PART 6: SECTOR SUPPLEMENTS

INTRODUCTION TO SUPPLEMENTS

How to use the supplements

The supplements should not be read in isolation but together with the remainder of the King IV Report, particularly Part 5: King IV Code. Exactly how this should be done is explained below but the following is a quick reference guide:

- All governance outcomes as per the Code apply.
- All principles as per the Code apply with the necessary adaptation of terminology as explained in each supplement.
- Recommended practices in the Code together with the specific recommendations contained in each supplement should be proportionally implemented as is appropriate for the size, resources and complexity of the organisation.
- Where there is conflict between King IV and legislative provisions, legislation prevails.

1. Purpose of the supplements

The purpose of the supplements is to provide guidance and direction on how the King IV Code should be interpreted and applied by the various categories and sectors of organisations.

The guidance provided in the supplements explains how the recommended practices in the Code could be customised to meet the situational specifics of the various sectors. The intention is that the supplements illustrate the general approach to the application and interpretation of the Code in such a way that it enables users to formulate their own sound solutions to corporate governance challenges – including those specific challenges not addressed in the supplements. The supplement also indicate how to connect and reconcile the King IV Code and applicable legislation.

The supplements are not intended to provide detailed information or to replace the guidance provided by professional bodies, academic institutions and interest groups or advices issued by regulatory bodies.

Certain aspects of King IV are emphasised in the supplement for their particular relevance to the sector. It would be inaccurate to conclude that those aspects in King IV that are not dealt with or referred to specifically in the supplements need not be considered.

In keeping with the balance of the King IV Report, supplements are written for the governing body as its primary audience, it being the focal point of corporate governance within the organisation.

2. Reconciling King IV to legislation

Applicable legislation sets the minimum standards to be complied with. If King IV sets the bar higher, organisations should strive to achieve the higher aspiration in the interest of sound governance. If there is a conflict between the legislation and King IV, the legislation prevails.

Sound governance includes but goes beyond legal compliance. The existence of a higher standard of governance in King IV compared to the legislative requirements in some instances, does not necessarily constitute a conflict. A conflict arises where King IV and legislated provisions are not reconcilable - not when they are different. Therefore implementing a higher standard than that required by law will still be compliant with the minimum requirements of the law. It is only where this is not possible that a conflict arises.
3. Applicability of King IV Report to all sectors

The King IV Report consists of 9 parts as depicted in the above diagram. The sector supplements are introduced in Part 2 of the Report. In addition to what is set out in Part 2 the following are pertinent to application of the Code in the various sectors:

Practices, principles and governance outcomes

The King IV Code consists of the following content elements:

- Practices
- Principles, and
- Governance outcomes.

The practices as recommended in the Code together with the specific recommendations contained in the supplements should be considered and implemented to give effect to the principles and the provisions of applicable legislation.

The principle under which a practice recommendation is made in the Code serves as a guide to direct organisations on what they should set out to achieve with implementing the practice. Governance outcomes are the benefits that could be realised in the event that the underlying principles are fully achieved. Both governance outcomes and principles are phrased so that they hold true across all organisations. The governance outcomes and principles as contained in the Code have been carried forward to each of the supplements with the necessary adaptation of language and terminology as is appropriate to the specific sector.

Proportionality

Proportionality is an important consideration when applying the practices in the situational context of each organisation in the various sectors. Practices should be applied as is appropriate to the size, resources and complexity of strategic objectives and the operations of the organisation. Applying practices proportionally is subject to achieving the principles and realising the governance outcomes. Refer to Part 3: Application of King IV, section 3 for more detail on proportionality.