Building public trust through tax reporting

A review of the tax disclosures of the top 100 companies on the JSE in 2017

November 2018

pwc

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1 Foreword

Tax reporting has come a long way since we started with the Building Public Trust initiative, which was introduced by PwC to encourage and promote greater voluntary transparency in tax reporting. We have seen some companies take a more balanced approach to reporting and developing reporting formats to better connect with audiences beyond traditional reporting to stakeholders.

Establishing transparency, being responsive and providing vital information enable corporates to promote themselves as trusted brands. This means taking steps to go further than regular communication to stakeholders. It also requires corporates to reconsider whether their corporate reporting is effective, as it is fundamental to building trust through transparency and accountability.

Taxation in Africa plays a vital role in effectively raising and allocating domestic resources for governments to deliver essential public services and achieve broader development goals. However, in the 2018 PwC CEO Survey it was noted that the increasing tax burden is the second-biggest threat for corporates operating in Africa. One of the reasons is that, even if a multinational in Africa is operating within the law, public perception of its tax policies could erode trust. A range of stakeholders are interested in tax, including regulators, NGOs, investors, the board, the media, employees, the finance department – the list is long and growing.

It is against this backdrop that we present this insight into voluntary tax reporting for the financial year ending 31 December 2017. We summarise trends that are shaping the transparency landscape and provide examples of how companies are responding, by using voluntary tax disclosures to tell their story, thereby demonstrating corporate citizenship as responsible taxpayers. In our own firm, we're guided by our purpose of building trust in society and solving important problems, so you can see how the ethos of our "Building Public Trust" series resonates with us as a firm.

It is accepted that there is a range of approaches and it's important to consider the purpose of each transparency initiative and the value that it will bring to the taxpayer and its stakeholders. For some companies, where the business case is insufficient, there will be little activity in this area. Others, however have dedicated time and energy to developing voluntary disclosures and driving the debate on tax transparency. PwC is proud of its long history in supporting the disclosure of meaningful and relevant tax information.

We wish to thank the Department of Accounting at the University of Pretoria for assuming responsibility for the assessment of the top 100 JSE-listed companies. An extraordinary amount of effort and dedication is required to source the relevant data and assess it against an agreed transparency framework, and the University's contribution in this regard is both invaluable and greatly appreciated.

David Tarimo
Lead Tax and Legal Services Africa

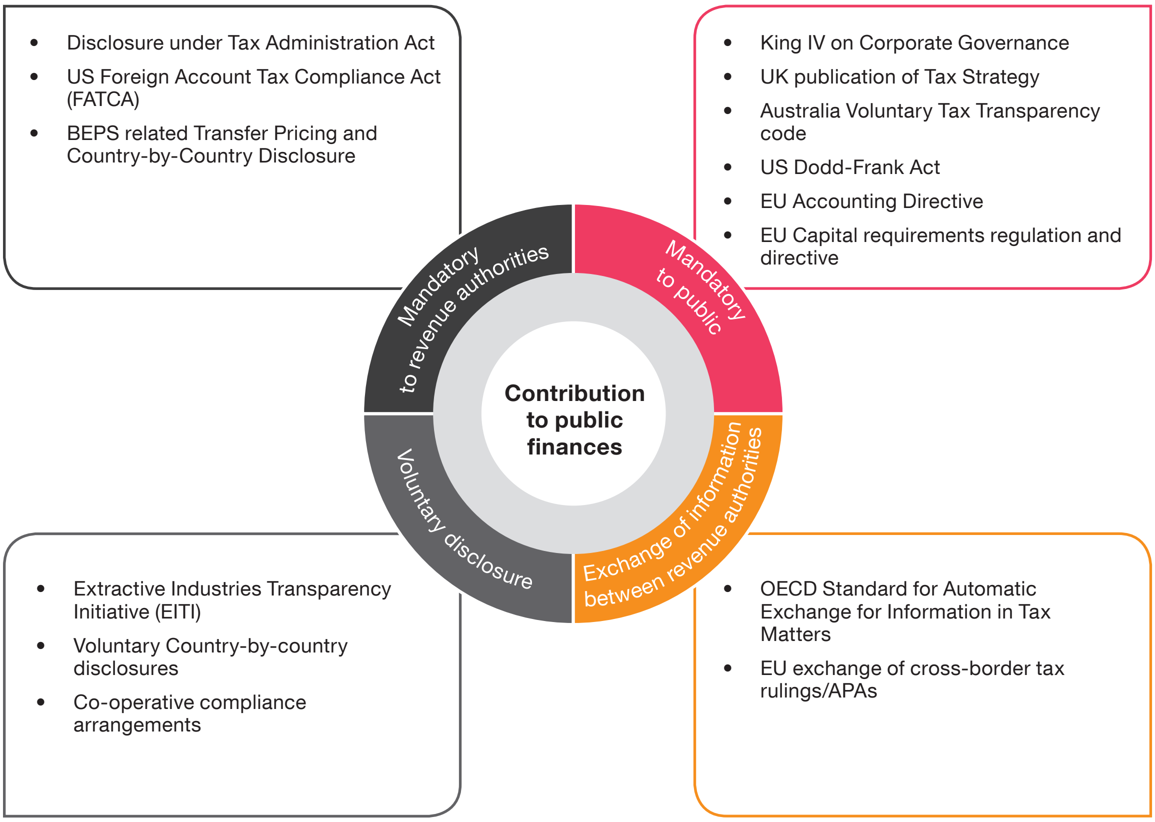
Gert Meiring
Lead Tax Reporting & Strategy Southern Africa

2 Governing boards now play an active role in ensuring responsible tax citizenry

The King IV report on Corporate Governance (King IV) has brought substance to the requirements of being a responsible taxpayer in South Africa. It views aggressive tax strategies as unacceptable. King IV is applicable to listed companies in South Africa and requires of their governing boards to demonstrate corporate citizenship as responsible taxpayers.

Considerations should include, inter alia, responsible tax policies, and King IV suggests disclosure – e.g. a company's tax strategy and tax governance structure. King IV also suggests that the organisation's board and audit committee should be responsible for a tax strategy and policy that are compliant but also congruent with corporate citizenship and wider stakeholder considerations, and take account of reputational repercussions.

Various global tax related disclosure initiatives



3 Other trends that are shaping the transparency landscape

As companies look to build trust over their tax affairs, we are also seeing a significant move towards open and honest information about a taxpayer's position on tax, tax strategy, tax risk management, tax numbers, key performance indicators, and economic contributions (taxes and other regulatory levies payable to the government, investment in infrastructure, employment opportunities and social upliftment) per jurisdiction. Explanations of internal tax governance processes are recognised as evidence of tax oversight at board or audit committee level.

Information about how a company generates or preserves value over the longer term, and how it captures that value, its purpose, what it does and why it does it, as well as a high-level understanding of its structure and the markets in which it operates is becoming more relevant in the current tax environment.

In a world where today's companies are increasingly global and complex, an understanding of supply chains provides clarity on the flows of tax in a business. Does the company refer to 'paying tax where profits arise', and, if so, does this align with the business model?

4 Messages from multinationals

"Increasing transparency and improving understanding of the tax we pay is important to help our customers, shareholders and other stakeholders understand that we make a full and fair contribution to the countries in which we operate. It also shows that we are consistent and clear in our tax policies across the Group.

We have found that providing greater insight around the taxes and other contributions we make, enhances our relationships and the engagement we have about tax with authorities, the general public and other stakeholders. We want to be seen as a good corporate citizen and tax transparency helps increase public understanding of the levels of contribution we make to public finances."

Shane Govender, Managing Executive Group Tax: Vodacom Group

"We are motivated to be transparent about our taxes to show that we are responsible corporate citizens in the various countries in which we operate".

Carel Gericke, Group Executive: Tax: MTN

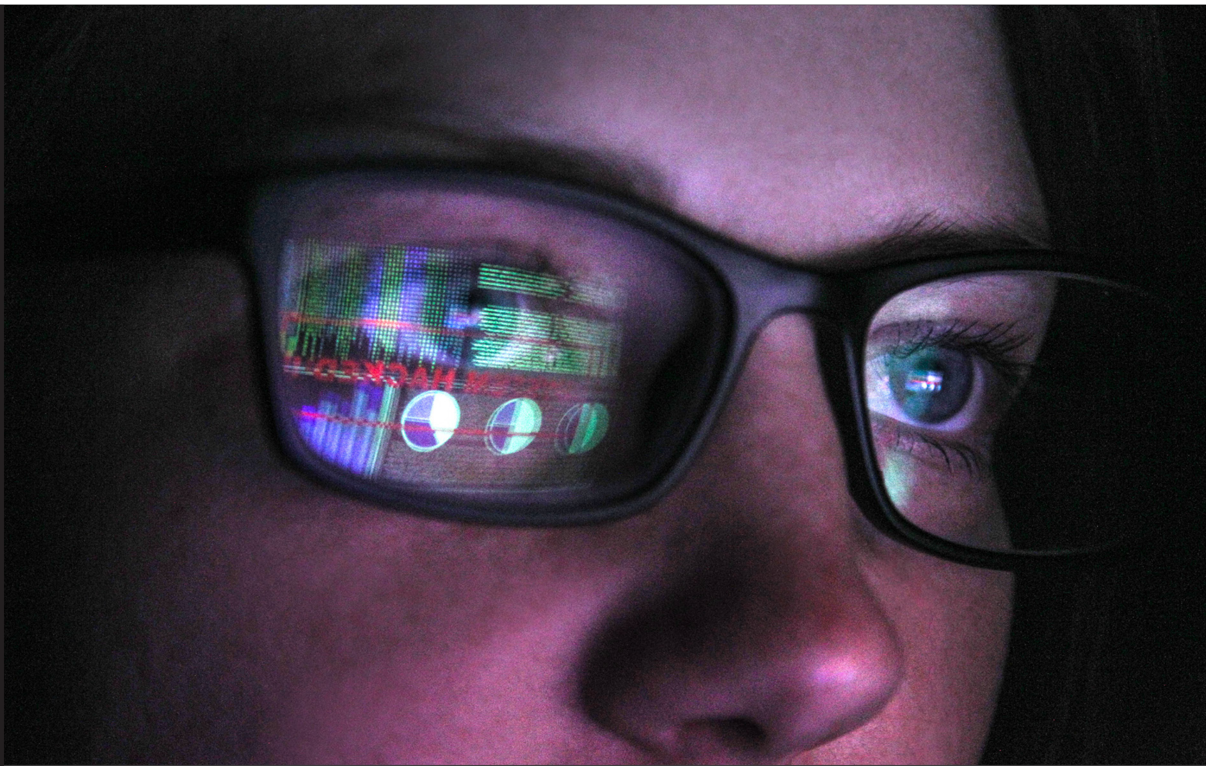
"The Harmony culture has always remained to be transparent in all our activities as a responsible citizen wherever we operate. From a tax disclosure point of view the first point of departure is always that the tax information disclosed should enable the reader of the financial statements to understand Harmony's tax position, bearing in mind that the gold mining tax position is unique."

James Jackson, Head of Tax: Harmony Gold

"The main motivation to be transparent in our taxes is to improve AnglogoldAshanti's standing in tax affairs, in dealings with tax authorities, globally. In negotiations with tax authorities and in public forums, we have to demonstrate transparency in our tax affairs, thereby making the public aware that we are responsible when it comes to tax affairs. The value we experience is that trust is built over time, thereby improving our standing in the global community and improving shareholder returns."

George Trollope, Vice President Taxation: Anglo Gold Ashanti

5 Tax transparency: Is public perception eroding trust?



A relationship of mutual trust, transparency and goodwill between taxpayers, government and the public is a crucial foundation of any well-functioning society. Unfortunately, public trust is unravelling, leading to disillusionment and perceived evasion. The C-suite, as well as investor relation and finance teams, need to be aware that there is a growing public perception that multinational companies are not paying their fair share of taxes, especially in developing countries. For this reason it is imperative to establish and maintain a formalised approach and strategy to tax transparency, including communication that defines key messages, consistent messaging and clarity of participants, roles, channels, format and frequency.

6 Disclosure to whom and for what purpose?

The PwC Tax Transparency Framework is intended to guide companies in developing a transparency strategy fit for purpose.

The framework does not necessarily lead to more disclosure on tax matters, but is intended to help companies make an informed decision on ‘transparency to whom and for what purpose’. If a company is able to identify which disclosure could create value, who its stakeholders are and what they want to know, it could prove to be helpful in the turbulent tax landscape of today.

Each company’s response to tax transparency will be different. For some the driver will be regulation, while others will undertake a strategic project to understand the risks and benefits of additional voluntary transparency to improve relationships with external stakeholders, to enhance their reputation as good corporate citizens, or to address media scrutiny. These might include external stakeholders such as investors, regulators, tax authorities and NGOs as well as internal stakeholders such as non-executive directors, the board, employees, tax departments and corporate and social responsibility departments.

Key elements of the PwC Tax Transparency Framework

- Discussion of tax objectives and strategy
- Disclosure of policies in key areas for the business, for example, tax planning and transfer pricing
- How the tax strategy and function are managed and who has responsibility for governance and oversight
- Discussion of material tax risks

- Clear reconciliation of the tax charge to the statutory rate
- Discussion of cash tax payments and how they relate to the tax charge
- Forward-looking measures for tax, such as an indication of the future direction of the company tax rate

- Show how tax impacts wider business strategy and company results
- Discussion of advocacy activities on tax
- The impact of tax on shareholder value
- Communication of the total economic contribution in each country of operation

7 Demonstrating corporate citizenship as a responsible taxpayer

The purpose of a company extends beyond creating value for shareholders. It includes the company's role in society, and the contribution it makes to the economy and to the lives of employees, customers and communities where it is located.

Establishing transparency, being responsive and providing vital information enables corporates to promote themselves as a trusted brand. This means taking steps to go further than regular communication to stakeholders. It also requires corporates to reconsider whether their corporate reporting is effective, as it is fundamental to building trust through transparency and accountability.

Tax is a fundamental element of corporate responsibility, and an area where we see increasing disclosures. This often occurs in corporate responsibility reports as companies seek to highlight their contribution. There is now a new focus on the Sustainable Development Goals (SDGs). This set of 17 goals, developed in 2015 by the UN, saw countries 'adopt a set of goals to end poverty, protect the planet, and ensure prosperity for all'. Each goal has specific targets to be achieved over the next 15 years, and every UN member state has unanimously committed to support and achieve these goals by 2030. Governments will need help to do this and are calling on businesses to do their part. Tax is fundamental to the SDGs, since tax revenues are needed to fund investment and this is relevant for every global company. Many large corporates have undertaken to include SDGs within their reporting, and, where this is the case, the link to tax should be made. So when corporates are scrutinised for their tax positions, they should be able to explain to investors how their company's global tax strategies align with their sustainability commitments.

Tax transparency linking to other areas of reporting

1 Tax strategy and risk management

How the entity intends to create and maintain value, including strategy and business model.

2 Business environment

The internal and external environment in which the entity operates including principal risks and uncertainties.

3 Commitment to behaving responsibly

The company's role in society, the contribution in makes to the economy and to the lives of employees, customers and communities where it is located.

8 A focus on creating strategic value and being future ready

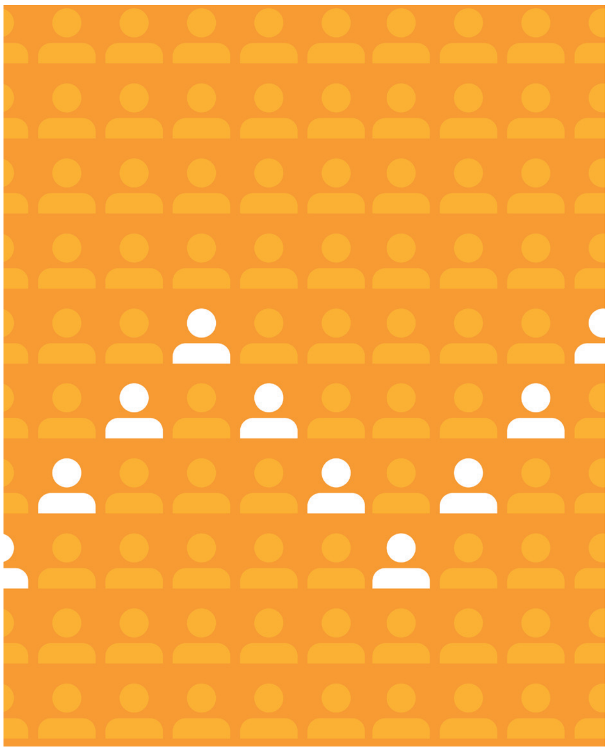
The world is changing, and the role of the tax function is changing – scrutiny over tax positions taken will only increase.

Taxpayers should be comfortable that:

- There is clarity in the business they run on how tax fits into its approach and strategy on corporate responsibility.
- The business is ready to take up the challenge of greater tax transparency and how better to communicate its tax affairs.
- Internal stakeholders understand that corporate decisions around taxation are financially material and therefore relevant for creating long-term value.
- Data related to the business's position on tax, tax strategy, tax numbers, key performance numbers, and economic contributions (taxes and other regulatory levies payable to the government, investment in infrastructure, employment opportunities and social upliftment) per jurisdiction is not just accessible for disclosure but relevant and understandable.
- The business has a clearly defined tax stakeholder engagement plan to build stronger relationships and effectively communicate tax-related information to governments, regulators, investors, and the public.
- Key performance indicators and management reports relating to the tax transparency issue are in place.

In order to address the changing tax world taxpayers need to be future aware and future ready. Accordingly, it is necessary not only to know where you want to go – you must also think about how you will get there and what the journey will look like. In the process you would be able to create value through tax transparency, as it:

- demonstrates responsible citizenry, builds trust, and enhances reputation
- improves the relationship with revenue authorities
- helps investors understand the effect of taxes on the bottom line
- preempts media scrutiny
- helps stakeholders better understand the benefits provided by business
- demonstrates the link between tax and economic development
- indicates accountability.



9 How should companies decide what disclosures to make?

To make a fully informed decision, companies will need to consider a range of factors such as:

- What are their existing and future mandatory disclosure obligations under regulations such as accounting standards, country-by-country reporting and tax strategy disclosures?
- What are the risks inherent in mandatory disclosures and could more information help to explain that mandatory data and by doing so mitigate any risks?
- How does the company compare to its peers in terms of tax contribution, effective tax rates and the nature and extent of disclosures?
- Are there factors that would increase public interest in their tax affairs – e.g. a brand name, media scrutiny, public listing status, an industry that has a high profile in tax matters or an usually low effective tax rate?
- What disclosures would create value? Where companies have identified a stakeholder interest, consider what would most benefit the company in terms of disclosure – which might be no voluntary public disclosure.
- Are the disclosures understandable? Do the disclosures actually address the needs of the stakeholders and are they understandable to the target audience?
- Are there systems to support the disclosures? The board is likely to need comfort not only that the data in any disclosures is correct, but also that any assertions around governance can be supported.
- How can tax be integrated with other disclosures? We are seeing increasing examples of tax being included in broader statements on a company's economic and social contributions.

10 Multinationals' total economic contribution in 2017

Quick facts

We use our PwC Tax Transparency Framework to carry out a review of the tax reporting and transparency of the top 100 companies listed on the Johannesburg Stock Exchange. The Framework includes 40 broadly defined tax transparency indicators that we consider to be the basis of good practice in tax reporting. These indicators are grouped under the following categories:

(a) tax strategy and risk management,

(b) tax numbers and performance, and

(c) total tax contribution and the wider impact of tax.

The sample firms evaluated are selected on the basis of market capitalisation on 31 December 2017. This composition is fairly similar to that assessed for the previous year. In terms of market capitalisation, the greatest representation is from the consumer goods (36%), basic materials (21%) and financial (20%) industries.

Annual reports, corporate social responsibility reports, annual financial statements, integrated reports and relevant website information were reviewed to conclude on our findings.

Tax strategy and risk management

We found that most companies classified tax as an element of their business risks. Some of these focused on tax alone; for others, tax risk was part of regulatory obligations, political or fiscal developments, operational efficiency and financial risks.

It is important to provide further explanatory detail on tax as a risk, the mitigating actions taken by the board to manage the impact and the links to management judgments and estimates around uncertain tax positions.

The approach to tax was disclosed in some way by companies. Surprisingly, the majority of companies referred only to tax risk management, tax governance, oversight by the board and audit committee and relationship with tax authorities. Fewer companies referred to their tax strategy, approach to tax planning, transfer pricing strategy, controversial tax matters, impact of global policies and changes in legislation and the use of 'low-tax jurisdictions'.

We believe providing more clarity around controversial tax matters could be beneficial for both taxpayers and revenue authorities. Disclosure of these issues and how controversial matters are approached provides stakeholders with certainty that companies are actively involved in resolving tax-related matters and engaging with SARS on a regular basis. This further supports the idea of an increase in communication and transparency, and being a responsible corporate taxpayer.

Gold Fields refers to its position on aggressive tax planning, management of transfer pricing risk and other relevant legislation and regulations, and its processes that ensure that active business income is taxed at source.

Gold Fields' tax strategy and policy

Our tax strategy is to proactively manage our tax obligations in a transparent, responsible and sustainable manner, acknowledging the differing interests of all our stakeholders.

Gold Fields has invested and allocated appropriate resources in the group tax department to ensure we comply with our global tax obligations. The Group does not engage in aggressive tax planning and seeks to maintain professional real time relationships with the relevant tax authorities. In material or complex matters the Group would generally seek advance tax rulings, or alternatively obtain external counsel opinion.

Gold Fields has appropriate controls and procedures in place to ensure that we comply with relevant tax legislation in all the jurisdictions in which we operate. This includes compliance with Transfer Pricing (TP) legislation and associated TP documentation requirements, which is governed by our Group TP Policy. Our Group TP Policy is fully compliant with OECD guidelines and is regularly updated and benchmarked by independent experts. Uncertain tax positions are properly evaluated, and reported in terms of International Accounting Standard (IAS) 37 – Provisions, Contingent Liabilities and Contingent Assets. All material uncertain tax positions as per IAS 37 are fully disclosed to, and evaluated by our external auditors.

The Group is subject to South African CFC (Controlled Foreign Companies) tax legislation which is aimed at taxing passive income and capital gains realised by its foreign subsidiaries (to the extent that it was not taxed in the foreign jurisdiction). Therefore tax avoidance on passive income or capital gains cannot be achieved by shifting such passive income to low or tax haven jurisdictions.

The Group does not embark on intra-group gold sales and only sells its gold (or gold-equivalent product) directly to independent third parties at arm's-length prices – generally at the prevailing gold spot price. Active business income is therefore fully declared and taxed in the source country where the relevant mining operation is located, with the revenue accruing to the source country.

Source: The Gold Fields Integrated Annual Report 2017, p. 106

Sasol talks about its significant controversial tax matters and their effect as a key risk impacting financial performance.

We focus on minimising our tax risk in order to deliver sustainable value to our shareholders. Sasol received revised tax assessments from the South African Revenue Services (SARS) in respect of our crude oil procurement process. These assessments could result in an additional tax liability (including interest and penalties) of approximately R1,2 billion for the periods 2005 to 2014 and R11,6 billion for the periods 2013 to 2014 based on varying tax principles. Sasol co-operated fully with SARS during the course of the audit but, supported by our specialist tax and external legal advisors, disagrees with the SARS audit findings. Accordingly, we submitted objections to the revised assessments and requested suspension of payment. Sasol Oil and SARS have come to a resolution with regards to the request for suspension of payment, resulting in SARS suspending payment for the vast majority of the disputed tax.	The Group tax approach outlines the framework by which our tax obligations are met from an operational and risk management perspective. We are committed to fostering transparent and constructive relationships to ensure accurate, transparent and timely compliance with tax laws. The tax litigation process for the 2005 to 2007 years of assessment was concluded and judgement was delivered on 30 June 2017 in favour of SARS. Sasol, in consultation with our tax and legal advisors, does not support the basis of the judgement and has issues a Notice of Intention to appeal. The appeal was granted on 14 August 2017. A provision amounting to R1,2 billion has been recognised in the annual financial statements in respect of the litigation claim. The R11,6 billion tax exposure has been disclosed as a contingent liability at 30 June 2017. AFS *Further information on the litigation matter is provided in note 11 of the Annual Financial Statements.*

Source: Sasol Integrated Report 2017, p. 67

Anglo Gold Ashanti is honest and transparent in its reporting with details, not just vague comments indicating their commitment to tax strategy, governance, policies and procedures, and also going beyond the country-by-country reporting of taxes paid by category. An example of this is in their AFS contingencies note in which they detail the tax disputes by country with a useful overview of the issues, disputes, legal cases to date and exposures (in te example below. They are also very open about their judgment in their worldwide provision for income tax and uncertainty of estimates. It is also noted that Anglo Gold Ashanti in various reporting documents, including the Chairman's letter, the CEO report, the CFO report and the Audit and Risk Committee report) how they focus on reducing their tax exposure and the uncertain tax environments in which they operate. In their Remuneration Report for the CFO they give a breakdown of key achievements and targets and it is pleasing to see it includes successfully reviewing the group wide tax exposure and opportunities and integrating Finance and Group Tax in various operations.

Tax exposures (Consolidated)	
The Company is party to direct and indirect tax exposures from tax authorities in several countries in which it operates. The tax exposures in South America amount to $201m. Management's assessment of these exposures has been disclosed in the consolidated financial statements in the Contingencies Note 33. In South Africa and Continental Africa the majority of the direct tax exposures are considered remote and are therefore not disclosed. Indirect tax positions have been provided for where appropriate. The tax exposures are subject to judgement both in relation to interpretation of local tax regulations and the recognition and measurement of any potential provision against such exposures. Due to the aforementioned factors greater audit effort and executive involvement was required.	We focused our audit effort on the significant direct and indirect tax exposures in South America, South Africa and Continental Africa. We inspected relevant communications with tax authorities. With the assistance of our tax experts, our audit procedures included assessing the nature and amount of the tax exposures and the reasonableness of management's and their expert's conclusions on whether exposures are probable, contingent or remote. where exposures are assessed as probable, we evaluated the reasonableness of the amounts provided with respect to those exposures. We considered the appropriateness of the related disclosure in the consolidated financial statements.

Source: Anglo Gold Ashanti Annual Financial Statements 2017

The coherent disclosure of a company's approach to tax is vital, without which it is difficult to put other disclosures into context. A key consideration is how senior stakeholders will be engaged through what is communicated. The publication of a tax strategy is not a 'cut and paste' exercise, and companies need to build trust with their stakeholders that the strategy reflects how the business operates.

Vodacom sets out clear tax principles that form the foundation of its approach to tax.

Our tax strategy

Our tax strategy is to integrate tax efficiencies into all business processes and decisions, thus maximising shareholder value, while our legal tax obligation remains to pay all taxes due under the law wherever we operate, in accordance with rules set by those governments. The areas below form the foundation of our approach to tax:

- **Tax value:** To manage efficiently the tax cost of doing business for the Group, including the Group's cash taxes and effective tax rate, within the ambit of all applicable laws.
- **Risk and reputation:** To control and manage tax risks and the Group's reputation through appropriate policies, communication and robust defence.
- **Business partnering:** To be recognised as a vital business partner by our stakeholders and to facilitate the growth and development of the Group's business activities in a tax-efficient manner.
- **Influencing:** To influence governments and tax authorities constructively and positively in the interests of all our stakeholders.
- **People:** To develop and enhance our people professionally and personally as part of a world-class international tax team.
- **Compliance:** To ensure the integrity of all reported tax numbers and timely compliance with all relevant statutory tax obligations.
- **Customer experience:** To act where possible in meeting the above objectives in a way that will enhance our customers' experience.

Source: Vodacom Group Limited Tax and our contribution to public finances for the year ended 31 March 2017, p. 6

The benefits that are derived from the disclosure of a company's position on tax are that it:

- Addresses interest from stakeholders in the principles the company applies.
- Demonstrates how its tax strategy aligns with the wider business strategy.
- Gives comfort to investors that tax affairs are overseen at an appropriate level.
- Provides insight into the controls in place to manage the tax risks.
- Provides comfort that appropriate policy governs areas that are key to the particular business, such as tax planning, transfer pricing, low-tax jurisdictions and relationships with revenue authorities.

Barclays Africa refers to its own tax philosophy by explaining that the company fosters constructive and professional relationships with tax authorities and other government departments. When necessary, it consults with reputable external advisers to help manage its tax position and to ensure that it is making appropriate decisions that are consistent with the company's tax principles. In addition, profits are recognised and taxed in the locations in which the economic activity generating them takes place.

> *Our tax principles*
>
> We have clear tax principles that govern our approach to tax planning. These principles originated from Barclays and we retain them without major modification.
>
> Any tax planning must:
>
> - support genuine commercial activity;
> - comply with generally accepted customs and practice, in addition to the law;
> - be of a type that the tax authorities would expect;
> - only take place with customers sophisticated enough to assess its risks; and
> - be consistent with, and be seen to be consistent with, our Purpose and Values.
>
> Should any of these principles be threatened, we will not proceed – regardless of the commercial implications.

Source: Barclays Group Africa, GRI report, p. 30

MTN manages the group's approach to tax with its shareholders and other internal/external stakeholders. It highlights that a tax risk management framework ensuring that tax risks are appropriately identified, prioritised and managed is a fundamental pillar in MTN's approach to tax. MTN provides thorough insight into the tax landscape in which it operates.

> Against the backdrop of the increased focus on tax and transfer pricing by revenue authorities, legislators, regulators and various (national, regional and international) forums, there has also been an increased focus in the media and in the public domain on the tax and transfer pricing position of multinational enterprises. Over the past few years, various multinational enterprises, including MTN, have been the subject of news articles about tax issues, with varying degrees of accuracy and nuances. As noted, MTN closely follows all relevant international tax and transfer pricing developments and endeavours to be compliant with all relevant regulations.

Source: MTN Group Ltd, Tax report, p. 7

Tax numbers and performance

Companies are generally expected to fare well in their reporting on tax numbers and performance, as this is closely aligned to the required disclosures in the accounts under financial reporting standards and other applicable regulations.

We look for a clear explanation as to why the current tax charge is not simply accounting profit at the statutory rate or some insight into the effective tax rate. We also look for a clear reconciliation from cash tax to the tax charge and forward-looking measures, such as forecasted cash tax rate.

Most companies provide a clear and understandable tax rate reconciliation and demonstrate consistency between the tax expense line item, ITE note and DT note.

MTN provides a reconciliation between its statutory and effective tax rate, analysing the reconciling items with an explanation of the difference to the 2016 rate, which was due to lower profit before tax, non-deductible expenditure impact, regulatory fines and related expenses, withholding taxes and the assessed loss impact on which deferred tax was not recognised.

Group effective tax rate (GETR) reconciliation	2017 %	2016 %
GETR	**52,48**	159,19
Main reconciling items		
Other	(4,36)[18]	(8,18)[19]
Sudan non-deductible expenses	(10,98)	(22,21)
Non-taxable tower profits/IHS exchange rights gain	18,14	0,34
Non-deductible derecognition of IHS loan	(8,32)	–
Nigeria regulatory fine and related expenses	(4,53)	(63,47)
Foreign income and withholding taxes	(9,09)	(19,73)
Assessed loss on which deferred tax was not recognised	(2,78)	(12,07)
Non-deductible interest expenses	(2,56)	(5,87)[20]
Standard ETR	**28,00**	28,00

[18] *This mainly consists of: Share of profits from MTN JVs and associates (2,46%); goodwill impairment (-7,71%); foreign tax rate adjustment to RSA standard rate (7,23%); and other miscellaneous (-6,34%).*

[19] *Principally the same items as explained in the year 2017 footnote for "Other" items.*

[20] *This mainly relates to non-deductible interest expense incurred in MTN Holdings and MTN Mauritius (two of the group's holding companies).*

Comments

Turnover tax applied with result that bulk of operational expenses and loss not allowable for tax purposes i.e. a tax at 5% of turnover and other income less: interconnect, roaming and transmission costs, and commission and discounts.

In 2017 this related to a gain realised on the exercise of the IHS exchange right. This profit offsets the loss on derecognition of IHS loan in H2 of 8,3%.

The 2017 expense relates to the unwind of the discounting of the liability. The 2016 expense also includes the remeasurement impact when the settlement was entered into.

This relates mainly to denied deferred tax credits on assessed losses in South Sudan, Afghanistan and Conakry.

Source: MTN Group Ltd, Tax report, p. 16

The majority of companies mentioned their cash tax payment or cash tax rate, and some provided a comparison of their income tax paid / effective tax rate.

Vodacom includes narrative that provides further explanation of its external revenue, profit before tax, tax charge and effective tax rate compared to the previous reporting period and a comparison of its tax charge to its total cash tax paid. It is also noted that Vodacom has disclosed this information on a country-by-country basis.

Summary of our contribution

We are a major investor, taxpayer, employer and purchaser of local goods and services, and contribute to value creation in our countries of operation through capital investment and the provision of income, incentives and benefits to our employees.

In 2017, Vodacom's external revenue generated was R81 260 million, on which we made a profit before tax of R19 228 million (excluding dividends).

The Group's tax charge of R6 102 million was 2.8% higher than the prior year (2016: R5 934 million) in line with growth in operating profit. The Group's effective tax rate increased to 31.7% from 31.5%.

The difference between the total contribution to public finances of R16 082 million (2016: R14 710 million) and the tax charge of R6 102 million (2016: R5 934 million) relates to a multitude of taxes other than corporation tax. The year-on-year increase in the total contribution to public finances is primarily related to the increase in service revenue and profits.

Source: Vodacom Group Limited Tax and our contribution to public finances for the year ended 31 March 2017, p. 4

A minority of companies provided insight into the main drivers for their effective tax rate and the number of years in which deferred tax assets/losses are expected to be recognised.

Gold Fields provided a detailed explanation of an adjusted effective tax rate.

The table below summarises an indicative tax rate in 2017 on a country by country basis, adjusted for tax items that are not related directly to (loss)/profit before taxation or relate to the recognition of deferred tax assets:

	South Africa[1]	Ghana	Peru	Australia[3]
Statutory corporate tax rate	**30.0%[1]**	**32,5%**	**31.5%[2]**	**30,0%**
(Loss)/profit before taxation (US$ million)	(36,2)	161,3	133,5	314,4
Mining and income taxation (US$ million)	(10,9)	55,5	36,1	95,2
Effective tax rate before adjustments	30,1%	34,4%	27,0%	30,3%
Adjusted for:				
Deferred tax assets recognised at Cerro Corona and Damang	–	5,7%	11,2%	–
Deferred tax raised on unremitted earnings at Tarkwa	–	(5,6%)	–	–
Deferred taxation movement on Peruvian Nuevo Sol devaluation against US Dollar	–	–	3,4%	–
Indicative tax rate	**30,1%**	**34,5%**	**41,6%**	**30,3%**

[1] For the purpose of this analysis, only the South African South Deep mine has been included. South African mining tax on mining income is determined according to a formula which takes into account the profit and revenue from mining operations. South African mining taxable income is determined after the deduction of all mining capital expenditure, with the proviso that this cannot result in an assessed loss. Capital expenditure amounts not deducted are carried forward as unredeemed capital expenditure to be deducted from future mining income. Accounting depreciation is ignored for the purpose of calculating South African mining taxation. The effective mining tax rate for Gold Fields Operations Limited ("GFO") and GFI Joint Venture Holdings Proprietary Limited ("GFIJVH"), owners of the South Deep mine, has been calculated at 30.0%.

[2] In Peru the Group pays both the statutory corporate tax of 29.5% and a special mining tax of 2.0% - 8.4% of operating income, depending on the Company's operating margin. As a result the Group's statutory tax rate in Peru on taxable income for 2017 is 31.5%

[3] This includes the continued and discontinued operations for Australia.

Adjusted "normalised" tax rate reconciliation

The Group has provided a reconciliation of the tax rate that would be indicative after adjusting for significant non-deductible expenses to reflect an adjusted "normalised" tax rate for continuing operations:

Source: Annual Financial Statements of Gold Fields Limited for the 2017 year of assessment, p. 48

A detailed disclosure of tax numbers and performance provides the following benefits:

- It explains how actual tax paid to revenue authorities relates to the financial results of the organisation
- It gives greater visibility over corporate tax paid.

Total tax contribution and wider impact

The majority of companies commented on the effect of tax on shareholder value and discuss the link between tax and economic value-added activities. Most companies also mention taxes other than corporate tax. Some companies disclose this figure as part of a discussion, but others show the contribution using pie charts and graphs. However, our findings indicate that most companies still have challenges in communicating their total tax contribution on a country-by-country basis.

Barclays Africa demonstrates its total tax contribution, over and above its corporate tax liability, and provides a snapshot of the spread of its contribution across the various countries of operation.

Focus on tax

The Group significantly contributes to the economies in the countries in which it operates. In addition to tax on profits, it also pays withholding taxes (on dividends and certain other income received) as well as VAT on goods and services from suppliers (unlike most other businesses, banks can only claim back a small proportion of the VAT incurred, making this a significant final cost to the Group). Although taxes paid by us remain the focus, we have also included some information on the taxes that we collect on behalf of governments and others (together both taxes collected and paid make up our total tax contribution).

2017 taxes paid (2016 comparatives)

Per tax type (%)

- 71.8 (73.4) Corporate tax
- 17.6 (15.9) Irrecoverable VAT
- 3.7 (3.5) Payroll taxes
- 0.4 (0.7) Regional Service Council Levy
- 1.4 (1.2) Property taxes
- 5.1 (5.4) Withholding taxes

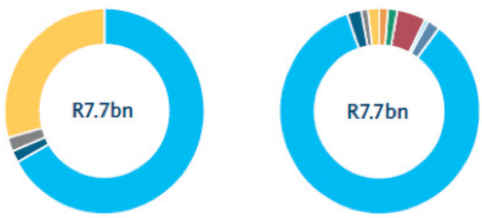
Per country (%)

- 2.2 (2.9) Botswana
- 76.0 (80.5) South Africa
- 5.8 (5.7) Ghana
- 2.1 (2.5) Tanzania
- 6.4 (6.6) Kenya
- 0.9 (1.0) Uganda
- 1.4 (0.3) Mauritius
- 3.2 (0.4) Zambia
- 1.1 (0.2) Mozambique
- 0.1 (0.1) Other
- 0.7 (0.0) Seychelles

Taxes collected on behalf of goverment (2016 comparatives)

Per type (%)

- 66.7 (62.1) PAYE
- 2.1 (1.7) Unemployment Insurance Fund/social security
- 2.3 (3.8) Security transfer tax
- 28.9 (32.4) VAT recovered



Per country (%)

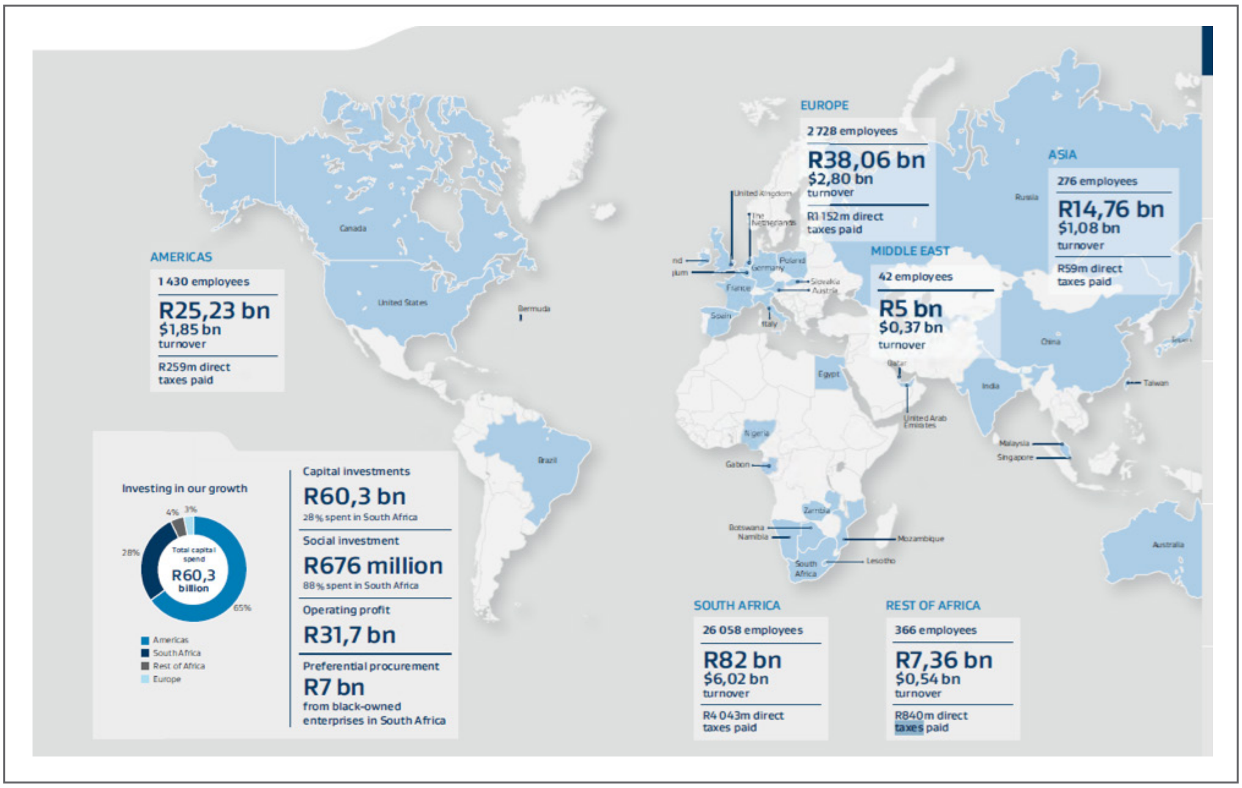
- 1.4 (1.4) Botswana
- 84.8 (81.9) South Africa
- 1.5 (2.4) Ghana
- 2.3 (2.5) Tanzania
- 4.6 (6.8) Kenya
- 1.0 (1.3) Uganda
- 0.7 (0.7) Mauritius
- 1.8 (1.8) Zambia
- 1.8 (1.1) Mozambique
- 0.0 (0.1) Other
- 0.1 (0.1) Seychelles

Country	Number of employees	Revenue less other income Rm	Profit before tax Rm	2017 Taxes paid Total tax Rm	Corporate taxes Rm	Payroll taxes Rm	Irrevocable[1] VAT Rm	WHT and other taxes Rm
Botswana	1 194	1 923	741	178	128	0	8	42
Ghana	1 097	2 854	1 665	475	418	23	6	28
Kenya	2 432	4 144	1 391	521	499	1	15	6
Mauritius	697	1 406	805	112	81	8	21	1
Mozambique	882	1 253	320	88	26	0	9	53
Seychelles	237	389	185	58	54	0	3	1
South Africa	31 649	56 471	14 754	6 177	4 387	216	1 292	283
Tanzania	1 727	1 676	116	174	62	25	39	49
Uganda	885	956	296	77	0	17	10	50
Zambia	903	1 575	599	260	177	12	28	43
Other[2]	–	61	5	5	3	0	1	0
Total	41 703[LA]	72 657	20 879	8 125	5 835	302	1 431	557

[1] At this stage the irrecoverable VAT in some of the African jurisdictions is not reflected separate from the original expense.
[2] Representative offices in Namibia and Nigeria.

Source: Barclays Africa Group Limited 2017 GRI report, pp. 29 & 31

Sasol demonstrates how it leverages growth through its global presence, and links its tax contribution to other value-added economic contributions.



Source: Sasol Integrated Report 2017, p. 8

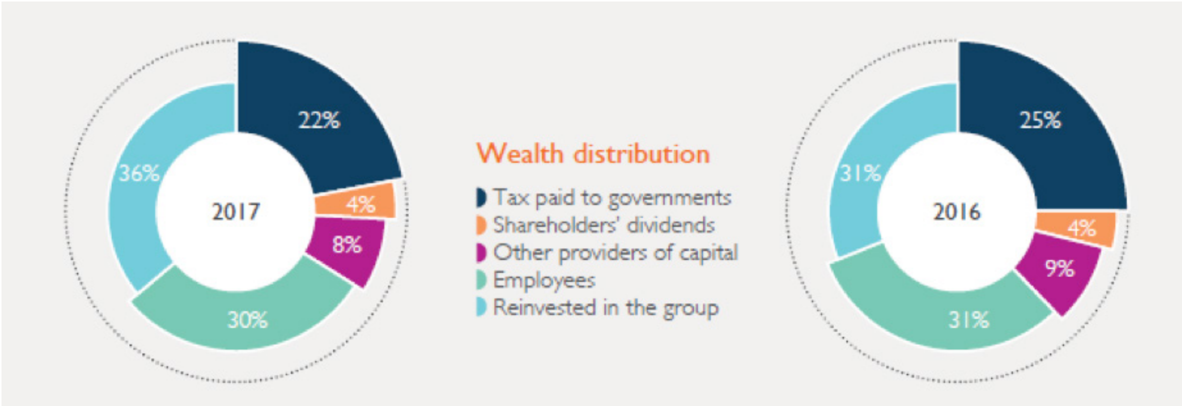
It is expected that going forward more proactive reporting around the impact of tax on general business strategy, country-by-country initiatives, advocacy/lobbying initiatives and the importance of tax transparency/stakeholder interest in tax mentioned will become evident.

Traditionally, a company's tax reporting focuses on corporate tax. However, companies are subject to a range of other direct taxes, collect a significant amount of indirect taxes on behalf of governments and are in certain cases also subject to direct non-tax fees and levies, the sum total of which can be regarded as their total cash tax contribution. Total tax contribution quantifies the total amount of taxes generated by a company and contributed to the public finances.

To further understand the total economic contribution the company makes in the economies in which it operates, our review looks away from traditional accounting disclosures and towards understanding the wider picture. We look for additional detail of a company's economic value-add and its contribution
to societies.

A discussion of how tax impacts the business strategy, how taxes are paid and collected through the value chain of the company and details of advocacy is valued.

Naspers demonstrates its value-add activity by indicating that 22% of wealth created was paid in taxes and skills development levies to local governments and is nearly five times what shareholders are paid in dividends.



Source: Naspers Limited integrated annual report 2017, p. 19

Vodacom indicates that one of its strategic objectives is to proactively engage with governments, revenue authorities and other key stakeholders in a constructive and positive manner in order to ensure that tax policy encourages digital inclusion, economic growth and fiscal stability.

Our contribution to the development of tax policy

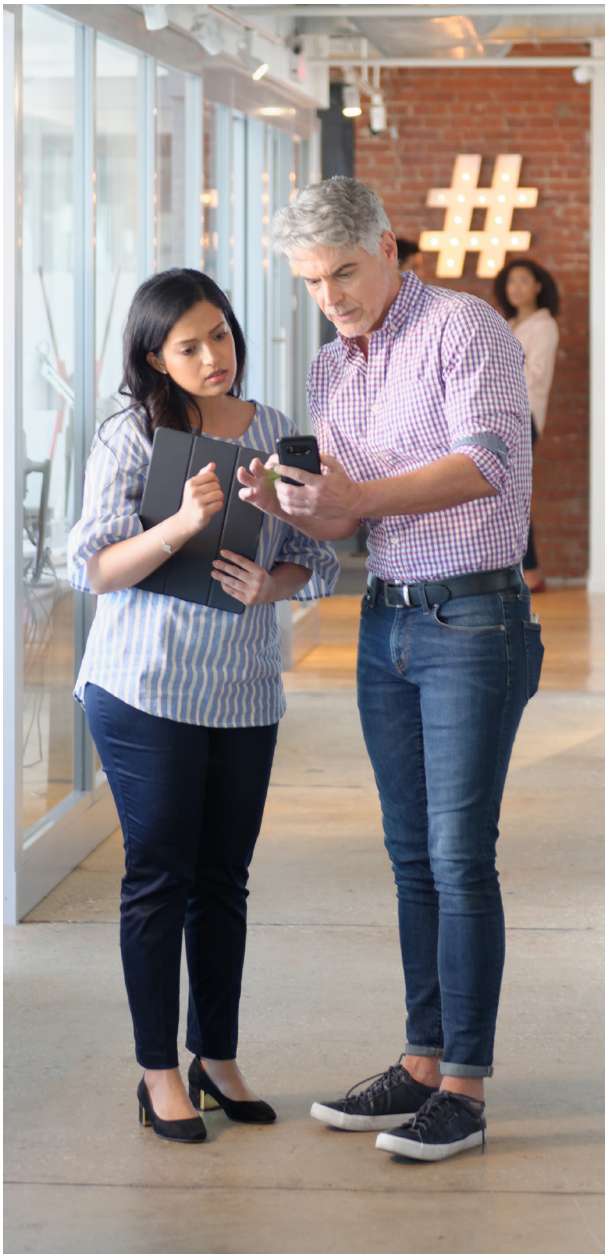
Despite the widespread growth of mobile services, affordability remains a significant barrier to further adoption of the mobile technology required for these services, particularly in developing markets. Taxation of mobile services remains an important policy issue, as high taxes on mobile restrict the growth of the sector, the use of networks and investment in wider infrastructure, hindering the economic benefits they offer.

In our markets studies have shown that access to mobile services promotes digital inclusion, enabling millions to benefit from the exchange of information, increased productivity, and improved access to banking services, education, healthcare and government services. Mobile services create economic activity both through the direct contribution of mobile operators, as well as the contribution of industries such as network equipment providers and creators of applications and other services. These activities increase GDP growth, employment, tax revenues and long-term stability.

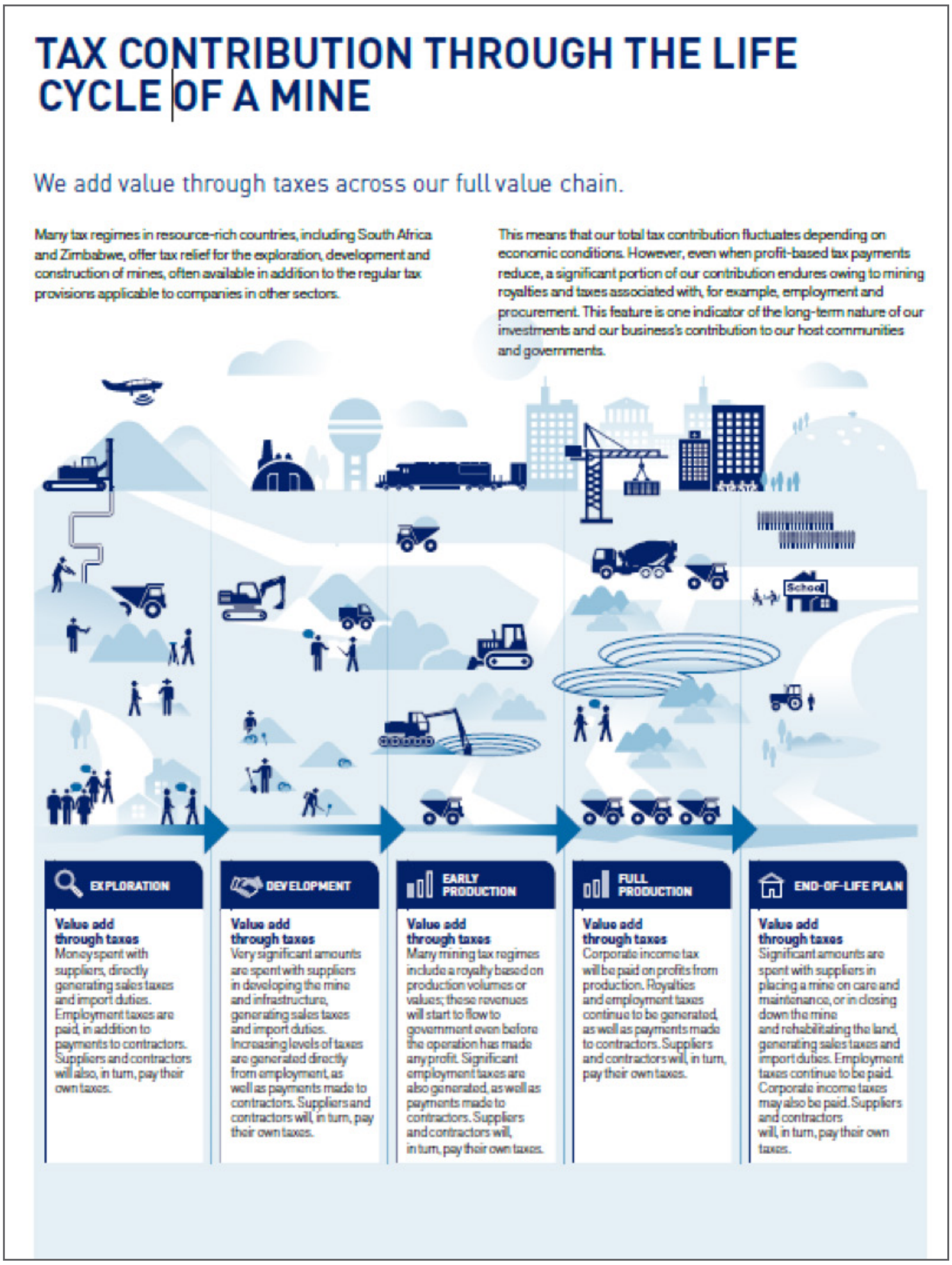
One of our key strategic objectives is to proactively engage with governments, revenue authorities and other key stakeholders in a constructive and positive manner in order to ensure that tax policy encourages digital inclusion, economic growth and fiscal stability.

We are active participants in public consultation processes through various tax committees, working groups or in our role as a member of an industry group that lobby on telecoms and general tax reform in-country, to provide our perspective on how best to balance the need for government revenues from taxation against the need to ensure sustainable investment.

Source: Vodacom Group Limited Tax and contribution to public finances for the year ended 31 March 2017, p. 7



Anglo American Platinum provides a graphic demonstration of its tax contribution through the life of the mine from exploration to end-of-life.



Source: Anglo American Platinum Limited Integrated Report 2017, p. 57

Geographic reporting remains on the agenda, especially in developing countries where there is significant focus on domestic resource mobilisation. Key to this is being able to demonstrate whether tax provisions and payments made by large multinationals reflect their commercial operations in each jurisdiction in which they operate.

Breaking down a company's tax contribution by the type of tax paid per region or country is particularly effective in highlighting the sector-specific taxes faced by some industries – emphasising the importance of other taxes as well as corporate tax, where there would otherwise be little visibility. Its total tax contribution is increasingly being used as a measure of a business's wider contribution to the economy.

The following benefits are derived from disclosing total economic contribution:

- It highlights the breadth and amount of direct, indirect and non-tax levies and fees paid to governments
- It explains tax as part of an economic impact measurement disclosure
- It enables more constructive engagement on tax policy.

With unprecedented changes to the tax environment companies will have to continuously re-evaluate their individual transparency strategy and initiatives.

MTN has included a section in its annual tax report discussing its transparency improvement initiatives, ranging from the use of technology to aligning its approach to King IV and obtaining independent assurance.

Continuous improvement on tax governance and transparency

Tax technology review across MTN opcos

As part of our drive to improve MTN tax governance and transparency, in 2016 we embarked on a tax technology review across the whole of MTN. This review project was completed in 2017. The result was a roadmap stipulating the type of tax systems we can implement or improve in order to better our tax governance, compliance and transparency objectives.

In following the roadmap, in 2017 we began with the configuration of our tax provisioning system for the whole MTN Group. The system will be completed and implemented across all MTN entities before the end of 2018. In 2017, we also started with the configuration of a tax system to further enhance our transfer pricing and country-by-country reporting. We expect to finalise and implement this system during 2018.

Independent assurance of group total tax contribution (TTC) number

As part of our drive and commitment to improving transparency and to increase credibility to our total tax contribution number, we engaged PwC to perform a limited assurance review of our total group TTC number in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits and Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. The assurance to this number has been marked throughout the report. Please refer to the independent assurance report under the integrated reports link on our website www.mtn.com.

Proactive alignment to the King IV code on corporate governance (King IV report) principles

The King IV report requires boards to play a more active role in ensuring effective tax governance by driving the organisation's tax risk management framework and paying particular attention to the risks of the organisation.

The King IV report was effective from 2017 for organisations whose financial years start on or after 1 April 2017. MTN's financial year-end is in December. Consequently, King IV will officially be applicable to MTN from January 2018. Despite this, we took proactive steps to adhere to some of the King IV principles as follows:

- Part 5.1: Leadership, ethics and corporate citizenship (Principles 1-3): **Tax governance considerations**

  We had our updated group tax strategy and policy reviewed and approved at the group audit committee (and also presented to the board of directors) in 2016. Prior to this, the last update was in 2013.

- Part 5.2: Strategy, performance and reporting (Principles 4-5): **Tax transparency**

  In 2016 we had undertaken to do a tax technology review across the whole of MTN. This review project was completed in 2017, the result of which was a roadmap which stipulated the type of tax systems we can implement or improve in order to better our tax governance, compliance and transparency. In following the roadmap, in 2017 we began with the configuration of our tax provisioning system for the whole MTN Group. The system will be completed and implemented across all MTN entities before the end of 2018. In 2017, we also started with the configuration of a tax system to further enhance our transfer pricing

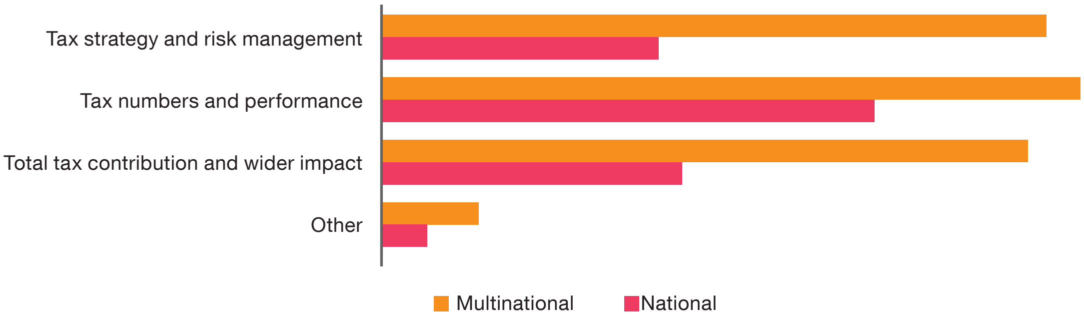
Source: MTN Group Limited Tax Report 2017, p. 11

Transparency by company type and sector

As expected, companies' disclosures were focused on tax numbers and performance.

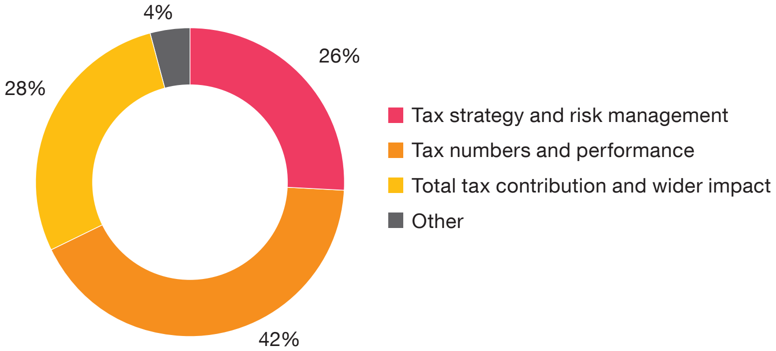
Graph 1: Distribution of average transparency per category (total sample)

Firms that have a primary listing in South Africa with a multinational presence outperformed primary listed firms that have mainly a national presence. This is most probably due to the exposure of multinational firms to the development of international initiatives that aim to improve tax transparency reporting.



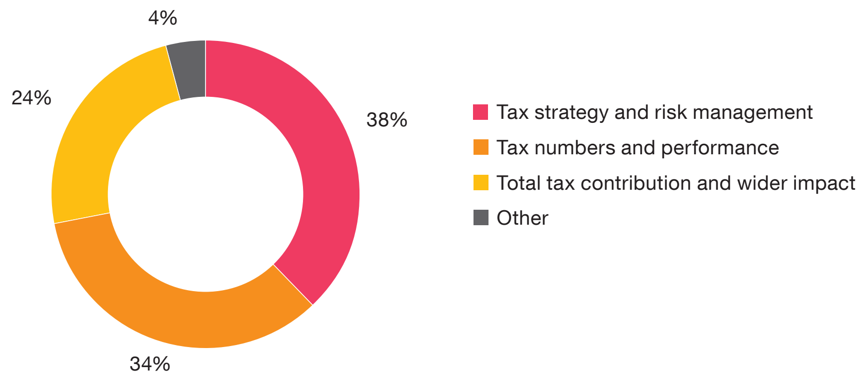
Graph 2: Distribution of average transparency per category (primary listed)

The total tax transparency of primary listed firms is driven by disclosures related to tax numbers and performance, whereas that of secondary listed firms is driven mostly by disclosure of tax strategy and risk management.

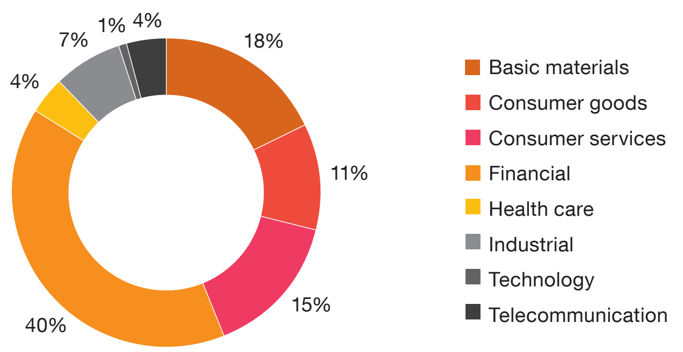


Graph 3: Distribution of average transparency per category (primary listed)

Source Graph 1-6: Building Public Trust Report. Department of Accounting University of Pretoria 2018

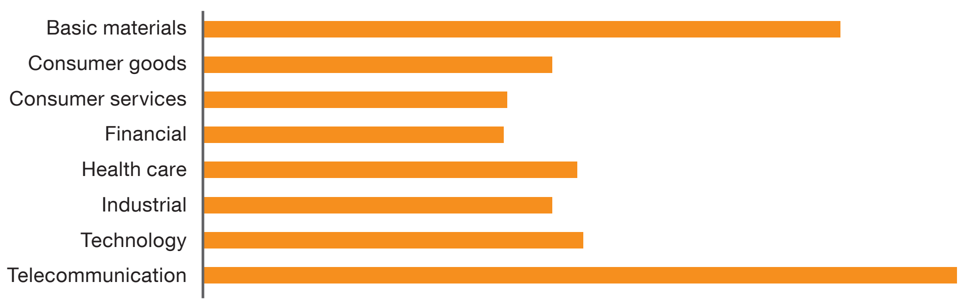


Graph 4: Distribution of average transparency per category (secondary listed)



Graph 5: Industry representation

The basic materials and telecommunication industries performed best in terms of tax strategy and risk management disclosures. These findings firstly support the expectation that extractive firms (which form part of the basic materials industry classification) will be more proactive in tax transparency disclosures due to their exposure to international initiatives that aim to improve the transparency of their industry's tax disclosures. It is expected that the telecommunications industry will also show strong evidence of proactive tax disclosure due to a highly regulated and taxed environment.



Graph 6: Distribution of total tax transparency per industry

11 Recommendations[1]

To multinational companies:

- Organise a proactive dialogue about your tax strategy with the different stakeholders, such as investors, NGOs, trade unions, governments and clients, and ensure that this is an ongoing process.
- Keep the Executive Board up to date and share knowledge about the tax strategy.
- Continue to include strategies to increase tax transparency.
- Monitor and test if the objectives of your tax strategy are met. This is an essential part of your tax control framework.
- Start with the design of a framework to enable you to provide internal and external comfort on tax positions and your tax governance (including strategy and tax controls framework). Include tax in the business control and governance risk framework.
- Do not treat tax 'in isolation' when designing a tax strategy: see tax as part of both your broader business and your CSR strategy.
- Based on the tax strategy, create tax criteria that are implementable (design them in a way that you can actually work with them in your daily operations).
- Implement, execute and monitor the tax strategy and criteria in the company's business operations and include KPIs for the tax department.
- Raise awareness around tax and the strategy by organising training and communication programmes on an ongoing basis.
- Provide comfort to stakeholders on the execution of the tax strategy (including risk management) by communicating in a clear way via publicly available documentation.
- Consider reporting on your total tax and economic contribution to society on a country-by-country basis. Give a more complete picture by including information on revenues, profits, assets and employees on the same basis.

To tax authorities:

- Develop, together with the business community, (regulated or voluntary) good tax governance standards for companies.
- Increase the transparency of compliance and enforcement strategies and accountability on tax affairs with companies.
- Be transparent about how rules are applied.

To NGOs:

- In public communications, evaluate to what extent you are activating a discussion on tax and whether you are contributing to restoring trust in taxation.
- Create an open and constructive dialogue with companies and focus on encouraging them to change.
- Provide companies with best practices regarding responsible and transparent tax behaviour.
- Do not focus only on multinationals and tax advisers, but also on government stakeholders.
- Enter into dialogue with governments to promote transparency.

To tax advisory firms:

- See tax in a broader context, not only from a technical perspective; also focus on tax governance, tax assurance and tax technology.
- Promote responsible tax behaviour and support the tax transparency initiatives of companies.
- Ensure alignment of tax advice with the client's tax strategy.

To investors:

- Collaborate with stakeholders to develop common standards.
- Enter into a dialogue on the debate on responsible and transparent tax behaviour.

To universities:

- Educate students more broadly. Provide knowledge not only on the technicalities of tax, but also on tax governance, tax assurance and tax technology.

1 Recommendations courtesy of PwC & VBDO (2017). Investor Guide: Integration of tax in responsible investment, p 50

12 Resources

- Anglo Gold Ashanti Annual Financial Statement and Integrated Report 2017
- Anglo American Platinum Limited Integrated Report 2017
- Barclays Africa Group Limited 2017 GRI Review
- Building Public Trust through Tax Reporting Tax transparency to whom and for what purpose? PwC 2016
- Building Public Trust through Tax Reporting Creating clarity or confusion? PwC 2017
- Building Public Trust Report. Department of Accounting University of Pretoria 2018
- Gold Fields Integrated Annual Report 2017
- MTN Group Limited Tax Report 2017 Naspers Limited integrated annual report 2017
- Sasol Integrated Report 2017
- Shaping the tax transparency debate. Trends in voluntary reporting. PwC 2017
- PwC & VBDO (2017). Investor Guide: Integration of tax in responsible investment
- Vodacom Group Limited Tax and our contribution to public finances for the year ended 31 March 2017

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Notes

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