

Consolidated Ethics Framework — 6-Step Answer Structure

1) Identify & explain the ethical issue (why it's unethical)

- **Guiding entry:** *"What happened?"* State the facts, then: *"This may not align with good governance practices and ethical frameworks."*
- Specify whether it's the **cause** of the problem or part of the **plan/solution**.
- **If not clearly triggered in the PRI:** treat it as a **separate issue** in the final.
- **Speak to behavior, not the person** (neutral language).
- **Look for hidden ethics** in normal questions.
- Tie the issue to **company goals/mission/vision** (misalignment strengthens your case).
- If **directors/BOD** are involved, flag immediately for deeper checks later (independence, conflicts, integrity).

CPC lens (if answering as a CA(SA)):

- Identify **threats/contraventions** of the **5 fundamental principles**: Integrity, Objectivity, Professional competence, Confidentiality, Professional behaviour.
- Then: **evaluate the level of threat (significance)** → **safeguards** → **actions**.

2) Contraventions of laws/regulations/ethical guidelines (incl. King IV)

Call out **specific frameworks**: Try tie back the issue to a goal of the company to show we will be contravening that goal (if the company follows through it will misalign with their mission/vision). Especially if their goal/vision is mentioned in the PRI or a specific framework (i.e. Code of Conduct) is mentioned in the PRI.

Companies Act (SA):

- **s75**: Conflicts of interest.
- **s76**: Fiduciary duties — act in good faith, best interests of the company.
- **s77**: **Liability** for contraventions/unethical conduct.

CPC / NOCLAR:

CPC lens (if answering as a CA(SA)):

- Identify **threats/contraventions** of the **5 fundamental principles**: Integrity, Objectivity, Professional competence, Confidentiality, Professional behaviour.
- Then: **evaluate the level of threat (significance)** → **safeguards** → **actions**.
- **NOCLAR (CPC s260 & s360)**: non-compliance with laws/regulations (not personal misconduct; can encompass other misconduct).

APA / Reportable Irregularity (definition):

- Unlawful act/omission by management that **(a)** causes/likely causes **material financial loss** to the entity/partners/shareholders/creditors/investors; **or (b)** is **fraud/theft**; **or (c)** is a **material breach of fiduciary duty**.

Other legislation (as applicable):

- **POPIA, BCEA** etc.

King IV (apply even if not a public company):

- **Principled & effective leadership**; uphold the company's best interest (link to s76/s77).
- **Stakeholder inclusivity & the ethics triangle**.
- **Corporate citizenship** (conduct and perception).
- **Sustainability & integrated thinking** (interrelated effects; long-term "domino effect").
- **Six capitals**: financial, manufactured, natural, social, intellectual, relationship.
- **Beyond legal compliance** — King IV goes beyond mere legal compliance, must consider ethics.

When the BOD is involved (use these checks explicitly):

- BOD composition per King IV — **restructure** if independence is impaired.
- Are "INEDs" **truly independent** (not involved in day-to-day; not conflicted friendships)?
- If the BOD wants to do something **"sly"** (e.g., hire a friendly auditor for a clean opinion) → **question integrity**.

BBBEE: consider **social & economic transformation** as an **ethical obligation**.

3) Effect on stakeholders & "Good for self / Good for others" (UCT: compulsory paragraph)

- Explain **who** is impacted and **how** (company, individuals, customers, employees, shareholders, regulators, community).
- Use **King IV language**: **integrity** (honesty), **transparency**, **responsibility**, **fairness**, **acting in good faith**, **responsible corporate citizen**.
- Watch for **bias** (e.g., managers defending a favored person) and **leverage** (e.g., a supplier's loan creating pressure).
- Consider **controls** currently in place (or missing) that allowed the situation.

Model paragraph (example — "100% organic" mislabel):

While the action may be good for management in the short term (sales/bonuses), it is not good for customers (deceived into overpaying), shareholders (reputational/regulatory risk), employees (job security if sales collapse), and regulators (intervention required). This

undermines integrity, transparency and fairness under King IV and fails the 'good for self and good for others' test.

Model examples

- “I am sure that you are also committed to always do the right thing and being straightforward and honest in all your business relationships.”
 - “As we are considering ourselves to be a good corporate citizen and socially responsible company, we think it is important that we pay special attention to the ethics around
 - “The foundation of business ethics principles is built on the fact that decisions and choices should be good for self and good for others. In addition, the consequences for all stakeholders should be considered and the best option should be selected.”
 - “As a CA (SA) who has recently passed SAICA board exams, I am bound by the highest possible code of ethics in the CPC which requires us to comply with the fundamental principles of integrity. Charles, both you and I have a responsibility in terms of the Code to gain a deeper understanding into these transgressions.”
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4) Consequences — always give at least 3

Legal / Regulatory

- **Companies Act s76** (breach of fiduciary duty) and **s77** (potential personal liability).
- **APA** route if conduct meets **Reportable Irregularity** definition.
- **NOCLAR** implications (must respond to non-compliance).
- Other statutes as relevant (**POPIA/BCEA**).

Reputational

- **Break of trust**, public **deception** narrative, **boycotts**, “not a responsible corporate citizen.”

Financial / Operational

- **Fines/penalties**, loss of contracts/customers, higher cost of capital, disrupted operations, long-term sustainability damage (integrated-thinking “domino” effects).

(You can also reference: stakeholder backlash, media scrutiny, morale/retention issues.)

5) Balanced discussion of alternatives (pros & cons)

Provide **≥3 credible options** (include one you favour **and** others you don't) and weigh **pros/cons** for each:

- **Meet & clarify** with the relevant representative; document outcomes.
- Obtain **legal advice**; consider **scenario analysis** of outcomes.

- **Engage experts** (auditors, governance specialists) and/or **parent company/stakeholders**.
- **Strengthen/verify controls**; ensure **whistleblowing** processes are confidential and not interfered with.
- **Board actions**: refresh BOD composition; reinforce independence (INEDs), address conflicts.
- **Draw insights** from past experiences/precedents; **research** to fully understand the issue.
- If applicable, **escalate per NOCLAR**; consider **APA** if RI criteria met.

*(Keep tone professional: acknowledge sensitivity; act **swiftly & delicately**; “proactive”, “urgent”; empathy does not excuse misconduct.)*

6) Recommendations & actions forward (minimum 3; include “experts”)

Make them **specific, actionable, and framework-linked**:

- **Board-level**: establish/strengthen ethical culture, refresh committees, independence reviews.
- **Ethical code**: ensure employees are **familiar**; **take action** when breached; **monitor adherence**.
- **Whistleblowing**: robust, confidential mechanisms; protect reporters; periodic testing of the channel.
- **Controls & training**: tighten controls that failed; targeted ethics training (King IV/CPC/NOCLAR).
- **External experts**: legal/governance/audit reviews (use of **experts** is always a valid recommendation).
- **Communication & tone** (useful phrases when challenging conduct):
 - “We are committed to doing the right thing and being straightforward and honest...”
 - “As a responsible corporate citizen, we must pay special attention to the ethics around...”
 - “Decisions should be good for self and **good for others**; we should select the option with the best stakeholder consequences.”
 - “As a CA(SA) bound by the CPC, we have a responsibility to understand these transgressions more deeply.”