TRANSPARENCY IN CORPORATE REPORTING SOUTH AFRICA 2020

corruption watch

NBI 25 YEARS
National Business Initiative

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/

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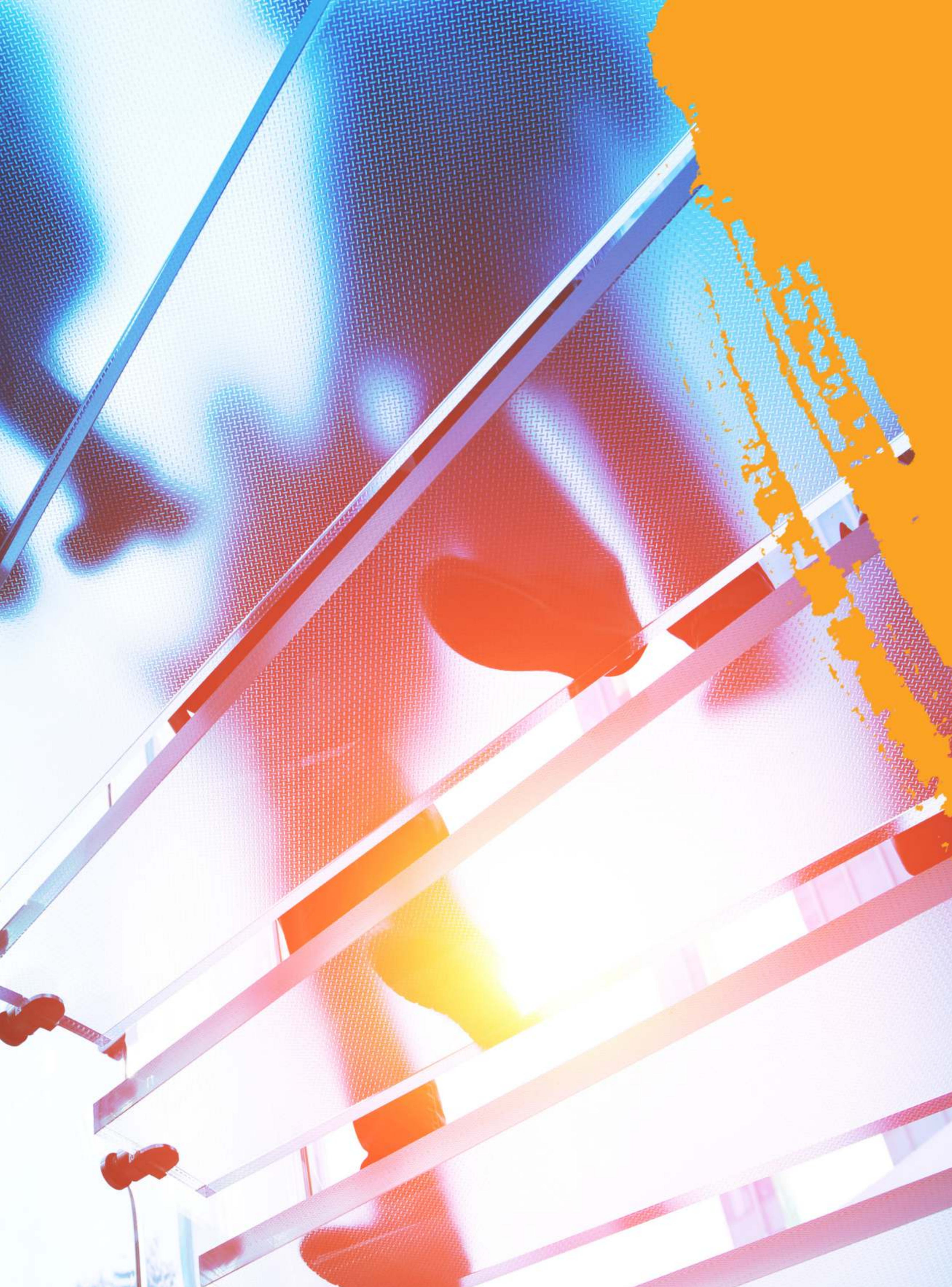
December 2020



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EXECUTIVE SUMMARY

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.

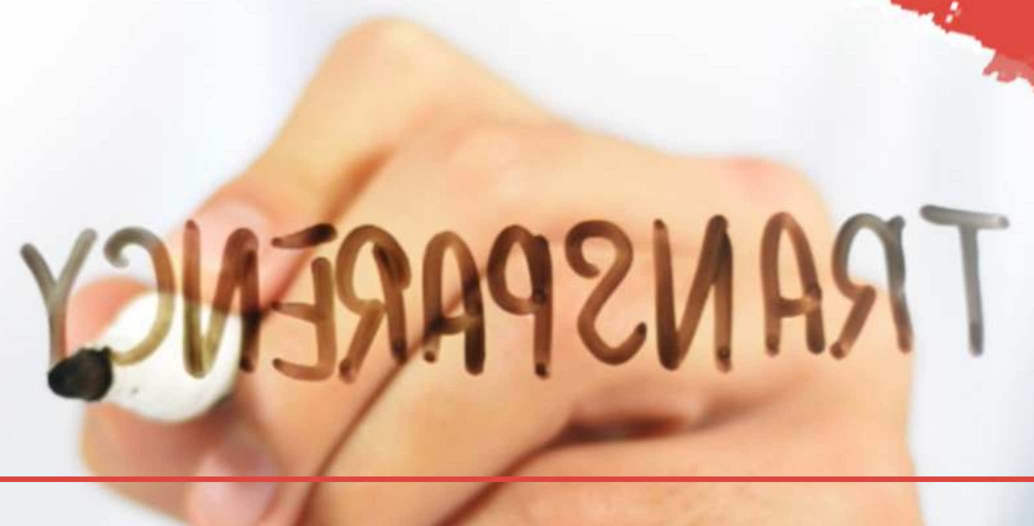


TABLE 1 SCORES AND RANKING

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
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
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

INTRODUCTION

This report on Transparency in Corporate Reporting South Africa 2020 (TRAC SA 2020) looks at how 100 corporations operating in South Africa report publicly on three themes:

- their *anti-corruption programmes,*
- their *organisational transparency* in relation to disclosure of information on subsidiaries and other associated companies, and
- their *country-by-country reporting* of key financial data on their operations outside South Africa.

Transparency on activities and performance through corporate reporting is a crucial element of corporate governance. Each of our three themes helps to demonstrate to all stakeholders of a corporation – shareholders, employees, governments, the general public and also competitor companies – that its conduct reflects not only legality but also integrity and good corporate citizenship.

TRAC SA 2020 is shaped by two arguments about corporate reporting. The first is that governance affects performance – the need to report on an issue encourages a corporation to pay more attention to the issue, leading it to devote more human and financial resources to improving and measuring its performance on the issue, and to identifying and managing risks posed by the issue. In this sense, reporting is a valuable management information tool.

Over the past 30 years, increased significance has been placed on corporate reporting and transparency as a mechanism to enhance corporations' accountability to the rest of society on their sustainability across a wide range of environmental, social/labour and governance – or ESG – issues going well beyond corporate financial performance. As corporate reporting has come to focus on this broader range of issues, so their profile on these issues has, for many corporates, become part of their brand.

Following from this, the second argument about corporate reporting is that market competition and peer pressure between corporations helps to improve their performance. This is why TRAC SA 2020 presents a ranking of corporations and sectors – the ranking does not aim to disadvantage poor performers but to provide them with performance benchmarks.

The South African corporate sector has been a global leader in improved reporting on governance and non-financial issues, through the initial elaboration of the Code of Corporate Practices and Conduct (King I) by the Institute of Directors in South Africa in 1994 and its evolution to a fourth version (King IV) in 2016. The King Codes, which the JSE has used since 1995, is a voluntary reporting standard, focussed on raising awareness of issues amongst corporates by promoting reporting and greater transparency rather than requiring them to report on a set of specified items.

The successive King Codes have been a major influence on the Global Reporting Initiative (GRI)[1], internationally the most commonly used system of corporate reporting standards on sustainability variables. The GRI consists of 36 different economic, environmental, social (including labour) and governance standards, each having multiple dimensions.

Well-known cases of major corporate fraud around the world have been a key driver of the movement promoting stronger corporate governance, so that enhanced reporting on anti-corruption programmes has been an important feature of the expansion in corporate reporting. Organisational transparency around subsidiaries and other associated companies is as important as proactive anti-corruption programmes. As the Steinhoff example and several others have underlined, opaque corporate structures can mask serious problems such as related-party transactions, off-balance sheet entities and the like.

Full transparency on country-by-country reporting is essential to ensure that multinational companies meet tax and other corporate citizenship financial obligations, which in turn is critical (especially in developing countries) for governments' revenue-raising capacity, and thus their public spending programmes, including on health, education and social welfare.

This second report on corporate transparency in South Africa follows the first edition,[2] published by Corruption Watch in 2016 and covering the same three themes. As in TRAC SA 2016, in TRAC SA 2020 we rely entirely on publicly available information on each corporation's website to score it on the basis of our questionnaire.

Corporates are then ranked according to their performance in reporting on the themes. In so doing, this report aims to create peer pressure and provide a further incentive to corporates to improve their transparency and reporting on the TRAC SA themes – leaders will want to maintain their position in the next iteration of TRAC SA, while laggards should aim to climb up the table.

Since the information used to score companies is all available on websites, TRAC SA 2020 facilitates and encourages a process of corporate learning – corporates who want to improve their scores can easily examine the documentation provided by those ranked higher.

Corruption Watch is the local chapter of Transparency International (TI), which published the first TRAC report in 2009, covering a global sample of nearly 500 corporates. TI published further TRAC reports annually between 2012 and 2016.[3] Over the eight years it produced TRAC reports, TI developed a standard questionnaire to assess companies, which was adapted by Corruption Watch for TRAC SA 2016, published in mid-2016.

For TRAC SA 2020, both the questionnaire and the sample of companies are expanded. Our new questionnaire draws not only on the TI questionnaire used previously but also on the GRI anti-corruption standard, which covers more aspects of anti-corruption than the TI questionnaires. TRAC SA 2020 therefore moves the bar upwards on anti-corruption reporting standards.

[1] Global Reporting Initiative www.globalreporting.org

[2] https://www.corruptionwatch.org.za/cw-puts-transparency-corporate-reporting-spotlight/

[3] For an evaluation, see Humboldt-Viadrina Governance Platform, Evaluation of Transparency International's Transparency in Corporate Reporting (TRAC) tool: Recommendations for enhancing relevance and impact, Berlin, April 2019. Accessible at: www.governance-platform.org/en.

Secondly, this report covers a sample of 100 companies rather than the 50 included in 2016. Of the original 50, 44 corporates feature in the latest edition, with six small companies omitted. As a result of these changes, the 2016 and 2020 versions are not strictly comparable, though it still is preferable for a company to have moved up the rankings compared to four years ago, rather than down.

It is important to recognise the limitations of transparency in corporate reporting as an anti-corruption strategy. Transparency is essential, but not sufficient. First, we have already noted that the King Code and the GRI are voluntary reporting standards, even when companies are required to use them, as the JSE does in the case of the King Code. Unlike statutory standards such as those used in financial reporting for income tax, voluntary standards do not specify what has to be reported or how it has to be reported. Companies therefore have substantial flexibility as to the approach to and the content of their reporting, and the information reported spans a wide spectrum of both depth and usefulness to stakeholders.

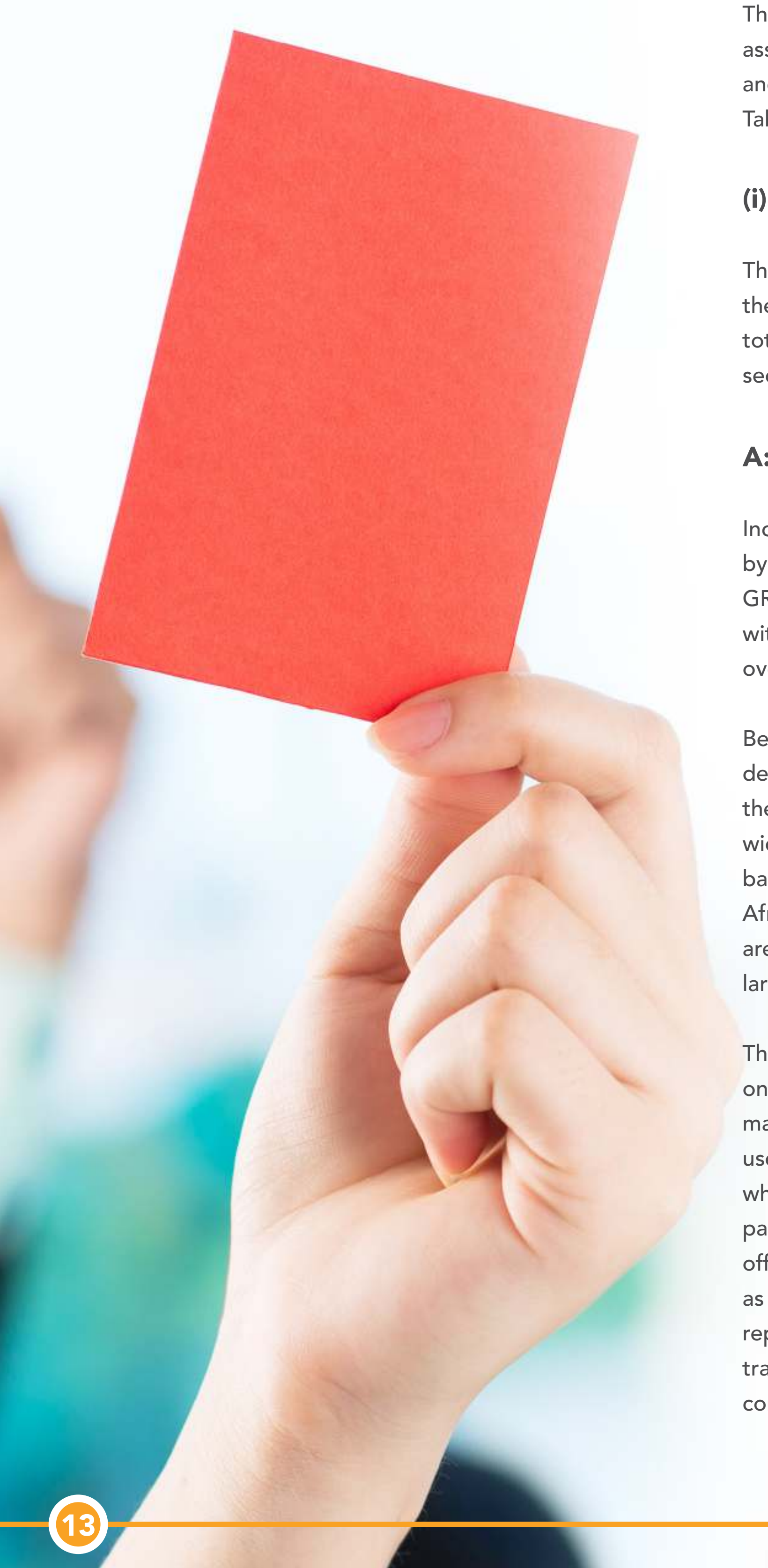
Transparency is enhanced when reporting requirements are more specific and detailed, and when they have the force of legislation or political pressure from government or other powerful stakeholders. An example of this is found in the mining sector internationally, in the form of the Extractive Industries Transparency Initiative (EITI), which requires mining companies to publish extremely detailed and useful reports of all their payments to all levels of government in all the jurisdictions where they operate. The impact of initiatives such as EITI on transparency is strongly evident in the TRAC SA 2020 results, where the mining sector performed far ahead of all others on country-by-country reporting, as discussed in Part C of this report.

Even when companies report more fulsomely on issues such as anti-corruption programmes, we cannot be absolutely certain that they are telling the truth. There is no independent verification of the information reported on anti-corruption or most ESG issues. The limits of reporting in this sense are clearly illustrated by the fact that Steinhoff was ranked 23rd in TRAC SA 2016, but the company imploded in late 2017. It is also worth noting that after TRAC SA 2016 was published, employees of some corporations included approached Corruption Watch, indicating that some of their employer's public information used for the report was at best anomalous. This underlines the case for more extensive regulation to ensure transparency.

But beyond enhanced transparency in their reporting, corporations need to act in several other areas to restrict corruption in their organisations, through both prevention and detection. These areas include ongoing training of employees, board members and other stakeholders, such as suppliers and customers; active risk assessment of the potential for corruption in operations and activities; strong and independent internal and external auditing and financial control systems; and active involvement in collective action processes with other corporations. We explore current involvement of South African corporates in all these areas in TRAC SA 2020.

It is also essential to consider, in anti-corruption programmes, how informal networks within corporations interact with the corporate culture to reinforce, or undermine, ethical behaviour promoted in formal programmes. Corruption Watch, the NBI and ODI will explore these issues in future collaborative work.

METHODOLOGY



This section of the report discusses the questionnaire used to assess companies' public information, the scoring system used, and the selection of the sample of 100 companies presented in Table 1.

(i) The questionnaire

The questionnaire is reproduced in full in **Appendix A**. The three themes of TRAC SA 2020 are covered in separate sections, with a total of 64 questions, respectively 51, eight and five in the three sections.

A: Anti-corruption Programmes (AC)

Includes the 13 issues covered in TRAC SA 2016 but goes further by integrating them with additional relevant issues identified by GRI. Section A includes 14 main questions in three sub-themes, with each of the 14 further divided, for a total of 51 questions overall.

Because the questionnaire used here covers a wider, more detailed set of issues than the 2016 report, comparability across the two reports is somewhat limited. Nonetheless, we felt the wider set was important to the aim of TRAC SA 2020 to 'raise the bar' for reporting on anti-corruption (and in general) in the South African corporate sector. This is because the additional questions are explicit in the GRI system, a global standard to which a very large number of South African corporates have subscribed.

The questionnaire has drawn on both GRI 205, the standard on anti-corruption, and GRI 103, the general standard on management approach to reporting. The latter is intended to be used in conjunction with topic-specific standards such as GRI 205, which defines corruption as "practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering; the offer or receipt of gifts, loans, fees, rewards, or other advantages as an inducement to do something that is dishonest, illegal, or represents a breach of trust…. practices such as embezzlement, trading in influence, abuse of function, illicit enrichment, concealment, and obstructing justice".

GRI 205 also makes explicit that corruption "is broadly linked to negative impacts" such as poverty, environmental damage, abuse of human rights and democracy, and undermining the rule of law. And it indicates that corporations "are expected by the marketplace, international norms, and stakeholders to demonstrate their adherence to integrity, governance, and responsible business practices".

1. Anti-corruption policy content:

The first sub-theme in Section A – questions 1 to 6 – relates to the corporation's reporting of the *content* of its anti-corruption policy. It addresses whether the policy is explicit on:

(i) the legal standards adhered to,
(ii) the application to different groups of stakeholders,
(iii) the identification of different types of corrupt actions with special attention to political contributions, and
(iv) the recognition of the materiality of corruption for the corporation, which is perhaps particularly relevant in South Africa, given the wide recognition of the damage that corruption, grand and petty, has wrought on the country.

2. Anti-corruption policy management:

The second sub-theme, – questions 7 through 11(b) – looks at the corporation's management of its anti-corruption policy, whether the corporation explicitly reports on its formal control systems for addressing corruption, and the human and financial resources allocated to this system. It covers whistle-blowing mechanisms, investigative and judicial processes in response to reports, risk assessment in relation to corruption, and the approach to improving anti-corruption policy and practice.

3. Anti-corruption activity:

The third sub-theme – questions 11(c) through 14 – examines the corporation's reporting on its engagement in anti-corruption activity. This includes communication with and training of different groups of stakeholders (employees, board members, customers and suppliers and other business partners, and agents). It also includes reporting on incidences of corruption within the corporation, and the corporation's involvement in collective action, with other businesses, against corruption.

B: Organisational Transparency (OT)

Asks whether the corporation discloses its holdings in other corporations, whether consolidated or not. For each disclosed shareholding, it provides the percentage of shares owned, as well as the countries of incorporation and of operation.

C: Country-by-country reporting (CBC)

Looks at the details provided for operations outside South Africa, including revenue, pre-tax income and income tax paid, and capital expenditure. This assesses not only transparency but also good corporate citizenship in foreign countries. Both sections are brief, covering eight and five questions respectively.

(ii) Scoring

The scoring system used is simple. Each of the 64 questions is assigned 0, 1 or 2, depending on the quantity and the quality of information provided. If partial or inadequate information is provided on a question, a score of 1 is assigned. It should be noted that in TRAC SA 2020, transparency is *required* to score 2 points on a question. This differs from the practice in earlier versions of the King Code (and the GRI) where companies were allowed to explain why they were not reporting on an issue if they were unable or unwilling to report on it. This 'apply or explain' approach has been dropped in King IV, and is not used here either.

As noted above, TRAC SA 2020 evaluates scores entirely on information already made *publicly* available by each corporation. For this reason, we did not ask corporations for their permission to use their information or for their agreement to participate in the study. However, at the outset of our research in April 2020, we did inform them as a courtesy that they had been included in the sample.

In the first research stage, the project team examined all the relevant documentation it was able to find on the corporation's website, assessed its score for each of the 64 questions, and created a provisional scoresheet. And during September/October 2020, we gave each corporation an opportunity to review its score and inform us if a higher score was warranted. Each corporation received its provisional scoresheet, without a ranking or any information about other companies included in the project. Each company was asked to engage with the project team if it felt the score should be increased on any question. A total of 32 corporations responded to this invitation to review – 15 agreed with their provisional score, while 17 scores were changed as a result.

The three sections were assigned weights to calculate a corporation's final score. These were 80-10-10 for the three sections respectively, while in TRAC SA 2016, the weights assigned were 50-30-20. For the current report, the weights were adjusted not to diminish the importance of organisational transparency or country-by-country reporting, but to reflect the much higher level of detail involved in anti-corruption programmes. This recognises that if a corporation has a strong anti-corruption stance, it is more likely to be transparent about its organisational structure and about its foreign operations.

The weights also reflect the greater length of Section A compared to the other two sections, as Section A includes just under 80% of the questions. Section B includes 12.5%, so is slightly underemphasised in the final scores compared with Section C which includes 7.8%.

If a corporation has no subsidiaries and unconsolidated holdings, or no operations outside South Africa, the weights for its score have been adjusted to take account of this, with Section A's weight being increased. Table 1 indicates the corporations to which these adjustments apply.

For ease of understanding, all reported scores have been converted to percentages in the tables in this report.

(iii) The sample

The sample of 100 companies was not selected randomly, but was based on a number of principles:

(i) To facilitate (rough) comparison with TRAC SA 2016, it was decided to cover again as many as possible of the 50 corporations included in the previous report. In fact, all 44 corporations from 2016 were included, with only six small enterprises excluded, as it was decided that this report should focus only on large corporates.[4]

(ii) To reflect the focus on sustainability of the National Business Initiative (NBI) and its members, and their collective leadership on this issue within the South African corporate sector, as many NBI members as possible were included, amounting to 54 of the 100 in our sample.

(iii) To reflect that corporations subscribing to the GRI system are ostensibly leaders in transparent reporting, as many as possible from GRI's list of South African corporate subscribers were included. The publicly available GRI database for 2015-17 includes 274 South African organisations, and subscribers account for 87 of 100 in the current sample.

Using these principles, we constructed a sample frame of 280 corporations classified by industry, using a classification of 16 industries designed for this project. The final sample of 100 reflects the industry composition of the sample frame.

The final sample was also constructed to ensure a minimum number of foreign corporations operating in South Africa, and a minimum number of state-owned enterprises (SOEs), to ensure the public sector was adequately represented. This involved adding a small number of SOEs and a somewhat larger number of foreign corporations to the sample.

The SOEs were selected to ensure inclusion of some owned by sub-national governments, two of which were not in TRAC SA 2016, NBI or GRI. The foreign corporations were selected from the GRI international subscriber list. Eight of the 21 foreign corporations in the sample have secondary listings on the JSE, all but one of which featured in TRAC SA 2016.

[4] Several of the 44 included again in TRAC SA 2020 have experienced in the interim a name change as part of a shift in their structure (such as being part of a merger or acquisition), and the report indicates where this is the case.

TABLE A FINAL SAMPLE BY INDUSTRY SECTOR

The composition of the final sample of 100 in TRAC SA 2020 is presented in Tables A, B and C below.

ABBREV	INDUSTRY	NO OF COMPANIES
AG	Agriculture	2
MIN	Mining	14
FB	Food & and beverage	7
FMCG	Fast moving consumer goods	3
HIMACH	Heavy industry & and machinery	17
CON	Construction	5
UTIL	Utilities	3
LT	Logistics & and transport	8
RT	Retail & and tourism	8
CS	Consumer services (healthcare)	2
MED	Media	4
ICT	ICT	6
BS	Business services	2
FIRE	Finance, insurance & and real estate	19
	TOTAL	100

TABLE B FINAL SAMPLE BY OWNERSHIP

SA-based JSE-listed	61	
SA-based private	11	
Foreign	21	Includes 8 with secondary listings on the JSE
State-owned enterprises	7	Includes 2 sub-national SOEs
TOTAL	100	

TABLE C FINAL SAMPLE OTHER CHARACTERISTICS

Included in TRAC SA 2016	44
NBI members	54
GRI subscribers	87
Of which GRI only (not TRAC 2016 or NBI)	19
None of above	2

RESULTS

Table 1, reproduced earlier in the report, provides the individual scores, in percentage form, for each section of the questionnaire, as well as the company's rankings for both its overall TRAC score and its score on Section A, anti-corruption programmes.

Table 1 also provides each company's score for the three sub-sections of Section A – AC Policy, AC Management and AC Activity – and for Sections B and C.

Tables 2 and 3 provide further detail on industry sectors and on ownership categories respectively for overall TRAC performance, and for Section A, including the three sub-sections, and Section C.

We discuss overall scores and ranking first, followed by Sections A, B and C.

TABLE 2 SCORES BY SECTOR (SELECTED)

Abbrev	Sectors (selected)	No of firms	Section A: Anti-Corruption Programme (AC)				Section C: CBC	TRAC Overall
			AC Policy	AC Mgmt	AC Activity	AC Total		
CON	Construction	5	46	44.4	10.0	34.1	28.0	38.1
FB	Food & Beverage	7	73.9	65.5	25.9	55.9	30.0	56.3
FIRE	Finance, Insurance, Real Estate	19	78.9	68.6	46.4	65.1	38.2	65.5
HIMACH	Heavy Industry & Machinery	17	82.4	67.6	34.2	62.1	21.9	61.9
ICT	ICT	6	58.9	53.2	32.3	48.5	48.0	48.7
LT	Logistics & Transport	8	65.5	47.2	37.1	50.0	20.0	50.5
MIN	Mining	14	85.5	69.4	38.2	64.9	76.0	68.8
RT	Retail & Tourism	8	91.2	78.5	40.2	70.7	25.0	69.1
-	**ALL**	**100**	**74.8**	**63.6**	**36.1**	**58.7**	**36.2**	**59.5**

TABLE 3 SCORES BY OWNERSHIP

Abbrev	Sectors (selected)	No of firms	Section A: Anti-Corruption Programme (AC)				Section C: CBC	TRAC Overall
			AC Policy	AC Mgmt	AC Activity	AC Total		
L	SA-based JSE-listed	61	82.9	71.9	40.8	65.8	33.9	66.3
P	SA-based Private	11	35.3	24.0	16.5	25.3	15.5	26.7
SOE	State-owned enterprises	7	70.4	59.1	38.4	56.2	14.3	58.1
F/FL	Foreign (including JSE-listed)	21	73.7	61.5	32.1	56.3	33.3	57.4
-	**ALL**	**100**	**74.8**	**63.6**	**36.1**	**58.7**	**36.2**	**59.5**

(i) Overall scores and rankings

As the first row of Table 1 shows, the average (mean) score for the full sample of 100 companies across all three sections is 59.5%. The median is somewhat higher at 66.9%.

Table 1 also gives the breakdown of scores for the three themes. For Section A on anti-corruption programmes, the mean for the full sample of 100 is 58.7%, and the median[5] is 64.3%, both slightly lower than for TRAC overall. Section A is discussed further below.

For Section B on organisational transparency, 86 companies scored 100% and the mean is 89.9%.

For Section C on country-by-country reporting, the mean is 36.2% and the median 20%. This section applied to only 84 companies, as 16 of the 100 companies had no operations outside South Africa. Of these 84, only 10 had scores above 80%, while another 42 (half the applicable sample) had scores of 20% or lower.

The three corporations ranked best overall – RMB, City Lodge and Exxaro Resources – scored between 85% and 90%, with the next nine also above 80%. Another 24 companies scored between 70% and 80%. It is noteworthy that six of the top 10 in the overall rankings are in the finance, insurance and real estate sector.

At the other end, the bottom 12 were all below 30%, and another five between 30% and 40%. Of the 12 below 30%, 10 (including Virgin Mobile) are private companies and so not subject to JSE or other regulation of their corporate reporting. Three of the 10 private companies are media companies.

How do we rate the overall performance of the corporate sector based on the mean of 59.5%, the median of 66.9%, and the distribution of scores across the sample of 100 corporations? It is difficult to provide a definitive answer. The scores are not really comparable to TRAC SA 2016, since the questionnaire is quite different, particularly in Section A.

There is no doubt that TRAC SA 2020 sets the bar on transparency in anti-corruption reporting much higher than in 2016, since it relies on the GRI anti-corruption standard to approximate global best practice, and has 51 questions compared to only 13 questions in 2016.

To the best of our knowledge, there is no assessment of corporate reporting transparency elsewhere which uses a similar questionnaire to this one, and which would thus enable some comparison of results. Future TRAC research in South Africa may make it possible to assess performance on anti-corruption reporting, and its change over time.

However, a benchmark is provided by the best performers within the sample of 100. The best score across TRAC overall is 87.7% achieved by RMB Holdings, which also had the best Section A score of 92.2%. The average for the top five performers is 85.3% for TRAC and 88.6% for AC.

Turning now to industry sector and ownership groups, the rightmost column of Table 2 shows a significant variation across industry sectors for overall TRAC performance. These scores range from 69.1% for retail and tourism and 68.8% for mining, down to 38.1% for construction.

[5] The median is the score at which half the sample sits above and half below.

Finance, insurance and real estate (FIRE), and heavy industry and machinery were above the average for the full sample. Though six of the top 10 ranked companies are in the FIRE sector, the sector overall ranked only third.

Table 2 only shows those sectors with five or more companies in the sample. The following six less well represented sectors, covering a total of 16 companies, are not shown in the table:

- Agriculture (two companies, averaging 62.1% overall);
- Consumer services/healthcare (two companies, 74.8%);
- Consumer goods/pharmaceuticals (three companies, 73.4%);
- Media (four companies, 18.4%);
- Business services (two companies, 61.3%); and
- Utilities (three companies, 56.1%).

The media sector is worth a further comment, as it comprises Naspers (which scored 66.9% overall) and three private companies, which together averaged 2.3%.

Table 3's last column shows the overall scores by the four ownership categories, discussed in Part B(iii) above (see Table B). The JSE-listed companies' average of 65.8% is above that of the full sample.

Given the discussion above of the rankings, it is no surprise that private companies as a group scored very poorly indeed, with an average of only 26.7% for TRAC overall. Much more positively, the seven SOEs scored just below the sample average and better than the foreign-owned companies.

(ii) Section A: Anti-corruption Programmes (AC)

Table 1 also provides the rankings for Section A. Fifteen companies scored better than 80% on the AC component, and a further 20 above 70%. While the five companies scoring best on AC were exactly the same as for TRAC overall, and in the same order, the rankings for TRAC and for AC alone diverge more frequently lower down the list.

Since most companies did very well on Section B: Organisational Transparency, divergence of ranking is due to performance on Section C: Country by Country. A better ranking on TRAC overall than on AC suggests a company did well on CBC. This is the case for Sibanye, Mediclinic International or Gold Fields near the top of the rankings, and all with very detailed reporting on their international operations outside South Africa. Transnet has no international operations, so Section C is excluded from its score.[6] In contrast, a poorer ranking on TRAC than on AC – as is the case with Aspen Pharmacare, Engen or Sasol – suggests a company performed relatively poorly on CBC.

At the bottom of the rankings, five companies scored zero on Section A, meaning they provided no information at all on anti-corruption programmes on their websites. The bottom nine on AC all had scores below 10% and are all ranked in the same spot on AC as on TRAC overall. All nine are private companies,[7] and seven of the nine were in the bottom 10 on TRAC SA 2016.[8]

Industry scores for Section A in Table 2 follow much the same pattern as the industry overall scores, with retail and tourism doing best, and construction worst amongst the eight sectors presented in the table. The finance, insurance and real estate, heavy industry and machinery, and mining sectors also perform above the average, as for TRAC overall.

Table 2 also gives a detailed breakdown of performance on the three sub-sections in Anti-Corruption Programmes, for the full sample as well as for each industry sector. The most important point shown by the table is that firms are much better at developing policy than at managing that policy, and are rather poor at carrying out (or at least reporting on) anti-corruption activities.[9]

6 As the table shows, the weight for Section A was adjusted if Section B and/or Section C did not apply to a company.
7 Virgin Mobile is a private South African company operating under license from the Virgin Group based in the British Virgin Islands. It is classified in the foreign ownership category in the tables.
8 Excluding the much smaller private businesses which were part of the previous TRAC report.
9 The scope of each sub-section is spelled out in Part B above.

This is true consistently for the overall sample and for each sector individually. The questions on AC Policy Development essentially focus on policy formulation, the content of the policy document(s). As the overall average of 74.8% underlines, this is relatively straightforward to do well, once a firm has recognised the need to have an anti-corruption policy. (Not all firms have done even that, as the very low scores for Section A at the bottom of the rankings show.)

The questions on AC Policy Management are concerned with the human and financial resources devoted to the issue, the process for reporting and investigating possible corruption, the prevention or mitigation of corruption through risk assessment, and the firm's willingness to learn from its own and others' experience through policy review and revision. The scores here are much lower than on policy development, an overall average of 63.8% and only one sector – retail and tourism – above 70%, in contrast with five sectors on the first sub-theme of policy development.

Finally, the third sub-section on AC Activity focuses on companies' communication with and training of all stakeholders, the number of corrupt incidents, and their involvement in collective action activities outside their own organisation, to help to change the overall business environment in the country on the issue.

Scores here were generally rather poor, with an overall average of 36.1% and only two sectors – finance, insurance and real estate, and retail and tourism – scoring above 40%. In total, 37 corporations scored above 40% on AC Activity.

It may well be that companies are engaging in more activities than they are reporting, and indeed it may be asked whether companies should be required to report on the number of corrupt incidents they had experienced – some firms said this was confidential information. The problem with this response is that it gives outside stakeholders no way to know if the company's performance is improving or not, or even whether the company's definition of improvement is one they would agree with. Transparency requires more precision and clarity.

Table 3 provides a breakdown by ownership category for Section A and its sub-sections. The ownership category scores for Section A are very similar to their scores for TRAC overall, with the private companies lagging well behind the others. And the scores for AC Policy, Management and Activity sub-sections follow the same pattern as already discussed: in each ownership category, companies are much stronger on Policy than on Management, and very weak on Activity. The JSE-listed companies score best on each of the three sub-sections, and the private companies by far the weakest. The SOEs scores are close to the sample average on each sub-section.

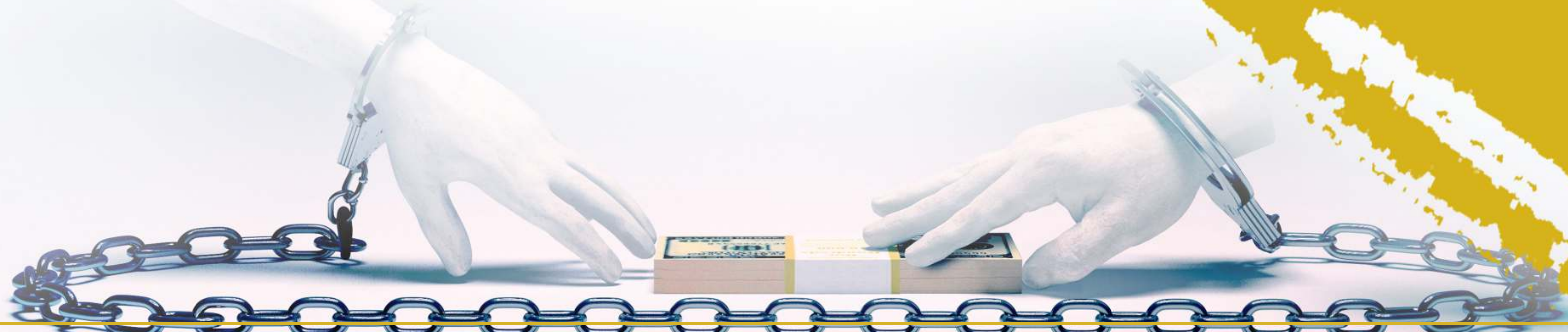
Looking briefly at some of the specific questions in Section A, the questions which had the highest average scores were, not surprisingly, Q1a on the commitment to anti-corruption, Q2 on the national legal and regulatory standards with which the company's anti-corruption policy complies, and Q3a, indicating that the policy applies to employees. Scores were lower on the policy's applicability to other stakeholder groups – board members, suppliers and customers, and agents and intermediaries.

Worryingly, by far the lowest average score of all 17 questions in the policy sub-section – and the only one with an average below 1 (of a possible 2) – was Q5b on whether the corporation's policy explicitly proscribes political contributions to organisations or individuals.

Question 6 asks about the materiality of corruption, that is whether the reporting discusses how corruption affects the corporation, and how it may impact on corruption, either positively or negatively. The average score for the first part of the question was 1.34 (out of 2, or 67%) and for the second part 1.1 (or 55%). This suggests that corporations need to reflect more, or at least communicate better in their reporting, on the specific impact of corruption on their own performance, as well as what they might do in their own operations to contribute to addressing the problem in the wider society. The relatively weak performance on the inclusion of corruption in risk assessment in Q11a (score of 0.82 or 41%) underlines the need for better awareness of corruption as a material issue for many companies.

Within the sub-section on anti-corruption policy management, companies performed particularly poorly on Q8 looking at the resources devoted to anti-corruption programmes within the company. Scores here were below 25% on both human and financial resources. Providing information on the resources applied provides one indicator of the priority given by the corporation to the problem.

Overall performance on whistle-blowing mechanisms was good, with each of Q9a through Q9e scoring above 80%, though scores were much lower for questions Q9f and Q9g on whether companies spelled out either their internal inquiry process or specified sanctions for different corrupt acts.



Question 10 asked about the review and evaluation of anti-corruption policy. Companies scored well in recognising the need for this to happen regularly but less well in reporting that they used external benchmarking or another independent mechanism for the review, and that they had changed their policy following review. This relates to corporations' willingness to learn from each other, and hopefully TRAC SA 2020 will encourage more companies to engage more actively in doing so.

Question 12 asked whether reporting specified either the number or the percentage of different stakeholder groups – employees, board members, suppliers, customers and other business partners, and agents – who had received anti-corruption communication and training.

Scores were considerably higher on communication than on training: for the latter, the highest score was 0.87 (or 44%) for employee training (and much lower for other stakeholders). Many corporations indicated that employees were trained on anti-corruption but did not report on the number or percentage, and without this, it is difficult to assess the level of the corporation's commitment to training on the issue – it could be a very minor priority. The question did not ask about the time frame within which communication and training happened, and this should have been included too, as without this, it is difficult to know whether training of an individual happened just once or is a regular event.

(iii) Section B: Organisational Transparency (OT)

For Section B, the mean score for the full sample is 89.9%, as shown in Table 1, and as noted above, 86 companies scored 100%. This is a very strong performance, which reflects the requirement to include the requisite information in audited financial statements. Most of the private companies do not publish their financial statements and as a result scored very poorly on OT, averaging 38.6%.

(iv) Section C: Country-by-country Reporting (CBC)

Turning to Section C, the mean for the full sample is 36.2% and the median is only 20%. This section applied to only 84 corporations of the 100 in the full sample, as 16 companies had no operations outside South Africa. Of the 84 included, only 10 had scores above 80%, while another 46 – more than half the applicable sample – scored 20% or lower. The 2020 score for this section is very poor, even if there may have been some improvement since TRAC SA 2016.[10]

There were only five questions in this section, with the first asking if the corporation disclosed the number of countries in which it operated. Thus by simply listing those countries, which most corporations did, a score of at least 20% was achieved.

The other four CBC questions were concerned with revenue, pre-tax profit, tax paid, and capital expenditure, in each country of operations. Most companies report in much more detail on their operational segments than on their geographical segments, and on the latter, reporting is most often on the basis of regions rather than individual countries. Corporations of course have the individual country data, but they do not report it.

The exception here is the mining sector, which scored 76% on country-by-country reporting (see Table 2), very far ahead of the next best industry ICT, with 48%. Of the top 10 performers scoring above 80%, seven are in mining.

The reason, as already suggested in the introduction above, is that international mining companies are largely subject to additional sector-specific regulation on transparency through the multi-stakeholder Extractive Industries Transparency Initiative (EITI), which requires country-by-country reporting of all payments to governments in all jurisdictions. Indeed, this information is the core rationale for EITI. Even though South Africa is not an EITI signatory, the governments of several countries where the mining corporations in the TRAC sample operate, are signatories. As a result, they provide the needed information for all countries where they are present, adding a country-by-country report to their annual reporting suite, if this is necessary because they are present in a large number of countries.

Looking at the performance on country-by-country reporting by ownership category, the private corporations performed very poorly, as they did in the other two sections. But the SOEs also scored poorly in this section, indeed worse than the private company group, though only three of the seven SOEs in the sample have international operations.

[10] In TRAC SA 2016, only three of 35 companies with international operations scored above 80%, which is about the same proportion as in 2020. In 2016, there was no 'easy' question asking for the number of countries of operation, and about two thirds of the sample scored below 20% on Section C, compared with half the sample in 2020. Thus, though the comparison is very rough, there may have been some improvement in CBC in the interim.

SUMMARY AND RECOMMENDATIONS

The 100 corporations in the sample scored an average of 59.5% across the entire questionnaire for TRAC SA 2020, comprised of 58.7% on anti-corruption programmes, 89.9% on organisational transparency covering their holdings in subsidiary and associated companies, and 36.2% on country-by-country reporting of key financial results.

The same five corporations were ranked top for TRAC SA 2020 overall, for which they averaged 85.3%, and for anti-corruption programmes for which they averaged 88.6%. Twelve corporations in the sample scored less than 30% overall, of which 10 are private companies and so not subject to JSE reporting regulation. Private companies as a group scored below 30% overall, and on anti-corruption programmes and country-by-country reporting, and below 40% on organisational transparency. In contrast, state-owned enterprises (a small group of only seven in the sample) scored at about the average level overall and on anti-corruption programmes.

Across the different industry sectors, retail and tourism scored highest on TRAC overall and on anti-corruption programmes, with the mining, the finance, insurance and real estate, and the heavy industry and machinery sectors also performing very well overall and on anti-corruption specifically.

Within their anti-corruption programmes, corporations scored best for their reporting on policy development, followed by policy management, with the poorest performance relating to anti-corruption activities.

On country-by-country reporting, the mining sector strongly outperformed the rest of the sample, which is likely attributable to the more stringent reporting requirements in the sector from multi-stakeholder international networks such as EITI.

Several recommendations follow from the results of TRAC SA 2020, which we have grouped into three sets. We recognise of course that our recommendations apply with different validity and relevance to different corporations, given the wide range of scores across the sample. But we would also argue that the sample, while not randomly selected, nonetheless reflects in some sense, if not scientifically, the South African corporate sector as a whole, so that the results should be considered even by corporations not included in 2020.

One general recommendation is that corporations use the TRAC SA 2020 as a learning opportunity, to improve not only their reporting on their anti-corruption programmes, but also the programmes themselves. We hope that compliance and sustainability departments will use the questionnaire to evaluate their company's score and look for avenues for improvement, including by looking at the information provided by companies which have been ranked higher. This can be done both by companies included in the 2020 sample, as well as by those not included this year. Even the best-scoring companies in Table 1 have room for improvement. And the bar for corporate transparency can and should be expected to keep moving upwards, as it has done for the past two decades and more.

A second general recommendation, based on our research process which explored 100 corporate websites and sets of annual reports, is that many corporations could make their anti-corruption programmes much more visible on websites, make documents more accessible, and ensure that data is up to date.

(i) Recommendations on specific elements of anti-corruption programme reporting

The report clearly identifies specific issues where reporting across the corporate sector has generally been weak, and where many companies could increase their transparency. To reiterate what was said in the introduction, greater transparency leads to improved performance, and needless to say, improved corporate anti-corruption programmes are crucial, not just for the corporate sector itself, but right across South African society.

On anti-corruption policy, corporations should ensure that their detailed anti-corruption policies explicitly:

- state applicability to all stakeholder groups – employees, board members, business partners (customers, suppliers) and agents/intermediaries – and to all types of corrupt action,
- prohibit contributions to political organisations and individuals, and
- address the materiality of corruption to the corporation (and how the corporation can help to end corruption).

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

- provide more detail on human and financial resources devoted to preventing corruption and to dealing with it when it occurs,
- ensure that risk assessment processes include corruption where this is appropriate,
- provide more detail on training activities within the reporting period: for example, how many (or what percentage of) staff were trained, or how many hours staff members spent on average in training activities,
- ensure that anti-corruption policy is not only reviewed regularly (every three years is optimal), but that the review involves some form of independent assessment or benchmarking, so that corporations are learning from best practice, and
- report in quantitative terms on the incidence of corruption within the corporation, to enable assessment of improvement (or deterioration) over time.

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

Two results discussed above stand out, in relation to the need for stronger regulation of reporting. The first is the very weak performance of privately-owned companies across all the issues addressed in TRAC, and the other is the very strong performance of the mining sector in Section C on country-by-country reporting.

The main reason for the privately-owned companies' weak performance appears to be that they are not subject to JSE regulation of their reporting, which would require them to adhere to the King Code on Corporate Governance in their reporting, and would probably lead to scores closer to the averages reported above for JSE-listed corporates.

However, privately-owned companies' performance in addressing corruption and on similar ESG challenges is a matter of great concern not only to their shareholders, but also to many other stakeholders across society, including employees, customers and suppliers, government and the general public. A company's decision to remain in private hands and forego access to a significant part of the capital market, which limits its reporting and transparency obligations on its financial performance, should not be a sufficient reason for it to evade transparency on anti-corruption and other ESG issues. Rather, consideration needs to be given to strengthening regulation of reporting on these activities and impacts of privately-owned companies, probably above a specified size threshold.

Relatedly, the main reason for the mining sector's excellent country-by-country reporting appears to be, as already pointed out, the impact of EITI and other multi-stakeholder networks within the global industry. These networks have imposed de facto global regulatory requirements on what mining corporates report, notwithstanding that the regulations are not statutory, or that not all countries where they operate have signed up to EITI – South Africa has not done so. Nonetheless, transparency on revenues and profits earned in each country, and taxes paid, appears to have improved dramatically since the change in the regulatory environment.

Both of these results speak to the need for reporting – not only on anti-corruption programmes, but also on other ESG and other non-financial issues with wider societal implications – to be regulated much more firmly than it has been to date, and possibly become mandatory for specified categories of company. A debate needs to be initiated within business associations, across the corporate sector more generally, and involving both the general public and government, on the merits of tighter regulation and of different possible approaches to achieving it.

As is evident from the average scores of the group of JSE-listed companies in TRAC SA 2020, adherence to King Code IV is not in and of itself enough to ensure more transparent reporting, as King IV still remains a voluntary standard in important respects. This begs the question as to whether the code itself needs another refresh, including a strengthening of the force of its mandate as applied to individual companies and an expansion of the scope of its mandate beyond JSE-listed companies.

Aside from the requirement to report, another relevant issue is the independent verification of the content of reports.

(iii) Recommendations beyond corporate reporting and transparency

Finally, we return to the issue raised in the introduction to this report, that transparency in corporate reporting is an absolutely necessary element of an anti-corruption strategy, but is far from sufficient. Training of stakeholders, risk assessment and control systems, and collective action processes with other corporations were mentioned above as crucial elements.

It is worth remembering that the fight against corruption has to take place not just inside individual corporations, but is one where sustained and sustainable success demands success across a broad scope of organisations, in the business sector and outside it.

The fight against corruption demands an 'all of society' approach. This raises the importance of collective action by the corporate sector, but also of co-operation between the corporate sector and other parts of society similarly engaged in fighting corruption. Collaborations on anti-corruption programmes between corporates and organisations such as NGOs, civil society organisations, academic or media organisations can be fruitful for both sides.

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APPENDIX A

TRAC 2020: Questionnaire

Company Name: ______________________

TRAC2020 number: ______________________

Date documents accessed: ______________________

Enumerator: ______________________

NOTE: Responses to this questionnaire are based entirely on public information available on the website of the company and associated organisations, such as annual reports, policy documents, press statements, or investor information.

Source URLs accessed:

1	
2	
3	
4	
5	

A. Anti-corruption Weight of this section: ______ %

1. Anti-corruption policy – is there documentation providing:

a. An explicit commitment to anti-corruption?	
b. A detailed anti-corruption policy?	

2. Anti-corruption standards - is there documentation explicitly indicating compliance with:[11]

a. National laws/regulations of the country where headquarters are located? (South Africa for South African companies)	
b. The host country's laws/regulations for foreign operations? (South Africa if company is not headquartered in South Africa)	
c. Voluntary international standards or initiatives[12]?	

3. Scope of application – stakeholders: is there documentation explicitly indicating application of anti-corruption policy to the following groups:

a. Employees, including executives	
b. Directors, including non-executive & independent	
c. Business partners within the supply chain: suppliers, contractors & sub-contractors or customers	
d. Agents advisors representatives intermediaries	

4. Scope of application – corrupt or potentially corrupt actions: is there documentation explicitly indicating application of anti-corruption policy to the following actions:

a. Gifts, provision of hospitality, financing of *personal expenses*[13]	
b. Bribes, facilitation payments, kickbacks & influence-peddling	
c. Fraud, extortion, collusion, embezzlement	
d. Money laundering	

5. Political and social contributions – is there documentation explicitly indicating application of anti-corruption policy to:

a. Size and recipients of CSR/CSI contributions (direct and in-kind) to social organisations	
b. Size and recipients of donations (direct, indirect and in-kind) to political parties or organisations, or to individual representatives or candidates	

6. Materiality[15] of corruption – is there documentation explicitly spelling out:

a. How corruption impacts on the corporation?	
b. How the corporation may impact on corruption, either negatively or positively, including in the context of its own business operations and transactions with public or private entities?	

7. Responsibility for addressing corruption – is there documentation explicitly spelling out:

a. Who[16] is responsible for leading anti-corruption policy in the corporation?	
b. Whether the responsibility for anti-corruption is linked to the individual's performance assessment?	

8. Resources devoted to anti-corruption – is there documentation providing the quantum of resources devoted to anti-corruption policy implementation:

a. Financial resources?	
b. Human resources?	

[11] Note that 2a will apply to all companies, foreign and South African, while 2b will apply to all foreign companies, but may not apply to all South African companies.

[12] *Voluntary international standards or initiatives* may include (i) national laws of countries where the company has no operations and so *is not required to comply* e.g. UK Bribery Act or US Foreign Corrupt Practices Act, for companies which do not operate in UK or US respectively; or (ii) voluntary standards of international bodies, such as the OECD Guidelines for Multinational Enterprises, the OECD Anti-Bribery Convention, the UN Global Compact or the UN Convention against Corruption.

[13] *Personal expenses* are expenses incurred outside of work, such as costs of children's education, family healthcare or holiday trips.

[14] *Indirect political contributions* are those made through intermediaries such as lobby groups, charities, think-tanks or trade associations.

[15] Materiality refers to economic, social, environmental and/or governance impacts, which may have substantive influence on assessments or decisions of different stakeholders in the company. Companies are expected to report on materiality even when they have no leverage to affect an issue.

[16] *Who* refers to the position within the executive, not name of the individual currently occupying that position.

9. Mechanisms to address corruption – is there documentation explicitly spelling out the following:

a. The existence of a whistleblowing mechanism?	
b. Whistleblower confidentiality?	
c. Whistleblower anonymity?	
d. Whistleblowing without risk of reprisal?	
e. Are the whistleblowing contact details well-communicated and easily obtainable by stakeholders?	
f. A clearly specified internal inquiry process to deal with incidents/allegations of corruption?	
g. Clearly specified sanctions for different acts of corruption?	

10. Review and evaluation of anti-corruption policy and its implementation – is there documentation explicitly spelling out:

a. The need for regular review and evaluation of the policy?	
b. The need for that evaluation and review to involve an external reference, such as benchmarking against other corporations or an independent rating?	
c. That anti-corruption policy has been reviewed in the past three years?	
d. That anti-corruption practice has been reviewed in the past three years?	
e. That changes in procedures have been implemented in response to the review and evaluation?	

11. Assessment of risk – is there documentation explicitly spelling out:

a. That risk assessment includes a specific focus on corruption?	
b. How (potential) conflict of interests are identified and managed?	
c. The number/percentage of operations (individual sites) risk-assessed for corruption in the past year?	

12. Anti-corruption training & communication – is there documentation explicitly spelling out for each group (defined in Q3 above):

a. The number **or** percent who have received communication on corruption
b. The number **or** percent who have received training on corruption

	a. Communication	b. Training
1. Board members (non-executive)		
2. Employees (including executives)		
3. Business partners		
4. Agents		

c. Is there further detail provided on communication or on training? YES/NO

13. Incidents of corruption – is there documentation reporting on:

a. The number and classification of reported and confirmed incidents?	
b. The number of incidents resulting in disciplined/dismissal of employees/directors?	
c. The number of incidents resulting in termination/non-renewal of business partners' or agents' contracts?	
d. The number of incidents resulting in information being passed by the company to police or legal authorities?	

14. Involvement in *collective action*[17] against corruption – is information provided on:

a. Collective action participation by the corporation?	
b. Collective action participation by senior management?	

B. Organisational transparency Weight of this section: ______%

Does the corporation fully disclose the following?

For each	1. Consolidated subsidiary	2. Non-fully consolidated holding
a. Name		
b. Percent owned		
c. Country of incorporation		
d. Countries of operation		

C. Country-by-country reporting Weight of this section: ______%

1. **Does the corporation disclose the number of countries where it operates, *aside from South Africa?***
2. **Does the corporation fully disclose the following for each country where it operates *aside from South Africa?***

Item	Disclosure
a. Revenue/sales	
b. Capex	
c. Pre-tax income	
d. Income tax paid	

D. Notes on Scoring

1. Scoring: 0/1/2. For sections B and C: full disclosure = 2; some disclosure = 1, no information = 0.
2. Weights for sections: Anti-Corruption – 80; Organisation Transparency – 10; Country-by-country Reporting – 10. But for some companies, Section B will not apply, and for some companies, section C will not apply. In these cases, the weight of Section A should be increased accordingly.
3. Question 2: If 2b doesn't apply, because company does not operate outside South Africa, 2a and 2c are weighted 1.5 each. 2. If policy indicates that compliance with home country law (as per 2a) also achieves compliance with host country laws, then score 2 for 2b. If policy indicates that company actively ensures that host country laws are complied with, then score 2 for 2b.
4. Question 3c: 1 for suppliers/contractors, 1 for customers.
5. Questions 3d & 4: 2 if detailed categories mentioned, 1 if concept only is mentioned, 0 if none.
6. Question 6b: 2 if both potential positive and negative impacts indicated, and public and private entities, 1 if only some of these.
7. Questions 10c & 10d: 2 if yes, 1 if reviewed but more than three years ago.
8. Question 11: 2 if there is a specific assessment of corruption risk, 1 if corruption is mentioned explicitly as part of broad risk assessment, 0 if corruption is not mentioned as part of risk assessment.
9. Section C - Question 1: yes = 2; if multiple countries indicated but number not specified = 1; No = 0. Question 2, on on each item: full disclosure = 2; some disclosure = 1; no disclosure = 0.

[17] *Collective action* is defined as pledges, joint letters, participation in forums, explicit support for business association statements, public statements/speeches etc.