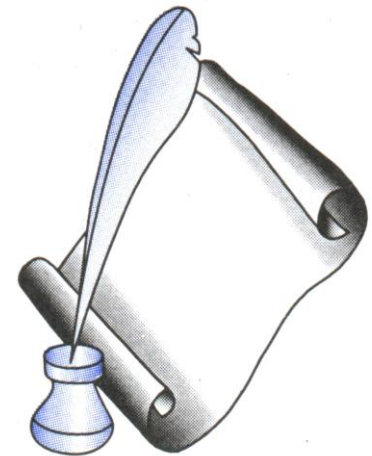


**IMASA**  
**18<sup>TH</sup> ANNUAL NATIONAL CONFERENCE**  
**7 – 9 SEPTEMBER 2016**

**KING IV DEVELOPMENTS**

**CARLA CLAMP**

**Institute for Municipal Administrators of South Africa**



# KING IV

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## STATUS

- ✓ **King III has been updated by the Institute of Directors (IoD) to reflect changes in the governance and external environment and to incorporate international best practice**
- ✓ **King IV builds on the strengths of Kings III and does not represent a significant departure from its Philosophical underpinnings, but there has been a refining of concepts**
- ✓ **The draft of King IV was issued and public comment was provided in May 2016. The final report is due for issue on 1 November 2016**
- ✓ **Internal Audit falls under Chapter 4 – Governance Functional Areas. Outcomes – Adequate and Effective Control**



# KING IV CHANGES

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King III's 75 principles reduced to 16 principles in King IV

- ✓ **Overwhelming response has been received and the IoD is working through it. King IV is proposing changes, but based on public comment it may be different when final report is issued.**
- ✓ **Each principle is supported by recommended practices to guide governance implementation to achieve the overall governance objective.**
- ✓ **King IV will have wider application and will include non-listed entities, such as state-owned enterprises, local government, retirement funds, and non-profit organisations, SMEs**



# KING IV

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## PROFESSOR MERVYN KING QUOTE:

"King IV breaks new ground by offering an integrated approach to corporate governance encompassing the economic, social and environmental spheres as well. It also impacts of sectors other than listed or large companies such as state-owned enterprises, local government, non-profits, SMEs and retirement funds among others. Quality and effective corporate behaviour offers a way out of many of our current economic and sustainable development challenges"



# KING IV CHANGES

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King III's 75 principles reduced to 16 principles in King IV

- ✓ **King IV emulates the philosophical underpinnings in King III, builds on these and appears to provide more practical application.**
- ✓ **King IV's primary difference to King III lies within the move toward apply and explain, versus the previous apply or explain**
- ✓ **Not too dissimilar to King III and Integrated Reporting, King IV advocates a “stakeholder inclusive” approach.**



# KING IV CHANGES

## OVERVIEW OF THE 9 PARTS OF KING IV

Part 1  
Foundational  
Concepts

Part 2  
Content  
Elements and  
Development

Part 3  
Application  
of King IV

Part 4  
King IV on a  
Page

Part 5  
King IV Code

Part 6  
Sector  
Supplements

Part 7  
Application  
Register

Part 8  
Glossary of  
terms

Part 9  
King  
Committee



# KING IV CHANGES

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## PRACTICES PRINCIPLES AND GOVERNANCE OUTCOMES

King IV Primary Aim - to reinforce corporate governance as a holistic and integrated set of arrangements

**Practices** - Should not be mindlessly implemented to achieve compliance. Practices are recommended at an optimal level of governance that & should be adapted taking account of the specific size, resources and complexity of the organisation so that the principle is achieved.

**Principles** - The principles build on and re-enforce one another and guide organisations on what they should set out to achieve in implementing the practice.

**Governance Outcomes** - Are the benefits that could be achieved if the principles are effectively implemented.



# KING IV CHANGES

9 Chapters in King III have been reduced to 5 in King IV

Chapter and Content	Governance Outcome
<p><b>Chapter 1 – Leadership, Ethics and Corporate Citizenship</b></p> <p>Ethical Leadership, Organisational Values, Ethics and Culture and Responsible Corporate Citizenship</p>	<p><b>Ethical Culture</b></p>
<p><b>Chapter 2 – Performance and Reporting</b></p> <p>Strategy, Implementation, Performance /Reports and Disclosure</p>	<p><b>Performance and Value Creation</b></p>
<p><b>Chapter 3 – Governing Body Structures and Delegation</b></p> <p>Role of the Governing Body/ Composition of the Governing Body/ Committees of the Governing Body/ Delegations to Management / Performance Evaluations</p>	<p><b>Adequate and Effective Control</b></p>
<p><b>Chapter 4 – Governance Functional Areas</b></p> <p>Risk and Opportunity Governance/ Technology and Information Governance/ Compliance Governance/ Remuneration Governance/ Assurance</p>	<p><b>Adequate and Effective Control</b></p>
<p><b>Chapter 5 – Stakeholder Relationships</b></p> <p>Stakeholders / Responsibilities of Shareholders</p>	<p><b>Trust, Good Reputation and Legitimacy</b></p>



# KING IV CHANGES

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## SECTOR SUPPLEMENTS

Sector supplements have been created to provide applicable terminology and address the governance considerations of the particular sector. The principles and outcomes at the essence of King IV remain throughout:

- SMEs
- Non Profit organisations
- Public sector organisations and entities
- Municipalities
- Pension/ Retirement funds

Whilst the principles are universally acceptable, the practices that support the achievement of the principles may vary in certain entities and sectors, without compromising the objectives of good governance.

The supplements are not intended to be used on their own and should be read in conjunction with the other parts of King IV.



# KING IV CHANGES

## CHAPTER 1 LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

**Principle 1.1** - The governing body should set the tone and lead ethically and effectively

**Principle 1.2** - The governing body should make sure that the organisation's ethics is managed effectively

**Principle 1.3** - The governing body should ensure that the organisation is a responsible corporate citizen



# KING IV CHANGES

## CHAPTER 2 PERFORMANCE AND REPORTING

**Principle 2.1** - The governing body should lead the value creation process by appreciating that strategy, risk & opportunity, performance and sustainable development are inseparable elements

**Principle 2.2** - The governing body should ensure that reports and disclosures enable stakeholders to make an informed assessment of the performance of the organisation and its ability to create value in a sustainable manner



# KING IV CHANGES

## CHAPTER 3 GOVERNING STRUCTURES AND DELEGATION

**Principle 3.1** - The governing body should serve as the focal point and custodian of governance in the organisation

**Principle 3.2** - The governing body should ensure that in its composition it comprises a balance of the skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities

**Principle 3.3** - The governing body should consider creating additional governing structures to assist with the balancing of power and the effective discharge of responsibilities, but without abdicating responsibilities.



# KING IV CHANGES

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## CHAPTER 3 GOVERNING STRUCTURES AND DELEGATION

**Principle 3.4** - The governing body should ensure that the appointment of, and delegation to, competent executive management contributes to an effective arrangement by which the authority and responsibilities are exercised.

**Principle 3.5** - The governing body should ensure that the performance evaluations of the governing body, its structures, its Chair and Members, the CEO and the Company Secretary or corporate governance professional result in continued improved performance and effectiveness.



# KING IV CHANGES

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## CHAPTER 4 GOVERNANCE FUNCTIONAL AREAS

**Principle 4.1** - The governing body should govern risk and opportunity in a way that supports the organisation in defining core purpose and to set and achieve objectives

**Principle 4.2** - The governing body should govern technology and information in a way that supports the organisation in defining core purpose and to set and achieve strategic objectives

**Principle 4.3** - The governing body should govern compliance with laws and ensure consideration of adherence to non-binding rules, codes and standards



# KING IV CHANGES

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## CHAPTER 4 GOVERNANCE FUNCTIONAL AREAS

**Principle 4.4** - The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the creation of value in a sustainable manner

**Principle 4.5** - The governing body should ensure that assurance results in an adequate and effective control environment and integrity of reports for better decision making



# KING IV CHANGES

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## CHAPTER 5 STAKEHOLDER RELATIONS

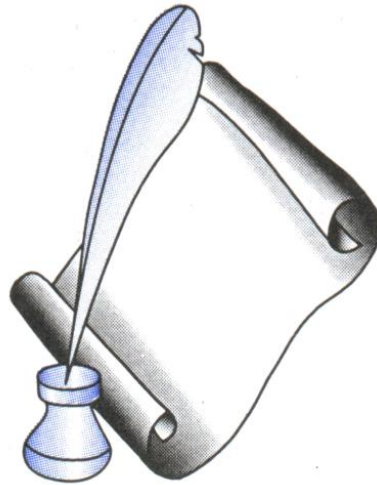
**Principle 5.1** - As part of its decision-making in the best interests of the organisation, the governing body should ensure that a stakeholder inclusive approach is adopted, which takes into account and balances their legitimate and reasonable needs, interests and expectations.

**Principle 5.2** - The governing body of an institutional investor should ensure that the organisation responsibly exercises its rights, obligations, legitimate and reasonable needs, interests and expectations, as a holder of beneficial interest in the securities of a company.





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**Institute of Municipal Finance Officers & Related Professions**