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Introduction

In 1992 in South Africa, we were moving into a democratic dispensation from a country of unequal opportunity. I was approached by the Institute of Directors of South Africa to form a committee to write guidelines for the majority of my fellow citizens in South Africa as to how to direct and how to manage because they had never been in the mainstream of the South African economy. We were now moving into a country of equal opportunity. Consequently, there were very special circumstances at the time. I formed a committee which was reflective of what became known as our Rainbow Nation.

I had a large corporate legal practice as an advocate and had given judgements as a judge on corporate legal issues. In South Africa, we follow the English system; Once a judge, always a judge, and you should not go back into practice unless there are very special circumstances. In my case, the Bar Council found that there were special circumstances surrounding my resignation, but I chose not to go back to practice as a senior counsel but to enter a life of commerce. That resulted in many of my erstwhile clients asking me to go onto their boards as a non-executive director. Later, I became the chairman of companies listed in London, Luxembourg and the Johannesburg Stock Exchanges. I also became chief executive of two companies.

It was probably because of my academic and practical experience on matters corporate that I was asked to form and chair the committee which assumed my name as the chair. I knew that a shareholder centric governance model had been followed throughout the 20th century. This was based on the principle of increasing the wealth at the top and this would trickle down to the impoverished at the bottom. This never happened. The trickle became treacle and it stuck. This financial model in fact collapsed in 2008 with the Global Financial Crisis.

I knew that if the King Committee, as it became known, had come out with a shareholder centric model, it would have been indigestible to the majority of South Africans. Consequently, I wittingly steered my committee away from the model under which companies had been directed right through the 20th century. The consequence was that we came out with a model which was that the board should learn and understand the legitimate and reasonable needs, interests and expectations of its various stakeholder groupings and then make a decision in the best interests of the company. The board should also report on environmental matters and any social responsibility issues. I believe that it was a model that was more fitting for a new democracy.

Towards the end of the 20th century expedited research as a result of the computer age from the 1970s showed that the larger part of the market cap of some of the world's iconic companies was made up of so-called intangible assets. This led to attempts lay down guidelines as to how to report on the so-called non-financial aspects. There were Balanced Scorecards, Value Added Statements and, eventually, the Global Reporting Initiative (GRI) was formed in 1997 to try and give guidance to companies on how to report on sustainability issues. This had become critical because by then it was scientifically established that in the main companies, both public and private, had used natural assets faster than nature was regenerating them. In short, ecological overshoot had been reached and in corporate terms, planet earth was eating into shareholders' funds.



I became chairman of the United Nations Eminent Persons Group to review the governance and oversight of the various agencies at the United Nations (UN). It was at the UN that I became steeped in environmental issues and the question of sustainability. I worked with agencies such as the United Nations Environmental Programme and the United Nations Community of Trade and Development. I was then asked to become the chairman of the GRI which was drafting guidelines on how companies should report on sustainability issues pertinent to the business of the company.

By 2000, it became clear to me that companies in South Africa should be doing sustainability reports. Consequently, another report in 2002 emanated from the King Committee, the first being called King I and the second King II. It recommended sustainability reports following the guidelines laid down by the GRI. This became a listing requirement on the Johannesburg Stock Exchange.

Most companies were now doing two reports: the financial report which was mandatory in most jurisdictions according to International Financial Reporting Standards or according to the Financial Accounting Standards Board's standards as set in North America. Sustainability reports were being done following the GRI Guidelines.

In 2008 UNCTAD and the International Federation of Accountants held a meeting at the UN Headquarters in Geneva. At that meeting which was held under Chatham House Rules it was agreed that financial reporting was critical, but it had become clear that on its own it was not sufficient for directors to discharge their duty of accountability. I was able to say as chairman of the GRI that sustainability reporting had become critical in a resource constrained world but without the numbers was meaningless. We agreed, however, companies were now reporting in two silos, the financial in one silo and the sustainability issues in another and no company operated on the basis of financial capital in one place, natural capital in another place, etc. The various sources of creating value and the relationships between the company and its stakeholders were integrated.

This led to many discussions with international institutions and eventually the formation of the International Integrated Reporting Council (IIRC) which was established at St James' Palace in London as a result of a meeting called by His Royal Highness Prince Charles. I became the chairman of the IIRC. It took two years to develop a framework on integrated thinking and doing an integrated report which was issued in December 2013.

Meanwhile, after that meeting at the Geneva Headquarters of the UN in 2008, I discussed with the King Committee that South African companies should really move to do an integrated report and that mindset of boards should change from thinking in silos to thinking on an integrated basis. Consequently, another iteration of the King Report, King III was issued in 2009, recommending integrated thinking and doing an integrated report. This too became a listing requirement on the Johannesburg Stock Exchange.

Although in King III integrated thinking and reporting was recommended, there was no guidance as to how to do an integrated report. The first framework was developed in South Africa, and it was used as a blueprint for the development of the international framework, which as aforesaid, was issued in December 2013. The South African Integrated Reporting Committee then adopted the International Framework.

By 2015, it had become clear to me that companies adopting King III were actually using the 75 principles as a checklist and were mindlessly either complying with it or explaining why not, because the regime was comply or explain. Some of the explanations were absurd but an explanation was a compliance. Further, it appeared that registers being filled in as to whether King III had been adopted or not was being done not by senior executives but by staff members and it was becoming a mindless tickbox exercise.

At discussions at the King Committee and with input from academics, institutions and companies, we came to the conclusion that the next iteration of the King Report should be a mindful outcomes based one.

We consequently set about deciding what were the outcomes that an organisation needed to exhibit for stakeholders to conclude that the organisation had practised good governance. We came to the conclusion that there were four outcomes, namely: Ethical culture with effective leadership; adequate and effective controls with informed oversight; value creation in a sustainable manner; and trust and confidence by the community in which the organisation operated with legitimacy of operations. We argued that an organisation that did not have one or more of these outcomes as a result of how they were directing or managing could not be seen to be practising good governance.

We decided on 16 basic principles to be adopted by organisations to achieve these outcomes and under each principle we had international best practises but accepted that not every organisation would be able to carry out these practices.

In King IV the regime became comply and explain. It was complying with the 16 basic principles to achieve those outcomes and explain your practices in achieving or striving to achieve those principles. This was a mindful approach because the board, in making a business judgement call, had to apply its mind as to what affect its decision would have on these outcomes.

King IV was issued in 2016. It is now 2019 which means that the King Committee has been meeting every quarter for 27 years. In October 2018, my term as chairman of the International Integrated Reporting Council, in terms of its constitution, came to an end, and I was appointed Emeritus Chair on a basis that I had served as chair with distinction and they wanted to retain my input and continuing association with me. I thought it was appropriate to also resign as the chairman of the King Committee after 26 years as chairman. Like the international body, the King Committee appointed me Emeritus Chair of the King Committee for the same reasons as the international body. I continue to serve the King Committee with passion and dedication.

Shortly after I was asked by the IODSA to form the King Committee in 1992, I got a telephone call from Mr Mandela. Mr Mandela and I knew each other before he went into jail and while he was in jail I chaired Operation Hunger with his two daughters. Operation Hunger fed children in the rural areas approximately 2.5 M every day for 17 years. When he came out of jail Mr Mandela and I communicated with each other about certain issues and on this particular day that he telephoned me I told him of the approach to me to write guidelines for our fellow citizens who had not been in the mainstream of the economy as to how to direct and how to manage. He said to me, "You are the right man but everyone must put their hand on their heart and do it in the best interests of South Africa, Inc. without charging any fees". That was one of my criteria for appointing members to the King Committee. To this day, none of us has ever charged for the work we have done in setting these guidelines for companies and other organisations as to how to direct and how to manage.

It was a bittersweet issue, my resigning as chair of the King Committee but I resigned with the feeling of a job well done because not only is the King Report highly regarded in South Africa and is a listing requirement on the Johannesburg Stock Exchange but also it has become recognised globally as the leader in corporate governance trends and thinking.

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