December 2015

Tax transparency
Building public trust awards 2015

Responding to the call for increased tax transparency by large corporates

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We wish to thank the Department of Taxation at the University of Pretoria for assuming responsibility for the initial assessment of the top 100 JSE-listed companies and compiling the shortlist of contenders for the awards for consideration by the judging panel. An extraordinary amount of effort and dedication is required to get to the shortlist of potential winners, and the University's contribution in this regard is both invaluable and greatly appreciated.

Background

Foreword
by Paul de Chalain, Head of Tax Services, PwC Africa

The Building public trust awards were introduced in South Africa in 2014 to encourage and promote greater voluntary transparency in tax reporting.

In the current climate of economic uncertainty and pressure on tax revenues, public interest in tax has never been greater. Revenue authorities, regulators, shareholders, boards, employees, the media and other stakeholders are asking questions as to whether companies are paying the 'right amount' of tax, and more companies are being asked questions about their tax affairs.

Building public trust remains a priority for companies aiming to increase their resilience in an ever-changing world. Tax is increasingly becoming a reputational issue as companies are being asked to explain their tax affairs and in the process are expected to be more transparent while at the same time maintaining trust with both their stakeholders and the wider public.

Mandatory reporting regimes continue to develop, and additional public disclosure is now a reality for many groups. Additional voluntary tax reporting by corporates is one way of helping to improve the level of understanding. Tax transparency will continue to evolve as the mandatory reporting regimes develop and as companies respond to demands from a more varied group of stakeholders.

PwC is proud of its long history in supporting the disclosure of meaningful and relevant tax information through voluntary reporting, and these awards serve to further promote increased transparency.

We would like to congratulate the winners for their achievements in communicating their companies' tax affairs in such a transparent and accessible way. This is the type of behaviour which we hope that the awards will encourage, and going forward, we challenge all companies to continue improving the transparency of their tax reporting.

Background

The purpose of the awards is to promote transparency and better disclosure in tax reporting by listed entities with the purpose of building public trust, and to recognise the leading companies in this regard. These awards have been sponsored by PwC in the UK for the past 13 years and have been instrumental in increasing the standards of corporate tax reporting in that country.

We see the South African edition of these awards, which have been running for the past two years, as having the potential to make a similar contribution to improving the standards of tax reporting by business, with the benefits that flow from this.

What is new this year?

We have made some slight changes to the awards this year.

Firstly, we extended the companies qualifying for the awards from the top 50 companies listed on the JSE by market capitalisation to the top 100.

Secondly, we made changes to the categories in which the awards were presented. The awards for 2015 were split into two categories – domestic companies and multinational companies – in order to align the awards with the categories for the 2015 UK awards. A domestic company is classified as a company that derives more than half its revenue in South Africa, and a multinational company is a company that derives more than half its revenue outside South Africa. The reason for splitting the awards in this manner is that multinational companies would face different issues as their tax affairs are more complex. They would also have far greater scope for reporting on a geographic basis and for disclosures regarding transfer pricing.

We also took the decision to exclude from the awards the 12 companies in the top 100 with a secondary listing on the JSE in order to avoid the potential for confusion with the UK awards, for which most of these companies would qualify.

Judging criteria

The criteria for assessing the awards for excellence in tax reporting were based on PwC's tax transparency framework, under which the judges were looking for excellence in three key areas.

The tax transparency framework consists of mandatory tax disclosure requirements (IFRS and King Code), voluntary tax disclosure requirements based on mandatory requirements applicable in other countries, voluntary disclosure suggestions and best practice.

The data used to evaluate the extent of tax reporting against the framework was sourced from the annual reports, corporate social responsibility reports, annual financial statements and integrated reports of the top 100 JSE-listed companies for the 2014 financial reporting period as well as from other relevant reports related to their tax approach on companies' websites.

Each company's reports were independently evaluated against the tax transparency framework by two members of the Department of Taxation at the University of Pretoria by means of a scorecard. A shortlist of companies for each of the categories was drawn from the results of this evaluation. The tax reporting of each company on the short list was then reviewed and analysed by an independent panel of six judges, and the winners in each category were determined by a vote.

The judging panel

Ansie Ramalho

Ansie Ramalho is the King IV Project Lead at the Institute of Directors in Southern Africa (IoDSA). She is a member of the King Committee, the Committee for Responsible Investing in South Africa (CRISA) and the Integrated Reporting Committee (IRC SA).

Elmar Venter

Elmar Venter is an associate professor in the Department of Taxation in the Faculty of Economic and Management Sciences at the University of Pretoria.

Kim Bromfield

Kim Bromfield is the Senior Executive: Corporate and Public Sector Reporting at the South African Institute of Chartered Accountants (SAICA).

Madeleine Stiglingh

Madeleine Stiglingh is the Head of Department (Taxation) at the University of Pretoria.

Mervyn King

Mervyn King is a Senior Counsel and former Judge of the Supreme Court of South Africa. He is Chairman of the King Committee on Corporate Governance in South Africa, which produced King I, II and III.

Sue Ludolph

Sue Ludolph represents South Africa at the World Standard-Setters of the International Accounting Standards Board (IASB) and at the International Forum of Standard-Setters. Sue is also the former Project Director for Financial Reporting at SAICA.

The tax transparency framework

The framework is intended to help companies consider the risks and benefits of greater transparency and what they might want to communicate externally about their tax affairs. It covers three areas of a company's tax affairs – tax strategy and risk management; tax numbers and performance; and total tax contribution and the wider impact of tax.

Tax strategy and risk management

In reviewing a company's tax reporting we are looking for discussion of its approach to tax, identification of risks and tax strategy. This includes disclosure of policy in areas which are key to that particular business, such as tax planning, transfer pricing, operating in low–tax jurisdictions and relationships with revenue authorities.

Explanations of internal governance processes are recognised, as is evidence of tax oversight at board or audit committee level.

We are seeing more webpages and reports dedicated to companies' approach to tax – a topic generally found at the front end of annual reports.

Tax numbers and performance

The second pillar of the framework is most closely aligned to the disclosures in the accounts required 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 forecast accounting or cash tax rate.

Usually placed in the annual report, graphics are sometimes used in an innovative way to illustrate and contextualise the numbers.

Total tax contribution and wider impact

The third area we review looks away from traditional accounting disclosures towards an understanding of the wider picture. Discussion of how tax impacts the business strategy and details of interaction with tax regulators are recognised. We look for additional insight into taxes borne and collected other than corporate income taxes and the economic value-added by a company.

This pillar of the framework also includes country-by-country reporting and discussion of taxes contributed to developing world countries – an area where we have seen an increase in both mandatory and voluntary reporting in recent years.

The criteria are as follows:

Tax strategy and risk management

- 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; and
- Discussion of material tax risks.

Total tax contribution and wider impact of tax

- Indication of how tax impacts the wider business strategy and company results;
- Discussion of interaction with tax regulators;
- The impact of tax on shareholder value; and
- Communication of the economic contribution of all taxes paid.

Tax numbers and performance

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

Illustration of disclosure in accordance with the framework

Tax strategy and risk management

Standard Bank Group discusses its tax strategy and the tax environment. It also highlights its approach to transfer pricing. The usefulness of the disclosure could have benefited from a broader discussion of the company's tax policy and greater detail on its approach to risk and the management thereof.

1

Our approach to tax

Tax policy and risk management

The group strives to optimise its business success in minimising tax risks. This in turn maximises the value we are able to deliver to our shareholders and the communities and governments of the countries in which we operate.

The group tax strategy outlines the framework by which the group's tax obligations are met from an operational and risk management perspective. We adopt an overarching risk philosophy in relation to tax matters which aims to mitigate any adverse or unexpected financial consequences and protect our reputation.

The group tax governance standard aims to facilitate compliance with the group tax strategy and forms part of the overall framework governing the management of tax matters within the group. The standard is further supported by various supplementary policies that address the taxes across the jurisdictions in which we operate.

We seek to ensure that all intragroup payments are at an arm's length price. In our dealings with tax authorities, we are committed to fostering transparent and constructive relationships and to ensure accurate, transparent and timely compliance with tax laws.

Business and tax environment

The group makes a valuable contribution to the development and growth of economies in which it operates by paying dividends to our shareholders, salaries to our employees, payments to suppliers, and tax revenues to governments. The group contributes directly to public finances through a wide range of taxes and makes a significant indirect contribution through the taxes paid by our employees and the suppliers that our businesses support.

We also collect other taxes, which include withholding taxes, on behalf of revenue authorities.

We assist tax authorities with their tax administration and collection processes, and support obtaining independent verification of third party data. We support the development of tax policy and are involved in industry forum meetings with revenue authorities to ensure that tax policy objectives are achieved.

Tax environment

Since the financial crisis, there has been a marked acceleration in the number and scale of initiatives to collect information regarding all income that resident tax payers earn abroad.

The Organisation for Economic Co-operation and Development (OECD) introduced its action plan on base erosion and profit shifting (BEPS) in 2013 at the request of the G20. Engagement with developing countries has been extensive since the beginning of the project. The BEPS action plan attempts to deliver the largest reform of global taxation seen to date and targets aspects of the global tax system which are perceived to be inadequate. The global tax system was originally designed to prevent corporate profits being taxed twice. The heart of the OECD's focus is now on preventing cases where profits might inappropriately escape tax or where taxable profits are separated from the location of the activities that generate them.

Operating in Africa, we deal with large volumes of tax policy and tax administration changes as countries develop laws and processes to secure increased levels of tax revenues. As Africa attracts additional global investment, countries aim to ensure that profits associated with such inflows are taxed appropriately and that the relevant country's tax base is not eroded.

Transfer pricing is one complex mechanism that is used to ensure that profits are not shifted to lower (or other) tax jurisdictions. Transfer pricing is attracting substantial attention on the continent and revenue authorities in many African jurisdictions are increasing their vigilance in this area by introducing new legislation and employing officials to police the implementation of this legislation.

The group has various processes and policies in place to ensure tax compliance and manage tax risk appropriately. The board remains closely involved in tax matters and supports the group tax strategy and governance standard that outlines our approach to tax.

SABMiller discusses its approach to transfer pricing. It also gives significant insight into how the business operates and the nature and extent of cross-border transactions within the group.

2

Transfer pricing

The vast majority of SABMiller's business involves the production and sale of brands which are local to the consumer. Therefore, there are relatively low levels of cross-border transactions within SABMiller compared with many other industries.

However, centralising professional expertise (for example in treasury, intellectual property management and procurement) leads to stronger businesses better able to compete in their local marketplaces, generating greater levels of profitability and tax. It allows for lower input costs, energy focused on centres of excellence and better asset protection; ultimately, it benefits consumers through broader product offerings and lower end prices.

Deciding where to base centralised activities is driven by commercial factors, and, in a business of our scale, centralisation of some activities is vital.

For example, while the majority of our beer brands are owned within their markets of origin, it makes commercial sense to have a team of specialist trademark experts in one place to manage international rights, rather than duplicating this resource across all of our markets.

The core of all of our transfer pricing is compliance both with the OECD Transfer Pricing Guidelines for Multinational Enterprises and with local domestic tax legislation. Compliance is supported through a global transfer pricing policy and framework, which apply across the business.

Our approach is to use the 'arm's-length' principle, which is endorsed by most countries. This assumes that prices are based on an equitable and willing arrangement between two independent parties. Transactions are priced within an appropriate arm's-length range, which meets the often stringent local compliance requirements in territories at both ends of each transaction.

Kumba Iron Ore identifies fiscal compliance as a business risk with reference to a rating on a 'heat map'.

3

The following is a detailed outline of Kumba's key risks as identified during 2014, together with their potential impacts and mitigations in place. We have considered both internal and external risks. Our mitigation strategies are designed to be flexible and depend on the severity of impact and likelihood of occurrence of the risks we face.

Risk description and potential impact	Mitigation of risk	Risk rating as at December 2014	Risk rating as at December 2013
FISCAL COMPLIANCE Our business is required to comply with an existing fiscal regime and should continuously adapt to developments and changes in fiscal legislation. We are currently engaged in discussion with SARS around on-going tax matters with a view to seeking resolution. For more details on this, see the contingent liability disclosure on page 59. In the case of non-compliance, our cash flow may be impacted by penalties and higher taxes. Furthermore this has reputational consequences for the organisation and affects our ability to satisfy the expectations of our stakeholders.	Adequate policies and procedures have been implemented by Kumba to ensure compliance with all applicable legislation. We remain proactive in managing compliance with legislation through regular review of our compliance programme and engagements with the authorities and experts in this field.		

Gold Fields provides a clear disclosure of its uncertain tax position with regard to its South Deep tax dispute.

4

SOUTH DEEP TAX DISPUTE

The South Deep mine (South Deep) is jointly owned and operated by GFIJVH (50%) and GFO (50%).

As at 31 December 2014, South Deep's gross deferred tax asset balance amounted to R6,495.1 million (US$561.9 million). This amount is included in the consolidated deferred tax asset of US$62.4 million on Gold Fields' statement of financial position. South Deep's gross deferred tax asset comprises unredeemed capital expenditure balances of R2,475.4 million (US$214.1 million) at GFI and R2,278.2 million (US$197.1 million) at GFO, a capital allowance balance (Additional Capital Allowance) of R687.6 million (US$59.5 million) at GFIJVH and assessed loss balances of R72.4 million (US$6.3 million) at GFIJVH and R981.5 million (US$84.9 million) at GFO.

During the September 2014 quarter, the South African Revenue Services (SARS) issued a Finalisation of Audit Letter (the Audit Letter) stating that SARS has restated GFIJVH's Additional Capital Allowance balance reflected on its 2011 tax return from R2,292.0 million to nil. The tax effect of this amount is R687.6 million, that being the amount referred to above as Additional Capital Allowance.

The Additional Capital Allowance was claimed by GFIJVH in terms of section 36(11)(c) of the South African Income Tax Act, 1962 (the Act). The Additional Capital Allowance provides an incentive for new mining development and only applies to unredeemed capital expenditure. The Additional Capital Allowance allows a 12% capital allowance over and above actual capital expenditure incurred on developing a deep level gold mine, as well as a further annual 12% allowance on the mine's unredeemed capital expenditure balance brought forward, until the year that the mine starts earning mining taxable income (i.e. when all tax losses and unredeemed capital expenditure have been fully utilised).

In order to qualify for the Additional Capital Allowance, South Deep must qualify as a "post-1990 gold mine" as defined in the Act. A "post-1990 gold mine", according to the Act, is defined as 'a gold mine which, in the opinion of the Director-General: Mineral and Energy Affairs, is an independent workable proposition and in respect of which a mining authorisation for gold mining was issued for the first time after 14 March 1990".

During 1999, the Director-General: Minerals and Energy Affairs (DME) and SARS confirmed, in writing, that GFIJVH is a "post-1990 gold mine" as defined, and therefore qualified for the Additional Capital Allowance. GFIJVH subsequently filed its tax returns on this basis, as was confirmed by the DME and SARS.

In the Audit Letter, SARS stated that both the DME and SARS erred in issuing the confirmations as mentioned above and that GFIJVH does not qualify as a "post-1990 gold mine" and therefore does not qualify for the Additional Capital Allowance.

The Group has taken legal advice on the matter and believes that SARS should not be allowed to disallow the Additional Capital Allowance. GFIJVH has in the meantime not only formally lodged an objection to the SARS' disallowance, but also filed an application in the High Court and will vigorously defend its position.

Accordingly, no adjustment for any effects on the Company that may result from the proceedings, if any, has been made in the consolidated financial statements.

Sources:

1. Standard Bank Group Limited (Annual Integrated Report 2014, page 56)
2. SABMiller Plc (Tax and Development, page 6)
3. Kumba Iron Ore Limited (Integrated Report 2014, page 31)
4. Gold Fields (Annual Financial Report 2014, pages 29-30)

Tax numbers and performance

BHP Billiton provides an adjusted effective tax rate by eliminating certain items. These adjustments are made in order to provide users of the financial statements with a better understanding of the effective tax rate by eliminating items that distort the rates.

1

Adjusted effective tax rate is not an IFRS measure and is reconciled to the statutory effective tax rate below:

	2014			2013		
Year ended 30 June	Profit before tax US$M	Income tax expense US$M	%	Profit before tax US$M	Income tax expense US$M	%
Statutory effective tax rate	**22,236**	**(7,012)**	**31.5**	19,726	(6,906)	35.0
Less:						
Exchange rate movements	**–**	**(24)**		–	245	
Remeasurement of deferred tax assets associated with the MRRT	**–**	**(170)**		–	207	
Exceptional items	**(551)**	**166**		1,928	(943)	
Adjusted effective tax rate	**21,685**	**(7,040)**	**32.5**	21,654	(7,397)	34.2

Sibanye Gold gives a clear overview of what the main drivers for the tax rate are.

2

MINING AND INCOME TAXATION

Mining and income taxation increased from R256 million in 2013 to R828 million in 2014. The table below indicates Sibanye's effective tax expense rate in 2014 and 2013:

	2014	2013
Mining and income tax (Rm)	**828**	256
Effective taxation rate (%)	**35.5**	13.1

In 2014, the effective tax expense rate of 36% was higher than the maximum South African mining statutory tax rate of 34% mainly due to the tax effect of the following:

- R10 million rate adjustment to reflect the actual realised company tax rates;
- R60 million non-deductible charges related to share-based payments;
- R160 million non-taxable share of results of equity-accounted investees;
- R41 million non-deductible impairments;
- R23 million net non-taxable income and non-deductible expenditure; and
- R81 million assessed losses not recognised.

The above was offset by the R340 million reduction related to the mining tax formula rate adjustment.

In 2013, the effective tax expense rate of 13% was lower than the maximum South African mining statutory tax rate of 34% mainly due to the tax effect of the following:

- R330 million reduction related to the mining tax formula rate adjustment;
- R214 million deferred tax released on reduction of the long-term expected tax rate at the operations; and
- R1 million of net non-deductible expenditure and non-taxable income.

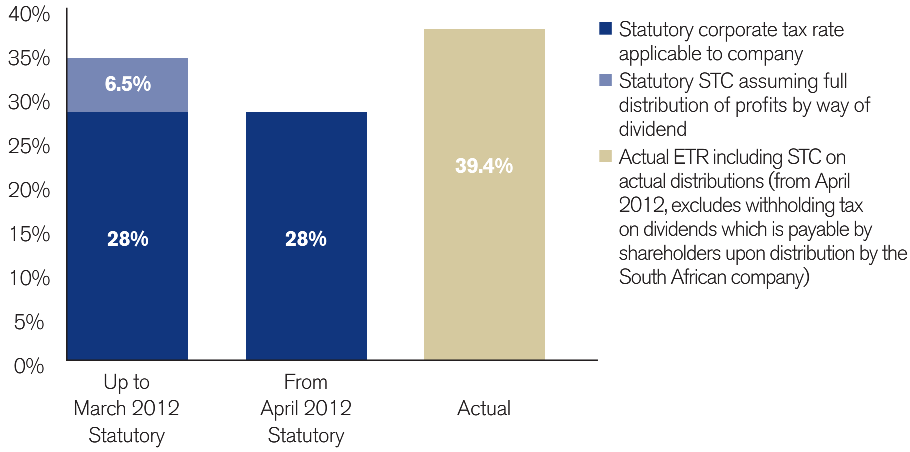
The above were offset by the following tax-affected charges:

- R64 million adjustment reflected the actual realised company tax rates; and
- R73 million non-deductible charges related to share-based payments.

Anglo American uses a graph to illustrate and explain the differences between the statutory rate and the effective tax rate over a period of time.

3

FIVE YEAR AVERAGE EFFECTIVE TAX RATES ("ETR") 2009 – 2013[1]



(1) This information is based on tax payments made over the five years from 1 January 2009 to 31 December 2013 by Anglo American managed businesses as at 31 December 2013, on a 100% basis. For further details of the methodology used in generating this information, please see www.angloamerican.com/factsheets.

(2) Excluding any mining license or similar payments.

(3) Excludes STC.

***Sources**:*

1. BHP Billiton Plc (Annual Report, page 64)

2. Sibanye Gold (Integrated Annual Report 2014, page 169)

3. Anglo American Plc (South African Tax Factsheet, page 1)

Total tax contribution and wider impact

Gold Fields discusses the impact that tax has on its general business strategy and identifies it as part of its business model.

1

TAXATION AND THE MAXIMISATION OF NATIONAL MINERAL BENEFITS

It is natural and right that governments seek to maximise the social benefits that accrue from the extraction of scarce natural resources. As a matter of policy Gold Fields fully complies with the fiscal and taxation regulations and laws of the countries it operates in, understanding that these fiscal contributions are critical to fund governments, its employees and public sector infrastructure and projects. Nonetheless, attempts to secure these benefits through higher levels of targeted taxation can – in the long term – have the opposite effect. Indeed, the weak commodities market – including the low price of gold – is throwing into sharp focus just how damaging short-term attempts to secure a greater proportion of companies' earnings can be. Mining investment is falling, new growth projects are being left undeveloped and existing projects are facing closure – even without additional fiscal uncertainty. The implications for longer-term national and host community development are obvious.

Kumba Iron Ore provides a detailed narrative on its commitment to tax transparency.

2

Our commitment to tax transparency

Since our listing in 2006, Kumba has voluntarily provided information about our tax payments.

Tax transparency has become increasingly important to a range of stakeholders, particularly host governments and communities. This has led to a number of initiatives to introduce mandatory tax disclosure obligations throughout the Anglo American plc Group.

For example, the UK adoption of Chapter 10 of the EU Accounting Directive means that UK-listed extractive companies will be required to disclose payments to governments on a project-by-project level from 2015 onwards. In addition, the G-20-sponsored, OECD-led, base erosion and profit shifting (BEPS) project has been established in an attempt to reshape the international tax landscape to keep in step with modern business practices. One of the OECD working parties is looking at a proposal for companies to report certain tax-related information to authorities on a country-by-country basis; the intention is to provide host governments with a more holistic view of the activities of each company.

Anglo American plc Group has been at the forefront of tax transparency for some time: it was an early supporter of the Extractive Industry Transparency Initiative (EITI) and remains an active participant. More recently it lent its support to the UK adoption of Chapter 10 of the EU Accounting Directive. At Kumba, we will continue to consider appropriate voluntary disclosures that enable us to provide stakeholders with more detailed information upon which to base their assessment of our overall economic contribution.

We believe that tax disclosure requirements should support the reporting of information that is accessible and easy for a range of stakeholders to understand. As such, we hope to eventually see consensus between the various transparency initiatives of governments and regulatory authorities.

AngloGold Ashanti quantifies the amount of economic value added in a statement which splits the current taxation charge into geographical regions.

3

ECONOMIC VALUE-ADDED STATEMENT

For the year ended 31 December

US dollar millions	%	2014	%	2013
Economic value generated				
Gold sales and by-product income [1]	99	5,350	99	5,646
Interest received	1	24	1	39
Royalties received	–	4	–	18
Profit from sale of assets [2]	–	23	–	2
Income from investments	–	–	–	7
Total economic value generated	100	5,401	100	5,712
Economic value distributed				
Operating costs [3]	46	2,464	43	2,484
Employee salaries, wages and other benefits	30	1,588	28	1,593
Payments to providers of capital	5	278	6	336
– Finance costs and unwinding of obligations	5	278	5	296
– Dividends	–	–	1	40
Corporate taxation				
– Current taxation [4]	3	165	2	134
Community and social investments [5]	–	14	1	27
Loss from investments [6]	–	20	–	–
Total economic value distributed	84	4,529	80	4,574
Economic value retained [7]	16	872	20	1,138

[1] *Gold sales decreased by 5% year-on-year due to a 10% lower average price received of $1,264/oz, partially negated by a 9% increase in the ounces sold.*

[2] *Includes a loss on sale of Navachab mine of $2m.*

[3] *Includes retrenchment costs at Obuasi of $210m in 2014 (2013: nil).*

[4] *Current tax charge (credit) by country is as follows:*

US Dollar millions	2014	2013
South Africa	30	(18)
Argentina	24	36
Australia	–	(2)
Brazil	31	56
Ghana	2	1
Guinea	31	22
United States of America	(5)	–
Tanzania	65	32
Other	(13)	7

[5] *Community and social investments exclude expenditure by equity accounted joint ventures.*

[6] *Includes $21m loan impairment and $45m net equity losses from Rand Refinery (Pty) Limited.*

[7] *Economic value retained excludes impairments and impairment reversals.*

Sasol provides a detailed note on monetary exchanges with governments, including a country breakdown.

4

Monetary exchanges with governments

for the year ended 30 June

	2014 Rm	2013[1] Rm	2012[1] Rm
Direct taxes	**12 929**	11 337	10 120
South African normal tax	**10 717**	9 289	7 293
foreign tax	**2 130**	1 979	1 800
dividend withholding tax	**82**	69	16
Secondary taxation on companies	**–**	–	1 011
Employees' tax	**5 584**	4 507	3 858
Indirect taxes	**22 208**	18 435	17 672
customs, excise and fuel duty	**22 311**	19 343	18 346
property tax	**142**	126	94
other levies	**115**	75	–
net VAT received	**(2 639)**	(3 050)	(2 142)
other	**2 279**	1 941	1 374
Net monetary exchanges with government	**40 721**	34 279	31 650
South Africa	**35 822**	30 628	28 068
Germany	**265**	522	920
United States of America	**1 476**	1 166	799
Other	**3 158**	1 963	1 863

Sources:

1. Gold Fields (Integrated Annual Report 2014, page 102)
2. Kumba Iron Ore Limited (Sustainable Development Report 2014, page 42)
3. AngloGold Ashanti (Integrated Report 2014, page 69)
4. Sasol Limited (Annual Integrated Report 2014, page 35)

Tax reporting for multinational companies

Winner

Gold Fields Limited

Gold Fields' tax reporting is transparent as regards both quantity and quality. Aspects of its reporting that stood out for the judges were its total tax contribution and the fact that tax is framed as part of its social responsibility. One of the judges nominating Gold Fields for the award commented as follows: 'Views on tax are set out succinctly in the context of broader value creation. This is the strong point of this report in my view as the user of the report gets the best idea on tax policy and how it is motivated.'

Highly commended

AngloGold Ashanti Limited

A comment by one of the judges summarised the tax reporting produced by AngloGold Ashanti as: 'Very comprehensive and transparent in their uncertain tax position disclosure and they disclosed detailed information for different tax types and years. They further excelled in their disclosure by providing clear reasons why they took a specific tax position.'

Tax reporting for domestic companies

Winner

Sasol Limited

The transparency of Sasol's tax reporting is excellent. Many key features were identified by the judges. These included the disaggregation of monetary exchanges with governments by tax type and geographical location, and an excellent summary of tax consequences for shareholders. One of the judges commented that: 'It is clear from investigating Sasol's reports that they are very aware of their social responsibility regarding paying their taxes and this awareness is embedded in both their highest governance structures (where they communicated their tax governance framework) as well as the detailed operational levels, where they clearly disclose their monetary exchanges with Government not only per tax type, but even further breaking it down per tax (for example disclosing exactly what the contribution of the different indirect taxes was to the total indirect tax contribution).'

Highly commended

Kumba Iron Ore Limited

The tax reporting by Kumba contained excellent disclosure, which highlights its commitment to tax transparency. Kumba's fiscal compliance is identified as a business risk with a rating on a 'heat map'.

Significant improvement

We also commend Vodacom Group Limited and AngloGold Ashanti Limited on the significant improvement in the quality of their 2014 tax reporting compared with 2013. It is these sorts of improvement that the awards are intended to encourage.

Comment

The top performers in the awards were dominated by companies in the extractive industries. Many of these companies support the Extractive Industries Transparency Initiative (EITI), which has lead them to consider tax transparency more than other industries.

Mining companies in particular have become increasingly open about their tax strategy and governance procedures and how they manage the risk of operating in territories with developing tax regimes. Some explain the impact of sector-specific taxes on the effective tax rate by providing additional information or calculations showing relevant adjustments. Even before disclosure becomes mandatory, companies in this sector have opted to report taxes paid by country, region and project.

Extractive companies continue to watch the unfolding of developments abroad, in particular in the US and the UK, regarding reporting requirements for the industry. The objectives of the various initiatives differ, as do the types of company involved and the types of information demanded. In response, companies are adopting an array of strategies in both their internal collection procedures and their external communication plans.

The European Union's country-by-country reporting rules as contained in its Transparency and Accounting Directives cover EU public interest entities and large EU undertakings active in the extractive industries and the logging of primary-forest. From 2015 onwards, UK-listed extractive industry companies are required under Chapter 10 of the EU's Transparency and Accounting Directives to disclose payments to governments on a project-by-project level.

The EU's Transparency and Accounting Directives are comparable to the stipulations of the Dodd-Frank Act which will apply once the Securities and Exchange Commission issues new rules. There are, however, several differences, such as that the EU has extended the disclosure requirements to the logging industry and the EU rules also apply to large unlisted companies.

The EU Capital Requirements Directive IV (CRD IV) regulations have been introduced in the UK and apply to banks and other credit institutions as well as certain investment firms. The objective of this Directive is to increase transparency regarding the activities of institutions, in particular regarding profits made, taxes paid and subsidies received, in order to regain citizens' trust in the financial sector.

The above transparency initiatives and other developments will promote the drive to introduce even more transparency requirements for public companies. However, the profusion of different mandatory disclosure regimes with different requirements has the prospect of creating a significant administrative burden for companies, increases the risk of data being misunderstood and will potentially lead to many companies providing the minimum disclosure in order to comply without considering the usefulness and quality of the disclosures made. In order to be meaningful, it is necessary that any mandatory disclosure regimes are coherent, workable, proportionate and focus on the usefulness of disclosures.

South Africa currently has no mandatory tax reporting requirements apart from those stipulated in financial reporting standards. However, many of the developments taking place elsewhere in the world will continue to trickle down to improve the transparency of tax reporting by South African companies, together with increasing pressure from stakeholders. In this regard, the fourth report of the King Committee on Corporate Governance, due to be issued in 2016, may well contain tax disclosure requirements and will help lead to greater tax transparency.

In the South African context, the UK-listed companies with secondary listings on the Johannesburg Stock Exchange continue to represent the benchmark for tax transparency reporting against which South African companies should be measuring themselves.

Key contacts

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