King IV principles and examples of leading practices for non-profit organisations

The King IV principles are stated below, with some examples of best practice for the non-profit sector.

The governing body should:

1. **Lead ethically and effectively**
   - Act in the best interests of the organisation, not of a particular constituency that members represent
   - Avoid conflicts of interest
   - Prepare fully for meetings
   - Establish a code of conduct for the governing body (perhaps in its charter)

2. **Govern the ethics of the organisation in a way that supports the establishment of an ethical culture**
   - Document and communicate codes of conduct and ethics policies that apply to employees and to contractual relationships with others
   - Implement whistle-blowing mechanisms

3. **Ensure that the organisation is, and is seen to be, a responsible corporate citizen**
   - Comply with the country's laws and regulations
   - Ensure that policies (such as procurement) take account of the roles and responsibilities of a responsible corporate citizen

4. **Appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process**
   - Develop and approve strategies with short, medium and long term timelines
   - Approve performance measures and targets for the achievement of strategic objectives

5. **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**
   - Use integrated thinking about the resources and relationships on which the organisation relies
   - Demonstrate transparency and full disclosure
   - Ensure the integrity of the annual financial statements and annual report and review and approve these once finalised

6. **Serve as a focal point and custodian of corporate governance in the organisation**
   - Document and regularly review a charter that guides the way the governing body functions

7. **Comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively**
   - Ensure there are clear, formal processes for nominating/electing/appointing members of the governing body
   - Devise and implement a succession plan to identify, mentor and develop future governing body members

8. **Ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and effective discharge of its duties**
   - Establish one or more committees of the governing body, with formal terms of reference for each
   - Consider an audit committee (in an organisation that issues audited annual financial statements)

9. **Ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness**
   - Appreciatively evaluate governing body functioning at least every two years, bearing in mind that governing body members are usually volunteers

10. **Ensure the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities**
    - Document a delegation of authority framework
    - Appoint a suitably qualified CEO/Executive Director
    - Ensure that key functional areas of the organisation are headed by competent individuals

11. **Govern risk in a way that supports the organisation in setting and achieving its strategic objectives**
    - Treat risk as an integral part of decision-making
    - Document a risk governance and management policy
    - Monitor major risks

12. **Govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives**
    - Consider technology and the management of information when approving strategy and policy

13. **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**
    - Establish all applicable legislative requirements and ensure there is specific responsibility for all components of compliance
    - Identify which non-binding rules, codes and standards the organisation should follow

14. **Ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term**

- Approve an organisation-wide remuneration policy that considers differentials and encourages self-improvement
- Use benchmarking where possible

15. 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
- Ensure adherence to policies and procedures using sources of assurance such as management, internal auditors, external auditors, consultants, internal and external monitoring and evaluation experts as necessary
- Ensure that assurance is obtained on all sources of significant risk

16. Adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time
- Identify key stakeholders and oversee management of stakeholder risk, including approval of key stakeholder policies
- Ensure that key stakeholder inputs are considered when strategy is developed

(Note that principle 17 is excluded as it relates to institutional investors only. This principle should probably have been absorbed under one of the other principles but is clearly seen as very critical by the King Commission.)