Contents

1	Introduction —— 1
1.1	Contribution —— 3
1.2	A conceptual model for explaining the drivers and consequences
	of good governance —— 4
2	A brief history of South African corporate governance —— 8
2.1	South Africa before democracy in 1994 —— 9
2.2	Corporate governance under King-I (1992–1994) —— 11
	Structure of King-I —— 12
2.3	From King-I to King-II (1994–2002) —— 15
	Structure of King-II —— 16
2.4	King-III, and the introduction of integrated reporting —— 20
	Structure of King-III —— 21
2.5	King-IV: Outcomes-based governance —— 24
	Structure of King-IV —— 25
2.6	Timeline, summary and conclusion —— 28
3	Determinants and outcomes of good corporate governance —— 33
3.1	External drivers of South African corporate governance —— 34
3.1.1	The economic and political context —— 34
3.1.2	Stakeholder pressures and the legal environment —— 36
3.1.3	The effects of institutionalised corporate governance —— 38
3.2	Internal drivers of corporate governance —— 40
3.2.1	Organisational characteristics —— 40
3.2.2	Attitudes to and understanding of corporate governance —— 42
3.2.3	Summary —— 44
3.3	Interpretive schematics —— 46
3.3.1	The regulatory environment —— 47
3.3.2	On the relevance of stakeholder activism —— 49
3.4	Proactivity —— 49
3.4.1	Management and operating systems —— 50
3.4.2	The accounting infrastructure —— 50
3.4.3	Stakeholder engagement, corporate reporting and assurance —— 52
3.5	Outcomes of good governance —— 54
3.5.1	Financial and manufactured capital —— 55
3.5.2	Human, social and relationship and intellectual capital —— 59
3.5.3	Natural capital —— 61
3.6	Summary and conclusion —— 61



The governance of ethics —— 65
Leadership, ethics and corporate citizenship per King IV —— 66
Ethics theories —— 68
Ethics theories and integrated thinking —— 68
Choice of theory —— 71
Long-term focus on multiple capitals —— 72
Shareholders or stakeholders —— 73
Compliance with laws and regulations —— 74
Summary and conclusion —— 75
Trends in South African corporate governance 76
Overview of the King Codes —— 76
The board of directors —— 78
Committees of the board —— 80
Risk management —— 81
Auditors and audit committees —— 82
Stakeholders and reporting —— 84
Ethics —— 88
Alternative dispute resolution and business rescue —— 89
King-IV practices —— 89
Trends in corporate governance practices —— 89
Composition of boards of directors —— 91
Functions of the committees of the board —— 98
Corporate governance disclosures —— 101
Summary and conclusion —— 107
Preliminary evidence on the drivers and implications of South African
corporate governance —— 110
Development of research questions —— 111
Defining corporate governance —— 112
Analysis —— 114
Correlation analysis —— 115
Drivers of good governance —— 115
Outcomes of good governance —— 122
Summary and conclusion —— 125
Assurance —— 127
Background on ESG assurance in accordance with the international
literature —— 128
Combined assurance under the King Codes —— 129

7.2.1	The governing body and scope of the combined assurance model —— 129
7.2.2	Management and internal control systems —— 131
7.2.3	Enterprise risk management —— 137
7.2.4	Internal assurance providers —— 138
7.2.5	External assurance providers —— 139
7.2.6	Institutional considerations —— 140
7.2.7	Regulatory requirements —— 140
7.3	Trends in South African assurance practice —— 142
7.4	Proposed changes to assurance models —— 149
7.5	Summary, conclusion and future research —— 151
8	Integrated thinking, integrated reporting and corporate
	governance —— 153
8.1	Integrated reporting and the relevance of integrated thinking —— 153
8.2	Driving integrated thinking —— 155
	Policy —— 156
	Monitoring —— 156
	Improvement —— 158
	Codes —— 159
8.3	Integrated reporting quality and its relevance for capital market
	participants —— 160
8.4	Integrated reporting quality in South Africa —— 161
8.5	The effect of corporate governance on integrated report quality —— 163
8.6	Summary and conclusion —— 166
9	Corporate governance by not-for-profit organisations —— 168
9.1	King IV sector supplements —— 169
9.2	Reporting by NGOs —— 169
9.3	Governance trends in NPOs —— 179
9.4	Summary and conclusion —— 182
10	Emerging forms of corporate reporting, governance and
	accountability —— 184
10.1	Developments in sustainability reporting —— 185
10.1.1	The ISSB —— 186
10.1.2	The ISSB's sustainability disclosure standards —— 187
10.1.3	The ESRS —— 187
10.1.4	South African developments —— 189
10.2	Reporting on natural capital —— 189
10.2.1	The Financial Stability Board's task forces on climate change and
	nature-related disclosures —— 190

10.2.2	Biodiversity reporting —— 193	
10.2.3	Evidence of biodiversity reporting by South African companies —— 198	
10.2.4	Experimental efforts to account for and report on natural capital —— 201	
10.3	Circular economy —— 207	
10.3.1	Circular economy and integrated thinking —— 207	
10.3.2	Evidence of circular economy reporting by South African	
	companies —— 209	
10.4	The sustainable development goals —— 214	
10.5	"Shadow" accounts —— 217	
10.6	Governance recommendations —— 219	
10.6.1	Principles of effective corporate governance —— 220	
10.6.2	Application in the context of extinction accounting —— 221	
10.7	The governance of technology and information —— 227	
10.8	Conclusion —— 228	
11	Summary and areas for future research —— 230	
11.1	Summary of South African-specific corporate governance	
44.0	research —— 231	
11.2	Contribution — 234	
11.3	Areas for future research —— 236	
References —— 239		
List of figures —— 265		
List of tables —— 267 List of acronyms/ abbreviations —— 269		
Appendix A: The integrated reporting capitals and reporting principles —— 273		

Appendix B: Members of the King committee —— 277

Appendix D: Scope of the King IV sector supplements —— 281

Appendix C: King IV disclosures applicable to the audit committee —— 279

Appendix E: The King Codes: A summary of similarities and differences —— 283

Appendix F: Summary of select corporate scandals in South Africa —— 295

Appendix G: The sustainable development goals —— 299

Appendix H: Materiality —— 303

Appendix I: Governance in a crisis —— 305