**INSTRUCTIONS: ANSWER ALL FIVE QUESTIONS**
**INSTRUKSIES: BEANTWOORD AL VYF VRAE**

**QUESTION 1** **[20]**
**VRAAG 1**

**Read the case study below and answer the ensuing questions.**
**Lees deur die onderstaande gevallestudie en antwoord dan die vrae wat daarop volg.**

**Well Fargo – Fake Accounts**

Wells Fargo & Company is an American multinational, publicly traded financial services company that is headquartered in San Francisco, California with main offices throughout the country. By this point in time many citizens have become familiar with the scandal that has occurred at Wells Fargo Bank; however, the astonishing part of this scandal is that the company has acted fraudulently and unethically. Recent reports as of late 2017 demonstrate that Wells Fargo now says that it has found a total of up to 3.5 million potential fake bank accounts and credit card accounts which is 1.4 million more than originally estimated. Additionally, approximately 190,000 accounts received unnecessary fees which is 60,000 more than originally estimated. The unethical behavior does not end here. It has been found that 528,000 customers were enrolled in unauthorized online bill pay, and up to 570,000 borrowers were forced into unnecessary auto insurance; about 20,000 of these customers potentially had their cars repossessed due to these insurance costs. The primary motive behind the millions of fake accounts can be traced all the way up to the CEO and higher-level management. John Stumpf, former CEO of Wells during the time, and senior executives put tremendous sales pressure on the employees of Wells Fargo setting a target for the creation of eight accounts per customer. This tremendous sales pressure was forced upon lower level employees at Wells Fargo resulting in the creation of millions of fake accounts which was done out of a fear that the average employee would lose his or her job if the demands of management were not met.

There have been key governmental actions against Wells Fargo since the fake account scandal has taken place. First, the company has been fined $185 million. Secondly, there has been a growth cap placed on Wells. The bank has dealt with and currently faces investigations as well as class action lawsuits. These are steps in the right direction to mitigate the effects of Wells Fargo's actions; however, they are not enough. Individuals who hold the most responsibility including John Stumpf and senior management who oversaw the fraud must be appropriately indicted. While the employees at Wells who carried out the actions hold some level of responsibility, the ultimate responsibility must be targeted at Stumpf and high-level management, those individuals who essentially forced the employees and coached them to continually open up fake accounts in the names owf Wells Fargo customers. When the statistics pertaining to profit is analyzed, the unethicality associated with this case becomes even more grueling. John Stumpf and top-level management profited millions as a result of the surged stock price during the scandal of fake accounts.

*Critically discuss the actions of Wells Fargo by applying the major normative ethical decision-making theories in business ethics.*

*Bespreek die optrede van Wells Fargo krities deur die belangrikste normatiewe etiese beluitnemingsteorië in besigheidsetiek toe te pas.*

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**QUESTION 2** **[20]**
**VRAAG 2**

**Refer again to the case study in Question 1 and answer question below.**
**Verwys weer na die gevallestudie in Vraag 1 en beantwoord onderstaande vraag.**

*Discuss the agency dilemma and the theories relating to the dilemma and how it manifested in Wells Fargo's decision-making in the above case study.*

*Bespreek die agentskap vraagstuk en teorië wat met die vraagstuk verband hou. Hoe manifesteer dit in die besluitnemening van Wells  Fargo in bogenoemde gevallestudie?*

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**QUESTION 3** **[20]**
**VRAAG 3**

**Read through the following article and then answer the ensuing questions.**
**Lees deur die onderstaande artikel en antwoord dan die vrae wat daarop volg.**

**"The current Steinhoff saga is set to become the biggest business news story of the year.**

The current Steinhoff saga is set to become the biggest business news story of the year. It culminated in massive value destruction for investors who thought they were invested in a very well-managed company. It also damaged the integrity of several very respected business leaders, and if social media is an indication, the integrity of corporate South Africa.

What is extraordinary to me is that [the alleged] fraud of this magnitude (if it occurred) could take place in a company with a board comprised of vastly experienced, respected and accounting-savvy members. There are no fewer than six CAs on the board and virtually all the directors have been in executive roles at various companies.
Apart from Markus Jooste and Christo Wiese, the board is littered with exceptional leaders. Dr Johan van Zyl, Dr Theunie Lategan and Dr Steve Booysen were the CEOs of Sanlam, FirstRand Africa & Emerging Markets, and Absa respectively. Dr Len Konar is on the King Committee on Corporate Governance and chairman of the External Audit Committee of the IMF.

In fact, until this week at least, Steinhoff would have been on most fund managers' lists for companies with the strongest boards. The quality of the board made Steinhoff a more attractive investment. The question is therefore, how did alleged fraud amounting to R100 billion take place on this board's watch? An even more pertinent question is why did the board not react proactively since the first allegations of transgressions surfaced in 2015?
The private sector has always portrayed itself as a beacon of good corporate governance, but these latest developments show that there are not only corporate governance challenges in government.

Ryk van Niekerk, Citizen, 08/12/2018"

*From the above newspaper article it appears that exceptional qualifications, experience and leadership skills is not a guarantee for sound and good corporate governance.*

*Write an essay explaining which aspects and factors should be considered in ensuring that the board in itself becomes a competitive advantage for the company. In your essay you can refer to actual instances of board failures or successes to support your arguments.*

*Uit die bogenoemde koerantartikel blyk dit dat buitengewone kwalifikasies, ondervinding en leierseienskappe nie 'n waarborg vir gesonde en goeie korporatiewe regering is nie.*

*Skryf 'n opstel waarin u verduidelik watter aspekte in ag geneem moet word om te verseker dat die direksie opsigself 'n kompeterende voordeel tot die maatskappy is. In u opstel kan u na werklike gevalle van mislukkings en suksesse verwys om u argument te ondersteun.*

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**QUESTION 4** **[20]**
**VRAAG 4**

"Following in the wake of King III (2009), and in a similar vein the SBR, the Code for Responsible Investing in SA (CRISA), launched in 2011 and the specific guidance to institutional shareholders contained in King IV (2016) are all expected to contribute to a higher level of involvement by institutional shareholders in the companies in which they invest." (Naidoo R; Corporate Governance)

*Discuss the five principles of oversight as embodied in the CRISA CODE. Consider why despite the introduction of this code, institutional investors still invested billions in Steinhoff despite strong indications of inappropriate conduct. Also discuss the tools of governance that institutional investors have at their disposal.*

*Bespreek die vyf beginsels van oorsig soos dit in die CRISA KODE vervat is. Oorweeg hoekom, ten spyte van die Kode, institusionele beleggers nog steeds biljoene in Steinhoff belê het ten spyte van die feit dat daar sterk aanduidings van onvanpaste optrede was. Bespreek ook die meganismes wat institusionele beleggers tot hul beskikking het.*

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**QUESTION 5** **[20]**
**VRAAG 5**

5.1 "Non-executive directors are a waste of time. They often have little involvement with a company and are not aware of what is really going on."
*Critically discuss this statement.* *(10)*

*Bespreek hierdie stelling krities.*

5.2 "A director stands in a fiduciary relationship to the company".

*What is meant by a fiduciary relationship and what are the implications thereof in the context of the Companies Act 73 of 2008?* *(10)*

*Wat word met fidusiëreverhouding bedoel en wat is die implikasies daarvan in ag genome die Maatskappye Wet 73 van 2008?*

**TOTAL/TOTAAL: 100**

File reference: 8.1.7.2.2