



# King IV Commenting Platform

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*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



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**Personal Details Section:**

**\*Title:**

Mrs

**\*First Name:**

Bukkie

**\*Last Name:**

Adewuyi

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

Myself

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**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

(No response)



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

(No response)

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

(No response)

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

(No response)

## 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	(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	(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	(No response)
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 5CHAPTER 3: Governing Structures and Delegation   3.3 Committees of the governing body	(No response)
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	(No response)

## 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	(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	<p>The segregation of internal and external audit into two separate lines of assurance in King IV is a welcome development. There has been confusion on whether internal audit is appropriately placed in the 3rd line of defence with external and other service providers. This confusion has been more prominent where the internal audit function is in-sourced or in-house, which means they are internal but are classified with external assurance providers. Therefore the revision of the old 3rd line of defence into two lines of assurance –namely, 3rd line for internal audit as an internal assurance provider, 4th line for external audit and other assurance providers means that the role of internal audit is now adequately clarified as an internal role, which although it is meant to be independent but is not an external function. We have also had audit committees ask where they fit in within the assurance model with the 3 lines of defence. A new inclusion to the model by King IV is the 5th line which is the governance structures like the Audit Committee. This may make the Audit Committee feel appropriately included as the oversight body on the combined assurance model. What remains to be seen however is how the 5th line of assurance will interpret and carry out its assurance role, besides from being a governance body. Reality is that they don't really perform an assurance function but rely on the work of the other lines of assurance to perform</p>



their oversight role. It is therefore not explicitly clear if they should be identified as a separate line of assurance vs an overarching oversight body. This, for me, remains a grey area.

## 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 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:

(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; 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.

(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.

(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?

I am of the view that the flexibility is appropriate, especially in the case of smaller organisations where the structure may not be so straightforward. In some organisations, it may be more appropriate for a COO to be the "other executive" and not necessarily the CFO. The organization can thus use its discretion in this regard.

#### 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?

The criteria provides very useful guidance as determining "independence" can be quite subjective. One can now be able to at least draw on some guidance in assessing such. Organisations will still find themselves in situations where they need to further interpret these criteria but this is indeed a good guide.

#### 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.

The separation of internal and external audit from a combined 3rd line of defence to two lines of assurance, namely 3rd and 4th line is a welcome development as there has been confusion on why internal audit is classified into the same line of defence as external assurance providers. This confusion is even more profound where the internal audit function is in-house or in-sourced. Therefore, this segregation is a welcome development.

(No response)

On the other hand, the inclusion of governance structures as a 5th line of assurance is debatable. Reality is that governance structures such as Audit Committees have been clamouring to feature on the combined assurance model but do they really provide assurance? My take is that they rely on the assurance provided by assurance providers to undertake their oversight role. It is therefore debatable whether they should feature in the combined assurance model. I believe they should retain their status of oversight.

(No response)

(No response)

(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).)

(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	(No response)
The document meets the King IV objectives	Agree	(No response)



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.**