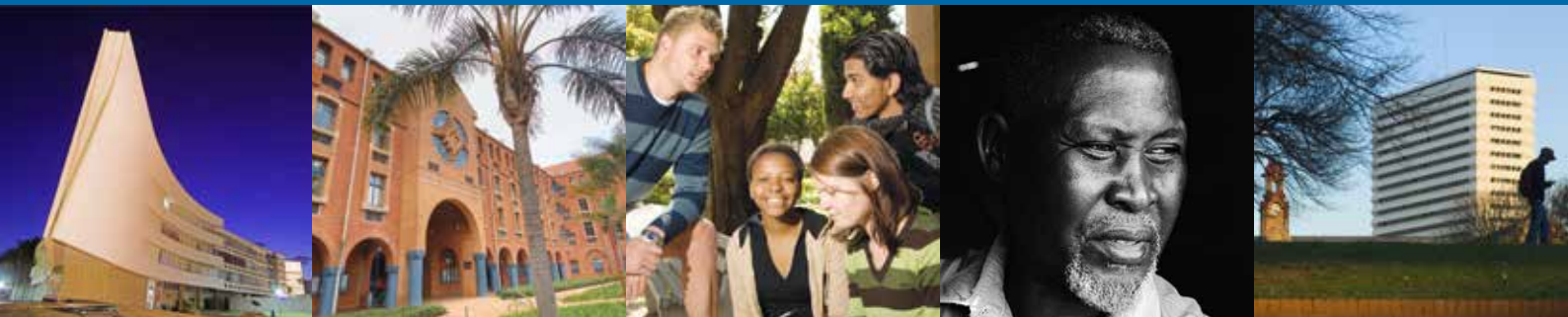


# Perceptions and practice of King III in South African Companies

Compiled by Cloete Jansen van Vuuren & Jess Schulschenk

**March 2013**

A joint publication of the Institute of Directors in Southern Africa  
and the Albert Luthuli Centre for Responsible Leadership, University of Pretoria



UNIVERSITEIT VAN PRETORIA  
UNIVERSITY OF PRETORIA  
YUNIBESITHI YA PRETORIA  
Faculty of Economic and Management  
Sciences



INSTITUTE OF DIRECTORS  
SOUTHERN AFRICA

# Table of Contents

Foreword	i
Executive Summary	ii
List of Figures	vi
List of Acronyms	viii
1. Introduction	1
2. Methodology	2
2.1 Research design	2
2.2 Outline of the questionnaire	2
3. Research Findings	4
3.1 Demographics	4
3.2 The Application of King III	5
3.3 The Effect of King III	12
3.4 Implementation of King III	22
3.5 Stakeholder Communication	24
3.6 Enablers and Obstacles	26
3.7 IT Governance	30
3.8 Integrated Reporting	31
3.9 Recommendations and suggestions going forward	32
4. Emerging Trends and Issues	35
4.1 Application of King III vs. Compliance with King II	35
4.2 Integrated Reporting	36
4.3 Governance of Information Technology	36
4.4 Non-profit and smaller organisations	36
5. Conclusion	37
6. Recommendations	39
Further Research	39
References	41
Appendix A   Survey	42
Appendix B   Comparison of King II and King III Results	52

# List of Figures

Figure 1: Company Type	4
Figure 2: Position in Company	5
Figure 3: Application of King III	5
Figure 4: King III added value to the organisation that outweighs the costs and effort of application	6
Figure 5: The main reasons for application of King III (Average)	8
Figure 6: The main reasons for application of King III (Executive Directors)	9
Figure 7: The main reasons for application of King III (Non-Executive Directors)	10
Figure 8: The main reasons for application of King III (Chairmen)	11
Figure 9: Language and format of King III	12
Figure 10: Benefits of corporate governance of other companies	13
Figure 11: Improvements through application of King III	14
Figure 12: Value to board deliberations and decisions	15
Figure 13: Reputational effects of King III	16
Figure 14: Effects on relationships with other companies	17
Figure 15: Decision to invest in or support other companies	18
Figure 16: Benefit to South African Economy	19
Figure 17: Impact on board deliberations and decision-making (1)	20
Figure 18: Impact on board deliberations and decision-making (2)	21
Figure 19: Assurance methods	22
Figure 20: Responsibility of senior management to ensure application	22
Figure 21: Budgeting of corporate governance measures	23
Figure 22: Continued formal learning at board level	24
Figure 23: Understanding of the value of good corporate governance	24
Figure 24: Engagement with stakeholders	25
Figure 25: Influence of stakeholder community on organisational sustainability	25
Figure 26: Importance of communication with stakeholders	26
Figure 27: Support and training	26
Figure 28: Advice from external advisors	27
Figure 29: Demonstration of corporate governance principles	28
Figure 30: Obstacles to application	29
Figure 31: Lack of knowledge as an obstacle to application	29
Figure 32: Financial cost as an obstacle to application	30
Figure 33: Improvement through IT governance	31
Figure 34: Integrated reporting	32

# List of Acronyms

IoDSA	Institute of Directors in Southern Africa
IT	Information Technology
JSE	Johannesburg Stock Exchange
NPO	Non-Profit Organisation
SME	Small and Medium Enterprise



# Foreword

The Institute of Directors in Southern Africa (IoDSA) embarked on this project with enthusiasm when approached by the Albert Luthuli Centre for Responsible Leadership of the University of Pretoria. As the IoDSA has been appointed the custodian of the King codes and reports since inception of the King Committee in 1992, the relevance and effectiveness of this well-recognised guidance go to the heart of the objectives that we set out to achieve.

On review of the results, we are encouraged by the progress that has been made with regards to corporate governance in South Africa through the King reports. It is especially gratifying to note the positive effect that King III is deemed to have had on adding value both at an organisational level and to the economy of South Africa.

We also observe with interest that the main reason for applying King III is to demonstrate to stakeholders a commitment to corporate governance whilst at the same time King III is not considered to have had a big impact on reputation. Although the IoDSA deems reputational enhancement a benefit of following good governance, it is considered to be a by-product rather than the pre-dominant driver.

The mantra at the IoDSA is that corporate governance should be harnessed and understood to raise the performance of companies, entities and other organisations. Following King III as an end in itself will not lead to the desired results. The end that should be kept in mind with the application of King III is the benefit of the organisation. One of the participants in the survey expressed this as follows:

*“King III has been very important to bring control and direction into our company, and also is being used to prevent events that have happened in the past, which has been detrimental to the company.”*

For this reason I should be satisfied if in future years that this survey is conducted a more positive score is generated for improved efficiency and effectiveness, enhanced confidence in performance and strengthening sustainability as factors that motivate the application of King III or its successors.

We also take note of the need for more guidance on practical implementation of King III and we plan to address this by firstly, raising wider awareness of guidance that we are already providing through practice notes and position papers. Secondly, we plan to gauge through further formal and informal assessments where the needs lie and how these can be met.

Our sincere thanks go to the Albert Luthuli Centre for Responsible Leadership and Ernst and Young for their work on this. I trust that this survey and the further research and initiatives that it may lead to will bear good fruit.

## Ansie Ramalho

*Chief Executive  
Institute of Directors in Southern Africa  
April 2013*



# Executive Summary

The King Codes on governance have set international standards of best practice since the first King Code was published in 1994. A survey was undertaken in 2006 amongst the members of the Institute of Directors in Southern Africa (IoDSA) to determine the extent of practices adopted and perceptions on the effectiveness of King II. This research report provides a summary of findings on a follow-up survey with the same objectives but in relation to King III that was undertaken in August 2012, also amongst the IoDSA membership.

King III has been implemented by a clear majority of the respondents. The successive King Codes have, according to respondents, added value to both the respondents' respective organisations and to the economy of South Africa on the whole. The primary driver for companies to apply King III is to demonstrate commitment to corporate governance to external stakeholders, followed by motivations to enhance the effectiveness and confidence in the performance of the company.

The format of the King III Report was found to be both user friendly and accessible, although there is a call for more practical examples and supporting guidelines. King III has contributed significantly to a range of benefits to companies, from organisational performance through to board effectiveness. Commitment to and understanding of the importance of stakeholder engagement remains high. There has, however, been a decrease in the perceived net value and contribution of King III in comparison with King II.

The responses were mainly neutral regarding the extent to which King III has impacted the reputation of the company (including employee retention, access to capital and share price stability). The effect on relationships with other firms was mostly positive, otherwise neutral, but respondents did indicate a strong commitment to supporting corporate governance in their investment decisions with other companies. These findings suggest that investor and employee interest in corporate governance is not perceived to be as great as the interest that the respondents (executive management and board members) place on corporate governance in their own and other companies.

Support and training provided by organisations such as the IoDSA and JSE continues to be a key enabler of realising effective corporate governance, as does visible board commitment. Obstacles to effective corporate governance remain similar to those in the 2006 study and there was an even distribution of agreement and disagreement indicating no clear consensus on obstacles.

The introduction of IT governance was indicated to have added significant value to company operations, with a few calling for clearer guidelines on the links to effective risk management. There is a strong indication that boards understand the integration of strategy, risk, sustainability and performance as well as value drivers and dependencies. Whilst the respondents indicated that their organisations may understand what is meant by integrated reporting, there is still a call for greater guidance.





In general, the findings from the survey undertaken in 2006 on the practice and perception of King II present many similar results to those of this survey. The format of King III is perceived to be marginally more user friendly and accessible whilst there is a slight decrease in the extent to which the respondents felt it provided practical examples and contributed to the organisation's understanding of the value of governance. Marginal decreases were noted across a range of statements on the positive effect of King III on organisational performance and board deliberation and decisions in all areas except for integrated sustainability reporting which improved marginally.

From the comments, many respondents in the King II survey highlighted a need for more sufficient explanations and examples, especially in smaller firms and NPOs (Thorburn, 2008:32). The same trend can be seen from the comments given in this survey, with several respondents requesting simplification of the language used, greater use of practical examples in the King III report and the provision of training and support services for application of King III. Non-profit and smaller organisations continue to call for a simplified and lower cost to implementation version of the King Codes that specifically addresses the nature and contexts in which they operate.

A call for clearer guidelines on how to cultivate a mindset of ethical behaviour within companies speaks to the developing discourse within the corporate governance landscape. Companies are looking for ways in which to transcend a 'tick-box' approach to corporate governance and build on the leadership's understanding of and appreciation for interconnected values, strategy, risks and opportunity.

The findings from this research suggest that the King Codes continue to play a significant role in promoting effective corporate governance in South African companies. Key recommendations are presented, including a call for simplification for non-profit organisations and small and medium enterprises and the provision of practical examples for all company types. Promoting corporate governance through tertiary education is suggested and further research on is suggested on a number of areas, understanding the mechanisms by which shareholders and stakeholder place value and act on a commitment to corporate governance and how an ethical mindset can be fostered within South Africa companies.

# 1. Introduction

The King Committee was commissioned by the Institute of Directors in Southern Africa (IoDSA) in 1992 to develop a set of governance principles that would promote the highest standards of corporate governance within the South African business community. The first King Report on Corporate Governance (King I) was published in 1994 and set international standards of best practice. The development continued with the second King Report on Corporate in 2002 (King II) being published and, most recently, with the release of the third King Report on Corporate Governance (King III) in 2009.

In 2006, a survey was undertaken by KPMG in collaboration with the IoDSA to determine the perception of the effectiveness and the adoption of practices as recommended in King II by South African companies. The results were further documented in a Master's dissertation by Robert Thornburn in 2008.

The results of the 2006 survey provided valuable insights into how a range of South African companies applied the recommendations as set out in King II as well as what the key issues and concerns of these companies were as a result of complying with King II.

The purpose of this study is to identify in what way the perceptions and practice of corporate governance in South African companies has changed with the introduction of King III. A web-based questionnaire was undertaken in order to identify current experiences in the application of King III, to compare these results with the 2006 study and to establish both challenges and added value resulting from the application of King III in South African companies.

An overview of the methodology undertaken for this study is provided, followed by a summary of the research findings, a discussion of emerging trends and issues and a conclusion including recommendations for the ongoing development of corporate governance best practice in South Africa going forward.





# 2. Methodology

## 2.1 Research design

The main research objective for this study was to investigate how various South African companies perceive the recommendations on corporate governance as set out in the King Report on Corporate Governance in South Africa 2009 (King III), to what extent these recommendations have been applied and what the effects of the application of these recommendations have been on various aspects of the companies' business practices.

In order to meet the central research objective, a web-based questionnaire was developed. The structure and questions within the survey were based on the questionnaire used in the 2006 study to ensure comparability between the two studies' findings. New sections were added to the questionnaire where significant additions and changes were made to King III in comparison to King II. A combination of multiple choice and open-ended questions were used, divided into sections according to the sub-themes.

The questionnaire was sent to the IoDSA membership database consisting of 5221 members. The survey was open from 01 August 2012 to 31 August 2012. 183 responses were received from JSE-listed companies, non-profit organisations, private equity organisations, state owned enterprises and other companies such as unlisted public companies, regulating bodies, subsidiaries of listed companies and multinationals.

## 2.2 Outline of the questionnaire

The questionnaire used in this survey consisted of 10 separate sections. The majority of the questions were multiple-choice, with available responses on a 5-point scale ranging from 'strongly agree' to 'strongly disagree'. One of the multiple-choice questions (2.4.2) included the "not applicable" option and hence had possible responses on a 6-point scale.

The sections and their respective areas of focus were as follows:

1. **The application of King III:** This section is focused on the degree to which South African companies apply the recommendations of the King Report on Corporate Governance 2009 (King III).
2. **The effects of application of King III:** This section focused on the effect that application of King III had on various aspects of the organisation, such as its reputation, board of directors and relationships with other companies in their supply chain.
3. **Impact on board deliberations and decision making:** This section focused primarily on board activities and the impact that application of King III had on these activities.
4. **Assurance:** This section was introduced to determine whether companies made use of internal self-assessments, third-party assurance providers or combined methods with respect to the assurance of their annual reports.





5. **Implementation:** Here, the objective was to determine how corporate governance measures as set out in King III were implemented in the organisation.
6. **Stakeholder communication:** This section focused on whether respondents' companies regularly engage with the broader stakeholder community and the meaningfulness, transparency and importance of such communications.
7. **Enablers and obstacles:** A central part of this survey, this section focused on what the respondents perceived as being enablers and obstacles to the application of King III.
8. **IT governance:** As a new introduction in King III, this section of the survey focused on the governance of information technology and the effects thereof on aspects such as strategy, risk management, etc.
9. **Integrated reporting:** Another new addition to the King report, this section focused on the understanding of integrated reporting and the importance thereof in South African companies.
10. **Recommendations and suggestions:** The final section consisted of an open-ended question in which respondents could provide their personal recommendations and suggestions for King IV.

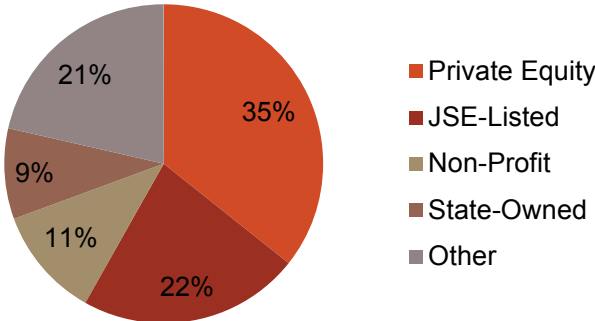
# 3. Research Findings

The key findings from the survey are presented, including an overview of the demographics of the 183 respondents, the application and effect of King III and key recommendations going forward. Emerging trends and issues will be explored in the following chapter.

## 3.1 Demographics

The majority of the respondents to the survey represented private equity firms, followed by JSE Listed companies and 'other' companies (including unlisted public companies, regulating bodies, subsidiaries of listed companies and multinationals). Non-profit organisations and state-owned enterprises were the least represented in the sample.

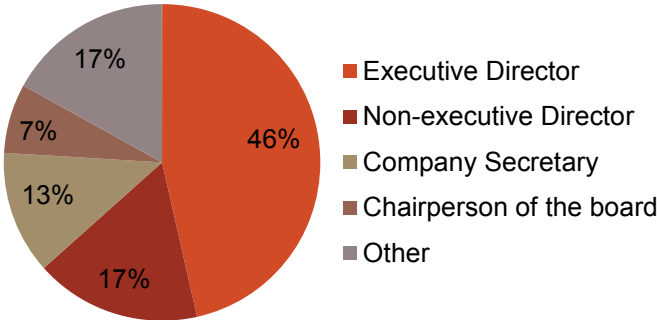
**Company Type**



**Figure 1: Company Type**

Almost half of the respondents were executive directors, followed equally by non-executive directors and 'other' positions. The breakdown of respondent positions in the companies is presented in Figure 2 below.

**Position in Company**

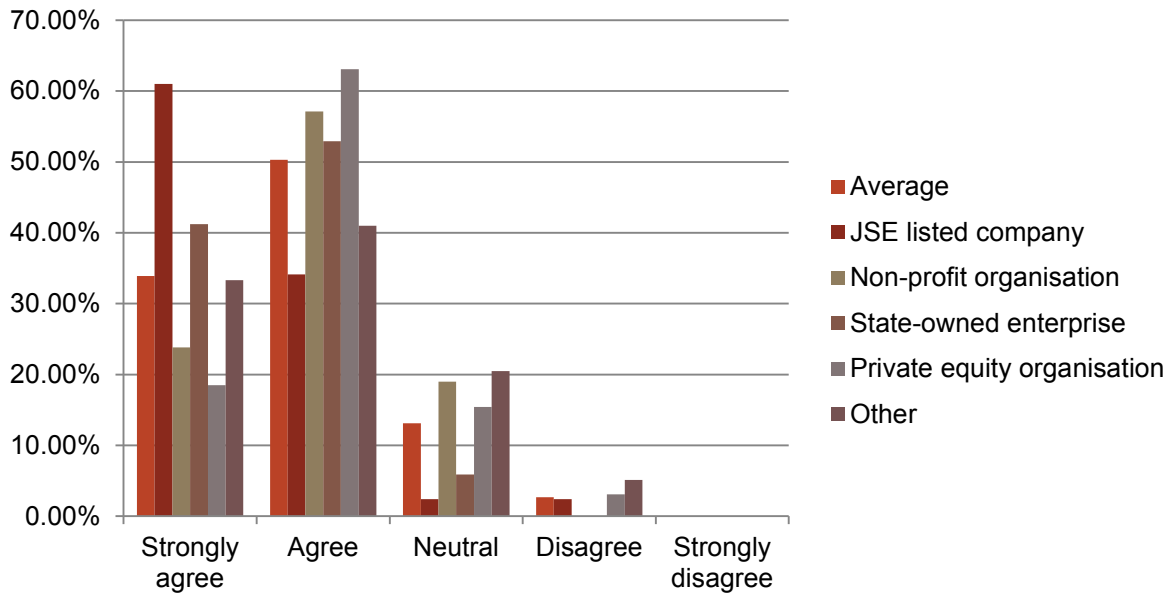


**Figure 2: Position in Company**

## 3.2 The Application of King III

The majority of respondents indicated that their companies are currently applying King III. Eighty four percent of all respondents strongly agree or agree that their companies apply the King III codes (34 percent strongly agree and 50 percent agree). In line with the application of King III being a listing requirement for the JSE, 95 percent of JSE-listed companies agree or strongly agree with this statement.

## Application of King III

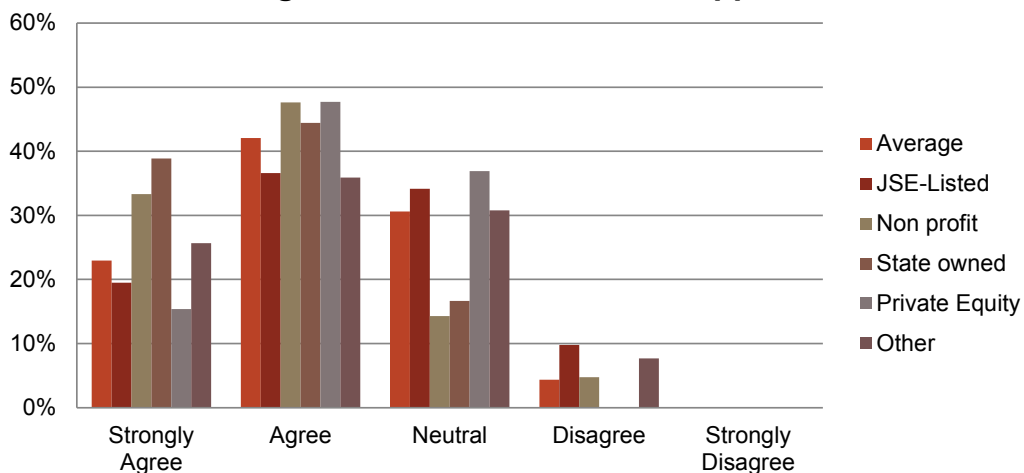


**Figure 3: Application of King III**

The majority of respondents (65 percent) indicated that King III has added value to their company. Only four percent of respondents were of the opinion that their company has not experienced a value add from the application of King III. Thirty one percent of respondents provided a neutral response to this question.

From the perspectives of the various positions of the respondents, there was little variance between the results for each segment, with the only visible difference being in the percentage of chairmen who strongly agreed with the statement when compared to other positions. This finding is, however, equalised by the fact that fewer respondents from the chairman category agreed with the statement, making the results similar to those of other positions.

## King III added value to the organisation that outweighs the costs and effort of application



**Figure 4: King III added value to the organisation that outweighs the costs and effort of application**

### 3.2.1 Reasons for applying King III

In this section, respondents were asked to rank the three most important reasons why their companies apply the recommendations as set out in King III. Responses across the range of options available were high in general, with some being clearly more relevant.

On average, the highest number of respondents (46 percent) chose the demonstration of commitment to corporate governance to external stakeholders as their primary reason for applying King III. Twenty percent of respondents rated the need for improved efficiency and effectiveness within the organisation as their number one reason for applying King III which makes this the second highest frequency of primary reasons why companies choose to apply King III. In general, each of the provided options was selected by at least one respondent as being their company’s number one reason for applying King III.

As the second most important reason for applying King III, the desire of the board to enhance confidence in the organisation’s performance through application of King III was the most frequently selected option (24 percent). The second most frequently selected choice was the need for improved efficiency and effectiveness within the organisation as the second most important reason for applying King III.

Other high ranking reasons included the improvement of efficiency and effectiveness within the organisation and the board seeking application as a means to enhance confidence in the performance of the organisation.

From this, one can assume that application of King III is aimed more at demonstrating commitment to governance issues to external stakeholders rather than for internal reasons. It can therefore be seen to be important to the organisations as a reputational factor. When analysing motivation factors by organisation type, demonstrating commitment to external stakeholders was found to be especially relevant for non-profit organisations and state-owned enterprises. Whilst it is expected that listed companies wish to display effective governance in a bid to attract investors, it appears that non-profit organisations and state owned enterprises place importance on this as well and their motivations for such commitments represent a worthwhile area for further research.

#### Reasons for applying King III (Average)

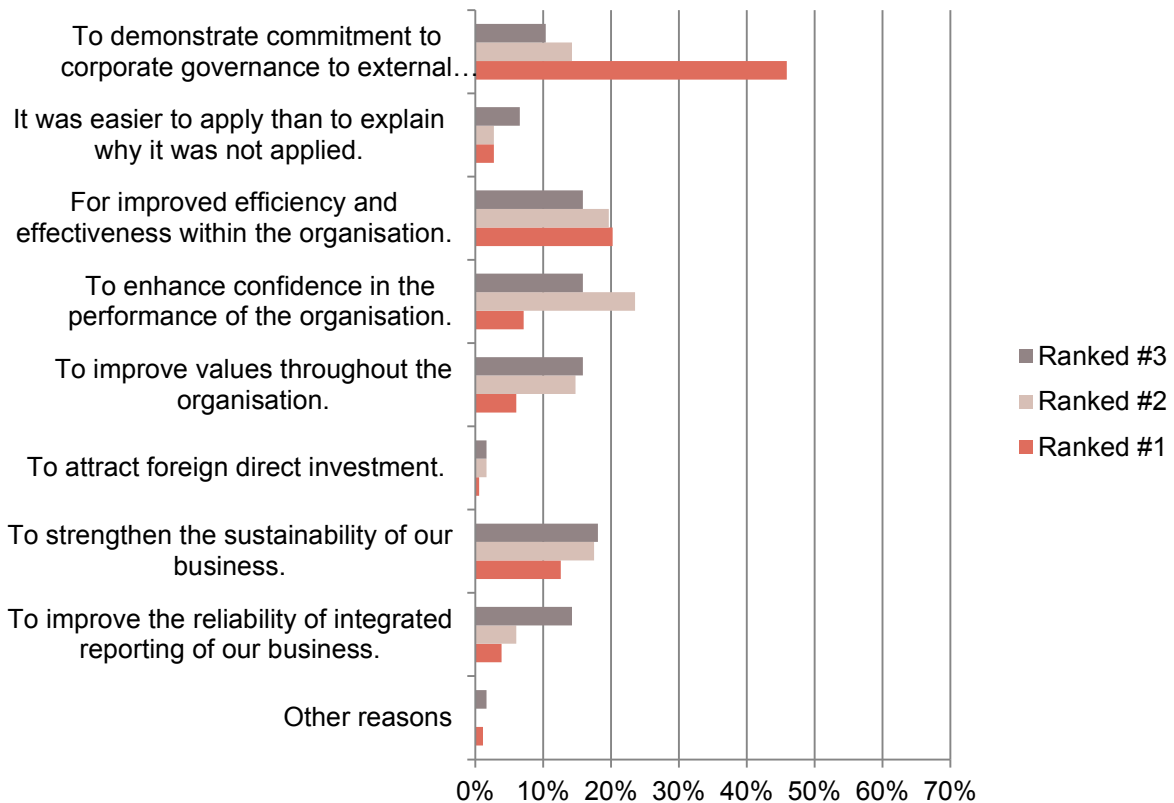


Figure 5: The main reasons for application of King III (Average)

There is a clear difference between the main reasons for applying King III when viewed from the perspectives of different positions in companies. Directors (Executive and Non-executive) tended to select many of the options available with the highest percentage (37 percent and 42 percent, respectively) selecting the demonstration of commitment to corporate governance to external stakeholders as their number one reason. On the other hand, 69 percent of chairmen selected this as their number one reason for applying King III, perhaps indicating a far greater commitment to corporate governance.

### Reasons for applying King III (Executive Directors)

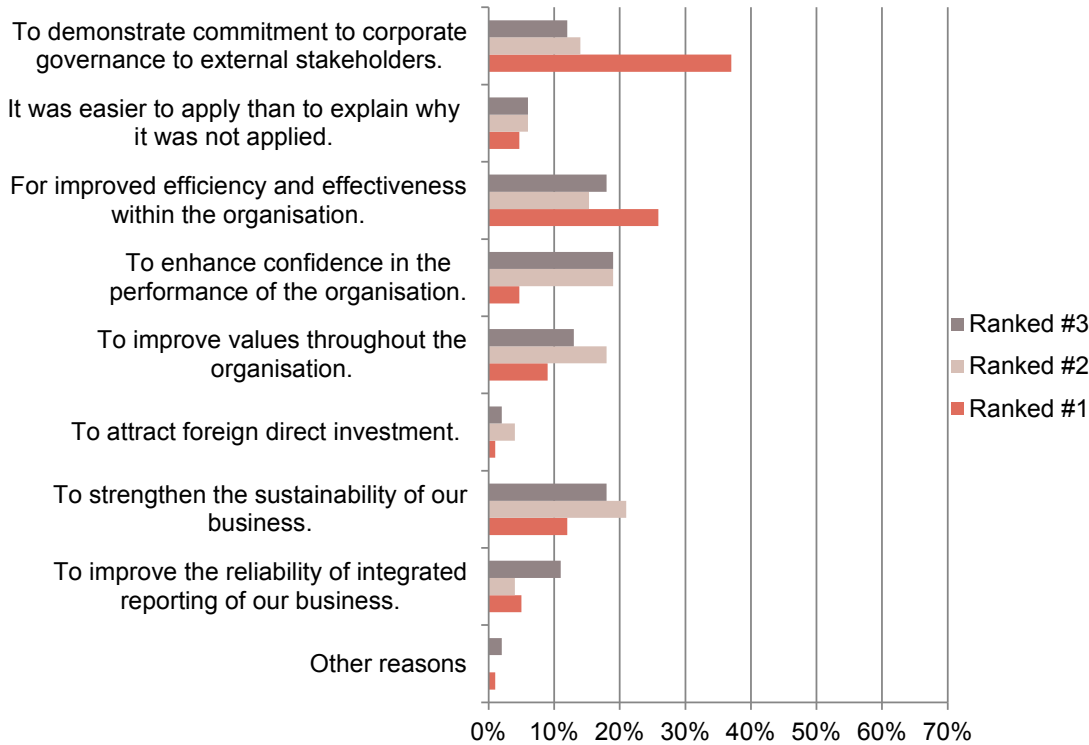


Figure 6: The main reasons for application of King III (Executive Directors)

### Reasons for applying King III (Non-Executive Directors)

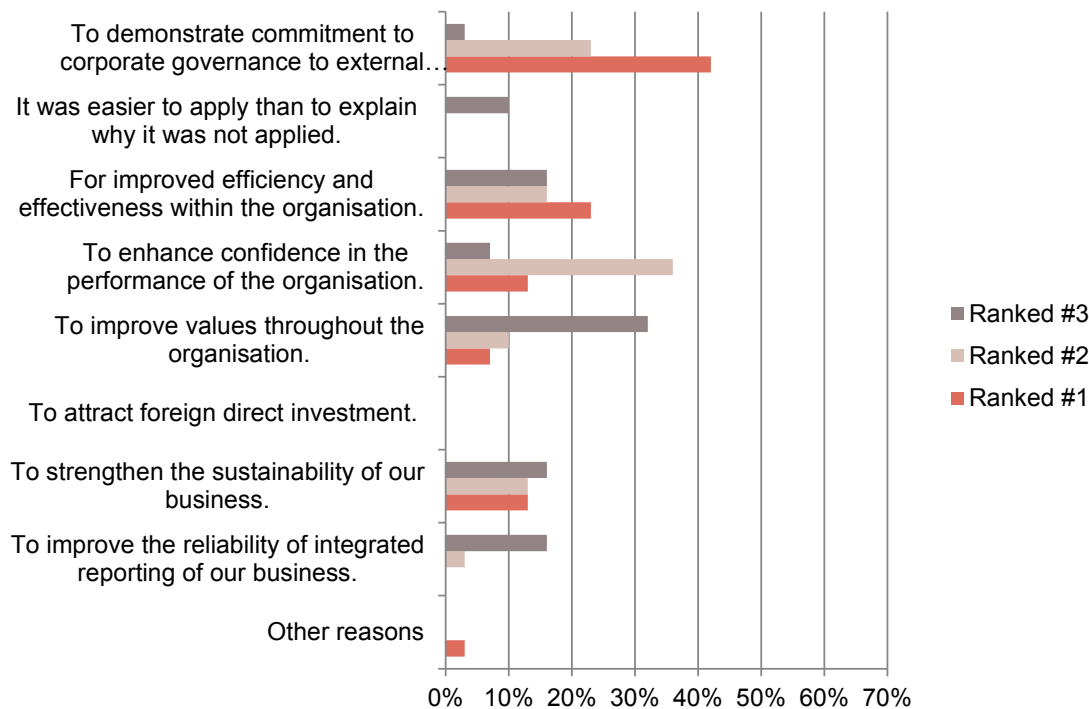


Figure 7: The main reasons for application of King III (Non-Executive Directors)

## Reasons for applying King III (Chairmen)

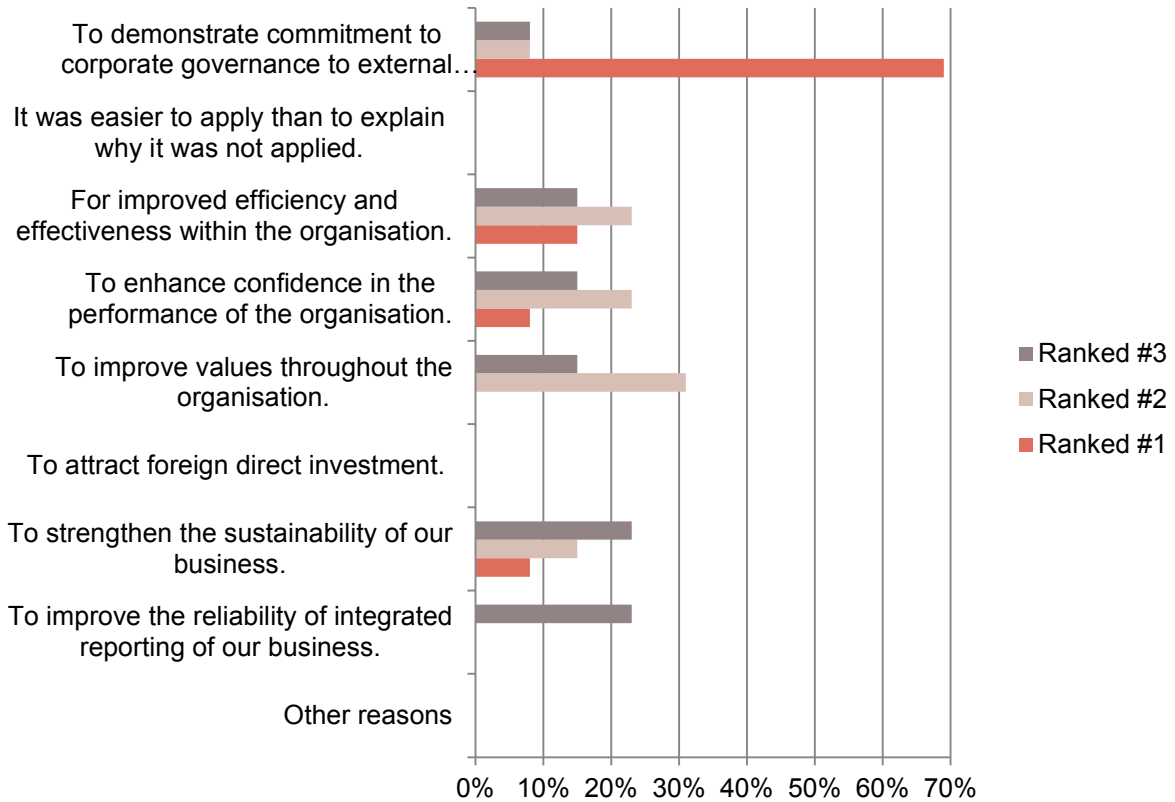


Figure 8: The main reasons for application of King III (Chairmen)

### 3.2.2 Language and format of King III

Most of the respondents felt that the King III report was issued in a user-friendly format, that it was drafted in simple and unambiguous language and that it made sufficient use of practical examples. Roughly 85 percent of respondents either agreed or strongly agreed that the King III report contributed to the organisation’s understanding of the value of governance. Only one respondent strongly disagreed that the King III report was issued in a user friendly format. Marginally fewer respondents were neutral or disagreed that King III provided sufficient practical examples.

## Language and format of King III

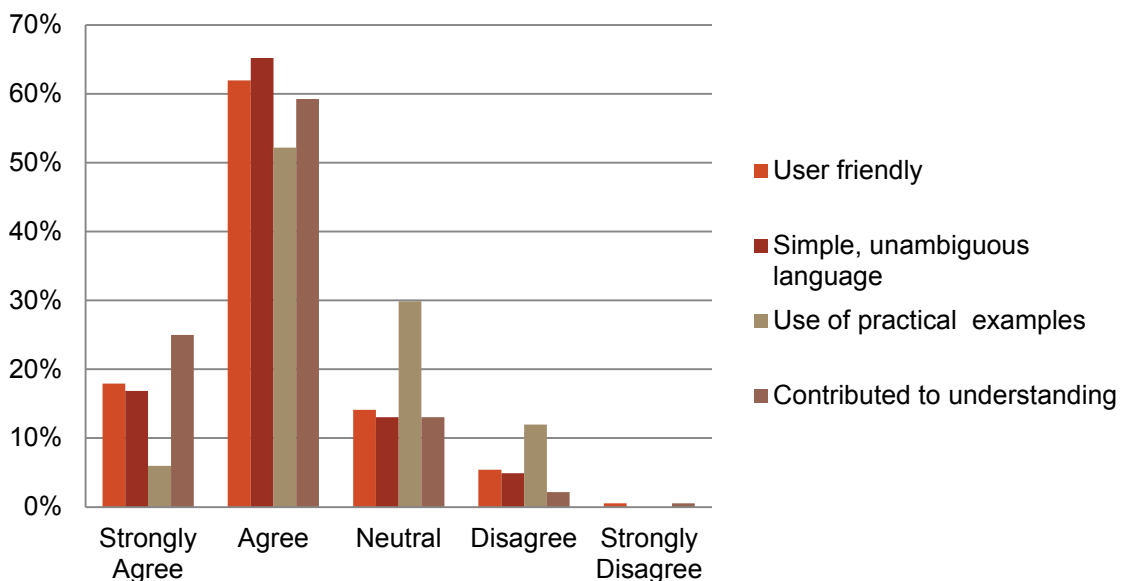


Figure 9: Language and format of King III

### 3.3 The Effect of King III

#### 3.3.1 Corporate governance in the supply chain

Sixty eight percent of respondents felt that their companies benefit from the corporate governance commitments of other companies in their supply chain and partnerships. Interesting to note is that none of the respondents from the non-profit companies or state-owned companies disagreed with this statement. The fact that 12 percent of respondents in the JSE-listed companies disagreed with the statement is also noteworthy.

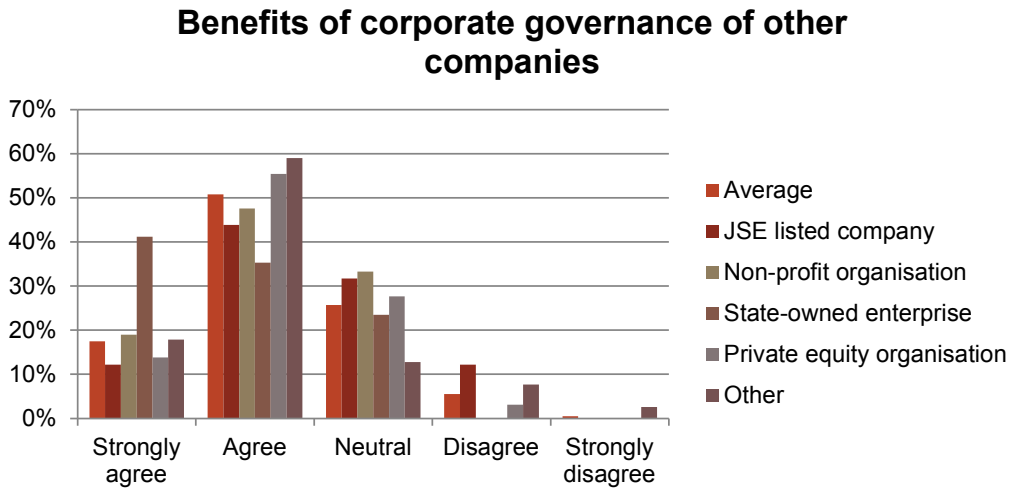


Figure 10: Benefits of corporate governance of other companies

#### 3.3.2 Effect of the application of King III

Most respondents either agreed or strongly agreed that the application of King III had several of the positive effects listed in the questionnaire on their companies. There were still a number of respondents that were neutral or disagreed with the statements, especially on whether the application of King III had led to improvements on the dispute resolution activities of the company (52 percent neutral, 11 percent disagree). These findings are represented in Figure 8 below.

When comparing results by the respondents' positions in the companies, there was not a noticeable difference in the opinions of the various positions. One respondent commented that "The recommendations /principles in King III around nonexecutive directors have been invaluable as our company only started appointing non-executives to the company in 2008/2009."

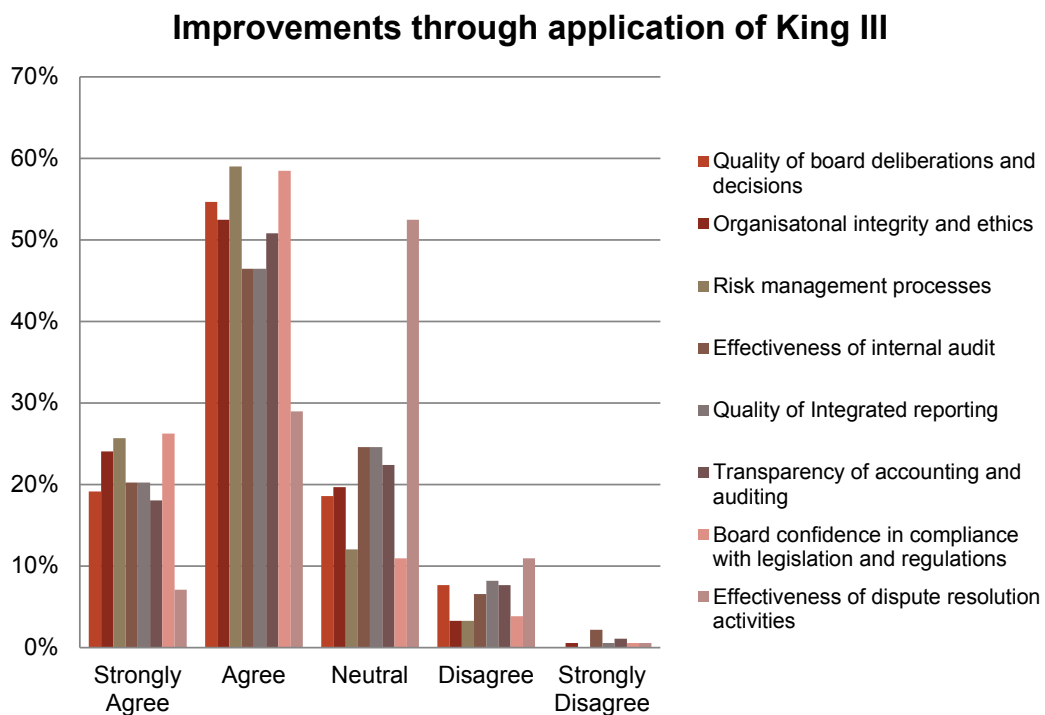


Figure 11: Improvements through application of King III



### 3.3.3 Effect on board deliberations and decision making

In general, respondents felt that King III had mostly positive effects on board deliberations and decision making in the following respects:

Enhanced leadership by the board in providing strategy and direction;

The exercising of control and monitoring of management which enabled the board to discharge its accountability;

The delegation of authority enabling the board to function effectively and efficiently while retaining adequate control;

An appropriate board composition which resulted in increased effectiveness and efficiency, and;

Enhanced confidence in the quality of its decisions.

#### Value to board deliberations and decisions

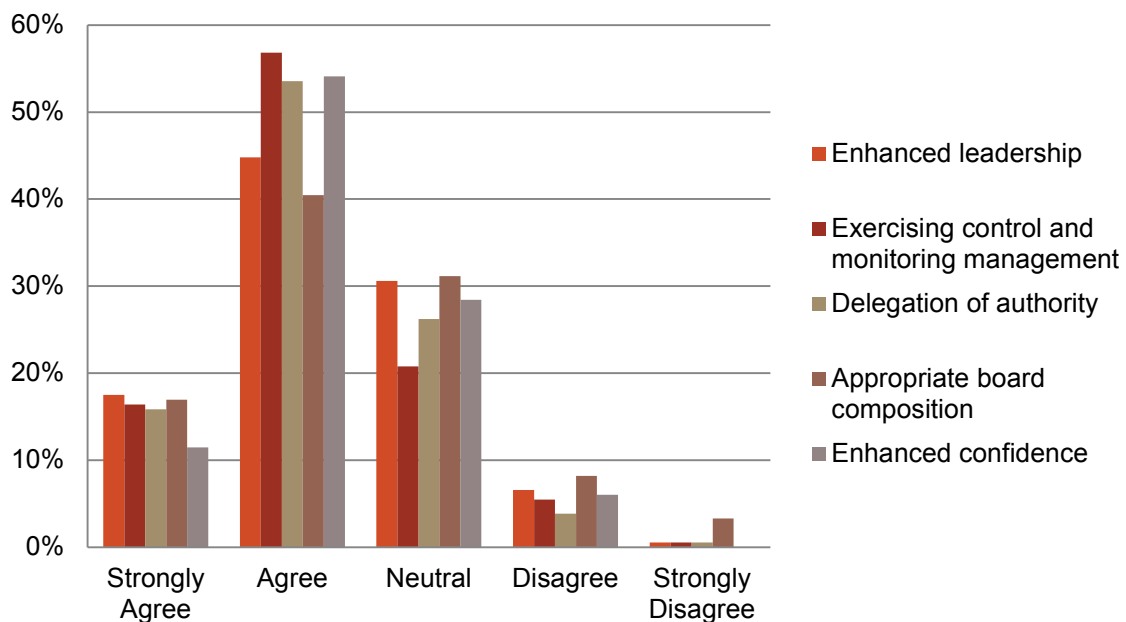


Figure 12: Value to board deliberations and decisions

It is interesting to note that the most significant of these effects was the enablement of the board to discharge its accountability through the exercising of control and monitoring of management to which 73 percent of respondents either agreed or strongly agreed. Comparing the responses of executive directors and non-executive directors did not yield any significant differences, and these results are presented in the table below.

Table 1: Exercising control and monitoring management by respondent position

	Company secretary	Executive director	Non-executive director	Chairperson of the board	Other	Total
Strongly agree	4.2%	9.4%	26.7%	30.8%	29.0%	16.4%
Agree	70.8%	62.4%	53.3%	61.5%	35.5%	57.4%
Neutral	16.7%	23.5%	16.7%	7.7%	22.6%	20.2%
Disagree	8.3%	3.5%	3.3%	0.0%	12.9%	5.5%
Strongly disagree	0.0%	1.2%	0.0%	0.0%	0.0%	0.5%

### 3.3.4 Effect on reputation

Quite interestingly, respondents were in general mostly neutral regarding whether King III had any effects on the reputation of the organisation, with reasonably high percentages disagreeing with the statements (15 - 20 percent). Interestingly, this result contrasts with the fact that the main reason for application of King III is to demonstrate commitment to corporate governance

to external stakeholders, as discussed in section 3.2.1, which raises the question of whether the reasons for applying King III are based on resultant benefits. Respondents that strongly disagreed with the statements were mostly from the private-equity and JSE-listed companies. Certain respondents did record some reputational effects, especially with regard to favourable media coverage and the attraction and retention of quality employees.

Several respondents added in their comments that many of the possible reputational effects were not experienced at all, some due to the fact that they felt that their company was too small for King III to really have a major reputational effect. For the full list of comments, refer to Appendix C.

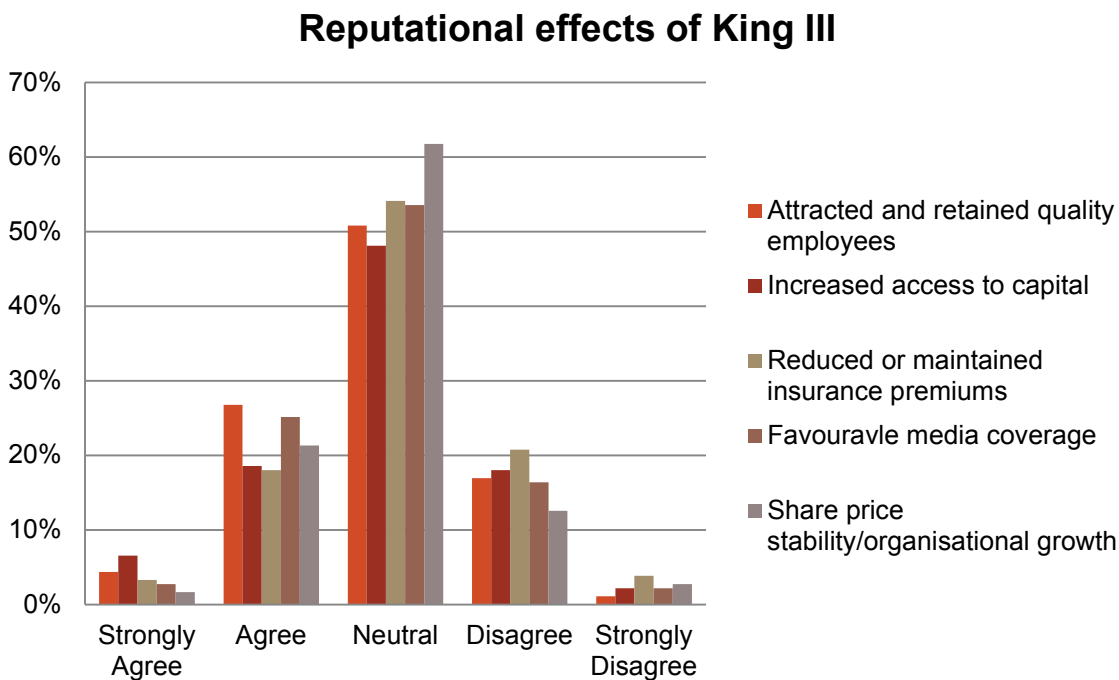


Figure 13: Reputational effects of King III<sup>1</sup>

### 3.3.5 Effect on relationships with other firms

There were mainly positive (followed closely by neutral) responses to the statements in this section. The comparatively prominent presence of neutral responses on the extent to which King III positively impacts a company’s interactions with other companies, such as increased confidence in other companies’ risk management, is noteworthy. This is especially so given that the leading driver for companies to apply King III is to demonstrate their commitment to good governance. The positive responses were distributed quite equally between the following relationship effects:

Increased flow of meaningful, timely and transparent information from other companies;

Greater confidence in the exhibition of equivalent values by other companies when compared to the respondents’ companies;

Increased confidence in how other companies manage risk;

Greater visible commitment to transformation issues by other companies, and;

Greater visible commitment to corporate social investment by other companies.

Another interesting finding here is the disconnect between the fact that not many respondents selected the improvement of

<sup>1</sup> Increased access to capital has been included here for the benefit of comparison, but as the question was structured on a 6 point scale (and not a 5 point scale as with the other questions), the results for this category are not strictly comparable with the rest.

values in their organisation in section 3.2.1 and the reasonably high positive results (4 percent strongly agree and 40 percent agree) for the improvement in confidence that other companies exhibit similar values to those of the respondents' companies.

### Effects on relationships with other companies

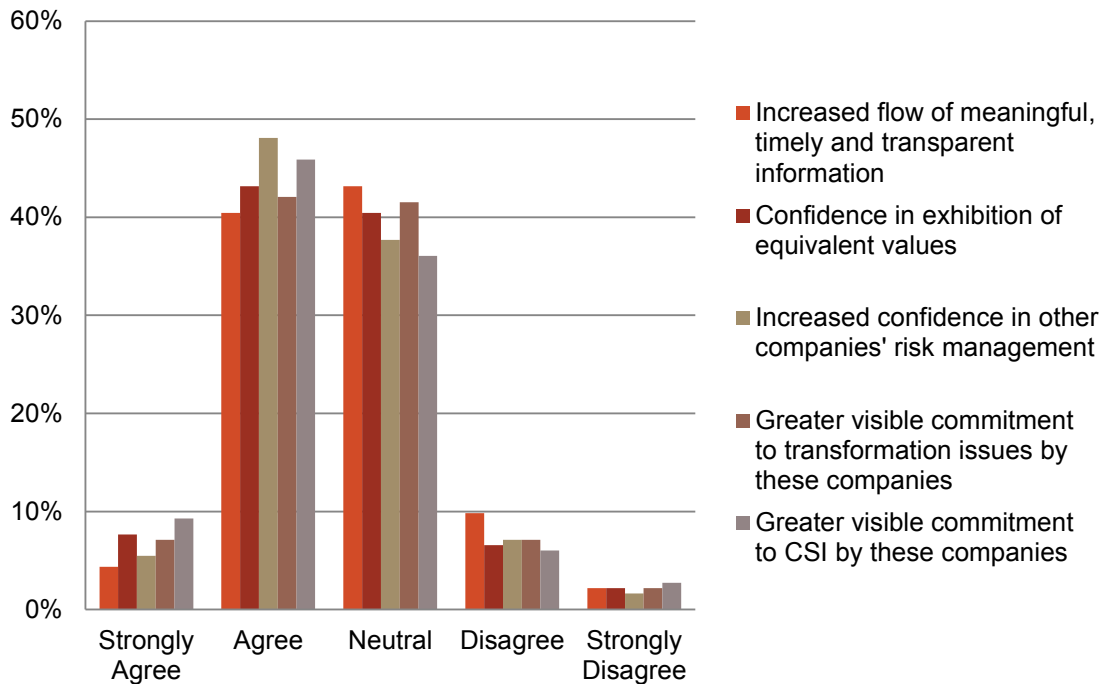


Figure 14: Effects on relationships with other companies

### 3.3.6 Impact on investment decisions

The majority of respondents either agreed or strongly agreed that they would only invest in or support another company that can demonstrate its commitment to corporate governance, especially in state owned enterprises where 44 percent of respondents strongly agreed and 33 percent agreed with this statement. One respondent from a JSE-listed company was the only respondent to strongly disagree with this.

### Decision to invest in or support other companies

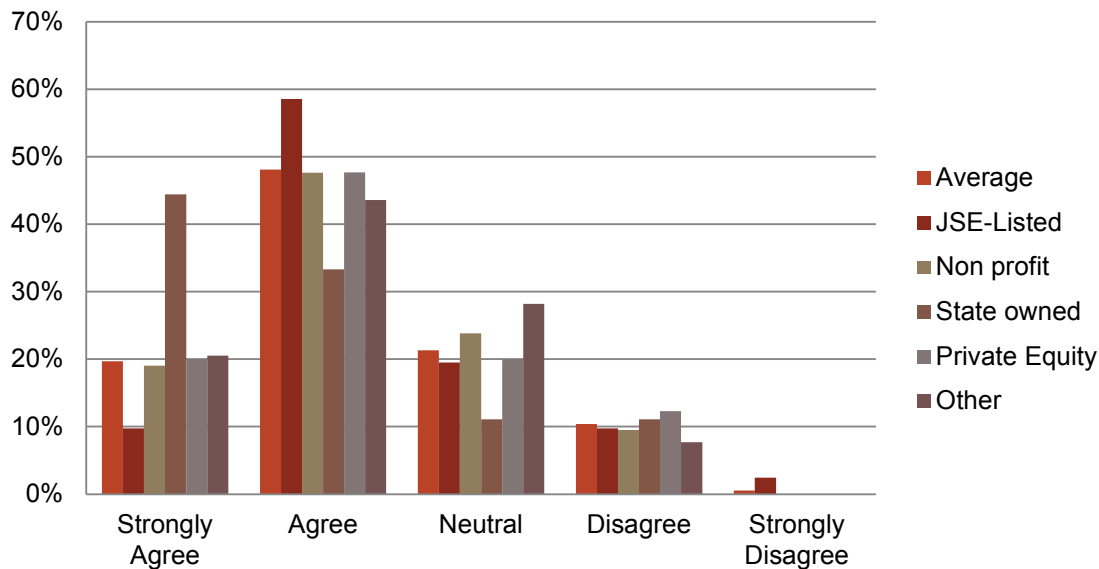


Figure 15: Decision to invest in or support other companies

### 3.3.7 Impact on the South African economy

There was a general consensus that the South African economy benefited from adherence to King I, King II, and King III, with an average of 80 percent of respondents either agreeing or strongly agreeing with this statement.

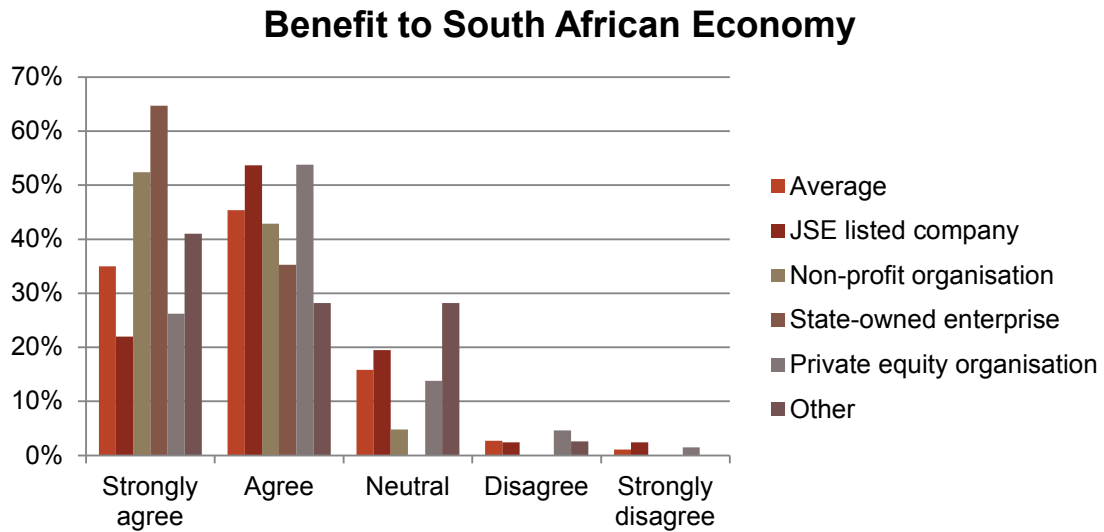


Figure 16: Benefit to South African Economy

### 3.3.8 Impacts on board deliberation and decision-making

Results in this section were predominantly positive with the majority of respondents agreeing that boards demonstrate:

Independence of thought by all directors;

Adequate reflection on the strategic direction of the company:

Integration of strategy, risk, performance and sustainability;

Constructive interrogation of information provided by management to the board;

Regular formal and informal self-assessments of the board’s effectiveness, and;

A disciplined approach to meeting preparation.

Very few respondents disagreed with these statements, indicating a strong opinion that King III has had a positive impact on board deliberations and decision making with regards to the abovementioned aspects. Again, when grouping results by the respondents’ position in their companies, there was no noticeable difference between the opinions of the different groups. If any variance occurred in one value, it was typically balanced out by an similar opposite variance in the next value.

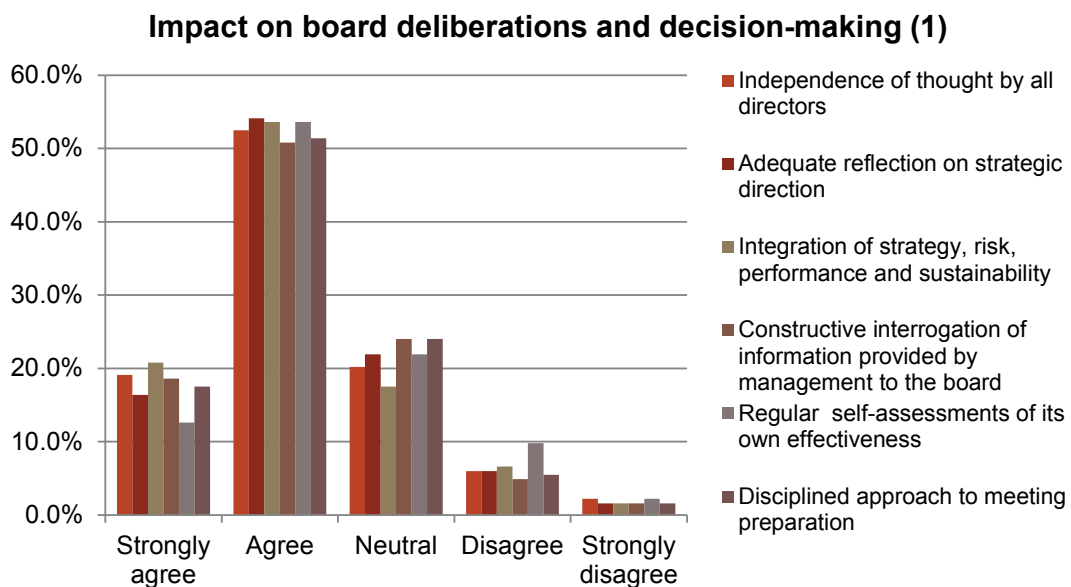


Figure 17: Impact on board deliberations and decision-making (1)

King III further had a notably positive impact on board deliberations and decision making where boards demonstrated:

- An awareness that the board is ultimately accountable to stakeholders;
- There is a successful balance between corporate governance standards and the need to embark on enterprise for profit;
- Continuous consideration of long-term sustainability;
- Ethics in the business is more successfully managed, and;
- Enhanced ethical leadership by the board.

No noticeable difference was noted when grouping responses by respondent position.

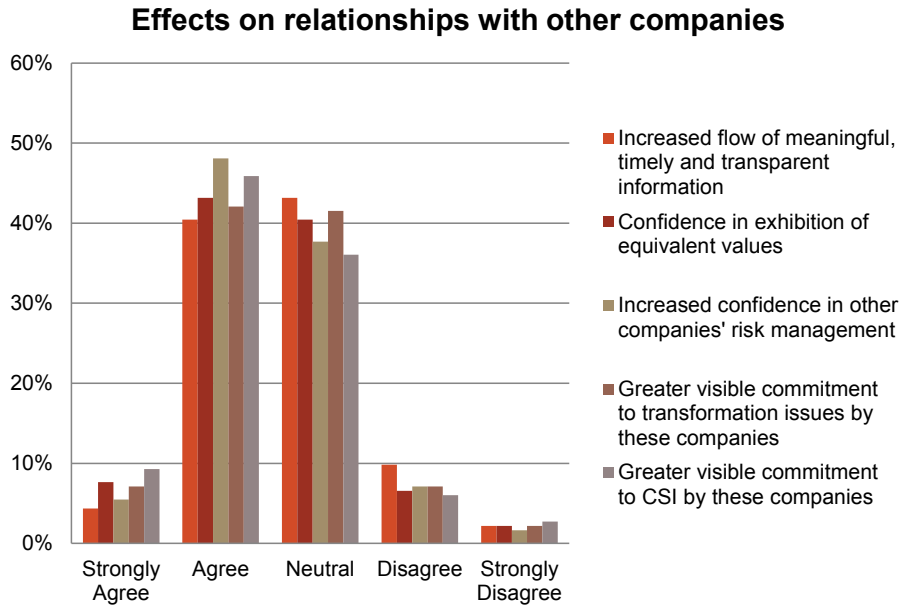


Figure 18: Impact on board deliberations and decision-making (2)

### 3.3.9 Assurance of Reports

On average, 84 percent of respondents indicated that their board obtains assurance on the quality of governance in the organisation through internal self-assessment. 64 percent of respondents obtained assurance through an independent 3rd party. Finally, 63 percent of respondents say their board obtained assurance through combined assurance models. Interesting to note is that state-owned companies make the greatest use of a combined assurance model in comparison with other companies.

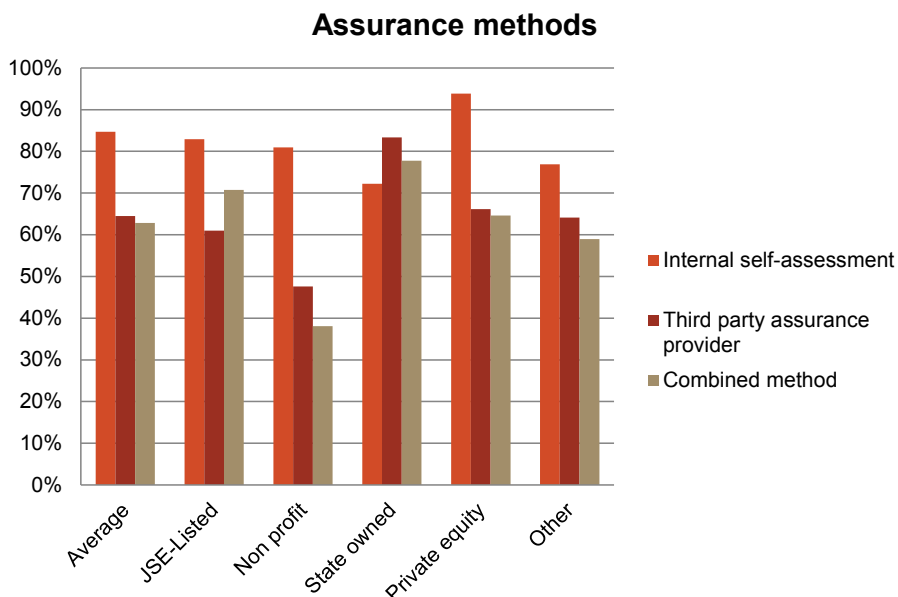


Figure 19: Assurance methods

### 3.4 Implementation of King III

#### 3.4.1 Responsibility of senior management

Regarding the implementation practices of corporate governance, senior management was considered to be responsible for corporate governance structures and processes, with the majority of respondents either agreeing or strongly agreeing with this statement. One respondent was of the opinion that it is not the job of management to provide oversight of the implementation of governance measures, but rather to implement these measures after which it remains the responsibility of the board to ensure that this has been done properly. By grouping responses by the respondents' positions in their companies, there was no noticeable difference in the responses to this statement.

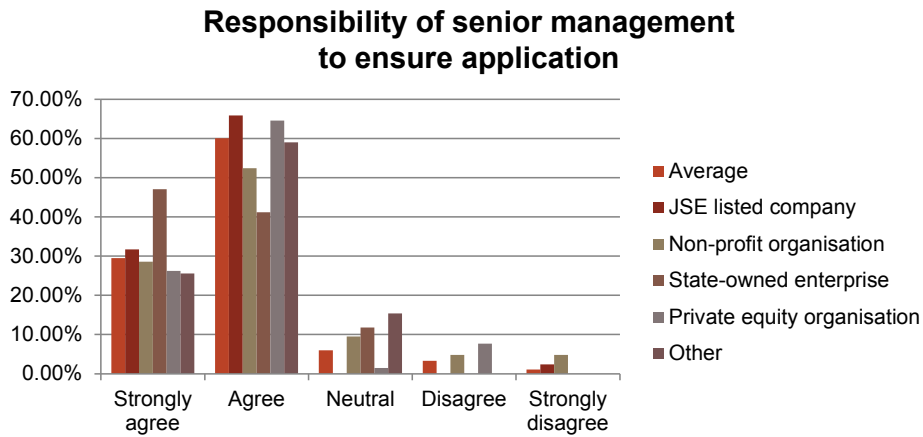


Figure 20: Responsibility of senior management to ensure application

#### 3.4.2 Budgeting for implementation

In general, the majority of respondents noted that the cost of ensuring application of corporate governance measures has been budgeted for. Fourteen percent of respondents either disagree or strongly disagree that these costs have been budgeted for.

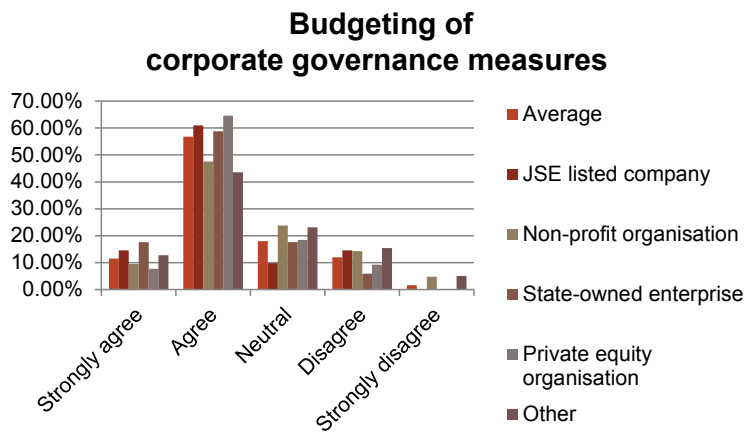


Figure 21: Budgeting of corporate governance measures

#### 3.4.3 Continued formal learning at board level with respect to implementation

Continued formal learning on corporate governance at board level appears to take place within a number of companies, with an average of 58 percent of respondents agreeing and 16 percent strongly agreeing that this is the case in their companies. It is interesting to note that 53 percent of respondents from state-owned enterprises strongly agree and a further 35 percent agree with this statement, indicating high levels of learning on corporate governance taking place in these companies.

## Continued formal learning at board level

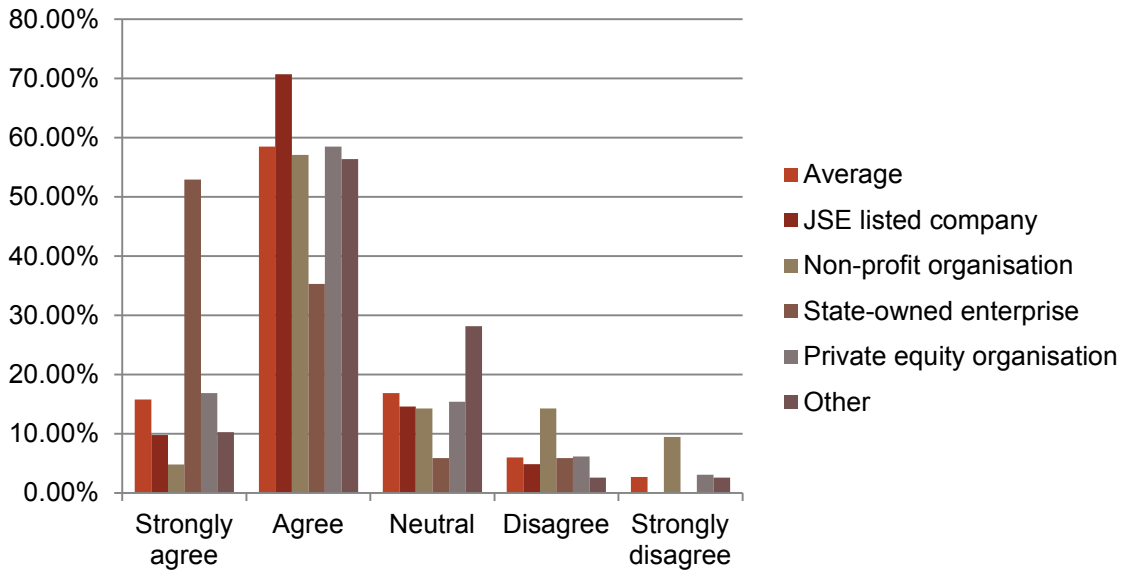


Figure 22: Continued formal learning at board level

### 3.4.4 Understanding of the value of application

High numbers of respondents either agreed or strongly agreed that the value of good corporate governance is understood and integrated at all levels in their organisations.

## Understanding of the value of good corporate governance

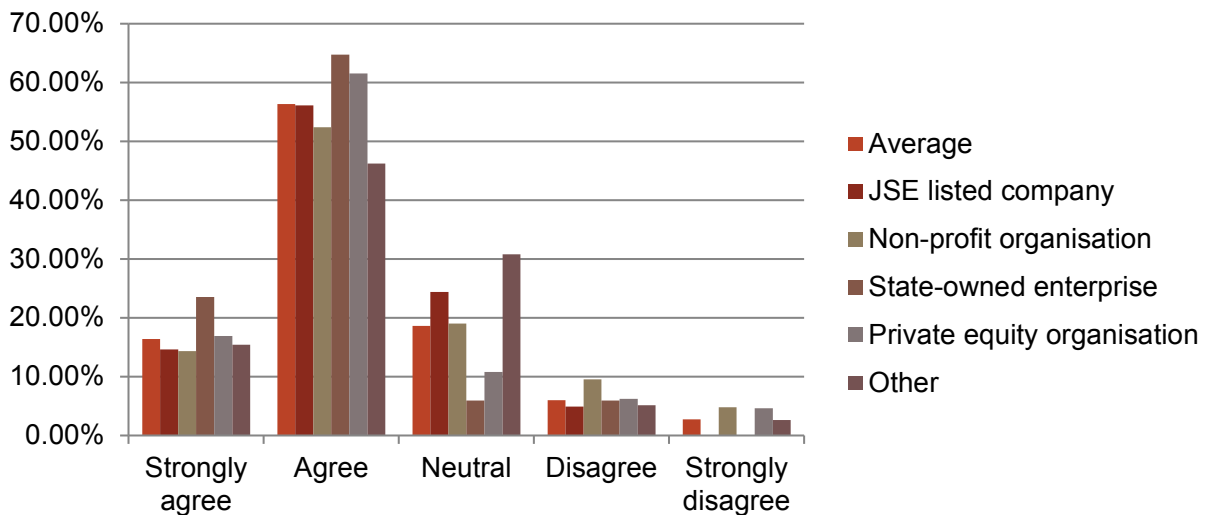


Figure 23: Understanding of the value of good corporate governance

## 3.5 Stakeholder Communication

### 3.5.1 Engagement with the stakeholder community

The greater majority of the respondents agreed that their organisations regularly engage with the broader stakeholder community.

### Engagement with stakeholders

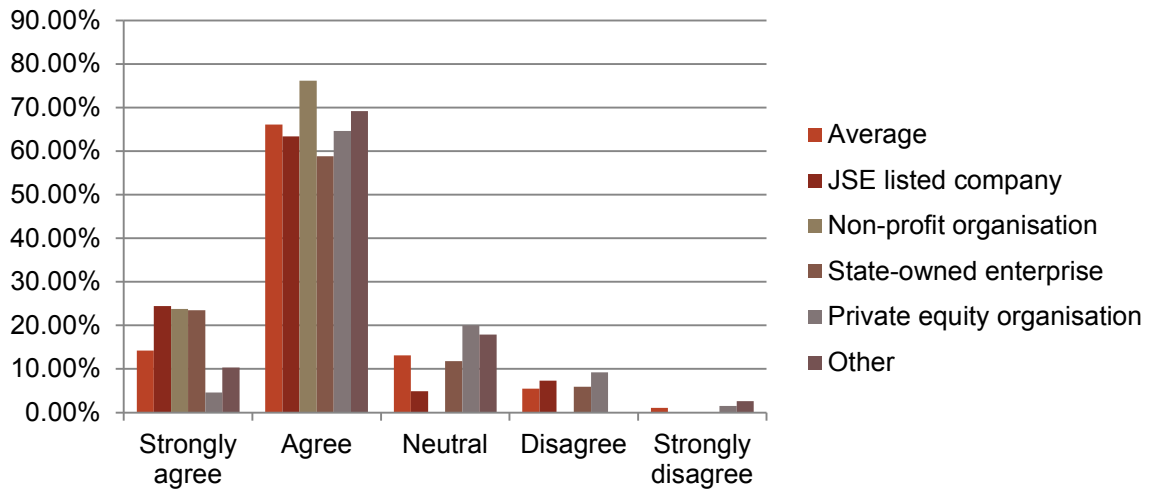


Figure 24: Engagement with stakeholders

### 3.5.2 Understanding of the impact of the stakeholder community on organisational sustainability

On average, most respondents experience that there is a clear understanding within their organisations that the sustainability of the organisation is influenced by the views of the stakeholder community.

### Influence of stakeholder community on organisational sustainability

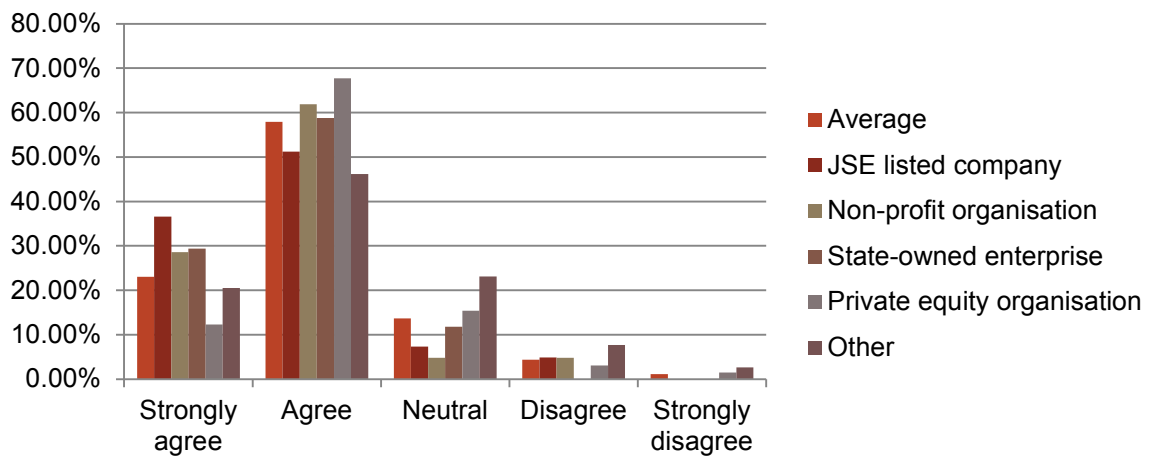


Figure 25: Influence of stakeholder community on organisational sustainability

### 3.5.3 Importance of communication with stakeholders

Again, the greater majority of respondents felt that communication with stakeholders is of paramount importance and that such communication is meaningful and transparent in their organisations.



## Importance of communication with stakeholders

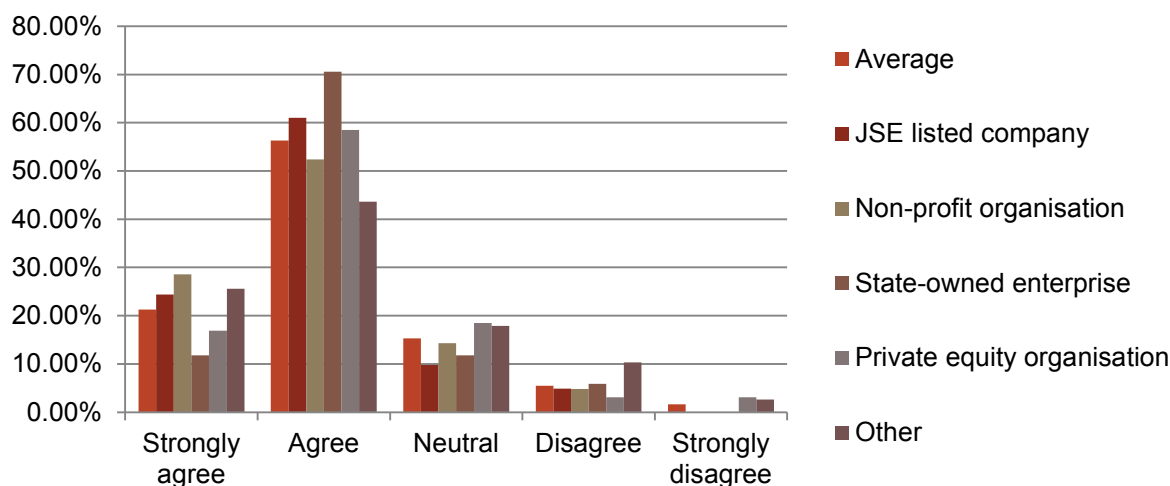


Figure 26: Importance of communication with stakeholders

### 3.6 Enablers and Obstacles

#### 3.6.1 Enablers

##### 3.6.1.1 Support and training as an enabler to application

Eighty two percent of respondents felt that the support and training provided by organisations such as the JSE and IoDSA has enabled the application of King III.

## Support and training

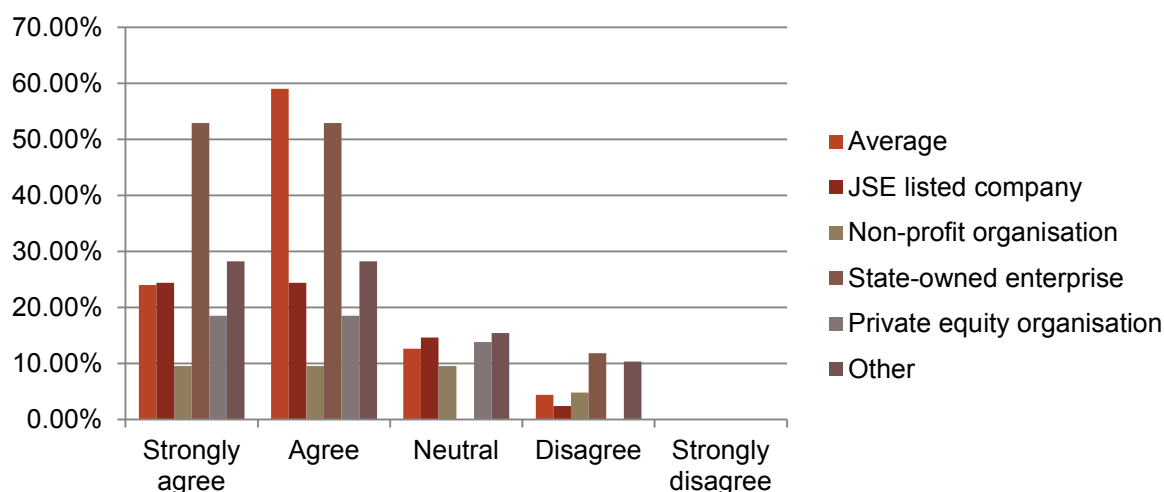


Figure 27: Support and training

##### 3.6.1.2 Advice from external corporate governance advisors as an enabler to application

Sixty three percent of respondents either agreed or strongly agreed that advice from external corporate governance advisors enabled the application of King III. One can determine that advice from external consultants was considered to be less of an enabler of the application of King III than the support and training provided by the IoDSA and the JSE, as more respondents disagreed that advice from external advisors enabled application than those who disagreed that support and training from the IoDSA and the JSE enabled application.

## Advice from external advisors

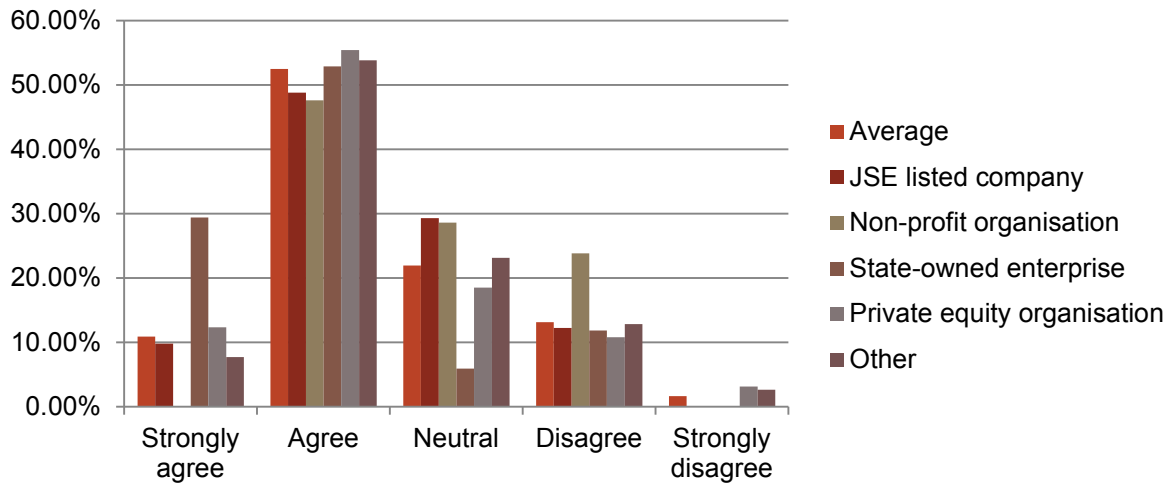


Figure 28: Advice from external advisors

### 3.6.1.3 The board's embracement of corporate governance as an enabler to application

The majority of respondents agreed that a visible demonstration by the board that it embraced the principles of corporate governance enabled application of the requirements as set out in King III.

## Demonstration of corporate governance principles

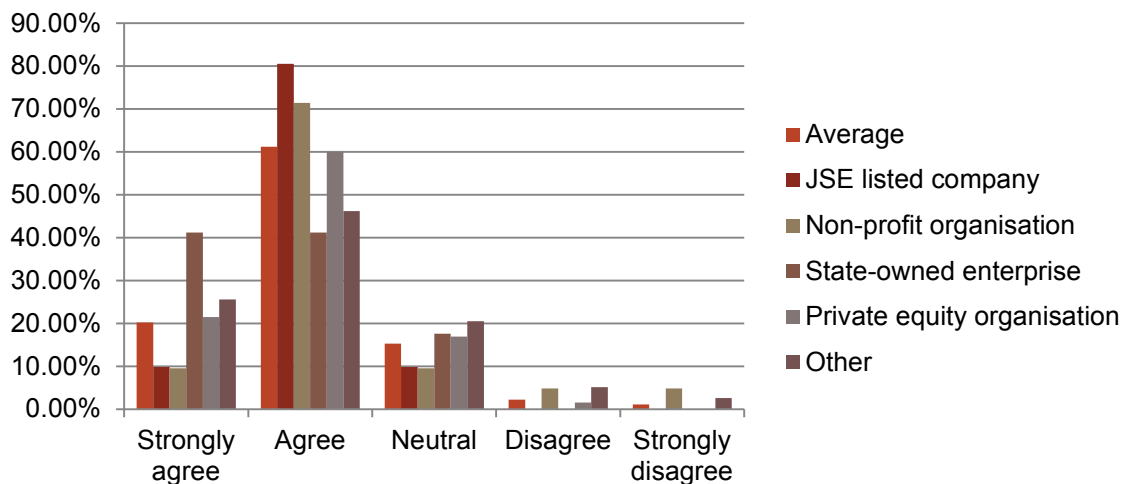


Figure 29: Demonstration of corporate governance principles

### 3.6.2 Obstacles

In general, most respondents disagreed with the statements in this section with percentages ranging from 40 to 72 percent between the questions. An average of 72 percent of respondents either disagreed or strongly disagreed that King III is not relevant to their organisation. Even though the majority of respondents disagreed with the statements, one should not overlook the respondents that did agree with these factors being obstacles to the application of King III, especially with such factors as lack of knowledge and financial cost being experienced as obstacles.

## Obstacles to application

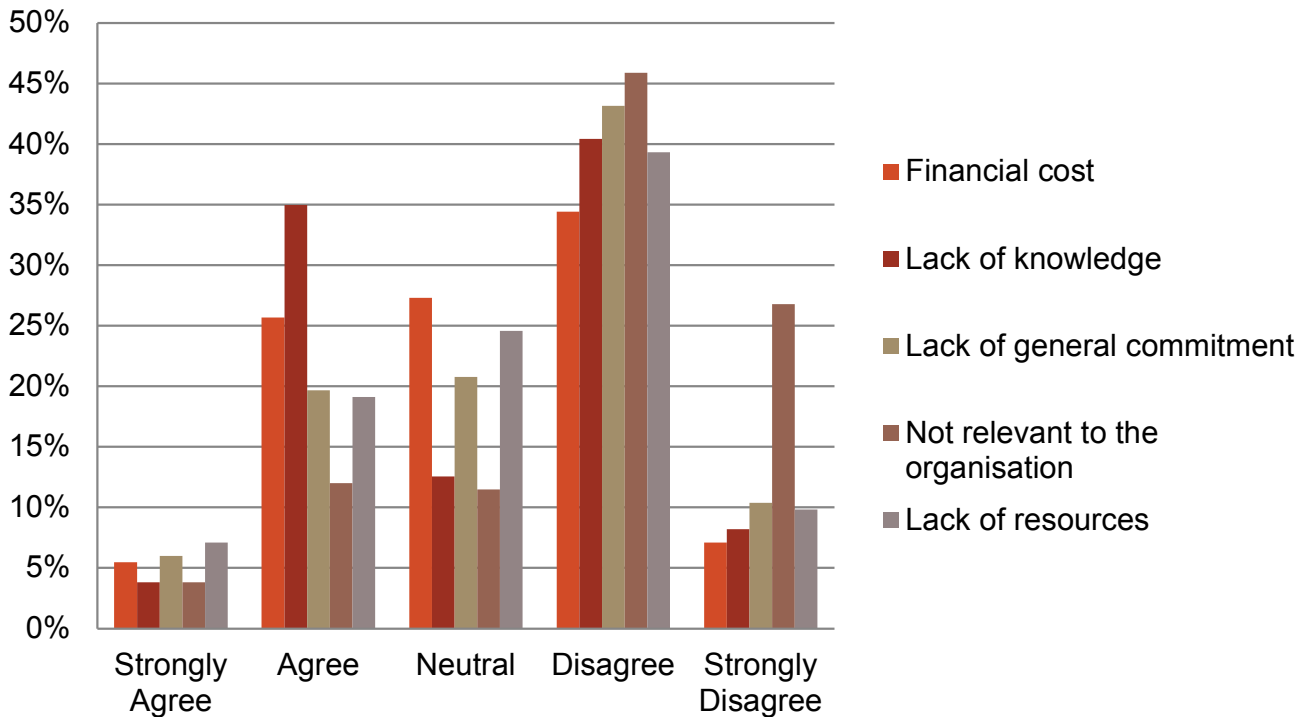


Figure 30: Obstacles to application

### 3.6.2.1 Lack of knowledge as an obstacle to application

Lack of knowledge appears to be the biggest constraining factor with an average of 39 percent of respondents agreeing or strongly agreeing to this statement. However, a greater percentage of respondents do not experience lack of knowledge as an obstacle to the application of King III in comparison with those who did experience this.

## Lack of knowledge as an obstacle to application

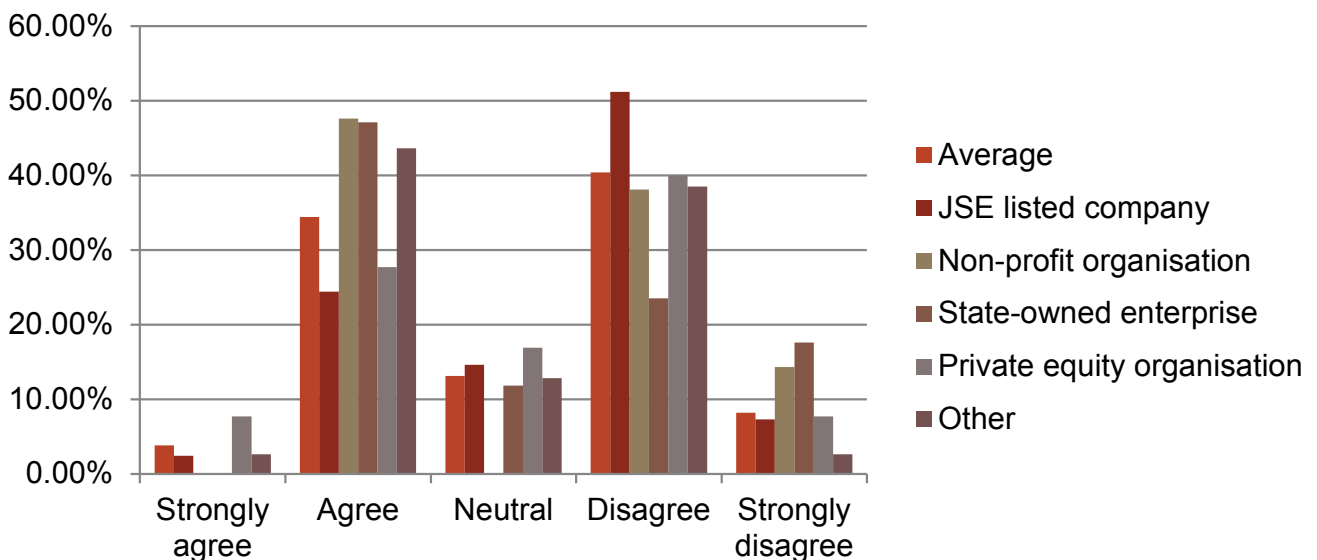


Figure 31: Lack of knowledge as an obstacle to application

### 3.6.2.2 Financial cost as an obstacle to application

On average, 32 percent of respondents agree or strongly agree that financial cost was a major obstacle in applying King III, which seems especially apparent in JSE-listed companies. A slightly greater percentage of respondents (42 percent) either disagreed or strongly disagreed with this statement.

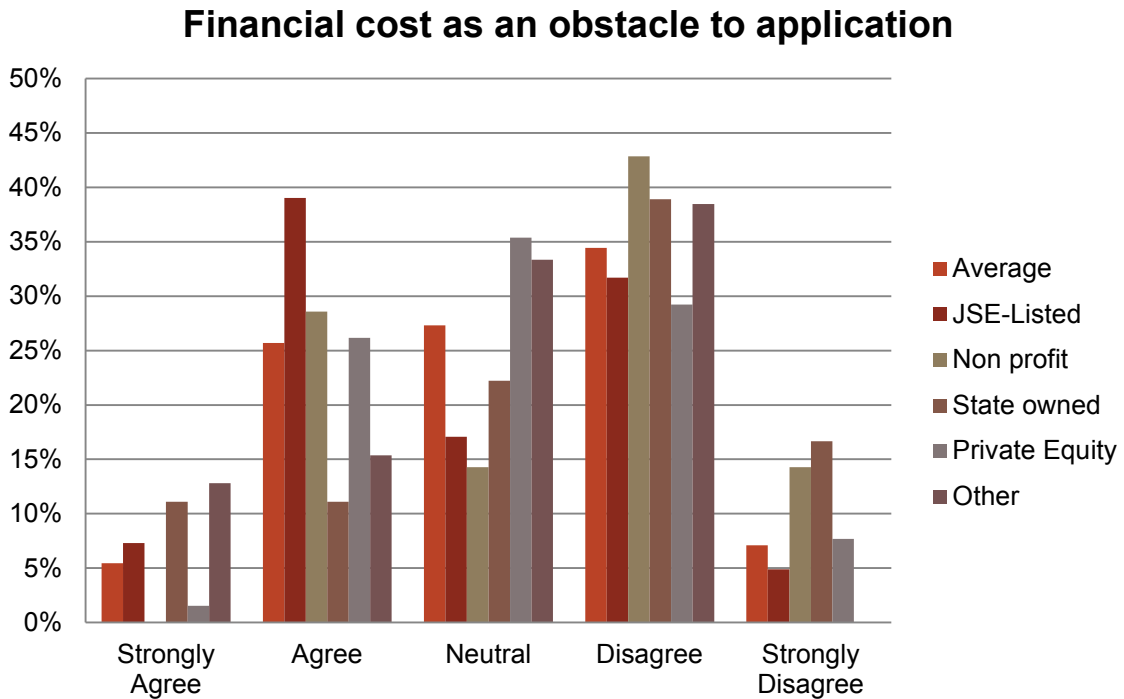


Figure 32: Financial cost as an obstacle to application

### 3.7 IT Governance

An average of 57 percent of respondents either agreed or strongly agreed that the governance of Information Technology (IT) has improved the alignment of IT with the performance objectives of the business. Specifically, 58 percent felt that it improved the quality strategic decision making of the organisation, whilst 73 percent indicated that it improved strategic risk management within the organisation and 61 percent that it improved the management of information assets of the organisation.

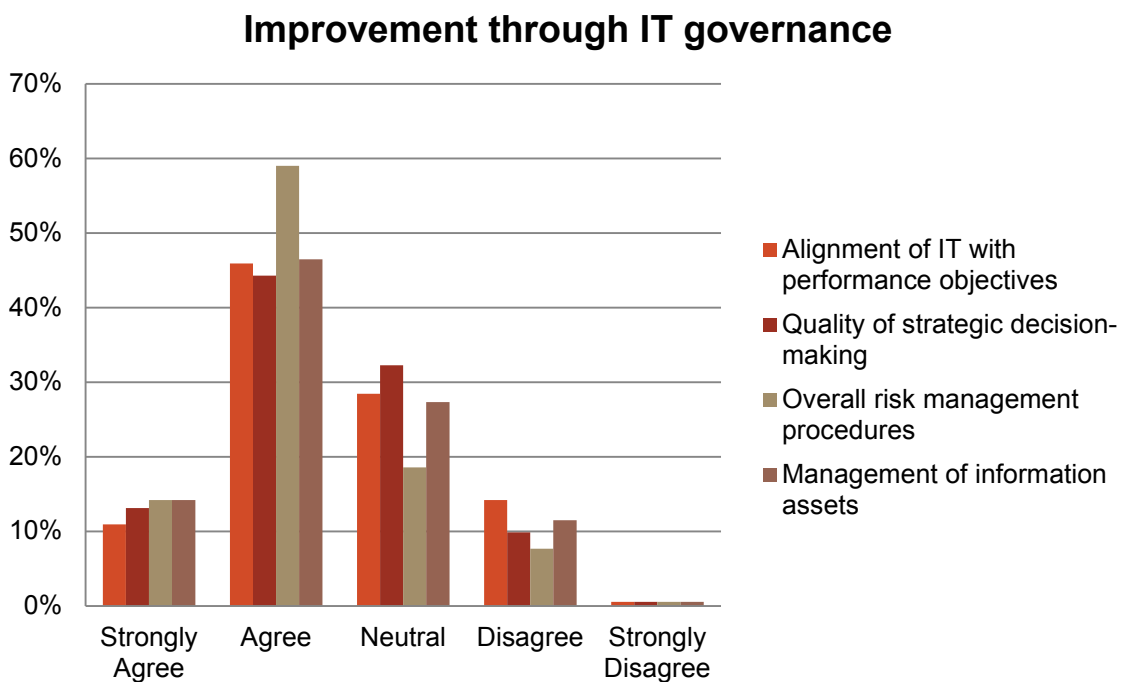


Figure 33: Improvement through IT governance

### 3.8 Integrated Reporting

A significant majority of respondents (86 percent) either agreed or strongly agreed that the board understands the integration of strategy, risk, sustainability and performance. Furthermore, 80 percent agreed that their organisations have identified its value drivers and dependencies and 72 percent agreed that their organisation understands what is meant by Integrated Reporting.

With just over half of the respondents (55 percent) indicated that there is sufficient guidance available for integrated reporting, 20 percent of respondents either disagreed or strongly disagreed with this statement.

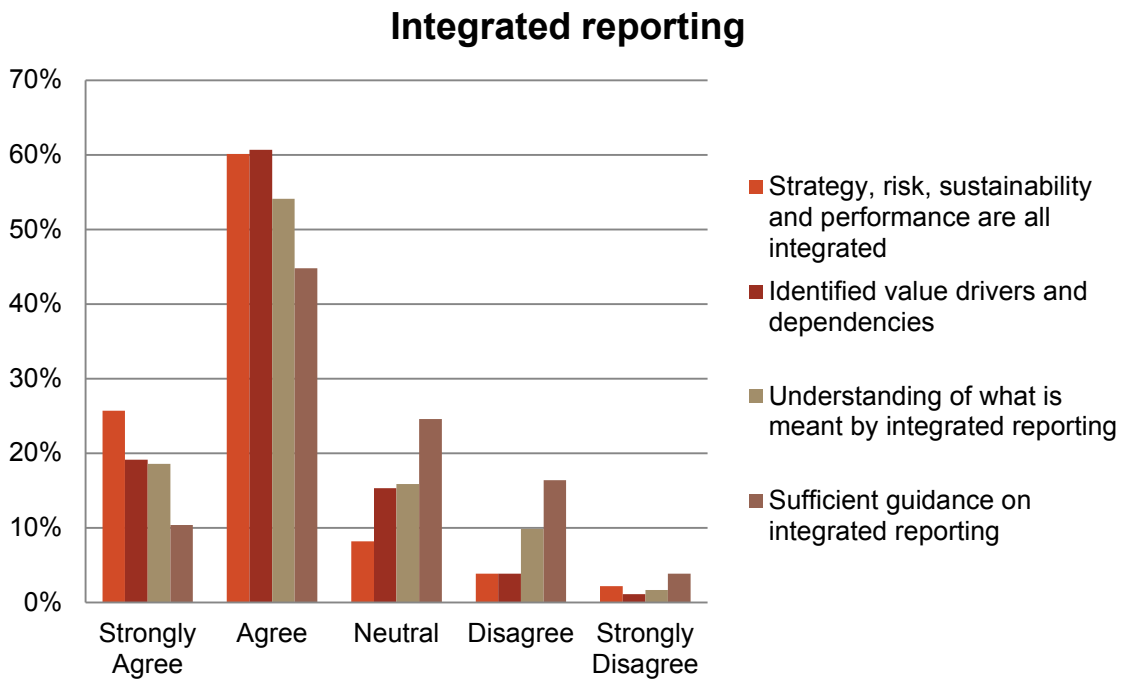


Figure 34: Integrated reporting

### 3.9 Recommendations and suggestions going forward

The following section provides an overview of the key comments made by the respondents through the open-ended questions on recommendations and suggestions to be considered for the future development of corporate governance in South Africa.

#### 3.9.1 Understanding of King III

Ten respondents commented that they feel King III needs to be adapted to be more practical and easier to understand. Their specific recommendations were that there should be an increased focus on using more practical examples to facilitate application and enhance the understanding of the guidelines of King III. Some also added that the King Report should contain more “concrete” recommendations and that some recommendations of King III were perceived as being unclear and ambiguous. Furthermore, the simplification of the King III report was suggested as well as making the report more user friendly with a ‘frequently asked questions’ section on the IoDSA website, for example.

Eight respondents also felt that there is a need for greater training and guidance on the application of King III, which needs to be addressed at the individual (directors, board members, etc.), company and public level. Some respondents felt that there should be more focus on King III in undergraduate level education, not only in commerce related fields, but also in the humanities, built environment and other fields. This was particularly true for the integrated reporting and Information Technology (IT) governance sections of King III.

### 3.9.2 Ethics

Six respondents suggested that there should be a greater focus on ethics and integrity in business, with guidelines on the promotion of ethical behaviour and conduct and the fostering of an ethical mindset within organisations, which would ultimately facilitate corporate governance in the organisation and reduce the likelihood of a 'tick-box' approach to corporate governance.

### 3.9.3 Non-profit and smaller organisations

Twelve respondents from NPOs and small and medium enterprises (SMEs) felt that there should be a separate set of guidelines for these sectors, as they often do not have the financial and other resources available to successfully apply the guidelines contained within the King III report. Several suggested that the guidelines for such companies be relaxed to an extent that it is still achievable with fewer resources.

There was a general feeling that King III is targeted mainly at larger companies, especially those listed on the JSE and that this is a major contributing factor to King III not being successfully applied in SME's and NPOs.

### 3.9.4 King III as legislation

It was suggested by ten respondents that King III should be changed from a voluntary set of recommendations to a compulsory legislative concept, similar to the Sarbanes-Oxley Act in the United States, in order to avoid 'box-ticking' and 'window dressing'. Some also added that King III should be better aligned with the Companies Act.

### 3.9.5 Cost of application

The high cost and allocation of resources to apply the recommendations of King III was criticised by eleven respondents, especially smaller organisations and those who do not have a formal compliance department. The respondents complained that the application of King III placed a considerable financial and operational burden on their organisations and that the qualitative and quantitative benefits of application do not clearly outweigh the cost of applying the recommendations, which can cripple many of the smaller companies. Respondents also stated that the application of King III was very time-consuming at board-level.

### 3.9.6 Necessity of King IV

Sixteen respondents commented that there is not a current need for King IV and that focus should remain on streamlining and simplifying King III, whilst also considering separate recommendations for different sectors and sizes of companies. Furthermore, it was suggested that institutions such as the IoDSA and JSE should focus on providing better guidance and support for King III. There was also a general suggestion that King III needs more time to 'settle' and that at least 5 years should be allowed before drafting King IV.





## 4. Emerging Trends and Issues

### 4.1 Application of King III vs. Compliance with King II

The findings from the survey undertaken in 2006 on the practice and perception of King II present many similar results to those of this survey. A summary of the comparison between the findings is presented in Appendix D. Overall, there has been a marginal decrease in the perceived net value of King III in comparison with King II. 65 % of respondents agreed that the value added to the organisation by King III has outweighed the effort and resources that application required in comparison with almost 80% of respondents in the King II survey.

The format of King III is perceived to be marginally more user friendly and accessible whilst there is a slight decrease in the extent to which the respondents felt it provided practical examples and contributed to the organisation's understanding of the value of governance. Marginal decreases were noted across the board in the positive effect of King III on organisational performance in all areas except for integrated sustainability reporting which improved marginally. The contribution of King III to board deliberations and decisions also went down very slightly in comparison with the King II survey.

An increased number of boards now obtain third party assurance on the quality of governance in the organisation (increasing from roughly 47 percent to 64 percent). More companies appear to be taking on support and training by organisations such as IoDSA and JSE (considered a greater enabler of King III than with King II), whilst the obstacles to implementation remained relatively similar.

From the comments, many respondents in the King II survey highlighted a need for more sufficient explanations and examples, especially in smaller firms and NPOs (Thorburn, 2008:32). The same trend can be seen from the comments given in this survey, with several respondents requesting simplification of the language used, greater use of practical examples in the King III report and the provision of training and support services for application of King III. As with the King II study, this trend was most apparent in smaller firms and NPOs.

With the addition of sections on integrated reporting and the governance of IT, many respondents in this study also requested improved guidance on applying the recommendations in these areas, which will be explored in the following sections.

### 4.2 Integrated Reporting

The recommendation that all companies should produce an integrated report is a new addition to the King Report and has had a significant effect on how companies annually report on their financial and non-financial performance. From this survey it was

determined that, on average, 86 percent of respondents agreed or strongly agreed that their board of directors understood the integration of financial and non-financial performance measures. The majority of respondents also felt that there was a good understanding within their companies as to what integrated reporting is.

As a new addition to the King report, one could expect that certain companies will require some guidance on the integrated reporting requirements of King III. This was made apparent by the number of respondents who mentioned in the comments section that there is not sufficient guidance on integrated reporting and that additional guidance is required.

### 4.3 Governance of Information Technology

Another new addition to the King report is the governance of IT, which received a reasonably positive feedback from this survey. The majority of respondents indicated experiencing several improvements with regards to strategic decision-making, risk management and the management of information assets of their companies. There were, however, many respondents who felt that more training is required in the governance of IT in order to properly apply the requirements as set out in King III.

### 4.4 Non-profit and smaller organisations

Whilst 65 percent of respondents experienced added value due to the application of King III in their companies, eleven respondents indicated in the recommendations section that the cost of application of King III was very high, particularly in NPOs and SME's. This was also apparent from the 2006 survey in which a significant number of respondents from SME's and NPOs felt that financial cost and lack of resources were constraining factors in complying with King II requirements (Thorburn, 2008:100). These findings indicate that even though many respondents did gain value from application there is still a high cost associated with the application of King III, especially for the non-profit and smaller organisations.





# 5. Conclusion

The King Codes of Governance Principles are implemented by a clear majority of the respondents who have found them to have added value to both their respective organisations and to the economy of South Africa on the whole. The primary driver for companies to apply King III is to demonstrate commitment to corporate governance to external stakeholders, followed by motivations to enhance the effectiveness and confidence in the performance of the company.

The format was found to be both user friendly and accessible, although there is a call for more practical examples and supporting guidelines. King III has contributed significantly to a range of benefits to companies, from organisational performance through to board effectiveness. Commitment to and understanding of the importance of stakeholder engagement remains high. There has, however, been a decrease in the perceived net value and contribution of King III in comparison with King II.

The responses were mainly neutral in the extent to which King III has impacted the reputation of the company (including employee retention, access to capital and share price stability). The effect on relationships with other firms was mostly positive, otherwise neutral, but respondents did indicate a strong commitment to supporting corporate governance in their investment decisions with other companies. These findings suggest that investor and employee interest in corporate governance is not perceived to be as great as the interest that the respondents (executive management and board members) place on corporate governance in their own and other companies.

Support and training provided by organisations such as the IoDSA and JSE continues to be a key enabler of realising effective corporate governance, as does visible board commitment. Obstacles to effective corporate governance remain similar to those in the 2006 study and there was an even distribution of agreement and disagreement indicating no clear consensus on obstacles.

The development of King III has also seen some significant changes from its predecessor, most significantly through the new recommendations for integrated reporting and IT governance. The respondents indicated that the introduction of IT governance has added significant value to their operations, with a few calling for clearer guidelines on the links to effective risk management. There is a strong indication that boards understand the integration of strategy, risk, sustainability and performance as well as value drivers and dependencies. Whilst the respondents indicated that their organisations may understand what is meant by integrated reporting, there is still a call for greater guidance.

Compared with the findings of the 2006 survey on the practice and perceptions of King II, many of the concerns from King II are still apparent with King III. These are most notably the need for improved guidance on how to apply the requirements as set out in the King Report, the need for more practical examples to enhance understanding of the requirements and a call for the simplification of the language and format of the report. Non-profit and smaller organisations continue to call for a simplified and lower cost to implementation version of the King Codes that specifically addresses the nature and contexts in which they operate.

A call for clearer guidelines on how to cultivate a mindset of ethical behaviour within companies speaks to the developing discourse within the corporate governance landscape. Companies are looking for ways in which to transcend a 'tick-box' approach to corporate governance and build on the leadership's understanding of and appreciation for interconnected values, strategy, risks and opportunity.

The findings from this research suggest that the King Codes continue to play a significant role in promoting effective corporate governance in South African companies. In order for the King Codes to continually promote the highest standards of corporate governance in an aspirational but accessible manner, a set of recommendations are presented in the following section.



## 6. Recommendations

The findings from the research suggest that King III is both user-friendly and accessible, but could benefit from practical examples and supporting resources. Recommendations for more detailed guidelines, examples and training were specific to the areas of integrated reporting and IT governance. There is a recommendation that corporate governance should be integrated into tertiary education curriculum across the board, from the detailed application of governance principles through to the foundation of ethics and values that underpin such principles.

A call for the simplification of King III was largely made by the non-profit and smaller organisations represented in the sample. There is a clear need to address each of these sector's specific contexts and the nature of their operations in the drafting of a code of principles that is less costly in its implementation and also more accessible for these companies. Several recommendations were made for these to be separate codes.

The extent to which all companies called for greater guidance on embedding ethical behaviour within organisations suggests a need to address, where possible, more explicitly the ways in which an ethical mindset can be fostered.

Finally, we believe that the focus of the King committee should be on streamlining and simplifying King III and ensuring greater commitment and application from South African companies before embarking on the drafting of King IV.

### Further Research

There are a number of areas which could benefit from further investigation and research. The following key research areas have been identified:

- i. Documenting short and accessible case studies of best practice in the application and implementation of corporate governance as a resource for companies;
- ii. Investigating the mechanisms and extent to which both shareholders and stakeholders (including employees) place value and act on a commitment to corporate governance – including understanding the disconnect between company's relatively strong commitment to corporate governance within their own firms and the perceived neutral value of corporate governance in other companies that they are interacting with;
- iii. Understanding the drivers and mechanisms for fostering and embedding an ethical mindset within both the board and the organisation;
- iv. Investigating the appropriate content for a separate set of codes specific for NPOs and small and medium enterprises;
- v. Determining how the King Report can be simplified and made more practical, as well as how training and guidance can be successfully utilised to enhance the understanding of the recommendations in King III.



## References

IoDSA. 1994. *The King Report on Corporate Governance 1994*. South Africa: IoDSA.

IoDSA. 2002. *King Report on Corporate Governance for South Africa 2002*. South Africa: IoDSA.

IoDSA. 2009. *King Report on Governance in Southern Africa 2009*. South Africa: IoDSA.

Thorburn, R. 2008. *Corporate governance in South Africa: Practices, perceptions and the road ahead*. Unpublished master's dissertation. Stellenbosch: University of Stellenbosch.

# Appendix A | Survey

## Section 1 | Background Information

1. From the options below, please select the one that describes your company the best:

JSE-listed company	
State owned enterprise	
Non-profit organisation	
Private equity organisation	
Other (Please specify)	

2. Please indicate your position in the company:

Company Secretary	
Executive Director	
Non-executive Director	
Chairperson of the board	
Other (Please specify)	

## Section 2 | Statements

1. Application

1.1 This organisation applies the King Code of Governance Principles as contained in the King III report.

Completely    In the majority    In the minority    No implementation

1.2 Application of King III has added value to the organisation that outweighs the effort and resources that application required.

Strongly agree    Agree    Neutral    Disagree    Strongly disagree

1.3 The main reasons for the application of King III are:

Please rank the three most important reasons:

STATEMENT	RANK
1.3.1 We wanted to demonstrate commitment to corporate governance to external stakeholders.	
1.3.2 It was easier to apply than to explain why it was not applied.	
1.3.3 We wanted improved efficiency and effectiveness within the organisation.	
1.3.4 The board wanted application as a means to enhance confidence in the performance of the organisation.	
1.3.5 We wanted to improve values throughout the organisation.	
1.3.6 We wanted to attract foreign direct investment.	
1.3.7 We wanted to strengthen the sustainability of our business.	
1.3.8 We wanted to improve the reliability of integrated reporting of our business.	
1.3.9 If there were other significant reasons for the application of King III, please list them in the field provided below.	

1.4 The King III Report:

1.4.1 Was issued in a user friendly format.

Strongly agree    Agree                      Neutral                      Disagree                      Strongly disagree

1.4.2 Was drafted in unambiguous and simple language.

Strongly agree    Agree                      Neutral                      Disagree                      Strongly disagree

1.4.3 Made use of sufficient practical examples.

Strongly agree    Agree                      Neutral                      Disagree                      Strongly disagree

1.4.4 Contributed to the organisation’s understanding of the value of governance.

Strongly agree    Agree                      Neutral                      Disagree                      Strongly disagree

(Comments):

---



---



---

2. Effect

2.1 This organisation benefits from the corporate governance commitment of other companies within our supply chain and partnerships.

Strongly agree    Agree                      Neutral                      Disagree                      Strongly disagree

2.2	The effect of application of King III was that it:				
2.2.1	Improved the quality of board deliberations and decisions.				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.2.2	Improved organisational integrity and ethics.				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.2.3	Improved the risk management processes.				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.2.4	Improved the effectiveness of the internal audit function.				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.2.5	Improved quality of integrated sustainability reporting.				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.2.6	Improved the transparency of accounting and auditing practices.				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.2.7	Improved the confidence of the board that the organisation is compliant with applicable legislation and regulations.				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.2.8	Improved the effectiveness of dispute resolution activities of our business.				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.2.9	Please include any other significant effects in the field below:				
	<hr/>				
	<hr/>				
	<hr/>				
2.3	The effect of application of King III was that it contributed significant value to our board's deliberations and decisions, especially in terms of the following areas:				
2.3.1	Enhanced leadership by the board in providing strategy and direction.				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.3.2	The exercising of control, and monitoring of management which enabled the board to discharge its accountability.				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.3.3	The delegation of authority enabling the board to function effectively and efficiently while retaining adequate control.				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree

2.3.4 An appropriate board composition which resulted in increased effectiveness and efficiency.

Strongly agree   Agree                      Neutral                      Disagree                      Strongly disagree

2.3.5 Enhanced confidence in the quality of its decisions.

Strongly agree   Agree                      Neutral                      Disagree                      Strongly disagree

2.3.6 Please include any other significant effects in the field below:

---

---

---

2.4 The application of King III has had the following effect on the organisation's reputation:

2.4.1 Attracted and retained quality employees.

Strongly agree   Agree                      Neutral                      Disagree                      Strongly disagree

2.4.2 Increased access to capital at competitive terms and rates.

Strongly agree   Agree                      Neutral                      Disagree                      Strongly disagree                      N/A

2.4.3 Reduced or maintained directors' and officers' insurance premiums.

Strongly agree   Agree                      Neutral                      Disagree                      Strongly disagree

2.4.4 Enjoyed favourable media coverage.

Strongly agree   Agree                      Neutral                      Disagree                      Strongly disagree

2.4.5 Experienced share price stability and/or positive organizational growth.

Strongly agree   Agree                      Neutral                      Disagree                      Strongly disagree

2.4.6 Please include any other significant effects in the field below:

---

---

---

2.5 How did good governance and specifically application of King III generally improve your relationships and association with other companies within the same group or organizations within the supply chain?

2.5.1 Increased flow of meaningful, timely and transparent information from the other companies/ organisations to our organization.

Strongly agree   Agree                      Neutral                      Disagree                      Strongly disagree

2.5.2	Improved confidence that these other companies/ organisations exhibit equivalent values to ours.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.5.3	Increased confidence in how these other companies/ organisations manage their risk.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.5.4	Greater visible commitment to transformation issues by these other companies/ organisations.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.5.5	Greater visible commitment to corporate social investment by these other companies/ organisations.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.6	This organisation will only invest in or support another company that can demonstrate its commitment to corporate governance:	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.7	In my experience the South African economy benefited from adherence to King I, King II and King III.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
3.	Impacts on board deliberation and decision-making					
	Application of King III has resulted in our board demonstrating:					
3.1	Independence of thought by all directors.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
3.2	Adequate reflection on strategic direction.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
3.3	Integration of strategy, risk, performance and sustainability	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
3.4	Constructive interrogation of information provided by management to the board.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
3.5	Regular formal and informal self-assessments of its own effectiveness.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
3.6	A disciplined approach to meeting preparation.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree



- 3.7 An awareness that the board is ultimately accountable to stakeholders.
- Strongly agree    Agree                      Neutral                      Disagree                      Strongly disagree
- 3.8 The successful balance between corporate governance standards and the need to embark on enterprise for profit.
- Strongly agree    Agree                      Neutral                      Disagree                      Strongly disagree
- 3.9 Long-term sustainability is continually considered.
- Strongly agree    Agree                      Neutral                      Disagree                      Strongly disagree
- 3.10 More effective management of ethics in the business.
- Strongly agree    Agree                      Neutral                      Disagree                      Strongly disagree
- 3.11 Enhanced ethical leadership by the board
- Strongly agree    Agree                      Neutral                      Disagree                      Strongly disagree

4. Assurance

The board obtains assurance on the quality of governance in the organisation through:

- 4.1 Internal self-assessment.
- Yes                      No
- 4.2 Independent assurance by a third party, such as consultants or the internal auditor.
- Yes                      No
- 4.3 A combined assurance model with assurance being provided by management, internal and external assurance providers, with an appropriate scope allocated to each by the audit committee.
- Yes                      No

5. Implementation

The following is true of corporate governance at this organization:

- 5.1 Senior management is responsible for oversight of corporate governance structures and processes.
- Strongly agree    Agree                      Neutral                      Disagree                      Strongly disagree
- 5.2 The cost of ensuring application of corporate governance measures has been budgeted for.
- Strongly agree    Agree                      Neutral                      Disagree                      Strongly disagree
- 5.3 Continued formal learning on corporate governance takes place at board level.
- Strongly agree    Agree                      Neutral                      Disagree                      Strongly disagree

5.4	The value of good corporate governance is understood and integrated at all levels in the organization.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
6.	Stakeholder Communication					
6.1	The organisation regularly engages with the broader stakeholder community.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
6.2	There is a clear understanding that the sustainability of this organisation is influenced by the views of the stakeholder community.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
6.3	Communication with stakeholders is meaningful and transparent and is of paramount importance:	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
7.	Enablers & Obstacles					
7.1	The following has enabled the application of King III.					
7.1.1	Support and training by organisations such as the IoDSA and JSE.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
7.1.2	Advice by external corporate governance consultants.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
7.1.3	The visible demonstration by the board that it embraced the principles of corporate governance.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
7.2	The following has prevented application of King III					
7.2.1	Financial cost.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
7.2.2	Lack of knowledge.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
7.2.3	Lack of general commitment.	Strongly agree	Agree	Neutral	Disagree	Strongly disagree

7.2.4 King III is considered not to be relevant to this organisation.

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

7.2.5 Lack of resources.

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

8. IT Governance

The Governance of Information Technology (IT) has:

8.1 Improved the alignment of IT with the performance objectives of the business.

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

8.2 Improved the quality of strategic decision-making.

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

8.3 Improved overall risk management procedures.

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

8.4 Improved the management of information assets of the business.

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

9. Integrated Reporting

9.1 The board understands that strategy, risk, sustainability and performance are all integrated.

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

9.2 This organisation has identified its value drivers and dependencies

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

9.3 This organisation understands what is meant by integrated reporting

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

9.4 There is sufficient guidance on integrated reporting

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
----------------	-------	---------	----------	-------------------

10. Recommendations & Suggestions

The following would be our main recommendations/suggestions for King IV:

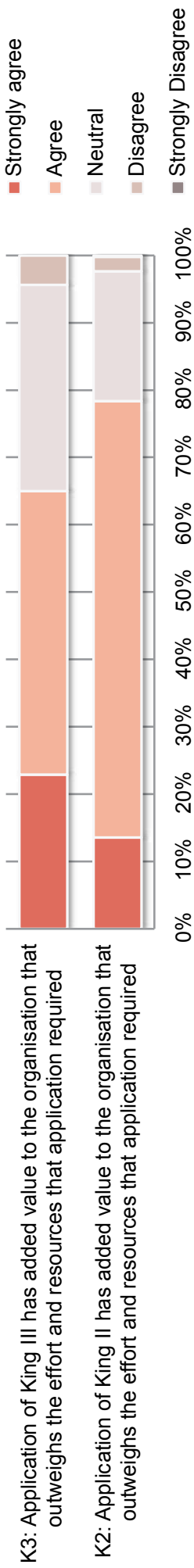
---



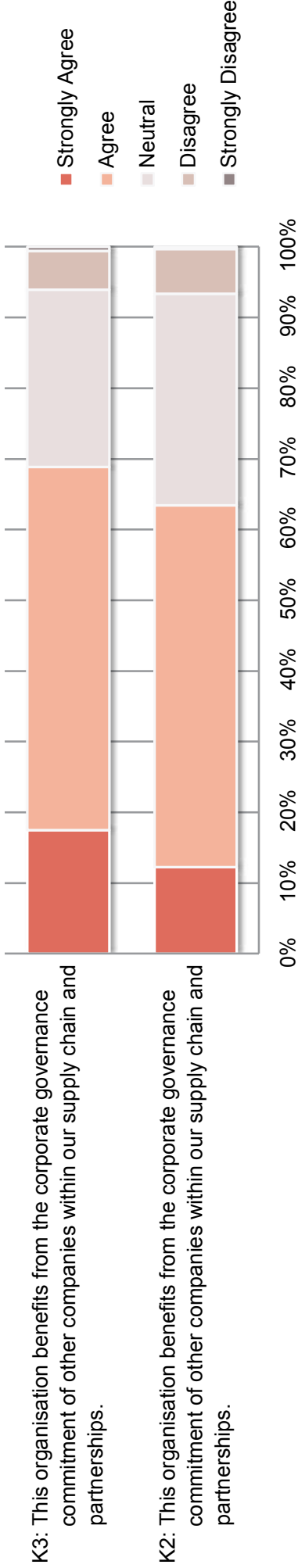
---

# Appendix B | Comparison of King II and King III Results

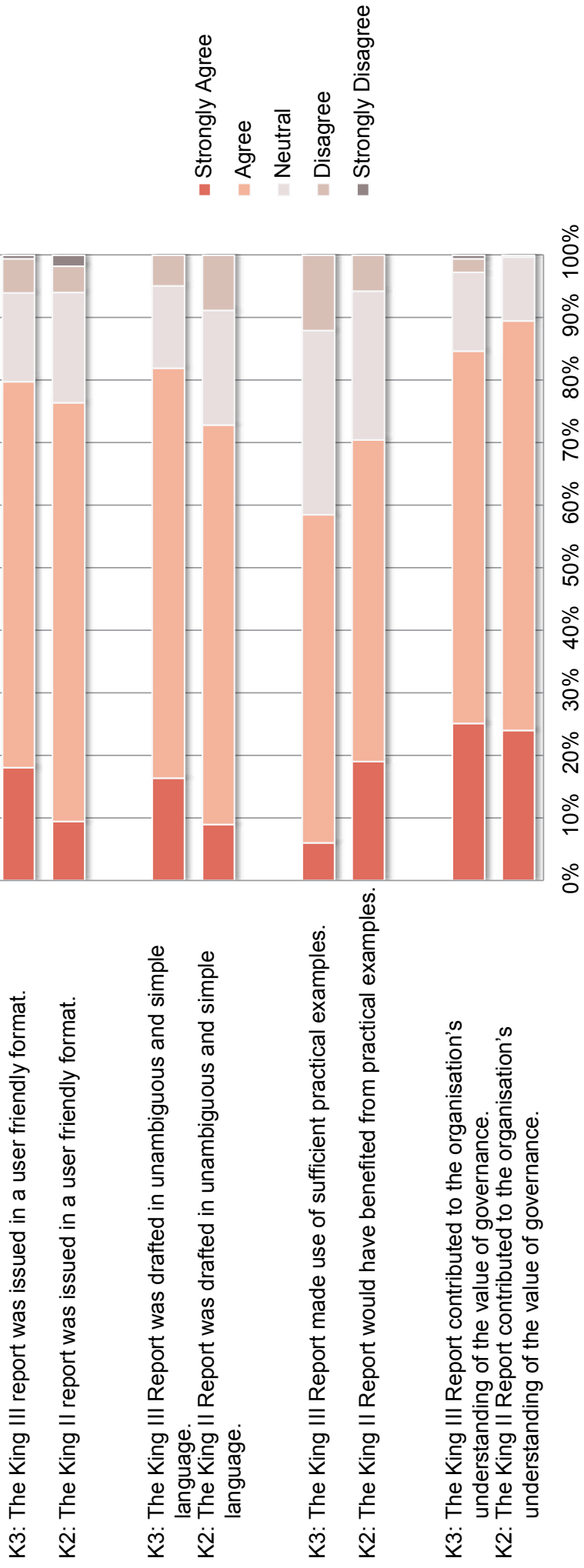
## Application of the King Report



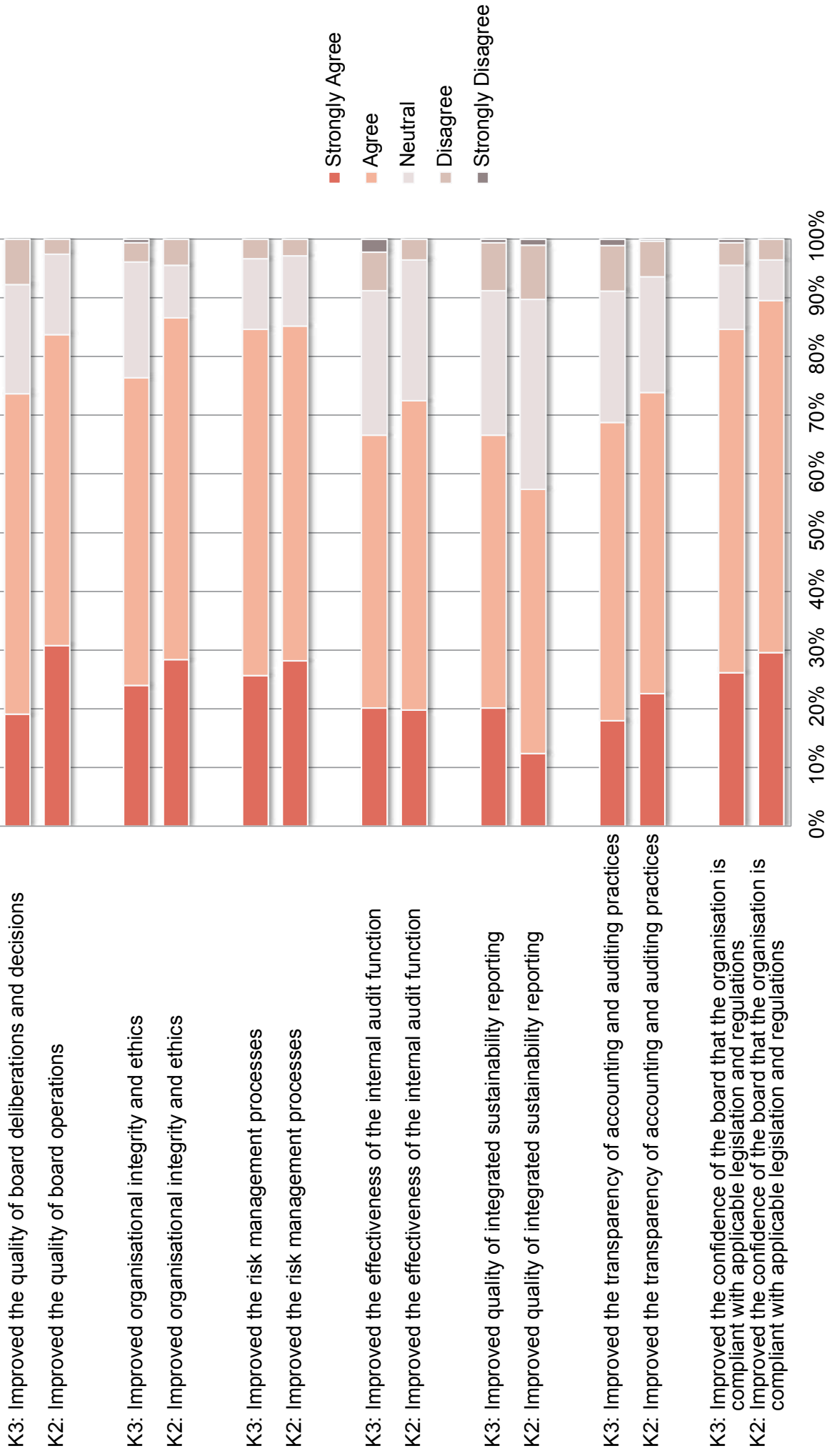
## Benefits of good corporate governance



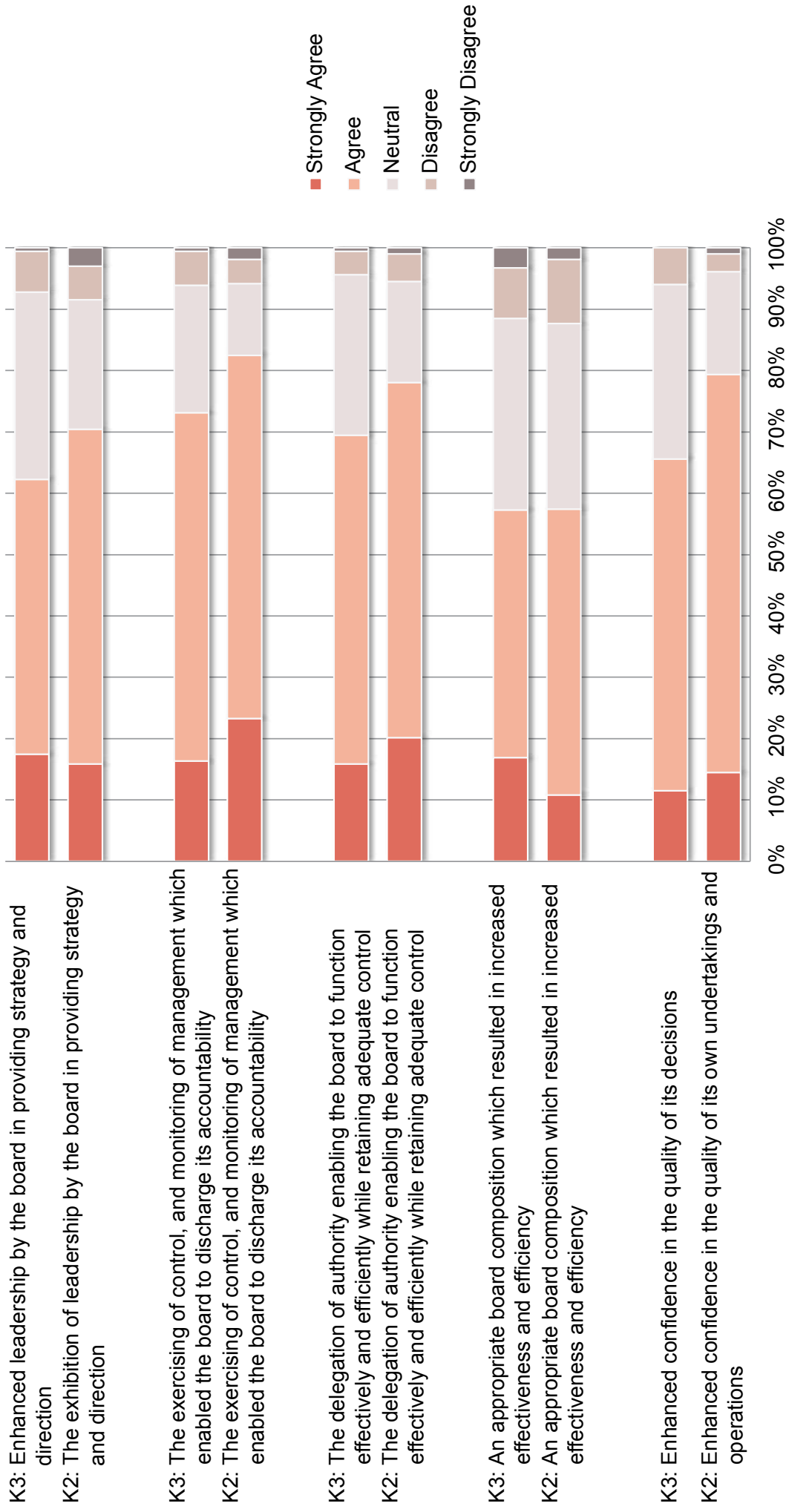
# Language and format of the King Report



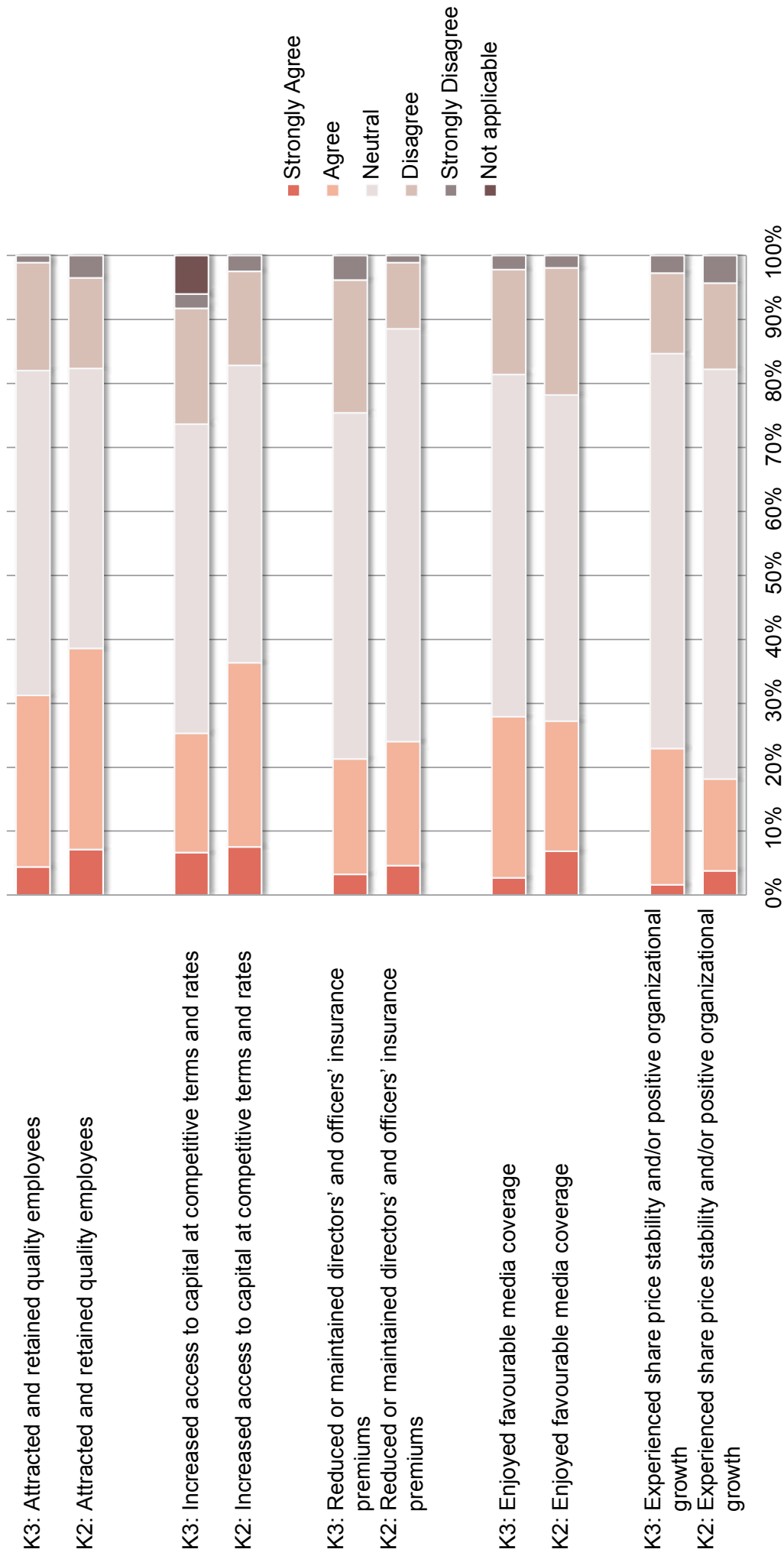
## The effect of the King Report



## Effects on board deliberations and decision making

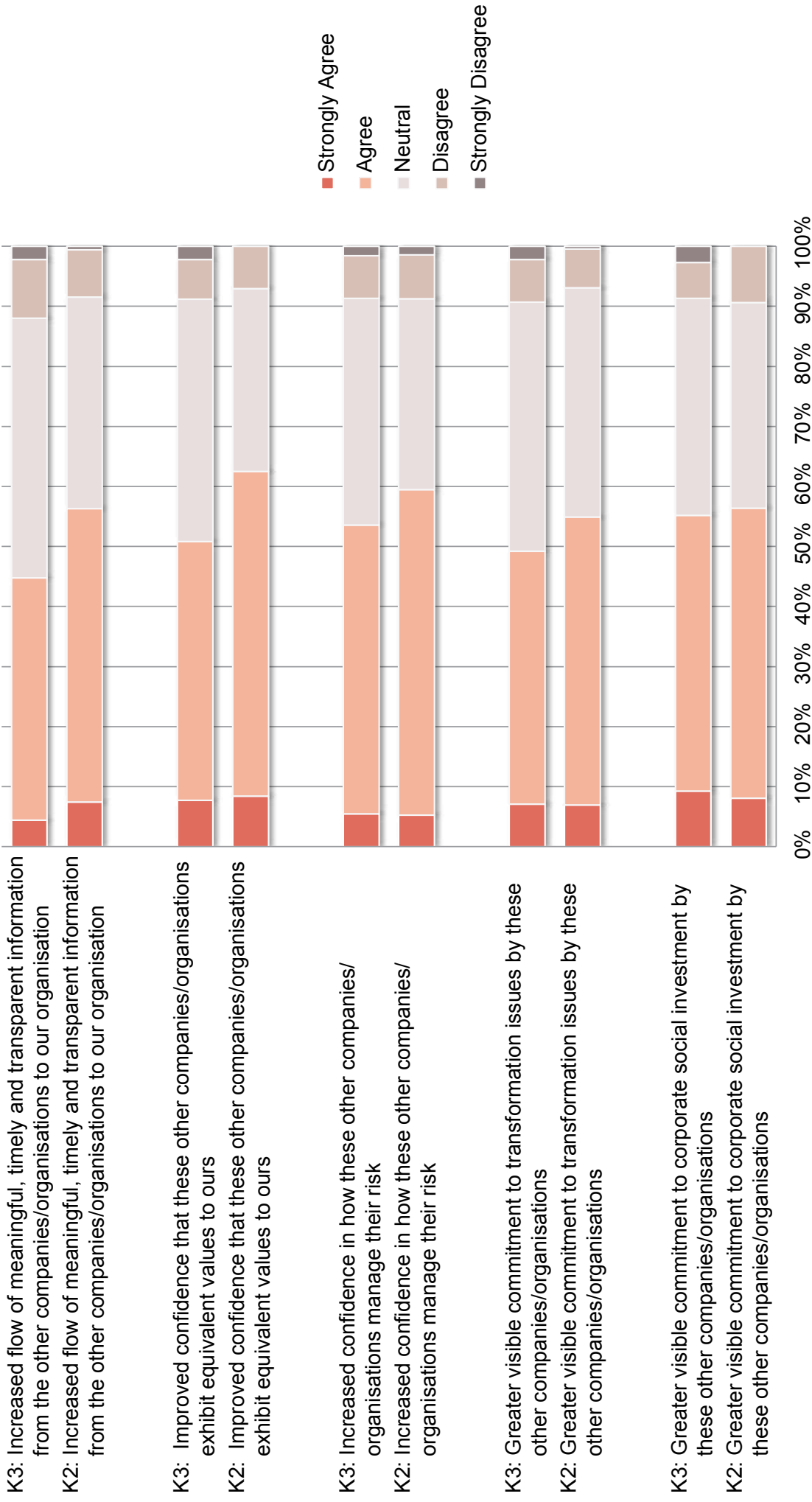


## Effects on organisational reputation

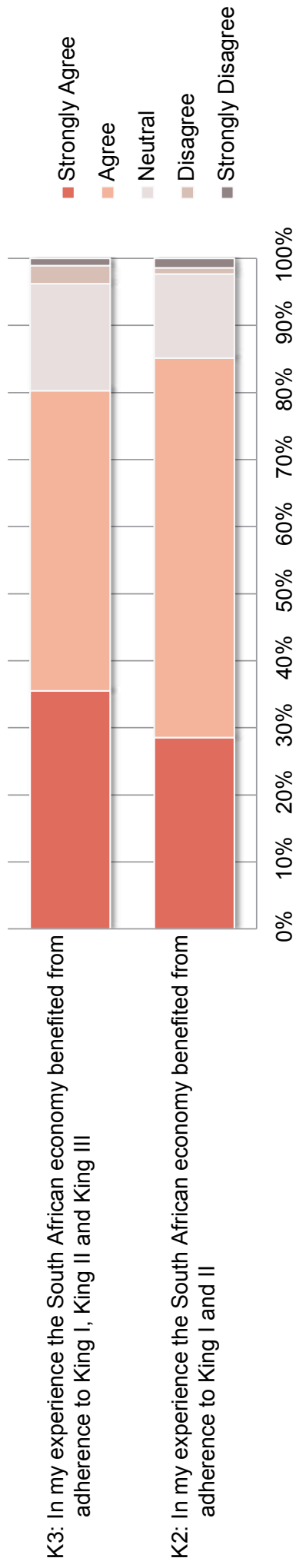




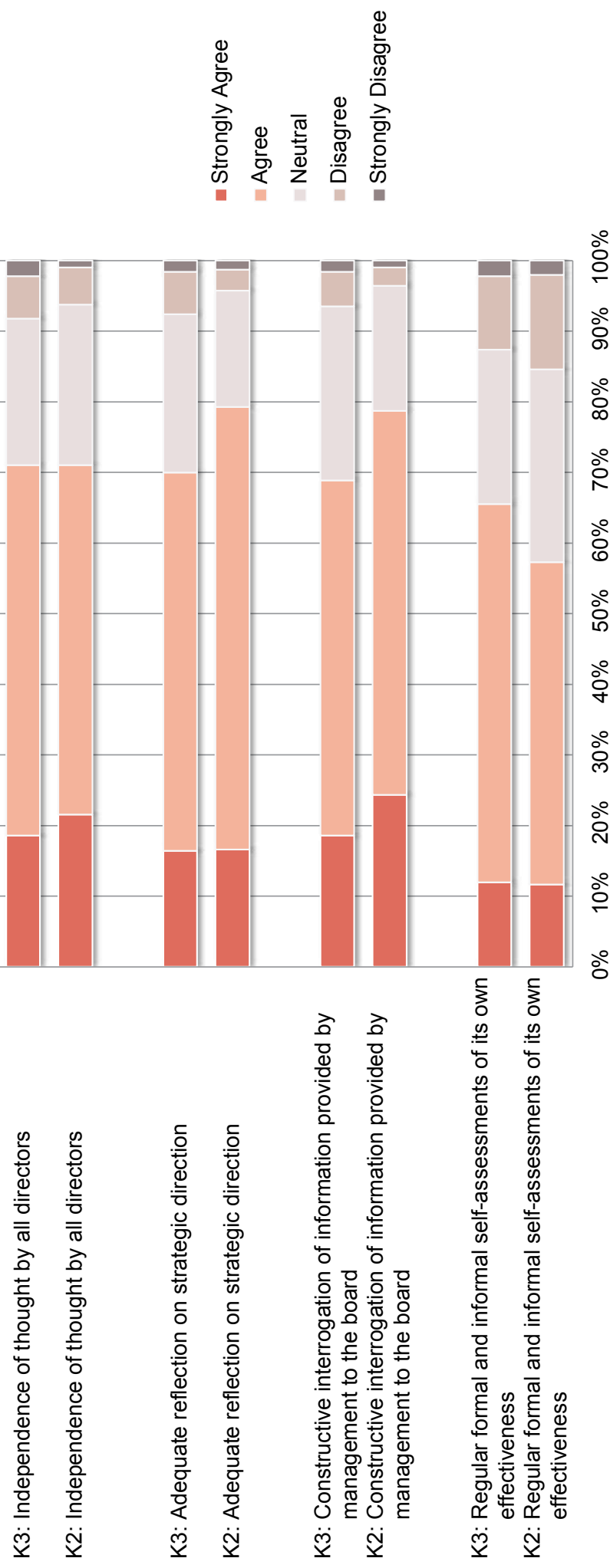
## Effects on supply chain relationships



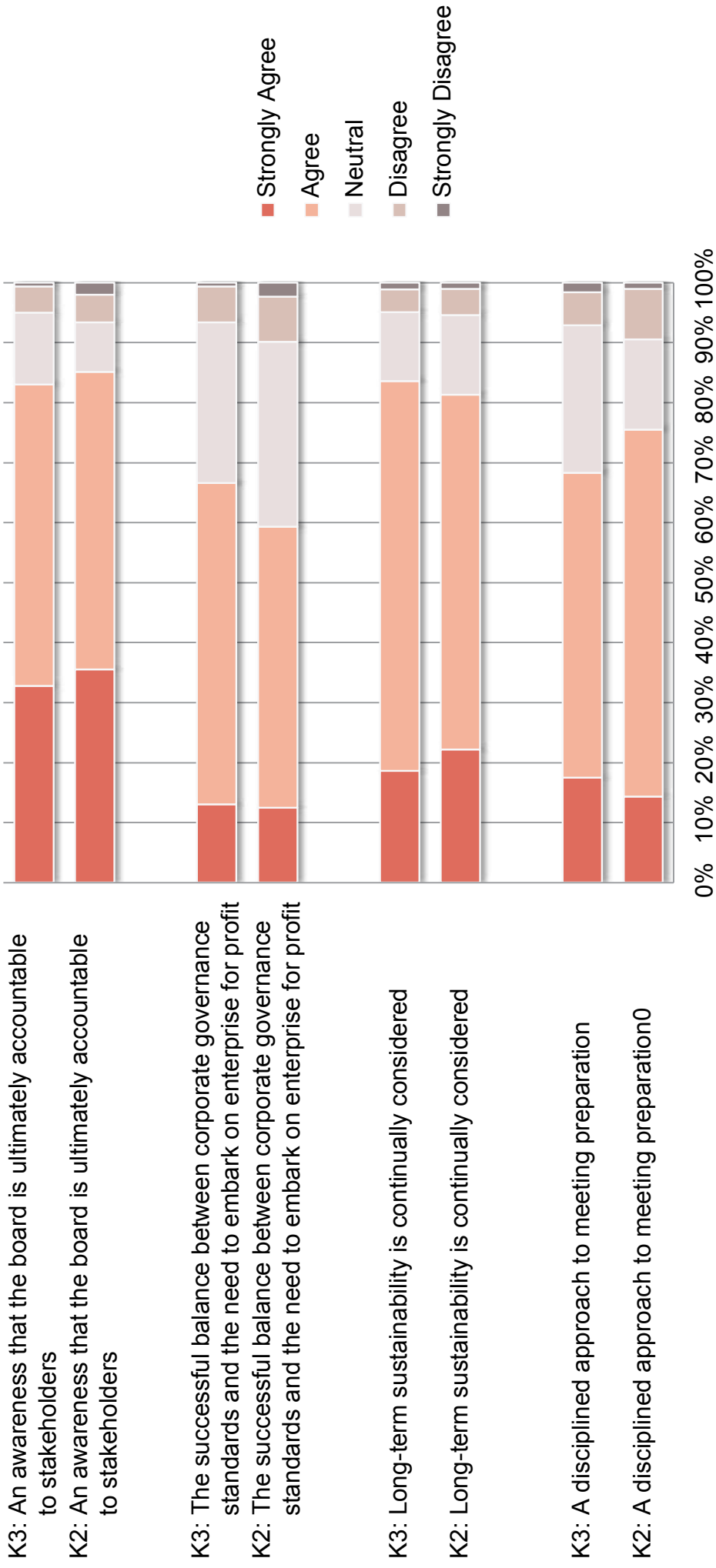
## Benefit to the South African Economy



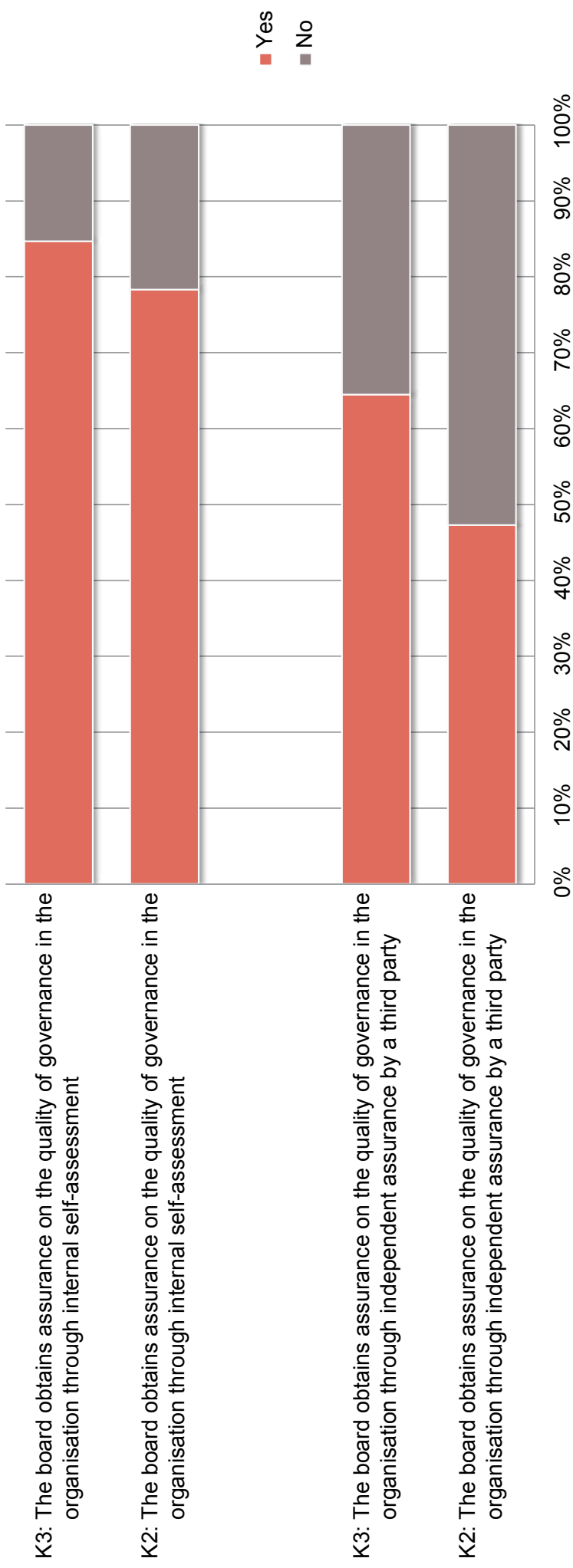
# Impact on board deliberations and decision making



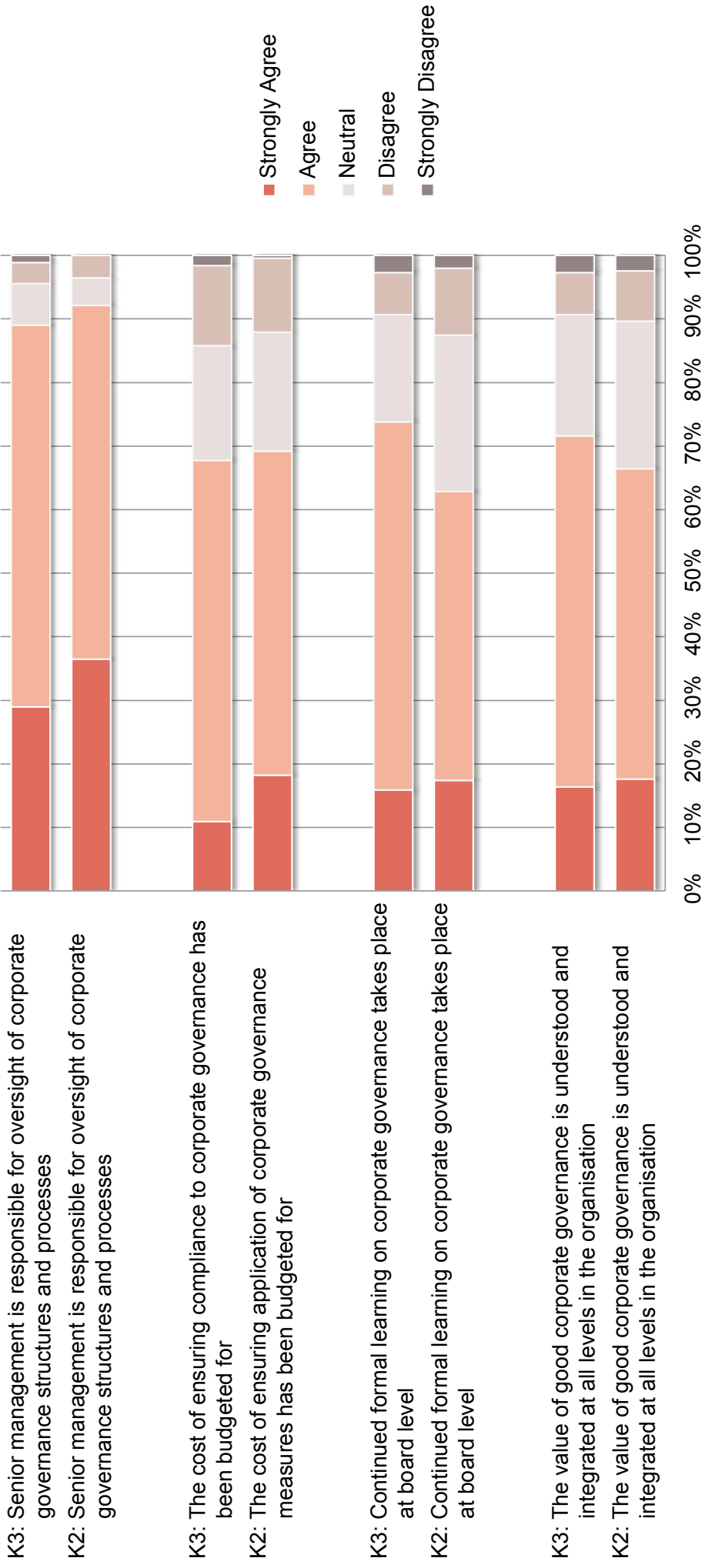
## Impact on board deliberations and decision making (contd)



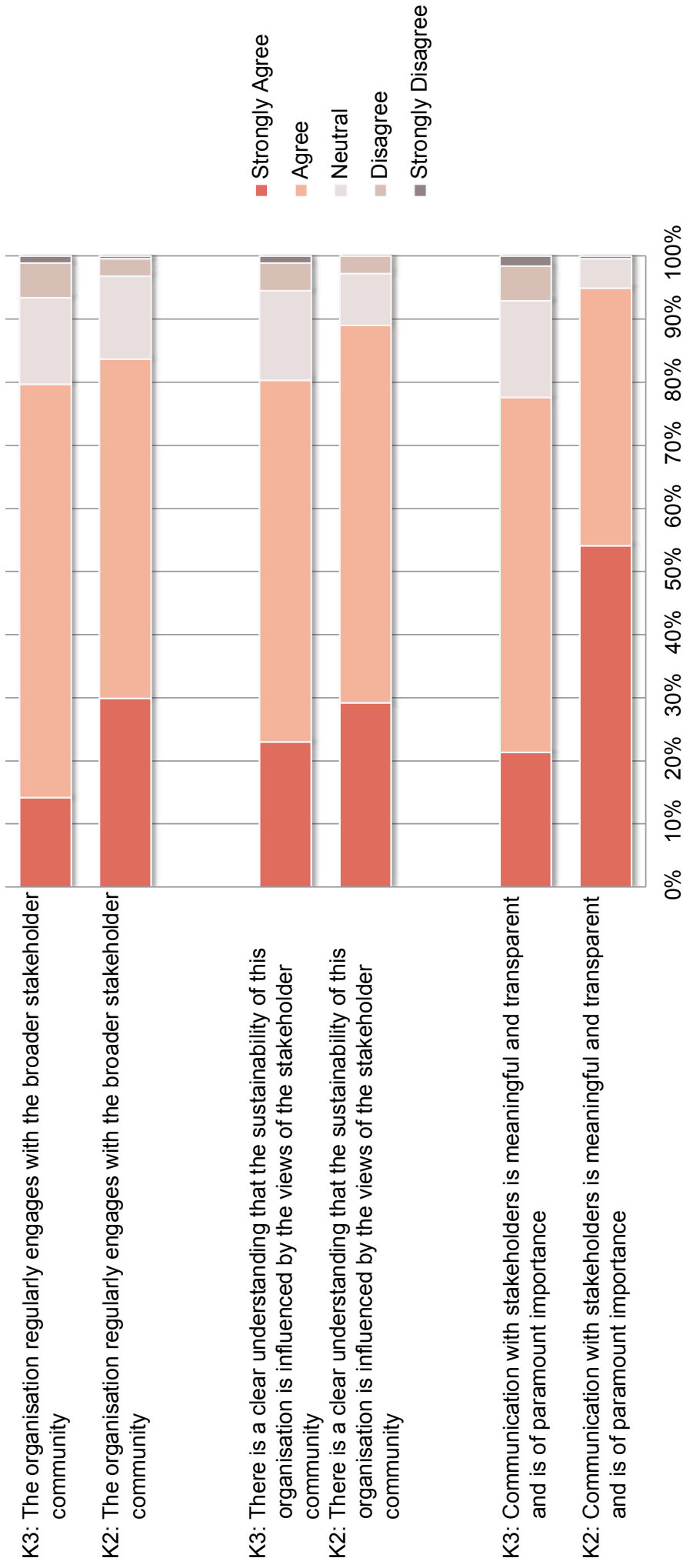
## Assurance methods



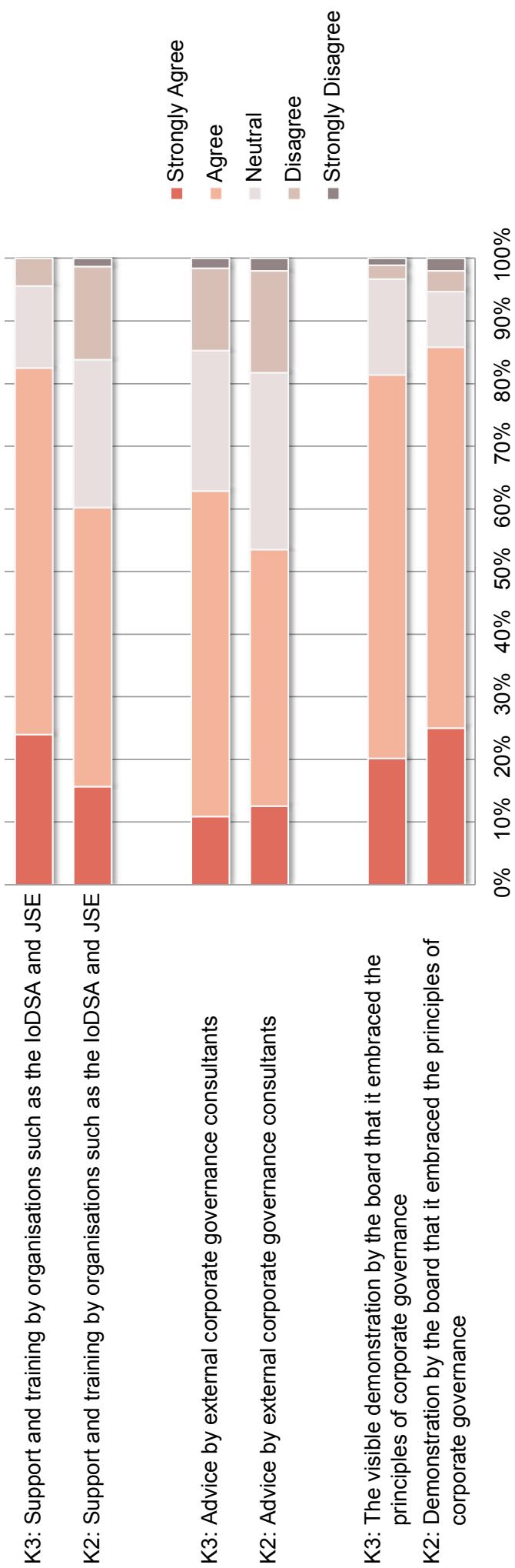
## Implementation of the King Report



## Stakeholder communications

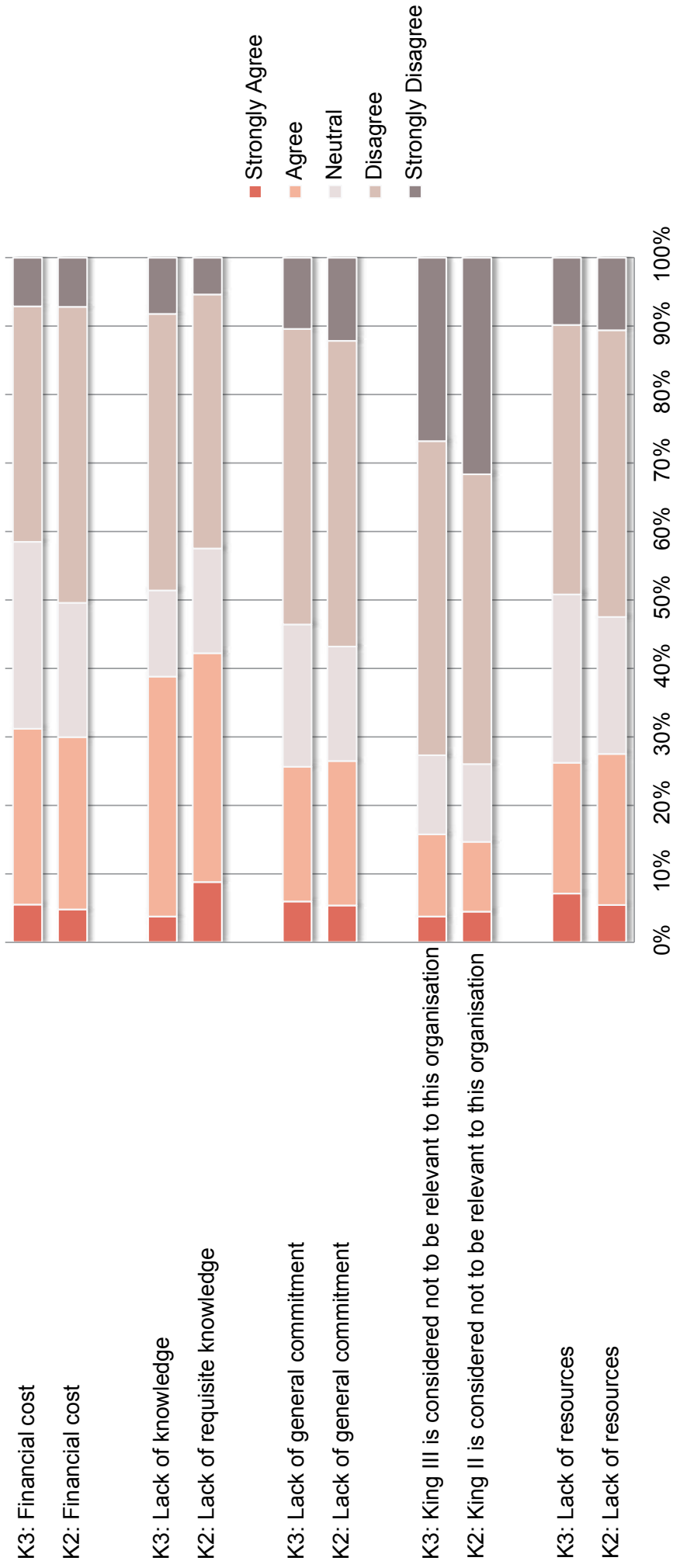


# Enabling factors



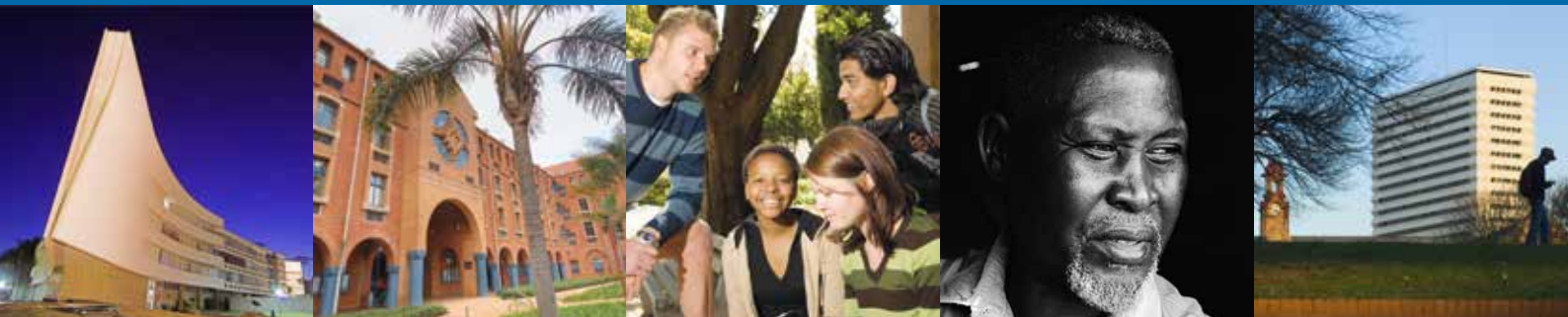


## Impeding factors



THE INSTITUTE OF DIRECTORS IN SOUTHERN AFRICA NPC  
144 Katherine Street Grayston Ridge Office Park Sandown Sandton  
Tel: +27 11 430 9900 • Fax: +27 11 444 7907 • [www.iodsa.co.za](http://www.iodsa.co.za)

The Corporate Governance Research Programme has been made possible through the support of Ernst & Young and the South African Institute of Chartered Accountants (SAICA).



 **ERNST & YOUNG**  
Quality In Everything We Do

 **SAICA**  
THE SOUTH AFRICAN INSTITUTE  
OF CHARTERED ACCOUNTANTS  
*develop.influence.lead.*

Universiteit van Pretoria • University of Pretoria • Yunibesithi ya Pretoria

Privaat sak/Private bag/Mokotla wa poso X20 • Hatfield • 0028 • Suid-Afrika/South Africa/Afrika-Borwa  
Tel: +27 (0)12 420 4111 • Faks/Fax/Fekse: +27 (0)12 420 4555