



# King IV Commenting Platform

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*Filled Thursday, April 28, 2016*

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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:**

Mr

**\*First Name:**

Eddie

**\*Last Name:**

Lindeque

**\*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
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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 5 CHAPTER 4: Governance Functional Areas

Add your comments for this part here:

Variable	Response
PART 5 CHAPTER 4: Governance Functional Areas   4.1 Risk and opportunity governance	The inclusion of opportunity (upside risk) is commendable. However, the practice of opportunity management is not well embedded in local companies.
PART 5 CHAPTER 4: Governance Functional Areas   4.2 Technology	None



and information  
governance

PART 5 CHAPTER 4:  
Governance Functional  
Areas | 4.3 Compliance  
governance

PART 5 CHAPTER 4:  
Governance Functional  
Areas | 4.4 Remuneration  
governance

PART 5 CHAPTER 4:  
Governance Functional  
Areas | 4.5 Assurance

None

None

Overall: Recognition to be given to other naming conventions for "combined assurance", such as integrated assurance, coordinated assurance.<sup>46</sup> ... lines of assurance (defense): The debate in practice and academia on combined/integrated assurance is not advanced and agreement on the process is only emerging recently. The five lines of defense proposed here is ahead of the curve when comparing this to practice by the average company. The three lines of defense approach has considerable support in most literature and practice notes I have reviewed. Some proponents suggest that in addition to the three lines of defense an extended model should recognise the important roles of executive management and the board as additional lines of defense. This model could thus extend the three lines of defense to being four lines of defense. Another school of thought supports the five lines of defense approach, where the tone of the organisation is considered to be the first line of defense. The argument is that the tone at the top provides a foundation as the organisational leaders communicates the mission, vision and core values which will drive the behaviour and risk culture in the organisation. The logic is that executive management initiates the proper tone by driving a proposition that everybody is responsible for risk management in the organisation. According to this theory the risk culture position each of the other lines of defense to be more effective as risk information will flow more freely in the organisation. The second line of defense is then business unit management and process owners, the third line comprises independent risk management and compliance functions, the fourth line is assigned to internal/external audit, the fifth line is added in the form of the oversight committees, which constitutes the board sub-committees and the executive management committee. At the end, we need to test if it would be reasonable to expect that companies will comply with the 5



lines of assurance principle, as opposed to the three lines of defense being practiced.

## 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	None
PART 5 CHAPTER 5: Stakeholder Relationships   5.2 Responsibilities of shareholders	None

## 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:

The following additional Terms are suggested:

"Assurance": Those activities that management, independent assurance providers and oversight committees perform with the intention of providing stakeholders with confidence that the control activities (i.e. management activities) are adequately designed and implemented to reduce the risk exposure to an acceptable level.



(No response)

Motivation for inclusion: The term assurance is sometimes associated with audit or insurance. It is best to removed any level of ambiguity.

## 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.

(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?

I would fully agree,



- the word "organisation" refers to both private and public companies, NGOs etc.
- similarly, the term "governing body" refers to board and executive committee oversight

#### **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 less prescriptive the more appropriate the code becomes. The use of the words "and one other executive" leaves enough room for flexibility in prescribed officer appointments.

#### **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 comprehensive enough to guide organisations in bench-marking the terms of reference of the various governing committees (bodies).

#### **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.

None



### 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.

Refer to comments under 4.5 Assurance.

(No response)

A missing principle is that no guidance/requirements for "integrated reporting of the assurance results". This is one of the biggest challenges for organisations to implement, yet this is the ultimate outcome/benefit of the "combined assurance model" - a single view of all assurance results.

### 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?

It is high time that we recognise risk and opportunity management. Academia and practitioners still need to carve out on how to perform proper opportunity management (as a discipline) in an organisation. More guidance might be needed on how to implement opportunity management.

### 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.)

"Apply and explain" will force governance bodies to appraise themselves of the level of implementation of the 17 principles at the organisation. This will ultimately lead to more transparency or disclosure of the current state in an organisation.

## 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	King IV on a page is an excellent guide to the Code
The document meets the King IV objectives	Agree	It is more generic and applicable to all forms of business
King IV is an improvement on King III	Agree	It is outcomes based

**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.**