



# King IV Commenting Platform

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*Filled Friday, May 13, 2016*

## Page 1

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](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:**

Mrs

**\*First Name:**

Annerie

**\*Last Name:**

Pretorius

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

An organisation

**\*Name of organisation:**

PricewaterhouseCoopers Inc

**\*Capacity within organisation:**

Associate Director



**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. Introduction	<p>While we support the inclusion of Part 1 in the draft Report, with its purpose being to provide an introduction to the draft King Report and to explain the foundational concepts, we found it cumbersome to read. Part 5, the draft King IV Code, consists of 32 pages; Part 1, Introduction and foundational concepts, consists of 22 pages. We furthermore noted a number of instances where Part 1 appears to contain recommendations that are in addition to what is contained in the draft King IV Code, for example:</p> <ul style="list-style-type: none"> <li>• Section 5.4 states in the shaded block: “To strengthen auditor independence, King IV recommends that the audit committee discloses the date of first appointment of the auditing firm or, in the event of a merger or acquisition of audit firms subsequent to first appointment, the date of appointment of the predecessor firm. In the interest of audit quality, King IV furthermore recommends that the audit committee discloses significant audit matters that arose from the audit, and how these were addressed by the audit committee.”</li> </ul> <p>Chapter 3 Recommended practice 58 states “... there should be disclosure on (a.)... ii. audit firm tenure and, in the event of the audit firm having been involved in a merger or acquisition, the tenure of its predecessor,...(e) significant matters that the audit committee considered in relation to the external assurance over reports, and how these were addressed by the committee.”</p> <p>Inconsistencies between the King IV Code in Part 5 and comments made in Part 1 of the Report may create uncertainty and may result in inconsistent interpretation and application of the Code.</p> <p><b>Recommendation</b> We recommend that Part 1 should be shortened. Furthermore, the Code itself should be clear on its recommended practices and should be capable of consistent interpretation and application without requiring additional guidance or explanation thereof in Part 1 (or elsewhere) in the Report. We</p>



<p>PART 1: Introduction and Foundational Concepts   2. Objectives of King IV</p>	<p>recommend that the content of Part 1 should be reconsidered: Part 1 should only contain a summary of what is contained in the King IV Code – Part 1 should not contain recommendations or explanations that should be considered in addition to the Code’s practice recommendations.</p>
<p>PART 1: Introduction and Foundational Concepts   3. King IV definition of corporate governance</p>	<p>(No response)</p>
<p>PART 1: Introduction and Foundational Concepts   4. The underpinning philosophies of King IV</p>	<p>(No response)</p>
<p>PART 1: Introduction and Foundational Concepts   5. Local and international developments since King III</p>	<p>Part 1 Section 5.2 Tax states, inter alia, that “it is no longer acceptable to have overly aggressive tax strategies and to exploit mismatches between the tax regimes of various jurisdictions, even if these actions are legal.” In our view, the King code is lagging behind international tax governance trends that are either regulating tax control frameworks and tax transparency disclosure measures, or encouraging enhanced voluntary disclosure and tax governance and tax control frameworks. The current comment on tax in Part 1 of the Report appears aggressive and will not facilitate trust between multinational enterprises and tax administrations, which is already a key challenge for both parties. Ideally the Code should be neutral and encourage demonstrable trust between tax payer and tax administration. The demonstrable trust must be communicated in the integrated report and employ value creation principles and integrated thinking. Six principles-based guidelines that we consider good tax governance could be (this will achieve 5 lines of assurance on tax): A. Organisations should define and communicate a clear strategy on tax governance B. Tax must be aligned with the business and should not be a profit centre by itself C. Respect the spirit of the law. Tax compliant behaviour is the norm D. Know and manage tax risks E. Monitor and test tax controls F. Provide tax assurance Tax as corporate social responsibility deserves serious boardroom and government attention and must be aligned with integrated thinking and value creation. Recommendation: The King code should be compatible with the OECDs Forum on Tax Administration guide which defines and</p>



recommends a tax control framework for multinationals and tax administrations. The key elements of a tax control framework is considered to translate into good tax governance. Enhanced disclosure principles around tax governance are adopted in various territories, for example in the UK where a company's tax strategy is required to be published, and could be drawn on for purposes of King IV. The Code should contain co-operative compliance principles to achieve good tax governance that creates value to all relevant stakeholders.

## 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	(No response)
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 convention	Overall comment on King IV drafting style and drafting convention: The drafting style and drafting convention of King IV is in our view an improvement on King III: The consistency and congruency between the various Chapters in Part 5 of draft King IV, more succinct language used, if compared to King III, the reduction of repetition and ease of navigation of the draft King IV report are all improvements. Overall editorial comment – the governing body “should ensure”: The draft Code states in a number of instances that the governing body “should ensure” a



particular matter. We are of the view that “should ensure” could be confusing in context of the governing body being the fifth line of assurance (should the governing body thus “assure” matters where they are required to “ensure” something?) and that the drafting of the Code could be cleaned up in this regard. For example: Principle 5.1: "As part of its decision-making in the best interests of the organisation, the governing body should ensure that a stakeholder-inclusive approach is adopted, which takes into account and balances their legitimate and reasonable needs, interests and expectations." could be drafted as: "As part of its decision-making in the best interests of the organisation, the governing body should adopt a stakeholder-inclusive approach, which takes into account and balances their legitimate and reasonable needs, interests and expectations."

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

(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   1.2 Organisation values, ethics and culture	(No response)
PART 5CHAPTER 1: Leadership, Ethics and Corporate Citizenship   1.3 Responsible corporate citizenship	Our comments on the draft Code's recommended practice on tax policies are included under Part 1: Section 5.2 Tax.

**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	(No response)
PART 5CHAPTER 2: Performance and Reporting	King III principle to be reinstated in King IV: The governing body reporting on the effectiveness of the company's system of internal



| 2.2 Reports and disclosure

controlsKing III principle 2.13. “The board should report on the effectiveness of the company’s system of internal controls” has not been included in draft King IV. We are of the view that such an obligation on the governing body is an essential part of the governing body’s responsibility as it pertains to the integrity of reports provided to stakeholders. We recommend that it should be reintroduced in King IV as a practice recommendation under principle 2.2.

## 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	(No response)
PART 5CHAPTER 3: Governing Structures and Delegation   3.2 Composition of the governing body	(No response)
PART 5CHAPTER 3: Governing Structures and Delegation   3.3 Committees of the governing body	Extract from the Code:Chapter 3.58 In addition to the general disclosure regarding committees of the governing body in terms of this Code and its statutory disclosures, there should be disclosure on:a. Whether the audit committee is satisfied that the auditor is independent of the organisation, with the disclosure having reference to:i) The nature and extent of non-audit services renderedii) Audit firm tenure and, in the event of the audit firm having been involved in a merger or acquisition, the tenure of its predecessor, andiii) Audit partner rotation and significant management changes during the course of audit firm tenure.b) The arrangements in place for the finance function and internal audit, and the audit committee’s views on their effectivenessc) The arrangements in place for a combines assurance model, and the committee’s views on its effectivenessd) The audit committee’s views on the effectiveness of internal financial controls and the nature and extent of material weaknesses in the design, implementation or



execution of internal financial controls that resulted in material financial loss, fraud, corruption or material errors.e) Significant matters that the audit committee considered in relation to the external assurance over reports, and how these were addressed by the committee.Comment on recommended practice 58(e)We welcome the introduction of the audit committee reporting recommendation in Chapter 3, recommended practice 58(e). On the assumption that this recommended practice has its origin in the UK Corporate Governance Code, we have provided suggested wording changes to clarify the intention of this recommended practice.The current articulation of recommended practice 58(e) blurs the line between the responsibilities of the external auditor and the responsibilities of the audit committee. We understand the intention of paragraph 58(e) to be for the audit committee to identify significant matters that the audit committee identified and considered as part of its oversight of the organisation’s annual reporting to its stakeholders, and to explain how the audit committee addressed these matters. This identification should thus be done by the audit committee independently of an assessment made by the external auditor with regard to matters that the auditor regarded as being of significance in context of the external assurance engagement.We have included two suggested alternatives.Recommendation:Recommended wording change:e. Significant matters that the audit committee considered in relation to the organisation’s annual reporting to stakeholders (including the annual financial statements), and how these were addressed by the committee.Alternative:e. Significant matters that the audit committee considered in relation to the audited annual financial statements, and how these were addressed by the committee.Comment on recommended practice 58(a)(iii):It is not clear if the reference to “significant management changes” in practice recommendation 58(a)(iii) refers to management changes at the audit client or to management changes of the audit firm.RecommendationPractice recommendation 58(a)(iii) should be amended to clarify the meaning of “significant management changes”: If “significant management changes” were intended to refer to corporate transactions, for example mergers or acquisitions, that were entered into by the auditee, this should be contained in a separate bullet. If “significant management changes” were intended to refer to corporate transactions that were entered into by the audit firm, we believe that this is already covered in recommended practice 58(a)(ii) and should be deleted from recommended practice 58(a)(iii).

(No response)



management

PART 5 CHAPTER 3:  
Governing Structures  
and Delegation | 3.5  
Performance  
evaluations

Chapter 3 Recommended practice 99: Board evaluations “The governing body should determine the methodology and frequency of evaluations of the performance of the governing body, its structures, its chair and members. These performance evaluations should be conducted at least every three years.” Recommendation Principle 2.22 in King III requires board, committee and individual board members’ performance evaluations to be performed annually. In today’s fast-paced environment, non-performing governing bodies, committees and individuals on the governing body should be addressed as soon as possible. We therefore recommend that performance evaluations should be performed annually.

**PART 5, CHAPTER 4: Governance Functional Areas**

**PART 5 CHAPTER 4: Governance Functional Areas**

Add your comments for this part here:

Variable	Response
PART 5 CHAPTER 4: Governance Functional Areas   4.1 Risk and opportunity governance	(No response)
PART 5 CHAPTER 4: Governance Functional Areas   4.2 Technology and information governance	Technology and information governance – cyber security risk Section 4.2, recommended practice 17 addresses cyber-security risk in detail. Although we acknowledge that cyber-security risk is a “hot topic” at the moment, it is not clear to us why it was addressed specifically in the draft Code without the Code addressing other similar topics such as the Protection of Personal Information Act and social media in the same level of detail. Recommendation To facilitate longevity of the Code, we recommend that section 4.2 should be amended to be less prescriptive on cyber-security risk and to only list it as an example of a risk that should be considered as part of IT strategy oversight.
PART 5 CHAPTER 4: Governance Functional Areas   4.3 Compliance governance	(No response)
PART 5 CHAPTER 4:	Our comments on the draft Code's recommended practices regarding



Governance Functional Areas | 4.4  
Remuneration governance

remuneration governance are set out in our answer to question 6.

PART 5 CHAPTER 4: Governance Functional Areas | 4.5 Assurance

Internal audit: Formal review of risk and opportunity management and internal control systems  
Recommended practice 59: "The audit committee should oversee that internal audit and other specialists in the third line of assurance periodically conduct a formal review of the adequacy and effectiveness of risk and opportunity management and internal control systems."  
Recommendation  
The King III Report was quite emphatic that this assessment had to be performed on an annual basis. (King III Chapter 3.66). We are of the view that "periodically" is too vague and should be replaced with "annually".  
Internal audit: Strategic positioning of internal audit  
Recommended practice 55: "... The CAE and such other specialists may not be members of the executive, but may be invited to attend executive meetings."  
Recommendation  
Chapter 7.34 in the King III Report recommended that internal audit should have a standing invitation to attend as an invitee any of the executive committee or other committee meetings. The related practice recommendation in draft King IV places the invitation of the CAE to attend executive meetings at the discretion of the governing body. We believe the strategic positioning of internal audit in the organisation is essential for the proper performance of their duties and suggest that recommended practice 55 should be amended to recommend that the CAE should have a standing invitation to attend executive meetings.

## PART 5, CHAPTER 5: Stakeholder Relationships

### PART 5 CHAPTER 5: Stakeholder Relationships

Add your comments for this part here:

Variable	Response
PART 5 CHAPTER 5: Stakeholder Relationships   5.1 Stakeholders	(No response)
PART 5 CHAPTER 5: Stakeholder	Recommended practices 23 to 32 dealing with group governance: Comment Recommended practices 23 to 32 that address group



Relationships | 5.2  
Responsibilities of  
shareholders

governance do not appear to be related to achieving their related principle, namely principle 5.2: “The governing body of an institutional investor should ensure that the organization responsibly exercises its rights, obligations, legitimate and reasonable needs, interests and expectations, as holder of beneficial interest in the securities of a company.” Recommendation We recommend that practice recommendation 23 should be reworded as a new principle 5.3: “The governing body of a holding company should ensure that a group corporate governance framework is in place to address relationships and the exercise of authority and power amongst the companies within the group.” Comment Practice recommendations 23 to 32 repeatedly refer to the “board” which is inconsistent with terminology used in the rest of the draft King IV Code. Recommendation Practice recommendations 23 to 32 should refer to the “governing body” to be consistent with the other practice recommendations in the King IV Code.

## **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:

(No response)



## 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.

We believe the draft King IV Report as it stands has broadly achieved each of its stated objectives. Our answer to this question should however be read with our detailed comments and recommendations on the draft King IV Report.

(No response)

(No response)

#### 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.

Yes, we believe the content elements are sufficiently explained.

#### 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?



We believe that the use of the terms “organisations”, “governing body” and “those charged with governance duties” more clearly reflects the intended application of the King Code than was perhaps immediately apparent from the drafting convention used in King III. We are however neutral on whether the mere use of such terms will necessarily make King IV “more broadly relevant to all organisations and sectors”. King III was already drafted for application by all entities and, as stated in Part 1 of draft King IV, draft King IV does not represent a significant departure from the philosophical underpinnings of King III. The sector supplements may however facilitate the aim of making the King Code more relevant to certain selected sectors and types of organisations.

#### **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?

We are of the view that flexibility is preferable and support the recommendation in draft King IV. In situations where a CEO will bring a skillset to the governing body that is similar to the skillset of the CFO, allowing for flexibility with regard to the inclusion of a second other executive on the governing body will allow for the inclusion of an executive with a different skillset, which would beneficially broaden the collective skillset of the governing body.

#### **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?

Yes.



## 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.

We support the recommendation of a non-binding vote on the remuneration policy and the remuneration implementation report as we do not believe that a governance code that is itself not binding is an appropriate place to introduce a binding vote. In our view a more appropriate forum for the introduction of such a vote would be the Companies Act. Another complication of the introduction of a binding vote through King IV could be the imposition of hefty sanctions (e.g. the inability to make payments in accordance with a non-approved policy, as applies in the UK, or the requirement for the board to resign as applies in Australia) which would be difficult to impose through a non-binding governance code.

(No response)

Raising the required percentage from a simple majority vote to 75% and the introduction of the vote on the implementation part of the report are positive steps towards better governance in terms of remuneration policies and reporting, and the journey towards a binding vote. The introduction of a vote on implementation will ideally direct shareholder (institutional investor) voting, and enable companies to establish whether the problem lies with the policy, or the manner in which it has been applied, thus helping the company to determine the best response to a negative vote.

(No response)

For South Africa to make a move towards a binding vote, it is integral that institutional investors have the specialist knowledge they need to make an informed vote. This links to the section in draft King IV on responsibilities of shareholders (principle 5.2).

(No response)

We have observed non-compliance with CRISA insofar as publication of voting records is concerned and therefore suggest a more direct link to CRISA in the recommend practices under principle 5.2.

(No response)



Within the recommended practices under principle 5.2, we would suggest that a remuneration related recommended practice be included, along the following lines:

§ “the governing body of an institutional investor should approve policies that articulate its stance on remuneration practices and policies, and should ensure that such policies are [shared with the companies of which they are shareholders and] made available online”

(No response)

§ “the governing body of an institutional investor should ensure that the relevant parties within its organization has a comprehensive understanding of remuneration practices and policies, and has engaged directly with relevant parties at the relevant companies, before casting any votes on any remuneration related matters.”

(No response)

§ “the governing body of an institutional investor should ensure that voting records which include reasons for “no” votes are [shared with the companies of which they are shareholders and] made available online”

(No response)

Bearing in mind that some of the desired clarity may be provided through King IV practice notes, the recommended practices under section 4.4 Remuneration governance which we are of the view require further clarity are:

- .32(b)(ii) & (iii): loss of office payments, and recruitment and retention payments are not defined – this may lead to differing interpretations of what these may constitute, and may result in companies disguising such payments.

(No response)

- 32(b)(ii) & (iii) refers to what should be covered in the policy, but only loss of office payments are specifically mentioned in the disclosure section (39(a)) – should retention and recruitment payments not be included here too, or should there be another paragraph. Also, should it say “including, but not limited to...”

(No response)

- 32(b)(ii) – (iv): These are not what we would classify as “variable remuneration” but rather “ad hoc remuneration”. In remuneration terms, only short-term and long-term incentives are classified as variable remuneration.

(No response)



- 33(c): We are uncertain as to how this would be measured practically, and suspect organisations would have the same problem, making application of this practice recommendation very difficult.

(No response)

- 34: We are uncertain as to how this would be done practically.

(No response)

- 38(d): Not clear what this statement would entail. As it currently stands, it is likely that organisations will just repeat the wording as is i.e. “the remuneration committee considered fairness and responsibility were taken into account when determining...”

(No response)

- 38(f): The meaning of this is unclear.

(No response)

- 39: We are not convinced that the annual financial statements is an appropriate place for the implementation report, and would suggest that it is kept within the integrated report.

(No response)

- 39(d): We are uncertain as to how this would be done practically.

(No response)

## 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 are not convinced that the application of a “five lines of assurance” model over a “three lines of defence” model will automatically assist with more effective co-ordination and alignment of assurance (providers). The achievement of an improvement in effective co-ordination of assurance providers will depend on how any particular model is applied.

(No response)

We are concerned that the Code may be mixing assurance providers and stakeholders and that it might be confusing 'assurance' and 'oversight'. More clarity is required in this respect. We believe that the first and fifth lines of assurance require a rethink.



(No response)

### 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](http://www.iodsa.co.za).)

The linkage between CRISA and the King IV Code is currently only contained in Part 1 of the draft King IV Report where a comment is made that responsible investing practices are set out in CRISA. The draft Code however does not contain a direct link between King IV and CRISA. To ensure consistency in practice, and to clarify the recommended practice of the King IV Code, we recommend that the linkage between King IV and CRISA should be strengthened by including this in the King IV Code itself. See also our comments on question 6.

### 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?

Yes.

### 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 are of the view that an 'apply and explain' regime will encourage greater transparency and improve qualitative disclosure of the application of the King Code by organisations that are not listed on the JSE Limited that currently apply the King Code voluntarily. The increased disclosure requirement of 'apply and explain', if compared to 'apply or explain', may however at the same time make application of the Code on a voluntary basis less attractive to entities that are not required to apply the code by legislation or regulation.

We are not convinced that the "apply and explain" regime will necessarily result in more transparency in the disclosure made by listed entities: Most of the King III principles have been included in draft King IV as practice recommendations. Considering that the JSE currently requires disclosure of the application/not of all 75 King III principles, which would require disclosure and explanation where a King III principle was not applied, the same explanation will not be required under draft King IV. We are however cognisant that it would be within the JSE's discretion to require additional disclosure by listed entities if deemed necessary by the JSE, for example by requiring disclosure of application of the King IV recommended practices.

(No response)

Furthermore, we are not convinced of the appropriateness of the statement that "application or adoption of the principles is assumed in draft King IV". The draft King IV Report allows for flexibility by only requiring an explanation of the practices that were actually applied by an organisation in their application of any particular King IV principle and does not require an explanation where a King IV recommended practice was not applied. Applied practices could differ significantly from those that are recommended by draft King IV. It seems contradictory for the draft King IV Report to state that "the application of (King IV) practice recommendations should give effect to the principle" but then to simultaneously state that "application of principles (i.e. without considering the practices that were actually applied by the particular organisation) is assumed". We therefore recommend that the King IV report should not automatically assume the application of its principles and that the governing body should be required to assert positively whether or not they have applied/adopted the King IV principles.

(No response)

We are aware of a view held by some CEO's that a corporate governance code that is too prescriptive might stifle entrepreneurial spirit. We encourage the IODSA to engage with its stakeholders to gauge views on whether or not the 'apply and explain' approach will assist in addressing this perception.



(No response)

## 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	Agree	Foundational concepts and elements are explained.
The document meets the King IV objectives	Agree	Draft King IV broadly achieves its stated objectives. We do however have suggestions for improvement.
King IV is an improvement on King III	Agree	Draft King IV is less prescriptive and more principles-based than King III. Draft King IV is more succinct than King III.

**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.**