

South African Tourism

(hereinafter referred to as SA Tourism)

Updated 5-year Strategic Plan (effective 2011/12)

Official Sign off

It is hereby certified that this Strategic Plan and Annual Resource Plan:

1. was developed by the management of the South African Tourism under guidance of National Department of Tourism and taking into consideration Treasury "Framework for Strategic Plans and Annual Resource Plans" issued during August 2010;
2. takes into account all the relevant policies, legislation and other mandates for which the South African Tourism is responsible;
3. accurately reflects the strategic outcome oriented goals and objectives which South African Tourism will endeavour to achieve over the period 2011/12 to 2015/16.

JN Van der Walt
Chief Financial Officer

Signature: _____

T January-Mclean
Chief Executive Officer

Signature: _____

Approved by SA Tourism's Accounting Authority on 22 September 2010 (see attached)

Approved by:
Executive Authority

Signature: _____

Marthinus van Schalkwyk

PART A - STRATEGIC OVERVIEW	3
1 VISION OF SA TOURISM.....	3
2 MISSION OF SA TOURISM	3
3 VALUES OF SA TOURISM.....	3
4 LEGISLATIVE AND OTHER MANDATES	4
4.1 CONSTITUTIONAL MANDATES	4
4.2 LEGISLATIVE MANDATES	4
4.3 POLICY MANDATES	6
4.4 RELEVANT COURT RULINGS	6
4.5 PLANNED POLICY INITIATIVES	7
5 SITUATIONAL ANALYSIS	7
5.1 PERFORMANCE ENVIRONMENT	7
5.2 ORGANISATIONAL ENVIRONMENT	11
5.3 DESCRIPTION OF THE STRATEGIC PLANNING PROCESS	12
6 STRATEGIC OUTCOME ORIENTED GOALS OF THE INSTITUTION.....	13
PART B - STRATEGIC OBJECTIVES.....	19
7 PROGRAMME.....	19
7.1 STRATEGIC OBJECTIVES	Error! Bookmark not defined.
7.2 RESOURCES CONSIDERATIONS	30
7.3 RISK MANAGEMENT	32
PART C : LINKS TO OTHER PLANS.....	34
8 LINKS TO THE LONG-TERM INFRASTRUCTURE AND OTHER CAPITAL PLANS.....	37
9 CONDITIONAL GRANTS	37
10 PUBLIC ENTITIES.....	37
11 PUBLIC-PRIVATE PARTNERSHIPS	37

PART A - STRATEGIC OVERVIEW

1 VISION OF SA TOURISM

For South Africa (SA) to be the preferred tourist destination in the world, in order to maximise the economic potential of tourism for our country and its people.

2 MISSION OF SA TOURISM

To develop and implement a world-class international & domestic tourism marketing strategy for SA while also implementing a world-class grading system of tourism-related products in South Africa. In pursuance of this SA Tourism will :

- Facilitate the strategic alignment of the provinces and industry in support of the global marketing of tourism in SA
- Remove all obstacles to tourism growth
- Build a tourist friendly nation
- Ensure that tourism benefits all South Africans

3 VALUES OF SA TOURISM



We unconditionally respect our organisation's people, its purpose and its assets.

Living this respect with integrity translates into an authentic caring for South Africa and each other, a feeling of responsibility, and the acceptance of accountability for the outcomes of our actions.

Our team pushes the boundaries of excellence in everything we do.

Governance @ SAT



4.1 CONSTITUTIONAL MANDATES

We have to account to the executive authority namely the National Department of Tourism and the Minister of Tourism for the government grants we receive from them to fulfill our mandate. In terms of Section 92 of the Constitution the Minister of Tourism who is responsible for the power and functions of the executive assigned to him by the President is ultimately responsible for the National Department of Tourism. He also has to provide Parliament with full and regular reports concerning South African Tourism. These reports are submitted by South African Tourism to the National Department of Tourism.

4.2 LEGISLATIVE AND EXTERNAL POLICY MANDATES

4.2.1 Tourism Act No. 72 of 1993 as amended

To promote tourism by encouraging person to undertake travels to and in the Republic, and with a view thereto to take measures in order to attempt to ensure that services which are rendered and facilities which are made available to tourists comply with the highest attainable standards.

4.2.2 Public Finance Management Act (PFMA) No 1 of 1999

The key responsibilities from the PFMA requires SA Tourism to ensure that all revenue, expenditure, assets and liabilities of the entity are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in the organisation; and to provide for matters connected therewith. As per section 40 of the PFMA South African Tourism's controlling body is the Board of South African Tourism (i.e. the accounting authority). The fiduciary duties of the accounting authority, as per section 50 of the PFMA, are outlined below:

- exercise the duty of utmost care to ensure reasonable protection of the assets and records of the public entity;

- act with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of the public entity;
- on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the executive authority or that legislature; and
- seek, within the sphere of influence of that accounting authority, to prevent any prejudice to the financial interests of the state.

4.2.3 Treasury Regulations effective 9 April 2001 issued in terms of the PFMA

The key responsibilities from Treasury Regulation's requires SA Tourism to manage our budget preparation process; exercise control over the implementation of the annual budget, promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities. The audit committee plays an imperative role in an organisation, and as per Treasury Regulation No. 27 the audit committee of SA Tourism amongst, reviews the following:

- the effectiveness of the internal control systems;
- the effectiveness of internal audit;
- the risk areas of the entity's operations to be covered in the scope of internal and external audits;
- the adequacy, reliability and accuracy of financial information provided to management and other users of such information;
- any accounting and auditing concerns identified as a result of internal and external audits;
- the entity's compliance with legal and regulatory provisions;
- the activities of the internal audit function, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
- where relevant, the independence and objectivity of the external auditors.

4.2.4 Other legislation and external policy mandates

- Minimum Information Security Standards (MISS)
- National Vetting Strategy
- Human Resources Development Strategy
- Senior Management Services Framework Handbook
- Gender Framework
- National Archives directives
- Government Communication Framework
- Government Corporate Identity Guidelines
- International Relations Strategy
- South African Foreign Policy
- Guidelines on Protocol and Etiquette

- National Treasury Guidelines
- Institute of International Auditors Standards

4.3 INTERNAL POLICY MANDATES

Name of Policy	Key Responsibility
Information Technology Strategy effective 1 April 2010 (approved 1 Oct 2009)	Managing Business Information Systems and ensure that computer systems are secure.
Health and Safety Policy	As per legal requirement - outlines duties and responsibilities and references to Health and Safety related document - policies and procedures.
Executive committee terms of reference	Executive committee of SA Tourism's responsibilities
Management committee terms of reference	Management committee of SA Tourism's responsibilities
Board Code of Conduct	Based on 7 Governing principles, Disciplinary, transparency, independence, accountability, responsibility, Fairness, social responsibility, signed by each Board member
Corporate Governance Policy	Based on King 3, Code of Good Practices and Conduct - aimed at the Board and Exco, reporting requirements, functions and powers delegated by the Board
Delegation of Authority	Functions and duties delegated by the Board
Health and Safety Incident Reporting Procedure	As per Health & Safety requirements
Business Continuity Plan	How the business will operate when there is a crises
Supply Chain Management Policy	Procurement as required by National Treasury
Subsistence and Travel Policy	Subsistence and Travel requirements in line with Supply Chain Policy
Information Technology Policy	Ensure that SA Tourism's systems are managed correctly and secure
Performance Information Framework	Reporting in line with Treasury Requirements
General Human Resources Policy	Based on the Labour Relations Act
Foreign Service Dispensation Policy	Management of transferred overseas staff
Remuneration Policy	Remuneration of staff policy
Leave Policy	Based on Labour Relations Act
Performance Bonus Policy	Clearly explains performance review which leads to performance bonus
Finance policy - General	Based on PFMA, Treasury Regulations and SA GRAP

4.4 RELEVANT COURT RULINGS

There are no court rulings that have a significant ongoing impact on operations or service delivery obligations.

4.5 PLANNED POLICY INITIATIVES

This section is not applicable to South African Tourism.

5 SITUATIONAL ANALYSIS

5.1 PERFORMANCE ENVIRONMENT

- 5.1.1 South African Tourism Board, hereinafter referred to as SAT, was established in terms of section (2) of the Tourism Act, 1999 (Act No. 72 of 1993) as amended, with the aim of stimulating sustainable international and domestic demand for South African Tourism experiences as well as to institute measures aimed at the maintenance and enhancement of the standards of facilities and services hired out, or made available to tourists.
- 5.1.2 South African Tourism therefore competes in a fiercely-competitive global environment to attract tourists to South Africa.
- 5.1.3 In terms of funding, South African Tourism is involved in a joint operation with one private sector partner, TBCSA. The objective of the joint operation is to market South Africa in certain markets identified by South African Tourism through research. Funds contributed into this operation are used solely for international marketing activities and to fund the premium South African Tourism has to pay in attracting the best possible skills in the industry.

Given its limited resources, most notably financial, South African Tourism has adopted and rolled out a Tourism Marketing Growth Strategy based on in-depth segmentation research and focus groups conducted around the world. This Tourism Marketing Growth Strategy was approved by the Cabinet and focuses its marketing activities on specific segments of tourists in particular markets:

- that are most likely to come to South Africa; and
- whose value for South Africa will be the highest taking into consideration the size of the segment (value is calculated as the days spent in South Africa multiplied by the amount spent per day)

- 5.1.4 For South African Tourism's purposes, markets have been classified as follows:
- 5.1.4.1 Core markets: These markets are very attractive and have easier access from a tourism-marketing point of view, deliver the "bread & butter" in terms of tourism for South Africa and approximately 60% of organisation's effort (in terms of human capital and budget) is deployed in these markets.
- 5.1.4.2 Investment markets: These markets are also very attractive, but more difficult to access from a tourism-marketing point of view. Given the potential of these markets, it is of great importance for South African Tourism to invest in these markets, ahead of the future returns. Approximately 20% of the organisation's effort (in terms of human capital and budget) is deployed in these markets.
- 5.1.4.3 Tactical markets: These markets are less attractive, but very easy to access from a tourism-marketing point of view. Approximately 15% of the organisation's effort (in terms of human capital and budget) is deployed in these markets.
- 5.1.4.4 Watch-list markets: These markets are less attractive and more difficult to do from a tourism-marketing point of view. However, limited exploratory marketing, largely in conjunction with South Africa's overseas missions and tour operators, is to be undertaken by South African Tourism in these markets as they might grow into future, more prominent markets for South Africa from a tourism point of view. Approximately 5% of the organisation's effort (in terms of human capital and budget) is deployed against these markets.
- 5.1.5 South African Tourism promotes South Africa generically in terms of its unique selling points as an all-season, year-round preferred tourist destination, utilising marketing initiatives that

are guided by the Tourism Growth Strategy. The strategy incorporates three key market portfolios namely:

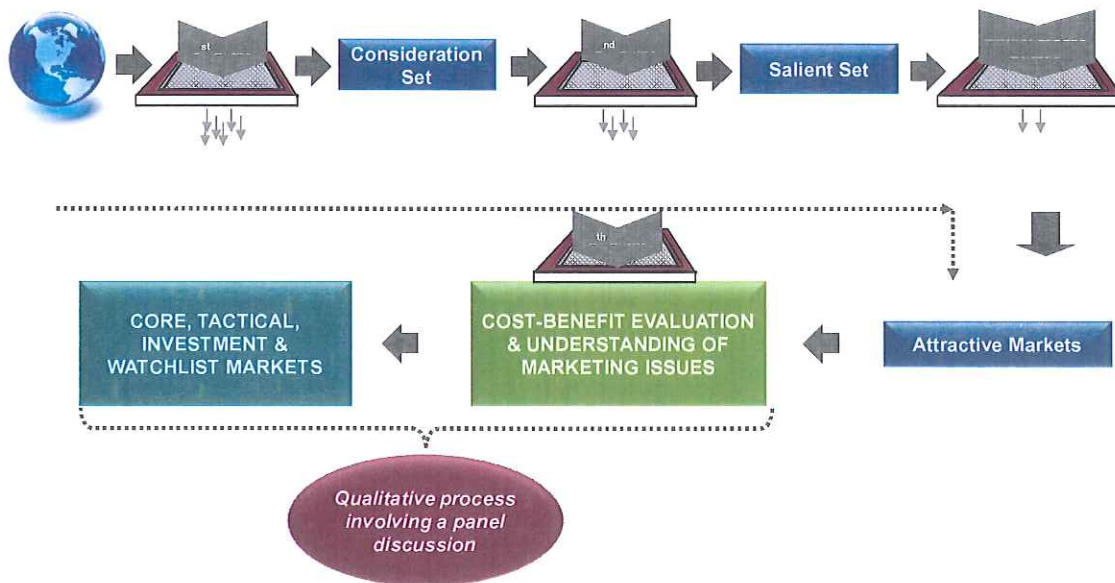
- 5.1.5.1 Africa and Domestic;
- 5.1.5.2 Americas, Asia and Australasia;
- 5.1.5.3 Europe & the UK
- 5.1.6 Each portfolio is headed by a regional director tasked with developing and implementing marketing strategies, an approach which serves to optimise the efficiency and strategic marketing activities in specific market segments.
- 5.1.7 South African Tourism's overall marketing strategy promotes South Africa's scenic beauty, diverse wildlife, eco-tourism and variety of cultures and heritage. We also work to engender a travel culture amongst South Africans and to develop South Africa's potential as a big event destination.
- 5.1.8 South African Tourism's international marketing approach differs slightly in its scope: it is more focused, more cost-effective and more customer driven. We persistently undertake to 'play smarter' in the increasingly competitive global tourism market by adopting, amongst other initiatives, ongoing segmentation research into key spend and volume markets that highlight areas where South African Tourism's marketing efforts will reap the greatest returns. As a result, the organisation has also embarked on an aggressive e-Business Tourism Growth Strategy that includes fully-fledged research, a CRM unit and call centre and a website: www.southafrica.net. South African Tourism also participates in major travel shows; co-ordinates advertising, public relations and direct mailing campaigns; and holds educational work sessions with the international partners of South Africa's travel industry. Furthermore, the organisation is active in promoting South Africa as a destination for Business Tourism through its Business Tourism unit that works closely with sector representatives both abroad and in South Africa.
- 5.1.9 South African Tourism also works with South Africa's embassies and consulates all over the world to encourage tourism to South Africa. Good corporate governance is essentially about effective leadership. It requires leadership that is able to integrate decision-making, strategy and sustainability. It also calls for an inclusive and collaborative approach with stakeholders, founded on the need for effective dialogue and engagement.
- 5.1.10 South African Tourism views good corporate governance practice as integral to good performance. We at South African Tourism are committed to promoting sustainable confidence in our conduct, both as an organisation and as a corporate citizen. While the Board oversees the overall process and structure of corporate governance, each business unit and every employee worldwide within the organisation is responsible for promoting good corporate governance practices. In formulating our governance framework, we apply leading corporate governance practices pragmatically so as to:
 - 5.1.10.1 Exercise effective review and monitoring of our activities.
 - 5.1.10.2 Enhance the world market's perception of us.
 - 5.1.10.3 Identify and mitigate significant risks, including reputational risk.
 - 5.1.10.4 Promote informed and sound decision making.
 - 5.1.10.5 Protect our brand.
 - 5.1.10.6 Secure the trust and confidence of all stakeholders.
 - 5.1.10.7 Lead to effectiveness, efficiency, responsibility and accountability.
 - 5.1.10.8 Facilitate legal and regulatory compliance.
 - 5.1.10.9 Ensure sustainable business practices, including social and environmental activities.

- 5.1.10.10 Disclose the necessary information to enable all stakeholders to make a meaningful analysis of our actions.
- 5.1.10.11 Our values and philosophies are the framework against which we measure our behaviour, practices and activities.
- 5.1.10.12 Our values require directors and employees to behave with integrity, consistently and uncompromisingly displaying moral strength and conduct which promotes trust.
- 5.1.10.13 Sound corporate governance is implicit in our values, culture, processes, functions and organisational structures and is designed to formalise oversight of, and ensure the values remain embedded within all our operations and processes.
- 5.1.11 South African Tourism selects its markets every 3 years taking into consideration the latest marketing intelligence. This process is referred to as the Portfolio Review process. Like with previous Portfolio Review processes, South African Tourism adopted the following process during the 4th Portfolio Review process which indicates the markets on which SA Tourism will focus for the following 3 years effective 1 April 2011:

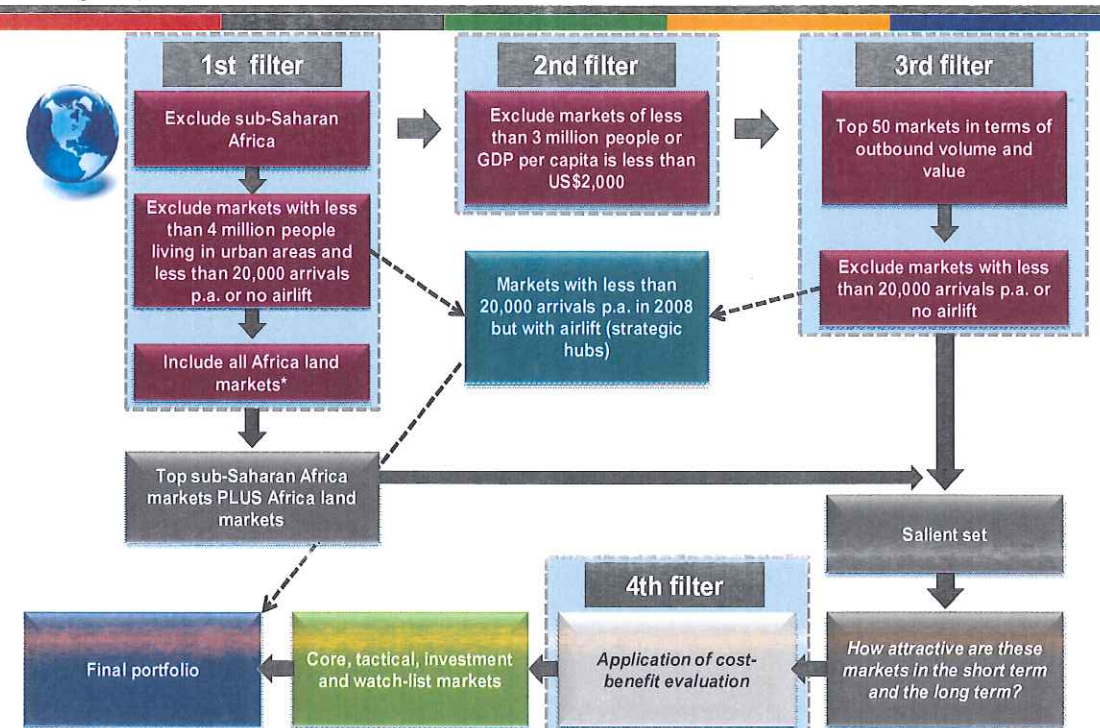
The review adopts a “fresh eyes” approach by considering all the countries in the world, and filtering them based on a set of objective attractiveness criteria



Approach to Portfolio Review



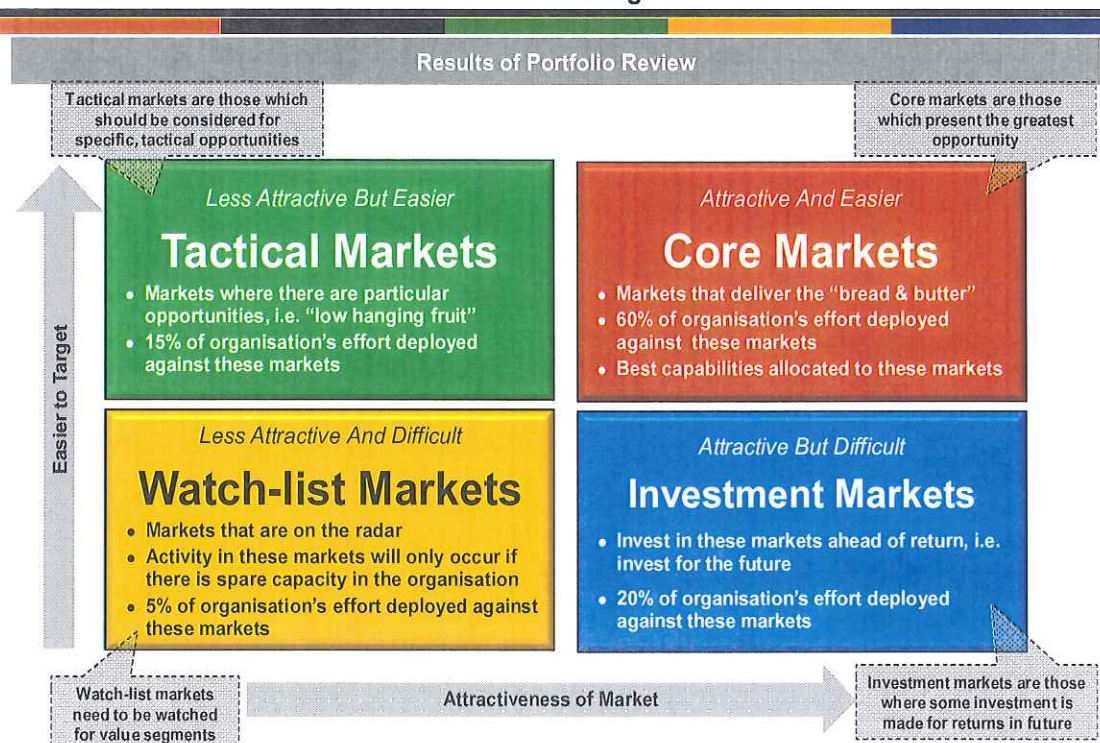
Key steps of the Portfolio Review Process



*Africa land markets are markets where more than 60% of arrivals to SA arrive by land.

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The results of the evaluation will illustrate the suggested core, tactical, investment and watch-list markets within each region



5

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The 4th Portfolio Review process that took place during July/ August 2009 and the outcomes will be implemented in full by 01/04/2011



		2002 – 2004 2005 – 2007 2008 – 2010 2011-2014			
4 th Portfolio		Africa & Middle East	UK & Americas	Asia & Australasia	Europe
Responsibility	Country Manager	Core Markets Angola Botswana Kenya Nigeria South Africa*	USA*	Australia* India	France* Germany Netherlands UK*
	Investment Markets	DRC Mozambique	Brazil Canada	China (incl. Hong Kong) Japan	Belgium Italy Sweden
	Tactical Markets	Lesotho Swaziland		New Zealand	Ireland
	Watch-list Markets	Malawi Namibia Zambia Zimbabwe	Argentina	Republic of Korea	Austria Denmark Portugal Spain Switzerland
	Strategic Importance	Bahrain, Oman, Qatar, Saudi Arabia			
	Strategic Air Links/Hubs	Egypt, Ethiopia, Ghana, Mauritius, Tanzania, Senegal, UAE		Malaysia Singapore	

*Indicates Business Tourism Hubs

6

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5.2 ORGANISATIONAL ENVIRONMENT

5.2.1 In order to properly execute its Strategic Plan, South African Tourism has established 16 business units, each with its own Business Unit Annual Resource Plan and reporting to a Business Unit Manager. These 16 Business Units are:

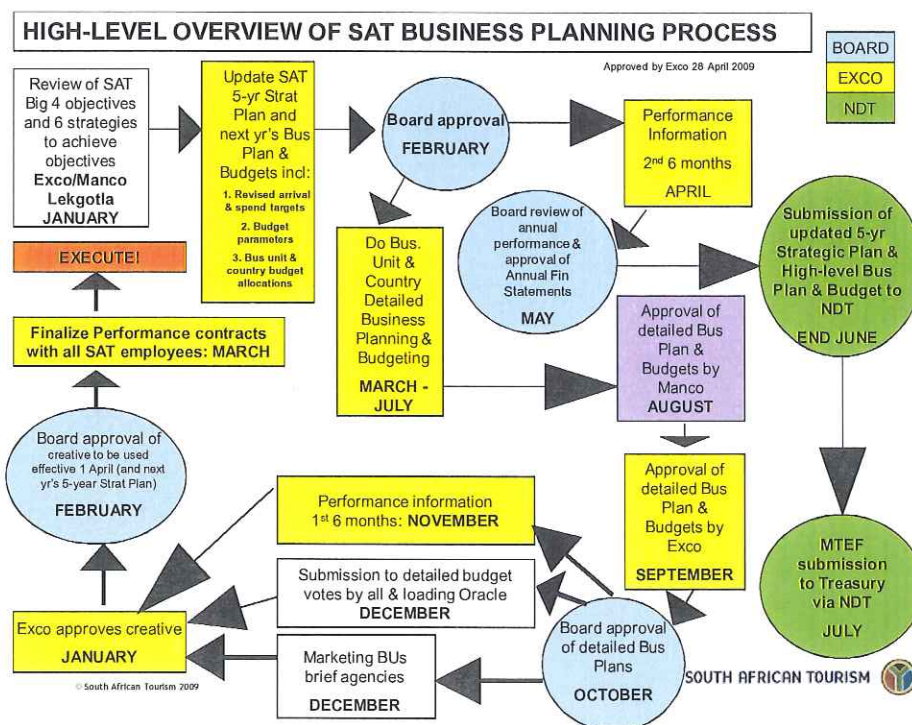
- 5.2.1.1 Office of the CEO/COO (headed by both the CEO and COO)
- 5.2.1.2 Finance (headed by the Chief Financial Officer)
- 5.2.1.3 Research (headed by the General Manager Research)
- 5.2.1.4 Human Resources (headed by the General Manager: Human Resources)
- 5.2.1.5 Business Information Systems (headed by the General Manager: Business Information Management Systems)
- 5.2.1.6 PR and Communication (headed by the Global Manager: Communication)
- 5.2.1.7 E-Marketing (headed by the Global Manager: E-Marketing)
- 5.2.1.8 Central Marketing (headed by the Chief Marketing Officer)
- 5.2.1.9 Events (headed by Global Manager: Events)
- 5.2.1.10 Product (headed by Global Manager: Product)
- 5.2.1.11 Business Tourism (headed by Global Manager: Business Tourism)
- 5.2.1.12 Africa and Domestic Portfolio (headed by the Regional Director: Africa)
- 5.2.1.13 Americas, Asia and Australasia Portfolio (headed by the Regional Director: Americas, Asia and Australasia)

- 5.2.1.14 Europe & the UK Portfolio (headed by the Regional Director: Europe)
- 5.2.1.15 Tourism Grading Council of South Africa (headed by their Chief Quality Assurance Officer (CQAO))
- 5.2.1.16 Stakeholder Management (headed by the General Manager: Stakeholder Management)
- 5.2.2 South African Tourism has four categories of employment:
- 5.2.2.1 Senior management (consisting of all Exco members);
- 5.2.2.2 Middle management (consisting of all MANCO members who are also appointed business unit managers, country managers, the Manager: Finance at Head Office and the and the Manager: Global Advertising at Head Office)
- 5.2.2.3 Junior management Any other person working for SAT who has got the title of “manager”, as part of his designation on SAT’s approved organogram in SAT’s Delegation of Authority as well as the Contracts Attorney.
- 5.2.2.4 General Staff (consisting of all staff members not indicated above)

6

6.1 DESCRIPTION OF THE STRATEGIC PLANNING PROCESS

The following diagram illustrates SA Tourism’s Strategic Planning process:



7 STRATEGIC OUTCOME ORIENTED GOALS OF THE INSTITUTION

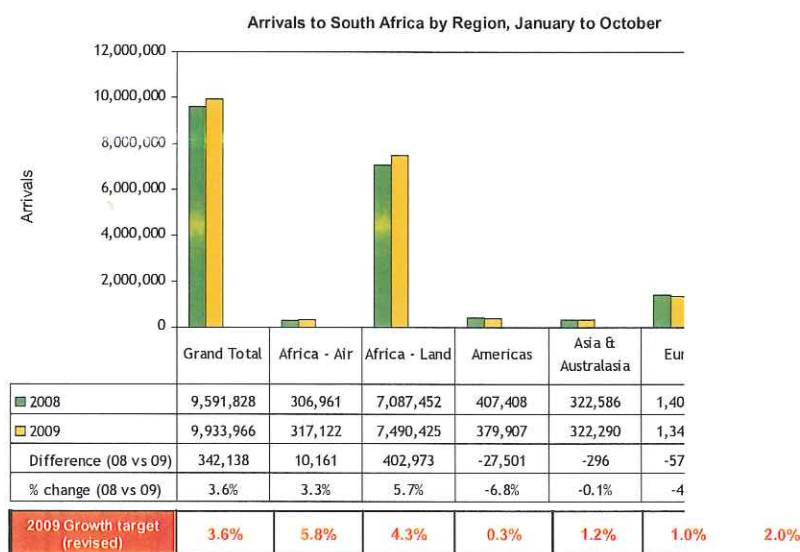
South African Tourism has identified 4 strategic outcomes orientated goals which identify areas of organisational performance that are critical to the achievement of SA Tourism's mission. These 4 strategic outcomes orientated goals are as follows:

Strategic Outcome Oriented Goal 1	To market South Africa in such a way that annual arrivals to South Africa increase
Goal statement 1	<p>Through the execution of its Strategic Plan and Annual Performance Plan, the following arrivals should be achieved:</p> <p>2011 calendar year arrival target: 10 295 520 (1% increase over 2010 arrival target) (which will be achieved through the execution of the 2010/11 Annual Performance Plan)</p> <p>2012 calendar year arrival target: 10 398 476 (1% increase over 2011) (which will be achieved through the execution of the 2011/12 Annual Performance Plan)</p> <p>2013 calendar year arrival projection: 10 502 460 (1% increase over 2012) (which will be achieved through the execution of the 2011/12 Annual Performance Plan)</p> <p>Historic arrival targets and actual arrivals were as follows:</p> <p>2008 calendar year arrival target: 9 699 365 (6.2% increase over 2007)</p> <p>2008 actual arrivals: 9 591 828 (5.5% increase over 2007)</p> <p>2009 calendar year arrival target: 9 824 858 (3.6% increase over 2008)</p> <p>2009 actual arrivals: 9 933 966 (3.6% increase over 2008 actual)</p> <p>2010 calendar year arrival target: 10 193 585 (2.6% increase over 2009 actual)</p>
Strategic Outcome Oriented Goal 2	To market South Africa in such a way that the expenditure of all people arriving in South Africa increases while being in South Africa
Goal statement 2	<p>Through the execution of its Strategic Plan and Annual Performance Plan, the following spend per person should be achieved on average for every person arriving in South Africa:</p> <p>2011 calendar year target: R9 222 per person (this will result in total expenditure of R126,1 billion in South Africa)</p> <p>2012 calendar year target: R9 775 per person (Total R 135,7 billion)</p> <p>2013 calendar year target: R10 360 per person (Total R 146 billion)</p> <p>Historic spend per person targets and actual spend were as follows:</p> <p>2008 calendar year target: R 7 300 per person (Total R 70,8 billion)</p> <p>2008 actual: R 8 100 per person (Total R 83,4 billion)</p> <p>2009 calendar year target: R 8 300 per person (Total R109,2 billion)</p> <p>2009 actual: R 8 400 per person (Total R 79,4 billion)</p> <p>2010 calendar year target: R8 700 per person (Total R117,2 billion)</p>
Strategic Outcome Oriented Goal 3	To market South Africa in such a way that South Africa becomes a most preferred Tourism Brand by 2014
Goal statement 3	<p>Through the execution of its Strategic Plan and Annual Performance Plan, South Africa should become one of the most preferred Tourism Brand by 2014 as measured by the following criteria:</p> <ol style="list-style-type: none"> 1. Brand Knowledge 2. Brand Journey

	3. Conversion of positive brand awareness to sales
Strategic Outcome Oriented Goal 4	To continuously improve South African Tourism's internal policies and procedures so that it becomes one of South Africa's best organisations to work for
Goal statement 4	For South African Tourism to become, through the continuous improvement of its internal policies and procedures, a Top 20 Best-Company-to-Work-for by 2012, as measured in the annual Deloitte Best-Company-to-Work-for survey that will take place during June/July 2012

The following graphs around the above provide more perspective on Strategic Outcome Orientated Goals number 1 and 2:

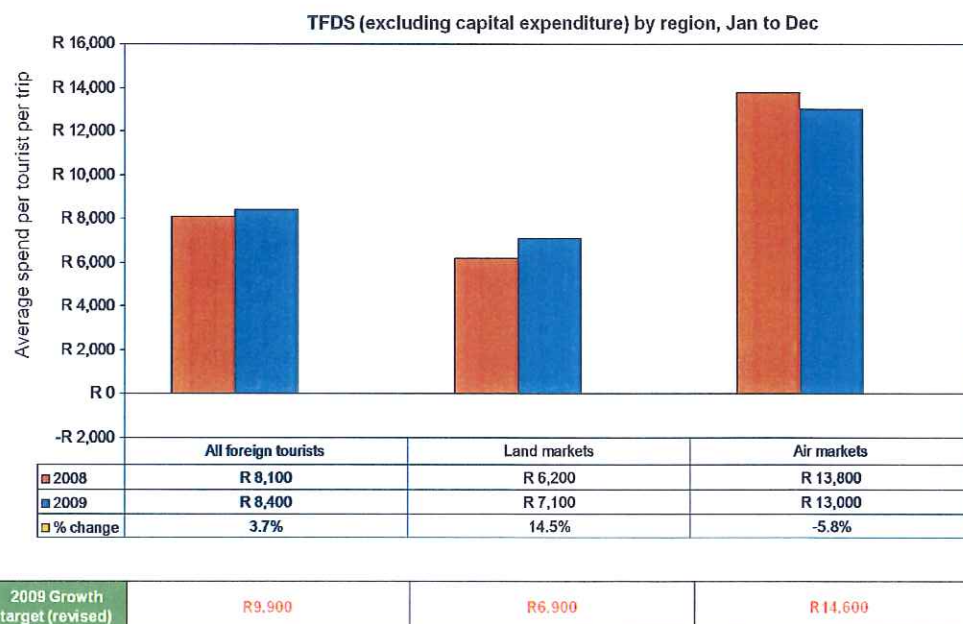
Total arrivals increased by 3.6% in the 2009 compared to 2008



Source: Table A October 2009

12

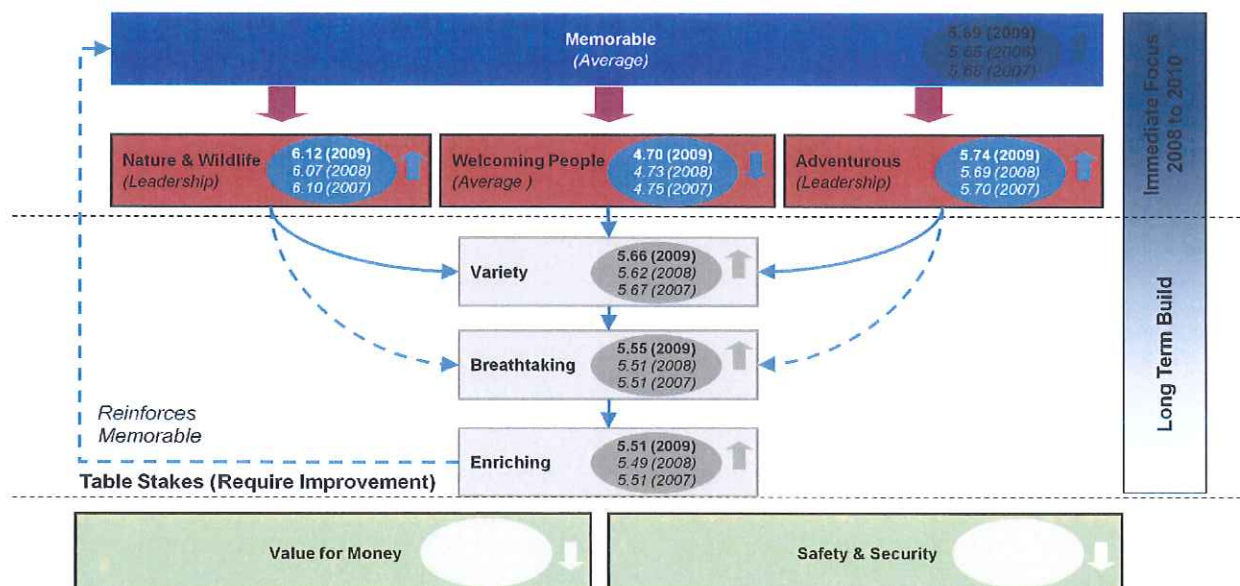
Average spend increased by 3.7% driven by increased spend by land tourists but behind our growth targets for 2009



The following graphs provide more perspective on Strategic Outcome Orientated Goal number 3:

1. Knowledge of the Brand - Global Target

In 2009, the global average for most of the Brand Knowledge metrics improved, however, it continued to drop for Welcoming People and Safety and Security



Note: Core Markets weighted according to relative investment spend – Australia = 6%, France = 17%, Germany = 18%, India = 6%, Netherlands = 18%, UK = 18% & USA = 17%; Investment Markets weighted according to – China = 32%, Italy = 43% and Japan = 25%; Global Average, weighted according to investment spend – Core = 91%, Investment = 9%

Source: SAT BrandTracker Feb-07 through Nov-09(merged for each year)

Knowledge of the Brand - SA Rank Versus Direct Competitors (2009)

In 2009, South Africa's perception improved on key Personality Attributes in the Netherlands and Germany, compared to its direct competitors, however, it declined substantially in Italy

Ranking (out of 5) of The SA Brand Relative to Direct Competitors Along Key Brand Attributes – 2009

Metric	Netherlands	Germany	UK	France	USA	India	Australia	Italy	China	Japan
Memorable	1★	2	4	3	4	4	2	2	2	2
Adventurous	2	2	3	3	3	2	2	3	2	2
Natural Wildlife Experience	1★	3	2	2	2	2	2	3	3	3
Welcoming People You Can Interact With	4	5✗	5✗	5✗	4	3	5✗	3	4	5✗
A Wide Variety of Experiences	1★	2	2	2	2	2	1★	2	3	4
Breathtaking	1★	2	4	3	3	3	2	3	2	2
Enriching	1★	2	4	4	4	4	4	2	4	2
Unique	1★	2	5✗	3	2	4	3	2	2	2
An Authentic Travel Experience	2	3	4	3	2	4	5✗	2	3	2
Value for Money	3	4	4	4	4	4	4	4	4	5✗
Safety & Security	5✗	5✗	5✗	4	3	4	5✗	2	5✗	5✗

★ Significantly Above Average for 10 destinations (at 95% confidence level)
 ✗ Significantly Below Average for 10 destinations (at 95% confidence level)
 ★ When SA is ranked highest amongst competitors
 ✗ When SA is ranked lowest amongst competitors

Note: Competitor set includes Australia, Thailand, Kenya, Brazil to produce ranking out of 5. If any of the above are not included in survey, India or China is used as destinations. For India market, Egypt is used as an additional destination for ranking purposes

Source: SAT BrandTracker Feb-09 and Nov-09



Knowledge of the Brand – SA Rank Versus All Destinations (2009)

In 2009, perception of SA in terms of offering Wide Variety of Experiences improved in five markets, out of which three are Core Markets and two are Investment Markets

Ranking (out of 10) of The SA Brand Relative to Competitors Along Key Brand Attributes – 2009

Metric	Netherlands	Germany	UK	France	USA	India	Australia	Italy	China	Japan	Kenya	Nigeria
Memorable	4	3	7	7	8	9	4	4	4	5	4	8
Adventurous	2	2	3	3	3	2	2	3	2	2	2	8
Natural Wildlife Experience	1 ★	3	2	2	2	2	2	3	3	3	2	3
Welcoming People You Can Interact With	8	9	9	8	5	8	9	7	8	8	10 ✖	7
A Wide Variety of Experiences	3	4	4	6	4	4	2	4	7	8	5	5
Breathtaking	1 ★	2	6	5	4	5	3	3	2	5	9	10 ✖
Enriching	4	3	6	8	8	9	7	5	9	5	5	9
Unique	3	3	7	7	5	9	5	5	4	4	9	8
An Authentic Travel Experience	4	4	6	6	5	9	8	3	5	4	6	5
Value for Money	8	9	7	9	8	9	7	9	8	10 ✖	5	10 ✖
Safety & Security	10 ✖	10 ✖	10 ✖	8	6	9	10 ✖	6	10 ✖	10 ✖	10 ✖	10 ✖

■ Significantly Above Average for 10 destinations (at 95% confidence level)

★ When SA is ranked highest amongst competitors

■ Significantly Below Average for 10 destinations (at 95% confidence level)

✖ When SA is ranked lowest amongst competitors

Note: For ranking purposes, if there are more than 10 destinations in survey, the following destinations are removed from rankings: USA followed by Italy and France
Source: SAT BrandTracker Feb-09 and Nov-09
February 17, 2011

1

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2. The Brand Journey - Global Target



We have improved in both awareness and positivity but declines on sought info and likely to visit on the next 18 months due to the slowdown in global travel

Global Targets

	Awareness	Positivity	Sought Info in the Past	Likely to Visit in Next 18 Months
2007 Baseline	75%	38%	23%	12%
2008 Actual	76%	37%	22%	11%
2009 Actual	79%	38%	21%	11%
Global Target 2010	77%	40%	26%	14%
Global Target 2013	79%	42%	28%	16%

Note: Core Markets weighted according to relative investment spend – Australia = 6%, France = 17%, Germany = 18%, India = 6%, Netherlands = 18%, UK = 18% & USA = 17%; Investment Markets weighted according to – China = 32%, Italy = 43% and Japan = 25%; Global Average, weighted according to investment spend – Core = 91%, Investment = 9%; All rating questions have been analyzed using top 2 box approach
Source: SAT BrandTracker Feb-07 through Nov-09 (merged for each year)
January 13, 2010

19

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Brand Journey Metrics – SA Rank Versus All Destinations (2009)

South Africa's rating on Stature has improved marginally in 2009; the ratings on other metrics continue to be below average in most of the markets, except for the Netherlands, Germany and Kenya

Ranking (out of 10) of The SA Brand Relative to Competitors Brand Journey Attributes – 2009

	Metric	Netherlands	Germany	UK	France	USA	India	Australia	Italy	China	Japan	Kenya	Nigeria
Blue-Sky Considerers	Total Awareness	5	5	6	7	7	7	8	8	8	9		6
	Unaided Awareness	3	5	4	8	7	7	6	5	7	9		5
	Positivity	3	5	6	7	7	6	8	6	7	9		6
	Likely to Visit in Future	2	4	5	6	7	7	8	6	7	9		5
	Likely to Seek Info	1 ★	4	5	7	7	6	8	6	7	9		5
	Uniqueness	1 ★	2	4	4	3	6	2	3	5	8		5
Information Seekers	Stature	4	4	5	5	5	6	6	5	7	9		5
	Sought Info	2	4	5	6	7	6	7	6	7	9		5
	Familiarity	4	5	5	10 ✖	8	7	7	8	8	9		5
	Suitability	4	2	5	5	5	6	6	5	6	9		5
	Likely to Visit in Next 18 Months	2	4	5	9	7	7	6	7	7	9		5
	Closure Ratio	6	7	7	8	10 ✖	8	6	8	6	9		8

■ Significantly Above Average for 10 destinations (at 95% confidence level)

□ Significantly Below Average for 10 destinations (at 95% confidence level)

★ When SA is ranked highest amongst competitors

✖ When SA is ranked lowest amongst competitors

Note: For ranking purposes, if there are more than 10 destinations in survey, the following destinations are removed from rankings: USA followed by Italy and France

Source: SAT BrandTracker Feb-09 and Nov-09
February 17, 2011

2

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Brand Journey Trends - Core Markets

South Africa has seen a positive CAGR for most of the Brand Journey metrics between 2006-2009; however, Visitation and Closure Ratio have declined slightly in 2009, compared to 2008

	2006	2007	2008	2009	CAGR (2006-09)
Total Awareness	74%	77%	78%	81%	3%
Unaided Awareness	18%	19%	20%	19%	2%
Positivity	37%	39%	38%	39%	2%
Likely to Visit in Future	31%	35%	32%	33%	2%
Likely to Seek Info	17%	19%	18%	18%	1%
Uniqueness	28%	28%	27%	28%	0%
Stature	19%	20%	18%	18%	-1%
Sought Info	21%	23%	22%	21%	0%
Familiarity	20%	22%	22%	22%	3%
Suitability	19%	19%	19%	18%	0%
Likely to Visit in Next 18 Months	10%	12%	11%	11%	2%
Visited in Past 18 Months	6%	8%	8%	7%	6%
Closure Ratio	1 in 3.35	1 in 2.90	1 in 2.75	1 in 2.85	6%

Note: Core Markets weighted according to relative investment spend – Australia = 6%, France = 17%, Germany = 18%, India = 6%, Netherlands = 18%, UK = 18% & USA = 17%; Closure Ratio = Visited in Past 18 Months / Sought Info in the Past; All rating questions have been analyzed using top 2 box approach
Source: SAT BrandTracker Nov-06 through Nov-09 (merged for each year)

Brand Journey Trends - Investment Markets

In Investment Markets, South Africa's performance has improved on most of the Brand Journey metrics in 2009, compared to 2008; however, a slight drop in Visitation has led to a drop in Closure Ratio

	2006	2007	2008	2009	CAGR (2006-09)
Total Awareness	54%	57%	55%	58%	3%
Unaided Awareness	11%	13%	11%	14%	7%
Positivity	27%	29%	29%	32%	5%
Likely to Visit in Future	27%	27%	27%	28%	2%
Likely to Seek Info	18%	20%	20%	21%	5%
Uniqueness	24%	26%	26%	26%	3%
Stature	17%	18%	18%	19%	3%
Sought Info	22%	23%	22%	23%	1%
Familiarity	7%	8%	9%	9%	13%
Suitability	17%	19%	18%	20%	5%
Likely to Visit in Next 18 Months	10%	10%	11%	11%	3%
Visited in Past 18 Months	7%	8%	8%	7%	-1%
Closure Ratio	1 in 2.98	1 in 2.96	1 in 2.78	1 in 3.12	-2%

Note: Investment Markets weighted according to relative arrivals – China = 32%, Italy = 43% and Japan = 25%; Closure Ratio = Visited in Past 18 Months / Sought Info in the Past; All rating questions have been analyzed using top 2 box approach
Source: SAT BrandTracker Nov-06 through Nov-09 (merged for each year)

Brand Journey Metrics - SA Rank Versus All Destinations (2009)

South Africa's rating on Stature has improved marginally in 2009; the ratings on other metrics continue to be below average in most of the markets, except for the Netherlands and Germany

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	Positivity	3	5	6	7	7	6	8	6	7	9
	Likely to Visit in Future	2	4	5	6	7	7	8	6	7	9
	Likely to Seek Info	1★	4	5	7	7	6	8	6	7	9
Information Seekers	Uniqueness	1★	2	4	4	3	6	2	3	5	8
	Stature	4	4	5	5	5	6	6	5	7	9
	Sought Info	2	4	5	6	7	6	7	6	7	9
	Familiarity	4	5	5	10✗	8	7	7	8	8	9
	Suitability	4	2	5	5	5	6	6	5	6	9
	Likely to Visit in Next 18 Months	2	4	5	9	7	7	6	7	7	9
	Closure Ratio	6	7	7	8	10✗	8	6	8	6	9

□ Significantly Above Average for 10 destinations (at 95% confidence level) □ Significantly Below Average for 10 destinations (at 95% confidence level)
★ When SA is ranked highest amongst competitors ✗ When SA is ranked lowest amongst competitors

Note: For ranking purposes, if there are more than 10 destinations in survey, the following destinations are removed from rankings: USA followed by Italy and France

Source: SAT BrandTracker Feb-09 and Nov-09

Brand Journey Metrics - SA Rank Versus All Destinations (2009)

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	Positivity	3	5	6	7	7	6	8	6	7	9
	Likely to Visit in Future	2	4	5	6	7	7	8	6	7	9
	Likely to Seek Info	1★	4	5	7	7	6	8	6	7	9
	Uniqueness	1★	2	4	4	3	6	2	3	5	8
Information Seekers	Stature	4	4	5	5	5	6	6	5	7	9
	Sought Info	2	4	5	6	7	6	7	6	7	9
	Familiarity	4	5	5	10✗	8	7	7	8	8	9
	Suitability	4	2	5	5	5	6	6	5	6	9
	Likely to Visit in Next 18 Months	2	4	5	9	7	7	6	7	7	9
	Closure Ratio	6	7	7	8	10✗	8	6	8	6	9

□ Significantly Above Average for 10 destinations (at 95% confidence level)

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★ When SA is ranked highest amongst competitors

✗ When SA is ranked lowest amongst competitors

Note: For ranking purposes, if there are more than 10 destinations in survey, the following destinations are removed from rankings: USA followed by Italy and France

Source: SAT BrandTracker Feb-09 and Nov-09

PART B - STRATEGIC OBJECTIVES

8 PROGRAMME

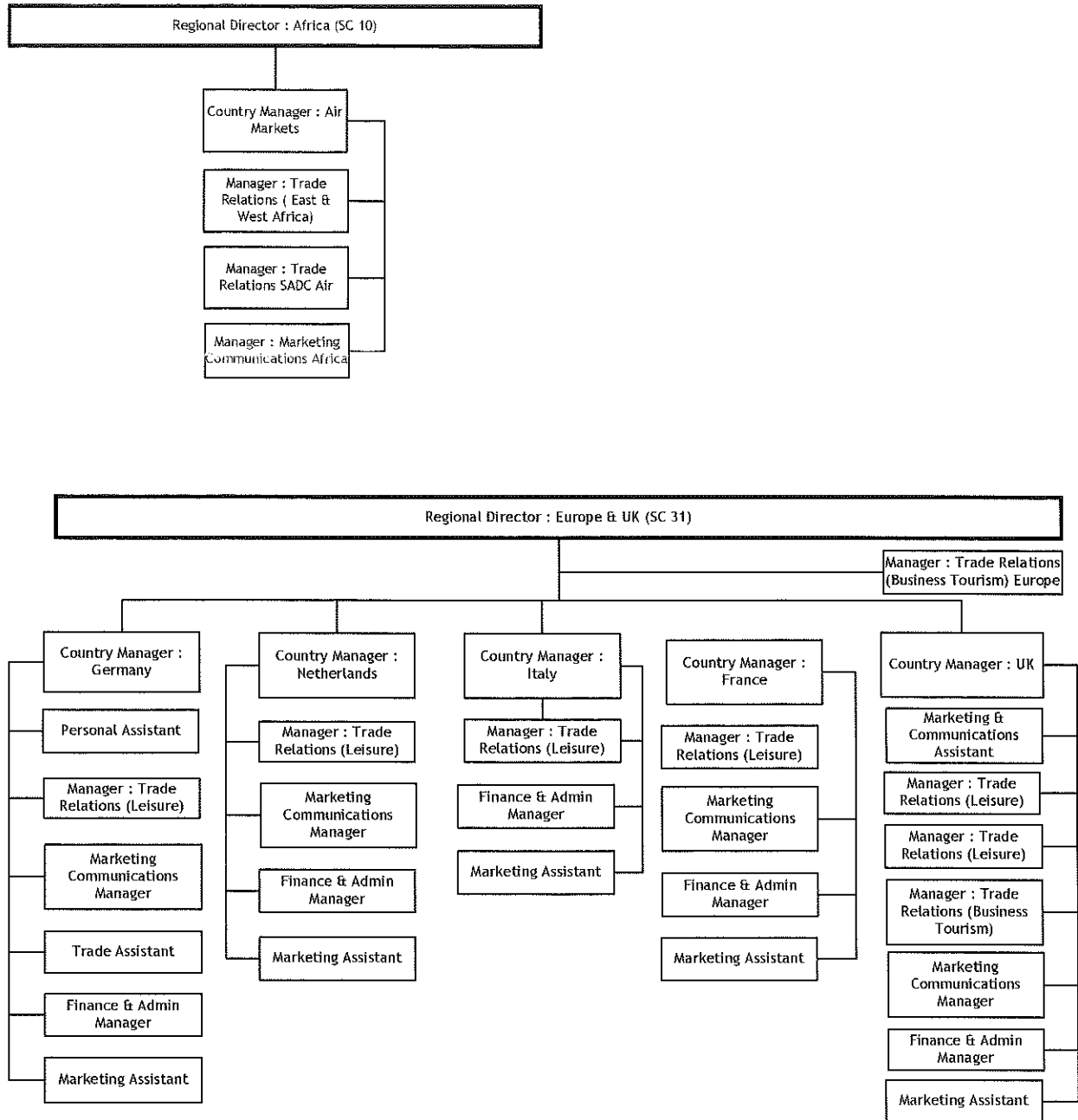
Programme 1: International Portfolios

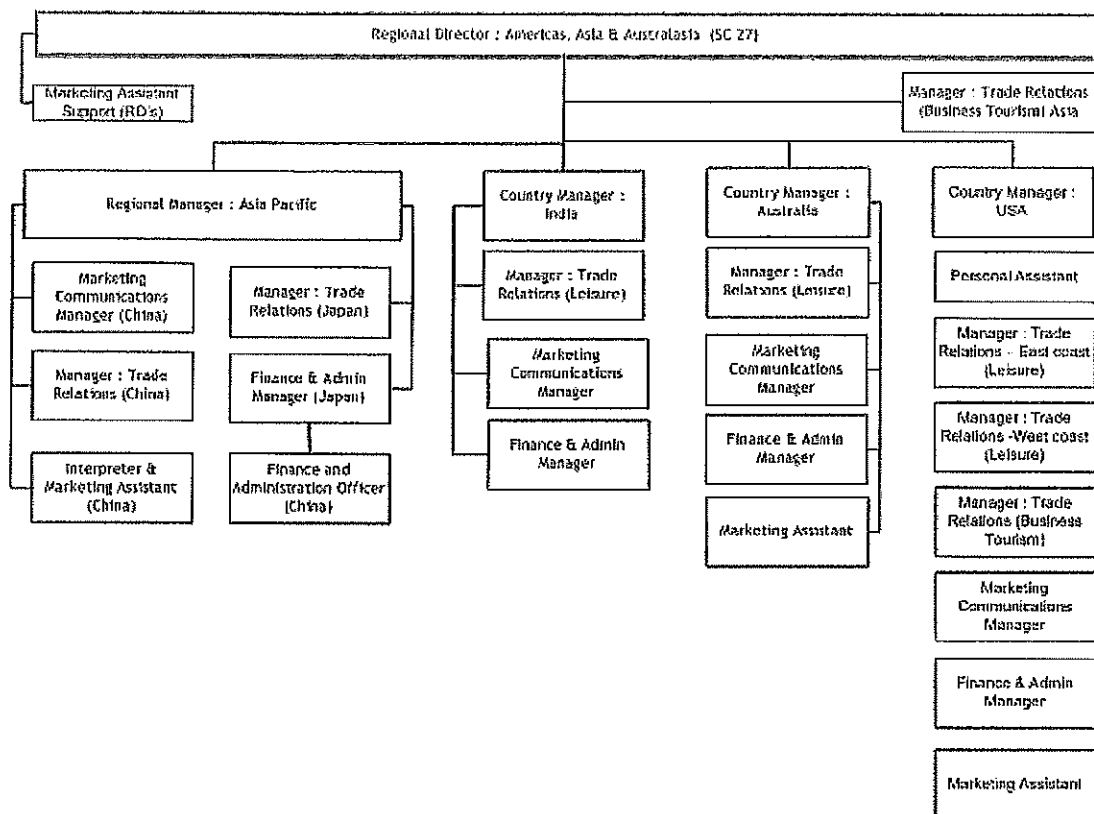
Purpose: To increase total arrivals and spend into the country by marketing South Africa internationally.

Description: SA Tourism has adopted and rolled out a Tourism Marketing Growth Strategy based on in-depth segmentation research and focus groups conducted around the world. This Tourism Marketing Growth Strategy was approved by the Cabinet and focuses its marketing activities on specific segments of tourists in particular markets namely those that are most likely to come to South Africa; and whose value for South Africa will be the highest taking into consideration the size of the segment (value is calculated as the days spent in South Africa multiplied by the amount spent per day).

Strategic objective:	Invest only in selected markets to deliver volume and value
Objective statement:	To create awareness of South Africa as a world class tourist destination by attracting 10 295 520 visitors
Baseline:	Calendar year 2009 actual arrivals: 9 933 966
Justification:	The more arrivals that visit South Africa, the more money will be spent which effectively increases GDP of the country.
Links:	For every 16 tourists visiting South Africa one job is created which thus decreases the unemployment rate of the country.

South African Tourism is structured into three international portfolios consisting of 10 country offices (see structure below), which is ultimately controlled by the Chief Marketing Officer (each country with a country manager who reports to the regional director of that portfolio), to execute activities in the above markets.





Programme 2: Head Office Marketing

Purpose: To act as a supporting tool for international and domestic regions to make the South African Brand visible and to encourage people within South Africa to explore all the provinces.

Description: Head Office Marketing focuses on building the South African tourism Brand within the country brand by focusing on leisure, business tourism and events.

Strategic objective 1	Engage stakeholders to deliver quality visitor experiences that re-affirm the brand promise
Objective statement:	To encourage people, amongst others through the creation of a world-class Conventions Bureau as a separate focal unit of South African Tourism as early as practically possible after 1 April 2011, to visit South Africa by hosting exhibitions, workshops and other events.
Baseline:	<p>Exhibitor numbers at Indaba: 1 813</p> <p>Product trained per annum: 100</p> <p>Current entries for ETEYA: 203</p> <p>Current entries for Welcome Awards: 1 406</p> <p>Although there is no current baseline for the Conventions Bureau, specific KPA's for this new focal unit, for which the COO and Executive Manager Conventions Bureau (who will also be an Exco member) will be responsible, include (i) the establishment of the focal unit as soon as possible after 1 April 2011 and as soon as the Executive Manager has been appointed to head it, (ii) the appointment of this Executive Manager and (iii) the compilation of a detailed 3-year Business Plan & Budget for the Conventions Bureau.</p>
Justification:	This objective will make South Africa more attractive to visitors and result in increased spend

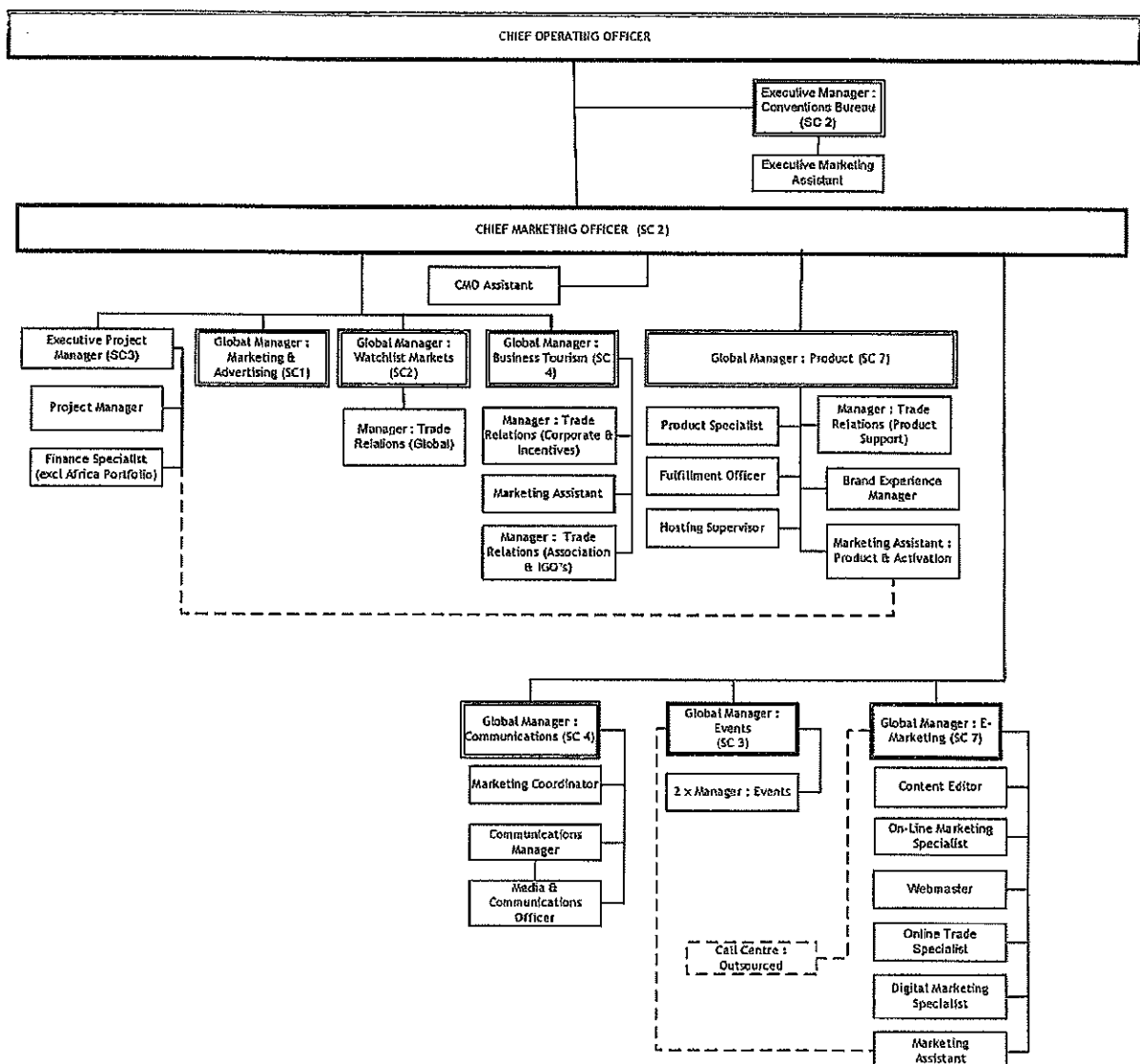
Links:	Total arrivals and average spend per arrival have a direct impact on GDP contribution and job creation. The targets have been set for 2015 on both of these: R 65.72 billion rand direct GDP contribution by 2015 and 640 000 direct jobs in 2015 calendar year
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Head Office Marketing is made up of the following business units:

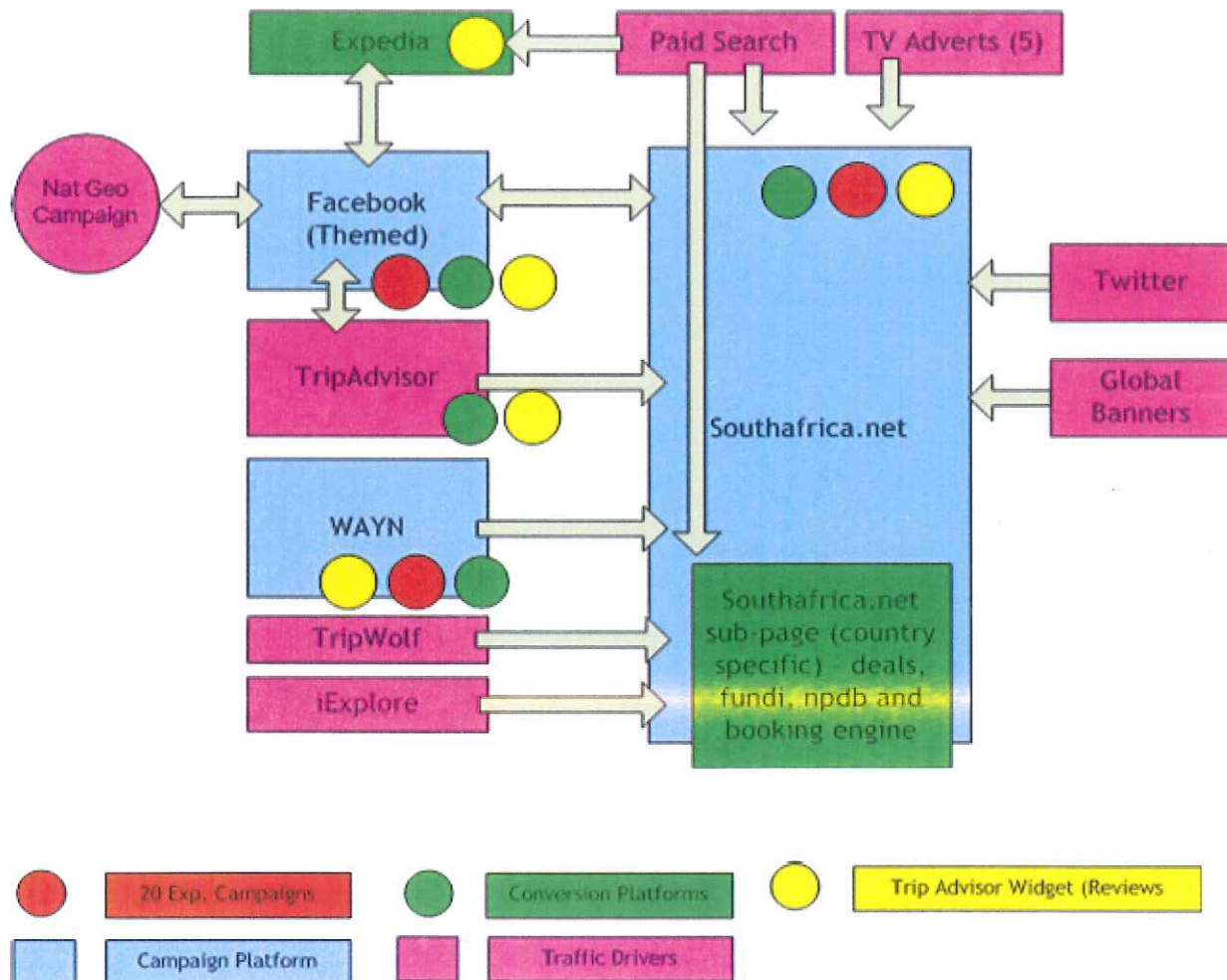
1. Conventions Bureau (reporting directly to the COO)

The following units which all report directly to the Chief Marketing Officer:

2. Central Marketing, Advertising and Marketing Management
3. PR & Communication, including Stakeholder Management
4. E- marketing
5. Events
6. Product Management
7. Business Tourism
8. Domestic Portfolio

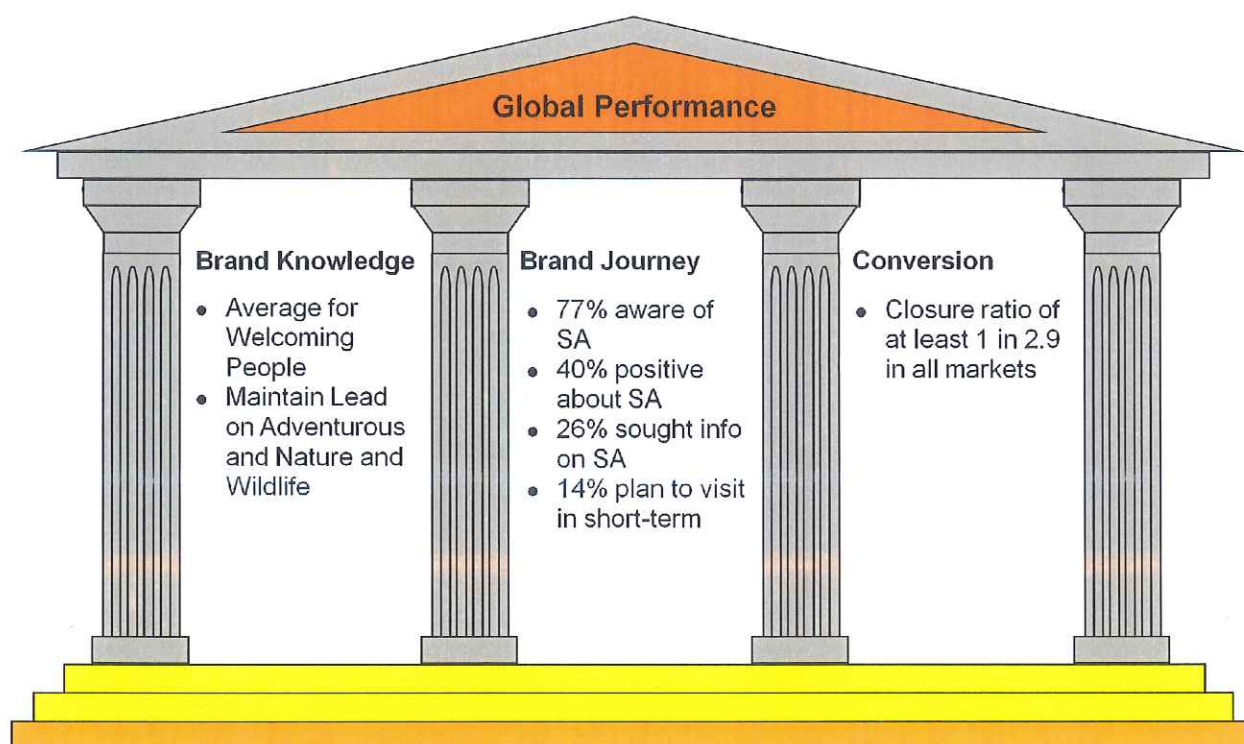


Our global Campaign of 20 Experiences in 10 Days has the following integrated online model:



Strategic Objective 2:	Convince consumers that SA can be trusted to deliver memorable experiences
Objective statement:	To build global brand awareness and positivity towards SA by 2% annually
Baseline:	<p>Current brand awareness in 2009 is at 79% (last available figure) Positivity is at 38% in 2009 (last available figure)</p> <p>No of consumers reached: 1 billion</p> <p>No of website visits to Southafrica.net</p> <p>Positive/neutral coverage: 80%</p> <p>Positive/neutral coverage value:</p>
Justification:	Global awareness and positivity have a direct correlation to improve consideration of SA as a preferred tourism destination and to actual visit. This will impact on arrivals.
Links:	Total arrivals and average spend per arrival have a direct impact on GDP contribution and job creation. The targets have been set for 2015 on both of these: R 65.72 billion rand direct GDP contribution by 2015 and 640 000 direct jobs in 2015 calendar year

Globally, each market should aim to achieve a minimum level of performance along 1. Brand Knowledge, 2. Brand Journey and 3. Conversion . Markets that exceed this level must try to maintain their higher performance

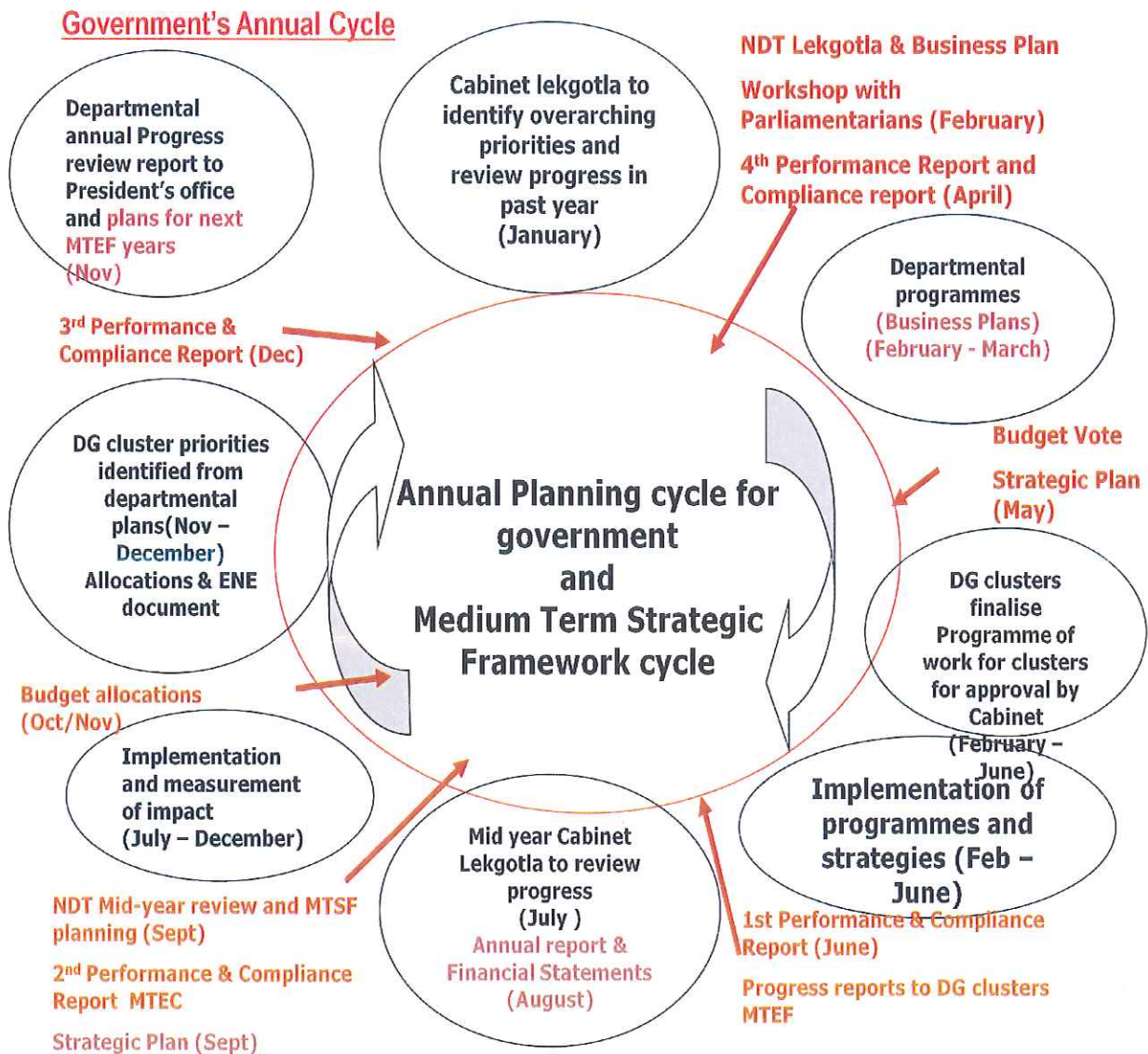


Programme 3: Head Office Finance

Purpose: To achieve unqualified clean external and internal audit reports and the provision of real time accurate financial information and support for operations are core drivers for the finance unit.

Description: An overview of governments annual cycle largely incorporating the finance unit is outlined below:

Strategic objective:	Energize and Empower the organisation to innovate and achieve excellence
Objective statement:	To be an effective and efficient financial management unit by ensuring compliance with statutory regulations; providing reliable and fair financial results and also establishing and maintaining cost-effective measures across all units in the organization.
Baseline:	2009/10 Actual External Audit Reports : 3 2009/10 Actual Internal Audit Reports : 5
Justification:	The objective will contribute to achieving “clean” audit reports, which will thus ensure that public funds are administered effectively.
Links:	Appropriate management of public funds, ensures alignment with government’s key priorities and continued delivery to the electorate, i.e. what gets measured gets done.



The Finance Business Unit falls under the Chief Financial Officer and consists of the following sub units:

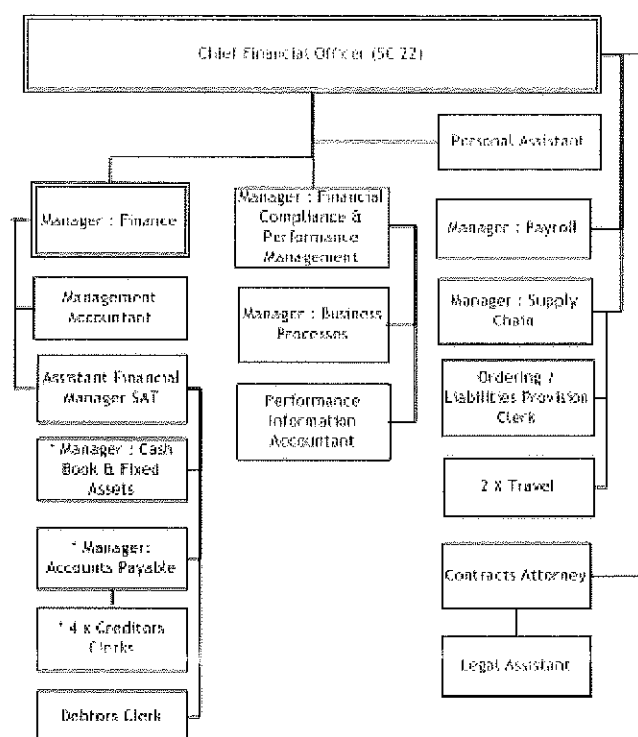
Financial Management (reporting to the Manager Finance)

Financial Compliance-, Performance Information- and Business Process Management (reporting to the Manager Financial Compliance and Performance Management)

Supply Chain Management (reporting to the Manager Supply Chain)

Payroll Management (reporting to the Manager Payroll)

Legal (reporting to the Contracts Attorney)



Sub business unit of finance	Overview
Financial Management (reporting to the Manager Finance)	This unit's primary responsibility is the accurate and timely recording of all financial transactions within the organisation and the real-time reporting of all financial information to all Business Unit Managers in the organisation for decision-making.
Financial Compliance-, Performance Information- and Business Process Management (reporting to the Manager Financial Compliance and Performance Management)	This unit has ensured that the organization has a fair and equitable system for measuring performance and created dedicated business processes to ensure that the performance of the organization, across all its business units, country offices and its human resources are monitored internally on a continuous basis and that when an external audit opinion is expressed at the end of every financial year, SA Tourism has met its objectives, achieved its targets and addressed any deficiencies, variances or shortcomings that have been identified. SA Tourism's commitment and vigorous compliance with all applicable financial legislations: including SA GRAP, IFRS, PFMA and National Treasury Regulations has ensured that we have achieved exceptional internal and external audit results.
Supply Chain Management (reporting to the Manager Supply Chain)	This unit is the custodian of the entire procurement process within SA Tourism and ensures that all procurement of SA Tourism takes place within the ambit of SA Tourism's Supply Chain policy. The Supply Chain unit makes sure that challenges related to logistics and procurement has appropriate and practical solutions. It also ensures that everything moves as smoothly as possible by co-ordinating and collaborating with stakeholders, partners, service providers, and customers to integrate supply and demand within and across the organisation.
Payroll Management (reporting to the Manager Payroll)	South African Tourism continued to run a world-class payroll system and paid all employees timeously.
Legal (reporting to the Contracts Attorney)	The legal department ensures that SA Tourism effectively complies with statutory and regulatory requirements and conducts its affairs in line with legislation. It caters for any potential risk that may be associated with both local and cross border transactions and advises on ways to minimize or

remove those risks. SA Tourism enters into commercial agreements with a multitude of service providers worldwide, so it is imperative that we have the legal acumen to negotiate agreements that will protect our interests and reduce our risks globally. We believe that with the guidance on attorneys who have specialized in intellectual property globally, registration of our intellectual property within the relevant classes will be executed precisely.

Programme 4: Head Office Support

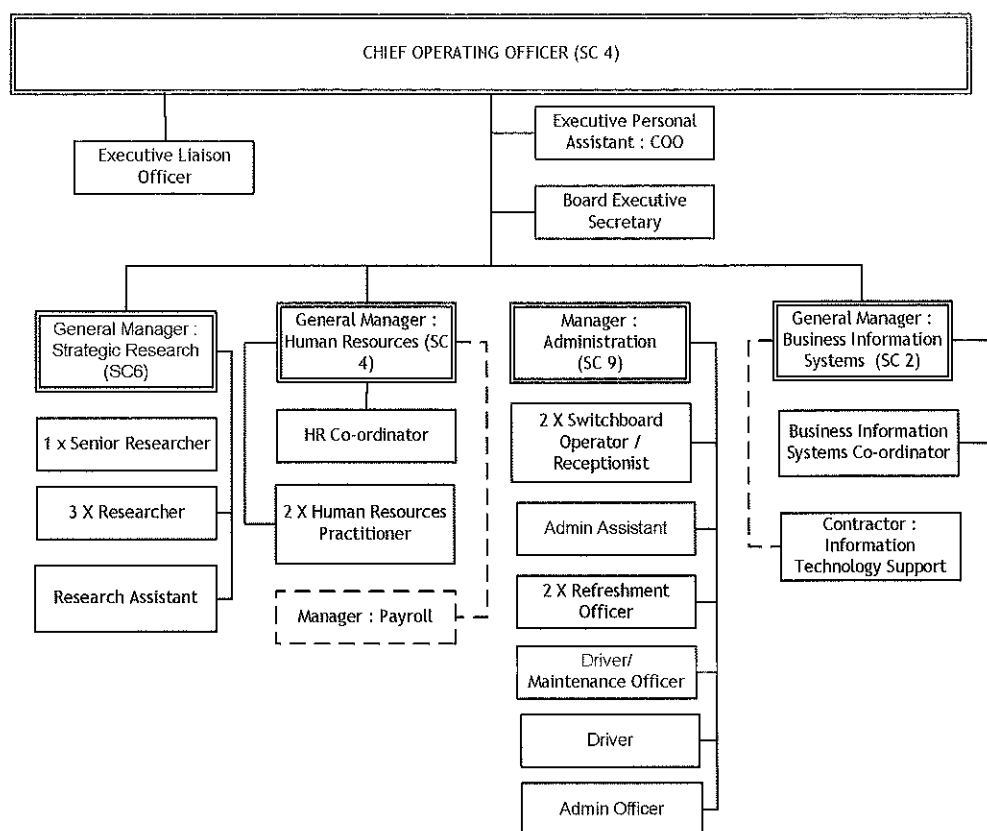
Purpose: The business units that fall under operations are the machines that are designed to drive the machinery of marketing forward. The units falling under operations are there to provide support in the form of systems, people and infrastructure to the organisation.

Description: This Operations Business Unit falls under the Chief Operating Officer and consists of some business units and sub business units which needs to support Marketing Business Units in the execution of their Annual Performance Plans.

Strategic objective:	Energize and Empower the organisation to innovate and achieve excellence
Objective statement:	To improve our rank and become a “Deloitte top 20 best company to work for “ in the small company category
Baseline:	2009/10 Actual Rank :46 in the small company category
Justification:	People and systems are assets of the company. By ensuring you have satisfied staff and adequate systems the organization will undoubtedly achieve all round excellence.
Links:	Happy employees ensure alignment with government's key priorities and continued delivery to the electorate, i.e. what gets measured gets done.

The Operations Business Unit falls under the Chief Operating Officer and consists of the following business units:

Human Resources (reporting to the General Manager: HR)
Administration (reporting to the Manager: Administration)
Business Information Systems (reporting to General Manager :BIS)
Research (reporting to the General Manager: Research)



Business units	Overview
Human Resources	This unit recognizes that human capital is the most valuable asset in an organisation and it invests in people. People are a competitive advantage and one of the core functions of this unit is to grow and nurture staff. Keys functions of this unit are new appointments, promotions, terminations, labour relations and performance management of the organisation.
Administration	The unit's core function is to intergrate processes within South African Tourism that maintain and develop the services that support and improve the effectiveness of the organizations' primary activities and also the safeguarding of the entity's assets.
Business Information Systems	IT is the back bone of SA Tourism's core business. IT enables our internal processes and management systems and is a means to communicate cost effectively with millions of people across our key markets. However the processes and platforms need to be in place to operate efficiently. The global trend is to bring in the best service providers to manage these and have stringent service level agreements in place to manage expectations, policies; procedures and performance properly.
Research	This unit is responsible for an information management system (Market Source) to enable more effective, data driven decision making within the company. The focus on information dissemination and updating of marketing reference booklets on key markets are some of the core functionalities performed by this unit.

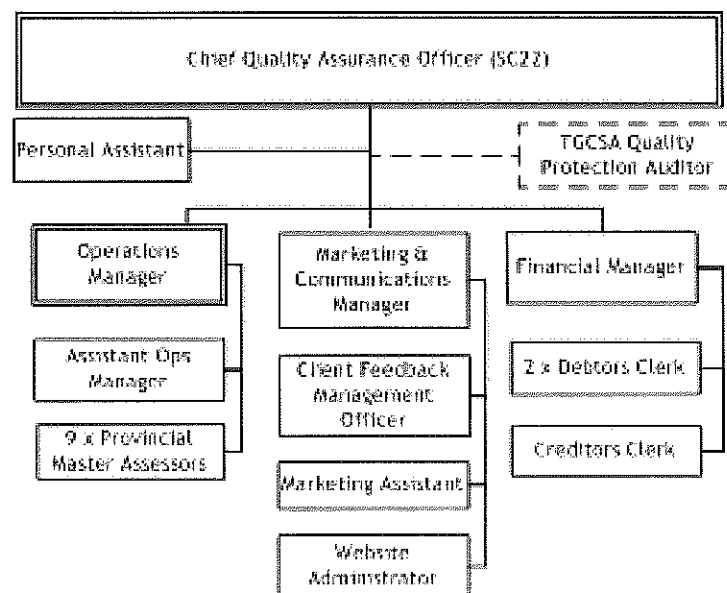
Programme 5: Tourism Grading Council of South Africa (TGCSA)

Purpose: Establish a recognizable and credible, globally bench-marked system of quality assurance for accommodation and MESE experiences which can be relied upon by visitors when making their choice of establishment

Description: The Tourism Grading Council of South Africa (TGCSA) is a dynamic organisation that ensures the standard of quality of accommodation and conference venues, (Meetings, Exhibitions and Special Events (MESE) throughout South Africa. This is achieved by literally *"putting the stars where they belong"*. TGCSA provides a rigorous framework and process for the grading and implementation of its star grading system.

Strategic objective	Engage stakeholder to deliver quality visitor experiences that re-affirm the brand promise
Objective statement:	To increase the number of graded establishments by 10%, by using world class grading criteria
Baseline:	No of current graded establishments: 8 196 No of cancellations: 1 389 No of establishments using illegal stars: 30 (reported) No of breaches by PMAs and assessors: Nil (PMA's) and 2 (Assessors)
Justification:	This objective will result in the marketing through word-of-mouth of the quality experience offered in South Africa
Links:	Total arrivals and average spend per arrival have a direct impact on GDP contribution and job creation. The targets have been set for 2015 on both of these: R 65.72 billion rand direct GDP contribution by 2015 and 640 000 direct jobs in 2015 calendar year

The Tourism Grading Council ensures that a process of quality assurance is continuously sought across tourism facilities and services offered to the consumer. This process is a collaborative one, with as much voluntary participation as is possible, from all businesses seeking to showcase their products in this vibrant industry. The Grading Council also seeks to increase consumer confidence and involvement in the grading process through its feedback system. In doing so it enhances the value of the overall system.



Types of establishments that are graded by the TGCSA

Non-Hotel Accommodation establishments
1. Backpacker & Hostelling
2. Bed & Breakfast
3. Caravan & Camping
4. Country House
5. Guest House
6. Lodge
7. Self Catering
8. Hotel establishments
9. MESE establishments
Grand Total Graded Properties

8.1 RESOURCES CONSIDERATIONS

The objective of this section is to discuss the resourcing issues considered by South African Tourism when it developed its strategic objectives:

8.1.1 Expenditure trends in the programme's budget and how these can expected to evolve over the 5-year period

In terms of its 5 programmes identified, expenditure is expected to grow by CPIX except for the International Portfolios and Head Office Marketing programmes where more expenditure will be incurred on emerging economies and domestic marketing.

8.1.2 Changes to SAT's non-financial resources during the 2011/12 financial year

SA Tourism's current staff complement of 174 will be increased by 3 staff members to 177 to cater for the Luanda office staff effective 1 April 2011 (Country Manager, Trade Relations/Marketing Communications Manager and Finance & Admin Manager). No other changes will take place in terms of SA Tourism's staff compliment until 31 March 2012 and sufficient provision has been made in the budget to fund it.

In terms of the required skill set of staff members, no changes are foreseen.

In terms of time allocation/management of marketing staff members and considering SA Tourism's Board-approved market prioritization, marketing staff members will continue to spend the following proportion of total available time on the different types of markets: Core markets: 60%, Investment markets: 20%, Tactical markets: 15% and Watch-list markets: 5%.

In terms of maximizing available time of all SAT managers, the following serves mentioning:

- SAT will continue to encourage short to-the-point meetings preferably not exceeding 3 hours;
- SAT will continue to encourage staff members to rather attend to e-mails after 13h00 every day (and not during the mornings when productivity is at its optimum);
- SAT will continue to enforce the following management routines (where proper minutes should be kept available for audit-inspection purposes):

An Exco meeting every Tuesday

A Manco meeting twice a month (on Wednesday's)

A Country Office meeting twice a month

A Business Unit meeting twice a month

In terms of systems, no change is foreseen at this stage to SA Tourism's 3 primary systems (Oracle, EPM Project Management and the QIT Grading Backoffice system) except for the implementation/loading of regular updates/patches.

No changes are foreseen in terms of South African Tourism's infrastructure at Head Office except for the extension of the underground basement parking. In terms of SA Tourism's 11 country offices, the plan is to retain it until at least 31 March 2012.

In terms of Business Units, no changes are necessary in SAT's current 16 business units:

Office of the CEO/COO (including Internal Audit & Admin)

Human Resources

Africa Portfolio (including Domestic Marketing)

Asia, Australasia and Americas Portfolio

Europe & UK Portfolio

Events

Business Tourism

Central Marketing (including Global Brand, Channel & Agency Management)

E-Business

Research

PR & Comms

Product & Itinerary

Finance

TGCSA

Business Systems (previously known as IT)

Watch-list markets

The budget cuts of R 50,4 million, R 53,4 million and R 57,0 million over the 2010/11, 2011/12 and 2012/13 financial years have been fully catered for and no staff reduction or office closures are foreseen until 31 March 2012 unless the Rand weakens dramatically against major currencies in which case the situation will be re-assessed.

8.2 RISK MANAGEMENT

Rank	Risk and description of risk	Mitigating controls	Programmes Affected
1	Safety and Security risks including Xenophobic attacks	<p>1. Given the fact that the impact of crime can substantially undermine the expected outcomes of overseas marketing activities,:</p> <p>1.1 the Minister of Tourism, assisted by the CEO, should schedule two annual 2-day high-level meetings with the DG of NDT, Chairperson of SA Tourism's Board, Head of Police, Deputy Head Of Police, Head of Metro Police in Johannesburg, Pretoria, Cape Town and Durban, Minister of Tourism and Minister of Safety and Security and SAT Exco at least once a year to discuss strategies around crime and review successes/failures. These events should take place at a venue outside Johannesburg, should be sponsored by SAT and at least 4 months notice should be given for it. The first one is planned for early August and the other for the third week of February (Responsible person: CEO);</p> <p>1.2 SA Tourism should encourage provincial CEO's of Provincial Tourism Authorities to schedule similar annual meetings with Provincial Heads of Police and Heads of Metropolitan Police Forces to discuss province- and metro-specific strategies around crime (Responsible person: CMO).</p> <p>2. Following the conclusion of Safety and Security currently being conducted by SRU, Exco will draft a letter on behalf of SAT's Board to the Office of the President (cc Minister of Tourism, Minister of Finance and Minister of Safety and Security) where it would elaborate on the impact of crime on job creation and national GDP and propose initiatives such as the above and the Welcome campaign (where the benefits of tourism are promoted to South Africans, where they are encouraged to be warm and welcoming to visitors, and where they are encouraged to immediately report crime - which will make them "World-class South Africans")</p> <p>3. Given the fact that political uncertainty and perceived political instability can substantially undermine the expected outcomes of overseas marketing activities, there should be ongoing lobbying by SA Tourism's Board members and Executive Management with influential media representatives in South Africa and overseas, NEC members of the ANC and Cabinet Ministers to proactively address perceptions and clarify uncertainty (Responsible person: All Board members, CEO and other EXCO members).</p> <p>4. Monitor the political and economic environment and encourage Government to implement:</p> <p>4.1. a Crisis PR Strategy (which will allow</p>	<p>International Portfolios</p> <p>Head Office Marketing</p> <p>Head Office Finance</p> <p>Head Office Support</p> <p>TGCSA</p>

Rank	Risk and description of risk	Mitigating controls	Programmes Affected
		Government to address crises such as Xenophobic attacks proactively with least possible negative international publicity 4.2 a Broad-based PR strategy that will allow for certain messages about South Africa to be promoted during certain weeks	
2	Exchange rate risk	Controls to set off a Rand that is too strong against other currencies (resulting in SA holidays becoming too expensive and potential tourists going to other less-expensive destinations) include: 1. Continuously reminding tourism products in SA to price their products competitively (versus other products in competing destinations); 2. Continuously reminding tourism products in South Africa to offer added value to tourists including small freebies and exceptional service levels; 3. Addressing perceptions that potential tourists have about South Africa being too expensive; 4. Lobby the trade to market more 3-star packages (and not only focus on 4- and 5-star products)	International Portfolios Head Office Marketing Head Office Finance

B2. INTERNAL RISKS

Rank	Risks	Controls	Programmes Affected
1.	Business continuity/going concern including disaster recovery	1 Apply for funding upfront from Treasury and transfer the bulk of in-market expenditures overseas early in financial year (Responsible person: CFO). 2. Ensure off-site back - ups (Responsible person: Manager IT). 3. Ensure sufficient insurance is in place (Responsible person: Country Finance Managers (for country offices) and Manager Administration (for Head Office) . 4. Meet SAT objectives so that Government continues to fund SA Tourism's operations (Responsible persons: All managers within SA Tourism).	International Portfolios Head Office Marketing Head Office Finance Head Office Support TGCSA
2.	Human Resource Risk	1. Pay market -related remuneration (to attract the correct skills and retain talent/key/high-performing individuals (Responsible person: General Manager: HR); 2. Continue to award performance (Responsible persons: EXCO Moderation Panel and General Manager: HR); 3. Identify the names of possible successors for top 10 key positions in SA Tourism (Responsible persons: Board Chairperson, CEO and other EXCO	International Portfolios Head Office Marketing Head Office Finance

		members); 4. Renew the contracts of employees with whom the company wants to continue 12 months before expiry (Responsible person: EXCO).	Head Office Support TGCSA
3.	Contract management and Compliance Risk	<p>1. Legal should use SAT template for most contracts or carefully consider proposed contracts received from potential suppliers. Service level agreements should stipulate penalties for non performing contractors (Responsible persons: All managers within SA Tourism).</p> <p>2. All contracts to be signed per DOA (Responsible persons: All managers within SA Tourism).</p> <p>3. Monitor compliance with DOA, policies and Procedures (Responsible persons: Internal Audit and all other managers within SA Tourism).</p> <p>4. Monitor execution of all projects as planned and within budget (Responsible persons: All managers within SA Tourism).</p>	<p>International Portfolios</p> <p>Head Office Marketing</p> <p>Head Office Finance</p> <p>Head Office Support</p> <p>TGCSA</p>

PART C : LINKS TO OTHER PLANS

South African Tourism has aligned its Strategic Planning process with that of Government. In essence, Government has set five key priorities for the next five years including the creation of decent work and sustainable livelihoods, education, health, rural development including food security and land reform and the fight against crime and corruption. These five priorities have been converted into Government's Medium-Term Strategic Framework which highlights 10 priorities and 12 outcomes over the MTEF period. Tourism falls under the Economic Sectors and Employment Cluster, one of the 5 Government clusters and its actions appear under Outcome 4: "Decent employment through inclusive economic growth".

SAT's alignment with NDT's targets for Tourism development/1

Action	<ul style="list-style-type: none">The tourism sector is essential contributor to the creation of decent work and job opportunities	<table><tr><td>1 Decent Employment</td><td>2 Incl. & Diversified Econ. Growth</td></tr><tr><td>Employment</td><td>Income Level</td><td>Economic Growth</td><td>Equality</td></tr><tr><td>✓</td><td>✓</td><td>✓</td><td></td></tr></table>				1 Decent Employment	2 Incl. & Diversified Econ. Growth	Employment	Income Level	Economic Growth	Equality	✓	✓	✓	
1 Decent Employment	2 Incl. & Diversified Econ. Growth														
Employment	Income Level	Economic Growth	Equality												
✓	✓	✓													
Activity Indicators	<ul style="list-style-type: none">Increase the direct contribution to GDP from R52,38 billion in 2009 (estimate) to R65,72 billion in 2015 calendar yearIncrease the indirect contribution to GDP from R210 billion* in 2009 (estimate) to R258 billion in 2015 calendar yearIncrease in the number of jobs supported directly by the sector from 527 630 in 2005** to 640 000 in 2015 calendar yearIncrease the number of indirect jobs from 557 134 * in 2009 (estimate) to 746 000 in 2015 calendar yearIncrease number of international arrivals from 9 591 828 in 2008 to 12 068 030 by 2015 calendar yearIncrease domestic tourists from 13 483 000 in 2008 to 16 000 000 by 2015 calendar year	<p>Sample Activities</p> <ul style="list-style-type: none">Domestic and international tourism MarketingTourism investment promotionTourism product diversificationTourism enterprise development													

Slide no. 12

* Based on the tourism satellite account for 2008 of the World Tourism & Travel Council for SA
 ** based on the first Tourism Satellite Account by StatsSA

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SAT's alignment with NDT's targets for Tourism development/2

Action

- The tourism sector is essential contributor to the creation of decent work and job opportunities

The diagram illustrates the relationship between two development goals. Goal 1, 'Decent Employment', is linked to Goal 2, 'Incl. & Diversified Econ. Growth'. Below these goals are four indicators: Employment, Income Level, Economic Growth, and Equality. The first three indicators have checkmarks, while the fourth is empty.

1 Decent Employment	2 Incl. & Diversified Econ. Growth
Employment	Income Level
Economic Growth	Equality
✓	✓
✓	✓
✓	

- Assisting GDP growth by increasing total tourism direct spend from **R100,1 billion** in 2008* calendar year to **R169 billion** in 2015 calendar year (assuming 6% CPI to reflect a real growth of 1,5% pa)
- Increase per tourist spend from **R8, 100** in 2008 to **R11,600** in 2015

Sample Activities

- Domestic and international tourism Marketing
- Tourism investment promotion
- Tourism product diversification
- Tourism enterprise development

Activity Indicators

Slide no. 13

* last available statistics are for 2008,
 ** based on the first Tourism Satellite Account by StatsSA

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SA Tourism mandate, key business objectives and strategies at present (until 31/3/2011)



SA Tourism mandate, key business objectives and strategies at present



9 LINKS TO THE LONG-TERM INFRASTRUCTURE AND OTHER CAPITAL PLANS

Not applicable

10 CONDITIONAL GRANTS

Not applicable

11 PUBLIC ENTITIES

Not applicable

12 PUBLIC-PRIVATE PARTNERSHIPS

Not applicable

MATERIALITY and SIGNIFICANCE FRAMEWORK 2011/12

1. Introduction

In terms of Treasury Regulations (Section 28.3.1) issued in terms of the PMFA, the accounting authority of South African Tourism must develop and agree on a framework of acceptable levels of materiality and significance with the relevant executive authority.

In terms of Treasury Regulations (Section 28.2.1) any material losses through criminal conduct and any irregular and fruitless and wasteful expenditure must be disclosed as a note to the annual financial statements of the public entity.

In terms of Treasury Regulations (Section 30.1.3(e)) the strategic plan must include the materiality/significant framework, referred to in Treasury Regulations 28.3.1

The specific sections of the PFMA that are relevant for the purposes of materiality are Section 50(1), Section 55(2), Section 61(1)(c) and Section 66(1) and, with reference to significance, Section 54 (2).

GRAP 1 (Generally Recognised Accounting Practice) paragraph 6 (d) defines material as follows:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The size or nature of the information item, or a combination of both, could be the determining factor.”

The Oxford dictionary defines significant as follows:

“Extensive or important enough to merit attention”.

In the development of the framework we will look at both the quantitative and qualitative aspects.

2. Factors considered in developing the framework

Nature of the business

The objective of SA Tourism is to ensure that South Africa becomes the preferred tourism destination in the world thus maximizing the economic potential of tourism in the country and its people. SA Tourism has offices in 10 countries across the world namely Amsterdam (Netherlands), Beijing (China), Frankfurt (Germany), London (UK), Milan (Italy), Mumbai (India), New York (USA), Paris (France), Sydney (Australia) and Tokyo (Japan).

SA Tourism receives approximately 80% of its funding from NDT (National Department of Tourism). SA Tourism is also involved in a joint operation with Tourism Business Council of South Africa (TBCSA). The objective of the joint operation is to market South Africa in certain markets identified by SA Tourism through research. Funds contributed into this operation are used solely for that purpose.

SA Tourism has four high level goals in order to achieve its objective:

- Achieve total arrival target
- Achieve total spend target
- South Africa to be a most preferred tourism brand by 2014
- SA Tourism to be the best tourism organization

SA Tourism with its 15 business units sells South Africa in the following markets:

Core markets:

These markets are very attractive and easier access from a tourism-marketing point of view, deliver the “bread & butter” in terms of tourism for South Africa and approximately 60% of organisation’s effort (in terms of human capital and budget) is deployed in these markets.

Investment markets:

These markets are also very attractive, but more difficult to access from a tourism marketing point of view. Given the potential of these markets, it is of great importance for SA Tourism to invest in these markets, ahead of the future returns. Approximately 20% of organisation’s effort (in terms of human capital and budget) is deployed in these markets.

Tactical markets:

These markets are less attractive, but very easy to access from a tourism-marketing point of view. Approximately 15% of organisation’s effort (in terms of human capital and budget) is deployed in these markets.

Watch-list markets:

These markets are less attractive and more difficult to do from a tourism-marketing point of view. However, limited exploratory marketing, largely in conjunction with South Africa’s overseas missions and tour operators, is to be undertaken by SA Tourism in these markets as they might grow into future, more prominent markets for South Africa from a tourism point of view. Approximately 5% of organisation’s effort (in terms of human capital and budget) is deployed against these markets.

Strategic hubs:

Limited marketing activities are also undertaken around key international airline hubs given the available airlift from such markets to South Africa or markets where our country has a national strategic interest.

Following the conclusion of SA Tourism's 4th Portfolio Review, which has been done based on latest marketing intelligence, the Board approved the following markets for SA Tourism effective 1 April 2011:

SA Tourism's markets for the next 3 years effective 1 April 2011

Responsibility		AFRICA	AMERICAS & the UK	ASIA & AUSTRALASIA	EUROPE
Regional Director	Country Manager	CORE MARKETS Angola Botswana DRC Kenya Nigeria South Africa	USA UK	Australia India	France Germany Netherlands
		INVESTMENT MARKETS Mozambique	Brazil Canada	China (including Hong Kong) Japan	Belgium Italy Sweden
		TACTICAL MARKETS Lesotho Swaziland	Ireland	New Zealand	
		WATCH-LIST MARKETS Malawi Namibia Zambia Zimbabwe	Argentina	Republic of Korea	Austria Denmark Portugal Switzerland Spain
Stakeholder Manager		STRATEGIC IMPORTANCE Bahrain, Oman, Qatar, Saudi Arabia			
		STRATEGIC LINKS/HUBS Egypt, Ethiopia, Senegal, UAE, Israel, Turkey, Ghana, Tanzania, Uganda Mauritius		Malaysia Singapore	Greece

SA Tourism has executed a broad spectrum of segment specific marketing activities and support activities through 15 business units, each with its own Business Plan and Budget, reporting to a Business Unit Manager. These business units are as follows:

- Office of the CEO/COO (headed by both the CEO and COO)
- Finance (headed by the Chief Financial Officer)
- Research (headed by the Chief Research Officer)
- Human Resources (headed by the General Manager: Human Resources)
- Business Information Systems (headed by the General Manager: Business Information Systems)
- PR & Communication (headed by the Global Manager: Communication)
- E-Marketing (headed by the Global Manager: E-Marketing)
- Central Marketing (headed by the Chief Marketing Officer)
- Events (headed by Global Manager: Events)
- Product (headed by Global Manager: Product)
- Business Tourism (headed by Global Manager: Business Tourism)
- Europe (headed by the Regional Director: Europe)
- Americas, Asia & Australasia (headed by the Regional Director: Americas, Asia & Australasia)

- Africa & Domestic Marketing (headed by the Regional Director: Africa & Domestic)
- Tourism Grading Council of South Africa (headed by their Chief Quality Assurance Officer-CQAO)

The abovementioned business units have the following sub business units:

- Office of the CEO/COO consists of three sub units:
 - ✓ Board
 - ✓ Internal Audit
 - ✓ Administration
- Finance has 5 sub units:
 - ✓ Finance
 - ✓ Supply Chain Management
 - ✓ Payroll
 - ✓ Financial Compliance & Performance Information including Business Processes
 - ✓ Legal
- Research has no sub units
- Human Resources has no sub units
- Business Information Systems
- Tourism Grading Council has no sub units
- PR & Communication has 2 sub units and includes, but not limited to, is the responsibility for the project management of the Annual Report:
 - ✓ PR
 - ✓ Stakeholder Management
- E-marketing has no sub units and includes the responsibility for the management of the outsourced international call centre in South Africa.
- Central Marketing consist of 3 sub units:
 - ✓ Central Marketing, Advertising and Marketing Management, includes the responsibility of Brand Management and Corporate Identity compliance throughout the company, as well as responsibility for the management of all agencies excluding public relations (PR) agencies
 - ✓ Global Projects
 - ✓ Global Trade Relations
- Events
- Product Management
- Business Tourism

- Europe & UK Portfolio consists of 6 sub units:
 - ✓ Germany
 - ✓ Italy
 - ✓ France
 - ✓ Netherlands
 - ✓ United Kingdom
 - ✓ Head Office

- Americas, Asia & Australasia Portfolio consists of 6 sub units:
 - ✓ India,
 - ✓ Japan
 - ✓ Australia
 - ✓ China
 - ✓ USA
 - ✓ Head Office

- Africa & Domestic Portfolio consists of 5 sub units:
 - ✓ Kenya/Tanzania/Uganda
 - ✓ Nigeria/Ghana
 - ✓ Angola
 - ✓ Domestic Marketing
 - ✓ Neighbouring SADC

It serves mentioning that SA Tourism has four categories of employees:

Category of employment	Designations that falls within this category:
Senior management	All EXCO members
Middle management	Only MANCO members who are also appointed business unit managers, Country Managers, the Manager Finance at Head Office and the Manager Research at Head Office and the Manager Global Advertising at Head Office
Junior management	Any other person working for SAT and who's got the title of "manager" as part of his designation on SAT's approved organogram in SAT's Delegation of Authority
General staff	All staff members not indicated above

3. Materiality Level 2011/12

Basis for calculating Materiality as per the Practice Note on Applications under Section 54 of the PFMA No 1 of 1999 (as amended) by public entities issued on the 13 July 2006.

Element	% range to be applied against rand values	Audited 2009/10 Annual Financial Statements	SAT's % utilised	Calculated Materiality
Total Assets	1% - 2%	374,694,101	2%	7,493,882
Total Revenue	0.5% - 1%	866,743,518	0.75%	6,500,576
Profit after tax	2% - 5%	13,352,281	5%	667,614

Control and Inherent Risks

The following factors were examined in determining the materiality percentage:

- Technical competence (qualifications), skills and experience of staff engaged in the decision-making process including the governance structure
- Structure of the Audit Committee with reference to King's Code of Corporate Governance
- Appointment of internal auditors to ensure an independent reports on areas of non conformance
- Annual Risk assessment
- Three-year internal-audit plan
- Fraud Prevention plan
- Appropriate approvals framework (Delegation of Authority)
- A well-structured procurement policy incorporating the relevant legislation
- The implementation and adoption of a Performance-Management System at SAT
- SAT's audit results both internal and external

South African Tourism is a government parastatal and is accountable to many stakeholders. Given the fact that SA Tourism has for the past nine financial years received an unqualified, no emphasis of matter, audit report a higher level of materiality is apt in light of SA Tourism's record. Approximately 80% of total revenue generated stems from the government grants. As SA Tourism is not only accountable to government but also ensuring that better information is provided on what taxpayers are getting for their taxes, **total revenue** has been selected as the most appropriate indicator for calculating materiality.

Quantitative Factors considered

The level of a material deviation is assessed at 0.75 % of total revenue amounting to R 6 500 000, unless otherwise indicated. Different levels of materiality can be used and the decision to use a 0.75 % is based on the fact that the total assets of SAT is not considered to be

an indicator of performance, as the biggest source of income of SAT are grants received from the government, and the revenue component is selected as a basis for the materiality calculation as the level of activity.

Qualitative Factors considered

Materiality does not only relate to the size of the elements of the financial statements. Misstatements that are large individually or in aggregate may affect a reasonable user's judgement. Misstatements may also be material on qualitative grounds. We have considered the following qualitative factors:

- Unusual transactions entered into that are not of a repetitive nature and are disclosable purely due to the nature thereof due to knowledge thereof affecting the decision making of the user of financial statements
- Possible fraudulent or dishonest behaviour of an officer or staff of SAT at senior management level. Any Rand value to be disclosed
- Possible fraudulent or dishonest behaviour of all other employees or officers of SAT, if in aggregate or individually the sum total of those transactions exceeds R 20 000.
- Material infringement of legislation that governs SAT.
- Any transaction entered into that could result in reputational risk to SAT
- Changes in key personnel and departure of key executives
- Application of new or changes in accounting policy

4. PFMA and Treasury Regulation 28.3.1

Treasury Regulation 28.3.1		
<p>"For purposes of "material" [sections 55(2) of the Act] and "significant" [section 54(2) of the Act], the accounting authority must develop and agree on a framework of acceptable levels of materiality and significance with the relevant executive authority."</p> <p>The following sections of the Act are also considered to be applicable and have been taken into consideration:</p> <p>Section 50(1), and 66(1) (c) of the Act</p>		
		Materiality
Section 50 (1)	<p>(1) The accounting authority for a public entity must -</p> <p>(c) on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way influence the decision or actions of the executive authority or that legislature; and</p>	Both the qualitative and quantitative as referred to in part 3 above.

Section 55 (2)	<p>(2) The annual report and financial statements referred to by PFMA Subsection 55 (1)(d) must -</p> <p>(b) include particulars of -</p> <ul style="list-style-type: none"> (i) any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year; (ii) any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure; 	<p>Part 3 defines the quantitative and qualitative aspects that are considered for the purposes of this section.</p> <p>Losses incurred due to criminal conduct by employees at a senior management</p>
Section 54 (2)	<p>(1) Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction</p> <ul style="list-style-type: none"> (a) establishment or participation in the establishment of a company; (b) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement (c) acquisition or disposal of a significant shareholding in a company (d) acquisition or disposal of a significant asset (e) commencement or cessation of a significant business activity; and (f) a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement. 	<p>All transactions to be approved by Executive Authority and Treasury to be informed.</p> <p>All transactions to be approved by Executive Authority and Treasury to be informed.</p> <p>All transactions to be approved by Executive Authority and Treasury to be informed.</p> <p>Acquisitions or disposals that is greater than the materiality outlined above, or other smaller value considering all the qualitative factors above.</p> <p>All transactions to be approved by Executive Authority and Treasury to be informed.</p> <p>All transactions to be approved by Executive Authority and Treasury to be informed.</p>
Section 61(1)(c)	<p>1. The report of an auditor appointed in terms of section 58(1)(b) must be addressed to the executive authority responsible for the public entity concerned and must state separately in respect of each of the</p>	

	<p>following matters whether in the auditor's opinion -</p> <p>(c) the transactions that had come to the auditor's attention during auditing were in all material respects in accordance with the mandatory functions of the public entity determined by law or otherwise.</p>	<p>The level of a material deviation is assessed at 0.75 % of total revenue amounting to R 6 500 000, unless otherwise indicated.</p>
Section 66 (1)	<p>(1) An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that institution or the Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction -</p> <p>(a) is authorised by this Act; and</p> <p>(b) in the case of public entities, is also authorised by other legislation not in conflict with this Act; and</p> <p>(c) in the case of loans by a province or a provincial government business enterprise under the ownership control of a provincial executive, is within the limits as set in terms of the Borrowing Powers of Provincial Governments Act, 1996 (Act No 48 of 1996).</p> <p>(d) is approved by the Minister of Finance and may not exceed a limit determined in advance by the Minister of Finance in consultation with the national executive authority; and</p> <p>(e) such debt must be repaid within 30 days of the end of the financial year and the request must contain a detailed cash flow indicating how the debt will be repaid within the prescribed period.</p>	<p>100% compliance with the Act within the ambit as set by this clause. Full disclosure will be required for all transactions.</p>