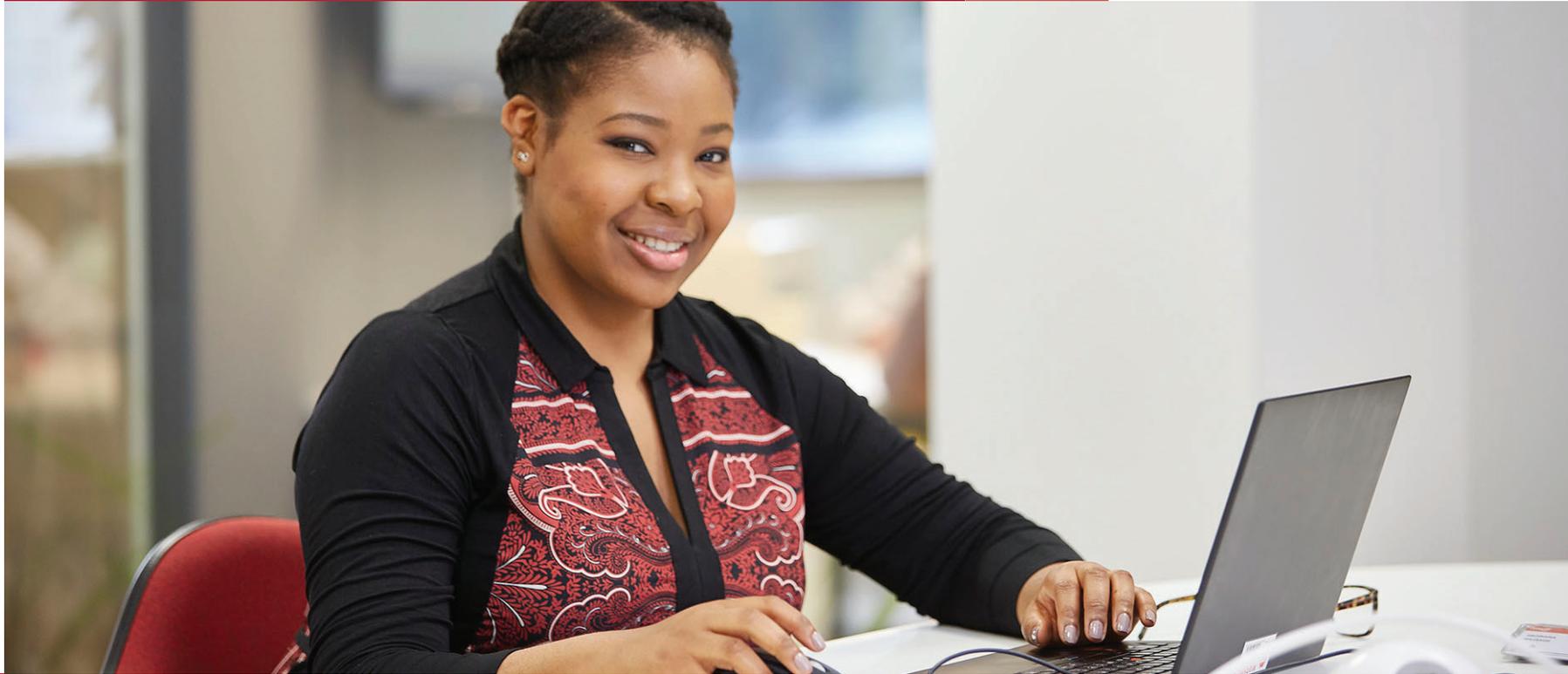


# Steering point

*Governing structures and delegation – A comparison between King IV™ and King III*

*April 2017*



## *Governing structures and delegation – A comparison between King IV™ and King III*

### *In this publication:*

*We compare the recommendations of the King IV Code™ with those of King III as they pertain to:*

• Governing bodies	2	• Social and ethics committees	30	• Committees responsible for nominations of members of the governing body	38
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• Group governance	21	• Committees responsible for remuneration	36		
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# Introduction



We addressed the main differences between King IV<sup>TM1</sup> and the King III Report<sup>2</sup> and the King III Code<sup>3</sup> (together referred to as ‘King III’ in this publication) in our publication titled King IV<sup>TM</sup> – *An outcomes-based corporate governance code fit for a changing world* (November 2016). In that publication, we discussed (among other things) the implications of the move from an ‘apply **or** explain’ to an ‘apply **and** explain’ regime in King IV<sup>TM</sup>, the reduction of 75 principles in King III to 17 in King IV<sup>TM</sup> and the building blocks of King IV<sup>TM</sup> (governance outcomes, principles and practices).

Considering that most of the King III principles have been retained in King IV<sup>TM</sup>, albeit as *recommended practices* rather than as *principles*, one could easily assume that the content of King III has remained largely unchanged in King IV<sup>TM</sup>. A comparison of the detail, however, crystallises the nuances between the two codes.

In this publication we compare the recommendations of King IV<sup>TM</sup> that are focused on governing structures and delegation, which are primarily contained in Part 5.3 of the King IV Code<sup>TM</sup>, to the related recommendations of King III.

A recurring theme throughout this comparison is the focus of King IV<sup>TM</sup> on the governing body’s responsibility to apply its mind in determining the structures and delegation frameworks that are appropriate for the organisation. In keeping with this approach, many of the King IV<sup>TM</sup> recommendations allow for more flexibility if compared to King III.

## Notes regarding the Companies Act

Although the Companies Act, 2008 (the Act) is not the focus of this comparison, we have included references to the Act where we deemed that it would be of particular interest or importance to provide context to, or greater understanding of, King IV<sup>TM</sup> to companies that apply King IV<sup>TM</sup>.

## What this comparison does not deal with: Disclosures

This comparison does not deal in detail with disclosures recommended by King IV<sup>TM</sup>.

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<sup>1</sup> The Institute of Directors in Southern Africa NPC owns all copyright and titles in the *King IV Report on Corporate Governance for South Africa, 2016* in its entirety, inclusive of all parts, sections, chapters and supplements that make up the King IV Report.

<sup>2</sup> *The King Report on Corporate Governance for South Africa* (The Institute of Directors in Southern Africa), September 2009

<sup>3</sup> *The King Code of Corporate Governance for South Africa* (The Institute of Directors in Southern Africa), September 2009

# Comparison of King IV™ and King III recommendations

Governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Reference</b>		Part 5: King IV Code on Corporate Governance™ Part 5.3: Governing structures and delegation	Chapter 2: Boards and directors
<b>Structure of the governing body</b>	The King IV™ recommendations are similar to those of King III: A unitary governing body consisting of executive and non-executive members.	When determining the requisite number of members of the governing body, the following factors should be considered: ... b. The appropriate mix of executive, non-executive and independent non-executive members. ... [Part 5.3 Recommended practice 7]	Given the positive interaction and diversity of views that occur between individuals of different skills, experience and backgrounds, the unitary board structure with executive directors (refer to Annex 2.2) and non-executive directors (refer to Annex 2.3) interacting in a working group remains appropriate for South African companies. The unitary system has been well established in South Africa.  [Chapter 2.62]
<b>Composition: Executive, non-executive and independent non-executive members</b>	The King IV™ recommendations are similar to those of King III.	The governing body should assume responsibility for its composition by setting the direction and approving the processes for it to attain the appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities.  [Part 5.3 Recommended practice 6]  The governing body should comprise a majority of non-executive members, most of whom should be independent.  [Part 5.3 Recommended practice 8]	The board should comprise a balance of power, with a majority of non-executive directors.  The majority of non-executive directors should be independent.  [Principle 2.18]
<b>Note regarding the Companies Act</b>			
The Act does not use the terms ‘executive’, ‘non-executive’ or ‘independent non-executive’ directors. The Act therefore does not contain provisions for the composition of the board with reference to executive, non-executive or independent non-executive directors.			
<b>Executive member of the governing body definition</b>	King IV™ does not define an executive member of the governing body.	<i>Not addressed.</i>	Involvement in the day-to-day management of the company or being in the full-time salaried employment of the company (or its subsidiary) or both defines the director as executive.  [Chapter 2: Annex 2.2]

Governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Non-executive member of the governing body definition</b>	King IV™ does not define a non-executive member of the governing body.	<i>Not addressed.</i>	<p>Not being involved in the management of the company defines the director as non-executive.</p> <p>Non-executive directors are independent of management on all issues including strategy, performance, sustainability, resources, transformation, diversity, employment equity, standards of conduct and evaluation of performance.</p> <p>An individual in the full-time employment of the holding company is also considered a non-executive director of a subsidiary company unless the individual, by conduct or executive authority, is involved in the day-to-day management of the subsidiary.</p> <p>[Chapter 2: Annex 2.3]</p>
<b>Independent non-executive member of the governing body definition</b>	King IV™ asks the governing body to consider all relevant factors prior to concluding that a member could be classified as being an independent non-executive member. The approach followed under King III was often limited to a consideration of the list of matters contained in King III.	<p>Non-executive members of the governing body may be categorised by the governing body as independent if it concludes that there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making in the best interests of the organisation.</p> <p>[Part 5.3 Recommended practice 27]</p> <p>The governing body should consider the following and other indicators holistically, and on a substance-over-form basis, when assessing the independence of a member of the governing body for purposes of categorisation. The member of the governing body:</p> <ol style="list-style-type: none"> <li>Is a significant provider of financial capital, or ongoing funding to the organisation; or is an officer, employee or a representative of such provider of financial capital or funding;</li> <li>If the organisation is a company, participates in a share-based incentive scheme offered by the company;</li> <li>If the organisation is a company, owns securities in the company, the value of which is material to the personal wealth of the director;</li> <li>Has been in the employ of the organisation as an executive manager during the preceding three financial years, or is a related party to such executive manager;</li> </ol>	<p>Independent non-executive directors should be independent in fact and in the perception of a reasonably informed outsider. Although independence of mind is essential, perceptions of independence are important.</p> <p>[Chapter 2.65]</p> <p>An independent director should be independent in character and judgement and there should be no relationship or circumstances which are likely to affect, or could appear to affect this independence. Independence is the absence of undue influence and bias which can be affected by the intensity of the relationship between the director and the company rather than any particular fact such as length of service or age.</p> <p>[Chapter 2.66]</p> <p>An independent non-executive director is a non-executive director who:</p> <ul style="list-style-type: none"> <li>Is not representative of a shareholder who has the ability to control or significantly influence management or the board;</li> <li>Does not have a direct or indirect interest in the company (including any parent or subsidiary in a consolidated group with the company) which exceeds 5% of the group's total number of shares in issue;</li> <li>Does not have a direct or indirect interest in the company which is less than 5% of the group's total number of shares in issue, but is material to his personal wealth;</li> </ul>

Governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Independent non-executive member of the governing body definition (cont.)</b>		<p>e. Has been the designated external auditor responsible for performing the statutory audit for the organisation, or a key member of the audit team of the external audit firm, during the preceding three financial years;</p> <p>f. Is a significant or ongoing professional adviser to the organisation, other than as a member of the governing body;</p> <p>g. Is a member of the governing body or the executive management of a significant customer of, or supplier to, the organisation;</p> <p>h. Is a member of the governing body or the executive management of another organisation which is a related party to the organisation; or</p> <p>i. Is entitled to remuneration contingent on the performance of the organisation.</p> <p>[Part 5.3 Recommended practice 28]</p>	<ul style="list-style-type: none"> <li>• Has not been employed by the company or the group of which it currently forms part in any executive capacity, or appointed as the designated auditor or partner in the group's external audit firm, or senior legal adviser for the preceding three financial years;</li> <li>• Is not a member of the immediate family of an individual who is, or has during the preceding three financial years been, employed by the company or the group in an executive capacity;</li> <li>• Is not a professional adviser to the company or the group, other than as a director;</li> <li>• Is free from any business or other relationships (contractual or statutory) which could be seen by an objective outsider to interfere materially with the individual's capacity to act in an independent manner, such as being a director of a material customer or supplier to the company; or</li> <li>• Does not receive remuneration contingent upon the performance of the company.</li> </ul> <p>[Chapter 2.67]</p>
<b>Composition: Race and gender representation</b>	King IV™ emphasises race and gender representation on the governing body.	<p>The governing body should promote diversity in its membership across a variety of attributes relevant for promoting better decision-making and effective governance, including field of knowledge, skills and experience as well as age, culture, race and gender.</p> <p>[Part 5.3 Recommended practice 10]</p> <p>The governing body should set targets for race and gender representation in its membership.</p> <p>[Part 5.3 Recommended practice 11]</p>	<p>Every board should consider whether its size, diversity and demographics make it effective. Diversity applies to academic qualifications, technical expertise, relevant industry knowledge, experience, nationality, age, race and gender.</p> <p>[Chapter 2.71]</p>
<b>Governing body charter</b>	King IV™ expands on the content of the governing body charter.	<p>The governing body should ensure that its role, responsibilities, membership requirements and procedural conduct are documented in a charter which it regularly reviews to guide its effective functioning.</p> <p>[Part 5.3 Recommended practice 2]</p>	<p>Every board should have a charter setting out its responsibilities...</p> <p>[Chapter 2.1]</p>

Governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Number of members</b>	King IV™ emphasises diversity targets in determining the number of members of the governing body.	<p>When determining the requisite number of members of the governing body, the following factors should be considered:</p> <ol style="list-style-type: none"> <li>The appropriate mix of knowledge, skills and experience, including the business, commercial and industry experience, needed to govern the organisation.</li> <li>The appropriate mix of executive, non-executive and independent non-executive members.</li> <li>The need for a sufficient number of members that qualify to serve on the committees of the governing body.</li> <li>The need to secure a quorum at meetings.</li> <li>Regulatory requirements.</li> <li>Diversity targets relating to the composition of the governing body.</li> </ol> <p>[Part 5.3 Recommended practice 7]</p>	<p>When determining the number of directors to serve on the board, the collective knowledge, skills, experience and resources required for conducting the business of the board should be considered. Factors determining the number of directors to be appointed are:</p> <ul style="list-style-type: none"> <li>Evolving circumstances, the needs of the company and the nature of its business;</li> <li>The need to achieve an appropriate mix of executive and independent non-executive directors;</li> <li>The need to have sufficient directors to structure board committees appropriately;</li> <li>Potential difficulties of raising a quorum with a small board;</li> <li>Regulatory requirements; and</li> <li>The skills and knowledge needed to make business judgement calls on behalf of the company.</li> </ul> <p>Every board should consider whether its size, diversity and demographics make it effective. Diversity applies to academic qualifications, technical expertise, relevant industry knowledge, experience, nationality, age, race and gender.</p> <p>[Chapter 2.70 and 71]</p>
<b>Note regarding the Companies Act</b>			
A private company or personal liability company should have at least one director.			
A public company or non-profit company should have at least three directors.			
The above minimum requirements are in addition to the minimum number of directors that the company must have to satisfy any requirement, whether in terms of the Act or its Memorandum of Incorporation (MOI), to appoint an audit committee or a social and ethics committee as contemplated in section 72(4) of the Act.			
A company's MOI may specify a higher number of directors.			
When calculating the minimum number of directors required for a company, any director who has been appointed to more than one committee must be counted only once.			
[Section 66(2), (3) and (12)]			
<b>Appointment of executive members to the governing body</b>	While King III was specific in recommending that the CEO and the director responsible for the finance function should be appointed to the governing body, King IV™ allows more flexibility in recommending that the CEO and <i>another executive</i> should be appointed to the governing body.	<p>As a minimum, the chief executive officer (CEO) and at least one other executive should be appointed to the governing body to ensure that it has more than one point of direct interaction with management. The executive other than the CEO appointed to the governing body may be the chief finance officer (CFO) or another designated executive as is appropriate for the organisation.</p> <p>[Part 5.3 Recommended practice 9]</p>	<p>As a minimum, two executive directors should be appointed to the board, being the chief executive officer and the director responsible for the finance function.</p> <p>[Chapter 2.73]</p>

Governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Process for nomination, election and appointment of members to the governing body</b>	King IV™ recommends the inclusion of the professional profiles of candidates standing for election or re-election in the notice of the AGM. King IV™ furthermore recommends that the governing body should explicitly state whether or not it supports the candidate's election or re-election.	<p>The nomination of candidates for election as members of the governing body should be approved by the governing body as a whole.</p> <p>[Part 5.3 Recommended practice 14]</p> <p>The processes for nomination, election and ultimately, the appointment of members to the governing body should be formal and transparent.</p> <p>[Part 5.3 Recommended practice 15]</p> <p>A brief professional profile of each candidate standing for election at the annual general meeting (AGM), including details of existing professional commitments, should accompany the notice of the AGM, together with a statement from the governing body whether it supports the candidate's election or re-election.</p> <p>[Part 5.3 Recommended practice 20]</p>	<p>Shareholders are ultimately responsible for the composition of the board and it is in their own interests to ensure that the board is properly constituted from the viewpoint of skill and representivity. Procedures for appointments to the board should be formal and transparent and should be a matter for the board as a whole, assisted by the nomination committee, subject to shareholder approval.</p> <p>Directors of companies are appointed in terms of the constitution of the company and in terms of the Act.</p> <p>[Chapter 2.17 and 2.80]</p>
<b>Letters of appointment for members of the governing body</b>	King IV™ addresses letters of appointment for all members of the governing body, whereas King III only addressed formalised agreements between the company and non-executive directors.	<p>Upon election, the terms and conditions for serving as a member of the governing body should be formalised in a letter of appointment.</p> <p>[Part 5.3 Recommended practice 21]</p>	<p>The appointment of a non-executive director should be formalised in an agreement between the company and the director. The agreement should include a director's code of conduct to be complied with and the contribution that is expected from the specific individual. The agreement should also set out the remuneration for holding office as director and the terms of directors' and officers' liability insurance to be provided.</p> <p>[Chapter 2.87]</p>
<b>Qualification criteria for candidates for appointment to the governing body</b>	The King IV™ recommendations are similar to those of King III.	<p>Before nominating a candidate for election, the governing body should consider the following:</p> <ol style="list-style-type: none"> <li>a. The collective knowledge, skills and experience required by the governing body.</li> <li>b. The diversity of the governing body.</li> <li>c. Whether the candidate meets the appropriate fit and proper criteria.</li> </ol> <p>[Part 5.3 Recommended practice 16]</p>	<p>Directors should be individuals of courage, and have the relevant knowledge, skills and experience to bring judgement to bear on the business of the company. In situations where directors may lack experience, detailed induction and formal mentoring and support programmes should be implemented.</p> <p>Boards should ascertain whether potential candidates are competent to be appointed as directors and can contribute to the business judgement calls to be made by the board. In looking at the skills and suitability of a proposed candidate director, there are three dimensions that require consideration, namely:</p> <ul style="list-style-type: none"> <li>• The knowledge and experience required to fill the gap on the board;</li> <li>• The apparent integrity of the individual; and</li> <li>• The skills and capacity of the individual to discharge his duties to the board.</li> </ul>

Governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Qualification criteria for candidates for appointment to the governing body (cont.)</b>			<p>The onus is on individual directors to determine whether they have the requisite skills and capacity to make a meaningful contribution and are free from apparent or actual conflicts.</p> <p>[Chapter 2.72, 2.81 and 2.86]</p>
<b>Background investigations of governing body candidates</b>	<p>King IV™ recommends <i>independent</i> investigation and verification of candidates' backgrounds and qualifications.</p>	<p>Prior to their nomination for election, candidates' backgrounds should be independently investigated, and their qualifications should be independently verified.</p> <p>[Part 5.3 Recommended practice 19]</p>	<p>Prior to their appointment, the directors' backgrounds should be investigated along the lines of the approach required for listed companies by the JSE Limited. It is also important to ensure that new directors have not been declared delinquent nor are serving under probation (section 162 of the Act). The nomination committee should play a role in this process.</p> <p>[Chapter 2.82]</p>
<b>Nominations for re-election of an incumbent of the governing body</b>	<p>Re-election of incumbents of the governing body was not addressed in King III.</p>	<p>Nomination for re-election of an incumbent of the governing body should be considered by the governing body on the basis of that member's performance, including attendance at meetings of the governing body and its committees.</p> <p>[Part 5.3 Recommended practice 17]</p>	<p><i>Not addressed.</i></p>
<b>Minimum number of meetings of the governing body per year</b>	<p>Although King IV™ does not address the minimum number of governing body meetings that should take place per year, it recommends that the number of meetings held during the reporting period should be disclosed.</p>	<p><i>Minimum number of meetings not addressed in King IV™.</i></p> <p>The following should be disclosed in relation to the primary role and responsibilities of the governing body:</p> <p>a. The number of meetings held during the reporting period, and attendance at those meetings.</p> <p>b. ...</p> <p>[Part 5.3 Recommended practice 5]</p>	<p>The board should meet as often as is required to fulfil its duties, preferably at least four times a year.</p> <p>[Chapter 2.1]</p>
<b>Conflicts of interests of governing body members</b>	<p>King IV™ recommends a formal declaration of financial, economic and other interests held by governing board members and their related parties at least annually or whenever there are significant changes.</p>	<p>Subject to legal provisions, each member of the governing body should submit to the governing body a declaration of all financial, economic and other interests held by the member and related parties at least annually, or whenever there are significant changes.</p> <p>[Part 5.3 Recommended practice 25]</p> <p>At the beginning of each meeting of the governing body or its committees, all members should be required to declare whether any of them has any conflict of interest in respect of a matter on the agenda. Any such conflicts should be proactively managed as determined by the governing body and subject to legal provisions.</p> <p>[Part 5.3 Recommended practice 26]</p>	<p>The personal interests of a director, or of people closely associated with that director, should not take precedence over the interests of the company.</p> <p>Any director who is appointed to the board as the representative of a party with substantial interest in the company, such as a major shareholder or a substantial creditor, should recognise the potential for conflict of interest. However, that director must understand that the duty to act in the best interests of the company remains paramount.</p> <p>Certain conflicts of interest are fundamental and should be avoided. Other conflicts (whether real or perceived) should be disclosed in good time and in full detail to the board and then appropriately managed.</p> <p>[Chapter 2.23 to 2.25]</p>

Governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Election of a chairperson</b>	The King IV™ recommendations are similar to those of King III.	<p>The governing body should elect an independent non-executive member as chair to lead the governing body in the objective and effective discharge of its governance role and responsibilities.</p> <p>[Part 5.3 Recommended practice 31]</p> <p>The CEO of the organisation should not also chair the governing body and the retired CEO should not become the chair of the governing body until three years have passed after the end of the CEO's tenure.</p> <p>[Part 5.3 Recommended practice 34]</p>	<p>The board should elect a chairman of the board who is an independent non-executive director.</p> <p>The CEO of the company should not also fulfil the role of chairman of the board.</p> <p>[Principle 2.16]</p>
<b>Retired CEO becoming chairperson</b>	The King IV™ recommendations are similar to those of King III.	<p>The CEO of the organisation should not also chair the governing body and the retired CEO should not become the chair of the governing body until three years have passed after the end of the CEO's tenure.</p> <p>[Part 5.3 Recommended practice 34]</p>	<p>The retired CEO should not become chairman of the board until three complete years have passed since the end of the CEO's tenure as an executive director. After this period, the CEO may be considered for appointment as a non-executive chairman, after an assessment of his independence.</p> <p>[Chapter 2.42]</p>
<b>Appointment of a lead independent member of the governing body</b>	Where King III only recommended the appointment of a lead independent in instances where the chairperson was not independent, King IV™ recommends the appointment of a lead independent as a matter of course, to fulfil functions that go beyond strengthening the independence of the governing body if the chair is not an independent non-executive member.	<p>The governing body should appoint an independent non-executive member as the lead independent to fulfil the following functions:</p> <ol style="list-style-type: none"> <li>To lead in the absence of the chair.</li> <li>To serve as a sounding board for the chair.</li> <li>To act as an intermediary between the chair and other members of the governing body, if necessary.</li> <li>To deal with shareholders' concerns where contact through the normal channels has failed to resolve concerns, or where such contact is inappropriate.</li> <li>To strengthen independence on the governing body if the chair is not an independent non-executive member of the governing body.</li> <li>To chair discussions and decision-making by the governing body on matters where the chair has a conflict of interest.</li> <li>To lead the performance appraisal of the chair.</li> </ol> <p>[Part 5.3 Recommended practice 32]</p>	<p>The chairman of the board should be independent and free of conflicts of interest at appointment, failing which the board should appoint a lead independent non-executive director (LID) (refer to Annex 2.1).</p> <p>In situations where the independence of the chairman is questionable or impaired, a LID should be appointed for as long as the situation exists.</p> <p>[Chapter 2.38]</p>

Governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Chairperson's role and functions</b>	King IV™ does not specify the core functions to be performed by the chair as was done in King III.	The chair's role, responsibilities and term in office, as well as that of the lead independent, should be documented in the charter of the governing body or elsewhere.  [Part 5.3 Recommended practice 33]	The chairman's role and functions should be formalised. These will be influenced by matters such as the lifecycle or circumstances of the company, the complexity of the company's operations, the qualities of the CEO and the management team, as well as the skills and experience of each board member.  <i>Core functions to be performed by the chairman are contained in Chapter 2 paragraph 40.1 to 40.17.</i>  [Chapter 2.40]
<b>Evaluation of chairperson's performance</b>	Where King III recommended a yearly performance evaluation, King IV™ recommends a formal process to be followed every two years.	The governing body should assume responsibility for the evaluation of its own performance and that of its committees, its chair and its individual members by determining how it should be approached and conducted.  The governing body should appoint an independent non-executive member to lead the evaluation of the chair's performance if a lead independent is not in place.  A formal process, either externally facilitated or not in accordance with methodology approved by the governing body, should be followed for evaluating the performance of the governing body, its committees, its chair and its individual members at least every two years.  Every alternate year, the governing body should schedule in its yearly work plan an opportunity for consideration, reflection and discussion of its performance and that of its committees, its chair and its members as a whole.  [Part 5.3 Recommended practices 71 to 74]	The chairman's ability to add value to the company and the chairman's actual performance against criteria developed from his formalised role and functions should form part of a yearly evaluation by the board.  Evaluation questions should include criteria to evaluate the performance of the chairman.  The board should appoint an independent non-executive director from within its ranks, or the LID, to lead the process of the evaluation of the chairman's performance if an independent service provider is not used.  The chairman should not be present when his performance is discussed by the board. This discussion and evaluation should be performed by the board as a whole under the guidance of the LID, deputy chairman, another independent non-executive director chosen by the board or an independent service provider.  [Chapter 2.41, 2.120 to 2.122]
<b>Outside professional positions held by the chairperson</b>	The King III recommendations focused on the number of outside chairships held by the chair. King IV™'s application is wider in that it asks for a consideration of outside 'professional positions' that the chair is allowed to hold.	In order to determine whether the chair is able to perform the duties of this office effectively, the chair, together with the governing body, should determine the number of outside professional positions that the chair is allowed to hold, taking into account the relative size and complexity of the organisations involved.  [Part 5.3 Recommended practice 35]	The chairman, together with the board, should carefully consider the number of outside chairmanships that he holds. The relative size and complexity of the companies in question should be taken into account. In this regard, chairmen of boards and board committees should apply their minds in an intellectually honest manner, and be satisfied that they have the ability and capacity to discharge their duties.  [Chapter 2.43]

Governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Chairperson's membership and chairship of committees of the governing body</b>	<p>King IV™ addresses the chair's membership of the social and ethics committee, which was not addressed in King III.</p> <p>In terms of King IV™, the chair of the governing body may chair the committee responsible for risk governance. King III advocated against such practice.</p>	<p>When determining which of its committees the chair of the governing body should serve on, either as member or chair, the governing body should consider how this affects the overall concentration and balance of power on the governing body. Generally, the following should apply:</p> <ol style="list-style-type: none"> <li>The chair should not be a member of the audit committee.</li> <li>The chair may be a member of the committee responsible for remuneration but should not be its chair.</li> <li>The chair should be a member of the committee responsible for nominations of members of the governing body and may also be its chair.</li> <li>The chair may be a member of the committee responsible for risk governance and may also be its chair.</li> <li>The chair may be a member of the social and ethics committee but should not be its chair.</li> </ol> <p>[Part 5.3 Recommended practice 36]</p>	<p>With regard to the chairman serving on other committees:</p> <ul style="list-style-type: none"> <li>The chairman should not be a member of the audit committee;</li> <li>The chairman should not chair the remuneration committee, but may be a member of it;</li> <li>The chairman should be a member of the nomination committee and may also be its chairman; and</li> <li>The chairman should not chair the risk committee but may be a member of it.</li> </ul> <p>[Chapter 2.45.1 to 2.45.4]</p>
<b>Succession plan for chairperson</b>	<p>The King IV™ recommendations are similar to those of King III.</p>	<p>The governing body should ensure there is succession planning in place for the position of chair.</p> <p>[Part 5.3 Recommended practice 37]</p>	<p>There should be a succession plan for the position of the chairman.</p> <p>[Chapter 2.46]</p>
<b>CEO appointment</b>	<p>The King IV™ recommendations are similar to those of King III.</p>	<p>The governing body should appoint the CEO.</p> <p>[Part 5.3 Recommended practice 76]</p>	<p>The board should appoint the chief executive officer and establish a framework for the delegation of authority.</p> <p>[Principle 2.17]</p>
<b>Delegation of authority to the CEO</b>	<p>The King IV™ recommendations are similar to those of King III.</p>	<p>The governing body should set the direction and parameters for the powers which are to be reserved for itself, and those that are to be delegated to management via the CEO.</p> <p>The governing body should approve a delegation of authority framework that articulates its set direction on reservation and delegation of power.</p> <p>The governing body should ensure that the delegation of authority framework addresses the authority to appoint executives who will serve as <i>ex officio</i> executive members of the governing body and to make other executive appointments.</p> <p>[Part 5.3 Recommended practices 84 to 86]</p>	<p>The board should appoint the chief executive officer and establish a framework for the delegation of authority.</p> <p>[Principle 2.17]</p>

Governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Evaluation of CEO's performance</b>	The King IV™ recommendations are similar to those of King III.	The governing body should formally evaluate the performance of the CEO against agreed performance measures and targets at least annually.  [Part 5.3 Recommended practice 82]	The CEO plays a critical role in the operations and success of the company's business. The role and functions of the CEO should be formalised and the board should evaluate the performance of the CEO against criteria developed from these.  The chairman, or a committee appointed by the board, should evaluate the performance of the CEO and other executive directors at least once a year.  The evaluation should assess the performance of the CEO and other executive directors, both as directors and as executives. The results of such an evaluation should also be considered by the remuneration committee to guide it in determining the remuneration of the CEO and other executive directors.  [Chapter 2.51, 2.123 and 2.124]
<b>CEO's membership of other committees</b>	The King IV™ recommendations are similar to those of King III.	The CEO should not be a member of the remuneration, audit or nomination committees, but should attend by invitation any meeting, or part thereof, if needed to contribute pertinent insights and information.  [Part 5.3 Recommended practice 79]	The CEO should not be a member of the remuneration, audit or nomination committees, but should attend by invitation.  CEOs should recuse themselves when conflicts of interest arise, particularly when their performance and remuneration are discussed.  [Chapter 2.57]
<b>Functions of the CEO</b>	King IV™ sets out the functions of the CEO in principle, without going into the detail that King III contained.	The CEO should be responsible for leading the implementation and execution of approved strategy, policy and operational planning, and should serve as the chief link between management and the governing body.  The CEO should be accountable, and report to, the governing body.  [Part 5.3 Recommended practices 77 and 78]	The functions of the CEO include: <ul style="list-style-type: none"> <li>• Recommending or appointing the executive team and ensuring proper succession planning and performance appraisals;</li> <li>• Developing the company's strategy for consideration and approval by the board;</li> <li>• Developing and recommending to the board yearly business plans and budgets that support the company's long-term strategy;</li> <li>• Monitoring and reporting to the board the performance of the company and its conformance with compliance imperatives;</li> <li>• Establishing an organisational structure for the company which is necessary to enable execution of its strategic planning;</li> <li>• Setting the tone in providing ethical leadership and creating an ethical environment;</li> </ul>

Governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Functions of the CEO (cont.)</b>			<ul style="list-style-type: none"> <li>Ensuring that the company complies with all relevant laws and corporate governance principles; and</li> <li>Ensuring that the company applies all recommended best practices and, if not, that the failure to do so is justifiably explained.</li> </ul> <p>[Chapter 2.60]</p>
<b>CEO taking up professional positions outside the organisation</b>	King IV™ is more comprehensive than King III as it addresses outside ‘professional positions’ and not only ‘non-executive directorships’ outside the company. King IV™, however, does not contain any outright recommendations against a CEO taking up chairship of a company outside of the group.	<p>The CEO and the governing body should agree on whether the CEO takes up additional professional positions, including membership of other governing bodies outside the organisation. Time constraints and potential conflicts of interest should be considered and balanced against the opportunity for professional development.</p> <p>[Part 5.3 Recommended practice 80]</p>	<p>The CEO should carefully apply his mind, in consultation with the chairman of the board, about the appropriateness of taking on non-executive directorships outside of the company or its group. Time constraints and potential conflicts of interests should be considered. The CEO should not become chairman of a company outside of the group.</p> <p>[Chapter 2.58]</p>
<b>Succession plan for CEO</b>	King IV™ is more comprehensive than King III as it recommends a succession plan to address emergency situations and succession over the long term.	<p>The governing body should satisfy itself that there is succession planning for the CEO position in place to provide continuity of executive leadership. Succession planning should be reviewed periodically, and should provide for both succession in emergency situations and succession over the long term.</p> <p>[Part 5.3 Recommended practice 81]</p>	<p>The board should also ensure that a succession plan is in place for the CEO, and other members of executive management and officers.</p> <p>[Chapter 2.61]</p>
<b>Other non-executive directorships taken on by executive members of the governing body</b>	King IV™ does not specifically address other non-executive directorships taken on by executive members of the governing body.	<i>Not addressed.</i>	<p>An executive director may take on other non-executive directorships, provided these are not detrimental to the immediate responsibilities as an executive director. An executive director should, therefore, apply his mind, in consultation with the chairman and CEO, as to whether such directorships would be appropriate.</p> <p>[Chapter 2.85]</p>

Governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Other professional commitments held by non-executive members of the governing body</b>	King IV™ is more comprehensive as it addresses outside ‘professional commitments’ and not only ‘directorships’ outside the company.	A candidate for election as a non-executive member of the governing body should be requested to provide the governing body with details of professional commitments and a statement that confirms that the candidate has sufficient time available to fulfil the responsibilities as member of the governing body.  [Part 5.3 Recommended practice 18]	Non-executive directors should ensure that they have (and take) the time required to attend to their duties. It is expected of them to: <ul style="list-style-type: none"> <li>• Attend board and board committee meetings; and</li> <li>• Acquire and maintain a broad knowledge of the economic environment, industry and business of the company.</li> </ul> <p>In view of the time and dedication required to fulfil their duties properly, it is important that non-executive directors do not hold any more directorships than is reasonable for them to exercise due care, skill and diligence. They should, therefore, honestly apply their minds to their workloads and abilities to discharge their duties. The board should examine the number of significant directorships held by an individual as part of the due diligence process. This should be balanced against the advantages obtained from an individual serving on more than one board or on more than one committee of a board or both.</p> <p>[Chapter 2.83 and 2.84]</p>
<b>Rotation of non-executive members of the governing body</b>	King IV™ allows for more flexibility in that it does not require a third of the non-executive members to rotate on a yearly basis.	The governing body should establish arrangements for periodic, staggered rotation of its members so as to invigorate its capabilities by introducing members with new expertise and perspectives while retaining valuable knowledge, skills and experience and maintaining continuity.  The governing body should establish a succession plan for its membership which should include the identification, mentorship and development of future candidates.  [Part 5.3 Recommended practices 12 and 13]	A programme ensuring a staggered rotation of non-executive directors should be put in place by the board to the extent that it is not already regulated by the company’s MOI or relevant regulation. Rotation of board members should be structured so as to retain valuable skills, maintain continuity of knowledge and experience and introduce people with new ideas and expertise.  At least one-third of non-executive directors should retire by rotation yearly, usually at the company’s AGM or other general meetings, unless prescribed through any applicable legislation. These retiring board members may be re-elected, provided they are eligible. The board, through the nomination committee, should recommend eligibility, considering past performance, contribution and the objectivity of business judgement calls.  Every year, non-executive directors classified as ‘independent’ should undergo an evaluation of their independence by the chairman and the board. If the chairman is not independent, the process should be led by the LID. Independence should be assessed weighing all relevant factors that may impair independence. The classification of directors in the integrated report, as independent or otherwise, should be done on the basis of this assessment.  [Chapter 2.74 to 76]

Governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Tenure of independent non-executive directors</b>	The King IV™ recommendations are similar to those of King III, although the emphasis is on the state of mind of the director rather than the length of the term.	A non-executive member of the governing body may continue to serve, in an independent capacity, for longer than nine years if, upon an assessment by the governing body conducted every year after nine years, it is concluded that the member exercises objective judgement and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making.  [Part 5.3 Recommended practice 29]	Any term beyond nine years (e.g. three three-year terms) should be subject to a particularly rigorous review by the board, of not only the performance of the director, but also the factors that may impair his independence at that time. The review should also take into account the need for refreshing the board.  Independent non-executive directors may serve longer than nine years if, after an independence assessment by the board, there are no relationships or circumstances likely to affect, or appearing to affect, the director's judgement. The assessment should show that the independent director's independence of character and judgement is not in any way affected or impaired by the length of service. A statement to this effect should be included in the integrated report.  [Chapter 2.77 and 2.78]
<b>Director development</b>	The King IV™ recommendations are similar to those of King III.	The governing body should ensure that incoming members are inducted to enable them to make the maximum contribution within the shortest time possible.  Members of the governing body with no or limited governance experience should be provided with mentorship and encouraged to undergo training.  A programme of professional development and regular briefings on legal and corporate governance developments, and risks and changes in the external environment of the organisation, should be provided for members of the governing body.  [Part 5.3 Recommended practices 22 to 24]	The induction of and ongoing training and development of directors should be conducted through formal processes.  [Principle 2.20]
<b>Removal of members of the governing body</b>	King IV™ does not address the removal of members of the governing body.	<i>Not addressed.</i>	The MOI should allow the board to remove any director from the board, including executive directors. Shareholder approval is not necessary for these decisions, provided this is included in the MOI.  Incompetent or unsuitable directors should be removed, taking relevant legal and other requirements into consideration. The chairman should lead the process.  [Chapter 2.79 and 2.94]

Governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Performance evaluation of the governing body</b>	Where King III recommended a yearly performance evaluation, King IV™ recommends a formal process to be followed every two years.	<p>The governing body should assume responsibility for the evaluation of its own performance and that of its committees, its chair and its individual members by determining how it should be approached and conducted.</p> <p>The governing body should appoint an independent non-executive member to lead the evaluation of the chair's performance if a lead independent is not in place.</p> <p>A formal process, either externally facilitated or not in accordance with methodology approved by the governing body, should be followed for evaluating the performance of the governing body, its committees, its chair and its individual members at least every two years.</p> <p>Every alternate year, the governing body should schedule in its yearly work plan an opportunity for consideration, reflection and discussion of its performance and that of its committees, its chair and its members as a whole.</p> <p>[Part 5.3 Recommended practices 71 to 74]</p>	<p>The evaluation of the board, its committees and the individual directors should be performed every year.</p> <p>[Principle 2.22]</p>

Committees of the governing body in general	PwC comment	Extract from King IV™	Extract from King III Report
<b>Reference</b>		<p>Part 5: King IV Code on Corporate Governance™</p> <p>Part 5.3: Governing structures and delegation</p>	Chapter 2: Boards and directors
<b>Appointing committees of the governing body</b>	<p>The King IV™ recommendations ask for the mindful application of judgement on the part of the governing body in the creation of committees and the delegation of responsibilities to such committees. The governing body should determine the number and type of committees that are appropriate for the organisation.</p>	<p>The governing body should determine if and when to delegate particular roles and responsibilities to an individual member or members of the governing body, or to standing or <i>ad hoc</i> committees. The exercise of judgement by the governing body in this regard is subject to legal requirements and should be guided by what is appropriate for the organisation and achieving the objectives of the delegation.</p> <p>In the event that the governing body determines not to delegate all or some of the responsibilities dealt with in this Code as part of the responsibilities of a specific committee, the governing body should ensure that it fulfils those responsibilities itself.</p> <p>[Part 5.3 Recommended practices 39 and 40]</p>	<p>The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.</p> <p>[Principle 2.23]</p>
<b>Effect of delegation of authority to committees</b>	<p>The King IV™ recommendations are similar to those of King III.</p>	<p>Any delegation by the governing body of its responsibilities to a committee or a member of the governing body will not by or of itself constitute a discharge of the governing body's accountability. The governing body should apply its collective mind to the information, opinions, recommendations, reports and statements presented by the committee or the member.</p> <p>[Part 5.3 Recommended practice 49]</p>	<p>Board committees constitute an important element in the governance process and should be established with clearly agreed reporting procedures and a written scope of authority.</p> <p>The Act recognises the right of a board to establish board committees, but by doing so, the board is not exonerated of complying with its legal responsibilities.</p> <p>[Chapter 2.125]</p>
<b>Note regarding the Companies Act</b>			
<p>Except to the extent that the MOI provides otherwise, the board may delegate to any committee any authority of the board.</p>			
<p>Except to the extent that the MOI or a resolution establishing a committee provides otherwise, a committee has the full authority of the board in respect of a matter referred to it.</p>			
<p>[Section 72(1)(b) and (2)(c)]</p>			
<p>The creation of a committee, delegation of any power of a committee or action taken by a committee does not alone satisfy or constitute compliance by a director with the required duty of a director to the company as set out in section 76.</p>			
<p>[Section 72(3)]</p>			

Committees of the governing body in general	PwC comment	Extract from King IV™	Extract from King III Report
<b>Terms of reference of committees</b>	<p>King IV™ additionally recommends that committees' terms of reference should set out the committee's access to resources and information, meeting procedures and the arrangements for evaluating the committee's performance.</p> <p>King IV™ does not, however, address the terms of reference of committees established by subsidiary companies.</p>	<p>Delegation to an individual member or members of the governing body should be recorded in writing and approved by the governing body. The record should set out the nature and extent of the responsibilities delegated, decision-making authority, the duration of the delegation, and the delegates' reporting responsibilities.</p> <p>Delegation to committees should be recorded by means of a formal terms of reference that should be approved and reviewed annually by the governing body.</p> <p>The terms of reference should, at a minimum, deal with the following:</p> <ol style="list-style-type: none"> <li>a. The composition of the committee and, if applicable, the process and criteria for the appointment of any committee members who are not members of the governing body.</li> <li>b. The committee's overall role and associated responsibilities and functions.</li> <li>c. Delegated authority with respect to decision-making.</li> <li>d. The tenure of the committee.</li> <li>e. When and how the committee should report to the governing body and others.</li> <li>f. The committee's access to resources and information.</li> <li>g. The meeting procedures to be followed.</li> <li>h. The arrangements for evaluating the committee's performance.</li> </ol> <p>[Part 5.3 Recommended practices 41 to 43]</p>	<p>The terms of reference of committees should be reviewed every year and any changes should be approved by the board.</p> <p>The terms of reference for each committee should, as a minimum, cover:</p> <ul style="list-style-type: none"> <li>• Composition;</li> <li>• Objectives, purpose and functions;</li> <li>• Delegated authorities, including the extent of its power to make decisions or recommendations or both;</li> <li>• Tenure; and</li> <li>• Reporting mechanism to the board.</li> </ul> <p>Where subsidiary companies within a group establish their own board committees, the relevant board committees of the holding company should review the terms of reference and the activities of such subsidiary's committees to assess the degree to which the holding company board committees can rely on their work.</p> <p>[Chapter 2.126, 2.134, 2.135]</p>

Committees of the governing body in general	PwC comment	Extract from King IV™	Extract from King III Report
<b>Membership of committees</b>	King IV™ focuses on the board's mindful consideration of committee membership to ensure effectiveness and efficiency and to ensure that committees are balanced so that an individual neither dominates nor is overly relied upon. King IV™ furthermore addresses the minimum recommended number of members for all committees of the governing body (three members).	<p>The governing body should consider the allocation of roles and associated responsibilities and the composition of membership across committees holistically, so as to achieve the following:</p> <ol style="list-style-type: none"> <li>a. Effective collaboration through cross-membership between committees, where required; coordinated timing of meetings; and avoidance of duplication or fragmented functioning in so far as possible.</li> <li>b. Where more than one committee has jurisdiction to deal with a similar matter, the specific role and positioning of each committee in relation to such matter are defined to ensure complementary rather than competing approaches.</li> <li>c. A balanced distribution of power in respect of membership across committees, so that no individual has the ability to dominate decision-making, and no undue reliance is placed on any individual.</li> </ol> <p>The governing body should ensure that each committee, as a whole, has the necessary knowledge, skills, experience and capacity to execute its duties effectively.</p> <p>Each committee should have a minimum of three members subject to legal provisions, where applicable.</p> <p>Members of the executive and senior management should be invited to attend committee meetings either by standing invitation or on an ad hoc basis to provide pertinent information and insights in their areas of responsibility.</p> <p>Every member of the governing body is entitled to attend any committee meeting as an observer. However, unless that member is also a member of the committee, the member is not entitled to participate without the consent of the chair; does not have a vote; and is not entitled to fees for such attendance, unless payment of fees is agreed to by the governing body and shareholders.</p> <p>[Part 5.3 Recommended practices 44 to 48]</p>	<p>Committees should be appropriately constituted, considering any relevant legislation and the objectives of the company.</p> <p>Board committees, other than the risk committee, should only comprise members of the board and should have a majority of non-executive directors. The majority of the non-executive directors serving on these committees should be independent.</p> <p>External parties, such as paid advisors, may be present at committee meetings by invitation, but will have no vote on the committee. Non-directors serving as members on committees of the board should be aware of Section 76 of the Act, which places the same standards of conduct and liability on such individuals as if they were directors. Experts should attend as independent contractors and not as members of the committee.</p> <p>Executive directors and senior management may be invited to attend committee meetings if the chairman of the committee considers their input and contribution to be of value to the decision-making process.</p> <p>Every director will normally be entitled to attend committee meetings for the purpose of gaining information relating to the company and its business. However, unless the director is a member of the committee, the director will not be entitled to participate in the proceedings without the consent of the chairman and will not have a vote. Directors who wish to attend the meetings in these circumstances should follow the process established by the board.</p> <p>[Chapter 2.127, 2.131, 2.132, 2.133, 2.139]</p>

Committees of the governing body in general	PwC comment	Extract from King IV™	Extract from King III Report
<b>Note regarding the Companies Act</b>			
Except to the extent that the MOI or a resolution establishing a committee provides otherwise, the committee may include persons who are not directors of the company. However:			
<ul style="list-style-type: none"> <li>• Any such person must not be ineligible or disqualified to be a director in terms of Section 69; and</li> <li>• No such person has a vote on a matter to be decided by the committee.</li> </ul>			
[Section 72(2)]			
<b>Committee chairs</b>	King IV™ does not contain an overarching recommendation, as was contained in King III, that committees should be chaired by independent non-executive members of the governing body.	<i>Not addressed.</i>	Committees should be chaired by independent non-executive directors, other than the executive committee, which is ordinarily chaired by the CEO.
	Note that King IV™ contains recommendations on the eligibility of the chair of the governing body and the CEO to chair committees of the governing body, addressed in an earlier part of this publication.		[Chapter 2.131]
<b>Consultation by committees</b>	King IV™ does not explicitly state that committees are permitted to take independent professional advice, although it recommends that committees' terms of reference should deal with the committee's access to resources and information.	The terms of reference should, at a minimum, deal with the following: ... f. The committee's access to resources and information. ... [Part 5.3 Recommended practice 43]	Board committees should be free to take independent, outside professional advice within the scope of their terms of reference, at the cost of the company, subject to a proper process being followed.
			[Chapter 2.138]
<b>Note regarding the Companies Act</b>			
Except to the extent that the MOI or a resolution establishing a committee provides otherwise, the committee may consult with or receive advice from any person.			
[Section 72(2)(b)]			

Committees of the governing body in general	PwC comment	Extract from King IV™	Extract from King III Report
<b>Committees for smaller organisations</b>	The King IV™ recommendations are similar to those of King III.	<p>The governing body should determine if and when to delegate particular roles and responsibilities to an individual member or members of the governing body, or to standing or <i>ad hoc</i> committees. The exercise of judgement by the governing body in this regard is subject to legal requirements and should be guided by what is appropriate for the organisation and achieving the objectives of the delegation.</p> <p>In the event that the governing body determines not to delegate all or some of the responsibilities dealt with in this Code as part of the responsibilities of a specific committee, the governing body should ensure that it fulfils those responsibilities itself.</p> <p>[Part 5.3 Recommended practices 39 and 40]</p>	<p>Smaller companies need not establish formal committees to perform functions, but should ensure that these functions are appropriately addressed by the board.</p> <p>[Chapter 2.130]</p>
<b>Reporting of committees to the governing body</b>	Although King IV™ recommends that committees' terms of reference should deal with when and how the committee should report to the governing body and others, it does not contain recommendations that specify the manner in which such reporting should be done. It is thus less procedural on this topic compared to King III.	<p>The terms of reference should, at a minimum, deal with the following:</p> <p>...</p> <p>e. When and how the committee should report to the governing body and others.</p> <p>[Part 5.3 Recommended practice 43]</p>	<p>The respective committees' chairmen should give at least an oral summary of their committees' deliberations at the board meeting following the committee meeting. The minutes of committee meeting proceedings should be included in the board pack for the board's information as soon as they have been approved.</p> <p>[Chapter 2.136]</p>

Group governance	PwC comment	Extract from King IV™	Extract from King III Report
<b>Reference</b>		<p>Part 5: King IV Code on Corporate Governance™</p> <p>Part 5.5: Stakeholder relationships</p>	Chapter 2: Boards and directors
<b>Relationships within a group of companies</b>	King IV™ contains more granular detail regarding the implementation of a group governance framework.	<p>The board of the holding company should assume responsibility for governance across the group by setting the direction for how the relationships and exercise of power within the group should be approached and conducted.</p> <p>The board should approve a group governance framework that articulates and gives effect to its direction on relationships and the exercise of authority across the group.</p> <p>The adoption and implementation of the policies, structures and procedures of the holding company is a matter for consideration and approval by the board of the subsidiary company as a separate legal entity. The board of the holding company should therefore ensure that the boards of its subsidiaries are included in the development of the group governance framework.</p> <p>The board of the holding company should ensure that the group governance framework does not conflict with the memoranda of incorporation, delegations of authority, shareholder agreements, board charters, board committee terms of reference, and related policies and agreements within the group.</p> <p>The board of the holding company should ensure that the group governance framework recognises each subsidiary within the group as a separate and independent juristic person to whom its directors owe fiduciary duties.</p> <p>The board of the holding company should ensure that the group governance framework addresses governance matters as is appropriate for the group, including the following:</p> <ol style="list-style-type: none"> <li>a. Delineation of the rights and role of the holding company.</li> <li>b. If applicable, delegation of certain responsibilities by the board of a subsidiary to a board committee of the holding company, without abdicating accountability, and subject to agreed reporting and information-sharing arrangements.</li> <li>c. The extent to which governance and operational policies of the holding company have been adopted by subsidiary companies in the group.</li> </ol>	<p>In cases where the subsidiary company is listed, special attention must be paid to the rules of the relevant stock exchange and the requirement that all shareholders must be treated equally. This is of specific relevance to the subsidiary company in establishing the flow of information between the subsidiary company and the holding company in so far as the Securities Services Act is concerned. Particular attention should be given to the need to comply with relevant rules in respect of inside information.</p> <p>Depending on the jurisdiction in which the subsidiary company operates, different legal and regulatory requirements may apply from those that apply to the holding company and the holding company should recognise these requirements.</p> <p>The holding company must recognise the fiduciary duties of the subsidiary company's directors and particularly their duty to act in the best interests of the subsidiary company at all times whether or not the director is nominated to the board of the subsidiary company by the holding company. In the case of a conflict between the duties of a nominee director to a company on whose board he sits and the interests of his principal, the duties of the director to the company of which he is a director must prevail.</p> <p>The holding company should consult the chairman of the board of the subsidiary company, and the nominations committee, where there is one, before nominating a director or directors to the subsidiary company board. This is to ensure that any candidates to be nominated meet the minimum requirements of the board of the subsidiary company as to skills, experience, background and other relevant attributes.</p> <p>In many situations, the chairman or CEO of a subsidiary company is appointed as a director on the holding company board. These situations are acceptable. It is, however, important to note that the fiduciary duties of the director are to the company to which he has been appointed.</p>

Group governance	PwC comment	Extract from King IV™	Extract from King III Report
<b>Relationships within a group of companies (cont.)</b>		<p>d. Engagement by the holding company with the board of a subsidiary company before the holding company exercises its rights to elect directors to the board of the subsidiary.</p> <p>e. Arrangements to address the risk of breaching legal duty in relation to the use of information obtained while acting as director of one company in the group for the purposes of another company in the group.</p> <p>The board of the holding company should ensure that the agreed group governance framework is implemented across the group.</p> <p>The holding company should disclose an overview of the group governance framework that is implemented across the group.</p> <p>The subsidiary company should disclose what responsibilities it has delegated to board committees of the holding company and the extent to which it has adopted the policies and procedures of the holding company.</p> <p>[Part 5.5 Recommended practices 11 to 19]</p>	<p>Adopting and implementing policies and procedures of the holding company in the operations of the subsidiary company should be a matter for the board of the subsidiary company to consider and approve, if the subsidiary company's board considers it appropriate. The subsidiary company should disclose this adoption and implementation in its integrated report.</p> <p>Where the holding company of a South African subsidiary is listed on another exchange, the principles contained in this Report should be applied by the subsidiary.</p> <p>[Chapter 2.140 to 146]</p>

Audit committees	PwC comment	Extract from King IV™	Extract from King III Report
<b>Reference</b>		<p>Part 5: King IV Code on Corporate Governance™</p> <p>Part 5.3: Governing structures and delegation</p>	Chapter 3: Audit committees
<b>Establishment of an audit committee</b>	<p>King IV™ allows for more flexibility than King III. The governing body should consider whether or not it is appropriate to establish an audit committee.</p>	<p>The establishment of an audit committee is a statutory requirement for some organisations. As a matter of leading practice, the governing body of any organisation that issues audited financial statements should consider establishing an audit committee...</p> <p>[Part 5.3 Recommended practice 51]</p>	<p>The shareholders of a public company and a state-owned company must elect the members of an audit committee at each annual general meeting. ...</p> <p>Private companies, non-profit companies and personal liability companies should voluntarily appoint an audit committee.</p> <p>The memorandum of incorporation of these companies should be carefully considered and drafted, setting out the composition and duties of the audit committee.</p> <p>[Chapter 3.3 and 3.4]</p>
<b>Note regarding the Companies Act</b>			
<p>At each annual general meeting, a public company, state-owned company or other company that is required only by its memorandum of incorporation to have an audit committee as contemplated in sections 34(2) and 84(1) (c) (ii) must elect an audit committee comprising at least three members, unless –</p> <p>a. the company is a subsidiary of another company that has an audit committee; and</p> <p>b. the audit committee of that other company will perform the functions required under this section on behalf of that subsidiary company.</p> <p>[Section 94(2)]</p>			
<b>Number of members</b>	<p>The King IV™ recommendations are similar to those of King III.</p>	<p>Each committee should have a minimum of three members, subject to legal provisions, where applicable.</p> <p>[Part 5.3 Recommended practice 46]</p>	<p>The audit committee should consist of at least three members.</p> <p>[Chapter 3.10]</p>
<b>Membership</b>	<p>The King IV™ recommendations are similar to those of King III.</p>	<p>All members of the audit committee should be independent, non-executive members of the governing body.</p> <p>[Part 5.3 Recommended practice 56]</p>	<p>All members of the audit committee of a public company and state-owned company must be independent non-executive directors (refer to Chapter 2 for the definition of an independent non-executive director).</p> <p>Where an audit committee is appointed at subsidiary level and the holding company has an audit committee that will perform the functions required in terms of Section 94 of the Act on behalf of that subsidiary, executive directors within the group may be appointed as audit committee members of the subsidiary. However, the directors must be non-executive in relation to the specific subsidiary.</p> <p>[Chapter 3.9]</p>

Audit committees	PwC comment	Extract from King IV™	Extract from King III Report
<b>Note regarding the Companies Act</b>			
<p>Each member of an audit committee of a company must –</p> <p>a. be a director of the company, who satisfies any applicable requirements prescribed in terms of subsection (5);</p> <p>b. not be –</p> <p>i. involved in the day-to-day management of the company’s business or have been so involved at any time during the previous financial year;</p> <p>ii. a prescribed officer, or full-time employee, of the company or another related or inter-related company, or have been such an officer or employee at any time during the previous three financial years; or</p> <p>iii. a material supplier or customer of the company, such that a reasonable and informed third party would conclude in the circumstances that the integrity, impartiality or objectivity of that director is compromised by that relationship; and</p> <p>c. not be related to any person who falls within any of the criteria set out in paragraph (b).</p> <p>[Section 94(4)]</p>			
<b>Chairperson</b>	The King IV™ recommendations are similar to those of King III.	The governing body should appoint an independent, non-executive member to chair the audit committee. [Part 5.3 Recommended practice 57]	The audit committee should be chaired by an independent non-executive director. [Principle 3.3]
<b>Minimum qualifications</b>	The King IV™ recommendations only address the need for the audit committee, as a whole, to have the necessary financial literacy skills and experience to fulfil its functions. King III contained an expansive list of additional topics on which the audit committee, as a whole, was recommended to be knowledgeable on.	The members of the audit committee should, as a whole, have the necessary financial literacy, skills and experience to execute their duties effectively. [Part 5.3 Recommended practice 55]	<p>There should be a basic level of qualification and experience for audit committee membership, even though the members may have been appointed by the shareholders.</p> <p>The nomination committee (or other board committee tasked with this) and the board should evaluate whether collectively (but not necessarily individually) the audit committee has an understanding of:</p> <ul style="list-style-type: none"> <li>• Integrated reporting, which includes financial reporting;</li> <li>• Internal financial controls;</li> <li>• External audit process;</li> <li>• Internal audit process;</li> <li>• Corporate law;</li> <li>• Risk management;</li> <li>• Sustainability issues;</li> <li>• Information technology governance as it relates to integrated reporting; and</li> <li>• The governance processes within the company.</li> </ul> <p>The collective skills of the members of the audit committee should be appropriate to the company’s size and circumstances, as well as its industry.</p>

Audit committees	PwC comment	Extract from King IV™	Extract from King III Report
<b>Minimum qualifications (cont.)</b>			<p>Because of the audit committee’s responsibility to oversee integrated reporting, there is a clear need for this committee, collectively, to have an understanding of International Financial Reporting Standards, South African Statements of Generally Accepted Accounting Practice, the guidelines of the Global Reporting Initiative and any other financial or sustainability reporting standards, regulations or guidelines applicable to the company.</p> <p>Audit committee members collectively should keep up to date with key developments affecting their required skills set.</p> <p>[Chapter 3.12 to 3.14 and 3.16]</p>
	<p><b>Note regarding the Companies Act</b></p> <p>Companies Regulation 42 requires that at least one-third of the members of a company’s audit committee at any particular time must have academic qualifications or experience in either:</p> <ul style="list-style-type: none"> <li>• Economics;</li> <li>• Law;</li> <li>• Corporate governance;</li> <li>• Finance;</li> <li>• Accounting;</li> <li>• Commerce;</li> <li>• Industry;</li> <li>• Public affairs; or</li> <li>• Human resource management.</li> </ul> <p>[Section 94(5) read with Regulation 42]</p>		
<b>Number of meetings</b>	<p>King IV™ is less prescriptive than King III in that it does not address the minimum number of meetings to be held per year.</p>	<p><i>Number of meetings to be held per year not addressed.</i></p> <p>The audit committee should meet annually with the internal and external auditors respectively, without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.</p> <p>[Part 5.3 Recommended practice 58]</p>	<p>The audit committee chairman should, in consultation with the company secretary, decide the frequency and timing of its meetings. The audit committee should meet as frequently as is necessary to perform its functions, but should meet at least twice a year.</p> <p>Reasonable time should be allocated for all audit committee meetings.</p> <p>The audit committee should meet at least once a year with the external and internal auditors without management being present.</p> <p>These may be separate meetings or meetings held before or after a scheduled audit committee meeting.</p> <p>[Chapter 3.7 and 3.8]</p>

Audit committees	PwC comment	Extract from King IV™	Extract from King III Report
<b>Filling of vacancies</b>	King IV™ does not address the filling of vacancies on the audit committee.	<i>Not addressed.</i>	The board must appoint a person to fill a vacancy on the audit committee should such vacancy arise. Such an appointment must be ratified by the shareholders at the subsequent annual general meeting.  [Chapter 3.17]
<b>Duties</b>	King IV™ does not automatically ascribe responsibility for overseeing the integrated report to the audit committee: The governing body should determine the appropriate committee to assist with its duty to ensure the integrity of external reports.  King IV™ similarly does not automatically ascribe responsibility for overseeing sustainability disclosures to the audit committee.	<p>...the role of which should be to provide independent oversight of, among others:</p> <ol style="list-style-type: none"> <li>a. The effectiveness of the organisation's assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit and the finance functions; and</li> <li>b. The integrity of the annual financial statements and, to the extent delegated by the governing body, other external reports issued by the organisation.</li> </ol> <p>[Part 5.3 Recommended practice 51]</p> <p>Whether or not the governance of risk is delegated to the audit committee, the audit committee should oversee the management of financial and other risks that affect the integrity of external reports issued by the organisation.</p> <p>[Part 5.3 Recommended practice 54]</p>	<p>The audit committee should oversee integrated reporting.</p> <p>The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.</p> <p>The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.</p> <p>The audit committee should be responsible for overseeing internal audit.</p> <p>The audit committee should be an integral component of the risk management process.</p> <p>The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.</p> <p>[Principles 3.4 to 3.9]</p> <p>The board is responsible for the integrity of integrated reporting. The audit committee should be tasked by the board to assist by overseeing the integrity of the integrated report. As part of this assigned responsibility, the audit committee should recommend the annual financial statements for approval by the board. The overseeing of sustainability issues in the integrated report should be delegated to the audit committee by the board.</p> <p>The audit committee should assist the board in approving the disclosure of sustainability issues in the integrated report by ensuring that the information is reliable and that no conflicts or differences arise when compared with the financial results.</p> <p>The audit committee should recommend to the board to engage an external assurance provider to provide assurance over material elements (such elements should be determined by the relevant committee responsible for overseeing the sustainability reporting) of the sustainability part of the integrated report. The audit committee should evaluate the independence and credentials of the external assurance provider.</p> <p>[Chapter 3.34 to 3.36]</p>

Audit committees	PwC comment	Extract from King IV™	Extract from King III Report
<b>Note regarding the Companies Act</b>			
The duties are to:			
<ul style="list-style-type: none"> <li>• Nominate, for appointment as auditor of the company under Section 90, a registered auditor who, in the opinion of the audit committee, is independent of the company;</li> <li>• Determine the fees to be paid to the auditor and the auditor's terms of engagement;</li> <li>• Ensure that the appointment of the auditor complies with the provisions of the Act and any other legislation relating to the appointment of auditors;</li> <li>• Determine, subject to the provisions of the Act, the nature and extent of any non-audit services that the auditor may provide to the company, or that the auditor must not provide to the company, or a related company;</li> <li>• Pre-approve any proposed agreement with the auditor for the provision of non-audit services to the company;</li> <li>• Prepare a report, to be included in the annual financial statements for that financial year, inter alia describing how the audit committee carried out its functions (more fully discussed below);</li> <li>• Receive and deal appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, relating to: <ul style="list-style-type: none"> <li>– The accounting practices and internal audit of the company;</li> <li>– The content or auditing of the company's financial statements;</li> <li>– The internal financial controls of the company; or</li> <li>– Any related matter;</li> </ul> </li> <li>• Make submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting; and</li> <li>• Perform such other oversight functions as may be determined by the board.</li> </ul>			
The appointment of an auditor other than the one nominated by the audit committee at its annual general meeting is not precluded, but if such an auditor is appointed, the appointment is valid only if the audit committee is satisfied that the proposed auditor is independent of the company.			
Neither the appointment nor the duties of an audit committee reduce the functions and duties of the board or the directors of the company, except with respect to the appointment, fees and terms of engagement of the auditor.			
[Section 94(7) and 94(10)]			
<b>Consulting specialists</b>	King IV™ does not specifically address the right of the audit committee to consult specialists. Note, however, that this is a right of an audit committee in terms of the Companies Act.	<i>Not addressed.</i>	The audit committee is, however, allowed to consult with specialists or consultants engaged by the audit committee to assist it with the performance of its functions, subject to a board-approved process. Such specialists or consultants should not be considered to be members of the committee and should not be entitled to vote on any matters.  [Chapter 3.15]
<b>Note regarding the Companies Act</b>			
A company must pay all expenses reasonably incurred by its audit committee, including, if the audit committee considers it appropriate, the fees of any consultant or specialist engaged by the audit committee to assist it in the performance of its functions.			
[Section 94(11)]			

Audit committees	PwC comment	Extract from King IV™	Extract from King III Report
<b>Report of the audit committee</b>	<p>The audit committee disclosures recommended by King IV™ are aimed at providing more insight into <i>how</i> the audit committee fulfilled its duties, with specific reference to the recommendation to provide insight into significant matters the audit committee had considered in relation to the annual financial statements and how these matters were addressed by the committee.</p> <p>The disclosures recommended by King IV™ are also much more expansive on providing shareholders with information on the audit committee's consideration of the tenure of the external audit firm and external audit partner.</p>	<p>In addition to required statutory disclosure and the disclosures recommended in paragraph 50, the following should also be disclosed in relation to the audit committee:</p> <ol style="list-style-type: none"> <li>a. A statement as to whether the audit committee is satisfied that the external auditor is independent of the organisation. The statement should specifically address: <ol style="list-style-type: none"> <li>i. The policy and controls that address the provision of non-audit services by the external auditor, and the nature and extent of such services rendered during the financial year;</li> <li>ii. The tenure of the external audit firm and, in the event of the firm having been involved in a merger or acquisition, including the tenure of the predecessor firm;</li> <li>iii. The rotation of the designated external audit partner; and</li> <li>iv. Significant changes in the management of the organisation during the external audit firm's tenure which may mitigate the attendant risk of familiarity between the external auditor and management.</li> </ol> </li> <li>b. Significant matters that the audit committee has considered in relation to the annual financial statements, and how these were addressed by the committee.</li> <li>c. The audit committee's views on the quality of the external audit, with reference to audit quality indicators such as those that may be included in inspection reports by external audit regulators.</li> <li>d. The audit committee's views on the effectiveness of the chief audit executive and the arrangements for internal audit.</li> <li>e. The audit committee's views on the effectiveness of the design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error.</li> <li>f. The audit committee's views on the effectiveness of the CFO and the finance function.</li> </ol>	<p>The audit committee should report internally to the board on how it has discharged its statutory duties, as well as those assigned to it by the board, during the financial year.</p> <p>As a minimum, the audit committee should provide the following information in the integrated report:</p> <ul style="list-style-type: none"> <li>• A summary of the role of the audit committee;</li> <li>• A statement on whether or not the audit committee has adopted formal terms of reference that have been approved by the board and, if so, whether the committee satisfied its responsibilities for the year in compliance with its terms of reference;</li> <li>• The names and qualifications of all members of the audit committee during the period under review, and the period for which they served on the committee;</li> <li>• The number of audit committee meetings held during the period under review and members' attendance at these meetings;</li> <li>• A statement on whether or not the audit committee considered and recommended the internal audit charter for approval by the board;</li> <li>• A description of the working relationship with the chief audit executive;</li> <li>• Information about any other responsibilities assigned to the audit committee by the board;</li> <li>• A statement on whether the audit committee complied with its legal, regulatory or other responsibilities; and</li> <li>• A statement on whether or not the audit committee recommended the integrated report to the board for approval.</li> </ul> <p>The audit committee should provide comment on the state of the internal control environment in the company's integrated report.</p> <p>Every year, the audit committee should consider and satisfy itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function. The results of the review should be disclosed in the integrated report.</p> <p>The audit committee must conclude and report yearly to the stakeholders and the board on the effectiveness of the company's internal financial controls.</p>

Audit committees	PwC comment	Extract from King IV™	Extract from King III Report
<b>Report of the audit committee (cont.)</b>		<p>g. The arrangements in place for combined assurance and the committee's views on its effectiveness.</p> <p>[Part 5.3 Recommended practice 59]</p>	<p>Weaknesses in financial control, whether from design, implementation or execution, that are considered material (individually or in combination with other weaknesses) and that resulted in actual material financial loss, fraud or material errors, should be reported to the board and the stakeholders. It is not intended that this disclosure be made in the form of an exhaustive list, but rather an acknowledgement of the nature and extent of material weaknesses and the corrective action, if any, taken to date of the report.</p> <p>For government institutions, including departments, public entities, municipalities, municipal entities and constitutional institutions in the public sector, the report of the audit committee must also include comments on the quality of the management and monthly or quarterly reports submitted under the Public Finance Management Act, 1999, the Municipal Finance Management Act, 2003, and the annual Division of Revenue Act.</p> <p>[Chapter 3.51, 3.69, 3.70, 3.83, 3.85, 3.88 and 7.30]</p>
<p><b>Note regarding the Companies Act</b></p>			
<p>The audit committee is required to prepare a report, which is to be included in the annual financial statements for that financial year:</p> <ul style="list-style-type: none"> <li>• Describing how the audit committee carried out its functions;</li> <li>• Stating whether the audit committee is satisfied that the auditor was independent of the company; and</li> <li>• Commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company.</li> </ul> <p>[Section 94(7)(f)]</p>			

Social and ethics committees	PwC Comment	Extract from King IV™	Extract from King III Report
<b>Reference</b>		<p>Part 5: King IV Code on Corporate Governance™</p> <p>Part 5.3: Governing structures and delegation</p>	Chapter 2: Boards and directors
<b>Establishment of a social and ethics committee</b>	<p>King IV™ recommends that the governing body of all organisations should consider the establishment of a social and ethics committee, or the allocation of such responsibilities to another committee as is appropriate for the organisation. King III only addressed statutorily required social and ethics committees.</p>	<p>For some companies, the establishment of a social and ethics committee is a statutory requirement. The governing body of any organisation not so obliged should consider allocating oversight of, and reporting on, organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships to a dedicated committee, or adding it to the responsibilities of another committee as is appropriate for the organisation.</p> <p>[Part 5.3 Recommended practice 68]</p>	<p>Establishing a social and ethics committee may be required for certain categories of companies (section 72(4) of the Act).</p> <p>[Chapter 2.130]</p>
<b>Note regarding the Companies Act</b>			
<p>The Act requires that social and ethics committees be appointed by:</p>			
<ul style="list-style-type: none"> <li>• Every state-owned company;</li> <li>• Every listed public company; and</li> <li>• Any other company with a public-interest score above 500 points in any two of the previous five years.</li> </ul>			
[Section 72(4) and Companies Regulation 43(1)]			
<b>Number of members</b>	<p>King III did not contain a recommendation regarding the minimum number of members of the committee.</p>	<p>Each committee should have a minimum of three members, subject to legal provisions where applicable.</p> <p>[Part 5.3 Recommended practice 46]</p>	<i>Not addressed.</i>
<b>Note regarding the Companies Act</b>			
<p>A minimum of three members is required.</p>			
[Companies Regulation 43(4)]			
<b>Composition</b>	<p>King IV™ does not require the majority of the non-executive members of the committee to be independent.</p> <p>Neither King IV™ nor King III contains a recommendation which advises against the CEO being a member of the social and ethics committee.</p>	<p>The social and ethics committee should, subject to legal provisions, have executive and non-executive members, with a majority being non-executive members of the governing body.</p> <p>[Part 5.3 Recommended practice 70]</p> <p>The CEO should not be a member of the remuneration, audit or nomination committees...</p> <p>[Part 5.3: Recommended practice 79]</p>	<p>Board committees, other than the risk committee, should only comprise members of the board and should have a majority of non-executive directors.</p> <p>The majority of the non-executive directors serving on these committees should be independent.</p> <p>[Chapter 2.131]</p> <p>The CEO should not be a member of the remuneration, audit or nomination committees, but should attend by invitation.</p> <p>[Chapter 2.57]</p>

Social and ethics committees	PwC Comment	Extract from King IV™	Extract from King III Report
	<p><b>Note regarding the Companies Act</b></p> <p>Directors or prescribed officers of the company:</p> <p>At least one of the members must be a director who is not involved in the day-to-day management of the company's business and must not have been so involved within the previous three financial years.</p> <p>[Companies Regulation 43(4)]</p>		
<b>Chairperson</b>	<p>King IV™ does not require the chairperson of the social and ethics committee to be an independent non-executive member of the governing body, as was recommended in King III.</p> <p>King IV™ does, however, contain a provision that the chairperson of the governing body should not chair the social and ethics committee. King III did not address whether or not the chairperson of the governing body may chair the social and ethics committee.</p> <p>Neither King IV™ nor King III contains a recommendation which advises against the CEO being a member of the social and ethics committee or chairing the committee.</p>	<p>The chair [of the governing body] may be a member of the social and ethics committee but should not be its chair.</p> <p>[Part 5.3 Recommended practice 36(e)]</p>	<p>Committees should be chaired by independent non-executive directors, other than the executive committee, which is ordinarily chaired by the CEO.</p> <p>[Chapter 2.131]</p>
<b>Functions</b>	<p>King III did not address the functions of the social and ethics committee.</p>	<p>For some companies, the establishment of a social and ethics committee is a statutory requirement. The governing body of any organisation not so obliged should consider allocating oversight of, and reporting on, organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships to a dedicated committee, or adding it to the responsibilities of another committee as is appropriate for the organisation.</p> <p>The responsibilities of the social and ethics committee should include its statutory duties (if applicable) and any other responsibilities delegated to it by the governing body.</p> <p>[Part 5.3 Recommended practices 68 and 69]</p>	<p><i>Not addressed.</i></p>

**Note regarding the Companies Act**

The committee is required to monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- Social and economic development, including the company's standing in terms of the goals and purposes of:
  - The ten principles set out in the United Nations Global Compact Principles;
  - Recommendations from the Organisation for Economic Cooperation and Development (OECD) regarding corruption;
  - The Employment Equity Act, 1998; and
  - The Broad-Based Black Economic Empowerment Act, 2003;
- Good corporate citizenship, including the company's:
  - Promotion of equality, prevention of unfair discrimination and reduction of corruption;
  - Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
  - Record of sponsorship, donations and charitable giving;
- The environment, health and public safety, including the impact of the company's activities and of its products and services;
- Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws; and
- Labour and employment, including
  - The company's standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
  - The company's employment relationships and its contribution toward the educational development of its employees.

[Companies Regulation 43(5)]

Committees responsible for risk governance	PwC Comment	Extract from King IV™	Extract from King III Report
<b>Reference</b>		<p>Part 5: King IV Code on Corporate Governance™</p> <p>Part 5.3: Governing structures and delegation</p>	<p>Chapter 2: Boards and directors</p> <p>Chapter 3: Audit committees</p> <p>Chapter 4: The governance of risk</p> <p>Chapter 5: The governance of information technology</p>
<b>Establishment of a committee responsible for risk governance</b>	<p>King IV™ allows for more flexibility than King III. The governing body should consider whether or not it is appropriate to establish a committee responsible for risk governance or adding it to the responsibilities of another committee, as is appropriate for the organisation.</p>	<p>The governing body should consider allocating the oversight of risk governance to a dedicated committee, or adding it to the responsibilities of another committee as is appropriate for the organisation.</p> <p>[Part 5.3 Recommended practice 62]</p> <p>If the governing body delegates risk governance to the audit committee, the audit committee should satisfy itself that it dedicates sufficient time to this responsibility.</p> <p>[Part 5.3 Recommended practice 53]</p>	<p>Unless legislated otherwise, the board should appoint risk, remuneration and nomination committees as standing committees.</p> <p>The board should assign oversight of the company's risk management function to an appropriate board committee (for example, a risk committee or the audit committee).</p> <p>Where the board assigns the oversight of the risk management function to the audit committee, the audit committee's responsibility for overseeing the risk management function should be identical to that of a risk committee in a company where a separate risk committee is established.</p> <p>The board may assign this responsibility to the audit committee. However, this should be done with careful consideration of the resources available to the audit committee to adequately deal with risk governance in addition to its audit responsibilities.</p> <p>[Chapter 2.130, 3.59, 3.61 and 4.17]</p>
<b>Number of members</b>	<p>King IV™ and King III contain similar recommendations.</p>	<p>Each committee should have a minimum of three members, subject to legal provisions where applicable.</p> <p>[Part 5.3 Recommended practice 46]</p>	<p>The risk committee should have a minimum of three members.</p> <p>[Chapter 4.21]</p>

Committees responsible for risk governance	PwC Comment	Extract from King IV™	Extract from King III Report
<b>Membership</b>	<p>King IV™ recommends that the <i>majority</i> of the members of the committee responsible for risk governance should be non-executive members of the governing body.</p> <p>King IV™ also addresses joint membership of audit and risk committees.</p> <p>Neither King IV™ nor King III contains a recommendation which advises against the CEO being a member of the committee responsible for risk governance.</p>	<p>The committee for risk governance should have executive and non-executive members, with a majority being non-executive members of the governing body.</p> <p>[Part 5.3 Recommended practice 64]</p> <p>If the committees for audit and risk are separate, the governing body should consider for one or more members to have joint membership of both committees for more effective functioning.</p> <p>[Part 5.3 Recommended practice 63]</p> <p>The chair [of the governing body] may be a member of the committee responsible for risk governance and may also be its chair.</p> <p>[Part 5.3 Recommended practice 36(d)]</p> <p>The CEO should not be a member of the remuneration, audit or nomination committees...</p> <p>[Part 5.3: Recommended practice 79]</p>	<p>Membership of the risk committee should include executive and non-executive directors.</p> <p>Those members of senior management responsible for the various areas of risk management should attend its meetings.</p> <p>Members of the risk committee, taken as a whole, should comprise people with adequate risk management skills and experience to equip the committee to perform its functions. To supplement its risk management skills and experience, the risk committee may invite independent risk management experts to attend its meetings.</p> <p>[Chapter 4.20]</p> <p>The chairman [of the board] should not chair the risk committee but may be a member of it.</p> <p>[Chapter 2.45]</p> <p>The CEO should not be a member of the remuneration, audit or nomination committees, but should attend by invitation.</p> <p>[Chapter 2.57]</p>
<b>Chairperson</b>	<p>King IV™ does not require the chair of the committee to be an independent non-executive member of the governing body, as was recommended in King III.</p> <p>King IV™ permits the chair of the governing body to chair the committee responsible for risk governance.</p> <p>Neither King IV™ nor King III contains a recommendation which advises against the CEO being a member of the committee responsible for risk governance or chairing the committee.</p>	<p>The chair [of the governing body] may be a member of the committee responsible for risk governance and may also be its chair.</p> <p>[Part 5.3 Recommended practice 36(d)]</p>	<p>Committees should be chaired by independent non-executive directors, other than the executive committee, which is ordinarily chaired by the CEO.</p> <p>[Chapter 2.131]</p> <p>The chairman [of the board] should not chair the risk committee but may be a member of it.</p> <p>[Chapter 2.45]</p>
<b>Number of meetings</b>	<p>King IV™ does not indicate the minimum number of meetings to be held per year by the committee responsible for risk governance.</p>	<i>Not addressed.</i>	<p>The risk committee should convene at least twice per year and individuals reporting to the committee should provide it with sufficient information to effectively discharge its responsibility.</p> <p>[Chapter 4.22]</p>

Committees responsible for risk governance	PwC Comment	Extract from King IV™	Extract from King III Report
<b>Duties and responsibilities</b>	King IV™ contains less detail, compared to King III, on the duties to be assigned to the committee responsible for risk governance.	The governing body should consider allocating the oversight of risk governance to a dedicated committee, or adding it to the responsibilities of another committee as is appropriate for the organisation.  [Part 5.3 Recommended practice 62]	<p>To assist it in the discharge of its duties and responsibilities in respect of risk management, the board should appoint a risk committee to review the risk management progress and maturity of the company, the effectiveness of risk management activities, the key risks facing the company, and the responses to address these key risks.</p> <p>The risk committee (or audit committee) should consider the risk management policy and plan, and should monitor the whole risk management process.</p> <p>A risk committee and audit committee should assist the board in carrying out its IT responsibilities.</p> <p>The risk committee should ensure that IT risks are adequately addressed through its risk management, monitoring and assurance processes.</p> <p>Areas that are highly dependent on IT are more exposed if IT risks are not appropriately governed. The risk committee should obtain appropriate assurance that controls in place are effective in addressing these risks.</p> <p>IT as it relates to financial reporting and the going concern of the company should be the responsibility of the audit committee. The risk committee has the responsibility to oversee the broader risk implications of IT.</p> <p>[Chapter 4.16, 4.19, 5.43, 5.46, 5.47 and Principle 5.7]</p>

Committees responsible for remuneration	PwC comment	Extract from King IV™	Extract from King III Report
<b>Reference</b>		Part 5: King IV Code on Corporate Governance™ Part 5.3: Governing structures and delegation	Chapter 2: Boards and directors
<b>Establishing a committee responsible for remuneration</b>	King IV™ allows for more flexibility than King III. The governing body should consider whether or not it is appropriate to establish a committee responsible for remuneration or adding it to the responsibilities of another committee, as is appropriate for the organisation.	The governing body should consider allocating oversight of remuneration to a dedicated committee, or adding it to the responsibilities of another committee as is appropriate for the organisation.  [Part 5.3 Recommended practice 65]	Unless legislated otherwise, the board should appoint the risk, remuneration and nomination committees as standing committees.  [Chapter 2.130]
<b>Number of members</b>	King IV™ recommends a minimum of three members for the committee responsible for remuneration. The number of committee members was not addressed in King III.	Each committee should have a minimum of three members subject to legal provisions, where applicable.  [Part 5.3 Recommended practice 46]	<i>Not addressed.</i>
<b>Membership</b>	King IV™ is more prescriptive as it recommends that <i>all</i> members of the committee should be non-executive members, with the majority of those members being independent non-executive members. King III permitted executive members of the governing body, other than the CEO, to be members of the committee.	All members of the committee for remuneration should be non-executive members of the governing body, with the majority being independent non-executive members of the governing body. [Part 5.3 Recommended practice 66]  The chair [of the governing body] may be a member of the committee responsible for remuneration but should not be its chair. [Part 5.3 Recommended practice 36]  The CEO should not be a member of the remuneration, audit or nomination committees ... [Part 5.3: Recommended practice 79]	Board committees, other than the risk committee, should only comprise members of the board and should have a majority of non-executive directors.  The majority of the non-executive directors serving on these committees should be independent. [Chapter 2.131]  The chairman [of the board] should not chair the remuneration committee, but may be a member of it. [Chapter 2.45]  The CEO should not be a member of the remuneration, audit or nomination committees, but should attend by invitation. [Chapter 2.57]

Committees responsible for remuneration	PwC comment	Extract from King IV™	Extract from King III Report
<b>Chairperson</b>	The King IV™ recommendations are similar to those of King III.	<p>The committee for remuneration should be chaired by an independent non-executive member.</p> <p>[Part 5.3 Recommended practice 67]</p> <p>The chair [of the governing body] may be a member of the committee responsible for remuneration but should not be its chair.</p> <p>[Part 5.3 Recommended practice 36(b)]</p>	<p>Committees should be chaired by independent non-executive directors, other than the executive committee, which is ordinarily chaired by the CEO.</p> <p>[Chapter 2.131]</p> <p>The chairman [of the board] should not chair the remuneration committee, but may be a member of it.</p> <p>[Chapter 2.45]</p>
<b>Duties</b>	The King IV™ recommendations are similar to those of King III.	<p>The governing body should consider allocating oversight of remuneration to a dedicated committee or adding it to the responsibilities of another committee, as is appropriate for the organisation.</p> <p>[Part 5.3 Recommended practice 65]</p>	<p>The remuneration committee should assist the board in its responsibility for setting and administering remuneration policies in the company's long-term interests.</p> <p>The committee considers and recommends remuneration policies for all levels in the company, but should be especially concerned with the remuneration of senior executives, including executive directors, and should also advise on the remuneration of non-executive directors.</p> <p>[Chapter 2.150]</p>

Committees responsible for nominations of members of the governing body	PwC Comment	Extract from King IV™	Extract from King III Report
<b>Reference</b>		Part 5: King IV Code on Corporate Governance™ Part 5.3: Governing structures and delegation	Chapter 2: Boards and directors Chapter 3: Audit committees
<b>Establishment of a committee responsible for nominations of members of the governing body</b>	King IV™ allows for more flexibility than King III™. The governing body should consider whether or not it is appropriate to establish a committee responsible for nominations of members of the governing body or adding certain responsibilities to another committee, as is appropriate for the organisation.	The governing body should consider allocating the oversight of the following to a dedicated committee, or adding it to the responsibilities of another committee as is appropriate for the organisation: a. The process for nominating, electing and appointing members of the governing body. b. Succession planning in respect of governing body members. c. Evaluation of the performance of the governing body. [Part 5.3 Recommended practice 60]	Unless legislated otherwise, the board should appoint the risk, remuneration and nomination committees as standing committees. [Chapter 2.130]
<b>Number of members</b>	King III did not address the minimum number of committee members of the committee responsible for nominations of members of the governing body.	Each committee should have a minimum of three members, subject to legal provisions where applicable. [Part 5.3 Recommended practice 46]	<i>Not addressed.</i>
<b>Membership</b>	King IV™ recommends that <i>all</i> members of the committee for nominations should be non-executive members, of whom the majority should be independent. King III permitted executive members of the governing body, other than the CEO, to be members of the committee for nominations.	All members of the committee for nominations should be non-executive members of the governing body, and the majority should be independent. [Part 5.3 Recommended Practice 61] The chair [of the governing body] should be a member of the committee responsible for nominations of members of the governing body and may also be its chair. [Part 5.3 Recommended practice 36(c)] The CEO should not be a member of the remuneration, audit or nomination committees... [Part 5.3: Recommended practice 79]	Board committees, other than the risk committee, should only comprise members of the board and should have a majority of non-executive directors. The majority of the non-executive directors serving on these committees should be independent. The chairman [of the board] should be a member of the nomination committee and may also be its chairman. [Chapter 2.131 and Chapter 2.45.3] The CEO should not be a member of the remuneration, audit or nomination committees, but should attend by invitation. [Chapter 2.57]

Committees responsible for nominations of members of the governing body	PwC Comment	Extract from King IV™	Extract from King III Report
<b>Chairperson</b>	King IV™ does not contain an overarching recommendation that the chair of this committee should be an <i>independent</i> non-executive member of the governing body.	The chair [of the governing body] should be a member of the committee responsible for nominations of members of the governing body and may also be its chair. [Part 5.3 Recommended practice 36(c)]	Committees should be chaired by independent non-executive directors, other than the executive committee, which is ordinarily chaired by the CEO.  The chairman [of the board] should be a member of the nomination committee and may also be its chairman. [Chapter 2.131 and Chapter 2.45.3]
<b>Duties</b>	King IV™ assigns the responsibilities of succession planning in respect of governing body members and performance evaluation of the governing body to the committee responsible for nominations of the members of the governing body.	The governing body should consider allocating the oversight of the following to a dedicated committee or adding it to the responsibilities of another committee as is appropriate for the organisation: a. The process for nominating, electing and appointing members of the governing body. b. Succession planning in respect of governing body members. c. Evaluation of the performance of the governing body. [Part 5.3 Recommended practice 60]	Procedures for appointments to the board should be formal and transparent and should be a matter for the board as a whole, assisted by the nomination committee, subject to shareholder approval.  The nomination committee (or other board committee tasked with this) and the board should evaluate whether collectively (but not necessarily individually) the audit committee has an understanding of: <ul style="list-style-type: none"><li>• Integrated reporting [etc]</li></ul> [Chapter 2.80 and Chapter 3.12]

Professional corporate governance services provided to the governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Reference</b>		Part 5: King IV Code on Corporate Governance™ Part 5.3: Governing structures and delegation	Chapter 2: Boards and directors
<b>Access by the governing body to professional and independent corporate governance guidance</b>	King IV™ addresses the wider concept of the provision of professional corporate governance services to the governing body, rather than only focusing on the appointment and role of a <i>company secretary</i> , as was done in King III.	The governing body should ensure that it has access to professional and independent guidance on corporate governance and its legal duties, and also that it has support to coordinate the functioning of the governing body and its committees. [Part 5.3 Recommended practice 90]  The governing body should approve the arrangements for the provision of professional corporate governance services, including whether to outsource them to a juristic person, or to make a full-time or part-time appointment. [Part 5.3 Recommended practice 92]	Not addressed.
<b>Appointment of a company secretary</b>	The King IV™ recommendations are similar to those of King III.	For some companies, the appointment of a company secretary is a statutory requirement. In respect of those companies, the company secretary provides professional corporate governance services. The governing body or an organisation not so obliged should, as a matter of leading practice, consider appointing a company secretary or other professional, as is appropriate for the organisation, to provide professional corporate governance services to the governing body. [Part 5.3 Recommended practice 91]	The appointment of a company secretary in public companies and state-owned companies is mandatory under the Act. Furthermore, the Act contains various provisions regarding the appointment, removal and duties of the company secretary. The company secretary has a pivotal role to play in the corporate governance of a company, and it is advisable that companies delegate or outsource this responsibility to an appropriate person or organisation if a company secretary is not employed. [Chapter 2.95]
<b>Note regarding the Companies Act</b>			
A public company or state-owned company must appoint a company secretary. [Section 86(1)]			
<b>Authority of the office of the company secretary or other professional providing corporate governance services</b>	The King IV™ recommendations are similar to those of King III.	Regardless of the arrangements it has approved, the governing body should ensure that the office of the company secretary or other professional providing corporate governance services, is empowered and that the position carries the necessary authority. [Part 5.3 Recommended practice 93]	The board should be aware of the company secretary's duties and should empower the company secretary to properly fulfil those duties. As gatekeeper of good governance, it is important for the company secretary to maintain an arms-length relationship with the board and its directors, as far as reasonably possible. [Chapter 2.97]

Professional corporate governance services provided to the governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Qualification criteria</b>	The King IV™ recommendations are similar to those of King III.	The governing body should approve the appointment, including the employment contract and remuneration of the company secretary or other professional providing corporate governance services. The governing body should oversee that the person appointed has the necessary competence, gravitas and objectivity to provide independent guidance and support at the highest level of decision-making in the organisation.  [Part 5.3 Recommended practice 94]	The board should be assisted by a competent, suitably qualified and experienced company secretary.  [Principle 2.21]
<b>Note regarding the Companies Act</b>			
Every company secretary, irrespective of whether the appointment is made as required by subsection (1) or in terms of a requirement in a company's memorandum of incorporation as contemplated in section 34(2) and 84(1)(c)(ii), must –  a. have the requisite knowledge of, or experience in, relevant laws; and  b. be a permanent resident of the Republic, and remain so while serving in that capacity.  [Section 86(2)]			
<b>Independence of the company secretary or professional providing corporate governance services</b>	The King IV™ recommendations are similar to those of King III.	The company secretary or other professional providing corporate governance services should have unfettered access to the governing body but, for reasons of independence, should maintain an arms-length relationship with it and its members; accordingly, the company secretary should not be a member of the governing body.  [Part 5.3 Recommended practice 96]	The board should be aware of the company secretary's duties and should empower the company secretary to properly fulfil those duties. As gatekeeper of good governance, it is important for the company secretary to maintain an arms-length relationship with the board and its directors, as far as reasonably possible.  [Chapter 2.97]  The company secretary should ideally not be a director of the company.  [Chapter 2.98]
<b>Removal of company secretary or professional providing corporate governance services</b>	The King IV™ recommendations are similar to those of King III.	The governing body should have primary responsibility for the removal of the company secretary or other professional providing corporate governance services.  [Part 5.3 Recommended practice 95]	The appointment and removal of a company secretary is a matter for the board.  [Chapter 2.96]

Professional corporate governance services provided to the governing body	PwC comment	Extract from King IV™	Extract from King III Report
<b>Reporting lines</b>	King IV™ is clearer regarding the reporting lines of the company secretary or other professional providing corporate governance services than King III.	The company secretary or other professional providing corporate governance services should report to the governing body via the chair on all statutory duties and functions performed in connection with the governing body. Regarding other duties and administrative matters, the company secretary or other professional providing corporate governance services should report to the member of executive management designated for this purpose as is appropriate for the organisation.  [Part 5.3 Recommended practice 97]	The company secretary should have a direct channel of communication to the chairman and should be available to provide comprehensive practical support and guidance to directors, with particular emphasis on supporting the non-executive directors, the chairman of the board and the chairmen of committees and the audit committee.  [Chapter 2.103]
<b>Performance evaluation of company secretary or professional providing corporate governance services</b>	King III did not address the performance assessment of the company secretary.	The performance and independence of the company secretary or other professional providing corporate governance services should be evaluated at least annually by the governing body.  [Part 5.3 Recommended practice 98]	<i>Not addressed.</i>
<b>Duties</b>	King IV™ does not specify the duties of the company secretary or professional providing corporate governance services as King III did.	The governing body should ensure that it has access to professional and independent guidance on corporate governance and its legal duties, and also that it has support to coordinate the functioning of the governing body and its committees.  [Part 5.3 Recommended practice 90]	The company secretary should assist the nomination committee and ensure that the procedure for the appointment of directors is properly carried out.  The company secretary should assist in the proper induction, orientation, ongoing training and education of directors, including assessing the specific training needs of directors and executive management in their fiduciary and other governance responsibilities.  The individual directors, and the board collectively, should look to the company secretary for guidance on their responsibilities and duties and how such responsibilities and duties should be properly discharged in the best interests of the company.  The company secretary should provide a central source of guidance and advice to the board, and within the company, on matters on good governance and of changes in legislation.  The company secretary should ensure that the board and board committee charters and terms of reference are kept up to date.

**Duties (cont.)**

The company secretary should be responsible for ensuring the proper compilation and timely circulation of board papers and for assisting the chairman of the board and committees with the drafting of yearly work plans.

The company secretary should have the duty to obtain appropriate responses and feedback to specific agenda items and matters arising from earlier meetings in board and board committee deliberations. The company secretary's role should also be to raise matters that may warrant the attention of the board.

The company secretary should ensure that the proceedings of board and committee meetings are properly recorded and that minutes of meetings are circulated to the directors in a timely manner, after the approval of the chairman of the board or relevant board committee.

The company secretary should assist the board with the yearly evaluation of the board, its individual directors and senior management.

[Chapter 2.99 to 102 and 104 to 108]

# Let's talk



Organisations wanting to determine the impact of King IV™ on their governance structures and processes should take note, in particular, of the King IV™ recommendations that expand on the recommendations of King III. The additional detail may point to a need to expand their current governance structures or processes. Also important to consider is recommendations that are less prescriptive than those of King III, in order to take advantage of the flexibility afforded by King IV™.

PwC supports good corporate governance and would like to engage with you on the impact of King IV™ on your organisation.

Please contact your engagement partner, or any of the following persons:

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