

February 2010

King III is here – do you have a handle on governance?

Touted as a saviour to corporate South Africa during and particularly during the global credit crisis, the most recent update to the King Code and Report on Governance for South Africa, King III, is scheduled to come into effect on 1 March 2010.

The King II report revolutionised corporate governance in South Africa, resulting in the adoption of international governance trends and standards and the reform of South Africa's corporate laws. The new King III report promises the same, beyond taking a more stringent and granular view on corporate governance, and comes at a time when the pressure is on businesses to perform more responsibly.

"The new report raises the ante considerably by placing the spotlight on the need for a more rigorous approach to corporate governance," says Peter McLaren-Kennedy, sales and marketing director at Metrofile. "In particular, King III is going to force organisations to take a closer look at risk and compliance, while at the same time, it offers companies more concrete guidelines on how to tackle these."

A welcome change from previous versions of the standard is that King III applies to all companies, whereas King II, which only applied to listed companies, financial institutions and public companies.

More significantly, the microscope is now firmly on risk, from operational risk right through to financial and market risk, and what measures companies need to put in place to better measure, monitor and mitigate risk factors. King III has also moved from a "comply or explain" to an "apply or explain" approach.

"One of the key principles promoted by King III is the need for a board to appreciate that strategy, risk, performance and sustainability are inseparable. This focus will force the hand of companies to begin planning their business approach with a view to the future. . Many boards are guilty of accepting that risk is dealt with by the management team, as they are of not contributing to and monitoring risk mitigation strategies," he adds.

King III also focuses on future planning and sustainability, a key thread that runs throughout the report, and as previously mentioned, should be seen as inseparable from basic performance. In keeping with the developments in the way we do business, technology and IT risks are given significant attention and will no doubt be considered a critical component of the standards and the general health of a company. As with risk generally, King III calls for IT to be seen and managed as a crucial function of any organisation or business and therefore strategic responsibility should lie with the board and the implementation thereof with the management.

Amongst a host of useful guidelines and practical approaches to governance, King III places a lot of emphasis on the role of the board in the integrity of financial reporting. In addition, boards are now urged to take more interest in the organisation by means of ensuring that the company

implements an effective compliance framework and related processes. This means that the board needs to keep its own house in order. They will need to ensure that they have the required information on hand as they will ultimately be held accountable for everything within the organisation to the point where ignorance will no longer be a defence.

"This iteration of the King Code and Report is a welcome addition to South African business, as it represents a mature and futuristic approach to corporate governance and risk. More importantly, the report is more user friendly and self explanatory, ensuring that companies can adopt the principles therein with ease, paving the way for a transparent corporate business environment in South Africa," ends McLaren-Kennedy.

ENDS

Note to Editors

About Metrofile

Established in 1983, Metrofile is the market leader in Africa for information and records management (on and off-site). The only company to provide full end-to-end solutions, Metrofile services customers across all sectors of the economy.

Metrofile's extensive range of services enables companies and organisations to use, store, and recycle their records and information quickly, intelligently and cost effectively – freeing up valuable physical and human resources. Our services include records management, image processing, paper management and extensive range of information solutions including the supply and maintenance of scanning and document handling equipment, software development, online storage and hosting, consultancy and training.

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