



King IV™ Summary Guide

Visionary Leadership is KING
Knowledge and expertise is power





King Protea – National flower of South Africa. Adapts and flourishes in harsh environments. It's not the environment that defines you. You define the environment. Be visionary.



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1. Introduction

KPMG supports good governance as the benefits of ethical leadership and well-run organisations accrues to everyone. Good governance increases stakeholder confidence and lowers the cost of capitals.

KPMG is a platinum sponsor of “The King IV Report on Corporate Governance for South Africa 2016, Institute of Directors Southern Africa”¹ also known as King IV™ and we have provided advice and assistance to many organisations across Southern Africa on the design and implementation of good governance practices.

KPMG has had many queries from clients on King IV™. We reflect below some of the most frequently asked questions and answers.

¹ The King IV Report on Corporate Governance for South Africa 2016, Institute of Directors Southern Africa” is owned by the Institute of Directors in Southern Africa NPC with all rights reserved and is available at <http://www.iodsa.co.za/?page=AboutKingIV>”

Corporate Governance may be a wild ride, but compliance puts you back in the saddle.



1.1 Why the need for King IV™?

King IV™ builds on King III™. It has been revised to bring it up to date with international governance codes and best practice; to align it to shifts in the approach to capitalism (towards inclusive, integrated thinking across the six capitals) and to take account of specific corporate governance developments in relation to effective governing bodies, increased compliance requirements, new governance structures (e.g. Social and Ethics Committee), emerging risks and opportunities from new technologies and new reporting and disclosure requirements e.g. Integrated Reporting.

1.2 What is the applicability of King IV™?

King IV™ is structured as a Report that includes a Code, with additional, separate sector supplements for SME's, NPO's, State-Owned Entities, Municipalities and Retirement Funds. The King Code™ contains both principles and recommended practices aimed at achieving governance outcomes.

Whilst King IV™ is voluntary (unless prescribed by law or a stock exchange Listings Requirement) it is envisaged that it will be applicable to all organisations irrespective of their form or manner of incorporation. The King Code™ principles of good governance are presumed to apply, whilst the practices should be applied on a 'proportionality' basis depending on the nature, size and complexity of the organization.

1.3 When is the effective date of King IV™?

King IV™ was released on 1 November 2016.

It is effective for financial years commencing from 1 April 2017.

1.4 How does King IV™ differ from King III™?

There are several differences between King III™ and King IV™, specifically but not exhaustively they are:-

1.4.1 Outcomes based governance

The most significant difference between the two codes is that King IV™ is outcomes oriented. It places accountability on the governing body (e.g. the board in companies) to attain the governance outcomes of an ethical culture, good performance and effective control within the organisation and legitimacy with stakeholders. King IV™ aims to reduce the 'tick box' or compliance approach to applying governance practices.

1.4.2 Apply AND Explain

King IV™ requires an "Apply AND Explain" approach to disclosure, as opposed to King III™ which was 'Apply Or Explain'. This means that application of the principles is assumed and that an explanation is disclosed on the practices that have been implemented and how these support achieving the associated governance principle.

The governing body can choose where and how to make its King IV™ disclosures which should be publically accessible. Use of cross-referencing between reports is encouraged to avoid duplication.

1.4.3 Structure of King IV™

King IV™ is more succinct than King III. It contains 16 principles applicable to all organisations, and a 17th principle applicable to institutional investors. Against the 16 principles there are 208 recommended practices, and for the 17th principle applicable to institutional investors there are an additional 6 recommended practices.

King IV™ also provides 'sector' supplements to guide different types of organisations on how to apply the King IV Code™ within their contexts. There are five sector supplements covering

- Municipalities
- Non-Profit Organisations
- Retirement Funds
- Small and Medium Enterprises
- State-owned Entities

The sector supplements provide terminology in the context of King IV™ (e.g. how certain definitions are translated into a particular environment) and guidance on the interpretation of specific principles considered most relevant, and possibly challenging, to the sector.

1.5 Why should we apply and explain King IV™?

Good governance is beneficial for stakeholders. A well governed organisation inspires the confidence of its stakeholders and lowers the cost of its capitals. Inclusive and integrated governance that aspires to sustainability is good for society, the economy and South Africa. Whilst King IV™ is not law, the governance outcomes achieved and the practices adopted and implemented will likely become the criteria by which the required standard of care and appropriate standards of conduct of the governing body and its members are measured.

Take the reigns, adopt King IV™
and stand out from the crowd.





2. Governing Body Responsibilities and Good Governance Outcomes

The role of the governing body is to lead the organisation through the discharge of its responsibilities in relation to strategic direction, policy approval, oversight and accountability such that the good governance outcomes of an ethical culture, good performance, effective control and legitimacy with stakeholders are achieved by the organisation. In aspiring to fulfill this role and discharge these responsibilities, the King IV Code™ provides the 16 principles and 208 recommended practices that should assist the governing body and the organisation in attaining its 'good corporate citizen' status and governance outcomes.

Harnessing its strength, wisdom and intelligence the governing body provides strategic direction much like the elephant who represents status and power keeping its herd under control and chooses its direction and pace.



Governing Body Responsibilities



Strategy



Policy



Oversight

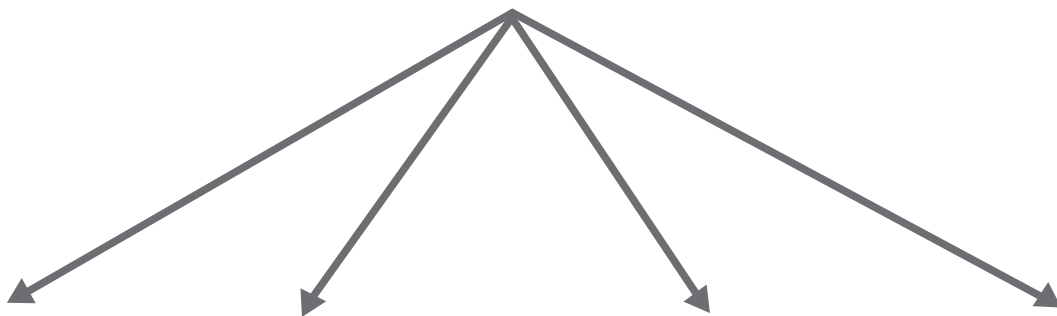


Accountability

**16 principles and
many recommended practices**



Outcomes



**Ethical
Culture**



**Good
Performance**



**Effective
Control**



Legitimacy

A close-up, black and white photograph of a rhinoceros head, showing the texture of its skin and the curve of its horn. The image is positioned on the left side of the page, with the rhino's head facing right.

3. King IV™ Quick Reference Guide

The King IV™ Quick Reference Guide that follows contains a summary and extracts of salient features. However, the reader is encouraged to consult the full King IV Report™ and the Code™ as provided by the Institute of Directors in Southern Africa NPC at <http://www.iodsa.co.za/?page=AboutKingIV>¹

We all have a responsibility to be good corporate citizens. By governing our organisations in a way that supports the establishment of an ethical culture, leading with integrity and being socially responsible we encourage our continued existence.



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Leadership

01 | Principle

“The governing body should lead ethically and effectively”

The recommended practices that the governing body should perform, are summarised as:

- Cultivate and exhibit collectively and individually, characteristics of integrity, competence, responsibility, accountability, fairness and transparency
- Offer leadership that results in achievement of strategy and outcomes over time
- Disclose how they are being held to account for their leadership



Organisational ethics

02 Principle

“Govern the ethics of the organisation in a way that supports the establishment of an ethical culture”

The recommended practices that the governing body should perform, are summarised as:

- Set the direction for ethics in the organisation
- Approve codes of conduct and ethics policies as well as ensure that they include all stakeholders and key ethical risks
- Ensure that there are ways for stakeholders to be made familiar with the codes of conduct and ethics policies
- Delegate implementation of codes of conduct and ethics policies to management and provide ongoing oversight of this management, including results in such matters as recruitment, employee remuneration, supplier selection, breach management, whistle-blowing and independent assessments
- Disclose how ethics are being managed, focus areas, monitoring measures and how ethical outcomes are addressed



Responsible Corporate Citizenship

03 Principle

“Ensure that the organisation is and is seen to be a responsible corporate citizen”

The recommended practices that the governing body should perform, are summarised as:

- Set the direction for good corporate citizenship, including compliance with the Constitution, laws, standards and own policies and procedures, as well as congruence with the organisation’s purpose, strategy and conduct
- Oversee and monitor (using agreed performance indicators and targets) the organisations status as a good corporate citizen in such areas as the workplace, economic behaviours and results, societal and environmental impacts
- Disclose how corporate citizenship is managed, current and future focus areas, monitoring measures and how corporate citizenship outcomes are addressed



Strategy and performance

04 Principle

“The governing body should appreciate that the organisation’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process”

The recommended practices that the governing body should perform, are summarised as:

- Steer and set the direction, purpose and strategy of the organisation
- Delegate to management the formulation and thereafter approval of strategy with due reference to timelines, risks and opportunities, resources and relationships, legitimate expectations of stakeholders, changes in the six capitals and the inter-connectedness and inter-dependencies of all these factors
- Approve managements policies and operational plans, including key performance measures and targets
- Delegate the implementation of policy and plans to management
- Oversee implementation of the strategy and plans by management against the agreed performance measures and targets
- Oversee that there is ongoing assessment and response to any negative consequences for the economy, society and environment by the company using its 6 capitals
- Be alert to the organisation’s general viability, reliance and effect on its capitals, solvency and liquidity and its going concern status



Reporting

05 Principle

“The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation’s performance, and its short, medium and long-term prospects”

The recommended practices that the governing body should perform, are summarised as:

- Set the direction, approach and conduct for the organisation’s reporting
- Approve the reporting frameworks to be used
- Oversee that the various reports are compliant with legal reporting requirements and meet the reasonable and legitimate needs of material stakeholders
- Ensure that an annual integrated report is issued (either as a stand-alone report or as part of another report)
- Approve the bases for determining materiality for the purposes of including in reports
- Ensure the integrity of external reports
- Oversee publication and access by stakeholders of the King Code™ disclosure requirements, integrated reports, financial statements and other external reports on its website or other appropriate platform/media



Primary roles and responsibilities
of the governing body

06 Principle

“The governing body should serve as the focal point and custodian of the corporate governance in the organisation”

The recommended practices that the governing body should perform, are summarised as:

- Exercise its leadership role; have a charter; approve a protocol for it, its committees and members to get professional advice; approve a protocol for non-executive members to get documentation and meetings with management
- Disclose the number of its meetings and attendance thereof, whether it is satisfied that it has discharged its responsibilities in relation to its charter





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Action without vision is only passing time, vision without action is merely day dreaming, but vision with action can change the world.

”

Nelson Mandela



07 Principle

“The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively”

The recommended practices that the governing body should perform, are summarised as:

Composition of the governing body

- Direct and approve the processes for attaining an appropriate composition
- Consider an appropriate size for itself, with reference to the optimal mix of knowledge, skills, experience, diversity, independence (i.e. executive, non-executive and independent non-executive members), sufficiency in numbers for its committees, quorum requirements, regulatory requirements and diversity targets
- Comprise of a majority of non-executive members, most of whom should be independent

- Appoint as a minimum the CEO and one other executive to the governing body
- Promote diversity in its membership (age, culture, race, gender and fields of expertise) and set targets for race and gender representation in its composition
- Arrange for periodic and staggered rotation of its membership
- Establish a succession plan for its membership

Nomination, Election and Appointment of members to the governing body

- Approve nominations as a whole and ensure that the process for nomination, election and appointment is formal and transparent



- Consider the collective attributes and diversity needed, as well as whether the candidate is 'fit and proper' prior to potential member nomination
- Consider the past performance of a member prior to nomination for re-election, and for potential non-executive directors request information of other commitments and whether he/she has sufficient time
- Investigate and verify potential members backgrounds and qualifications
- Disclose potential candidates profile and commitments, as well as governing body's endorsement, with annual general meeting notices
- After election of an incoming member, issue a letter of appointment, provide induction and for inexperienced members a mentor and training
- Obtain ongoing professional development

Independence and conflicts

- Obtain annually (or whenever there is significant change) from each member a declaration of all interests and related parties
- Obtain declarations from each member prior to any meeting of the governing body or its committees, any conflict of interest and proactively manage them
- Categorise non-executive members as independent if when judged by a reasonable and informed third-party they would conclude that there are no factors which could cause undue influence or biased decision-making
- Assess independence of a member with reference to the person being a;- provider of funding or capital (or an employee, officer or a representative of the same); share incentive scheme participant; owner of securities material to the member; employed as an executive in prior 3 years (or is related party to such executive); was the auditor (or key audit team member) in past 3 years; an advisor; governing body member or executive of a significant customer or supplier;

governing body member or executive of a related party organisation; or entitled to remuneration that is linked to the organisation's performance

- Assess a member for independence every year after 9 years of serving as a member, and allow continuance as an independent member if the same would be judged by a reasonable and informed third party
- Disclose satisfaction with composition of mix of governing body; gender and race targets and progress made; categorization of each director (including more information on directors serving longer than nine years); member's qualifications, experience, age, period of service, other governing body and positions held and reasons for departing members

Chair of the governing body

- Elect an independent member as chair and a lead independent non-executive member
- Document the role, responsibilities and term of the chair and lead independent non-executive member
- Not allow the CEO to be the chair, nor allow (until after 3 years) a retired CEO to become the chair
- Determine with the chair the number of other outside professional appointments that he/she can hold
- Generally;- Not allow the chair to be a member of the audit committee, chair of the remuneration committee or chair of social and ethics committee; Allow the chair to be a member of the remuneration committee and social and ethics committee; Allow the chair to be a member and/or the chair of the risk committee; Be a member of nominations committee and may also be its chair
- Ensure succession planning for the chair
- Disclose whether the chair is considered independent and the appointment of a lead non-executive and the respective role and responsibilities of the latter



08 Principle

“The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties”

The recommended practices that the governing body should perform, are summarised as:

General

- Determine delegation to individual members, groups of members, standing or ad-hoc committees
- Assume all the responsibilities itself if no delegations are made
- Provide and approve formal terms of reference to committees, and record in writing details of delegation to a member or group of members
- Ensure that composition, roles and responsibilities of committees are complimentary, not fragmented or duplicated and that there is no undue reliance or dominance by any individual member
- Ensure that each committee has a minimum of three members and sufficient capability and capacity to function effectively
- Allow any member to attend any committee meeting as an observer, and allow management to attend by standing or ad-hoc invitation
- Apply its mind to the information and results provided to it by its committees as delegation to a committee does not discharge the governing body of its accountability
- Disclose for every committee its role and responsibilities, composition (with



members qualifications and experience), advisors and attendees, areas of focus, number of and attendance at meetings, whether it is satisfied that it has fulfilled its responsibilities

Audit Committee

- Must in terms of law establish an audit committee for certain organisations (and should consider establishing one for those that issue audited financial statements) that has as its role to provide independent oversight of the assurance functions and on the integrity of the annual financial statements and other external reports
- May delegate (in addition to any statutory duties where applicable) other governance responsibilities such as approval of annual financial statements and risk governance (whilst ensuring sufficient time for the latter) but remains accountable
- Ensure that the audit committee oversees risks that may affect the integrity of external reports
- Ensure that the audit committee as a whole has the necessary financial literacy, skills and experience, and that all members are independent non-executive members of the governing body
- Appoint an independent non-executive chair
- Ensure that the audit committee meets annually with external and internal auditors without management
- Disclose (in addition to statutory disclosure requirements) all the above general matters relating to committees plus a statement on the independence and specific particulars thereof for the external auditor; significant annual financial statement matters and how addressed; views on quality of external audit, effectiveness of the chief audit executive and internal audit; effectiveness of the design and implementation of internal financial controls.....; effectiveness of the CFO and finance function and on combined assurance and the effectiveness thereof

Committee responsible for nominations of members of the governing body

- Consider allocating oversight of nomination, election and appointment process of members, succession planning and

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The real mechanism for corporate governance is the active involvement of the owners.

”

Lou Gerstner
Former CEO IBM



performance evaluations to a dedicated committee or another appropriate committee

- Ensure that nominations committee are all non-executive members of the governing body with the majority being independent
- Disclose the role and responsibilities, composition (with members qualifications and experience), advisors and attendees, areas of focus, number of and attendance at meetings, whether it is satisfied that the nomination committee has fulfilled its responsibilities

Committee responsible for risk governance

- Consider allocating oversight of risk governance to a dedicated committee or another appropriate committee
- Consider one or more members to have joint membership if the audit and risk committees are separate
- Ensure that the risk committee has executive and non-executive members of the governing body with a majority being non-executive
- Disclose the role and responsibilities, composition (with members qualifications and experience), advisors and attendees, areas of focus, number of and attendance at meetings, whether it is satisfied that the risk committee has fulfilled its responsibilities

Committee responsible for remuneration

- Consider allocating oversight of remuneration governance to a dedicated committee or another appropriate committee

- Ensure that the remuneration committee has non-executive members of the governing body with a majority being independent non-executive members and the chair being an independent non-executive member
- Disclose the role and responsibilities, composition (with members qualifications and experience), advisors and attendees, areas of focus, number of and attendance at meetings, whether it is satisfied that the remuneration committee has fulfilled its responsibilities

Social and ethics committee

- Must in terms of law establish a social and ethics committee for certain organisations, and should consider establishing one where not law, to have oversight of and report on organisational ethics, corporate citizenship, sustainable development and stakeholder relationships or add this to another appropriate committee
- Ensure that the social and ethics responsibilities include any statutory duties plus any other it may be delegated by the governing body
- Ensure that the social and ethics committee has executive and non-executive members with a majority being non-executive members of the governing body
- Disclose the role and responsibilities, composition (with members qualifications and experience), advisors and attendees, areas of focus, number of and attendance at meetings, whether it is satisfied that the social and ethics committee has fulfilled its responsibilities



Evaluation of the performance of the governing body

09 Principle

“The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness”

The recommended practices that the governing body should perform, are summarised as:

- Assume responsibility for performance evaluations of itself, its committees, its chair and individual members
- Appoint a lead independent director if there is not one to lead the evaluation of the chair
- Ensure that every two years an externally facilitated performance evaluation (or one not in accordance with the approved methodology of the governing body) is conducted on itself, its committees, its chair and individual members; and every alternate year reflect on the performance of itself, its committee, its chair and its members as a whole
- Disclose a description of the performance evaluations, scope, formality, whether or not externally facilitated, an overview of results and remedial actions, whether it is satisfied that it is improving its performance and effectiveness





It is not always about speed.
Remember to stop, reflect, consult
and make informed decisions.



Appointment and delegation to management

10 Principle

“The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities”

The recommended practices that the governing body should perform, are summarised as:

CEO appointment and role

- Appoint the CEO, who should be responsible to lead strategy implementation, report to the governing body and agree membership of other governing bodies
- Satisfy itself on CEO succession planning

Delegation

- Reserve certain powers and matters to itself and set those powers and matters to be delegated to management via the CEO
- Approve a delegation of authority framework, including specifically

authority to appoint ex-officio executive members and management

- Oversee that key management functions are led by a competent and appropriately authorized individual and are adequately resourced
- Satisfy itself on succession planning for executive management and key positions
- Disclose whether it is satisfied with the delegation of authority framework

Professional corporate governance services to the governing body

- Ensure that it has access to professional and independent guidance on legal and corporate governance matters and for the functioning of it and its committees



- Unless mandatory, consider appointing a company secretary/ other appropriate professional
- Approve the corporate governance services (and ensure this function has authority), appointment of company secretary/ other professional, contract, remuneration and necessary qualities
- Remove the company secretary/other professional
- Ensure the company secretary/other professional has access to and reports to the governing body via the chair for statutory matters and governing body matters and to an appropriate executive on other matters
- Evaluate annually the performance and independence of the company secretary/other professional
- Disclose the access to professional corporate governance services and the view on effectiveness thereof

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Corruption is the enemy of development, and of good governance. It must be got rid of. Both the government and the people at large must come together to achieve this national objective.

”

Pratibha Patil
Former President of India



Risk governance

11 Principle

“The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives”

The recommended practices that the governing body should perform, are summarised as:

- Set the approach for risk governance, including opportunities and risks when developing strategy and the potential positive and negative effects of the same risk on the achievement of objectives
 - Treat risk as integral part of decision-making and adherence to duties, approve risk policy, evaluate and agree the risks it is prepared to take (i.e risk appetite and risk tolerance levels)
 - Delegate to management risk management implementation
 - Oversee the risk management (including assessment of risks and opportunities
- in relation to the triple context and use of 6 capitals, achievement of objectives, dependency on resources as well as the risk responses, business continuity and culture of the organization)
- Consider receiving periodic, independent assurance on the effectiveness of risk management
 - Disclose nature and extent of risks and opportunities; overview of the risk management system; areas of focus; key risks, unexpected risks, risks taken outside tolerance levels; and actions to monitor and address risk management



Technology and information governance

12 Principle

“The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives”

The recommended practices that the governing body should perform, are summarised as:

- Set the approach and approve the policy for technology and information governance (including adoption of appropriate frameworks and standards)
- Delegate to management effective technology and information implementation
- Oversee results of managements implementation (including integration, business resilience, monitoring for responsiveness to cyber security and social media risks, third-party and outsourced service provider risks, value delivered from technology investments and projects, disposal of obsolete technology and information, ethical and responsible use and compliance with laws)
- Oversee management of information (including use, information architecture, protection of privacy and security)
- Oversee management of technology (including technology architecture, sourcing risks, developments and disruptions)
- Consider receiving periodic, independent assurance on the effectiveness of the technology and information, including outsourcing
- Disclose overview of governance and management; areas of current and future focus; significant changes, acquisitions, incident management; monitoring and response thereto



Compliance governance

13 Principle

“The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen”

The recommended practices that the governing body should perform, are summarised as:

- Direct the governance of compliance to laws, adopted non-binding rules, codes and standards
- Approve policy that directs compliance
- Delegate to management the responsibility for implementing compliance management
- Oversee compliance management so that it is understood, relates holistically and is responsive to changes and developments following continuous monitoring of the regulatory environment
- Disclose an overview of compliance management; areas of current and future focus; actions to monitor and address compliance management; material or repeated sanctions, fines and penalties on the organization, its officers and/or members; environment regulator inspections and incidents of non-compliance and the consequences



Remuneration governance

14 Principle

“The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in short, medium and long term”

The recommended practices that the governing body should perform, are summarised as:

Remuneration policy

- Set the direction and approach for remuneration of the organization and approve remuneration policy that aspires to fairness, responsibility and transparency
- Design the remuneration policy to attract and retain human capital, promote achievement of strategic objectives, positive outcomes, an ethical culture and responsible corporate citizenship
- In the remuneration policy, address organization-wide remuneration and that of executive management such that it is fair and responsible, use appropriate measures and outline voting by

shareholders

- In the remuneration policy set out all elements of remuneration
- Oversee implementation of the policy so as to ensure achievement of the policy objectives

Remuneration report

- Disclose the remuneration report in three parts;- background statement, main policy provisions and an implementation report of all remuneration to members and executive management

Background statement

- In the remuneration background statement, provide information on context and decision-making factors, results of voting on the policy and implementation report and responses



thereto, current and future focus areas, key decisions and changes, use of remuneration consultants and if the remuneration committee was satisfied with their independence and objectivity, and if they were satisfied as to whether the policy achieved its objectives

Overview of remuneration policy

- In the remuneration policy, disclose an overview of the main policy provisions, remuneration principles and elements for executive management and at a high level for the organization, executive termination arrangements, the framework and performance measures including an illustration thereof, how the policy addresses fairness between executive pay and employee pay, benchmarks, basis for non-executive member fees and an electronic link to the policy for public access

Implementation report

- In the implementation report disclose the remuneration of each executive member including vested and unvested award details, performance measures, targets and achievement thereto, termination payments and a statement on compliance to or deviation from the remuneration policy

Voting on remuneration

- For companies, comply with the Companies Act provisions relating to shareholder special resolution approval every two years for non-executive members
- For companies table annually the remuneration policy and implementation report at the AGM, and record voting results
- For companies take measures to address dissenting votes where they are 25% or more against the policy and/or the implementation report
- For companies disclose in the background statement, actions taken to engage with and address concerns in the event of 25% or more dissenting vote

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We cannot lead others if we cannot lead ourselves.

The hallmark of self-leadership is responsibility.

”

Adv. Thuli Madonsela
Former Public Protector



Assurance

15 Principle

“The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation’s external reports”

The recommended practices that the governing body should perform, are summarised as:

Combined Assurance

- Direct assurance services and functions and delegate to the audit committee oversight to ensure an effective internal control environment, integrity of information for management decision-making and external reporting
- Ensure a combined assurance model is applied that covers the significant risks and material matters through a combination of the organisation’s line functions, risk and compliance functions, internal auditors, fraud examiners, safety assessors, actuaries, external auditors,

other assurance providers and regulatory inspectors

- With its committees, assess output of the combined assurance and form their own opinion on integrity of information and reports and effectiveness of the control environment

Assurance of external reports

- Direct how assurance of external reports should be done taking account of legal requirements as well as whether assurance is provided over the underlying data or the process of preparing and reporting or both, suitability of the assurance, specifications for evaluating the contents of the report



- Satisfy itself as to the effectiveness of the combined assurance approach as a basis for making its statements on the integrity of external reports
- Disclose in external reports the type of assurance applied including nature, scope and extent of assurance on the report, and a statement on the integrity of the report and basis for the statement

Internal audit

- Direct internal audit and delegate oversight to the audit committee
- Approve an internal audit charter and ensure internal audit has sufficient and adequate skills, including supplementary specialists
- If there is a CAE and internal audit function, ensure that it is independent of management
- Approve the appointment, contract and remuneration of the CAE whilst ensuring that he/she is suitably capable
- Ensure the CAE has access to the audit committee chair, but that the CAE is not a member of the executive
- Ensure that if internal audit is outsourced that there is clarity on who is the CAE
- Ensure that the CAE reports to the chair of the audit committee on internal audit duties and on other matters to a designated executive
- Be responsible for removal of the CAE
- Monitor that internal audit follows a risk-based plan, reviews the risk profile regularly and adapts the plan accordingly
- Ensure internal audit makes an annual statement on the effectiveness of the governance, risk management and controls
- Ensure that the internal audit is externally and independently reviewed every 5 years
- Confirm annually with the CAE that the internal audit function conforms to a code of ethics



16 Principle

“In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder–inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time”

The recommended practices that the governing body should perform, are summarised as:

Stakeholders relationships

- Direct the stakeholder approach and approve policies to this effect
- Delegate to management effective stakeholder relationship management
- Oversee the management of stakeholder relationships including methodology for identification, material stakeholders, management of stakeholder risk, formal mechanisms for engagement and communication, and measurement of quality of stakeholder engagement

- Disclose an overview of stakeholder management, current and future focus areas and actions taken to monitor and address stakeholder engagement effectiveness

Shareholder relationships

- In the case of a company that has shareholders, oversee that there is encouragement of proactive shareholder engagements
- In the case of a company, ensure that all directors are available at the AGM, that the external audit partner is at the AGM and that the minutes of the AGM



of listed companies are made publically available

- In the case of a company, ensure equal treatment of all shareholders and that minority interests are protected

Relationships within a group of companies

- In the case of a holding company, direct the group relationships and power and approve a group governance framework that does not contain any conflicts
- In the case of a holding company, include the subsidiary company board are included in developing the group governance framework and ensure that there is recognition of the subsidiary as a separate person to whom the subsidiary board owes fiduciary duties
- In the case of a holding company, ensure that the group governance framework includes, role of the holding company; where appropriate delegation of certain matters of a subsidiary to the holding company; extent of adoption of holding company policies by the subsidiary; prior engagement with the subsidiary company before appointing directors, arrangements to reduce risk of a director who has a cross-holding misusing information between companies
- In the case of a holding company ensure that the agreed governance framework is implemented across the group
- In the case of a holding company, disclose the group governance arrangement
- In the case of a subsidiary company, disclose the responsibilities delegated to holding company committees and extent of holding company policies adopted



17 | Principle

“The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests”

The recommended practices that the governing body should perform, are summarised as follows:

- In the case of an institutional investor, direct how responsible investing will take place, approve policy for responsible investing
- In the case of an institutional investor, delegate to management and/or outsource manager the implementation for responsible investing policy
- In the case of an institutional investor, oversee that the formal outsourcing mandate incorporates the responsible investment policy
- In the case of an institutional investor, ensure accountability for complying with the formal mandate
- In the case of an institutional investor, disclose the responsible investment code adopted and its application thereof



Leading from the front, survival of the fittest, constant adaptation to change, respect for the environment - the wilderness and the corporate world have many similarities. The more detailed the look into each world, its routines, rules and ways of communication, the more obvious it becomes how beneficial it would be if the corporate world could learn from nature.





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