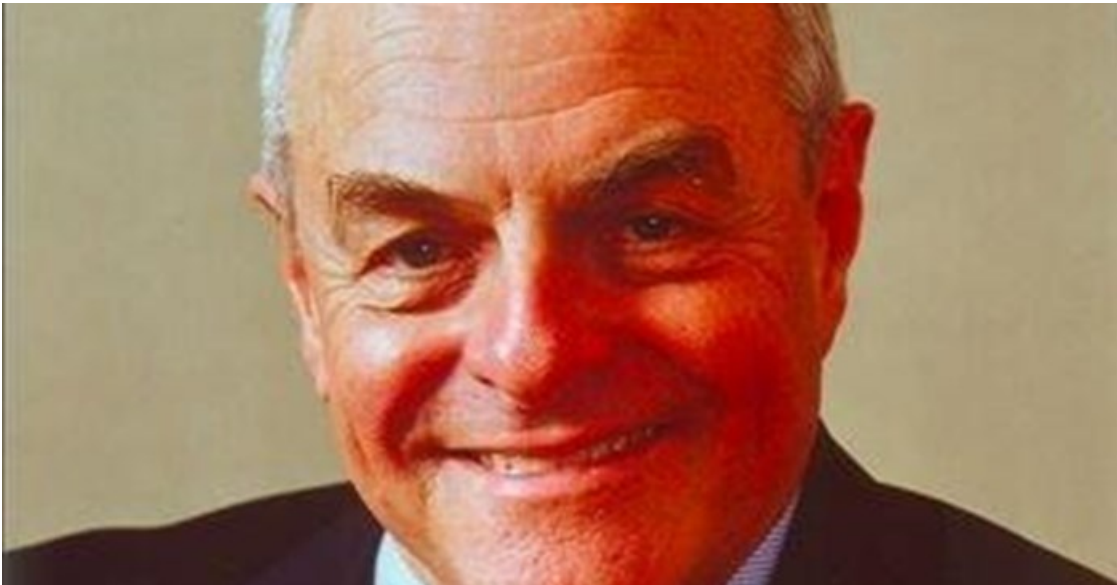


King IV - from profit to sustainability

The corporate world is undergoing three major shifts: from silo to integrated reporting; from financial capital to inclusive capital, and from short-term profit to sustainable development. This is reflected globally by the United Nations and several multinational enterprises agreeing to the Sustainable Development Goals earlier this year, which focus on three key areas namely economic, social and environmental," explains Professor Mervyn King, chair of the King Committee and the International Integrated Reporting Council (IIRC).



He elaborates that there are six capitals impacting any business: financial, human, intellectual, manufactured, natural and social capitals. None of these operate in a vacuum, and the King IV report take all of these aspects into account to guide the CFO to not only look at financial statements and profit for shareholders, but that the business is creating value from all of these six sources.

Report in clear language

"Looking at the business's strategy on this basis, the CFO must ensure that the company will be seen to be a responsible corporate citizen with its stakeholders having trust and confidence in it, a good reputation and is operating legitimately. The CFO must ensure that the board of the company discharges its duty of accountability by reporting in clear, concise and understandable language.

This means that the CFO, working together with the CEO and other senior managers, should extract the material financial information from reports and put it in clear language in the integrated report, not in International Financial Reporting Standards (IFRS) speak," explains King.

Plague of short-term profit

One of the world's biggest asset owners, BlackRock, indicates that before investing their ultimate beneficiary's money, it needs to know the long-term narrative of a company to see whether that company will create value in a sustainable manner long term.

“The plague of short-term profit, or as Hilary Clinton has called it in her presidential campaign, ‘the tyranny of quarterly profits’ is yesterday’s focus whereas today the focus is on sustainable development. In this regard King IV will take account of the three critical aspects, and how the company makes its money on all three aspects,” says King.

The *King IV Report* is outcomes based. To try and achieve quality governance the outcomes are ethical culture and effective leadership; adequate and effective control; value creation in a sustainable manner; trust and confidence in the company; good reputation and legitimacy of operations.

Reputational damage equals financial loss

“The role of the CFO in terms of corporate governance should not be underestimated. For example, earlier this year four major banks severed their ties with the Gupta aligned Oakbay Investments due to allegations of integrity. This shows that even the perception of poor governance can do great reputational damage to a company, which results in financial losses.

Therefore, the forthcoming *King IV Report* is an important topic at the [46th World CFO Congress](#), taking place in Cape Town from 9 to 11 November 2016,” says Nicolaas van Wyk, SA Institute for Business Accountants' (SAIBA) CEO and IAFEI board member.

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