



TRANSPARENCY IN CORPORATE REPORTING SOUTH AFRICA 2020

EXECUTIVE SUMMARY DECEMBER 2020





Corruption Watch is the South African chapter of Transparency International. It seeks to expose corruption and hold leaders accountable for their actions through policy advocacy, public mobilisation, strategic litigation and select investigations. <https://www.corruptionwatch.org.za/>

The ODI is an independent London-based global think tank, focusing on international development and sustainability through research and policy work around the world. <https://www.odi.org/>

The National Business Initiative (NBI) is a voluntary coalition of companies, working for the past 25 years towards a resilient and inclusive economy, building trust to enable implementation and enhancing the capacity of its stakeholders to participate in economic and social transformation. Since its inception in 1995, the NBI has made a distinct impact in the spheres of climate change, water, energy efficiency, local economic development, public sector capacity building, further education and training, public private partnerships and more recently in the social transformation sphere. <https://www.nbi.org.za/>

This report was produced by a team comprising Stephen Gelb (ODI), Melusi Ncala and Tawanda Kaseke (both Corruption Watch), with oversight and valuable input from Thuthula Ndunge (NBI) and David Lewis (Corruption Watch).

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Transparency on activities and performance through corporate reporting is a crucial element of corporate governance, and contributes to better performance. The need to report encourages corporations to pay more attention to an issue, and devote more resources – both human and financial – to improving and measuring performance on the issue and identifying and managing any risks arising.

Greater transparency through better reporting also contributes to market competition and peer pressure, driving performance improvement.

This report on Transparency in Corporate Reporting: South Africa 2020 (TRAC SA 2020) uses public information – in annual reports and on websites – of 100 corporations operating in South Africa to score their reporting across three themes:

- their anti-corruption programmes – policy, management and activities,
- their organisational transparency – information on subsidiary and associated companies, and
- their country-by-country reporting of key financial data for operations outside South Africa.

Transparency on these themes helps to underline for all stakeholders – shareholders, senior management and board, employees, governments, the general public and competitor companies – that the corporation's conduct reflects not only legality but also integrity and good corporate citizenship.

The sample covers all industries and includes 61 JSE-listed companies, 11 large privately-owned companies, seven state-owned enterprises, and 21 foreign multinationals (eight of which have JSE listings).

The report scores the corporations against a questionnaire drawing on past TRAC research under Transparency International auspices, and also on the Global Reporting Initiative, the widely-used sustainability reporting standards system. The TRAC questionnaire comprises 66 questions, with anti-corruption programmes accounting for 80% of the score.

RESULTS

The 100 corporations in the sample scored an average of 59.5% across the three themes, comprised of:

- 58.7% on anti-corruption programmes
- 89.9% on organisational transparency, and
- 36.2% on country-by-country reporting.

For context, the five top-ranked corporations – RMB, City Lodge, Exxaro Resources, FirstRand and Standard Bank – averaged 85.3% across the themes, and 88.6% for their anti-corruption programmes. The gap between the leading firms and the sample average suggests there is considerable room for improvement of their reporting for many companies.

JSE-listed companies, whose reporting is subjected to regulation by the exchange, averaged 66.3% and 65.8% respectively. However, privately-owned companies, not subject to regulatory requirements, averaged just over 25% across the three themes and on anti-corruption programmes alone. In contrast, the seven state-owned enterprises as a group averaged just below the full sample.

Amongst industries, retail and tourism scored highest overall and on anti-corruption programmes (70.7% and 69.1% respectively), followed by finance, insurance and real estate (65.5% and 65.1%) and heavy industry and machinery (61.9% and 62.1%).

The questions on anti-corruption programmes were grouped into sub-themes:

- Policy, that is, their content;
- Management of the programme, including resources committed to anti-corruption programmes; quality of the whistle-blowing mechanism; risk assessment; and policy evaluation and improvement; and
- Activities, including communication with and training of stakeholders; the incidence of corruption; and engagement in collective action.

For the full group, and also for each sector and each ownership category, scores were best for reporting on policy content (74.8% for the whole group), followed by programme management (63.6%), with reporting on programme activities well behind (36.1%).

Recommendations

We hope that the South African corporate sector, including companies not included in this year's report, will see TRAC SA 2020 as a learning opportunity, to improve both reporting on anti-corruption programmes and also the programmes themselves. The bar for corporate transparency will keep moving upwards, as it has done for the past two decades and more.

(i) Specific elements of anti-corruption programme reporting

The report identifies specific questions where reporting was generally poor.

On anti-corruption policy, corporations should ensure that the following are explicit:

- applicability to all stakeholder groups – employees, board members, business partners (customers, suppliers) and agents/intermediaries – and all types of corrupt action;
- prohibition of contributions to political organisations and individuals; and
- the materiality of corruption to the corporation (and the corporation's impact on ending corruption).

On anti-corruption programme management and activities, corporations should:

- provide details on resources (human and financial) devoted to prevention and to incident management;
- ensure that risk assessment includes corruption;
- provide details on training activities, for example, numbers (or percentages) of staff trained;
- ensure regular evaluation and review of anti-corruption programmes, including independent assessment or benchmarking; and
- provide details on the incidence of corruption, to enable assessment of change over time.

(ii) Recommendations on stronger regulation of reporting to enhance transparency

Two particular results stand out. One, already mentioned, is the very weak performance of privately-owned companies who are not subject to any regulation of their reporting. The other is the very strong performance of the mining sector in the section on country-by-country reporting, averaging 76.0% compared with 36.2% for the full sample. We attribute this to the impact of the Extractive Industries Transparency Initiative, the international multi-stakeholder network requiring global mining companies to provide information on revenue, profits and taxes paid in each jurisdiction where they operate.

Both of these results speak to the need for much firmer regulation of reporting than has been the case to date, possibly including mandatory reporting on specified issues and by specified categories of company, for example, privately-owned companies above a certain size. This should apply not only to anti-corruption programmes, but also to other non-financial issues with wider societal implications, such as environmental and social impacts.

There needs to be public debate, involving corporations themselves, business associations, civil society and government on the merits of tighter regulation of required content of reports and of independent verification of content, and on mechanisms to achieve both, for example further strengthening of the King Code.

(iii) Recommendations beyond corporate reporting and transparency

The report emphasises that transparency in corporate reporting is absolutely necessary for fighting corruption, but is far from sufficient. The other crucial elements include training of stakeholders, risk assessment and control systems, and collective action processes with other corporations.

The fight against corruption demands an 'all of society' approach, encompassing individual corporations, business associations and many organisations outside the business sector. Collaboration on anti-corruption programmes between corporates and organisations such as NGOs, civil society organisations, and academic or media organisations can be fruitful for both sides.

TABLE 1 SCORES AND RANKING

AC = Anti-Corruption Programme. OT = Organisational Transparency. CBC = Country-by-country reporting.
Wt = Weight.

Name	Sector	Ownership	AC Policy	AC Mgmt	AC Activity	AC all	Wt A	OT	Wt B	CBC	Wt C	TRAC	RANK TRAC	RANK AC
AVERAGE			74.8	63.6	36.1	58.7		89.9		36.2		59.5		
RMB Holdings	FIRE	L	94.1	94.4	87.5	92.2	80	100	10	40	10	87.7	1	1
City Lodge	RT	L	100.0	100.0	71.9	91.2	80	100	10	30	10	85.9	2	2
Exxaro Resources	MIN	L	100.0	100.0	68.8	90.2	80	100	10	30	10	85.2	3	3
FirstRand Group	FIRE	L	97.1	91.7	75.0	88.2	80	100	10	40	10	84.6	4	4
Standard Bank	FIRE	L	100.0	88.9	68.8	86.3	80	100	10	50	10	84.0	5	5
Sibanye (acquired Lonmin)	MIN	FL	82.4	83.3	75.0	80.4	80	87.5	10	100	10	83.1	6	13
Transnet	LT	SOE	100.0	72.2	71.9	81.0	90	100	10	n.a.	0	82.9	7	12
Nedbank Group	FIRE	L	94.1	75.0	84.4	84.3	80	100	10	50	10	82.5	8	7
Alexander Forbes	FIRE	L	100.0	72.2	68.8	80.4	80	100	10	60	10	80.3	9	14
Sanlam	FIRE	L	100.0	88.9	50.0	80.4	80	100	10	60	10	80.3	10	15
British American Tobacco	FB	FL	88.2	91.7	75.0	85.3	80	100	10	20	10	80.2	11	6
Discovery	FIRE	L	91.2	88.9	62.5	81.4	80	100	10	50	10	80.1	12	11
Mediclinic International	CS	L	88.2	66.7	68.8	74.5	80	100	10	100	10	79.6	13	23
Aspen Pharmacare	FMCG	L	88.2	94.4	68.8	84.3	80	100	10	20	10	79.5	14	8
Engen	HIMACH	FP	100.0	88.9	62.5	84.3	80	100	10	20	10	79.5	15	9
Sasol	HIMACH	L	100.0	88.9	62.5	84.3	80	100	10	20	10	79.5	16	10
Efora (formerly Sacoil)	MIN	P	88.2	77.8	59.4	75.5	80	100	10	80	10	78.4	17	21
Gold Fields	MIN	L	82.4	77.8	43.8	68.6	80	100	10	100	10	74.9	18	36
Santam	FIRE	L	94.1	100.0	37.5	78.4	80	100	10	20	10	74.7	19	17
AECI	HIMACH	L	88.2	83.3	62.5	78.4	80	100	10	20	10	74.7	20	18
ArcelorMittal SA	HIMACH	L	94.1	94.4	43.8	78.4	80	100	10	20	10	74.7	21	19
Mondi Group	HIMACH	FL	94.1	100.0	31.3	76.5	80	100	10	30	10	74.2	22	20
MTN Group	ICT	L	88.2	77.8	50.0	72.5	80	100	10	60	10	74.0	23	28
Sun International	RT	L	94.1	80.6	34.4	70.6	80	100	10	70	10	73.5	24	33
Anglo American Platinum	MIN	L	94.1	72.2	31.3	66.7	80	100	10	100	10	73.3	25	46

Name	Sector	Ownership	AC Policy	AC Mgmt	AC Activity	AC all	Wt A	OT	Wt B	CBC	Wt C	TRAC	RANK TRAC	RANK AC
Investec	FIRE	L	85.3	66.7	68.8	73.5	80	100	10	40	10	72.8	26	26
EOH	ICT	L	94.1	75.0	50.0	73.5	80	100	10	40	10	72.8	27	27
Telkom	ICT	L	85.3	88.9	62.5	79.4	80	50	10	40	10	72.5	28	16
Anglo American	MIN	FL	94.1	80.6	25.0	67.6	80	100	10	80	10	72.1	29	43
Royal Bafokeng Platinum	MIN	L	82.4	77.8	43.8	68.6	90	100	10	n.a.	0	71.8	30	37
Shell	HIMACH	F	100.0	88.9	31.3	74.5	80	100	10	20	10	71.6	31	24
Grindrod	LT	L	94.1	66.7	62.5	74.5	80	100	10	20	10	71.6	32	25
Johnson & Johnson	FMCG	F	85.3	88.9	50.0	75.5	80	100	10	10	10	71.4	33	22
BHP Billiton	MIN	FL	100.0	63.9	25.0	63.7	80	100	10	100	10	71.0	34	56
Kumba Iron Ore	MIN	L	94.1	80.6	25.0	67.6	90	100	10	n.a.	0	70.9	35	44
Netcare	CS	L	88.2	61.1	68.8	72.5	80	100	10	20	10	70.0	36	29
Tongaat Hulett	AG	L	82.4	77.8	43.8	68.6	80	100	10	50	10	69.9	37	38
Tiger Brands	FB	L	88.2	83.3	25.0	66.7	80	100	10	60	10	69.3	38	47
GlaxoSmithKline (GSK)	FMCG	F	91.2	77.8	43.8	71.6	80	100	10	20	10	69.3	39	30
Pick n Pay	RT	L	100.0	83.3	28.1	71.6	80	100	10	20	10	69.3	40	31
Imperial Holdings	LT	L	94.1	77.8	31.3	68.6	80	100	10	40	10	68.9	41	39
African Rainbow Minerals	MIN	L	100.0	75.0	37.5	71.0	80	100	10	20	10	68.8	42	32
Reunert	HIMACH	L	88.2	83.3	37.5	70.6	80	100	10	20	10	68.5	43	34
MMI Holdings	FIRE	L	82.4	77.8	43.8	68.6	80	100	10	30	10	67.9	44	40
Absa	FIRE	L	82.4	66.7	43.8	64.7	80	100	10	60	10	67.8	45	54
Eskom	UTIL	SOE	79.4	58.3	59.4	65.7	80	100	10	50	10	67.5	46	51
Spar	RT	P	100.0	77.8	31.3	70.6	80	100	10	10	10	67.5	47	35
Vodacom	ICT	FL	73.5	77.8	31.3	61.8	80	100	10	80	10	67.4	48	60
Naspers	MED	L	100.0	72.2	31.3	68.6	80	100	10	20	10	66.9	49	41
Tsogo Sun	RT	L	94.1	75.0	34.4	68.6	80	100	10	20	10	66.9	50	42
Glencore	MIN	FL	82.4	72.2	37.5	64.7	80	100	10	50	10	66.8	51	55
Group Five	CON	L	100.0	69.4	31.3	67.6	80	100	10	20	10	66.1	52	45

Name	Sector	Ownership	AC Policy	AC Mgmt	AC Activity	AC all	Wt A	OT	Wt B	CBC	Wt C	TRAC	RANK TRAC	RANK AC
ABInbev	FB	FL	94.1	77.8	25.0	66.7	80	100	10	20	10	65.3	53	48
Mr Price	RT	L	82.4	72.2	43.8	66.7	80	100	10	20	10	65.3	54	49
Growthpoint Properties	FIRE	L	73.5	80.6	25.0	60.8	80	100	10	60	10	64.6	55	61
ABB	HIMACH	F	88.2	80.6	25.0	65.7	80	100	10	20	10	64.5	56	52
Woolworths	RT	L	76.5	72.2	50.0	66.7	80	100	10	10	10	64.3	57	50
Barloworld	HIMACH	L	88.2	72.2	28.1	63.7	80	100	10	20	10	63.0	58	57
IDC	FIRE	SOE	67.6	83.3	43.8	65.7	80	100	10	0	10	62.5	59	53
Harmony Gold	MIN	L	88.2	44.4	25.0	52.9	80	100	10	100	10	62.4	60	72
Sappi	HIMACH	L	100.0	50.0	37.5	62.7	80	100	10	20	10	62.2	61	59
Adcorp	BS	L	58.8	77.8	25.0	54.9	80	100	10	80	10	61.9	62	71
Efficient Group	FIRE	L	94.1	72.2	0.0	56.9	90	100	10	n.a.	0	61.2	63	68
Bidvest	LT	L	79.4	72.2	37.5	63.7	80	100	10	0	10	61.0	64	58
PWC	BS	F	70.6	77.8	31.3	60.8	80	100	10	20	10	60.6	65	62
PPC	HIMACH	L	52.9	88.9	37.5	60.8	80	100	10	20	10	60.6	66	63
Oceana Group	FB	L	82.4	66.7	18.8	56.9	80	100	10	50	10	60.5	67	69
Nampak	HIMACH	L	88.2	58.3	31.3	59.8	80	100	10	20	10	59.8	68	64
Shoprite	RT	L	82.4	66.7	28.1	59.8	80	100	10	20	10	59.8	69	65
Distell Group	FB	L	76.5	83.3	12.5	58.8	80	100	10	20	10	59.1	70	66
Altron	HIMACH	L	67.6	77.8	25.0	57.8	80	100	10	20	10	58.3	71	67
Merafe	MIN	L	73.5	58.3	25.0	52.9	90	100	10	n.a.	0	57.6	72	73
Philip Morris	FB	F	88.2	55.6	25.0	56.9	80	100	10	20	10	57.5	73	70
Umgeni Water	UTIL	SOE	56.3	72.2	25.0	52.0	90	100	10	n.a.	0	56.8	74	75
Illovo	AG	F	82.4	44.4	31.3	52.9	80	100	10	20	10	54.4	75	74
Aveng	CON	L	70.6	63.9	15.6	51.0	80	100	10	30	10	53.8	76	76
Liberty Group	FIRE	L	76.5	44.4	25.0	49.0	80	100	10	30	10	52.2	77	78
SA Post Office	LT	SOE	75.0	44.4	31.3	50.0	95	50	5	n.a.	0	50.0	78	77
Capitec Bank	FIRE	L	32.4	27.8	56.3	38.2	90	100	10	n.a.	0	44.4	79	81

Name	Sector	Ownership	AC Policy	AC Mgmt	AC Activity	AC all	Wt A	OT	Wt B	CBC	Wt C	TRAC	RANK TRAC	RANK AC
Pikitup	UTIL	SOE	50.0	55.6	25.0	44.0	100	n.a.	0	n.a.	0	44.0	80	80
Bowler Metcalf	HIMACH	L	64.7	30.6	15.6	37.3	90	100	10	n.a.	0	43.5	81	82
Denel	HIMACH	SOE	64.7	27.8	12.5	35.3	80	100	10	50	10	43.2	82	84
BMW	HIMACH	F	73.5	11.1	25.0	36.3	80	100	10	10	10	40.0	83	83
Basil Read	CON	L	47.1	50.0	3.1	34.3	80	100	10	20	10	39.5	84	85
Old Mutual	FIRE	L	64.7	22.2	12.5	33.3	80	100	10	20	10	38.7	85	86
Hollard	FIRE	P	58.8	55.6	15.6	44.1	80	0	10	20	10	37.3	86	79
Toyota	HIMACH	F	47.1	25.0	12.5	28.4	80	100	10	20	10	34.7	87	87
Hosken Passenger (Golden Arrow)	LT	P	31.3	27.8	12.5	24.0	90	100	10	n.a.	0	31.6	88	89
Steffanutti Stocks	CON	L	11.8	38.9	0.0	17.6	80	100	10	50	10	29.1	89	91
Richards Bay Coal	LT	P	50.0	11.1	25.0	28.0	100	n.a.	0	n.a.	0	28.0	90	88
Coal of Africa	MIN	P	35.3	8.3	12.5	18.6	90	100	10	n.a.	0	26.8	91	90
Ethos Capital/Private Equity	FIRE	FL	11.8	5.6	12.5	9.8	80	100	10	20	10	19.8	92	92
Larimar-Putco	LT	P	0.0	5.6	25.0	9.8	90	12.5	10	n.a.	0	10.1	93	93
Independent Media	MED	P	12.5	0.0	0.0	4.0	90	12.5	10	n.a.	0	4.9	94	94
Cell C	ICT	P	12.5	0.0	0.0	4.0	90	0	10	n.a.	0	3.6	95	95
Concor Construction	CON	P	0.0	0.0	0.0	0.0	80	0	10	20	10	2.0	96	96
Premier Foods	FB	P	0.0	0.0	0.0	0.0	80	0	10	20	10	2.0	97	97
Virgin Mobile	ICT	FP	0.0	0.0	0.0	0.0	80	0	10	20	10	2.0	98	98
Primedia	MED	P	0.0	0.0	0.0	0.0	80	0	10	10	10	1.0	99	99
Arena (Times Media)	MED	P	0.0	0.0	0.0	0.0	80	0	10	10	10	1.0	100	100

