

King's Counsel*

King III – Disclosure requirements

Steering point

The Third King Report on governance contains various disclosure requirements for entities that claim application of the Code. This Steering Point collates the disclosure requirements of King III for the:

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This Steering Point supplements the September 2009 Steering Point “King III at a glance”.



King III disclosure checklist

1. Integrated Report

	Disclosure requirement	King III reference	Is the entity currently disclosing this information? Yes/ No
1.1	Preparation of an integrated report		
1.1.1	An integrated report that conveys adequate information about the operations of the company and its integrated sustainability and financial reporting should be prepared annually.	Chapter 9 par 5	
1.1.2	The board should report to its shareholders and other stakeholders on the company's economic, social and environmental performance in a transparent manner.	Chapter 1 par 16 Chapter 9 par 13 Chapter 3 par 24	
1.1.3	The integrated report should describe how the company has made its money; hence the need to contextualize financial results by reporting on the positive and negative impact the company's operations had on its stakeholders.	Chapter 9 par 11	
1.1.4	The integrated report should be focused on substance over form and should disclose information that is complete, timely, relevant, accurate, honest, accessible and comparable with past performance of the company. It should also contain forward-looking information.	Chapter 9 par 7	
1.2	Statement of application of King III		
1.2.1	Where entities have applied the Code and best practice recommendations in the Report, a positive statement to this effect should be made to stakeholders.	Code of governance principles	
1.2.2	In situations where the board or those charged with governance decide not to apply a specific principle and/ or recommendation, this should be explained fully to the entity's stakeholders.	Code of governance principles	
1.3	Going concern		
1.3.1	The board should disclose that the company is a going concern and whether it will continue to be a going concern. If it will not continue to be a going concern, the board should give the reasons and the steps it is taking to remedy the situation.	Chapter 9 par 10	
1.4	Disclosure regarding directors		
1.4.1	The reasons for the removal, resignation or retirement of directors.	Chapter 2 par 88.1	
1.4.2	Composition of the board and board committees, including external advisers who regularly attend or are invited to attend committee meetings.	Chapter 2 par 88.2 Chapter 2 par 127	
1.4.3	Number of board meetings and board committee meetings held, attendance and activities.	Chapter 2 par 88.2	
1.4.4	Length of service and age of directors.	Chapter 2 par 88.4	
1.4.5	Education, qualifications and experience of the directors.	Chapter 2 par 88.3	
1.4.6	Whether supervising of new management is required in which case retention of board experience would be called for.	Chapter 2 par 88.5	
1.4.7	Actual or potential political connections or exposure.	Chapter 2 par 88.7	
1.4.8	Other significant directorships of each board member.	Chapter 2 par 88.6	

	Disclosure requirement	King III reference	Is the entity currently disclosing this information? Yes/ No
1.4.9	If relevant, the fact that a chairman of the board has been appointed who is either a non-executive director but who is not independent, or who is an executive director, with the reasons and justifications for it.	Chapter 2 par 39	
1.4.10	The classification of directors as independent or otherwise.	Chapter 2 par 76	
1.4.11	The board should state that appraisals of the board and its committees have been conducted and should provide an overview of the results of the performance assessment and the action plans to be implemented, if any.	Chapter 2 par 114	
1.4.12	To the extent that an independent non-executive director may serve longer than nine years, a statement indicating that the directors independence or character and judgement had been assessed and was not considered to be affected or impaired by the length of service should be included in the integrated report.	Chapter 2 par 78	
1.5	Statement by the board on internal controls		
1.5.1	The board should report on the effectiveness of the system of internal controls in the integrated report.	Chapter 7 par 12	
1.5.2	The board should disclose details in the integrated report on how it discharged its responsibility to ensure the establishment of an effective compliance framework and process.	Chapter 6 par 10	
1.6	Statement by the board on risk management		
1.6.1	Having given due regard to the company's commercially privileged information, disclosure should be provided of any undue, unexpected or unusual risks taken in the pursuit of reward as well as any material losses and their causes that the company has suffered for the period under review. In disclosing the material losses, the board should endeavour to quantify and disclose the effect that these losses have had on the company and the steps taken by the board and the management to prevent a recurrence.	Chapter 4 par 54	
1.6.2	Disclosure of any current, imminent or envisaged risk that may threaten the long-term sustainability of the company.	Chapter 4 par 55	
1.6.3	The board's views on the effectiveness of the company's risk management processes should be disclosed in the integrated report.	Chapter 4 par 56	
1.6.4	The board may set limits regarding the company's risk appetite. Where the risk appetite exceeds, or deviates materially from the limits of the company's risk tolerance, this should be disclosed in the integrated report.	Chapter 4 par 13	
1.6.5	The company's integrated report should include key sustainability risks, and responses to these risks and residual sustainability risks.	Chapter 4 par 39	
1.7	Internal audit		
1.7.1	Where the board, in its discretion, decides not to establish an internal audit function, full reasons should be disclosed with an explanation as to how adequate assurance of an effective governance, risk management and internal control environment have been maintained.	Chapter 7 par 1	

	Disclosure requirement	King III reference	Is the entity currently disclosing this information? Yes/ No
1.8	Assurance on sustainability reporting		
1.8.1	To the extent that sustainability reports are subject to assurance, the name of the assurer should be clearly stated, together with the period under review, the scope of the assurance exercise and the methodology adopted.	Chapter 9 par 21	
1.9	Managing stakeholder relationships		
1.9.1	Companies should consider disclosing in their integrated report the following additional information, subject to such disclosure not detrimentally affecting the company or resulting in breach of any agreement to which it is a party: <ol style="list-style-type: none"> 1. the number and reasons for refusals of requests for information that were lodged with the company in terms of the Promotion of Access to Information Act, 2000; or 2. any material or immaterial but often repeated regulatory penalties, sanctions and fines for contraventions or noncompliance with statutory obligations that were imposed on the company or any of its directors or officers. 	Chapter 6 par 22 Chapter 8 par 36	
1.9.2	The board should disclose in its integrated report the nature of its dealings with its stakeholders and the outcomes of these dealings.	Chapter 8 par 22	
1.10	Compliance with laws, regulations, rules and standards.		
1.10.1	Companies should disclose the applicable non-binding rules, codes and standards to which they adhere on a voluntary basis.	Chapter 6 par 6	
1.11	Terms of reference board committee		
1.11.1	The integrated report should disclose the terms of reference of board committees, as approved by the board.	Chapter 2 par 127	
1.12	Ethics performance		
1.12.1	The company's ethics performance should be disclosed.	Chapter 1 par 49	
1.13	IT Reporting		
1.13.1	IT reporting included in the integrated report by the board should be complete, timely, relevant, accurate and accessible.	Chapter 5 par 9	
1.14	Commentary on financial results		
1.14.1	The board should include commentary on the company's financial results which enables stakeholders to make informed assessments of the company's economic value, and gives insight into the prospects for future value creation and the board's assessment of the key risks which may limit those prospects.	Chapter 9 par 9	

2. Annual remuneration report (to be included in the integrated report)

	Disclosure requirement	King III reference	Is the entity currently disclosing this information? Yes/ No
2.1	Preparation of a remuneration report		
2.1.1	The remuneration committee should issue a remuneration report which is included in the integrated report.	Chapter 2 par 181	
2.2	General disclosure requirements		
2.2.1	Explain the remuneration policies followed, with a special focus on executive management, and the strategic objectives that it seeks to achieve. Provide clear disclosure of their implementation.	Chapter 2 par 181	
2.2.2	Explain the policy on base pay, including the use of appropriate benchmarks. A policy to pay salaries on average at above median requires special justification.	Chapter 2 par 182	
2.2.3	Any material payments that may be viewed as being ex-gratia in nature should be fully explained and justified.	Chapter 2 par 182	
2.2.4	All benefits including pensions, benefits in kind and other financial arrangements should be suitably disclosed.	Chapter 2 par 152	
2.3	Base pay and bonuses		
2.3.1	Targets for threshold expected and stretch levels of performance should be robustly set and monitored and the main performance parameters should be disclosed.	Chapter 2 par 159	
2.4	Contracts and severance		
2.4.1	<p>Policies regarding executive employment contracts should be set out in the annual remuneration report.</p> <p>These policies normally include at least the following:</p> <ol style="list-style-type: none"> 1. the period of the contract as well as the notice of termination; and 2. the nature and period of any restraint. 	<p>Chapter 2 par 183</p> <p>Chapter 2 par 184</p>	
2.4.2	The maximum and the expected potential dilution that may result from the incentive awards granted in the current year.	Chapter 2 par 185	
2.4.3	Remuneration of executive and non-executive directors and the three most highly paid employees who are not directors, on an individual basis, giving details of pay, bonus, share-based payments, options or rights, restraint payments and all other benefits.	Chapter 2 par 180	

	Disclosure requirement	King III reference	Is the entity currently disclosing this information? Yes/ No
2.5	Share-based and other long-term incentive schemes		
2.5.1	Limits for individual participation in share incentive schemes.	Chapter 2 par 167	
2.5.2	Vesting of share incentive awards should be conditional on the achievement of performance conditions. Such performance measures and the reasons for selecting them should be fully disclosed. Where performance measures are based on a comparative group of companies, the names of the companies chosen should be disclosed.	Chapter 2 par 174	
2.5.3	Incentive schemes to encourage retention should be clearly distinguished from those relating to reward performance and should be disclosed in the remuneration report.	Chapter 2 par 176	

3 Report of the audit committee (to be included in the integrated report)

	Disclosure requirement	King III reference	Is the entity currently disclosing this information? Yes/ No
3.1	A description of how the audit committee carried out its functions in the period under review.	Chapter 3 par 84.1	
3.2	A statement on whether the audit committee is satisfied that the external auditor was independent of the company.	Chapter 3 par 77 Chapter 3 par 84.2	
3.3	Provide commentary in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company.	Chapter 3 par 84.3	
3.4	Provide a summary of the role of the audit committee.	Chapter 3 par 85.1	
3.5	Whether 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.	Chapter 3 par 85.2	
3.6	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.	Chapter 3 par 85.3	
3.7	The number of audit committee meetings held during the period and the attendance at these meetings.	Chapter 3 par 85.4	

	Disclosure requirement	King III reference	Is the entity currently disclosing this information? Yes/ No
3.8	Comment on the state of the internal financial control environment in the company's integrated report.	Chapter 7 par 30	
3.9	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 PFMA, the MFMA and the Division of Revenue Act.	Chapter 3 par 88	
3.10	The results of the review by the audit committee 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.	Chapter 3 par 51	
3.11	Information regarding any other responsibilities assigned to the audit committee by the board.	Chapter 3 par 85.7	
3.12	A statement on whether the audit committee complied with its legal, regulatory or other responsibilities.	Chapter 3 par 85.8	
3.13	A statement on whether or not the audit committee recommended the integrated report to the board for approval.	Chapter 3 par 85.9	
3.14	Conclude and report yearly to the stakeholders and the board on the effectiveness of the company's internal financial controls.	Chapter 3 par 69	
3.15	Weaknesses in financial control, whether from design, implementation or execution that are considered material and that resulted in actual material financial loss, fraud or materials errors should be reported to the board and stakeholders, in the form of an acknowledgement of the nature and extent of material weaknesses and the corrective action, if any, taken to date of the report.	Chapter 3 par 70	

4. Interim financial information

	Disclosure requirement	King III reference	Is the entity currently disclosing this information? Yes/ No
4.1	The board should periodically review the needs of users of financial information of the company and, based on that review, determine whether interim information should be provided every six months or more frequently (for example quarterly).	Chapter 3 par 37	
4.2	Where external auditors are appointed to perform a publicly reported review of the interim results, the report of the external auditor should be made available to users of the interim results and should be summarised in the interim results.	Chapter 3 par 40	

5. Summarised financial information

	Disclosure requirement	King III reference	Is the entity currently disclosing this information? Yes/ No
5.1	The company should prepare a summarised integrated report in addition to the complete integrated report.	Chapter 3 par 41	
5.2	Summarised information should be derived from the underlying integrated report and should include a statement to this effect.	Chapter 3 par 43	

6. Annual report of subsidiaries

	Disclosure requirement	King III reference	Is the entity currently disclosing this information? Yes/ No
6.1	Group boards		
6.1.1	Practices in relation to the adoption and implementation of the policies, processes or procedures of the holding company in the operations of the subsidiary company should be disclosed in the integrated report of the subsidiary company.	Chapter 2 par 145	

Our services

For further information, please contact your PwC engagement partner or any of the following:

Brendan Deegan

011 797 5473

Assurance Leader

Anton van Wyk

011 797 5338

Risk Advisory Services Leader

Alison Ramsden

011 797 4658

Director – Governance and Sustainability

Rob Newsome

011 797 5560

Director – Risk and Regulatory services

Shirley-Ann Bauristhene

031 271 2007

Director – Risk Advisory Services

Steve Roberts

021 529 2009

Director – Risk Advisory Services

Zubair Wadee

011 797 5875

Director – National Technical

Annerie Pretorius

011 797 4199

Associate Director – National Technical

Thinus Hamman

021 529 2183

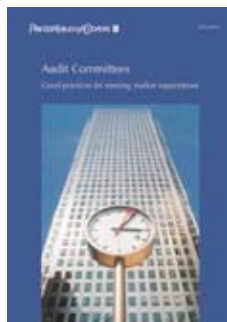
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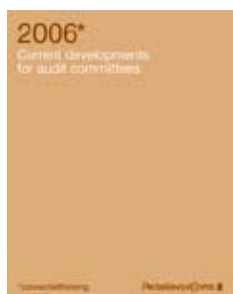
Being a director, Duties and Responsibilities – King II

The publication covers the duties and responsibilities of directors for the effective governance of their companies.



2003 – Audit Committees – Good practices for meeting market expectations (2nd edition)

The 2nd edition of our global guide on Audit Committees summarises best practices and requirements in over 40 countries. It covers all aspects of an audit committee's work, including: organisation (terms of reference, membership, meetings); key responsibilities; communicating and reporting by the committee; and evaluating audit committee effectiveness.



2006 – Current developments for audit committees

In addition to supporting the role of audit committee oversight of Section 404 of the US Sarbanes-Oxley Act, this publication highlights some of the other significant governance developments and their implications to help audit committees cope with ongoing regulatory, legislative and other changes in the business environment.



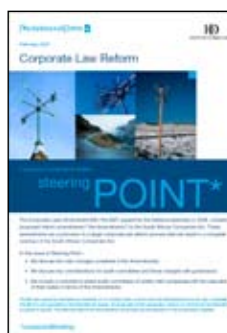
2005 – Audit committee effectiveness – What works best (3rd edition)

The report captures how leading audit committees are effectively and thoughtfully discharging their expanded duties. It also provides numerous examples of how leading audit committees are not just complying with, but surpassing, requirements.



Steering Point – November 2006

This edition explains the auditor's obligations to report "reportable irregularities" and examines how the requirement to report affects organisations and more specifically boards and audit committees.



Steering Point – February 2007

This edition summarises the main changes contained in the Corporate Laws Amendment Act, 2006. It discusses the key considerations for audit committees and those charged with governance.



Steering Point – May 2009

This edition covers the requirements of the Companies Act, 2008. It deals primarily with the manner in which the new Act affects financial reporting



Steering Point – September 2009

This edition covers the key risk and reporting implications of King III for companies, boards and audit committees. It contains highlights from the "Boards and Directors" and "Audit Committees" chapters.

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