



# King IV Commenting Platform

---

*Filled Thursday, April 07, 2016*

Page 1

Welcome to the official King IV Commenting Platform. After you have downloaded and reviewed the draft King IV Report here [if this link does not open, please copy and paste the following into your browser: [https://c.ymcdn.com/sites/iodsa.site-ym.com/resource/resmgr/King\\_IV/King\\_IV\\_Report\\_draft.pdf](https://c.ymcdn.com/sites/iodsa.site-ym.com/resource/resmgr/King_IV/King_IV_Report_draft.pdf)], you will be able to enter your comments using this platform. The public comment process takes place in 2 phases, the first of which invites comment on the whole of the King IV Report, bar the Sector Supplements. The Sector Supplements are to be subjected to public comment during phase 2. This platform will remain open in respect of phase 1 for two months from 15 March 2016 to 15 May 2016. Phase two of the commentary process, being commentary on the sector supplements, will be opened on notice. Commenting terms and conditions Please note that this process is open and transparent. All comments submitted will be available for public view at <http://www.iodsa.co.za/page/KingIVCommentLibrary> and NO anonymous comments are permitted. Comments received are added to the library for public viewing weekly together with the identity of the individual or organisation on behalf of whom the submission is made. Only comments submitted through this platform will be considered for the finalisation of the King IV Report.

**Do you agree to the King IV commenting terms and conditions?**

Yes



Page 2

**Personal Details Section:**

**\*Title:**

Mrs

**\*First Name:**

Claire

**\*Last Name:**

Middlemiss FCIS

**\*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	I noticed the terminology in King IV uses the words "Governing Body", "members" etc. I understand the reasoning, that it is to make the report more universal. However I think that terminology should remain the same as King III and refer to "Directors", "Board" and "Shareholders" to avoid confusion which may arise between



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

"members" (in King IV they are not shareholders), "Directors", "Governing Body" and "Board of directors".

(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 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

(No response)

PART 5 CHAPTER 1: Leadership, Ethics and Corporate Citizenship | 1.2 Organisation values, ethics and culture

(No response)

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

(No response)

## 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	(No response)

## 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	(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

### 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	(No response)

## 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 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**

### **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.

As it stands is able to achieve 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.

King IV should be more clear in defining the responsibility of subsidiary boards, as it stands it refers to members, which could cause confusion as to who it refers to: ie: the directors of the subsidiaries OR the shareholders.

### 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?

I do not agree with the terminology used in King IV, it can be interpreted incorrectly.

I believe it should refer to "board of directors" and "directors" and should also clearly define the use of the word "members" as this could be thought to mean shareholders.

"Members" the definition thereof is not included in the glossary....

### 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?

The companies act requires that all listed companies have a CFO as well as the JSE Listings requirements.

I believe that the CEO and CFO should definitely be board members, especially on listed companies (the king IV makes no distinction between unlisted and listed entities). Other company executives, such as HR, Internal Audit etc. can at the discretion of the board, be appointed to the board.

Without a CFO at board level, how can the financial statements be approved? He must be there to answer Board queries, not just as an invitee but as a director as he is liable in terms of Section 75 of the Companies Act.

The CFO should also definitely be an invitee to the Audit & Risk Committee to answer any queries received from the external auditors regarding the financial statements.



### **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, however the exclusion of "representative of a major shareholder (more than 5%) should not be excluded.

### **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.

Yes it will. However any changes to the remuneration policy should be cleared with the major shareholders before it gets to the AGM.

I do not believe that the salaries of the executive directors and prescribed officers should be disclosed individually but combined, to protect individuals privacy.

### **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 the CFO should be a board member. The chairman of the audit & risk, opportunity committee must ensure that information received is true and accurate, in order to make an educated decision on opportunity and risk. The necessary systems need to be in place - ie: internal audit, financial, HR

### **Question 8**

The governing body as the focal point of corporate governance and is therefore the primary audience of the King IV Report. King IV requires the governing body of an institutional investor to ensure that the organisation exercises its rights as holders of beneficial interest in companies,



responsibly. Does this principle establish the necessary linkage between King IV and the Code for Responsible Investing in South Africa (CRISA) so that governance is reinforced by all role players? How can King IV further reinforce responsible investing practices? (For access to CRISA go to [www.iodsa.co.za](http://www.iodsa.co.za).)

The non-executive directors, should have a more vested interest in the company, by being allowed to own shares in the company to ensure that all actions will result in enhancing the companies share price. I have always found it strange that independent directors have so much influence over a companies operations but receive no incentive for the results achieved by the company - be it negative or positive.

### 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?

Risk has always been an issue which is to be taken seriously by any board. Proper controls ensure that potential risks are identified and mitigated by implementing action plans. Opportunity may be confused with strategy, which is a board issue.

There should however be a requirements that the Risk and Audit Committees are not combined, to allow the members of the committees to focus on these two separate issues effectively.

### 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 register is sufficient, however I disagree with principle 1.1 that the board members should evaluate each others ethical characteristics. What if the entire board is unethical, it will merely defeat the object. There needs to be a specific manner, preferably by an external,



independent party to evaluate the ethics / culture of the entity. I would recommend that this be the duty of an external Company Secretary and that the evaluation be based on the ethos of King IV.

## 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 Terminology is inconsistent with previous versions of the King Report
The document meets the King IV objectives	Agree Basically yes however King also needs to remember that the main objective of any company, to its shareholders is to improve the bottom line and the importance of the CFO should not be forgotten. The CFO is ultimately responsible for the financial aspects of the company. The COmpany Secretary for the Gor=vernance Issues. HR for the CSI and sustanability issues. These three individuals should be core to any listed company and should each report individually in the integrated annual report on how the objecttives of King IV were met to improve shareholder confidence and returns on their investments.
King IV is an improvement on King III	I don't know King IV is an improvement in some aspects, however it should not be updated as often as it is. There should be one master document and any amendments can be annexed to the mother document. This in order to create consistency which will allow Corporate Governance to be more measureable over a period of time. SUC h as the list of 75 requirements, which is now 17 principles. How to we ensure that the 75 principles dont "fall away" and how do we measure the 17 principles against historic information when the goals have once again been moved. The main objective of King IV should be to ensure proper Corporate Governance in South African companies, in financial reporting, stakeholder engagement, best interest of the company, community development, sustainability to encourage international investment in South African Companies. It should not in



any way be seen as a barrier which causes disinvestment due to non-compliance of the numerous requirements.

**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.**