

IODSA Press Statement

Governance in SA gets major update

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King IV shifts focus to outcomes and accessibility

The King IV Report on Corporate Governance™ (King IV) was launched on 1 November 2016 by the King Committee and the Institute of Directors in Southern Africa (IoDSA), which owns the intellectual rights to the King Reports and the governance codes they contain. The King Reports, of which this is the fourth iteration, contain the philosophy, principles and leading practices for corporate governance in South Africa.

“The overarching objective of King IV is to make corporate governance more accessible and relevant to a wider range of organisations, and to be the catalyst for a shift from a compliance-based mindset to one that sees corporate governance as a lever for value creation ,” says Prof Mervyn King, chair of the King Committee on Corporate Governance in South Africa.

To make the Report more accessible, Ansie Ramalho, King IV Report Project Lead for the IoDSA, and the task team appointed by the King Committee, have introduced a number of innovations. They have broadened the language of the Report, ensuring that the vocabulary is no longer listed company and business-specific, and have provided supplements to make it easier to adapt the Code to different industry sectors, including government and nonprofits, and various organisation types. King IV also provides guidance on how to apply its practices proportionally, in line with an individual organisation’s size and resources, and the extent and complexity of its activities.

In addition, King III’s 75 principles have been reduced to a mere 16 in King IV, with an additional 17th principle which is applicable to institutional investors such as retirement funds and insurance companies.

At a deeper level, King IV has taken the decisive step of focusing on outcomes as a way of driving acceptance of corporate governance as integral to value creation by organisations characterised by an ethical culture, good performance, effective control and legitimacy.

Linking governance to outcomes should result in organisations practising quality governance. In this spirit, King IV emphasises not what practices have been implemented but rather what their impact has been on achieving the 16 principles. King IV has moved the regimen of “apply or explain” to “apply and explain”.

“Apply and explain” introduces a qualitative approach to the implementation of King IV’s recommendations. Governing bodies now have greater flexibility in how they implement the recommended practices to achieve the goals articulated in the principles, but they have to be

transparent about how they did so. The intent is for the reader of the explanation to be able to make an informed decision about whether the organisation has or has not achieved the principles and realised the four outcomes of ethical culture, performance in a sustainable manner, effective controls and legitimacy.

Other important issues covered by King IV include the wage gap, shareholders voting on remuneration policies and their implementation so as to trigger engagement with the company and the composition of the governing body.

“King IV is the product of wide consultation, and belongs to all South Africans – organisations and individuals – to whom good governance matters,” says Ramalho. “The wish of the King Committee and the IoDSA is that King IV be welcomed as making it easier to understand what the purpose of corporate governance is, and to apply it to achieve the creation of value. King IV aims to make corporate governance understandable beyond the circle of consultants, technicians and academics.

Prof King said it would be the committee’s greatest reward if King IV is adopted by all organisations across all sectors with a consequent consistent practice of quality governance. King IV will be available via app download from App Store or Samsung Galaxy Apps, or via a digital read-only copy from www.iodsa.co.za. Printed copies will be available for purchase through Lexis Nexis.