

# Implications of King IV™ on Information Governance

## Separation of information from technology



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## Executive Summary

The King IV report is a set of guidelines and principles for good corporate governance in South Africa. It provides a framework for boards to ensure that their organizations are ethical, responsible, and sustainable.

Information governance is defined as the set of policies, procedures, and controls that ensure the confidentiality, integrity, and availability of an organization's information assets. This includes information management, data protection, and cybersecurity.

Information is a critical asset for any organization, and effective information governance is essential for managing risk, complying with regulations, and making informed business decisions.

The board of directors is ultimately responsible for overseeing the management of an organization's affairs, including its information assets. This responsibility is reflected in Principle 2 of the King IV report, which states that the board should "oversee and monitor the implementation of effective risk management, control, and governance systems."

To fulfil its responsibility for information governance, the board should ensure that the organization has a comprehensive information governance framework that addresses key areas such as data protection, information security, records management, and compliance with relevant laws and regulations.

The board should also ensure that the organization has appropriate policies, procedures, and controls in place to manage information risk, including regular audits and assessments of the effectiveness of information governance processes.

Finally, the board should ensure that information governance is integrated into the organization's overall risk management and strategic planning processes, so that the organization can make informed decisions based on reliable and accurate information.

In summary, information governance is a board responsibility because it is critical for managing risk, complying with regulations, and making informed business decisions. The board's responsibility for information governance is reflected in the King IV report's principles on risk management, control, and governance, as well as on reporting and stakeholder engagement. By ensuring that the organization has effective information governance policies, procedures, and controls in place, the board can help to safeguard the organization's information assets and enable it to achieve its strategic objectives.

## Information Governance is a Board level responsibility

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The board's responsibility for information governance is further emphasized in Principle 11 of the King IV report, which states that the board should "ensure that reports issued by the organization enable stakeholders to make informed assessments of its performance, and its short, medium and long-term prospects."

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## Additional Principles

In addition to the King IV principles, there are several other reasons why information governance is a board responsibility. One of these reasons is that the board has a fiduciary duty to act in the best interests of the organization, and effective information governance is crucial for protecting the organization's reputation, assets, and operations.

The board also has a duty to ensure that the organization complies with relevant laws and regulations related to information management, such as the Protection of Personal Information Act (POPIA) in South Africa. Failure to comply with these laws can result in significant legal, reputational and financial consequences for the organization.

Another reason why information governance is a board responsibility is that information is often shared across different departments and functions within the organization, making it difficult to manage and secure. The board has the authority and responsibility to oversee the coordination of information governance across the organization, and to ensure that everyone understands their roles and responsibilities for managing information risk.

To fulfil their responsibility for information governance, the board should also ensure that the organization has a culture of information management and security. This includes providing training and awareness programs for employees, and promoting a culture of transparency, accountability, and responsibility for information governance.

Additionally, the board should ensure that the organization has appropriate resources and expertise to manage information risk effectively. This may include hiring dedicated information governance professionals, partnering with external experts, or investing in technology and tools to support information management and security.

In conclusion, information governance is a board responsibility because it is critical for protecting the organization's assets, reputation, and operations, as well as for complying with relevant laws and regulations. By fulfilling their responsibility for information governance, the board can help to ensure that the organization makes informed decisions based on reliable and accurate information, and can achieve its strategic objectives in a responsible and sustainable manner.

## King IV™ amends and enhances King II

On 1 November 2016, the King Committee published the King IV™ Report on Corporate Governance for South Africa, 2016 (King IV™). King IV™ introduces various amendments and enhancements to its predecessor, the King III Report on Governance for South Africa, 2009 (King III)

The King IV™ Report gives a more practical approach in the governance of “organisations” which King IV™ defines as “a company, retirement fund, non-profit organisation, state-owned entity, municipality, municipal entity, trust, voluntary association and any other juristic person regardless of its manner of incorporation”. Below are some of the notable differences observed while reviewing the King IV™ Report, with a specific focus made to changes related to the needs of, and requirements for, use, provision and measurement of information, related processes and practices.

### Key Differences include:

	Description
<b>Fewer principles</b>	The 75 principles contained in King III have been reduced to 17 principles under King IV. This may have been done to improve the assimilation and interpretation of the King IV™ Report
<b>“Apply and Explain”</b>	An observable shift from the “apply or explain” approach contained in King III to the “apply and explain” approach contained in King IV. While organizations are not compelled to implement all recommended practices, the governing body of an organization is expected to show, through measurement(s) of results how it has applied certain principles
<b>Sector Supplements</b>	In line with the guidance on proportionality, Part 6 of King IV™ contains additional content applicable to municipalities, non-profit organisations, retirement funds, small and medium enterprises and state owned entities. While providing specific additional guidance to these organizations, it does so to simplify the interpretation of the Code in a manner that is specific to type of organization
<b>Enhanced Disclosures</b>	The disclosure requirements introduced by King IV™ are broader than those contained in King III. These requirements put a greater emphasis on the importance of reporting to ensure maximum stakeholder participation, compliance and transparency, among other requirements. Of obvious interest is disclosures related to findings of non-compliance “with environmental laws, or criminal sanctions and prosecutions.” While these disclosures are essential for transparency, information disclosed may be of sensitive nature. Accordingly, this means that organizations may need to review their existing data classification schemes or categories as well as review data security measures appropriately
<b>Information and Technology</b>	King III recognised the concept of information technology – as one source of value creation – <b>King IV™ separates information and technology</b> . King IV recognizes the overlap between the two, however, it also emphasizes the view which considers information and technology as two distinct sources of value creation, with the potential for separate risks and opportunities requiring differing mitigating strategies

## **King IV™ advocates an outcomes-based approach that utilizes a mindful consideration and application of the recommended practices linked to KEY PRINCIPLES.**

In 2009, when King III was published, data/information governance was an emerging discipline. As indicated in the preceding section, King IV™ provides an updated view, which is a clear departure from the view of information technology as an umbrella concept which includes information, to a view which sees information as a separate source of value creation, distinct from technology. Of the **17 key principles, King IV™ gives the following five (5) principles** which highlight the importance of information, as distinct from technology. Associated principles from King III are provided as sub-elements to indicate 'intended transition'.

- ❖ **(#5) The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.**
  - 2.12 *The board should ensure the integrity of the company's integrated report*
  
- ❖ **(#11) The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.**
  - 2.7 *The board should be responsible for the governance of risk*
  
- ❖ **(#12) The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.**
  - 2.8 *The board should be responsible for information technology (IT) governance*
  
- ❖ **(#13) The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.**
  - 2.9 *The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules codes and standards*
  
- ❖ **(#15) The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.**
  - 2.10 *The board should ensure that there is an effective risk-based internal audit.*
  - 2.12 *The board should ensure the integrity of the company's integrated report*
  - 2.13 *The board should report on the effectiveness of the company's system of internal controls*

## Information Management Needs as stipulated in King IV™

A deduction of information management needs as contained in King IV™, from other principles, other than the ones given above, is given below. These include:

- 1) A Social and Ethics Committee report on Organizational ethics, corporate citizenship, sustainable development and stakeholder relationships
- 2) A capability for “tracking the positive and negative effects of risks posed as challenges and opportunities”
- 3) Implementation of Predictive processes which enable discovery of pending or disruptive changes
- 4) Integrated Reporting platform which enables the "*governing body should oversee that reports such as the annual financial statements, sustainability reports, social and ethics committee reports, or other online or printed information or reports are issued, as is necessary, to comply with legal requirements, and/or to meet the legitimate and reasonable information needs of material stakeholders.*"
- 5) As part of new requirements related to Stakeholders: the governing body should exercise ongoing oversight of stakeholder relationship management and in particular that it results in, inter alia, (i) methodologies for identifying stakeholders, (ii) measurement of the quality of material stakeholder relationship and appropriate responses to outcomes; and
  - (iii) **Establishment of formal mechanics for stakeholder engagement.**

All of the above give impetus to the establishment of an enterprise-wide Information Management capability whereby data governance will enable governing body to achieve ethical and effective control.

## What changed from an IM Perspective

### NEW

#### ***Integrated Reporting***

The Integrated Reporting Committee of South Africa has recommended apply", in addition to principles stated by the International "<IR> Framework" Integrated Reporting committee

### AMENDED

#### ***Implementation Report (Remuneration)***

Remuneration report to include an account of the performance measures used and the relative weighting of each, as a result of which awards under variable remuneration incentive schemes have been made, including: the targets set for the performance measures and the corresponding value of the award opportunity; and for each performance measure, how the organisation and executive managers, individually, performed against the set targets

#### ***Assurance of external reports***

Support the integrity of information used for internal decision-making by management; and support the integrity of the organisation's external reports. Considerations for "underlying data used to prepare a report, or to the process for preparing and presenting a report, or both."

#### ***Information and Technology***

Recognition that information, like technology, is a growing source of competitive advantage for the enhancement of the **intellectual capital** of an organisation.

#### ***Disclosures***

Additional disclosures are enumerated over and above what was previously stipulated in King III

### DROPPED



## Information and Technology

King IV™ recognises the effects which the advances of technology and information may, separately, have on organizations. Accordingly, King IV™ requires that the governing body exercise ongoing oversight of the management of, both, information and/or technology, as the case may be, so as to ensure:

- ✓ The leveraging of information to sustain and enhance the organisation's intellectual capital;
- ✓ an information architecture that supports confidentiality, integrity and availability of information and a technology architecture that enables the achievement of strategic and operational objectives;
- ✓ The protection of privacy of personal information; and
- ✓ The monitoring and appropriate responses to developments in technology, including the capturing of potential opportunities and the management of disruptive effects on the organisation and its business model.

## How does data governance support King IV™

KING IV™ supports the notion of integrated thinking as underlying the following components: the organisation as an integral part of society and thus as a corporate citizen; the stakeholder-inclusive approach; sustainable development; and integrated reporting.

### 1. Stakeholder-inclusive approach

King IV™ (like its predecessors) advocates a stakeholder-inclusive approach, in which the governing body takes account of the legitimate and reasonable needs, interests and expectations of all material stakeholders in the execution of its duties in the best interests of the organisation over time.

*“Data governance is a strategic business program that determines and prioritises the financial benefit data brings to organisations and mitigates the business risk of poor data practices and quality. At the heart of this program is ownership, accountability, processes, planning, and performance management.” Forrester Research*

*Data governance is an integral component of corporate governance that sets direction for data management and ensures data use is aligned to corporate policies. Data governance promotes data reuse and data sharing; it promotes viewing data as an "enterprise asset" over departmental OR key business process views of ownership.*

*Common data elements, in use across the organization, coupled with limited data related resources dictates a particular approach to data governance which emphasizes the importance of inclusive understanding of variable data needs and requirements of different department stakeholders.*

*Crowdsourcing data stewardship platforms, such as the [Collibra Data Governance Centre](#) and [Catalog](#) seek to engage all relevant stakeholders, in business and IT, to ensure an inclusive approach to data governance, and provide the workflow and audit capabilities to deliver the transparency, accountability and reporting required in terms of the report..*

### 2. Organization as a corporate citizen

Data in the bigger scheme of things within the organization can be upgraded to a 'corporate citizen' status due to the level of influence or role that data play within individual departments as well as at an enterprise level, and even cross-organizations.

*Data is a common element for organizations affected by POPI, PAIA, as applicable to South African companies and even GDPR for multinationals. The ethical use of data, by [applying data privacy best practises](#) can be a key outcome of data governance.*

*Data governance policies and processes are also required to manage information security and breaches thereof.*

### 3. Sustainable development

King IV™ emphasizes the notion that "the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainability" are inseparable elements of the value creation process.

*Organizations which strive to this notion will benefit from the implementation and rollout of an enterprise data governance capability as it, in turn, largely depends on the consideration of these key factors. This leads to an aligned investment in information management.*

*Data governance ensures that the processes, responsibilities and business traceability are in place to ensure trusted information – whether for risk or operational purposes. Platforms like the [Collibra Catalog](#) provide a trusted source of enterprise data serving all stakeholders with one understanding of this critical enterprise asset.*

#### 4. Integrated Reporting

Integrated Reporting is the culmination of integrated thinking - the underlying philosophy for King IV™. *When translated to a data context, it emphasizes the concept of enterprise data or information asset management.*

*For financial services companies, best practise regulations such as [BCBS 239](#) and Solvency II, dictate approaches to critical reporting that are based on a sound data governance foundation. Any company relying on analytics and reporting should apply similar principles to maximise trust in the insights gained.*

*Our [Enterprise Information Management framework](#) provides a structure for the delivery of trusted information engaging both business and technology stakeholders at appropriate levels and times.*

## Conclusion

In our previous whitepaper, [King III and Information Governance](#), we made the case that Information /Data Governance is a separate discipline to IT governance, and provided an overview of the many areas where data governance had a role to play in delivering sound corporate governance.

It is gratifying to notice that this paper, although published nearly 5 years ago remain relevant and we suggest that you read this as a supplement to this paper.

The changes introduced by King IV™ result in enhanced corporate governance through data governance principles such as, inter alia, the increased involvement of stakeholders, considerations of ethical principles (including for the use of data), the application of an integrated thinking approach in all organizational operations, and increased disclosures of information by companies., along with clear requirements to measure and report on compliance

Not all of the amendments introduced by King IV™ are clear at this stage, however, through their practical implementation, one assumes that exactly what is meant the report's provisions and the consequences thereof will become clearer over time.

What is clear is that the explosion of data as companies become increasingly digital, along with the increasing reliance of advanced analytics, artificial intelligence and machine learning will ensure that the data governance implications of King IV™ will become ever more critical..