



# King IV Commenting Platform

---

*Filled Saturday, May 14, 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:**

Prof

**\*First Name:**

Anton

**\*Last Name:**

Du Toit

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

Myself

## 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. Introduction	Not strictly part of Introduction, but in Table fo Contents note that Stakeholder Relationships should be Chapter 5 and not Chapter 4.
PART 1: Introduction and	The objectives of King IV - perhaps add "(v) promote better



Foundational Concepts | 2.  
Objectives of King IV

PART 1: Introduction and  
Foundational Concepts | 3.  
King IV definition of  
corporate governance

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

accountability to stakeholders" after legitimacy...

Second paragraph: add after (iv) disclosing the words "credible performance information"

1. Responsibility meaning – the description should be more strict – the governing body should assume and accept ultimate responsibility... If not, there would be no accountability at the end of the day. The key is to "accept the responsibility over and above acknowledging it. Too many JSE boards state that they should be responsible for the organisation, which is true, but they should also state that they accepted this responsibility.2. An important phrase has disappeared since King II and should be brought in here: "By its very nature, corporate governance has an ethical dimension that can be viewed as the moral obligation for directors to take care of investors and other stakeholders" - one could add a picture of 3 circles where the inner circle is "Corporate Governance", the middle circle is "Business Ethics" and the outer circle is "Ethics".3. The creation of "wealth" is a very important concept which might be used more often than value creation. It is not in part 8 – glossary of terms. It belongs there. It is used only twice in the document – pages 5 and 42. Value creation implies monetary aspects of life, thus the financial part. Wealth implies much more and includes non-financial aspects such as society, health, and other. It could be added to the first sentence under 4.7 as well.4. Under 4.4, page 8: The "six capitals model" mentioned often seem to distract from another part in the <IR> framework which calls it a "Business Model". Some companies call it the "Value creation model". This is the part that should be emphasized as it encapsulates the 6 capitals, the value creation process, etc. The last paragraph on page 11 should be brought together in the term "business model". It should also feature in the second paragraph under 4.6.5. Under transparency on p4: insert the word "credible" as follows: ...should ensure that credible reports and...6. It is of concern that the King IV Code implies application of this code and the Framework of the IIRC to be alone. There is no mention of the GRI, KPIs and KPAs which were so strongly advocated in King II.7. 4.6 - Integrated thinking: the definition should include one of the important outcomes of Integrated thinking, after integrated decision-making and action: and that is the "production of an integrated report".8. Page 13: Second paragraph: An important



PART 1: Introduction and Foundational Concepts | 5. Local and international developments since King III

aspect of the integrated annual report is assurance thereon. How will we attain integrated assurance in its full sense - meaning one audit report for both financial and non-financial information?9. Page 15: Third paragraph: Add to the end of the first sentence: "and assurance", thus: ...and corporate reporting and assurance.Editing to be done:a) p9: First paragraph of 4.5: Delete the hyphen before governing body.b) p9: Second paragraph of 4.5: last sentence: change "he" to "the"

1. 5.4 - the heading should rather be "External auditor and audit requirements" to avoid any confusion.2. 5.4, page 17: last few words of first paragraph should be more comprehensive: "were addressed by those charged with governance, management and the audit committee" - as part of monitoring, it is of extreme importance to see how all the matters have been addressed from inside the company as well. It is about integrated lines of assurance.3. 5.10 - last paragraph: last sentence: In this part, not yet the Code, it is important to emphasise that not only the governing bodies of different entities apply their mind, but the auditing profession as a whole should apply its mind to this and to create relevant and applicable standards for assurance. The current efforts are not enough. What companies should be concerned about, is to provide information (sustainability and non-financial information) which will be auditable. This means there should be good internal non-financial controls as well - something not yet receiving sufficient attention by the companies (and by the profession and academia).4. 5.10 - Should one not start to talk about "Integrated Assurance" instead of "Combined Assurance"? Or replace "Combined Assurance" with "The five levels of Assurance", which would be more relevant. Integrated Assurance is not perfect in this sense, as it refers to the subject material for an assurance report.5. 5.11 - Over and above CRISA, attention should be given to the latest JSE socially responsible classification as well.

## 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

(No response)



and Development   1. Overview of the nine parts of the King IV Report	
PART 2: Content Elements and Development   2. King IV Code elements	1. On page 25: The table: The governance outcome in Chapters 3 and 4 is stated as "Adequate and Effective Control". Control is but one aspect and can be seen as a very limited scope meaning only internal controls. Certainly the outcome should be wider than that. Perhaps consider "Adequate and Effective Governance" or "Adequate and Effective Oversight".
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	(No response)
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	(No



adaption of practices

PART 3: Application of King IV | 4. Disclosure on application of King IV

PART 3: Application of King IV | 5. Transition from King III to King IV

response)

(No response)

(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	(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	(No response)



| 2.1 Strategy, implementation, performance  
 PART 5 CHAPTER 2: Performance and Reporting  
 | 2.2 Reports and disclosure

1. First paragraph: rather read: "...should ensure that credible reports..."  
 2. Recommended Practice 9: There should also be a proper Assurance Framework, over and above reporting frameworks and standards.  
 3. Recommended Practice 12: Under a), there should be reference to either assurance or credibility as well.  
 4. Recommended Practice 14: Include also (perhaps as part of g): The business model and six capitals.  
 5. Recommended Practice 14: Include also: The values, vision and mission (and mandate if appropriate) of the company.  
 6. Recommended Practice 14: Include also: The basis of preparation, e.g. IIRC's Framework, GRI, IFRS, and other. GRI cannot now be ignored.  
 7. Recommended Practice 14: Include also: Assurance on the financial and non-financial information.  
 8. Recommended Practice 14: Include also: How all the information is disclosed and references to other reports (e.g. more complete sustainability report on the website, or how a suite of reports form the annual/integrated report).  
 9. Recommended Practice 14: Include also before "performance" in h): "financial and non-financial".  
 10. Recommended Practice 16: Point c.) might lead to the older situation of companies publishing the AFS separately and conclusively. It should be explained here that the integrated report should contain the required financial information at least as an abridged set of the AFS. Some companies have now started again publishing and Integrated Report (with nothing of the AFS included) and a separate set of AFS. This is exactly what an integrated report should NOT be.

**PART 5, CHAPTER 3: Governing Structures and Delegation**

**PART 5 CHAPTER 3: Governing Structures and Delegation**

Add your comments for this part here:

Variable	Response
PART 5 CHAPTER 3: Governing Structures and Delegation   3.1 Role of the governing body	Recommended practice 3.c) iii) and iv) - Should relevant and related remuneration for staff and management and the board not also be part of the responsibilities regarding performance evaluations? It is certainly relevant for the sustainability of the company.



PART 5 CHAPTER 3:  
Governing Structures and  
Delegation | 3.2  
Composition of the  
governing body

Recommended Practice 12 on page 41: There is reference to Staggered Rotation of members of the governing body. The SME supplement (draft) refers to this, but the word "annual" has been included in that draft. If it should be annual, then the word should be inserted here as well.

PART 5 CHAPTER 3:  
Governing Structures and  
Delegation | 3.3  
Committees of the  
governing body

1. Recommended Practice 41: The terms of reference should also contain detail of the reports required from committees to the board - this is critical and can easily be side-stepped if not specifically included. Thus state "reporting" next to "membership", etc. 2. Recommended Practice 49: Typing error: "The" should be "There" 3. Recommended Practice 49: Add after disclosure: "in the integrated report" - these reports are crucial for the stakeholders of a company. 4. It seems that one of the principles or recommended practice from King III has been omitted: Audit committee members should be suitably skilled and experienced independent non-executive directors. Also: 3.2.4. The committee collectively should have sufficient qualifications and experience to fulfil its duties. 5. Recommended Practice 58(c): Combined Assurance model is perhaps an old term and should most probably be replaced by and Integrated assurance model, or in line with King IV: a five lines of assurance model. 6. Recommended Practice 58(d): This practice still focuses on the financial aspects. In the meantime, audit committees had to start taking responsibility for monitoring performance evaluations (financial and non-financial) and for overseeing the integrated reports, which contain both financial and non-financial information. This whole aspect needs discussion and a solution: suppose the whole audit committee is full of CA's or other people with the financial expertise, can it still perform all its duties? Thus one should think about the effectiveness not only of financial controls, but also non-financial controls.

PART 5 CHAPTER 3:  
Governing Structures and  
Delegation | 3.4  
Delegation to  
management

(No response)

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

(No response)





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

**PART 5 CHAPTER 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	(No response)
PART 5CHAPTER 4: Governance Functional Areas   4.2 Technology and information governance	(No response)
PART 5CHAPTER 4: Governance Functional Areas   4.3 Compliance governance	(No response)
PART 5CHAPTER 4: Governance Functional Areas   4.4 Remuneration governance	(No response)
PART 5CHAPTER 4: Governance Functional Areas   4.5 Assurance	1. First heading: Will the term Combined Assurance Model survive over time, or should it become and Integrated Assurance Model, or a Five levels of assurance model?2. Recommended Practice 45a): insert "financial and non-financial" before "internal control environment".

**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	(No response)
PART 5CHAPTER 5: Stakeholder Relationships   5.2 Responsibilities of shareholders	(No response)



## **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:

1. Assurance and the levels of assurance should be included as per SAICA standards.

(No response)

2. Financial and non-financial should be included to make sure everyone understands the distinction.

(No response)

3. Combined or Integrated Assurance - Companies are starting to use the concept of Integrated Assurance (Model) vs the "old" Combined Assurance (Model). While moving away from silo's, the full distance should be advocated. It is the same argument that was relevant when King III was published and it was emphasized that the new report should be an Integrated Report, not a Combined Report. The dream would thus be to have the five levels of assurance (as per King IV), rolled into one Integrated Assurance Model. More than that, it should be advocating an Integrated Assurance Report, combining the current AFS audit report with the sustainability report. It is still in the future and can only really happen when the financial and non-financial sections become integrated. The King Reports, however, always want to be progressive and leading the way for standard setters like IFAC, SAICA, etc. to follow, as well as others like the IIRC, the GRI, UNGC, etc.



Ten years from now accountants and auditors, for example, should be well educated in all aspects of non-financial and financial information in reports and how to assure that information.

(No response)

4. The GRI

5. Independence as per p16.

6. Integrated Annual Report – this concept is perhaps not the only popular or used one now. The Top 100 JSE companies in South Africa had the following distribution of report titles in 2015:

- Integrated Annual Report: 40%
- Integrated Report: 38%
- Annual Integrated Report: 9%
- Annual Report: 9%
- Annual Report and Accounts: 4%

7. Integrated Thinking – the link should be made that integrated thinking encompasses economic, social and environmental aspects lead to a proper Integrated Report that can be assured in an integrated manner. Thus define Integrated Assurance as per point 2 above.

8. KPI's and KPA's

9. Levels of Assurance (or defence) – assurance is a much more positive word to use.

10. Error in Sustainability definition: add “operations” or “activities” after maintain.

11. Value creation : consider to include Internal environment as well.

12. Define “wealth” as described in part 2.

13. Define “governance”.

14. Typing error for Sustainability: 3. The GRI

4. Independence as per p16.

5. Integrated Annual Report – this concept is perhaps not the only popular or used one now. The Top 100 JSE companies in South Africa had the following distribution of report titles in 2015:

- Integrated Annual Report: 40%
- Integrated Report: 38%
- Annual Integrated Report: 9%



- Annual Report: 9%

- Annual Report and Accounts: 4%

6. Integrated Thinking – the link should be made that integrated thinking encompasses economic, social and environmental aspects lead to a proper Integrated Report that can be assured in an integrated manner. Thus define Integrated Assurance as per point 2 above.

7. KPI's and KPA's

8. Levels of Assurance (or defence) – assurance is a much more positive word to use.

9. Error in Sustainability definition: add “operations” or “activities” after maintain.

10. Value creation : consider to include Internal environment as well.

11. Define “wealth” as described in part 2.

12. Define “governance”

13. 3. The GRI

4. Independence as per p16.

5. Integrated Annual Report – this concept is perhaps not the only popular or used one now. The Top 100 JSE companies in South Africa had the following distribution of report titles in 2015:

- Integrated Annual Report: 40%

- Integrated Report: 38%

- Annual Integrated Report: 9%

- Annual Report: 9%

- Annual Report and Accounts: 4%

6. Integrated Thinking – the link should be made that integrated thinking encompasses economic, social and environmental aspects lead to a proper Integrated Report that can be assured in an integrated manner. Thus define Integrated Assurance as per point 2 above.

7. KPI's and KPA's

8. Levels of Assurance (or defence) – assurance is a much more positive word to use.

9. Error in Sustainability definition: add “operations” or “activities” after maintain.

10. Value creation : consider to include Internal environment as well.

11. Define “wealth” as described in part 2.



12. Define “governance”.

3. The GRI

4. Independence as per p16.

5. Integrated Annual Report – this concept is perhaps not the only popular or used one now. The Top 100 JSE companies in South Africa had the following distribution of report titles in 2015:

- Integrated Annual Report: 40%
- Integrated Report: 38%
- Annual Integrated Report: 9%
- Annual Report: 9%
- Annual Report and Accounts: 4%

6. Integrated Thinking – the link should be made that integrated thinking encompasses economic, social and environmental aspects lead to a proper Integrated Report that can be assured in an integrated manner. Thus define Integrated Assurance as per point 2 above.

7. KPI's and KPA's

8. Levels of Assurance (or defence) – assurance is a much more positive word to use.

9. Error in Sustainability definition: add “operations” or “activities” after maintain.

10. Value creation : consider to include Internal environment as well.

11. Define “wealth” as described in part 2.

12. Define “governance”.

13. Define "principles"

14. Typing error in Sustainability: insert after "maintain" the word "operations" or "activities".

(No response)

(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.

During the working group sessions the impression was left that King IV would be less prescriptive. Looking at the details, the recommended practices almost replace the 75 principles, and there is still too much detail and prescriptions. We should strive to make it more aspirational than prescriptive. That would make it more acceptable to have good corporate governance.

(No response)

I am, however, convinced that King IV would once again lead the way and make better governance possible.

#### 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.

As described in the detail comments on Part II, one has to reconsider the use of the word “principle” in the text. Perhaps “outcomes” but then the whole model is becoming confusing.



### 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?

Is "organisations" not too governmental or NGO-like? What about "legal entities"?

### 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 essential, but there is no doubt that the CFO has to play a significant role in governance, control and in bringing out an Integrated Report of the highest quality. He is responsible and accountable for the IR. It might change later on as non-financial factors gain momentum, but for now it is important.

### 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.



(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.

Yes, but see comments above for considering the term "Integrated Assurance model" or even "5 lines of assurance model".

(No response)

(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).)

Yes.

### 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.)

Yes and yes

(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	Disagree	Too long, too prescriptive and also needs more definitions.
The document meets the King IV objectives	Agree	It is very comprehensive
King IV is an improvement on King III	Neither agree nor disagree	It has been reshuffled and a few new aspects added, but the guidelines in the Code remain more or less the same. An improvement is the addition of more companies and the



supplements for SME's, etc.

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.