Good governance tips in challenging times: Simplifying the 16 steps of King IV corporate compliance

By Riana Grobler   15 Jan 2021

We all know how quickly things can literally change overnight, particularly since first hearing about the Covid-19 pandemic and subsequent lockdowns.

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From an organisational point of view, it's interesting to see the different responses to this pandemic and especially how quickly some organisations were able to adopt to change, while others struggled to come to terms with what needed to happen, and were unsure on how to respond effectively.

The governing body's role suddenly became key and everybody in the organisation would look to it for guidance and direction. Obviously the size and complexity of an organisation plays an important role in how quickly the governing body is able to respond to unforeseen challenges, and any risks it may be faced with while focusing on short, medium and long term goals. Having a proper governance system in place puts an organisation in a far better position to deal more effectively with unforeseen challenges and risks.

The King IV™ Report on Corporate Governance contains 16 governance principles that should be applied proportionately depending on the type and complexity of an organisation. These principles are summarised below in no particular order, and can be used to assess the effectiveness of an organisation's Governing Body and whether a healthy government system is indeed in place.

The governing body should:

1. Comprise appropriate skills, knowledge, experience, diversity, and objectivity to govern the organisation effectively.
2. Exercise effective leadership with suitable governance structures in place throughout the organisation.
3. Proactively identify and timeously respond to risks with clear goals, direction and steering of the organisation.
4. Set the direction for good corporate citizenship, including compliance with laws, policies and procedures and ensure proper oversight of these.
5. Have suitable delegation structures to promote independent judgement and the effective discharge of its duties.
6. Delegate its functions in a clear and effective way to its management, who in return should be able to support the governing body's roles and responsibilities.
7. Have effective assurance functions and services in place e.g. risk, compliance, auditors, safety assessors, fraud examinators, together with regulatory inspectors.
8. Balance the needs, interests and expectations of material stakeholders in the best interests of the organisation when executing its governance roles and responsibilities.
9. Govern compliance with applicable laws in a way to support the organisation as an ethical and good corporate citizen.
10. Govern risks in a way that supports the organisation in achieving its strategic objectives.
11. Govern technology and information in a way that supports the organisation in achieving its strategic objectives.
12. Ensure fair, responsible and transparent remuneration structures are in place that promote the achievement of objectives and outcomes.
13. Set an example to lead ethically and effectively.
14. Ensure an ethical culture has been established throughout the organisation.
15. Have an annual integrated report to enable stakeholders to make an informed assessment of the organisation's performance and goals.
16. Perform an evaluation of the governing body's performance (including the chair, members and any committees).

Once the above governance principles are embedded in an organisation, it may not only lead to a healthy governance system but may also contribute to the success (or in some instances, survival) of an organisation during these challenging times.

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