



Memo

QUESTION 1

1.1 C	2
1.2 C	2
1.3 A	2
1.4 B	2
1.5 B	2
1.6 A	2
1.7 A	2
1.8 A	2
1.9 B	2
1.10 C	2
1.11 D	2
1.12 C	2
1.13 C	2
1.14 B	2
1.15 A	2
1.16 B	2
1.17 C	2
1.18 D	2
1.19 B	3
1.20 A	3
1.21 C	3
1.22 A	3
1.23 D	3
1.24 B	3

(54)

QUESTION 2

- 2.1 The right to disclosure of information/CPA
- 2.2 Benchmarking
- 2.3 Customer perspective/Psychological factor
- 2.4 Fidelity insurance
- 2.5 Principle-based
- 2.6 Security
- 2.7 Laissez-faire
- 2.8 Organisational
- 2.9 Transformational
- 2.10 Consequence-based

QUESTION 3

- 3.1 joint venture
- 3.2 Indemnity
- 3.3 liquidation
- 3.4 Merge
- 3.5 divestiture
- 3.6 Excess
- 3.7 Sampling
- 3.8 Delphi Technique
- 3.9 Balance Score Card
- 3.10 Decision Tree/
- 3.11 mediation
- 3.12 initiative
- 3.13 Constitution

(20)

(26)

QUESTION 4

4.1 Discuss how Checkers could make use of the following strategies to gain a bigger market share.

a. Brand Stretching

This refers to a situation where an (existing brand ✓) is used as a platform to launch (a product ✓) (into an unrelated market. ✓)

Example: Pick and Pay stretching their brand by opening up Pick and Pay gym.

(3)

b. Brand Extension

An existing brand ✓ is used to launch a new product ✓ in the same ✓ or related market. ✓

Example: Pick and Pay to use it to launch decaffeinated Pick and Pay No Name branded coffee.

(3)

[One mark per fact. Mark for existing brand awarded only once (a or b). LOT level 1.]

4.2 Discuss any FOUR P's of the marketing mix and provide an example of each. Important examples must be based on a retail store.

Page 96-100

Product ✓

Price ✓

Place ✓

Process

People

Physical evidence

(12)

[Any relevant example. One mark per fact.]

4.3

4.3.1

- Market penetration pricing ✓
- Leader pricing ✓
- Promotional pricing ✓
- Bulk discount
- Prestige pricing

(3)

[Any relevant answer. One mark per fact.]

4.4

Value Chain Analysis	Resource Based Analysis
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Examine the value created (or not) ✓
in a chain of activities ✓
performed ✓
within a business.

Consider both tangible and intangible ✓
resources ✓
and how these are utilised ✓
in the organisation.

[One mark per fact.]

(4)

4.5

4.5.1

Define:

The existing market ✓ and existing products ✓ are used to expand, ✓ i.e. get more customers to buy the product or to get customers to buy more of the product. ✓

(2)

Discuss:

A business may use different tactics to achieve this ✓. Offering lower pricing ✓ or more intensive distribution ✓ may convince existing consumers of an existing product to switch business from a competitor. ✓ Businesses will also use more or more creative ✓ PnP lower the price of milk from R75 to R69.

Increase distribution - PnP express

(3)

4.5.2

Define: The business enters a new market ✓ with a new product. ✓

(2)

Discuss:

It does not mean the market or product does not exist at all ✓, merely that this business has never sold this product to this market before, ✓ and is doing this now to grow the business. ✓

- Shoprite opening a pet store
- PnP selling cell phone cards
- PnP offering loans - financial industry

(3)

4.6

Teamwork generates new ideas to improve the business.

Team members may mentor one another or simply provide a soundboard for bouncing off ideas. The collective team effort is what may make or break a business.

In a team there are many different types of intelligence and two heads have always been better than one.

One person's strength may compensate for another's weakness.

Teamwork may allow for division of labour, where each person gets to focus on what he/she is good at.

(6)

4.7

- ☐ The vision is a statement about what your organisation wants to become in the future✓ - it's a dream✓that the business strive to achieve✓in all business practices✓
- ☐ A mission statement is a description of what an organisation does (now)✓ or the purpose of the business✓- determined based on the achievement of the vision statement.✓

4.8

Low cost Strategy✓(1)

Differentiation✓(1)

4.9

1. Ask them!

Whether in print, in person or over the phone, nothing is better than asking customers exactly what they want and how they want it. (Ask them what they don't want, too!) Use feedback sheets, mail-back forms, comment cards, telephone scripts and more.

2. Conduct focus groups.

Bring a group of customers together for an open-ended chat session. Set them at ease and get them talking about what they really like, don't like and wish they could get from your business. Don't defend, justify or argue. Just ask questions and take good notes. Follow up with a sincere 'Thank you!'

3. Study complaints and compliments.

Every message from a customer presents an opportunity to improve customer satisfaction. Compliments show you what to reinforce, while complaints point to new ideas and action steps for improvement.

4. Set up a customer hotline.

Some customers will tell you what they think, but they want an 'anonymous' way to do it. Fine! Set up a special voice recording 'hotline' for customers only. And don't worry about receiving any strange messages; just sort through them for the gems that will give you specific information about way to improve customer satisfaction!

5. Hire a Mystery Shopper.

Have someone you trust mingle with your customers and strike up conversation to find out what they do and do not like.

6. Become a customer of your best competitors.

Use their products and services regularly, compare them to your own. Ask their Customer Service Center to describe available services in detail, then copy the best and do better than the rest.

7. Visit your customer's site.

Go your customer's physical location to see exactly how they put your products and services to use. See with your own eyes what works and what doesn't, what gets used all the time and what gets left behind.

8. Go online to seek more feedback.

Find an Internet users group related to your industry or topic, then read the postings for new ideas and information. Actively participate in the discussions and follow up by e-mail to gain even deeper input and understanding.

QUESTION 5**5.1**

- Ability to identify an opportunity and calculated risk taker
- proactive in identifying opportunities and/ or threats.
- Willingness to change and adapt
- Perseverance
- An entrepreneur is an opportunist.
- must be able to anticipate market trends, identify the positives and use these to the advantage of the business (creating a competitive advantage).
- Hard working
- Creativity and innovation are often requirements to get a new business off the ground.
- Flexible and management tasks (planning, organising, controlling, leading).
- Leader that ensures employees work towards the vision.
- Communications skills.

5.2**Advantages:**

- A strong and clear vision for the future is built
- To succeed, a democratic leader needs to define and articulate a vision for the future that team members can align with.
- Increases morale and job satisfaction. In a workplace where they feel valued, and where their contributions are clearly respected and sometimes taken on board, team members are likely to feel more satisfaction.
- Builds team relationships
- We used the word "tight-knit" just now. By creating a workplace where people communicate, ideas flow, and discussions are had, the seeds are sown for stronger team relationships.

- teams become more tight-knit, and team members are likely to feel higher levels of commitment and involvement. When used correctly, democratic leadership can foster positive and healthy company cultures.
- usually ensures "buy-in" and commitment from people involved in the process.
- Brings more viewpoints to the table
- Drawing on a wider pool of experience and opinion brings more input to the decision-making process. This free flow of ideas, strengthened by differing viewpoints reflecting the diversity of your team, may lead to decisions being made that have been held to higher standards of scrutiny than they might have been otherwise.
- Allows for more efficient problem solving
- With more minds working on a problem, the number of potential solutions increases.

Disadvantages:

- may lead to slower decision making when the manager allows participation from all.
- decisions may be reached less quickly than under other leadership styles - autocratic leadership, we're looking at you -it's likely that the eventual solution will be arrived at via a more rigorous process.
- Invites higher levels of commitment

5.3

5.3.1

A. Level of rivalry (current competitors) in the market (1)

B.

Rivalry competition is high when there are ✓just a few businesses equally selling a product and/or service; ✓when the industry is growing ✓and (the) when the consumer can easily switch to competitor's offering for little cost.

When competition is high, advertising and price wars can ensue, which can hurt the businesses.

Porter's first force centres on critically assessing how intense the competition currently is in a marketplace. This can determine by the number of existing competitors and what each is capable of doing. It is in the businesses best interest to find out as much as possible about competitors. Find a sector where a competitor is not performing well. This would lead to an opportunity for the business to make more profit and take advantage of the competitors weaknesses. Identify areas competitors are achieving success (evaluate their strengths), this would indicate a threat to a business.

Doing a competitor profile is not illegal. This will enable you to get to know your "enemy" so the business can pre-empt any action and adapt its own strategies to be more successful. (2)

C.

Customer loyalty programs may be introduced ✓to make the business more attractive than those of competitors. ✓

A business reduces the price of certain products / services ✓make sure the business is a more attractive option than the competitors. ✓ (2)

5.3.2

A. Threat of new entrant in the market. (1)

B. Challenge would be a new business entering the market that sees an opportunity to make a profit. Businesses must focus on future competitive threats. One needs to determine: Opportunities and Threats

If there is an opportunity for a business to make a profit in the market, more likely it is that there will be new entrants.

- Little competition
- currently not enough suppliers of his products and/or services to meet customer's demands.

Threats of new entrants can be decreased and/or diminished IF barriers to entering the market are created.

- little competition
- Currently not enough suppliers of this product and/or service to meet customer demand. (2)

C.

- The bigger retailers in shopping malls will, for example, negotiate with centre management to prevent too many competitors from acquiring space in the same centre.
- A business may also register a patent to deter a potential new business from selling a similar product.
- Large sums of money may be spent on advertising and having promotions where products or services are sold at a lower price, making it difficult for a new business to enter the market.
- Consider that even the government puts legislation in place to make it difficult for new businesses to supply electricity to consumers.
- A tax on imported goods is a deterrent the government imposes on certain industries to protect the local market from cheap, mass-produced goods from overseas. (2)

5.3.3

A. Availability of substitute goods. (1)

B.

A substitute product is a different product that satisfies the same need.

A substitute product does NOT refer to different brands.

Example

- No Name P&P Chips does not only compete with all other crisps manufacturers (other brands), but also with snack mixes, such as peanuts, rice cakes and savoury biscuits (for example). It will also compete against popcorn, chocolate and other types of candy.

The power of a substitute product can be very difficult to analyse. It is however important to know **WHAT** and **WHY** products your consumers are using.

WHY do people use substitute products?

1. Cost factor
 - Microvawe popcorn is cheaper than ready-made chips.
2. Convenience issue
 - Purchase goods online instead of going to the retail store.
3. Health issue
 - Olive oil is perceived to be healthier than sunflower oil.
4. Availability
 - of School sports day - due to all soft drinks being sold out (finished), more bottled water was sold.

Market research is essential in order to understand what customers are thinking and what drives their actions. a strong substitute product can undermine the power of your own product in the market. If not addressed it will decrease your competitive advantage and lead to a long term decline. (2)

C. Increasing availability of substitute products generates more "indirect competitors" which a business must consider in order, to outperform the competition. (2)

5.3.4

A. The power of suppliers

B. Any business that does not have a reliable supplier is certain to encounter problems more often than not. In order to be successful, the business depends on the supplier to provide a good quality product when needed (timing) and to deliver them to the place needed at a reasonable price.

The following are possible costs associated with the unavailability of stock:

- ☐ If there is no material, a manufacturer cannot produce (no sales = no profit)
 - ☐ If there is no material the machines and labour cannot be utilised to their full capacity, because the production or selling process will grind to a halt. Administrative and opportunity costs are incurred when dealing with a stockout.
 - ☐ If a business has run out of stock, it becomes very difficult to negotiate discounts when placing orders. Customer goodwill may be lost if they have to go to competitors.
- C. Continuously analyse potential new suppliers.

5.4

- Micro environment - **Full control.** ✓
- Market environment - **No control but influence.** ✓
- Macro environment - **No control.** ✓ (3)

5.5

Advantages of credit sales:

- ☐ Credit stimulates the economy, which means more jobs are created and this will (hopefully) improve the economic welfare of the country.
- ☐ Turnover (and thus profit) increases as more goods can be sold to more customers.
- ☐ Customers will return to buy on credit, i.e. gains goodwill and loyalty of customers.
- ☐ The seller will often increase his selling price to compensate for the fact that he has to wait for his money and take the risk of bad debts. (8)

5.6

- a. MACro environment is external from the micro enviroment.
Environmental scan is done to identify oppertunities and threats .
- b.
- Spar can hire a construction company to help them expand the surrounding infrastructure and write off a percentage of their taxes as CSR. They will also make the community happier and therefore increase productivity within their workforce. Spar can also apply for a government tender to assist them financially.
 - Spar need to ensure that they pick suppliers that are reliable and have an adequate supply of raw materials. Spars' purchasing department must bear in mind backup suppliers in the case of emergency when selecting their suppliers. Checkers may also take out insurance to cover them for the loss of revenue due to the shortage of supply of raw materials. Insurance that covers this loss of revenue is known as Business interruption insurance.
 - When choosing the location of a Spar store, Spar need to ensure that they are in close proximity to their suppliers. If they cannot be within close proximity of their suppliers, they should consider other suppliers that are closer or they should consider alternatives to the raw material that may be cheaper to transport or closer to the store.
- c.
- Resource sustainability - South Africa could experience a major electricity and water shortage all over the country. Retail stores are paying more towards electricity as Eskom increases their tarrifs. This reduces Pick and Pays profits as more money is being spent. Also effects Pick and Pays productivity. Money spent on the retail market could be invested in growth or marketing campaign
 - Drought - South Africa is experiencing one of the worst droughts in many years. Farmers have been heavily affected. Retail stores clothing is dependent on cotton which is a farmed product affected by drought. The supply of clothing will decrease to pick n pay and they will not be able to stock as many clothes due to the lack of clothes being manufactured as a result of the lack of cotton from the drought.

- Retailers are paying more for water and employees will start demanding higher wages for higher food prices. This could lead to a labour dispute between the employer and employees. Employees would be represented by the trade union during collective bargaining to negotiate an increase in remuneration. Employers attempt to prevent industrial action(picketing, strikes, work-to-rule, go-slows). Increased costs will affect Pick n Pays Net profit negatively.
 - Environmental rules and regulations that business must abide by, will take time and increase administration cost. This will increase Pick n Pays operational costs but it will also decrease pick n pays carbon footprint and make them more eco-friendly.
- d.
- Crime is on the rise and S.A is ranked high according to world standards. Retail stores suffer financial loss due to theft daily. sPAR might lose customers who don't trust the area or don't feel safe. Looting happened 2020-2021 where Checkers were robbed clean. Causing a loss in profit as stock was stolen. This made Checkers use money on fixing damaged items and restoring goods instead of improving store qualities. Loss of infrastructure
 - High rates of unemployment IN S.A COMMUNITIES are without income, this leads to other issues crime, poverty and lack of education. Retail business relies on the public to buy products, with high unemployment, fewer people will be able to purchase goods and services.
 - A business always has to adapt to changes in social trends. unemployment to a life of crime and might steal from the stores. (Theft)
 - The more people in the country without money means the less customers the business might have.
 - Protective equipment, social distancing, masks, vaccination mandates in companies that are costing people their jobs adding to unemployment, Checkers unemploying staff, having to supply protective equipment may be an extra cost. COIDA Ensuring customers wear mask in doors- ensure staff and employees feel safe.
deciding on vaccinations mandates and what the consequences may be,

Checkers may be contributing to unemployment rates.

How much money still needs to be set aside for protective equipment-unnecessary funds allocated to equipment that is not needed because of change in restrictions.

e

- In crease of inflation.

Stunts the growth of the retail chain, limiting their access to capital which may be used to grow the operations of the retailers, leaving a gap in the market for foreign retailers to enter the retail industry with the backing of foreign capital as well as to lose business to larger local retailers.

- The basic costs of living are increasing rapidly (hyperinflation). People have less disposable income therefore don't have extra money for PnP's clothing.

Consumers behaviour will buy less luxury goods and rather focus on Essential items As well as a general decrease in the sale of goods .

- employees may want an increase in wages due to the increase in living costs associated with inflation that may result in conflict between the employer and employees a decrease in profits may also mean the business cannot afford to retain all employees

QUESTION 6

6.1

Example - Step 1: Cvs and application form checked that all information has been received

Step 2: Evaluate all application forms and Cvs (1) to see which candidates meet prescribed criteria.(1)

Step 3: Shorting candidates (1) for the first round of screening.(1)

Step 4: Background check done (1) and pre-determined questions verified.(1)

Step 5: Interviews are conducted(1), following the selection of the most suitable candidate.(1)

Step 6: Candidates undergo tests (1) to evaluate their suitability for the position.(1)

(10)

6.2

Having a good attitude is more important than possessing all the skills for a job you may be seeking. Skills can be taught in training, both on the job and in classroom environments.

Attitude, on the other hand, has been learned from early childhood and by the time you become an adult, start looking for a job or entering into serious relationships it is already developed. It takes recognizing internal negativity in your life, outward influences and a strong desire to shift your perspective and improve your life.

Attitudes are often the result of experience or upbringing, and have a very powerful influence over behavior. Attitudes are enduring but they can also change. Attitudes are learned tendencies in evaluating things in a certain way. (6)

(Any relevant answer)

6.3

The purpose of discipline in the workplace (or anywhere else) is not to punish (1) or embarrass people(1), but rather to ensure the correct behaviour(1) by all parties(1), i.e. (that employees are adhering to the company rules and, if this is not the case, to correct this behavior immediately, but also to prevent it from happening in future.)

6.4

- Abuse or unauthorised possession of company property
- Actions that are a threat to the safety of the employee or others
- Being under the influence of alcohol or any illegal substance

- Bribery and corruption Failure to adhere to rules
- Fighting Illegal industrial action

(one mark per fact)

**If the learner does not apply it to a general retail store, the answer will not be considered.
(no marks will be awarded)**

6.5

Insurance	Assurance
Short term	Long term
In case something happens.	Will happen
Car insurance or Business insurance	Retirement annuity or Life insurance
Indemnity	security

(4)

6.6

6.6.1 Subrogation

- Related to the principle of indemnity.
- Person is put in the same financial position when the insurance pays out.
- Insured cannot make a profit and should preferably not suffer a loss.
- Every loss may only be claimed once.
- If insured has claimed from the insurance company to cover the loss, he/she cannot claim from the guilty party that caused the loss as well.

6.6.2 Insurable interest 123

A person has insurable interest, if it can be proved that he/she will sustain a financial loss if a certain event takes place.

6.7

- People waited to long to make provision for their retirement.
- People generally live longer due to good medical care and, therefore, need to make provision for a longer time after 65 (retirement age), when they will be

without a salary. Getting older may also mean more money is needed for health. Additional provision should be made for these costs.

- People do not always consider the loss of benefits when they retire. They are happy if their salary, at the time of retirement, matches the pension payment. What, however, about the loss of a company car or housing subsidy when retirement is reached? One would in such a case actually need MORE money from the pension fund / RA than the last salary earned.
- When people change jobs, the pension built up at the previous job may be paid out. People should immediately reinvest this money in the new pension fund rather than spending it on luxuries. Unfortunately, many do not reinvest their money.

QUESTION 7**Corporate Governance and the founding principles of the King reports**

It is crucial to understand that ignorance is not an excuse in the eyes of the law. This means that no person can use the excuse of "I did not know" when the law is broken. It is imperative that General Management (and for that matter all employees) fully understand the legal implications of their actions.

Corporate Governance can be defined as the set of rules and the processes that are used by Top Management to direct and control the business. Corporate governance provides a framework and control measures to look after the bottom line of the business, but also to consider the interests of all stakeholders in the business. These stakeholders may include management, shareholders, customers, suppliers, government, the community as a whole and the environment. In short, Corporate Governance is responsible management par excellence!

The King Committee was founded in 1992 explicitly to clarify the concept of Corporate Governance and how it can be implemented in the South African context.

The King I Report (1994)

recommended standards of conduct for companies listed on the JSE, as well as State-owned business regarding their responsibilities towards citizens in the societies within which they function. Triple Bottom Line reporting or (Integrated Reporting) was introduced as a requirement for management. It was expected that management should not only focus on shareholders (profit) as an interest group, but that all stakeholders should be considered when strategies are formulated and implemented and consideration should also be given to the consequences of decisions for society (people) and the environment (Planet).

It is interesting and important to note that over and above the King Reports indicating that looking after the planet is the "right thing to do", the South African Constitution also states that the current generations have the responsibility to protect and conserve the environment for future generations. Government will impose penalties on businesses for pollution and damaging the environment through erosion. Almost no undertaking can conduct business without utilising some natural resources. The emphasis should be on sustainable and responsible utilisation of resources. Both individuals and businesses have a Social Responsibility to reduce their carbon footprints (e.g. recycle) and to save energy and water. Doing the above mentioned will also have a positive impact on Human health, which is important, because the South African Constitution also states that everybody has the right to live in an environment that is not harmful to their health and well-being.

King II was published in 2002

it describes seven principles of good Corporate Governance:

Transparency

It is often thought that transparency refers to the fact that everybody has to know what decisions are taken and why they are taken. This is not correct. Some decisions may always be kept confidential. Transparency refers to decisions being taken in accordance with a set of rules and with which everybody is familiar and that these rules are understood by everybody. Transparency is of course a pre-condition for accountability, because if there is no transparency, how will it be possible to hold someone accountable for decisions taken?

Accountability

refers to the person taking responsibility for his/her actions. In a business environment where Corporate Governance is accepted as the norm, accountability increases the level of confidence that stakeholders have in the business decisions taken.

Integrity or honestly or truthfulness

will be part of decision making if the person or organisation knows they will be held accountable for decisions taken.

Independence

means there is no conflict of interest and that there are no unfair influences from any stakeholder that will result in a biased or unethical decision being taken in favour of a particular person or organisation. Although networking is a critical component in a person's and business' success, it may reduce the independence of decisions taken in the business if the decision maker feels he/she has an obligation towards someone they have networked with.

Discipline

When one looks at discipline, the starting point is always self-discipline. In a business environment, this relates to the integrity shown by management, when important decisions are taken.

If management does not make responsible decisions, the market will punish the business. This is referred to as market discipliner. When buyers of the product or investors in the business realise that management is acting incompetently or that they are promoting their own interests above those of the business and relevant stakeholders, the market will react by sanctioning (punishing) this corrupt behaviour. The punishment will be to stop using the business' products and/or services and possibly sell shares owned in the business. This may result in a lower market capitalisation (lower share price), which could even result in the collapse of the business.

Unfortunately, as with market discipline, regulatory discipline can only be imposed, once the damage has already been done. No amount of regulating will force someone to act

with integrity if he/she is the type of person who justifies unethical behaviour. If, however, the top management knows that corruption or poor decision making will be punished in a harsh and unforgiving manner by the law, perhaps they will think twice before doing something they selfishly consider to be in their interest rather than in the best interest of the business.

Corporate Social responsibility:

Good governance refers to the way in which decisions are made and policies are implemented. A business that follows a process of good governance, will be publicly accountable, because they will act responsibly when it comes to social issues such as exploitation of natural resources, child labour, paying fair salaries that will enable employees to maintain a decent standard of living, support of employees suffering from diseases such as TB or HIV/ AIDS or any other debilitating disease.

Fairness in dealing with stakeholders:

It implies that the business will be considerate when evaluating all relevant parties' interests when decisions are taken. Of course it should be acknowledged that life is not always fair and that it is not always feasible or realistic to act in a manner that will promote the interests of all concerned. Sometimes it is necessary to make a trade-off between benefiting one group of people over another. For example, the business has to decide whether products will be manufactured locally at a higher cost while simultaneously creating employment vs. importing the product at a lower price, which may benefit some consumers but may disadvantage local employment. When this type of decision is made, it is impossible for all stakeholders to be treated equally (what fairness implies). Management decisions should always aim to serve the best interests of the business and employees and not because there is the lure of a "kick back" when a particular decision is taken.

Responsibility (of directors):

The King reports promote responsible management and King III elaborates further on this issue when special reference is made to the duties and responsibility of directors: The Board of Directors is a key performance driver of the success of the company. The directors represent the shareholders and as such, shareholders hold high expectations of those directors to "do the right thing" as they are in a position of trust. In the past when a director's main function was strategic planning for the company, a change in policy to hold directors accountable for incompetence or wrongdoing occurred; this change was necessary because positions of trust had often been abused. Enron is a striking example: A number of the directors had to pay heavy fines and were even jailed for not acting in the best interest of the business, and for selfishly promoting their own interests.

Some of the responsibilities of directors can be summarised as follows:

- Directors must act with skill and care when formulating guidelines, policies and procedures. When these are implemented, it should be ensured that there is compliance with laws and good standards.
- They must act in good faith and honesty (fiduciary duty) in terms of what they believe would be in the best interest of the business and relevant stakeholders. They may not abuse power given to them, but have to use the power to enhance the interest of the business.
- They must try to pre-empt risks and put proper risk management procedures in place.
- Ethical leadership is non-negotiable.
- Audit committees should be established and used to monitor finances, as well as other aspects such as the responsible use of technology.
- Ensuring Integrated Reporting (Triple Bottom Line Reporting) and the disclosure of relevant information is important. This is done when a holistic view is given on

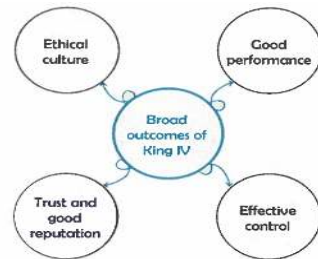
the company's financial performance within the context of sustainable social and environmental development.

On 1 September 2009 King III was released and apart from the above mentioned detail regarding the responsibilities of directors, the following are also covered by King III:

- King III applies to all businesses, regardless of whether it is a public, private or non-profit business.
- The directors may be liable in the case of misrepresentation.
- The focus is on "Apply or Explain" where the Board of Directors have to motivate why they are not implementing the King report's recommendations (should that be the case).
- King III also requires companies that are listed on the JSE to report on sustainability in accordance with the Global Reporting Initiative. The business' Audit Committee has to ensure that they obtain an external opinion to verify the degree of sustainability indicated in the integrated report. This will probably have an impact on the task of the external auditor if he/ she has to comment on the issue.
- There is a bigger emphasis on Independent directors and the Board should investigate and assess to ensure the Independent directors are really independent.
- King III requires an Independent Audit Committee apart from the Board of Directors and it is stipulated that where there is conflict between the decisions of the Board and the Independent Audit Committee, the Independent Audit Committee's decisions will stand, because they will be held accountable by law for the specific issue that is decided upon.
- A very important stipulation of King III is that the Company should be a responsible Corporate Citizen. This means that the company should maintain an ethical relationship with the society in which it operates.

On 1 November 2016 King IV was released and the implementation became effective on 1 April 2017. The following important issues should be noted under King IV:

King IV states that the Board of a Company is Accountable to make sure there are four broad outcomes that are achieved:



Sustainability can be defined as the business meeting the current needs of the business, without compromising the potential of future generations to meet their needs.

Trust and good reputation: In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder—inclusive approach that balances the needs, interests and expectations of stakeholders and the best interests of the organisation over time. The 17th principle refers to Institutional investors. An Institutional investor is a business where money is pooled to buy securities, real estate (property) or other assets with the aim to invest money in the pool. Institutional investors include banks, insurance companies and pension funds. The Governing Body of an Institutional Investor should ensure that all parties' interest relating to the securities of the business, is protected and expectations met.

Ethical culture: The Governing Body should lead ethically and effectively. The business has to be managed in a way that ensures an ethical culture is created. All actions have to be geared towards ensuring that the organisation is seen to be a responsible corporate citizen.

Good performance: The Governing Body should ensure that the core business purpose, the business strategy and all risks and opportunities taken, are geared towards sustainable value creation. The governing body should ensure that reports issued by the organisation help stakeholders to make informed assessments of value creation over the short, medium and long term.

Adequate and effective control: The Governing Body has to initiate, manage and look after all corporate governance principles in the organisation. There should be a balance of knowledge, skills, experience, diversity and independence within the Governing Body for it to carry out its roles and responsibilities objectively and effectively. The Governing Body should ensure that it delegates power and responsibilities to sub-committees of the governing body. But the final accountability will remain with the Governing Body. It is the task of the Governing Body to ensure a competent executive management team is appointed that will act with authority and responsibility. The Governing Body should ensure performance evaluations for the members of the Governing Body, the members of sub-committees and the CEO that all their actions are aimed at improving performance and better effectiveness. The Governing Body should ensure all risks and opportunities taken are aligned with achieving strategic objectives. The Governing Body should govern technology and information in a way that supports the organisation to achieve its strategic objectives. The Governing Body should comply with applicable laws, rules and standards in a way that it supports the organisation being ethical and a good corporate citizen. The Governing Body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote strategic objectives and sustainability. The governing body should ensure that there is effective and sufficient controls so that it can be trusted that the integrity of the reports will lead to better decision making.

- ❖ King III had a focus of "Apply QB Explain", but in King IV, the focus is "Apply ANP Explain". This means it is now assumed that the principles of Corporate Governance are implemented. The Board of Directors have to explain how these

Corporate Governance principles were implemented. "Apply AdQ Explain" is important.

Because:

- It will create more trust with investors, which will reduce the cost of obtaining capital (very important in the light of South Africa downgraded to Junk Status in 2017)
 - It ensures there is sustainability in the business, which is good for the business, the economy and society.
- ❖ King IV also provides guidelines (called 'sector' supplements) to help organisations such as Municipalities, non-profit organisations, SME (small and medium enterprises) and SOE (State Owned Entities) to understand how they should also implement the King principles.

Ethical/Unethical business practices

Whistle-blowing

A whistle-blower is someone who exposes unethical behaviour, fraud, health and safety violations or the violation of a law. Consider the possible impact on a business when an employee, who is aware that something unethical is happening, blows the whistle and in the process the business loses the deal or even faces a huge penalty. Who has acted unethically, the business or the employee for exposing the action? Whistle-blowers are protected by law, because in South Africa it is illegal to fire an employee for whistle-blowing, because whistle-blowing is the "right thing" to do in order to eliminate corruption.

Pricing of goods

Price fixing occurs when competitors agree to charge the buyers a predetermined price. One of the principles of a free market economy is that competition keeps prices low and quality high. If businesses collude to fix the prices of products, it is unethical and illegal and the Competition Board may impose hefty fines, Directors may even be held liable for this in their personal capacity and face jail time.

The Consumer Protection Act (CPA) makes it illegal to charge more for products in rural areas than in urban areas without good justification. For example, if a business charges a high price simply because there are no competitors to keep the prices low, it is seen as unethical.

Conflict of interest

If the person awarding a tender knows the person who is submitting the tender, he/she should not make the final decision about who will get the tender but should disclose that it is a friend/family member submitting the tender and then withdraw from the tender allocation process.

Bribes and corruption

When someone is offered a reward to give a third party an unfair advantage to which he/she/the business is not entitled, it is a bribe. A bribe does not have to be in the form of money, but may be a gift, an offer of employment, a promotion, or any other favour. If it is in the form of money, it is sometimes referred to as a smoothing payment or a facilitation payment.

When someone in a position of power, abuses this power for personal gain, it is corruption. This may include receiving a bribe, giving a kickback (indirect bribe) to a supplier, misappropriating funds, or abusing an official position for personal gain.

Unauthorised use of funds

Using business funds that are not authorised is the same as theft. People working in offices have more opportunities to get involved in this form of white-collar crime, than the workers in the department.

Even something that seems as innocent as a manager having an expense account, taking his wife for lunch and claiming it as a business is guilty of unauthorised use of business funds. Someone, who has a petrol card to pay for business travel and then uses the card for private use, is spending money not authorised for that purpose.

Inappropriate gifts

Most businesses expect employees to declare all gifts that they have received. It may even stipulate that no employee may receive a gift greater in value than R... (a certain value).

Sexual harassment

Unwelcome physical contact. Verbal conduct such as sexual advances, sex-related jokes, unwelcome enquiries about a person's sex life and unwelcome whistling/body language directed at a person or group of persons. Non-verbal conduct such as sexual gestures, indecent exposure or display of sexually explicit pictures and objects. When a more senior employee promises a reward in exchange for sexual favours. Employees may also not engage in any of the above activities with customers, suppliers or any person who deals with the business.

Employment/labour issues**Employees abusing sick leave.**

The abuse of the internet or email may include:

- Employees who visit porn sites.
- Employees who make confidential information available to people who should not have access to the information.
- Employees who spread rumours or other damaging information about the business or a fellow employee.

Piracy

Piracy is the illegal use or reproduction of somebody's work if it is protected by a patent or copyright. Think of the number of times that music or movies are illegally downloaded from the internet.

Counterfeiting / Bootlegging

Counterfeiting can be described as someone fraudulently imitating another's work and pretending it is the original. Designer clothing, shoes and handbags are often imitated and sold as the original.

Bootlegging is the illegal production and/ or distribution of a product. A shebeen that does not have a liquor licence is guilty of bootlegging. Another example is when someone sells cigarettes on the black market to avoid paying import duties or other taxes.

Taxation

We differentiate between tax avoidance and tax evasion. Tax avoidance is legal and ethical, because the business finds legal ways to reduce the tax burden, i.e. deducting legal expenses before the taxable income is calculated.

Tax evasion on the other hand is illegal (and therefore unethical) because the business does not declare all its income and lies about expenses in order to pay less tax.

"Insider trading"

This refers to a situation where someone trades shares on the JSE based on knowledge that is confidential, i.e. something only an insider (or his friends / family) in the business will know. This is a criminal offence.

GRI (Global Reporting Initiative)

Intent and purpose: The GRI is a non-profit organisation that promotes reporting on sustainability issues through the creation of a Sustainability Reporting Framework. This framework is used worldwide to promote transparency when all types of businesses report on economic, environmental and social issues.

- The GRI provides guidelines to businesses to determine their impact on economic, environmental and social fronts.
- Because it is an international framework, it ensures apples are compared with apples when businesses in different sectors and different countries are compared with one another on these issues.

FTSE / JSE Responsible Investment Index

The FTSE / JSE Responsible Investment Index was announced on 3 June 2015 and was launched on 12 October 2015. The intent and purpose of the FTSE / JSE Responsible Investment Index:

- to continue the work that was initiated by the JSE SRI (Social Responsibility Index) in 2004 that identified companies listed on the JSE that focused on good governance and that used Triple Bottom Line principles (environmental, social and economic sustainability) in their reporting.
- to measure the policies and procedures of companies that are listed on the JSE against globally acceptable ESG (Economic, Social and Governance) standards. Managing ESG risks, ensures that a business is sustainable.
- to serve as a vehicle for companies to demonstrate to stakeholders that they are acting and reporting in a responsible manner on ESG related issues.
- to promote responsible business practice in South Africa and beyond.

Benefits:

- ESG disclosure among JSE-listed companies is promoted.
- Scoring high on the FTSE / JSE Responsible Investment Index confirms to shareholders and other stakeholders that the business is accountable and transparent in its dealings relating to Economic, Social and Governance issues.
- These are sensitive issues in South Africa due to inequalities of the past and therefore crucial for organisations to incorporate in their strategic planning.
- Meeting and complying with the international standards set by the FTSE / JSE Responsible Investment Index could improve the image of the business in the minds of investors and may use this as a competitive advantage.
- Companies that are marketing themselves as compliant with the FTSE / JSE Responsible Investment Index, will build an organisational culture around this and make it part of their brand.

The relationship between management ethics and social responsibility

The concept of Corporate Social Responsibility (CSR) and the implications of CSR for both business and communities are considered:

The concept of Corporate Social Responsibility (CSR)

Corporate Social Responsibility can be described as an on-going commitment by businesses to behave in an ethical manner by contributing to the economic and social development of employees and the community at large. In short it is about developing and showing people the "human side of your business".

Some ideas for a CSR program may include:

- Sponsorship programs.
- Educating people on how to save energy and water.
- Better use of natural resources.
- Recycling and the use of recycled materials. Providing training to employees and their families. Improved working conditions.
- Becoming involved in the community's activities by providing health awareness programs or community literacy programs.

The implications of CSR

Implications for the business

CSR should be about more than simply complying with certain requirements such as ticking the right boxes or what the business may gain from implementing a CSR program. Because CSR is about adopting a responsible attitude towards all

stakeholders, it should be ingrained in the corporate culture and become "the right thing to do" in the business.

But who are these stakeholders?

Employees: It has often been said that a happy employee is a loyal employee. By improving the quality of life for employees and their families, the business will be rewarded with motivated employees who have a higher morale, less absenteeism and a lower staff turnover.

Customers: CSR is an opportunity for the business to differentiate itself from its competitors by adopting a CSR programme; this may become a competitive advantage for the business, because customers take note of those companies/individuals who give back to their communities. A good CSR project may get people talking about the business in a positive manner which may even be more valuable than an expensive advertising campaign. As a consequence, a mutually beneficial relationship is developed, linking CSR with the brand of the business.

Suppliers: CSR makes a business reputable and credible; other businesses will be more inclined to do business with such an organisation than with a business which has a history of exploitation.

The **local community** refers to the people in the immediate vicinity of the business. By improving the standard of living of the people in the community, the business will benefit in the long run.

Governments will be less likely to enforce CSR through legislation if businesses voluntarily become involved in uplifting previously disadvantaged communities.

What can the business expect to gain from CSR?

- Media attention and positive publicity
- A better functioning society, because some of the socio-economic problems may have been addressed
- Making a sustainable difference in the lives of people Scoring more points on the JSE SRI (see below) if the business is listed on the JSE An image of the business as one with a sound Corporate Governance record (King reports expect businesses to become involved in CSR)
- When CSR becomes part of the organisational culture, it unites team members in a common aim to achieve expectations over and above the official job.
- CSR may thus lead to better teamwork, including the advantages associated with successful teams.

Implications for the community

No business exists in isolation. It is critical that Business understands and remembers that it impacts on the wider society. There should be positive results for both the business and the community

Benefits from the community's point of view:

- A healthier environment (less pollution) results in healthier people
- More skills lead to less unemployment, which may contribute in a higher standard of living, less crime and a more productive society.
- Better control over diseases such as HIV / AIDS and TB due to education and preventative measures
- Feedings schemes make better education possible, because children can focus on their schoolwork, rather than being distracted by hunger.
- Individuals may be sponsored for a sporting event or school career which makes a difference, even if it is on a small scale