

KING IV: QUESTIONS AND ANSWERS

WHY HAS THE DECISION BEEN MADE TO UPDATE KING III?

There have been significant corporate governance and regulatory developments, locally and internationally, since King III was issued in 2009 which need to be taken into account.

The other consideration is that whilst listed companies are generally applying King III, non-profit organisations, private companies and entities in the public sector have experienced challenges in interpreting and adapting King III to their particular circumstances. The enhancement will aim to make King IV more accessible to all types of entities across sectors.

HOW WILL KING IV BE DIFFERENT FROM KING III?

The fundamental philosophy and concepts as currently espoused by King III will not change and companies should therefore continue following King III as it stands.

Simplification and ease of interpretation and access will be a key tenet of King IV. One of the ways that this will be achieved is by clearly differentiating principles from practice recommendations. Principles will be stated as higher order objectives, for example: *The board should be constituted so that power is balanced and decision-making is objective.* A practice by means of which this can be achieved is to have a majority of independent directors on the board. This is a recommended practice for listed companies currently included in King III but due to the associated cost it may be prohibitive for smaller entities and therefore different practices will be appropriate. This approach puts the emphasis on the outcome envisaged by the principle and allows for flexibility of application.

Greater succinctness and streamlining will position King IV for accessibility on mobile and tablet devices and the King Committee will aim to provide the ability for companies and other entities to disclose their application on King IV online.

IN WHICH GOVERNANCE AREAS ARE CHANGES ENVISAGED?

King IV will be building on the content of King III. As such, the same subject matter will be covered but consideration will be given to developments that include but are not limited to the following areas: executive and directors' remuneration, integrated reporting, responsible investing and linkage with the Code for Responsible Investing in South Africa (CRISA), the evolving role of social and ethics committees, mandated audit firm rotation and tendering, information security and protection, strategic risks and dependencies, group governance, board diversity and combined assurance.

HOW WILL THE PROCESS BE DIFFERENT FROM BEFORE?

The main difference is that the drafting process is planned to be widely consultative beyond the submission of written comments so that the resultant product represents a truly inclusive effort.

WHAT ARE THE INTENDED TIMELINES?

Due to the consultative process to be followed we envisage that King IV will only be completed in the second half of 2016. Providing for a 2 year period in respect of the drafting process and another year grace period to allow organisations to implement, King IV will probably become effective from middle 2017.

HOW IS THE IODSA INVOLVED IN THE REDRAFTING OF KING III?

The Institute of Directors in Southern Africa (IoDSA) is the custodian of the King reports and the holder of their copyrights. Ansie Ramalho from the IoDSA, with the assistance of Parmi Natesan and Julie Dixon, leads the project management of the redrafting process and serves as the editor of the various drafts.

HOW IS THE KING COMMITTEE INVOLVED IN THE REDRAFTING?

The King Committee governs the drafting process and will ultimately approve of the King IV Report.