

King IV Commenting Platform

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https://answeredinsight.fluidsurveys.com/s/kingiv_p1_public_comments/a930297a28617ecaddc300b01fca97f00fbc/

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], 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:

Danilo

*Last Name:

Gregório

*I am commenting on behalf of:

An organisation

*Name of organisation:

Brazilian Corporate Governance Institute (IBGC)

*Capacity within organisation:

Advocacy manager

PART 1: Introduction and Foundational Concepts

PART 1: Introduction and Foundational Concepts

Add your comments for this part here:

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	(No response)
PART 1: Introduction and Foundational Concepts 5. Local and international developments since King III	(No response)

PART 2: Content Elements and Development

PART 2: Content Elements and Development

Add your comments for this part here:

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:

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 5

CHAPTER 1: Leadership, Ethics and Corporate Citizenship

Add your comments for this part here:

PART 5 CHAPTER 1: Leadership, Ethics and Corporate Citizenship 1.1 Ethical leadership	(No response)
PART 5 CHAPTER 1: Leadership, Ethics and Corporate Citizenship 1.2 Organisation values, ethics and culture	We suggest the inclusive of two recommended practices: 1 - Code of conduct The creation and enforcement of a code of conduct raise the level of confidence inside and outside the organization. The board of directors is the guardian of the organization’s principles and values. Its responsibilities include disseminating and monitoring, with support from the executive management, the incorporation of standards of conduct at all levels of the organization. The executive management should ensure compliance with the code of conduct approved by the board of directors. It should report to the board of directors in a timely manner to provide clarifications on any violation of the code, as well as the ensuing corrective or punitive measures taken. 2 - Safe reporting mechanisms Organizations must have resources such as formal communication channels where stakeholders can voice their opinions, criticisms, and complaints and report any wrongdoing. This channel must be independent and, in all cases, ensure the confidentiality of their users and promote speedy investigations and timely adoption of required measures. The reporting channel, specifically, should have its operating guidelines established by the executive management and approved by the board of directors. It must be operated in an independent and impartial manner. The board of directors, the audit committee, and/or the conduct committee, if any, should monitor the handling of complaints, in the manner and periodicity set out in its regulations or the code of conduct, approve the findings, and communicate the results of the investigation to the author of the message/whistleblower.
PART 5 CHAPTER 1: Leadership, Ethics and Corporate Citizenship 1.3 Responsible corporate citizenship	(No response)

PART 5, CHAPTER 2: Performance and Reporting

PART 5

CHAPTER 2: Performance and Reporting

Add your comments for this part here:

<p>PART 5 CHAPTER 2: Performance and Reporting 2.1 Strategy, implementation, performance</p>	<p>(No response)</p>
<p>PART 5 CHAPTER 2: Performance and Reporting 2.2 Reports and disclosure</p>	<p>1 - Communication policy The organization must have an appropriate communication system, through formal mechanisms, in order to avoid asymmetry of information with stakeholders. The executive management should implement a clear communication policy, approved by the board of directors, defining the organization's spokespeople for each subject, in order to eliminate contradictions between the statements of different executives within the organization. The reports should contribute towards a better assessment of the organization's managerial quality and the risks that it is willing to take. 2 - Disclosure policy The disclosure policy should discriminate the responsibilities of the board, the executive management (in particular, the responsibilities of the professional in charge of investor relations, including his direction interaction with the stakeholders of the organization and with the board itself) and the disclosure committee (which can assist in the area of investor relations in creating and monitoring the communication with stakeholders). 3 - Reporting models Annual and other reports should be prepared in accordance with current legislation and internationally accepted models aimed at integrating the thinking and reporting the activities of the organization. Based on the organization's business model, they should identify the inputs, products/services and the impact of activities on the society and the environment. This posture gives to the various stakeholders, especially investors, comparability of reports , so that commitments, policies, indicators and organization's ethical principles are clear.</p>

PART 5, CHAPTER 3: Governing Structures and Delegation

PART 5

CHAPTER 3: Governing Structures and Delegation

Add your comments for this part here:

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	Once elected, all board members have a responsibility to the organization, regardless of the shareholders, shareholder group, administrator or stakeholder who appointed them to the position. To promote independent judgment by all board members and the integrity of the governance system, the appointment of internal members to compose the board should be avoided. The board must feature external and independent directors only. To avoid the concentration of power and hindrance to the board's duties to provide oversight of the executive management, it is not recommended that the chief executive officer (CEO) be a member of the board of directors. However, the CEO should participate in the meetings when invited. After an excessive number of consecutive terms or years in the governing body, an independent board member may have compromised its independence. The possible hindrance to their independence at any given time will not prevent a professional from being classified as an independent director in the future. In order to reestablish this condition, it must be assessed whether there has been an effective change in the aspects that previously compromised the member's independence.
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	The performance evaluations should be conducted at least once a year.

PART 5, CHAPTER 4: Governance Functional Areas

PART 5

CHAPTER 4: Governance Functional Areas

Add your comments for this part here:

<p>PART 5 CHAPTER 4: Governance Functional Areas 4.1 Risk and opportunity governance</p>	<p>Actions related to risk management, internal controls, and the compliance system should be based on the use of ethical criteria reflected in the organization's code of conduct. The board of directors is responsible for adopting specific policies that establish acceptable limits for the organization's exposure to risks. It should also ensure that the executive management is equipped with the mechanisms and internal controls to identify, assess, and control risks, with a view to keeping them at levels compatible with the established limits. The executive management, in conjunction with the board of directors, should devise a schedule to discuss strategic risks, and follow it strictly throughout the year in order to overcome internal paradigms and biases.</p>
<p>PART 5 CHAPTER 4: Governance Functional Areas 4.2 Technology and information governance</p>	<p>(No response)</p>
<p>PART 5 CHAPTER 4: Governance Functional Areas 4.3 Compliance governance</p>	<p>The executive management, assisted by the control bodies associated with the board of directors and by internal audit, must establish and operate an effective internal control system to monitor the operational and financial processes, including those related to risk and compliance management.</p>
<p>PART 5 CHAPTER 4: Governance Functional Areas 4.4 Remuneration governance</p>	<p>(No response)</p>
<p>PART 5 CHAPTER 4: Governance Functional Areas 4.5 Assurance</p>	<p>(No response)</p>

PART 5, CHAPTER 5: Stakeholder Relationships

PART 5 CHAPTER 5: Stakeholder Relationships

Add your comments for this part here:

PART 5 CHAPTER 5: Stakeholder Relationships | **5.1
Stakeholders**

The board of directors should maintain communication with all stakeholders, including shareholders, and provide relevant information on its activities. In the case of shareholders, the main vehicles for communication and accountability of the board of directors are the annual report, the general meeting, the organization's website and the proxy statement. The board may create additional relationship channels for its shareholders and other stakeholders. One such channel may be to convene specific meetings for these parties; in this case, special attention should be paid to the election of the board's spokesperson. The communications must observe the duty of confidentiality for certain information, avoiding information asymmetries and preserving fairness among shareholders.

PART 5 CHAPTER 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 May 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:

(No response)

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; and

present 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.

Yes, the King IV Report is able to contribute to the promotion of good corporate governance practices. We understand that the King Report at the stage where it is meets the objectives.

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.

(No response)

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?

(No response)

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?

The CEO, CFO or other executives should not be members of the governing body, although they may take part of the board's meetings when invited.

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?

(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.

(No response)

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 response)

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.)

(No response)

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?

(No response)

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.)

(No response)

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	Agree	
The document meets the King IV objectives	Agree	
King IV is an improvement on King III	Agree	

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.