



King IV Commenting Platform

Filled Saturday, March 26, 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], 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:**

Arnold

***Last Name:**

Smit

***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	(No response)



PART 1: Introduction and 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

(No response)

(No response)

4.2 The organisation being an integral part of societyIt is possible to change the sentence "An organisation has its own societies, made up by its stakeholders" to "an organisation's presence in society is worked out in relation to the communities in which it is present and the stakeholders that it engages with"?4.3 Corporate citizenship - the status of organisations in societyI find the last paragraph under this section confusing. I am not sure what the point about BEE is that the paragraph intends to make. Rethinking the relevance of the example or rephrasing the paragraph to make the meaning more clear, will be welcomed.4.4 Sustainable development - the responseIn addition to referring to the triple context and the six capitals model it will be good to make reference to the Sustainable Development Goals (SDGs) as well. The latter is going to become a major influence on how the world's sustainable development agenda is going to evolve in the years to come and it will certainly have an impact on governance frameworks as well.4.5 Stakeholder inclusivity and responsivenessI find it bothersome that "balancing" and "trade-offs" are almost used as synonymous terms, especially so in a governance framework where the move to integrated thinking (par 4.6) is propagated. The process of integrating goes beyond the compromising nature of "balancing" or the exclusionary tendencies of "trade-offs" and seeks for higher order solutions in the face of trade-off type dilemmas.4.7 Integrated annual reportsMy comment relates to the third last paragraph on page 13, namely "the ability to generate an integrated report without excessive effort indicates that an organisation has adopted integrated thinking". The statement leaves me with the question "Measured by what criteria?" The logic, fluency and level of effort by which something gets produced does not in itself indicate the achievement of mastery. That which might appear integrated in a report, may not necessarily be true in terms of either internal organisational practice or external stakeholder confirmation.4.8 The future trajectory: the three shiftsFrom financial capitalism to inclusive capitalism: The paragraph in the box is fine and so is the next one thereafter that addresses the issues of financial performance as a singular measure of value



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

creation. Where the flow breaks down is in the transition to the next paragraph where the reference to donor aid does not logically flow from where the preceding paragraph ends. If the central idea is to link a more inclusive perspective on value creation with the challenge of addressing inequality, then one can perhaps think of adding a paragraph of which the first one deals with the wealth gap (nationally and globally) and the second one with development aid in the relationship between developed and developing countries.

5.6 New perspectives on riskMy comment on this paragraph is not based on principle, but rather on augmenting the contents. I has become commonplace to describe the time in which we live with the acronym VUCA, referring to a world that is volatile, uncertain, complex and ambiguous. Risk, also for organisations, is closely related to this complex and interconnected mix of factors that have become so appropriately prescriptive of the kind of world in which we live, work, and - for the sake of this report - also govern.

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

(No response)

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

I want to comment on 'apply and explain' referred to in the second last bullet. My comment is not about the principle, but about its absence of it in Part 1, section 4: The underpinning philosophies of King IV. Taking into account the prominence that 'apply or explain' (vs 'comply or explain') received in King III, combined with the importance of the principle in itself, I was wondering about adding a paragraph or two about it in Part 1.

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:

I do not have critical comments on this section. I just want to state that this 'one pager' is most helpful and should go a long way towards providing a helpful map on governance principles for all types of organisations across various sectors.



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 2.1 Strategy, implementation, performance	Can 'appreciating' in principle 2.1 be replaced by 'demonstrating'?
PART 5CHAPTER 2: Performance and Reporting 2.2 Reports and disclosure	(No response)

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

(No response)

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

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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	(No response)
PART 5 CHAPTER 4: Governance Functional Areas 4.3 Compliance governance	(No response)
PART 5 CHAPTER 4: Governance Functional Areas 4.4 Remuneration governance	(No response)
PART 5 CHAPTER 4: Governance Functional Areas 4.5 Assurance	(No response)

PART 5, CHAPTER 5: Stakeholder Relationships

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Add your comments for this part here:

Variable	Response
PART 5 CHAPTER 5: Stakeholder Relationships 5.1 Stakeholders	Does the first part of the statement, namely "as part of its decision-making in the best interests of the organisation", not limit the scope of the principle? Stakeholder engagement is an important element of inclusive decision-making, but it certainly entails various other practices as well. One can perhaps also argue that decision-making is one of the



PART 5 CHAPTER 5:
Stakeholder Relationships
| 5.2 Responsibilities of
shareholders

practices through which the ideal of inclusive stakeholder relations are realised. In view of the above I would recommend that the introductory piece is dropped and that the principle statement starts with "the governing body should ensure that..."

(No response)

PART 6: Sector Supplements

PART 6: Sector Supplements

Content on Part 6: Sector Supplements will be published and opened for commentary during April 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

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Add your comments for this part here:

My only comment here relates to the concept of 'responsibility'. Whereas King III was very elaborate on what responsibility, specifically corporate (social) responsibility entails, King IV is very limited in the explanation thereof. On the contrary this glossary contains several references to derivatives of sustainable and sustainability. In my work on corporate responsibility I have often found the King III definition to be amongst the leading (most inclusive and comprehensive) definitions in global literature on the topic. We should be careful not to lose touch with the King III foundations in this regard.



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; and present 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.

I think the report succeeds quite well in achieving the said objectives.

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.

This is indeed a great improvement from King III to King IV. I find the rationale and difference helpful and well enough 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?

This was indeed one of the criticisms against King III, namely that it was too 'corporatised' to be used by other entities. The use of generic language, the focus on core principles and the availability of sector supplements should go a long way towards bringing proper governance within reach of all types and sizes 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?

(No response)

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?

(No response)

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.

(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.)

(No response)

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?

(No response)

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.)

(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	Much has been done to help the reader see the big picture and to navigate through the various sections and detail of the document.
The document meets the King IV objectives	Strongly agree	What the project has set out to do, is clearly reflected in the draft report in its current format.
King IV is an improvement on King III	Agree	There are certainly areas in which it will be important to know what King III was about in order to understand what its successor wants to achieve. I have referred to some of those in some of my comments.

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.