* of working sessions provided for involving the various sectors and regions.

Working sessions completed

Round 1: Topics

Orientation session – 6 March

Theme 1: Corporate Citizenship and Sustainability – 12 March

Theme 2: Corporate Performance and Value Creation – 13 March

Theme 3: Conformance (Board and Directors, Risk and Compliance) - 18 March

Theme 4: Stakeholder Engagement and Reporting – 20 March

Output

In general it was commented by participants that King IV should attempt to shift the compliance mind-set and that organisations should still be afforded the freedom and concomitant responsibility to “apply or explain”. The need for integrated thinking featured prominently at all of the working sessions.

Below is a summary of the main discussions points that emerged from the thematic working sessions. These have been combined to shape the topics for the next round of working group sessions.

Disclaimer: The discussion points and comments as highlighted below do not reflect the view of the IoDSA or the King Committee, nor are these an indication of what will be included in King IV. They are merely intended as a reflection of the suggestions offered during the course of the working sessions which still need to be taken under consideration by the King Committee.

Board composition was addressed in one form or another at all four sessions. Particularly skills, diversity, tenure on boards, independence and the number of board positions were raised. The personal attributes of directors came up during discussions and expansion of the pool of available director candidates was also mooted.

Board and directors' performance was discussed in some detail with reference to:

- Board appraisals and the effective use thereof with specific reference to:
    - the chairman's responsibility to report on the appraisal of board performance;
    - individual director performance that requires more focus and follow-up; and
    - the need to potentially subject boards to 360 assessments.
- Decision-making of the board and specifically:
    - transparency regarding dissenting votes on decisions;
    - assurance over information used by board and board committees to make decisions; and
    - review of board decisions in the interest of creating a learning cycle.
- Succession planning, both at executive and board level.
- The use of scenario planning when devising strategy and assessing risks and opportunities.
- Board agendas that supports the notion of integrated thinking.

A ***Group governance framework*** was raised as a matter that needed to be addressed in more detail and specifically the following aspects:

- Standard policies and practices across the group.
- Clear accountability and roles reinforced through induction and letters of appointment.
- The need for an understanding of the regulatory situation especially if the group operates in more than one jurisdiction.
- Code of ethics, service philosophy etc. to apply across group.
- Functioning of group board committees.
- Understanding and addressing conflicts within the context of a group.
- Proper delegation across group and alignment of all MoIs.
- Use of shareholder compacts and other formal arrangements to regularise relationships.

Board structures was broached and specifically the need to address the role and functions of the social and ethics committee in more detail so as to strengthen its impact. Better integration of the functioning of board committees was also highlighted for further consideration.

The notions of ***Value-creation and sustainability*** were enthusiastically embraced and the following matters were proposed for further consideration:

- "Value creation" as suggested alternative to "corporate performance".
- Shift required from shareholder value to "shared value".
- A value-creation scorecard/matrices to be developed so as to define the elements that make up value.
- Terminology suggested to elucidate sustainability: "resilience", "longevity", "shared value".
- Linkage of corporate strategy to NDP so as to contribute to developmental objectives.
- Balancing performance with conformance.

- Stakeholder enablement and protection of vulnerable stakeholders.
- Corporations contributing to societal identity and values.
- Treating stakeholders with respect, dignity and fairness.
- A focus on impact instead of output.
- Corporate participation in governmental policy-formation and legislative process.
- Innovation as driver of sustainability.
- Corporate culture as a matter to be assessed against pre-determined criteria.
- Better protection of whistle-blowers.

With regards to ***Corporate Citizenship***, Input > Process > Output > Outcome > Impact was suggested as a working model so that corporate citizenship becomes part of core business. The following specifics were raised:

- Engagement of employees.
- Payment of taxes by corporations as a social contribution.
- Political donations and disclosure thereof.

With regards to ***Remuneration*** it was suggested that the following matters be considered in more detail in King IV:

- Reward of ethical behaviour.
- NED remuneration.
- Shareholder *binding* vote on remuneration.
- Linkage of reward with KPIs.

From the discussions on ***Assurance*** it was evident that the combined assurance framework required further exploration. "Integrated assurance" was mentioned as an alternative and more descriptive phrase. Some of the particular suggestions included:

- Assurance should be used more extensively for information used by board and board committees.
- A combined assurance framework should include all lines of defence.
- Scope of non-financial assurance of IR should be determined by size and nature of organization.
- The standard for assurance of non-financial information should be established.
- Guidelines should be set by the appropriate institution for the determination of materiality.
- Auditor independence and implications for mandatory firm rotation and tendering has to be considered.
- Scalability of assurance is required depending on type or nature and size of organization.
- Assurance in respect of forward-looking information needs to be clarified.

The discussions on ***Compliance*** suggested for a risk-based approached to compliance to be followed. Organisations need a formal compliance policy and framework and furthermore to take a more pro-active stance to the changing regulatory environment.

The importance of ***Risk*** was emphasised during most discussions and it was evident that the view was that risk is an integral part of most if not all aspects of corporate governance. The following matters were emphasized:

- The transparency of risk processes.
- The link between risk management and corporate performance.
- Independence and objectivity.
- The requirement to focus on strategic risks.
- Risk tolerance and appetite needing more consideration.
- “Black swans” needing more consideration.

As far as ***Information Technology*** is concerned “information governance” was mooted as alternative terminology. The following specifics were raised:

- Cyber security.
- Quality of data.
- Role of IT in value-creation through enablement and efficiencies.
- Alignment with business strategy.
- Role of IT in improved reporting and quality decision making and enhanced business performance.

Under the theme ***Stakeholder Relationship*** the better use of AGMs and technology as mechanisms for engagement were broached together with the suggestion that more face-to-face interactions are required as well as actual measurement of the strength of stakeholder relationships. Increased shareholder activism including disclosure of voting results featured prominently.

Round 2: Topics

Topic 1: Driving corporate performance through risk integration, compliance and information governance and technology – 21 April

Topic 2: Optimising board structures, decision-making and group governance – 22 Apr

Topic 3: Value-creation through integrated thinking and reward systems – 23 April

Topic 4: Assurance that results in integrity of internal information and external communication – 4 May

Topic 5: Enhancing stakeholder relationships through integrated reporting and leveraging the Code for Responsible Investing in SA – 7 May

Output

The topics for round 2 of the discussions were compiled from the issues that emerged from the round 1 thematic discussions. The intention was that these matters be explored in more depth as far as the role of the board is concerned. The contributions have been edited and re-organised for the sake of a cohesive and summarized presentation of the output.

Disclaimer: The discussion points and comments as highlighted below do not reflect the view of the IoDSA or the King Committee, nor are these an indication of what will be included in King IV. They are merely intended as a reflection of the suggestions offered during the course of the working sessions which still need to be taken under consideration by the King Committee.

Below are the highlights of what was suggested by the working groups to be incorporated as part of the principles and practices in King IV:

Risk

- The board should be accountable for risk governance that contributes to the performance of the organisation.
- The board should ensure that an awareness of and an appropriate response to potential threats and opportunities are an integral part of decision-making and endeavours at all levels within the organisation. This means that: -
  - Risk awareness should permeate the following aspects of organisational life:
    - strategy;
    - reporting;
    - decision-making;
    - board composition;
    - capital management;
    - resource allocation; and
    - stakeholder engagement.
  - Risk integration should take place on horizontal levesl (e.g. decision-making, setting risk appetite) as well as vertical levels (e.g. delegation).
  - Risk should be part and parcel of the combined assurance framework.
- Stakeholders should be able to come to an informed view as to the ability of the organisation to create value in the short, medium and long term. Therefore, the board should ensure transparency regarding the extent to which the capitals/critical dependencies that the organisation relies on have been enhanced and/or used and impacted on.

Technology and Information

- The board should ensure that technology serves value-creation by the organisation. Therefore, the board should understand how technology fits into the value-creation paradigm (i.e. understand the evolution of technology from support to enabler to being pervasive).
- The board should ensure that return/ benefit is realised for the organisation from investments in technology.
- There should be an awareness by the board of technology risks of which include:
  - cyber security;
  - compliance;
  - business continuity;
  - lack of knowledge on technology on board; and
  - outsourcing.
- The board should ensure that information is recognised as corporate asset and that it is part of intellectual capital to be protected and enhanced. This can be done with regards to:
  - information security with reference to ISO 27000;
  - records management: identification, classification and ownership with reference to ISO 3801; and
  - information privacy with reference to ISO 29100.

Compliance

- The board should ensure an effective compliance function that leads to corporate performance and protects value. This aspiration is to be supported by:
  - the definition of a compliance universe and the design of a compliance framework;
  - a board that has working knowledge of material legislation and the compliance process;
  - pro-activity in establishing relationship with regulators, understanding environment and trends and influencing;
  - responsiveness to changes in the regulatory environment; and
  - a compliance function that is efficiency, fit for purpose and guided by materiality.
- Compliance should be the second-line of defence within the combined/ integrated assurance framework. This means that the compliance function should:
  - be independent; and
  - have a reporting line to board or audit committee.

Board structures

- Board and board committees should be structured and composed so that there is a balance of power and the board is able to exercise effective oversight. This includes:
  - continued professional development of board members;
  - succession planning;
  - support by effective and strong company secretary;
  - well-functioning sub-committees; and
  - that the size of the board is linked to efficiency.
- There should be integration of the functioning of board structures so as to achieve integrated thinking across all aspects of the organisation.
- The board should provide ethical leadership and independence.

Board decision-making

- The board should articulate the purpose and strategic intent of the organisation and those should be evident in outcomes of the board's decisions.
- The board should be ultimately accountable for its decisions in order for governance to be effective. To achieve this the following needs to be in place:
  - the integrity of information on which decisions are based should be ensured; and
  - board collaboration should be based on applying EQ
- The board should create a learning culture towards continued improvement of performance.

Group governance

- The board should recognise and respect each entity within the group as separate legal persona to which legal duties are owed by its directors.
- Common values and objectives should be adopted within a group. This should be reflected in the MoI and how conflicts of interests are addressed.

Value-creation

- The board should assume responsibility for value-creation beyond financial value. This is evidenced by:
  - ethical behaviour by the board as a collective board and by individual directors;
  - values and ethics within the organisation;
  - healthy stakeholder relationships;
  - effective and efficient allocation of 6 capitals and accounting for the enhancement, use and impact on each capital;
  - striving for alignment of values of individuals with that of organisation.

- The board should define value-creation which is meaningful, sustainable and balanced over the long-term.
- The board should ensure that strategic goals and objectives are aligned to the value-creation statement and the risk appetite that is adopted. In doing so the following should be considered:
  - the time-frame that is regarded as "long-term";
  - an understanding connectivity and systems;
  - an understanding of the business model, i.e. how value is created through application of organisational processes;
  - the value drivers;
  - trade-offs in decision-making; and
  - risk management, especially stakeholder risk models to test strategy and objectives.
- The board should oversee the creation and implementation of policies that drive risk-based integrated thinking. In implementing these policies the following should be addressed:
  - use of innovation;
  - use of technology;
  - ensuring an understanding by stakeholders of organisational value-drivers and the effect of these on them; and
  - use of incentives that drive value-creation.
- The board should oversee the creation of organisational-wide performance criteria which is equitable and linked to creation of value as defined.

Integrated assurance

The Board should ensure the integrity of information used for its own decision-making as well as the integrity of information disclosed to external stakeholders. In terms of practices this means that: -

- the organisation should understand why and for whom information should be provided;
- all stakeholders need information for decision-making and therefore the information needs of each key stakeholder needs to be identified; and
- there should be adherence to the attributes of integrity of information: Reliability, Accuracy, Fairness, Representative, Timely.

Assurance

- The board should be responsible for ensuring that material information is defined and assured. Practicing this would involve the following:
  - A cost/ benefit analysis is to be performed in respect of assurance.
  - Each board committee should be responsible for assurance within its area of responsibility and board committees should serve as 4th line of defence – therefore important to optimise board skills and experience and site visits.
  - The risk matrix (including key vulnerabilities and critical dependencies) should be mapped to board and board committee responsibilities and to the allocation of assurance provider to assess each key risk/ area of risk.
  - The chief audit executive should co-ordinate combined assurance and report to the audit committee chair supplemented by reporting to other board committees.
  - There should be a policy and framework in place for integrated assurance.
  - The standards for non-financial assurance should be agreed by the audit committee and other relevant board committees.

Stakeholders

- The board should ensure that stakeholders and their legitimate expectations inform strategy. This involves:
  - identification of stakeholders;
  - definition of "material" stakeholders;
  - drafting a matrix of stakeholders and expectations;
  - linking stakeholder interests to strategy, risk and opportunity; and
  - considering resources required.
- The board should ensure that the outcome of stakeholder engagement is inclusive, effective and efficient and responsive to legitimate interests of all material stakeholders. This entails the following:
  - dedicated accountability for stakeholder relationships and reporting;
  - drafting a stakeholder map;
  - drafting a stakeholder management and communication plan, including platforms and mechanisms for engagement; and
  - measurement of the quality of relationships, including proximity, frequency, parity etc.
- The board should ensure balanced integrated reporting to demonstrate the overall impact on the organisation's capitals. Practices to support this would include:
  - agreeing a framework for IR;
  - determine process for information to be disclosed;
  - consideration of organisational interest versus stakeholder interests;
  - disclosure of both achievement and challenges;
  - determine materiality and scope; and
  - assurance/ verification on reporting about stakeholders to be overseen by audit committee
- The board should ensure that the organisation as a responsible corporate citizen creates value for its stakeholders in a sustainable manner. This involves the following:
  - determining a shareholder value framework and monitoring and review against framework; and
  - disclosing stakeholder value created and destroyed.
- The board should ensure that the organisation incentivises shared-value creation, including:
  - remuneration policies that drive value-creation;
  - performance appraisals against agreed scorecard; and
  - disclosure of remuneration processes and actual remuneration against the achievement of shared-value objectives.

Shareholders

- The board should pro-actively develop relationships with shareholders so as to strengthen the ability of shareholders to act in accordance with relevant codes that guide shareholder responsibilities. The practices that would support this are the following:
  - the continual identification of shareholder groupings through shareholder registers, the classification of shareholder groupings that feed into a shareholder engagement plan.
  - measuring the quality of shareholder relationships
  - setting up structured engagements
  - incorporate shareholders' ability to affect value-creation in the risk register
  - determining the process for identifying and addressing conflicts of interest.

Output

The Round 3 discussions were organised for the various sectors in order to test the universality of the principles developed through the work of the earlier working sessions and furthermore to come up with the practices that would facilitate application in each sector. More than one sector were intentionally mixed in each session to provide for cross-pollination of thinking and ideas.

Round 3: Sectorial sessions

SMEs; NPOs – 1 June

Public Sector – 5 June

Pension Funds; Medical Schemes – 8 June

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General

The ***use of terminology*** seems to a be very contentious issue. Some of the terminology that was raised for discussion was:

- culture vs ethics vs climate;
- prudent control vs conformance vs risk consciousness vs balance;
- corporate vs business vs entity vs organisation vs company;
- corporate governance vs governance;
- board vs leadership vs governing body vs council; andl
- legitimacy vs stakeholder relationships.

King IV scope: It became clear in especially the public sector working session that to only address the role of the board/governing body may not be sufficient to address the full governance dynamic. A suggestion was for the wording of the principles to be stated in passive voice and present tense. The intention is to address below the principle the role and responsibilities of the board and then also that of shareholders and other stakeholders.

SMEs and NPOs

Below are the **aspirations for governance** for these sectors as identified by participants:

- Governance should lead to a sustainable business.
- Effective structures in which form follows function should be in place.
- Principles should be clear and scalable and fit to be practically implemented.
- A code should have “sexy” language and which uses carrot rather than stick approach by emphasising benefits.
- Self-regulation should happen through market powers in industry.
- Cost efficiency is an important consideration for the drafters of codes as donors assess governance at NPOs according to code recommendations.
- The owner/ founder of an SME wears 3 hats (owner or part-owner/ founder – CEO – board member) therefore proper conflict management is needed.
- Reporting should be fit for purpose.
- Governance should have regard to social values.
- Ethical leadership should be integrated in the culture of organisations.

Suggested practices organised according to themes, as per headings below, included the following:

Ethics and culture

- Develop mission, vision and values through collaboration.
- Define basic values (Responsibility; Accountability; Fairness; Transparency) and develop organisational values from this basis.
- Develop ethics framework and measure performance against it.
- Develop common ethics culture by having code of conduct in place to be adopted by staff and board.
- Incorporate ethics in board charters and policies and standard operating procedures.
- Address ethics in board and staff induction.
- Institute whistle-blowing procedures.
- Have visibility of sanction.
- Establish an ethics committee for oversight.
- Have formal and informal self-evaluation.

Prudent/ Effective control

- Identify strategic, tactical and operational risks and manage these.
- Determine systems to manage and report on risks.
- Establish effective finance and administrative processes.
- Evaluate effectiveness of risk management after events/ incidents – create learning cycle.
- Apply risk orientation to all decision-making.

Organisational performance

- Translate strategy into goals through the use of a balanced scorecard.
- Allocate resources for implementation and monitoring of balanced scorecard.
- Cascade KPIs throughout organisation.
- Monitor sustainability in the short, medium and long-term.
- Introduce reporting protocols.
- Create common understanding of “good performance” which should go beyond monetary performance.

Legitimacy

- Identify stakeholders.
- Create stakeholder policies.
- Keep vision and mission in mind.
- Develop stakeholder and advocacy communication and strategy.
- Measure the quality of stakeholder relationships.

Public Sector

Below are the ***aspirations for governance*** for these sectors as identified by participants:

- The code should be scalable and applicable taking account of resources and where the organisation is in its life-cycle.
- Clear mandates, responsibilities and roles should be outlined and supplemented by robust structures and a clear delegation of authority.
- Shared values and unity of purpose should be priorities.
- There should be public trust in public sector entities and institutions.
- Independence from politics is a requirement.
- Accountability and consequence management that speak to root causes should be in place.
- Monitoring should happen through combined assurance.
- Good systems should be in place.
- There should be a supportive and values-driven leadership in the organisation that sets tone at the top and working in unity.
- A performance standard for service delivery should be set.
- There should be competent membership of governance structures with transparency and standardisation of board appointment processes.
- Governance role players should be personally committed to good governance.
- Those charged with governance should accept and recognise their fiduciary duties stemming from holding public funds under their control.
- Risk consciousness and robust internal controls should be in place.
- There should be consultation and understanding of expectations through stakeholder engagement throughout the value-chain of service delivery.
- Public entities should facilitate interaction between citizenry and government.
- Reporting should be credible.

Suggested practices organised according to themes as per headings below included the following:

Ethics
- Confirm *Batho Pele* (People First) values.
- Establish ethics and integrity frameworks.
- Identify ethical risks.
- Require e-disclosure of interest by senior public officials.
- Achieve alignment with existing ethics codes (e.g. Municipal Systems Act, Public Service Regulations).
- Monitor implementation of ethics policies and performance.
- Establish committee to assume responsibility for ethics.
- Introduce a whistle-blowing mechanism.
- Report and disclose on ethics.

Prudent Control/ Balance
- Align with National Development Plan.
- Comply with Treasury regulations, MFMA, PFMA and Companies Act.
- Have board charter and risk management framework.
- Establish effective process controls.
- Ensure effective audit and assurance.
- Establish clear delegation of authority.
- Establish transparent board appointment and assessment criteria.

Performance
- Compile annual performance plans.
- Agree shareholder compact that supports performance plan.
- Measure and track performance.
- Establish reporting practices – quarterly and integrated.
- Align organisational and individual performance.
- Create visibility of board decision-making.
- Plan to deal with political interference.

Legitimacy
- Create stakeholder engagement policies and matrix that are linked to service delivery expectations.
- Appoint dedicated owners for stakeholder processes.
- Identify stakeholders.
- Provide for issue-specific (high risk) stakeholder relationship management.
- Contribute to socio-economic development.
- Assess effectiveness of stakeholder engagement.
- Implement consequence management and reporting.

Pension Funds and Medical Schemes

Below are the ***aspirations for governance*** for these sectors as identified by participants:

- Governance should start with “self” i.e. trustee to be free of undue influence, independent, placing members at centre, common understanding of “purpose”.
- Trustees should be fit and proper and competent which means to take ownership for own skills level, knowledge, expertise and behaviour.
- There should be sufficient diversity of skills on the board.
- Boards of trustees should be more independent and their composition should be non-constituency based.
- There should be emphasis on skills development and understanding of context, landscape and roles and responsibilities which is assessed through “genuine” appraisal.
- Skill training should be meeting certain minimum requirements.
- Trustee evaluation should be compulsory and is done with regards to the collective and individuals by a combination of internal and external assessments.
- Accountability should consist of stakeholder definition, transparency and voluntary disclosure.
- Compliance should be a combination of spirit and intent and happens on a pro-active basis.
- Understanding of governance should be achieved by applying critical thinking and analysis.
- There should be recognition by rewarding good governance behaviour.
- There should be respect of the needs of all stakeholders.
- Fiduciary duties should be honoured.
- There should be credible communication that builds trust and simple enough to understand.
- Trustees should maintain independence of mind and in appearance.
- Trustees should take into account long-term interest of members.
- There should be sound financial management.
- A value-system should be in place with a common understanding of ethics across the industry.
- Investment controls should be in place.
- Stakeholders consist of employees/ members, employers, regulators/policy makers and service providers. The aspirations with regards to these respective stakeholders are:
    - employers/members: to understand fees and benefits, have a say, be able to hold board accountable, give feedback on service;
    - employers: to celebrate good governance for instance through the annual report and to comply;
    - service provider: to mitigate cost of investment, disclose fees, use system/ platform that focuses on product delivery acceptable to trustees; and
    - regulators: enforcing compliance, set standards, promulgate simple laws, the benefit of which is clear, share responsibility for audit quality, alignment between good laws and governance.
- There should be accountability to stakeholders and use is made of integrated reporting.
- There should be regard to cost efficiencies.
- Shareholder groupings should be identified and their legitimate expectations addressed.
- Strategy and vision should be formally documented.
- The tenets of responsible investment should be followed as per Regulation 28 for Pension Funds and Regulation 29 for Medical Schemes.
- The audit committee should be independent with an independent chairman.
- Accreditation of auditors should take place.
- Funds should appoint a compliance officer.

- Outsourced functions should be governed through minimum standards, accreditations as well as management of conflicts of interests.
- Regulators should consult and collaborate prior to issuing legislation.
- The independent principal officer should not be chairman or trustee of the fund.
- A company secretarial function should be distinct from the CEO.
- There should be a proper delegation of authority in place.

Suggested practices organised according to themes as per headings below included the following:

Culture and Ethics
- Create a code of ethics and mission statement.
- Create a gift policy.
- Create a procurement policy.
- Adopt rigorous criteria for the appointment of service providers.
- Use 360 assessments of individuals.
- Make use of a formal declaration of acceptance of governance roles that recognises fiduciary duties.
- Include ethics in service level agreements and also deal with commissions, kick-backs and fees.
- Conduct a stakeholder survey of ethical conduct and other mechanisms to monitor implementation of policies.
- Have a formal remediation plan in place.

Performance
- Have measurable performance criteria in place.
- Agree service level agreements.
- Agree code of conduct to which service providers need to adhere.
- Put risk management policies in place.
- Conduct trustee performance evaluation.
- Adjudicate complaints.
- Have regular industry and regulatory changes and updates.
- Provide ongoing training for trustees.
- IPS to contain types of investment, risk parametres, performance standards.
- Fund and asset managers agree performance benchmarks.
- Communicate investment strategy and fund performance regularly and clearly.
- Promote transparency regarding breakdown of member contribution.
- Internal control systems support integrity of information on which performance is assessed.

Conformance
- Implement risk management.
- Be diligent in decision-making.
- Apply requirements for business judgement rule in Companies Act.
- Have purpose-driven processes in place.
- Set clear goals.

- Clarify roles and responsibilities for achievement of goals and segregate duties.
- Continuously assess and monitor.
- Make use of risk matrix.

Stakeholder relationships

- Create a stakeholder map with stakeholders and their expectations.
- Establish stakeholder relations policy/framework.
- Member input should inform strategy.
- Monitor effective implementation of stakeholder policies.
- Assess quality of key stakeholder relations and take corrective action if necessary.
- Provide member communication in the form of reports, road shows and regular statements.
- Obtain feedback from members through member satisfaction surveys and others mechanisms.
- Provide platforms for industry sharing and participation in seminars etc.
- Provide accurate and timely information.

Western Cape session

A session also took place in the Western Cape on 12 June 2015 which dealt with a combination of topics and sectors.

Below are the **aspirations for the King IV Code** as put forward by participants:

- Simple and concise
- Accessible to all types of organisations and cost effective
- Free of jargon
- Language that is applicable to all sectors
- Principles that function independently of structures
- Dichotomy between integrated reporting and integrated thinking to be bridged
- Should deal with governance beyond compliance
- Link between conformance and performance should be established clearly in King IV
- Focus to be on output and outcomes rather than processes and structures
- To be applicable to the NPO sector and public sector
- Principle of proportionality to be used so that KIV practices are fit for purpose
- Be particular about distinguishing between outputs and outcomes
- Suggestion for code to be called: Code on Leadership.

The following comments were made in relation to the 4 themes put forward by the Task Team:

Generally
It was suggested to refer to “governance structures” in phrasing the principles instead of to “board committees”.
A preference for replacing “company” with “organisation” was expressed by some.

Culture and ethics
Replace “culture” with ethics, values and behaviour. The rationale is that values are all encompassing and not at same level as ethics and behaviour. Values come first and are then followed by ethics and behaviour.
Integrity is alternative and related term to the above.
Follow inside-out (person values etc.) governance and outside-in (rules, laws) governance or differently put: internalised values vs. institutionalised values.
Values are part of the controls of an organisation.

Conformance
The following were suggested as alternatives to “Conformance”: equilibrium, balance, alignment, discipline.
The concept of proportionality should be applied which means that the extent of conformance with recommendations would depend on size, purpose, type, character, sector/ industry and context of the organisation.

Corporate performance
It was suggested that “corporate” be removed from the term corporate performance.
Performance is a neutral term, so participants expressed a preference for referring to good or bad performance
Replace performance with value-added.
Differentiate between “outputs” and “outcomes”.
Performance drivers should be consistent with values.

Stakeholder relationships
There was agreement that dealing with shareholders in a separate principle is appropriate due to their legal rights.
Alternative terminology suggested for stakeholder “expectations” included needs and interests.
Donors (in NPOs) should be acknowledged as providers of finance.
Stakeholders should be defined as those who contribute to, or are the recipients of, wider value creation or those who contribute to, or are impacted by, value destruction.
Stakeholders should be treated as equals to shareholders.

Upcoming working sessions

We are in the process of arranging another regional session in KZN. Our advices as to the date and the output at these sessions will follow in due course.