



King IV Commenting Platform

Filled Thursday, May 12, 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:**

Mr

***First Name:**

Asief

***Last Name:**

Mohamed

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

Both

***Name of organisation:**

Association of Black Securities & Investment Professionals (ABSIP) & Aeon Investment Management

***Capacity within organisation:**

ABSIP Policy Unit member & Chief Investment Officer of Aeon Investment Mngement



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>This is copy of the document circulated to ABSIP members to get member input. Draft King IV Report on Corporate Governance for South Africa 2016 Association of Black Securities and Investment Professionals (ABSIP) Preliminary Comments Circulated to its Members ABSIP members are requested to review the Draft King IV Report on Corporate Governance for South Africa 2016 (http://www.iodsa.co.za/) . Please email comments to fasc@absip.co.za and post comments directly to the Institute of Directors website (http://www.iodsa.co.za/). ABSIP (and Aeon Investment Management) welcomes the Draft King IV Code on Corporate Governance for South Africa as it provides a more practical and principle based approach to good corporate governance. It also incorporates both global public sentiment and international regulatory change since the prior code was issued in 2009. The Code is principle-based and follows an outcome-based rather than rule-based approach. This is in line with current international sentiment which promotes greater accountability and transparency. It speaks to the view that the application of the Code should contribute to the performance and health and sustainability of the business or enterprise (company, NGO etc.). In this regard, it is clear that King IV aims to establish a balance between conformance and performance. The Code is bold in its effort to reinforce corporate governance as a holistic set of arrangements that concerns itself with ethical leadership, attitude, mind-set and behaviour. This echoes global developments in the risk area and also seeks to address and prevent corporate failure. The Code is evident in the clear focus on transparency and targeted disclosures in all areas, specifically in the introduction of far more extensive executive remuneration disclosure. It however falls short on disclosing the pay gap between the top 10% and bottom 10% (or similar measurements) of total remuneration of its employees (including</p>



contractors). The encouraging news is that the new code is considerably more ambitious in its reach and is aimed at state owned entities, non-governmental organisations and municipalities, as well as companies. The codes mention that for South Africa, in particular, ageing and inadequate infrastructure, service delivery failures, skills shortages, corruption, social transformation, poverty and inequality are pressing matters. However, the Codes can go a long way in making more prominent and also by more explicitly recognizing the devastating negative effects of Apartheid that was fairly unique to South Africa. A statement upfront in the Codes acknowledging that:

- South Africa still faces the unique position of the long lasting negative effects of Apartheid and gender imbalances.
- The governing body should in its social and sustainability endeavours place a higher amount of emphasis in its strategic plans in normalizing the society by normalizing every aspect of the enterprise. It is essential that credible independent third parties are used to assess the independence of directors after serving nine years on a governing board. In addition, holding more than five governing board positions should be discouraged. Performance evaluation and independence of board members should also be encouraged and reported on. Strong consideration should be given to ensure that the governing board represents the racial and gender demographics of South Africa. The time limit and number of directorships for independent non-executive board members or fiduciaries will help in the racial and gender transformation of boards. Good corporate governance has its foundation in effective and ethical leadership. Effective leadership is about directing performance and it is results driven. It is about achieving purpose and strategic goals. Ethical leadership is exemplified by responsibility, accountability, fairness and transparency (RAFT). Ethical leadership and effective leadership should reinforce each other. Ubuntu implies that there should be a common purpose to all human endeavor (including in the corporate form) which is based on service to humanity. Corporate citizenship is about an organisation's status in the broader society. It is an inevitable consequence of being an integral part of society. The report recognizes in South Africa, social transformation and redress from apartheid and reducing unemployment is a sustainable development matter and an example of the importance of enhancing human, social and relational capitals. Integrating sustainable development and social transformation will give rise to greater opportunities, efficiencies and benefits, for both the organization and the broader society. The report highlights "From financial capitalism to inclusive capitalism". Inclusive capitalism takes account of employment, transformation and provisions of all sources of



capitals. “Capitalism should be inclusive because it is the engine of share prosperity”. It remains to be seen if this will be the case going forward!The draft code however still fails to bring South Africa in line with international best practice when it comes to voting on director and executive remuneration. If more than 25% of shareholders vote against the remuneration policy and implementation report then the governing board should engage and proactively take steps to address shareholders concerns. ABSIP strongly supports a binding vote on remuneration and also public disclosure of the steps taken to tackle the concerns, the nature of engagement, and the outcomes within three months of the vote and not wait for the next annual report.Disclosure is also required on the use of remuneration consultants and the relationship of the consultant to the organisation or any of its directors or prescribed officers. The amount paid to consultants should however also be disclosed.Sector supplements will be published that includes specific guidance to the following categories of organisations and sectors, SMEs, Non-profit organisations, Public sector organisations and entities, Municipalities, and Pension Funds.The “Pension Fund” Sector supplement should be titled Retirement Funds (This has now changed to Retirement Funds). This should include pension, provident, umbrella funds, collective investment schemes, etc. The savings industry in South Africa amounts to more than R7 trillion and has a huge impact in how the trustees and fiduciaries apply the corporate governance codes. Some of these umbrella funds may form part of listed companies. As these entities have a huge individual membership base it is essential that the Code of Corporate Sector Code be developed for this sector and that they report separately.We reiterate the need for the code to oblige governing bodies to incorporate the objective of a sustainable normalized racial and gender balanced society as an integral part and explicit part of the codes of corporate governance.Overall the code is highly welcomed and may well be a global setting standard except for certain shortcomings highlighted here and in the media. The preliminary comments ABSIP has provided is not exhaustive. We encourage members to provide further comment and input directly to the IOD website and also send it to fsc@absip.co.za before the 6th May 2016.

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

We endorse and support the comment in the Objectives ...- present good corporate governance as concerned with not only structure and process but also an ethical consciousness and behaviour.

PART 1: Introduction and Foundational Concepts |

We endorse the definition of corporate governance.



3. King IV definition of corporate governance

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

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

The Code is bold in its effort to reinforce corporate governance as a holistic set of arrangements that concerns itself with ethical leadership, attitude, mind-set and behaviour. This echoes global developments in the risk area and also seeks to address and prevent corporate failure. The Code is evident in the clear focus on transparency and targeted disclosures in all areas, specifically in the introduction of far more extensive executive remuneration disclosure.

Overall the code is highly welcomed and may well be a global setting standard except for certain shortcomings highlighted in our comments and in the media. The code also incorporates both global public sentiment and international regulatory change since the prior code was issued in 2009. All the preliminary comments ABSIP (and Aeon Investment Management) provided are not exhaustive.

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	Sector supplements will be published that includes specific guidance to the following categories of organisations and sectors, SMEs, Non-profit organisations, Public sector organisations and entities, Municipalities, and Pension Funds. The "Pension Fund" Sector supplement should be titled Retirement Funds (This has now changed to Retirement Funds). This should include pension, provident, umbrella funds, collective investment schemes, etc. The savings industry in South Africa amounts to more than R7 trillion (recently I have seen an estimate of R8.5



trillion) and has a huge impact in how the trustees and fiduciaries apply the corporate governance codes. Some of these umbrella funds may form part of listed companies. As these entities have a huge individual membership base it is essential that the Code of Corporate Sector Code be developed for this sector and that they report separately and in a public medium such as an easily accessible website to the general public.

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	Listings requirements of the JSE requires compliance with the code. We strongly urge the IOD in ensuring mandatory compliance for enterprises and entities that are have a high or material impact on its stakeholders (large number of members of a fund or beneficiaries of a big charity) , either positive or negative, if they are for profit or not for profit.
PART 3: Application of King IV 2. Scope of application of King IV	Listings requirements of the JSE requires compliance with the code. We strongly urge the IOD in ensuring mandatory compliance for enterprises and entities that are have a high or material impact on its stakeholders (large number of members of a fund or beneficiaries of a big charity) , either positive or negative, if they for profit or not for profit.



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

It should be mandatory for the organisation to explain and give reasons why they believe not applying the codes is applicable. Materiality from a public interest perspective, combined with costs, might a plausible explanation.

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 comment now but may provide comment later with sector supplement comments.

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

PART 5 CHAPTER 1: Leadership, Ethics and Corporate Citizenship

Add your comments for this part here:

Variable	Response
PART 5 CHAPTER 1: Leadership, Ethics and Corporate Citizenship 1.1 Ethical leadership	Good corporate governance has its foundation in effective and ethical leadership. Effective leadership is about directing performance and it is results driven. It is about achieving purpose and strategic goals. Ethical leadership is exemplified by responsibility, accountability, fairness and transparency (RAFT). Ethical leadership and effective leadership should reinforce each other.
PART 5 CHAPTER 1: Leadership, Ethics and Corporate Citizenship 1.2 Organisation values, ethics and culture	The Code is bold in its effort to reinforce corporate governance as a holistic set of arrangements that concerns itself with ethical leadership, attitude, mind-set and behaviour.



PART 5 CHAPTER 1:
Leadership, Ethics and
Corporate Citizenship | 1.3
Responsible corporate
citizenship

Ubuntu implies that there should be a common purpose to all human endeavor (including in the corporate form) which is based on service to humanity. Corporate citizenship is about an organisation’s status in the broader society. It is an inevitable consequence of being an integral part of society. The report recognizes in South Africa, social transformation and redress from apartheid and reducing unemployment is a sustainable development matter and an example of the importance of enhancing human, social and relational capitals. Integrating sustainable development and social transformation will give rise to greater opportunities, efficiencies and benefits, for both the organization and the broader society. The report highlights “From financial capitalism to inclusive capitalism”. Inclusive capitalism takes account of employment, transformation and provisions of all sources of capitals. “Capitalism should be inclusive because it is the engine of share prosperity”. It remains to be seen if this will be the case going forward!

PART 5, CHAPTER 2: Performance and Reporting

PART 5 CHAPTER 2: Performance and Reporting

Add your comments for this part here:

Variable	Response
PART 5 CHAPTER 2: Performance and Reporting 2.1 Strategy, implementation, performance	(No response)
PART 5 CHAPTER 2: Performance and Reporting 2.2 Reports and disclosure	The draft code however still fails to bring South Africa in line with international best practice when it comes to voting on director and executive remuneration. If more than 25% of shareholders vote against the remuneration policy and implementation report then the governing board should engage and pro-actively take steps to address shareholders concerns. ABSIP strongly supports a binding vote on remuneration and also public disclosure of the steps taken to tackle the concerns, the nature of engagement, and the outcomes disclosed within three months of the vote and not wait for the next annual report or AGM. Disclosure is also required on the use of remuneration



consultants and the relationship of the consultant to the organisation or any of its directors or prescribed officers. The amount paid to consultants should however also be disclosed.

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	(No response)
PART 5 CHAPTER 3: Governing Structures and Delegation 3.2 Composition of the governing body	The codes mention that for South Africa, in particular, ageing and inadequate infrastructure, service delivery failures, skills shortages, corruption, social transformation, poverty and inequality are pressing matters. However, the Codes can go a long way in making more prominent and also by more explicitly recognizing the devastating negative effects of Apartheid that was fairly unique to South Africa. A statement upfront in the Codes acknowledging that: <ul style="list-style-type: none"> • South Africa still faces the unique position of the long lasting negative effects of Apartheid and gender imbalances. • The governing body should in its social and sustainability endeavours place a higher amount of emphasis in its strategic plans in normalizing the society by normalizing every aspect of the enterprise. It is essential that credible independent third parties are used to assess the independence of directors after serving nine years on a governing board. In addition, holding more than five governing board positions should be discouraged. Performance evaluation and independence of board members should also be encouraged and reported on. Strong consideration should be given to ensure that the governing board represents the racial and gender demographics of South Africa. The time limit and number of directorships for independent non-executive board members or fiduciaries will help in the racial and gender transformation or normalisation of the governing bodies.
PART 5 CHAPTER 3: Governing Structures and	Performance evaluation and independence of board members should also be encouraged and reported on. Strong consideration should be



Delegation | 3.3
Committees of the governing body

given to ensure that the governing board represents the racial and gender demographics of South Africa. The time limit and number of directorships for independent non-executive board members or fiduciaries will help in the racial and gender transformation of the governing bodies.

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

(No response)

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

Performance evaluation and independence of board members should also be encouraged and reported on. Strong consideration should be given to ensure that the governing board represents the racial and gender demographics of South Africa. The time limit and number of directorships for independent non-executive board members or fiduciaries will help in the racial and gender transformation of the governing bodies.

PART 5, CHAPTER 4: Governance Functional Areas

PART 5CHAPTER 4: Governance Functional Areas

Add your comments for this part here:

Variable	Response
PART 5CHAPTER 4: Governance Functional Areas 4.1 Risk and opportunity governance	We have inserted our comments on a sector supplement here as there is no other section available to do so at this point in time.Sector supplements will be published that includes specific guidance to the following categories of organisations and sectors, SMEs, Non-profit organisations, Public sector organisations and entities, Municipalities, and Pension Funds.The “Pension Fund” Sector supplement should be titled Retirement Funds (This has now changed to Retirement Funds). This should include pension, provident, umbrella funds, collective investment schemes, etc. The savings industry in South Africa amounts to more than R7 trillion and has a huge impact in how the trustees and fiduciaries apply the corporate governance codes. Some of these umbrella funds may form part of listed companies. As these entities have a huge individual membership base it is essential that the Code of Corporate Sector Code be developed for this sector and that they report separately.We reiterate the need for the code to oblige



<p>PART 5CHAPTER 4: Governance Functional Areas 4.2 Technology and information governance</p>	<p>governing bodies to incorporate the objective of a sustainable normalized racial and gender balanced society as an integral part and explicit part of the codes of corporate governance.</p>
<p>PART 5CHAPTER 4: Governance Functional Areas 4.3 Compliance governance</p>	<p>(No response)</p>
<p>PART 5CHAPTER 4: Governance Functional Areas 4.4 Remuneration governance</p>	<p>(No response)</p>
<p>PART 5CHAPTER 4: Governance Functional Areas 4.5 Assurance</p>	<p>The Code is evident in the clear focus on transparency and targeted disclosures in all areas, specifically in the introduction of far more extensive executive remuneration disclosure. It however falls short on disclosing the pay gap between the top 10% and bottom 10% (or similar measurements) of total remuneration of its employees (including contractors or outsourced staff). We also want the governing body to opine on what the appropriate pay level multiplier and disclose the rationale for the pay level gap.It is essential that credible independent third parties are used to assess the independence of directors after serving nine years on a governing board. In addition, holding more than five governing board positions should be discouraged. Performance evaluation and independence of board members should also be encouraged and reported on. Strong consideration should be given to ensure that the governing board represents the racial and gender demographics of South Africa. The time limit and number of directorships for independent non-executive board members or fiduciaries will help in the racial and gender transformation of boards.</p>

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	Obligations on Asset Owners and Asset Owners should be the higher standard set by CRISA and the PRI.

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.

See our full preliminary submission.

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.

(No response)

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?

(No response)

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?

It is essential that credible independent third parties are used to assess the independence of directors after serving nine years on a governing board. In addition, holding more than five governing board positions should be discouraged. Performance evaluation and independence of board members should also be encouraged and reported on. Strong consideration should be given to ensure that the governing board represents the racial and gender demographics of South Africa. The time limit and number of directorships for independent non-executive board members or fiduciaries will help in the racial and gender transformation of boards.

(No response)

Disclosure is also required on the use of remuneration consultants and the relationship of the consultant to the organisation or any of its directors or prescribed officers. The amount paid to consultants should however also be disclosed.

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.

The draft code however still fails to bring South Africa in line with international best practice when it comes to voting on director and executive remuneration. If more than 25% of shareholders vote against the remuneration policy and implementation report then the governing board should engage and proactively take steps to address shareholders concerns. ABSIP strongly supports a binding vote on remuneration and also public disclosure of the steps taken to tackle the concerns, the nature of engagement, and the outcomes within three months of the vote and not wait for the next annual report.

(No response)



Disclosure is also required on the use of remuneration consultants and the relationship of the consultant to the organisation or any of its directors or prescribed officers. The amount paid to consultants should however also be disclosed.

(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.)

Asset Owners and Asset Managers of retirement funds, including umbrella funds should be obliged to disclose ESG activities as per the guidance provided by the UN Principles for Responsible Investments (PRI).

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.)

The application of the codes should be signed off by by the governing body.

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	(No response)
The document meets the King IV objectives	Neither agree nor disagree	Elapse of time will tell!
King IV is an improvement on King III	Agree	(No response)

END

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