



# King IV Commenting Platform

---

*Filled Tuesday, April 19, 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:**

Mr

**\*First Name:**

Mveleli

**\*Last Name:**

Bikitsha

**\*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

(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

4.1 Fairness:Reference to "material stakeholders" - a definition may be required of who are the excluded immaterial stakeholders. My submission is that the ethical question needs to have a wider societal impact and therefore clarity is required as to "material' versus what would be implied as immaterial stakeholders.4.5 and other sections of the draft - reference to "material stakeholders" is used - above comment applies.

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

5.4 Auditor and audit requirements:- I accept that the style of the document is not to be prescriptive, however shouldn't the code include an indicative time period for audit rotation? The audit committee can then do a detailed test of audit independence closer to the end of the indicative timeline (e.g 5 years).- The cost of audit rotation would have to be compared to the benefits of auditor independence and corporate governance.5.9 Remuneration disclosure and voting:I would add or clarify that: In addition to the generic remuneration policy, the Remuneration Committee and Governing Body must voluntarily explain the rationale/motivation for the remuneration awarded to each executive and prescribed officer. This will not in itself close the huge gap between highest and lowest paid employees in a company, but such communication (internally and to shareholders) will assist in reducing the level of misconceptions.

## 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	2.1.3 (d):I would add "policies and processes" at the end of the sentence.(I see that in 2.1.4 the draft refers to policies, however I would still submit that the strategy implementation sequence is for resources, structures, policies and processes).
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 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	(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	I would add or clarify that: The Remuneration Committee and Governing Body must voluntarily explain the rationale and or motivation for the remuneration awarded to each executive and prescribed officer.
PART 5 CHAPTER 4: Governance Functional Areas   4.5 Assurance	(No response)



## PART 5, CHAPTER 5: Stakeholder Relationships

### PART 5 CHAPTER 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:

Add to the definition of "Stakeholders" or add new term "Material Stakeholder" so as to elaborate on what you mean by "material" stakeholders. Who are the stakeholders who are not material? The ethical considerations should have a wider societal impact.



## 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.

Barring one or two comments that I've submitted above, I'm satisfied that the draft report will promote better corporate governance.

#### 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.

I agree with definitions of the three elements provided in page 25. For qualitative governance we need measurable outcomes.

#### 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?

Yes. If the draft used "companies" it would exclude other institutions, including public sector organisations, that need the principles and practices that are in the code.





#### 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?

A recommendation providing for inclusion of the CFO would definitely be more appropriate. To illustrate, I cannot imagine a government executive authority without its Treasurer or Finance Head in its executive. The Governing Body needs to have direct access to the CFO, in addition to the CEO. This is one of the keys to good corporate governance!

#### 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?

If the members of the Governing Body or Authority truly subscribe to the ethical standards referred to in the draft, there should be no need for a third party to verify the independence of members. However, the external auditor can come in handy here.

The guidance provided is clear and useful.

(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.

It's a step in the right direction. However I would suggest that:



We need basics. Organisations need to voluntarily explain to their lowest level workers, in simple wording: Explain fully why an executive member is remunerated in a certain way? What is the business case for the exec's remuneration?

### 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 comment.

### 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 comment. In a country with such dynamics as in South Africa, this will be a long road.

### 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?

Organisations should be focusing on both risk and opportunity anyway. I don't know if the two are married, but if the objective is reinforcement of the value of opportunity management then it may be useful.

### 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 practice show how an organisation is applying the principles so my answer is Yes, it should lead to greater transparency and qualitative results.

If the ultimate custodian of corporate governance in an organisation is its Governing Body or Authority, then it must be required to sign-off. Yes. The drive must come and be seen to be coming from the top!

### 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	Neither agree nor disagree	There is room for improvement in the document flow.
The document meets the King IV objectives	Agree	(No response)
King IV is an improvement on King III	Agree	The focus on ethics is impressive



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.