6th edition

Building public trust through tax reporting

A review of the tax disclosures of the top 100 companies listed on the Johannesburg Stock Exchange in 2020.

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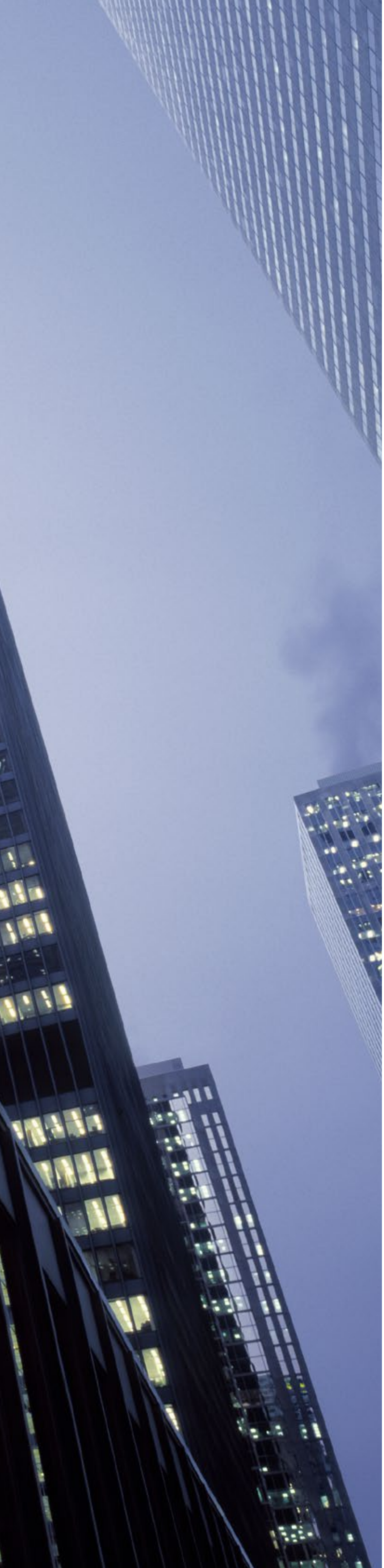

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1 Foreword

It has been eight years since we performed our first assessment of tax transparency provided by the top 100 companies on the Johannesburg Stock Exchange (JSE). Back then the focus was very much on the mistrust resulting from large multinationals who were seen to be evading taxes. This focus still remains; however, we now look at businesses as the most trusted institutions. We look at every interaction, every experience, every relationship and every outcome delivered and how it can build trust. There is a significant shift in the role of business to build trust and deliver sustained outcomes to the benefit of all stakeholders. This shift explains the imperative for environmental, social and governance (ESG) strategies.

It also echoes our vision: 'The New Equation', focussing on two interconnected needs that organisations will face in the coming years: building trust across a wide range of areas that are important to stakeholders and delivering sustained outcomes in an environment where the risk of disruption is more intense than ever before.

We know that demonstrating accountability and providing reliable information is key to delivering certainty and essential to building relationships based on trust. Companies must be accountable for the impacts they have on society. Part of this is committing to comprehensive reporting on tax. Modern society no longer sees tax as a cost factor but as a tool for socio-economic cohesion, sustainable value growth and long-term prosperity. Tax must be seen and be reported in the context of ESG commitments.

In the 6th edition of our *Building Public Trust through Tax Reporting* publication we look at emerging trends in tax transparency and material topics for stakeholders. We provide a year-on-year comparison over the last three years of tax transparency in South Africa, in areas such as tax strategy and risk management, tax numbers and performance, total tax contribution and wider impact.

With more guidance coming to the fore on voluntary tax reporting, the basic message is that it is time for companies to consider their tax transparency strategy.

Even though growth in the average overall tax transparency amongst the companies surveyed slowed down, we continue to be encouraged by the variety of initiatives that companies take to tell their tax story, thereby demonstrating good corporate citizenship as responsible taxpayers. What is evident is that companies who provide authentic, structured, accessible, and easy to read information on tax find favour from stakeholders who require an objective assessment of a company's position on tax. We encourage you to become part of the tax transparency dialogue.

As in previous years, we thank the department of accounting at the University of Pretoria for assuming responsibility for the assessment of the top 100 companies listed on the JSE, as well as our review panel for their effort, insight and dedication to support this initiative. Their contribution in this regard is both invaluable and greatly appreciated.

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You can’t buy trust – you have to earn it

Trust has never been more important. It’s the link that connects your organisation, your people, your customers, your stakeholders and the world. During times of uncertainty, organisations, people, communities and other stakeholders look to institutions they can trust.

We know that trust isn’t something you can buy off the shelf. It’s something you earn through every interaction, every experience, every relationship and every outcome delivered.

A significant shift in the role of business

In 2021 the Edelman’s Trust Barometer found that, for the first time, business is the most trusted institution in the world, overtaking NGOs, government and media. Businesses must increasingly demonstrate both why they’re trustworthy and how they are contributing to society. The 2022 Edelman’s Trust Barometer further confirms that business’ societal role is here to stay. Clear, consistent and fact-based information is critical to breaking the cycle of distrust and 81% of respondents want business to discuss what they have done to solve society’s problems.

> *Maximizing shareholder profit will always be important, but to break the cycle of distrust, businesses must embrace stakeholder capitalism and recognise its equal obligations to all stakeholders—consumers, employees, communities, and investors.*
>
> *Business must lead with trustworthy and quality information, modeling responsible communication.*
>
> *Edelman 2022 Trust Barometer*[1]

1 https://www.edelman.com/trust/2022-trust-barometer/stabilizing-force-business

In the current environment, business leaders face two fundamental challenges: firstly, how to build trust with a broad range of stakeholders, whose expectations of business are higher than ever before; and secondly, how to adapt their businesses and deliver sustained outcomes in a rapidly changing environment.

A company's purpose in society is under scrutiny and the demands on its reporting are increasing. Investors and other stakeholders are demanding more holistic information about companies' long-term value creation opportunities and their wider impact on society.

> *At a time when we face growing socio-economic and environmental challenges, the question is how do you explain the impact your organisation has on the economy, the environment and people? The Global Reporting Initiative (GRI) believes informing all stakeholders is good for business. By providing comparable, verifiable information on an organisation's sustainability efforts, you show the world that you practice what you preach.*[2]

2 The GRI perspective: A business case for environment & society

There are many ways to build trust and deliver sustained outcomes. Organisations that address these interconnected needs successfully do so through a strategy that is guided by their societal purpose.

> *In response to technological disruption, climate change, fractured geopolitics, and the continuing effects of the COVID-19 pandemic, amongst other challenges, many organisations need to refocus. There is a sense of urgency now, with regard to successfully responding to these challenges by building trust and delivering sustained outcomes that create value. As a community of solvers, PwC Africa has strengthened its own greater societal purpose strategy in response to these unprecedented changes, making a difference where we are able to, with the skills and resources we have.*
>
> *Government cannot drive economic recovery and growth alone; most areas of economic activity are dominated by the private sector, including investment, employment and innovation. There's a need for business to come together to stimulate growth and improve livelihoods, including through a concerted contribution to public finances.*
>
> *Shirley Machaba, PwC South Africa CEO*

Delivering sustainable value

> *The COVID-19 pandemic has pushed large corporates to rethink the way they operate and how they build trust and deliver sustained outcomes. The increased complexity in many of the structural challenges society faces, brought about by the current uncertainty, has caused individuals and organisations to demand transparency and reliable information they can trust.*
>
> *Dion Shango, PwC Africa Territory Senior Partner*

The global pandemic heightened awareness of how interconnected we all are, how rapidly external shocks can work through the global economy, and how central trust and transparency are to the economy's operation.

Increasingly, stakeholders of all kinds are expecting companies to do more to help tackle the big issues, such as climate change, public debt, and social inequalities. They hold organisations accountable for delivering sustainable value. In fact, stakeholders tend to place more trust in organisations that demonstrate a sustained interest in communities, the environment and good governance. They expect organisations to do more than simply 'tick a box'. They expect more transparency and sustainable actions and are interested in information that goes beyond a company's financial report. They require insight into an organisation's financial and non-financial metrics to better understand a company's performance and diverse social, governance and environmental risks – through insightful, balanced and trusted performance and disclosure.

> *In Africa and beyond, we believe that organisations must integrate environmental, social and governance (ESG) considerations into their corporate and investment initiatives and activities, and internalise ESG holistically, to build trust and ensure long-term sustainability, agility and competitiveness.*
>
> *Jayne Mammatt, ESG Africa Leader PwC Africa*

ESG criteria are a set of environmental, social and governance standards for a company's operations. But ESG is no longer only a topic for environmentalists or activists. Everyone now agrees that ESG is affecting us all and it is not only about doing good, creating a better planet, a better working space and better environment for us all, but it's also about creating value.

A major takeaway from new PwC research[3], conducted in September 2021, is that investors are paying more attention to the ESG risks and opportunities facing the companies they invest in, and are poised to take action. Nearly 80% of participants said ESG was an important factor in their investment decision-making; 75% said companies should address ESG issues, even if doing so reduces short-term profitability and nearly half of the respondents said they are willing to divest from companies that aren't taking sufficient action on ESG issues.

3 PwC, 2020 Annual Corporate Directors Survey

Influential investor sentiment

One of the dimensions of the ESG revolution is reimagined reporting. As companies re-evaluate what they report publicly, non-financial information on tax should be part of their consideration.

> *Between active policy conversations and intensifying societal expectations, the role of taxes has evolved to become a catalyst for delivering trust and driving sustained business outcomes.*
>
> *Ken Kuykendall, PwC US Tax Leader and Tax Consulting Leader*

According to the United Nations Principles for Responsible investment

> *...there is an imperative for long-term institutional investors to understand aggressive tax practices within their investments, support a shift away from tax practices that are short-term and unsustainable, advocate the creation of a level playing field in tax policy matters and communicate expectations to companies in order to drive broader societal and economic objectives.*

Investors' focus on companies' ESG-related commitments and actions has brought reporting into the spotlight. They are tracing all publicly available information and setting up investing screens based on benchmarks that track everything from emissions levels, to human rights, to diversity. They look at net-zero policies, tighter linkages between ESG targets and executive compensation packages and a company's position on tax.

As an example, in 2021 Norway's $1.3 trillion wealth fund, the world's largest, for the first time pulled investments from companies because of their tax policies – this adds considerable weight to the argument that, while many companies strive to be upstanding corporate citizens, they may have lost sight of the need to effectively communicate their stance on tax matters.

> *Investors want to assess the credibility of a company's ESG strategy and performance – a key mechanism for this is ESG reporting which needs to be consistent, comparable, balanced and have integrity. Tax, in all its forms, is a critical part of a company's strategy and performance and hence should be included in the ESG disclosures or wider external reporting.*
>
> *Jayne Mammatt, ESG Africa Leader PwC Africa*

Given the compelling case for investor action, the lack of corporate transparency on tax issues has impaired investment analysis and understanding of how companies are positioned on tax issues. Improvements in corporate tax reporting are crucial for better risk assessment.

Investors are therefore demanding more accurate, timely and meaningful corporate reporting to enable better assessment of tax risks and opportunities and to identify leading practices in their portfolio. Without granular information on taxes paid and other economic and financial data at a tax jurisdiction level (better known as public Country by Country Reporting (CbCR)), investors cannot compare companies on their tax practices, pick up red flags or validate tax commitments. They expect companies to employ governance mechanisms that enable implementation and appropriate oversight of a company's tax strategy. They also expect disclosure of underlying economic and financial data that support any wider assertions made by companies concerning those practices.

With that said, enhanced tax transparency is a means to an end and does not in itself guarantee responsible tax practice. However, in the absence of standardised reporting, robust disclosure will help investors gauge companies' positions on tax and facilitate assessment of their exposure to tax risks.

For instance, meaningful disclosure could bring to light boardroom priorities and decision making around high-risk transactions. It could also help identify inconsistencies between companies' public positions and actions, providing a valuable backdrop for discussions with companies on the development of responsible corporate tax strategies and relevant implementation practices.

Tax disclosures are increasingly being considered a sustainability issue, but what does this mean for business?

Tax is a key mechanism by which organisations contribute to the economies and societies of the countries in which they operate, with businesses expected to address concerns from all stakeholders on tax. It is no longer a private matter between tax teams and tax authorities.

To many tax executives, 'ESG' sounds like a buzzword, or, worse, an unrealistic, moral aspiration. But, in fact, ESG is expanding its reach. While tax has not always been at the leading edge of this business revolution, it has been involved from the beginning – and this involvement is now beginning to accelerate. Even before COVID-19, it was hard to argue that tax has no impact on society and therefore would not be material for companies.

In essence, taxes fund essential public services to fulfil people's rights such as health care, education and the justice system. They also fund the public infrastructure needed to raise living standards, increase equality and build well-functioning economies in developing countries. Taxes play an even more important role in domestic revenue by which developing countries can mobilise resources for financing development and addressing issues such as poverty and wealth inequality. It also provides these countries with more independence and makes governments accountable to their tax paying citizens, rather than foreign donors and lenders.

According to the PwC Africa Business Agenda 2021 report 56% of CEOs in Africa are extremely concerned about tax policy uncertainty, plummeting government revenues and fragile economic growth are fuelling an increase in government debt across Africa. This could result in tax aggression by the government, increases in tax rates or introduction of new taxes. We asked our Fiscal Policy Partner and Africa Tax Leader, Taiwo Oyedele to share his views on how important tax stakeholder engagement and being able to tell your tax story is for large taxpayers in Africa:

> "*It has become more important now than ever before, for businesses as a key stakeholder group within the tax system and the economy at large, to rethink their approach to tax governance. While it is critical to do the right thing at the right time with respect to paying taxes, it is not sufficient. Large taxpayers in Africa need to go the extra mile to consistently demonstrate their unfailing commitment to tax transparency, board level focus on tax matters, and contribution towards the development of a sustainable tax policy environment for economic prosperity.*

The last ten years have seen an increasingly complex global tax landscape. Modern society no longer sees tax as a cost factor but as a tool for socio-economic cohesion, sustainable value growth and long-term prosperity.

As far as tax is concerned, it is important for tax executives to be dealing with Environmental and, even more directly, Governance aspects of multiplying ESG impacts, otherwise they and their business could find themselves on the wrong side, not just of regulators and tax authorities, but also society (including their consumers) who are increasingly interested in the societal (Social) aspects of ESG.

The new reality – Tax is an ESG metric.

Tax must be seen in the context of ESG commitments, made by businesses and governments alike, in the context of the achievement of the UN's Sustainable Development Goals in 2030 and Corporate Sustainability Reporting. Governments and parliaments are increasingly interested in the use of tax as an instrument for behavioural change.

> *With the focus on ESG issues, the trend towards greater transparency and reporting continues to build – particularly for large global companies – due to both increasing reporting and transparency standards across the world, or increasing stakeholder pressure and expectations.*
>
> *Tax can be a complex topic – and mandatory disclosures do not always provide a clear picture of a company's tax affairs, particularly for non-tax readers.*
>
> *Many companies are making voluntary disclosures to provide stakeholders with a better understanding of their tax affairs. In addition to voluntary tax disclosures, we are seeing companies include a narrative to answer common questions about their tax position.*
>
> *This has the potential to increase stakeholder understanding and trust. It provides companies with the opportunity to tell their story about their total tax contributions.*
>
> *By being more transparent around their tax affairs, companies can respond to the evermore challenging environment and scrutiny they face.*
>
> *It can also help to outline how a company's tax strategy aligns with both their ESG strategy and broader business strategy.*
>
> *Carol Stubbings, PwC's Global Tax and Legal Services Leader*

Every organisation's approach to tax is unique, as is the scope of change required to implement an ESG tax strategy. However, there are two interconnected needs that we believe help to explain the imperative for ESG strategies, at every organisation:

- the need to build trust, and
- the need to deliver sustained outcomes.

A new era of reporting

While we see plenty of companies publishing sustainability ESG reporting, it is often fragmented and inconsistent. This makes decision making for stakeholders – whether investors, customers, employees and policy makers – challenging. To enable a better understanding of a company's long-term performance and value creation prospects and sustainability, we need to transition to globally consistent, assured non-financial reporting that is as robust as financial reporting. Better reporting doesn't just measure sustainable value creation, it incentivises it. Reporting does not just measure the system; it helps power it.

The three main reporting standards are the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD). The standards of GRI and the SASB follow a holistic ESG approach, whereas the TCFD is purely focused on climate-related topics. GRI's standards are the oldest, best-known and by far the most used standards in the world. SASB's standards, as part of the Value Reporting Foundation, and also TCFD's standards, follow the classical financial materiality principle and are aimed at investors. However the GRI standards follow the double materiality principle and a multi-stakeholder approach.

The concept of double materiality and its interpretation link to tax

> *"Giving only financial substance to the materiality concept with regard to tax, as is the case with IAS 12 (IFRS) and ASC 740 (US GAAP), with only the financial impact on the company itself, is incompatible with sustainability reporting strategies of companies. Why? Because double materiality is about impact on the environment and society and not just about enterprise value creation. All using GRI standards understand the double materiality concept on topics like human rights, diversity, social inclusion, child labour, equal pay, water pollution, carbon emissions etc. So why not on tax? Tax behaviour has an impact on society, that is a fact.*
>
> *When it comes to giving substance to tax policies in relation to ESG, there is only one independent standard for tax purposes worldwide that companies can use for their tax disclosures: GRI 207."*
>
> *Eelco van der Enden, CEO – Global Reporting Initiative*

When it comes to tax in ESG reporting, the Global Reporting Initiative standard 207: Tax 2019 (GRI 207) is the only independent global standard under which companies can report on taxation. We are seeing that a growing number of very large companies world-wide are already reporting tax on a voluntary basis under GRI 207. What is noteworthy is that in some instances these reports are accompanied by statements by external assurance providers who give a degree of assurance on the quality of the reporting.

Guidance on voluntary tax reporting

Other influencers also put tax firmly on the sustainability reporting agenda, most notably the International Business Council: Toward Common Metrics and Consistent Reporting of Sustainable Value Creation, Principles for Responsible Investment (PRI)'s Engagement Guidance on Corporate Tax Responsibility, the B Team's Responsible Tax Principles, and the European Business Tax Forum. These documents are a clear indication that tax in general, and public tax transparency in particular, can add substantial value to the sustainability debate.

Overview of GRI 207

In December 2019, the GRI issued the 207 tax standard (GRI 207), which was introduced to meet stakeholder demands for greater transparency around tax, especially with regard to country-by-country reporting. The standard is applicable for reports published from 1 January 2021.

Global investors, civil society groups, labour organisations and other stakeholders have signalled their support for this new tax standard as it will help address their growing demands for tax transparency.

The standard contains three management approach disclosures and one topic-specific disclosure:

Any organisation can choose to align with the GRI. However, an organisation that follows the GRI in its sustainability reporting should also follow the tax standard if tax has been identified as a material topic by stakeholders

The GRI 207 tax standard is an example of this integration between tax and ESG. Tax teams should ensure they are aligned with their sustainability teams on how the company will respond to these developments.

Public country-by-country reporting

CbCR is a broadly used term which usually refers to the reporting of certain financial information (e.g. revenue, profit, number of employees, assets, corporate income tax paid etc.) at an individual country level, rather than globally, to revenue authorities. There have been calls across the globe to make CbCR public, and these developments are gaining momentum. Some companies have started to provide public CbCR voluntarily.

Public country-by-country reporting became a mandatory requirement and entered into force through the amendment of the EU Accounting Directive for multinational groups that fulfil certain criteria. It is also an integral part of several sustainability reporting frameworks (such as GRI 207) and sustainability questionnaires (such as Dow Jones Sustainability Indices (DJSI)). It is clear that public country-by-country reporting enhances corporate transparency by providing more corporate data to the public. Further, a number of multinational groups, either individually or collectively, in addition to publishing CbCR, also went a step further and published their total tax and/or economic contributions. Therefore, the mandatory requirement of public CbCR may also result in additional tax related data to be published, either as a requirement or as a voluntary disclosure.

Global multinational companies are required to disclose financial and tax data in accordance with internationally accepted financial accounting and reporting standards. Public tax transparency goes beyond such requirements. It is about the additional tax-related public disclosures both on qualitative (tax governance framework, tax strategy, tax risk framework to name some of them) and quantitative data (CbCR, Total Tax and Economic Contributions, etc.). Recent political and sustainability reporting developments such as the amendment of the EU Accounting Directive on public CbCR, the sustainability reporting frameworks (such as GRI 207) and sustainability questionnaires (such as DJSI) that required additional tax-related disclosures as well as the market pressure (i.e. the 'domino effect' when industry peers published certain tax-related information). Furthermore, institutional investors are interested in how sustainably investee companies govern their tax affairs and whether any uncertain tax positions are managed rigorously. As a result, public tax transparency could meet institutional investors' requirements on tax matters.

Charalambos Antoniou
Swiss Tax Function Design and Tax Transparency Leader

In the current landscape clear and consistent information to objectively assess a company's position on tax is crucial

Challenging times

The COVID-19 pandemic has resulted in a re-evaluation of the relationship between the private and public sectors. With the recent announcement from the G7 signalling an agreement on a minimum corporate income tax rate of 15% alongside the OECD work on Pillar 2, questions around whether companies are paying their fair share of taxes are again being re-examined. Governments around the world are experiencing acute fiscal deficits because of the economic turmoil caused by the public health crisis with many administrations turning to businesses to boost tax receipts.

> *Considering the current international trend towards mandating more transparency on tax related matters, it is important for South African companies to voluntarily comply with international best practice on tax transparency reporting. Making this information publicly available encourages capital investment as it enables investors to better assess tax risk. It also facilitates reputation management, especially in these challenging economic times, as it allows companies to demonstrate how they contribute to the societies in which they operate.*
>
> *Lizette Kotze, Senior Lecturer at University of Pretoria*

Tax reporting is a voluntary compliance system founded on the basis of trust, and the total amount of tax that companies pay is increasingly seen as currency in the trust debate. As society's expectations of business continue to evolve, tax offers a way to demonstrate trust while threading the needle between business drivers and stakeholder demands.

> *Being a good corporate citizen as per King IV™ embodies having a responsible and transparent tax policy. Whilst an organisation needs to ensure it is making a profit from a sustainability and growth perspective, it also needs to ensure that the business activities and decisions it takes in order to make that profit is done taking into account the impact on the economy, society and environment. Producing reports which go beyond the general feedback by providing meaningful and value add information (such as specific practices and initiatives implemented as well as concise information), will improve stakeholders understanding of the business and its contribution to the triple context. A good balance between figures and explanations should be found to make reporting valuable and not merely repeating standard wording that doesn't really delve into the detail.*
>
> *Vikeshni Vandayar, Executive: Governance and Corporate Services – Institute of Directors in South Africa*

Where to focus

The basic message is that it is time for companies to consider their approach to public tax transparency – especially in the wake of the pandemic. The direction of travel is clear, but there is a lot of uncertainty about the precise path and the pace of change.

Here are five issues for CFOs and tax teams to consider as they contemplate a more tax transparent future

Engage the board

Growing pressure from investors and a wider set of stakeholders makes tax transparency a board-level issue. Reporting on how you create sustainable value through your approach to tax and tax contributions is not a PR exercise; it is vital to maintaining the trust of governments, investors, regulators, employees and customers. That is partly about ensuring the data is accurate, but it is also about ensuring that it is supported by tangible evidence of robust governance and a culture of good corporate citizenship. Trust comes when stakeholders are convinced you are genuinely committed to creating sustainable value—both financial and non-financial.

Know your strategy

"Transparency for whom and for what purpose". What stakeholders are demanding is transparency about what matters—not transparency about every nook and cranny of your business. That means each organisation will have its own reporting approach, which is likely to include a comprehensive baseline (such as GRI 207) and bespoke metrics relating to your sector and specific business and stakeholder groups. Metrics and disclosures need to be significant for stakeholders—relating to material issues—and challenging enough to make compliance meaningful.

Think about systems, not just frameworks

Regardless of what framework the market ultimately chooses, make sure your company has the ability to gather and report non-financial tax data effectively. Doing this properly is much more than just a communications-led effort which results in the team publishing a tax report. It means having the right data, governance, processes, controls, skills and assurance. Think in terms of systems, not metrics—a trustworthy number is just the tip of an iceberg, but the iceberg is required to keep it floating.

Use the same rigor you apply to financial data

It is already the case that non-financial tax metrics can be just as important as financial ones—how your total cash taxes are paid, and the location where they are paid, matters more to communities than only your corporate tax. You will be expected to report such information with the same rigor as your financial numbers.

Go digital

Transparency is enabled by providing tax data in flexible digital formats that third parties can process and use. We are on a journey from static documents on corporate websites to engaging formats, for both data and storytelling.

> ***Public tax transparency –***
>
> *These developments make public tax transparency an important topic right now. Adopting a policy of public tax transparency is the first step towards the public tax transparency journey. Developing a clear understanding of the tax transparency requirements and engaging internal stakeholders on what actions, internal and external, need to be taken is essential. The development of a public tax transparency report will not happen overnight, therefore there is a need for preparing well in advance to ensure the data required to be published is available and the relevant narrative that accompanies such data is carefully drafted.*
>
> *Charalambos Antoniou*
> *Swiss Tax Function Design and Tax Transparency Leader*

Contribution to society as a whole

We asked Carolynn Chalmers, Chief Executive of the Good Governance Academy some pertinent questions on the topic of tax transparency:

Why should companies consider their current Tax Transparency strategy?

"Organisations can achieve more than individuals and also impact nature more than individuals. It is important then that organisations contribute to the well-being of more than relevant stakeholders, but also to society as a whole – this is imperative for sustainability of the organisation itself. Such contributions include remuneration, social investment and taxation. Stakeholders are aware of negative organisational impacts. It is therefore in the best interests of the organisation that stakeholders are also aware of the organisation's contributions (positive impacts). Taxation is an important area where transparency can build stakeholder goodwill beyond mere compliance – the organisation can demonstrate that it is 'doing its best' for society and the environment. In the 21st century tax transparency is a sustainability imperative.

In the case of organisations operating across multiple jurisdictions, it is necessary for the organisation to provide tax details per jurisdiction. In addition, as a matter of fairness, organisations should, and should be seen to, contribute towards the infrastructure of countries in which they operate. This should be beyond mere compliance but consider the positive and negative impacts it has on the society and nature of these countries."

What are the risks and benefits of providing more information about tax to the public?

"Tax information should be provided to stakeholders in clear, concise and understandable reports, failing which, readers will not appreciate, or can even misunderstand, the organisation's intentions."

What disclosures would create value?

"With respect to tax information, disclosures should assist stakeholders to understand:

- *the organisation's governance of taxation information and activities (increased certainty)*
- *the organisation's contribution to the fiscus of each jurisdiction within which it operates*
- *how the organisation is ensuring that its tax contributions are being used appropriately*
- *the value generated by the organisation which has been contributed towards taxation*
- *the technical financial considerations for investment purposes*
- *an analysis of this information over time with consideration for future expectations."*

How will technology impact the Tax Transparency agenda?

"Technology can positively impact the tax transparency agenda by enabling stakeholders to navigate the vast array of information to source that which is most pertinent and understandable for them. However, it can negatively impact the agenda when incorrect or inaccurate information is communicated by or about the organisation's tax position."

Does a company need to consider balancing its actions and messaging between purpose (the impact on society in which it operates) and profit (tax as a cost that needs to be minimised)?

"Yes, the board should explain the organisation's value generation objectives for each identified stakeholder as well as for society and the environment through taxation and social investment. It should also explain how this value has been generated (positive and negative) and distributed in a sustainable way."

Sustainability issues and environmental, social and corporate governance (ESG) metrics and investors are increasingly taking an interest in the tax behaviour of businesses and how that aligns with the company's sustainability strategy, values, and purpose: What should companies be doing now to assess what this means for their business?

"Today, sustainability and ESG cannot be considered as separate from the organisation's business model, they are of equal strategic importance to that of the organisation's financial profit generation. An organisation's tax behaviour is an indicator of the board's intent with regards to taxation. A board is charged to act in the best interests of the organisation, and this necessarily means the long-term sustainability of the organisation. The organisation's contribution to taxation is a key enabler of its sustainability. As with every investment, however, it is also in the organisation's best interest that the return on this investment is maximised and the intended social and natural benefits are realised. It is therefore equally important for the organisation to become informed of and influence the way in which its taxation is utilised for the benefit of society and nature."

A continuous dialogue on tax

We sat down with Nazrien Kader, Group Head of Tax for Old Mutual, to hear about the Group's approach to demonstrating how it creates shared value for investors, employees, customers and their families and communities and its relation to tax.

Old Mutual made a significant effort to improve voluntary reporting on tax for the 2020 financial year. Where did this journey start and what were the key drivers influencing the relevance and importance of this initiative?

"Companies across the world had a fragmented approach to tax disclosure. Each one, including Old Mutual, had their own interpretation of what 'good' looked like. GRI 207 provided us with guidelines on what companies needed to demonstrate. As a global business, we have taken consideration of global best practice on tax transparency. For instance, we closely identify with the Responsible Tax Principles as articulated by the 'B Team'. We are also heavily influenced by the guidance in terms of King IV. As a signatory to the United Nations Global Compact, we subscribe to those principles as well. For us as a global financial services group, dominant in every African country in which we conduct business – Old Mutual is amongst the largest taxpayers in every country in which we operate – it was a 'no brainer' that we should be more tax transparent. We understand our role and responsibility to every jurisdiction. We want the various revenue authorities to understand our approach to tax and our tax strategy. Our tax transparency report seemed to be a great way to share this."

How did you decide who your stakeholders are and what is of interest to them when you considered the scope and context of your 2020 tax transparency report?

"Our disclosure in our 2020 tax transparency report was voluntary. Our relationship with stakeholders such as regulators and revenue authorities are couched in legislation. The provision of this voluntary information, over and above that, is our attempt at building deeper trust.

Our CFO, Casper Troskie and I started by saying that the communities in which we operate need to know that we are contributing our fair share in their country. It is also important to us that our employees across all jurisdictions know that we are a significant taxpayer and that we pay our dues.

As a financial services provider and responsible taxpayer, it was also incumbent on us to set the benchmark for our peers in those jurisdictions".

From an industry point of view are there any specific areas of disclosures that stakeholders are looking for around tax?

"Although not required by any legislation, our tax transparency report is a powerful signal of what we stand for as an organisation.

As a large taxpayer, Casper and I wanted our communities and respective revenue authorities to understand what our tax contribution means for every country, for example in the way we disclosed the direct relation between our tax contribution to the national budgets in each country.

We wanted the information to be meaningful. We went to the extent of explaining the tax contribution of our largest and also our most complex Life Insurance business, in as simplified a manner as we could, for all stakeholders to understand."

What do you think "trust" means to your stakeholders in the context of the tax environment?

"Trust, accountability and integrity are embedded values of Old Mutual and true of the leadership of Old Mutual. At a basic human level, looking at the organisation that you are employed by, you want an indication that your values and that of the organisation, match. When it came to tax transparency and trust in particular, for me it meant how much we choose to disclose and how honestly we do that. It wasn't just about what we paid, it was about how we do it, how we set ourselves up to determine the amount that we pay. To build trust it is critically important that our stakeholders understand what our tax strategy is, what our approach to paying taxes is, and what we stand for.

Those three things: trust, accountability and integrity – these are not just words in a report, it is also about the values of the people that are responsible for our tax numbers, telling our story and demonstrating to our stakeholders who we are."

Were there any challenges that you faced in the process of becoming more transparent about your taxes and how did you overcome them?

"We published our tax transparency report simultaneously with the entire Old Mutual reporting suite. Casper and I had to formulate a strong motivation, setting out conceptually what we intend to present in the report and take it through a thorough process of discussion and approval, through various committees at board level.

Parallel to that, we had to draw data from our systems and people in sufficient granularity and verify it to make sure that we could stand behind everything that we published. The process was iterative in nature, starting off with 2019 information, bringing it to life with actual numbers, connecting the dots and building the narrative around what the numbers were telling us, and telling our story simply to make it meaningful.

This was the first year that we prepared this report. We set an internal benchmark and we are committed to improving what we publish, going forward. As I said, it's a start of a conversation and our ambitions don't end there.

I was thrilled that there was not a single dissenting voice in the entire leadership all the way through to the board, so even though it was a challenging process, it was a very positive experience."

Do you feel there is some form of risk in being open and transparent about your position on tax, your uncertain tax positions and your tax contribution?

"We knew that by voluntarily putting out more information than we are compelled to do, it will raise more questions, but we wanted to start the conversation that must continue. We are comfortable that our internal policies and procedures are sufficient to manage our risk and we have the full support of our leadership. We celebrate this milestone."

How do you go about linking your approach to tax with the organisation's sustainability strategy? In fact, do you view tax as an environmental, social and governance (ESG) consideration?

"The short answer is – absolutely! We aligned our tax report closely with our purpose and strategy, as well as our support for the United Nations agenda on sustainable development to which we are completely aligned."

Are you efficiently linked or engaged with your sustainability team and investor relations team on tax disclosures and greater transparency around tax?

"When Casper and I put out the message that we wanted to voluntarily publish more detail on our tax disclosure, particularly our tax contributions, we worked closely with our investor relations team and the Head of Governance and Responsible Business. In fact, when we presented the final report to the Old Mutual audit committee, it was very well received as part of the greater integrated reporting suite of Old Mutual."

You noted in the report that "We encourage debate and are committed to leading the conversation on tax transparency." In your view, what should this debate and conversations be focussed on?

"We realise the accountability that comes with being one of the largest taxpayers in every country in which we operate on the continent of Africa and so for that reason we believe it is necessary to start the conversation. It is about the behaviours that global conglomerates like Old Mutual should be demonstrating, making meaningful statements so that we can build trust across society."

Do you think the trend of becoming more transparent in the tax landscape will become more evident on the African continent in the near future?

"Absolutely. I think what's also driving it – and the commissioner for SARS Edward Kieswetter mentioned it in one of his presentations recently – is the automatic exchange of information between revenue authorities and common reporting standards in general. The Pandora and Paradise Papers and the like are compelling companies to be transparent about how they operate, where they operate, what they do, what business practices they abide by, what they stand for and the human beings that define this. Is there alignment on values of the organisation and the people that run it? This is not just a trend, it is an imperative."

Looking back, what value have you experienced from your efforts to improve your voluntary reporting on tax? How do you make this report 'work' for you?

"We proudly shared the report with our stakeholders, for example, the Large Business Centre of the South African Revenue Service. This is all part of how we see ourselves co-operating with revenue authorities on the continent to improve the relationship through trust and transparency."

The global pandemic heightened awareness of how interconnected we all are, how rapidly external shocks can work through the global economy, and how central trust and transparency are to the economy's operation. How did this influence your tax function and its ability to operate within the parameters of your tax principles and commitments as communicated in your Tax Transparency Report.

"We were so mindful of the fact that 31 March was fiscal year-end just as the pandemic and lock-down started. For example, we reached out to SARS and committed to there being no delays in our tax payments. I'm very proud of the way we communicated with revenue authorities and the way our team came together to make sure that we paid all our taxes, on time. This is a classic example of us understanding our role and responsibility as a taxpayer and how we build trust."

Finally, where to from here? What can we expect from Old Mutual's 2021 Tax Transparency report?

"We will definitely revisit the content of our report in a meaningful and thoughtful way to consider what could go into it again and what has become more relevant. 2021 will be the year of consolidation of information and the narrative around the taxes we pay."

3 The PwC Tax Transparency Framework

Transparency for whom and for what purpose

The PwC Tax Transparency Framework (the Framework) is intended to guide companies in developing a tax transparency strategy that is 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 for whom and for what purpose'.

Applying the Framework relies on the inclusion of narrative and contextual information. It is only when tax information is set alongside the stakeholder concerns related to tax that this information takes on real meaning and engagement that is fit for purpose and can be developed.

Framework criteria

The Framework includes 57 broadly defined tax transparency criteria that we consider to be good practice in voluntary tax reporting. In constructing and maintaining the framework, we consider global developments in tax transparency.

These criteria are grouped under the following categories:

Context	Tax strategy and risk management	Tax numbers and performance	Total tax contribution and wider impact
• Effective transparency – easy to find and well communicated • Value reporting	• Tax strategy • Tax as a business risk • Tax risk management, tax governance, tax reporting and oversight • Relationship with tax authorities • Tax controversy • Stakeholder engagement	• Key financial indicators • Effective tax rate v cash tax rate • Tax incentives • Clear and understandable tax rate reconciliation	• Jurisdictions, entities & primary activities • Total economic contributions per tax type, jurisdiction, year • Other economic contributions to government • Tax & wider value creation • Tax and SDGs/ corporate citizenship

We use the Framework to carry out an annual review of the voluntary tax reporting and transparency of the top 100 companies listed on the JSE (the study). The companies evaluated were selected based on their market capitalisation on 31 December 2020.

For the study, annual reports, corporate social responsibility reports, annual financial statements, integrated reports, tax specific reports and relevant publicly available information for the 2020 financial year were reviewed in our assessment.

Our aim is to guide companies from the potential complexity of tax transparency to practical execution. With this in mind, we closely monitor developments regarding voluntary tax transparency, mandatory tax disclosure, trends in integrated and sustainability reporting, and good practice for stakeholder engagement, both locally and globally. In this context we reconsider the criteria included in the Framework regularly to ensure that it aligns to these trends.

Our assessment methodology includes evaluating the Framework criteria on a five-point Likert scale to distinguish between different levels of quality disclosure. The lowest score on the scale indicates that no information related to the tax transparency criteria was demonstrated in any publicly available reports. Some companies demonstrate an emerging understanding of the tax transparency criteria with basic information related to the criteria provided, but the detail provided being high level, while other companies demonstrate a clear understanding of the criteria by providing a significant amount of detail thereon. The highest scores are awarded to those disclosures that demonstrate a clear understanding of the criteria and provide a significant amount of detail with a focus on demonstrating value creation through the reporting.

> *In this report we look back over the last 3 years of tax transparency in South Africa. We look at some of the material topics for stakeholders on tax and which forms part of the PwC transparency framework.*

Tax disclosures that build public trust

“Among the leaders in tax transparency, as independently adjudicated as part of PwC’s Building Public Trust initiative, there is a welcome trend towards the inclusion of a separate Tax Transparency Report as part of annual financial reporting. This trend may cause other corporate taxpayers to consider their own Tax Transparency strategy; are they doing enough?

The manner in which corporate taxpayers approach tax has an impact on the economies and societies in the countries in which they operate. The United Nations acknowledges that tax plays a vital role in achieving the Sustainable Development Goals. King IV requires boards of directors to demonstrate responsible corporate citizenship through being transparent taxpayers. The International Financial Reporting Standards (IFRS) and JSE Listing Requirements also set out guidance and requirements in relation to tax transparency. More recently, in 2019, the Global Reporting Initiative’s Sustainability Reporting Standard on Tax (GRI 207) was approved by the Global Sustainability Standards Board, and the conversation around transparency in tax disclosures was further elevated. Indeed, a commitment to tax transparency has become global best practice and should be part of each group’s commitment to delivering on their social contract.

Tax disclosures that build public trust are those that are communicated with proper detail and context, such that the information is meaningful to stakeholders. Such disclosures must be set out with a degree of specificity and user-friendliness that lends credibility to the groups’ stated approach to tax transparency.”

Tracy Johnson, Head of Taxation – University of Cape Town

Transparency by sector representation

In terms of market capitalisation, the greatest representation in the study are companies from the financial sector (22%), basic materials (21%), real estate (15%) and consumer staples (13%). There is a marked difference in the sector representation in 2020 compared to our previous report covering 2019.

Figure 1. Sector representation, 2019

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2019

Figure 2. Sector representation, 2020

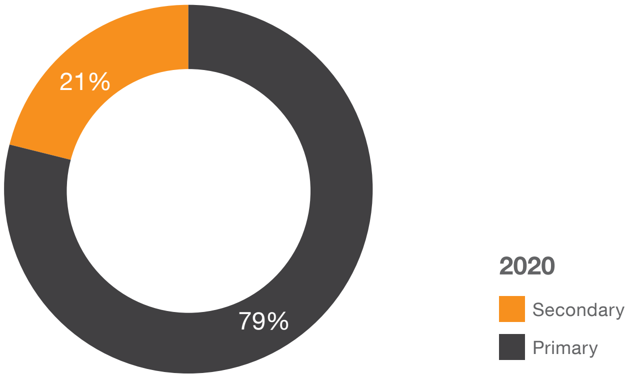
Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2020

Transparency by company type

In this study we distinguish between companies with a primary listing on the JSE and those with a secondary listing on the JSE.

Our emphasis leans towards the primary-listed companies (79%) (2019: 78%) to demonstrate the progress made by South African-owned companies in their journey towards greater voluntary tax transparency. Twenty-one percent of the companies studied are companies with a primary listing on a stock exchange outside South Africa.

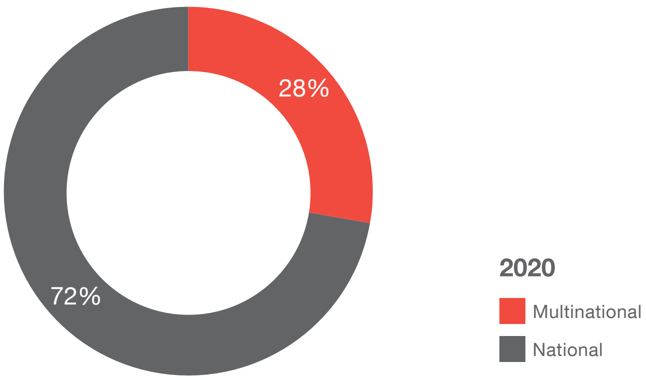
Figure 3. Primary vs secondary listed companies



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2020

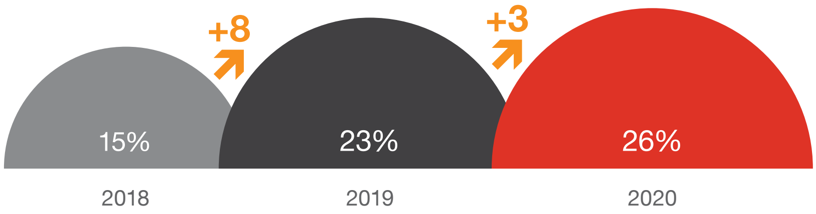
We also distinguish between primary-listed national and primary-listed multinational companies. National companies refer to those companies whose foreign sales are less than 50% of the total sales. Multinational companies are characterised as those whose foreign sales are more than 50% of the total sales.

Figure 4. Multinational vs national companies



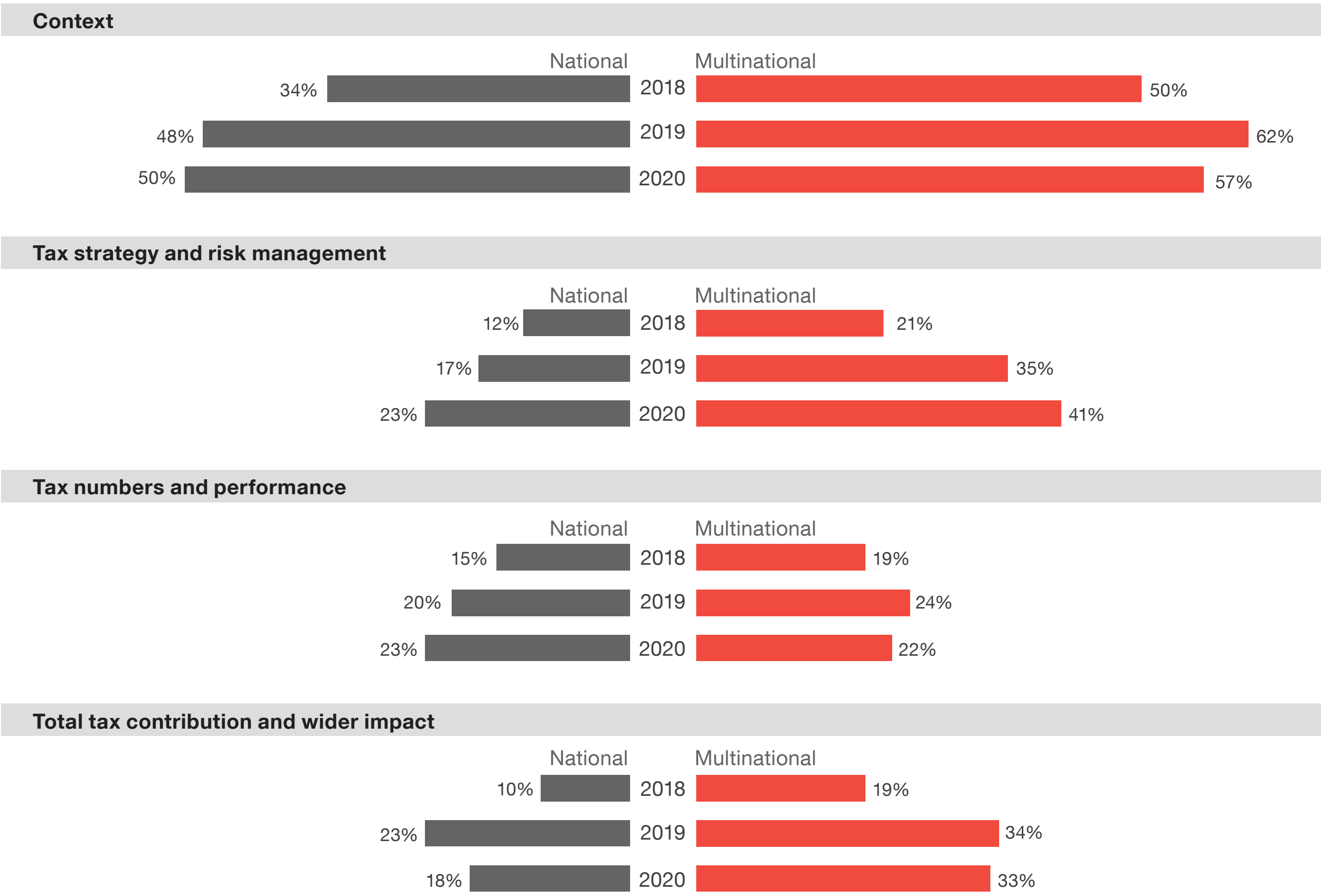
Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2020

Figure 5. Comparative analysis of average overall tax transparency reporting for companies included in the study for the last three consecutive years



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019, 2020

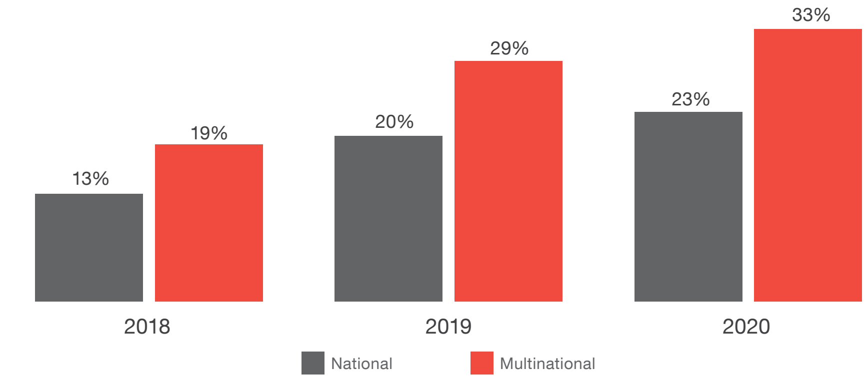
Figure 6. To illustrate the level of disclosure by participating companies further we provide a comparative analysis of transparency per category of primary-listed national and primary-listed multinational companies for the last three consecutive years



2018: Base: 70 primary listed companies
2019: Base: 78 primary listed companies
2020: Base: 79 primary listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

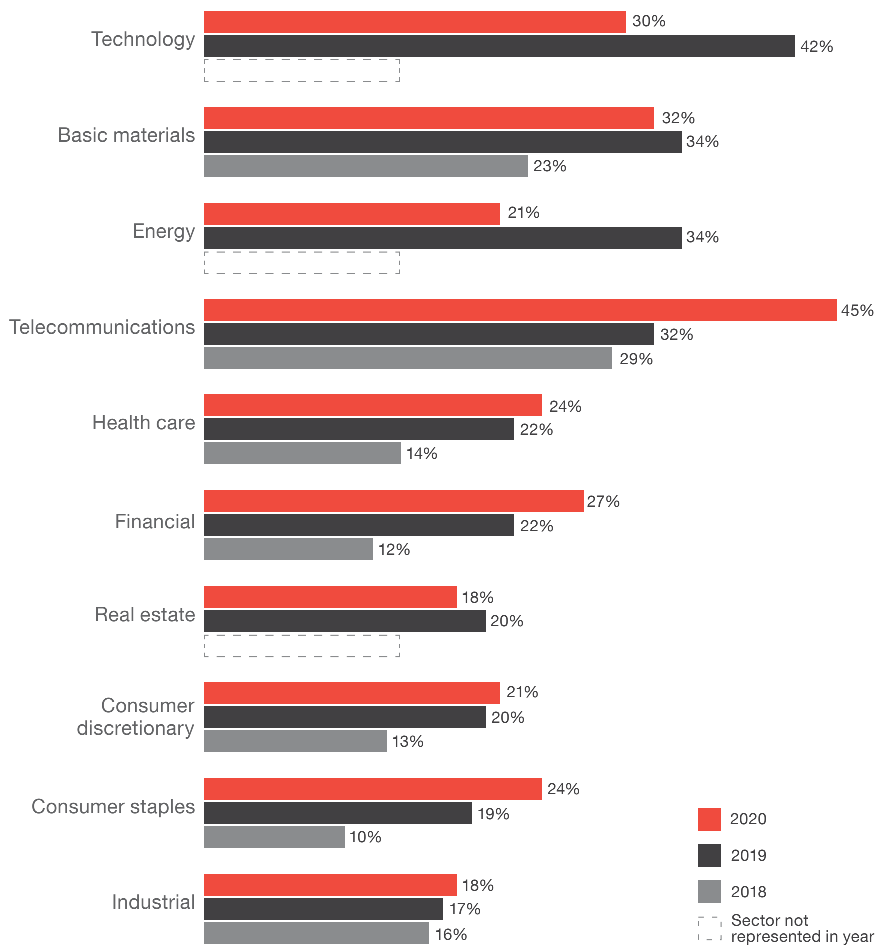
From 2018 to 2019 there was a marked improvement in the overall transparency and average transparency per category of the primary- listed national and primary-listed multinational companies, where companies with a multinational presence outperformed national companies. However even though there was a slight improvement in overall transparency, in 2020 we witnessed a decline in average transparency per category of the multinational companies in three categories, while the national companies showed an equal or slightly higher performance.

Figure 7. Average overall tax transparency per company type for the last three consecutive years (primary and secondary listed)



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

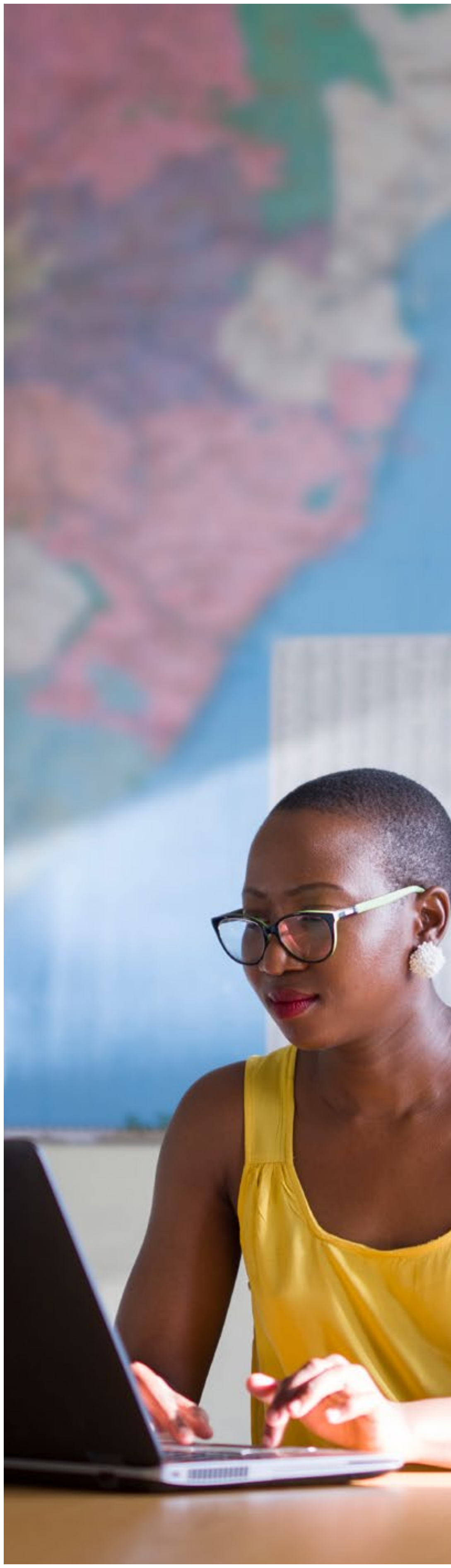
Figure 8. Average overall score for total tax transparency per industry for the last three consecutive years



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

The average performance per sector is dependent on overall tax transparency demonstrated by all companies represented in the sector.

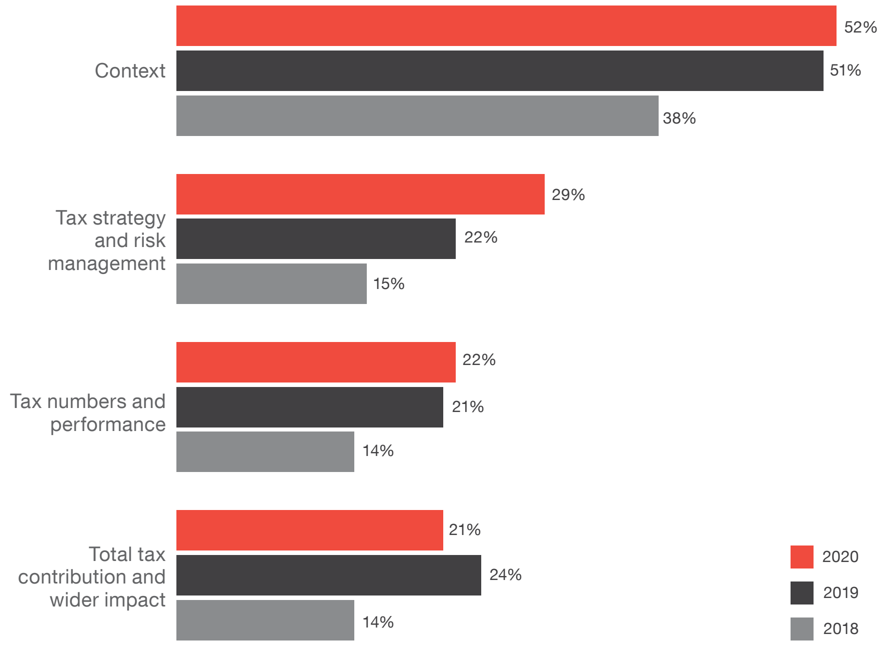
During the course of the last three years, the telecommunication industry consistently showed growth and on average demonstrated more transparency of its taxes than their peers in the top 100 companies on the JSE.



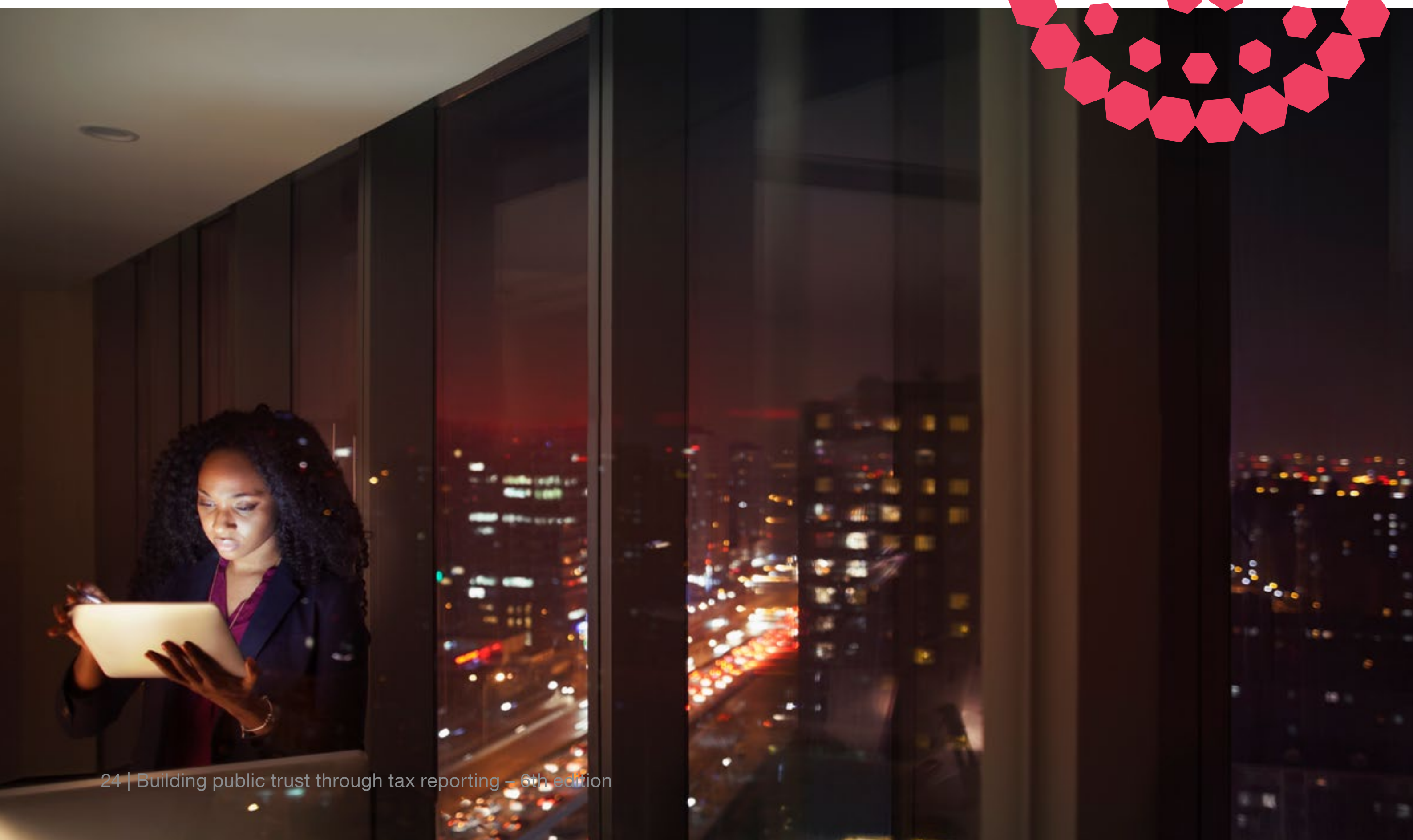
Average transparency per category of the PwC Framework

Next we outline the findings, trends and good practice demonstrated by participating companies per category of the Framework. This section features extracts and examples of emerging trends in tax transparency where disclosure demonstrates value creation. We also highlight the most notable developments related to the criteria within each category.

Figure 9. Distribution of average transparency per category for the last three consecutive years



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020



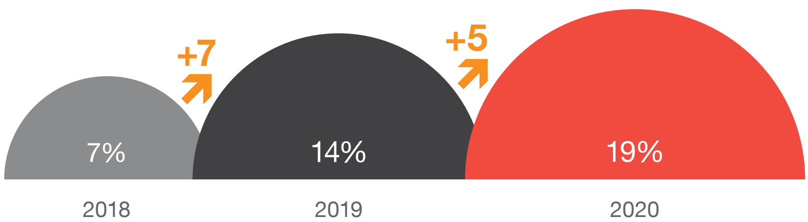
Context

Our review of the 2020 year-ends of the JSE Top Listed 100 companies showed that approximately 60% of companies reviewed follow, or are guided by, the GRI standards on environmental, social and governance topics. Any organisation can choose to align with the GRI. However, an organisation which follows the GRI in its sustainability reporting should also follow the tax standard if tax has been identified as a material topic by stakeholders. In essence, this means that at least 60 out of the 100 companies surveyed should consider following the approach set out in GRI 207 in respect of voluntary disclosure of tax information.

The companies participating in the 2020 study provided tax disclosure in a variety of disclosure types.

Of the 100 participants, ten companies published a standalone tax report, one company provided additional disclosure of tax in its sustainability report; one company provided additional disclosure of tax in a separate section in the integrated report; 48 companies provided tax information scattered through various sections of the integrated report; three companies only provided tax information in the annual financial statements and the balance of the participants' tax information was scattered through various reports.

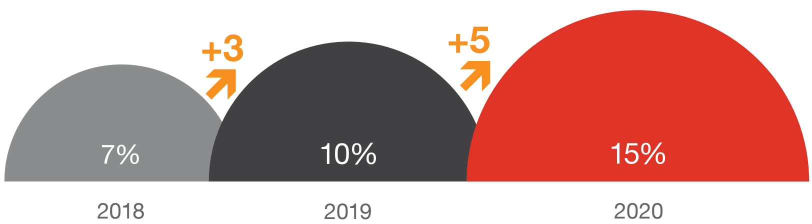
Effective disclosure



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

At least 19 companies participating in the 2020 study demonstrated a clear understanding of how to effectively provide transparency of taxes (easy to find and well communicated) compared to 14 companies in 2019 and seven companies in 2018.

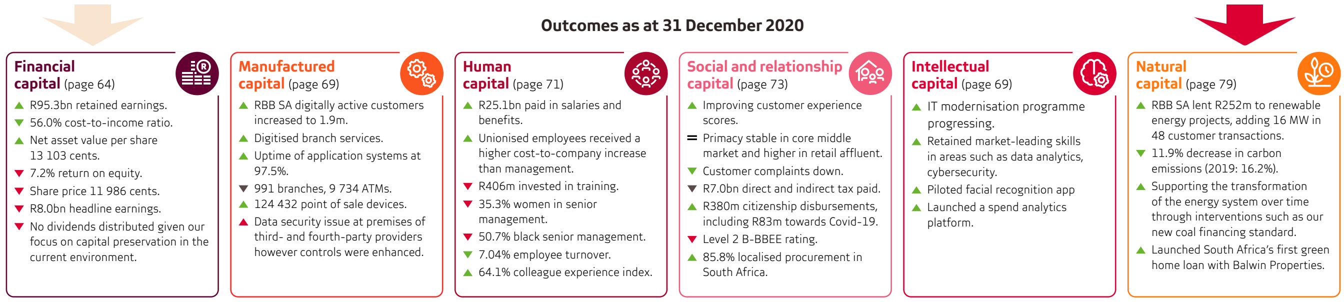
Integration of disclosure



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

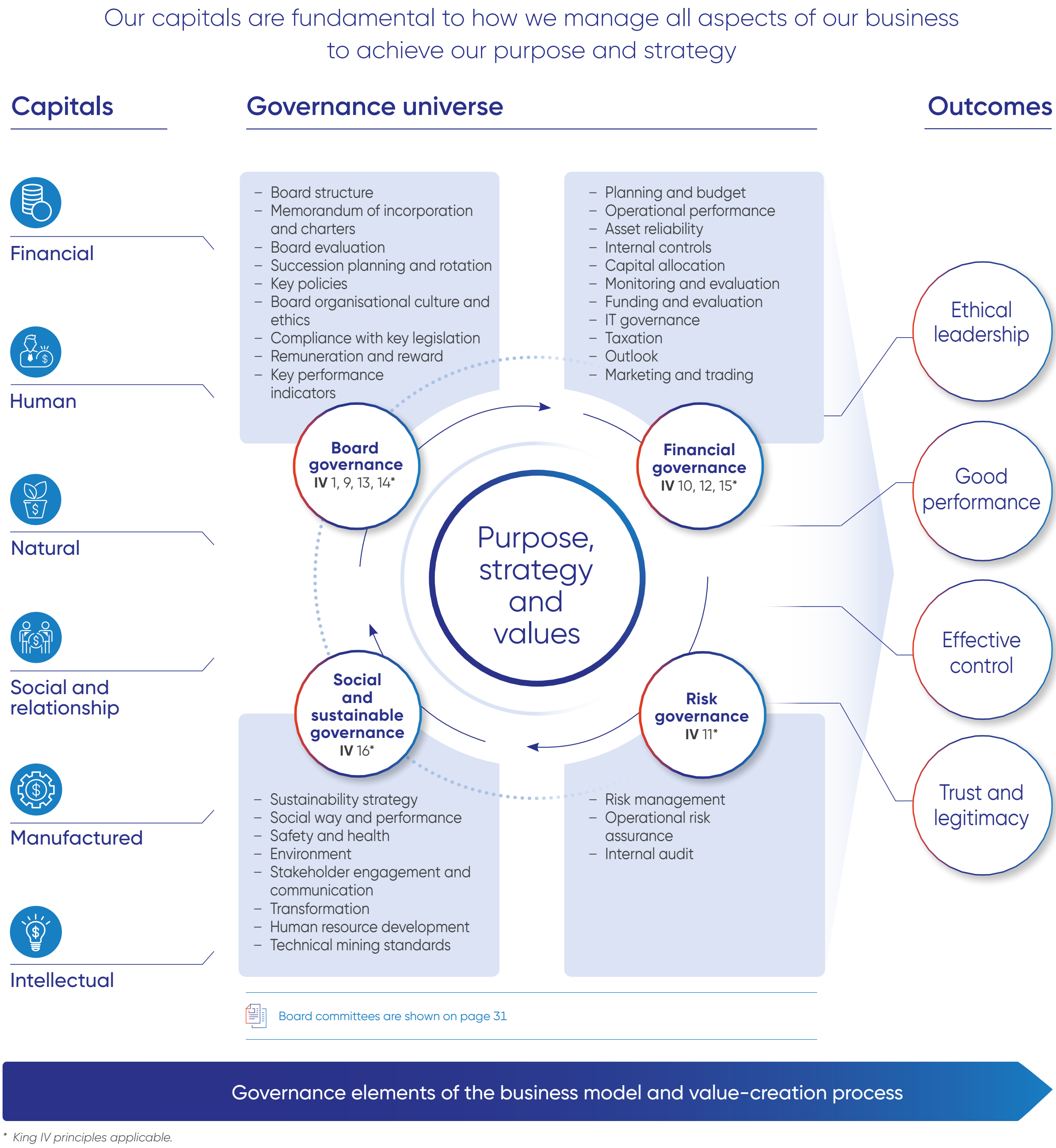
Furthermore, in 2020 at least 15 companies demonstrated integrated tax related disclosure with other company related disclosure (i.e. a sense of value reporting on tax disclosure and how it integrates with and relates to the business) compared to ten in 2019 and seven in 2018.

Absa incorporates tax into the value creating business model as a key outcome of social and relationship capital



Source: Absa Group Limited 2020 Integrated Report, P14

Anglo American Platinum demonstrates tax as a key element of value creation within the governance universe



Source: Anglo American Platinum Limited integrated annual report 2020, P24

Standard Bank provides a sense of value reporting on tax disclosure and how it integrates with and relates to the business, incorporating tax into the value creating business model as a financial value outcome and its impact on stakeholder

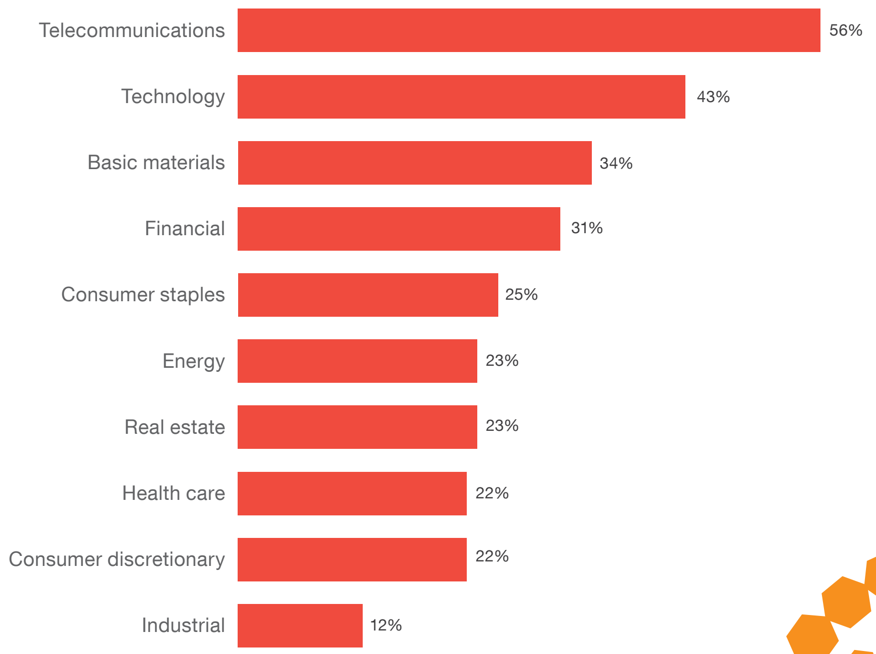
What this means for stakeholders

Financial value created	Socioeconomic value created
Clients R103 bn 2019: R126 billion **Value of Covid-19 support measures provided temporary relief to:** • Cumulative client relief of **R118 billion** in South Africa and **R11 billion** in Africa Regions provided to individual and business clients. • Cumulative relief of **R24.8 billion** for corporate clients. • Paid **R1.1 billion,** excluding Liberty, in insurance claims. • Provided **R50 million** in fee waivers and moratoriums.	Individuals and business clients can borrow money to fulfil their current needs and future ambitions, supporting employment and inclusive economic growth in Africa. Depositors earn a return on the funds they place with the group, a safe haven for their money with a stable and reputable institution. Transactional banking facilitates the movement of money, providing clients with convenient access to their funds. Our knowledge-based services allow our clients to benefit from our experience and track record on the continent and connects them to global pools of capital. Market access enables businesses to grow, providing a conduit for investment into Africa, helping economies monetise resources and diversify. Risk mitigation products enable financial protection and diversification through risk transfer. Strategic investments support inclusive economic activity and enable wealth creation, while also contributing to investments that drive Africa's socioeconomic development. Insurance, investment and advisory services enable clients to build, diversify and protect their wealth (including inter-generationally) and offer protection from loss of income due to illness, retirement and death.

Source: Standard Bank Group Annual integrated report 2020, P37

Tax strategy and risk management

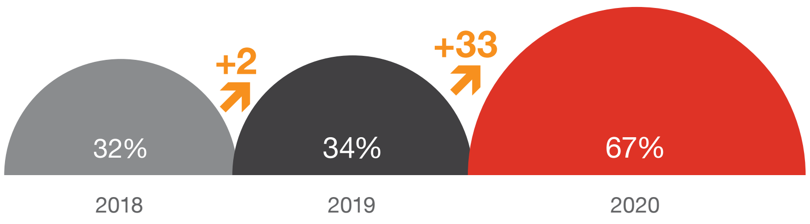
Figure 10. Tax strategy and risk management: Average score per sector, 2020



In this category the best performing sector is the telecommunication sector, followed by the technology sector. The most improvement in transparency was demonstrated in the consumer staples sector, scoring 25%, up from 14% in 2019, followed by the telecommunication sector, scoring 56%, up from 34% in 2019, and the financial sector, scoring 31%, up from 21% in 2019.

Tax strategy

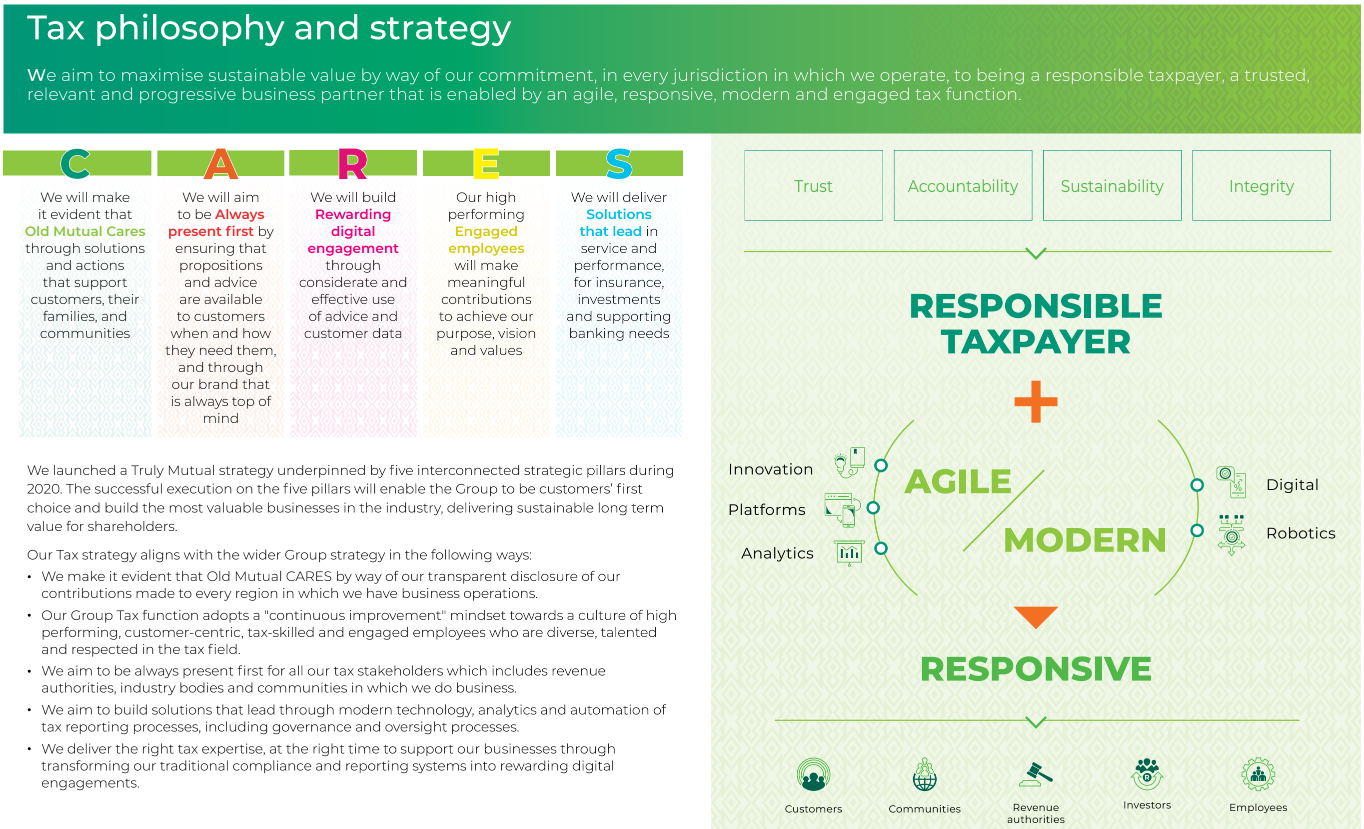
There has been a significant improvement in the last 12 months in the appetite of companies to disclose their tax strategy publicly.



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

67 companies communicate their tax strategy publicly, of which 45 companies provided a significant amount of detail (this might be in the format of a separate document, or part of a code of conduct, a tax policy or similar document). This represents a 97% increase from 2019 year-ends.

Old Mutual integrates tax strategy and business strategy



Tax philosophy and strategy

We aim to maximise sustainable value by way of our commitment, in every jurisdiction in which we operate, to being a responsible taxpayer, a trusted, relevant and progressive business partner that is enabled by an agile, responsive, modern and engaged tax function.

C	A	R	E	S
We will make it evident that **Old Mutual Cares** through solutions and actions that support customers, their families, and communities	We will aim to be **Always present first** by ensuring that propositions and advice are available to customers when and how they need them, and through our brand that is always top of mind	We will build **Rewarding digital engagement** through considerate and effective use of advice and customer data	Our high performing **Engaged employees** will make meaningful contributions to achieve our purpose, vision and values	We will deliver **Solutions that lead** in service and performance, for insurance, investments and supporting banking needs

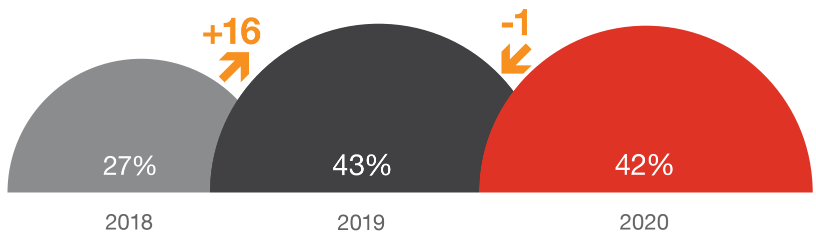
We launched a Truly Mutual strategy underpinned by five interconnected strategic pillars during 2020. The successful execution on the five pillars will enable the Group to be customers' first choice and build the most valuable businesses in the industry, delivering sustainable long term value for shareholders.

Our Tax strategy aligns with the wider Group strategy in the following ways:

- We make it evident that Old Mutual CARES by way of our transparent disclosure of our contributions made to every region in which we have business operations.
- Our Group Tax function adopts a "continuous improvement" mindset towards a culture of high performing, customer-centric, tax-skilled and engaged employees who are diverse, talented and respected in the tax field.
- We aim to be always present first for all our tax stakeholders which includes revenue authorities, industry bodies and communities in which we do business.
- We aim to build solutions that lead through modern technology, analytics and automation of tax reporting processes, including governance and oversight processes.
- We deliver the right tax expertise, at the right time to support our businesses through transforming our traditional compliance and reporting systems into rewarding digital engagements.

Source: Old Mutual Tax Report 2020, P4

The governing body assumes responsibility for the tax strategy



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

Forty-two companies provided an indication that the governing body assumes responsibility for the tax strategy. This represents a slight decline from 2019. Notably, only 32 companies reported that the governing body of the company formally reviews and approves the tax strategy.

In MTN's tax report, tax risk is discussed at board / audit committee level

MTN's approach to tax

Tax governance

The MTN Group Board understands and takes accountability for all risks that potentially affect the achievement of its strategic priorities. Derived from an assurance methodology, MTN has implemented robust risk management frameworks consisting of proactively identifying and understanding the factors and events that may impact our strategic priorities, then managing them through effective mitigation plans, internal controls and monitoring and reporting processes.

The way MTN Group manages its tax affairs is directly relevant to its shareholders and other internal and external stakeholders. Considering an increasingly complex tax legislation environment, multiple regulatory requirements, and the focus of revenue authorities in protecting their tax revenues through the tightening of rules, increased enforcement and improvement of their approach to tax collection, there is an increased focus on tax risk and controls that will mitigate tax risk to an acceptable level.

To this end, the MTN Group has developed a systematic approach to manage tax obligations and tax risk considering that tax obligations and the associated risks are managed and monitored by many different personnel, business functions, systems and processes within the Group.

Principles governing MTN's approach to tax

MTN Group has agreed the following tax guiding principles that support its approach to tax:

- It is paramount to the MTN Group that its tax affairs are managed in such a manner so as **not to cause a detrimental effect on the reputation or brand of the MTN Group**. Accordingly, the commitment of the MTN Group is to act responsibly and in an accurate, transparent and timely manner in respect of its tax affairs by fulfilling all compliance, disclosure and reporting obligations, in accordance with the prevailing tax laws in all jurisdictions in which it operates.
- The MTN Group seeks to create and manage shareholder value by **undertaking legitimate and responsible tax planning within the tax laws and regulations of the countries in which MTN Group operates**. In this regard, the MTN Group acknowledges that its tax contribution in the jurisdictions in which it operates is significant and manages such obligations in a proactive and forward looking manner and in accordance with the prevailing legislation.
- MTN is **committed to transparent and constructive relationships with revenue authorities**. These are based on open and honest communication. The need to foster strong relationships with revenue authorities is critical to ensure the management of tax risk.
- The Group commits to **ensure there is the necessary resource capacity and capability to manage its tax affairs** in an efficient and effective manner, including investing in tax knowledge and training of tax resources to ensure they have the requisite skills and knowledge.
- Tax is **integrated into all business processes supported by adequate and robust controls**, clear lines of communication, defined roles and responsibilities and financial systems that are adequately configured for specific tax requirements and controls.

Tax risk management

One of the fundamental pillars of MTN's approach to tax is a tax risk management framework aimed at ensuring that tax risks are properly identified, prioritised and managed in accordance with MTN Group's integrated risk management process. The Group Board and Group Audit Committee provide oversight over the tax risk management framework, considering the potential financial, legal, business and reputational risk of failing to detect and manage tax risks timeously.

Regular and transparent tax reporting is embedded within the governance structures of the Group, including the Group Audit Committee, Executive Committee and the Group Board.

Tax risk reporting is achieved through the tax risk management programme. Reporting is done quarterly to in-country and the Group Board of Directors and Audit Committee.

This process ensures that all tax risks across the countries within which MTN operates are identified, measured, controlled and monitored within the tax risk tolerance levels and managed at the highest governance levels within the Group.

Tax risk management reporting

Group Board

Group Audit Committee

Group Exco
Group enterprise risk management

Group tax

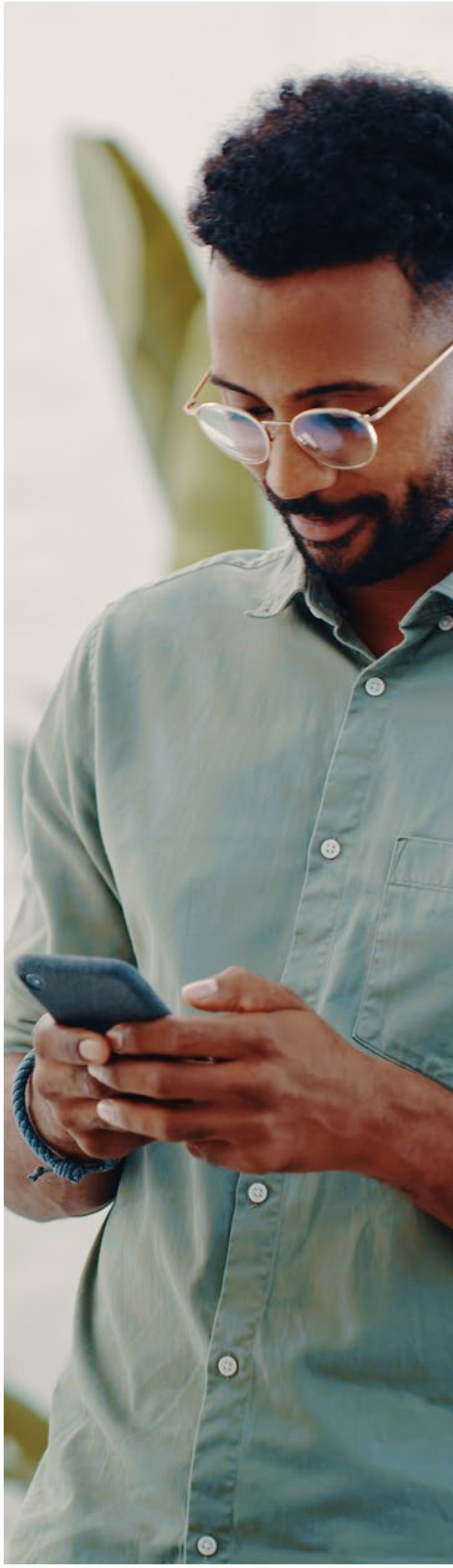
Opco board
Opco risk and audit committee
Opco enterprise risk management
Opco tax department

For details on our approach to risk refer to page 33 of the 2020 MTN Group Integrated Report. Our tax risk appetite is very low. We believe all taxes justifiably due must be paid.

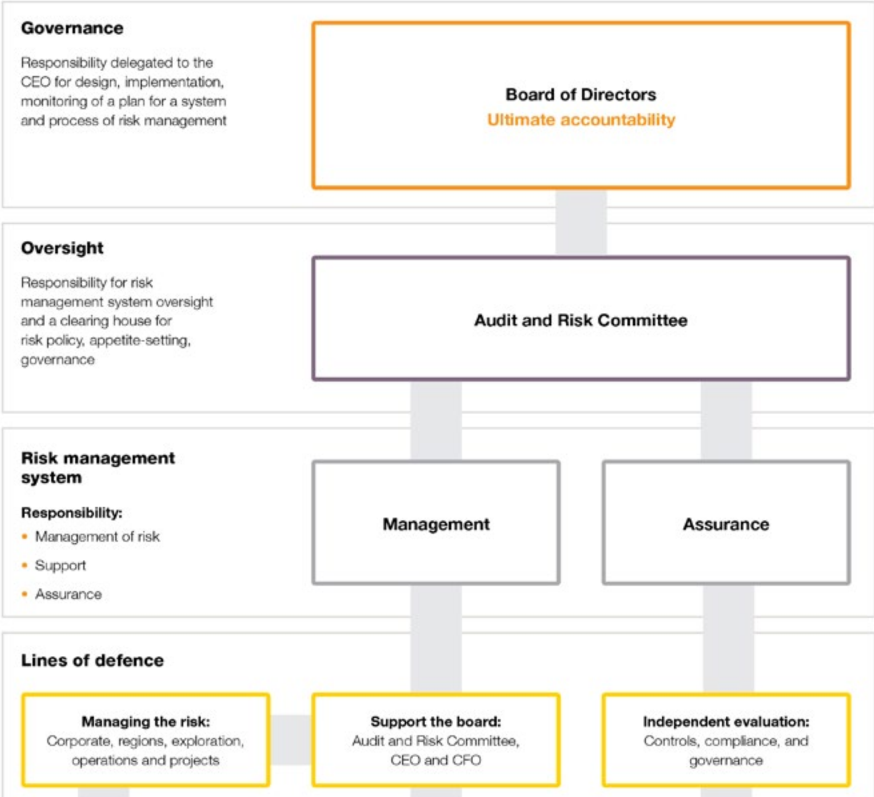
Uncertain tax positions

The Group operates in numerous tax jurisdictions and the Group's interpretation and application of the various tax rules applied in direct and indirect tax filings may result in disputes between the Group and the relevant tax authority. Tax legislation is often subject to interpretation, particularly in the absence of established case law, and as such, creates areas of uncertainty on which management is required to make judgements.

Source: MTN Group Limited Tax report for the year ended 31 December 2020, P6



AngloGold Ashanti indicates tax as part of the governance structure and board / audit committee responsibility



Source: AGA IR20, P34

Tax governance and strategy

The committee also approved the Group's tax strategy and tax management policy, which together, set out the Group's approach to tax in areas such as tax efficiency, tax risk management and tax governance and oversight.

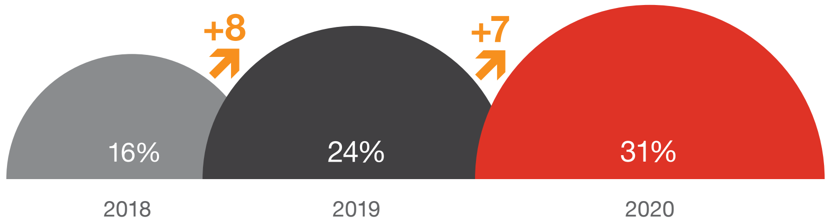
The committee received and reviewed detailed quarterly reports from the Interim Chief Financial Officer and Vice President: Global Taxation, jointly, on the Group's tax position including uncertain tax positions, effective tax rates, tax provisions, recoverability of tax receivables, status of the Group's tax compliance globally and relevant global fiscal developments impacting the Group.

Source: AGA IR20, P34

Old Mutual demonstrates governance of tax through oversight

Source: Old Mutual Tax Report 2020, P6

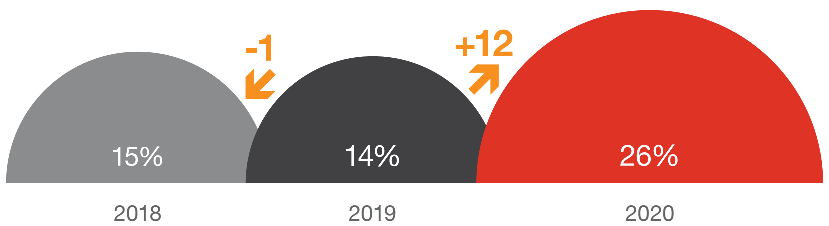
Sustainable tax strategy



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

Thirty-one companies indicated a link between their tax strategy and the business and sustainable development strategies of the organisation and the broader needs of society, an increase of 29% from 2019. But only 13 companies demonstrated the value creation link between the organisations' tax strategy and its sustainability strategies.

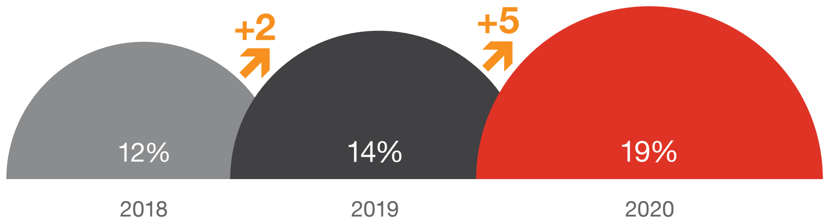
Aggressive tax strategies



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

Twenty-six companies provided some form of disclosure of their position on aggressive tax strategies. This represents a 86% increase from 2019 where 14 companies made mention thereof. In 2020 only ten companies provided their disclosure on this topic in significant detail, which is probably an indication that companies are still hesitant to provide detailed narratives on their position in this context.

Tax havens



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

Tax havens were discussed by 19 companies in 2020, a 36% increase from 2019, albeit only 11 provided detailed disclosure on the topic.

Tax havens have been an area of intense scrutiny over the years, attracting attention from various stakeholders. We expect more companies to voluntarily disclose a narrative around why they have operations in low tax jurisdictions, and additional detailed data to support these explanations, including details around the number of subsidiaries they have operating in these places and why they are there.

Glencore explains its presence in what would be termed neutral or tax haven jurisdictions

'Tax havens'

Although there is no universally applied definition of the term 'tax haven', it is generally understood to refer to a jurisdiction that imposes little or no tax on income or profits. In recent years, governments, the media and the public at large have raised legitimate questions in connection with the alleged diversion of business profits by multinational enterprises into tax havens mainly in order to avoid paying local taxes.

We do not undertake any such activity. Both our Group tax policies and our adherence to the OECD Transfer Pricing Guidelines forbid the allocation of profit to jurisdictions that do not provide value-adding activities and do not have any real commercial substance.

Nevertheless, we continue to make use of companies incorporated in what would be termed tax neutral or tax haven jurisdictions. Where that occurs, it is always for a specific purpose and the companies used can be referred to as special purpose vehicles (SPVs). Glencore primarily uses SPVs for two broad purposes:

1. As intermediate holding companies (to hold single investments, groups of similar investments or joint venture investments for accounting, administrative, governance or legal convenience).
2. As parties to a legal contract with a non-group member where it is necessary that the SPV has no other function.

Our continued use of the SPV is to serve a commercial or administrative purpose, has no tax motivation and is fiscally transparent, ie it generates neither a tax saving nor expense. For this reason, when we need to establish an SPV, it is often in a tax-neutral jurisdiction, as tax in these cases is an irrelevance. Examples in the Group include:

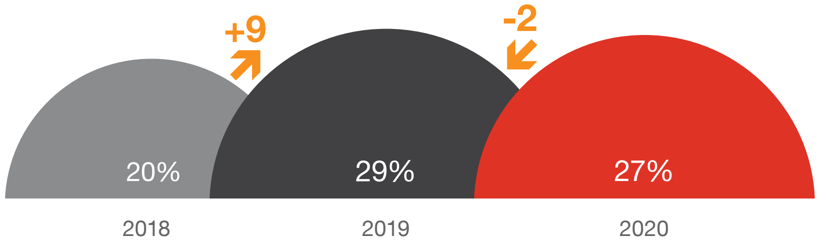
- We run many of our investments in African oil production as local branches of Bermudan-incorporated companies that are themselves owned by Bermudan SPVs. The branches are fully liable to taxation in their host countries and the repatriation of profit is liable to such withholding taxes that may exist. The receipt of dividend income by the holding SPVs is not taxable in Bermuda but nor would it be if they were established in 'non-haven' jurisdictions such as Australia, Switzerland or the United Kingdom. The benefits of such offshore-incorporation derive from reduced Group audit expense and mitigation of country political risk.
- Our interest in the Colombian coal producer Cerrejón, a three-way joint venture between Glencore, BHP Ltd and Anglo American plc, is held through a Bermudian entity that is tax resident in the UK, while our co-shareholders hold their interests through EU holding SPVs. All of them are exempt from dividend taxation, although the two EU-country jurisdictions are not typically considered to be tax haven jurisdictions.
- It is market practice for streaming contracts (where future group production of precious or base metals is pre-sold to an offtaker) to be performed by a SPV incorporated in a tax neutral jurisdiction. Where this occurs, the Group ensures that any profit or loss arising in respect of the transaction is realised in Switzerland, where the group has its head office and major trading presence, via a total return swap contract between the SPV, which is generally tax resident in Switzerland, and Glencore International AG.

We have undertaken a review of all entities established in 'tax haven' jurisdictions with the intention of consolidating or eliminating as many as possible. Where it is not possible to do this, these entities usually adopt tax residence in a non-tax haven jurisdiction where the Group can establish enhanced local substance.

As a result of this review, we have removed from our group structure many tax haven-incorporated companies, or established their tax residence in Switzerland, the UK or another non-tax haven jurisdiction. This review continues to be a focus during 2021.

Source: Glencore Payments to Governments Report 2020, P5

Transfer pricing



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

The price at which companies carry out intra-group transactions or, transfer pricing is still an area where few are providing only a brief statement to acknowledge their conformity with OECD principles. Transfer pricing was mentioned by 27 companies in 2020, a decline of 1% from 2019.

Less than half of these companies expand on these narratives to provide additional voluntary information about their business model and why transfer pricing is an important element of their operations.

When it comes to discussions of global changes and developments and their impact on the company's tax position, MTN discusses topical issues such as the impact of COVID 19 and the impact of the work around Base Erosion and Profit Shifting (BEPS) by the Organisation for Economic Co-operation and Development (OECD). MTN provides insight into its profitability compared to its peers in the telecommunications industry

MTN provides information on an assessment of whether the profits realised by the MTN opcos:

- align with the functions, risks and the assets of those group companies (as a stress test for the BEPS project)
- are realised in-country (as a stress test of the proposals in the unified approach).

In the wake of the pandemic, a 'new normal' has been established and we expect that the tax landscape will be adapted to address this new normal. MTN Group will continue to monitor and manage the tax risks arising.

The work around Base Erosion and Profit Shifting (BEPS) by the Organisation for Economic Co-operation and Development (OECD) continues with the aim to implement action plans to assist countries in tackling tax avoidance, improve international tax rules and dispute resolution. In 2019, the OECD Secretariat proposals pillar one (reallocation of taxing rights in a digitalised economy) and pillar two (introducing global minimum tax to address tax issues arising from BEPS) were adopted by the Inclusive Framework of the OECD.

The efforts to reach a consensus on the Pillar 1 and Pillar 2 proposals were stalled due to the pandemic but the 139 members of the BEPS Inclusive Framework have committed to address the remaining issues with the view to reach a conclusion by mid-2021.

MTN Group operates a decentralised model meaning that almost all of MTN's Group's profitability is realised by the in-country operating companies (opcos) in their respective jurisdictions. MTN Group began an exercise in 2018 to perform the value chain analysis for the Group, which is a corroborative economic analysis (over a four-year period) to evaluates the Group's performance relative to its peers, and how value (i.e. EBITDA) manifests between:

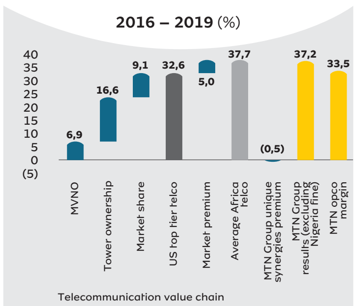
a) Group companies who do not engage with customers.
b) The MTN opcos who engage with customers.

Consequently, the Group sought to assess whether the profits realised by the MTN opcos:

a) Aligns with the functions, risks and the assets of those group companies (as a stress test for the BEPS project).
b) Is realised in-country (as a stress test of the proposals in the Unified approach).

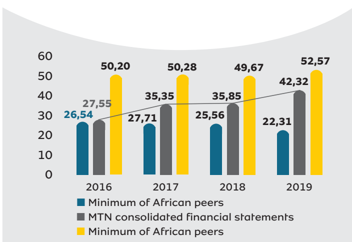
The outcome of the analysis shows that in the financial year ended 31 December 2019, approximately 98,66% (2018: 97,11%) of profits were realised and taxed in the market jurisdiction where the MTN opcos operate. This is in line with the expectations that the relative contributions made by each entity to the overall business are realised at the market jurisdiction level.

Graph A[9]



[9] *No peer data was available for 2020 at the time of preparation of the Integrated Report.*

Graph B below shows the Group EBITDA margins over the four-year period as compared to its peers (%).



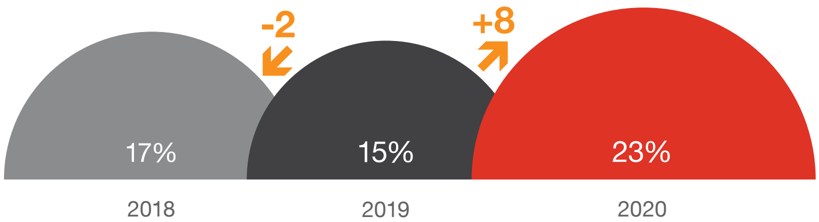
Source: MTN Group Limited Tax report for the year ended 31 December 2020, P5

Disclosure of uncertain tax positions

The number of organisations that disclosed the circumstances surrounding uncertain tax positions or tax controversy exposure decreased by 29% to 22, from 31 in 2019.

Only ten companies participating in this study provided detailed information regarding the amount (quantitative) set aside for uncertain tax positions (UTP's), or where the company is not required to disclose UTP's, the amount of its tax controversy exposures and the potential impact on stakeholders. Some companies provided a description of tax positions that have not been agreed with the relevant revenue authorities at the end of the time period reported. Information such as the nature of the disagreement and the reasons for any change in tax positions that occurred during the time period, where relevant, are provided.

Tax policy



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

In 2020, 23 companies provided some information around their efforts to be involved in tax policy discussions, advocacy or lobbying activities within their industry and the wider tax impact of tax reform on their organisations and payments to the government. This represents an increase of 53%. Only nine companies provided this type of disclosure in a detailed narrative.

Old Mutual indicates its commitment to sustainable value creation for all stakeholders as well as a commitment to build trust through strong relationships, governed by the Group's stakeholder relations policy

ONE

Our first commitment is to creating sustainable value for all our stakeholders. Knowing our stakeholders and understanding their needs are important to us as it forms the basis of all our relationships. Wherever there is shared value, there is lasting commitment to building and growing together.

TWO

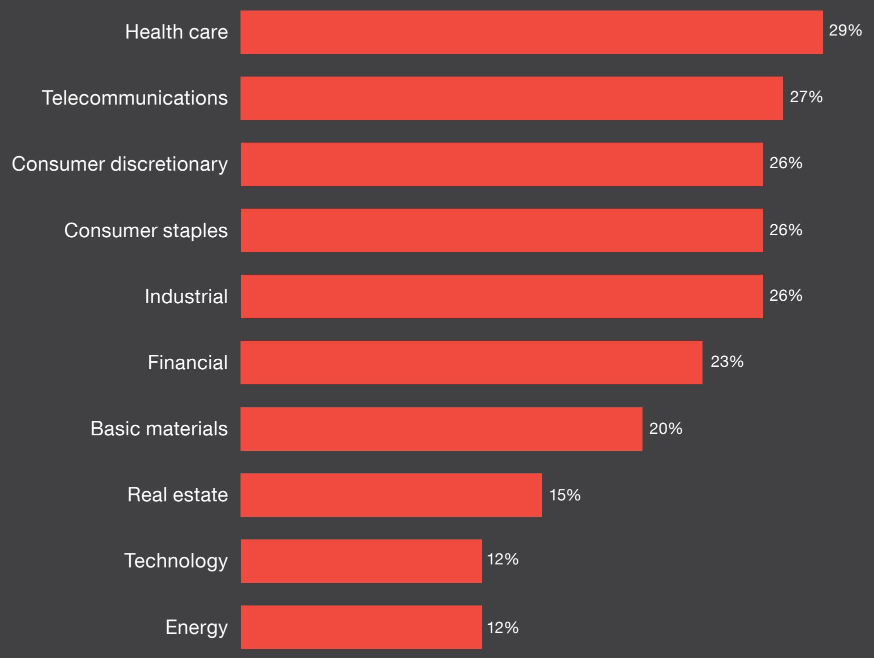
Our second commitment is to adhere to strong corporate governance principles and to build trust with our stakeholders through maintaining good relationships. Our relationships with revenue authorities in countries in which we operate are governed by the Group's formal Stakeholder Relations policy. The policy ensures that the standards by which we operate across all our markets are in line with the King IV Code, United Nations Global Compact and United Nations Global Reporting Initiative Standards (GRI) for transparency.

Our Stakeholders	2020 Engagement
Investors We are committed to reporting accurately and transparently on the tax affairs of the Group. In this respect, we have also ensured that our processes to identify, assess and mitigate tax risks withstand scrutiny.	Our Tax Transparency Report is our response to placing more relevant information in the hands of our investor community
Customers We are committed to sustaining and growing the prosperity of our customers and their families. Group Tax provides oversight of tax affairs ensuring accurate, fair and efficient tax disclosure. We continually initiate projects to improve how we share tax information and introduce technology to enable the management of our customer's tax affairs and queries in response to their needs.	One example amongst many others is the issuing of provisional tax statements (IRP6) for ease of completion of customer's tax returns
Communities The Group was founded on sustaining the prosperity of the communities we serve. The economic impact of our tax contributions to the countries in which we operate support corporate social responsibility and is explained in more detail in the Old Mutual Limited 2020 Responsible Business Impact Report.	In addition to the Group-wide initiatives, the Group Tax Team supported the following charities: • 100mile charity walk • Animal shelter in our community in Cape Town • Orphanage in the community in Cape Town
Revenue authorities We recognise that sustained economic growth demands a fair, transparent and an effective tax environment to secure mutually positive futures. We seek to maintain co-operative and proactive relationships with local revenue authorities by responding to regulatory proposals and requests for information timeously and to support the local revenue authorities to achieve their mandates to modernise the tax compliance process.	We maintain solid relationships with the in-country tax revenue authorities in the jurisdictions in which we operate across the African continent. One of the highlights of our strategic engagement with the South African Revenue Service included a pilot programme resulting in closer integration of data exchange to improve the quality of data submissions for the industry. We provided input into the development of tax legislation using the various fora on which we are represented.
Employees The Group attracts and grows tax expertise by truly understanding the aspirations of our people, investing in their personal development, fairly remunerating and creating a culture of respect and trust. We aim to create rewarding career paths with clear personal growth plans in Group Tax. Our short to medium-term focus on strategic automation and modernisation is delivering on our goal of more engaged tax resources applied to intellectually stimulating and value-creating activities.	Some of the highlights include: • Launching the Chartered Accountants Community CA*(Libre)* to foster a sense of 'belonging' • Bursaries to fund the professional development and personal growth of our employees • Conducting employee 'pulse' surveys to be more responsive to employee needs

Source: Old Mutual Tax Report 2020, P7

Tax numbers and performance

Figure 11. Tax numbers and performance: Average score per sector, 2020



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2020

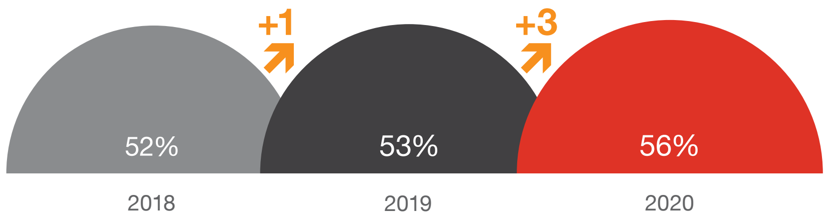
Notably, the voluntary disclosure of key financial indicators, and additional information on effective tax rate versus cash tax rate, tax incentives and the tax rate reconciliation remain relatively low.

Financial information that may provide the reader with an indication of an organisation's performance and intragroup activities for each jurisdiction in which it operates can include:

- Revenues by third-party sales.
- Intra-group transactions of the tax jurisdiction with other tax jurisdictions.
- Profit/loss before tax.
- Tangible assets other than cash and cash equivalents.
- Corporate tax paid on a cash basis.
- Corporate tax accrued on profit/loss.
- Reasons for the difference between corporate tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax.
- Significant tax incentives.

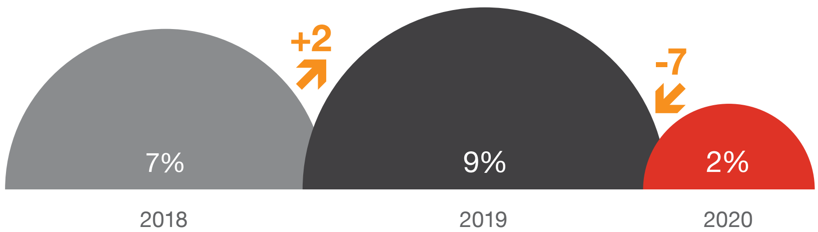
In 2020 only 16 companies provided detailed information on these financial indicators, linked to value creation.

Main drivers for ETR and reasons for variances between subsequent years



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

A discussion of how the ETR is likely to perform in the future



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

As in previous years, more than half of the companies mention the main drivers for their effective tax rate (ETR) and the reasons for variances between subsequent years. This represents a 6% increase from 2019. In 2020 only 30 companies provided this information with detailed supporting narrative. Only two companies discuss how the ETR is likely to perform in future.

Rate reconciliation

As in previous years, most companies provide a clear and understandable tax rate reconciliation. However, only half provide additional or supporting narrative to explain line items in the tax rate reconciliation. Very few companies provide a breakdown of larger items in the tax rate reconciliation.

The reasons for the difference between statutory and effective tax rate might be a complex combination of legislative adjustments to the taxpayers. IFRS accounting standards require companies to explain the relationship between tax expense (benefit) and accounting profit, but limited guidance is given on the format of that reconciliation.

We have identified some areas of the statutory to effective rate reconciliation where there may be scope for companies to develop their thinking and explain their tax affairs in a non-technical way, so that stakeholders can understand more easily. Our comments are based on our annual building public trust for tax transparency studies as well as similar studies conducted by our PwC member firms[4]. Of course, the drivers of the effective rate will differ and it would not be reasonable or appropriate for all companies to adopt the same format.

- Some companies exclude the impact of joint ventures and associates from profit before tax in the reconciliation table so that this doesn't become a reconciling item. Under IFRS, the company includes its share of post-tax profits and losses from joint venture and associates in the group profit before tax. There is no associated tax charge, so this is a reconciling item, unless removed from the profit at the outset.

- Companies use a weighted statutory rate to help understand the impact of operations overseas. While many companies operate in a single territory, an increasing number operate in more than one country, but the reconciliation is to the statutory tax rate in the head-office territory. A weighted rate, using the statutory rights in all countries of operation, helps the reader to understand the impact of operating internationally. It can be difficult to calculate if, for example, there are losses or amortisation in particular countries.

- Some companies provide detailed narrative to describe items reconciling the statutory and effective rate. There is no standard narrative. Companies can consider to separately identify the tax impact of nonrecurring items. Although the difference between the statutory and effective rate varies for several reasons, we found that it was possible to categorise these into broad headings such as:
  - Non-taxable income
  - Change in tax rate
  - Uncertain tax provision adjustments
  - Non-deductible expenses
  - Impact of foreign operations
  - Tax losses
  - Tax incentives
  - Other

Allocating bespoke descriptions of reconciling items to broad headings might help stakeholders to better understand the nature of reconciling items and whether they are likely to be recurring, or one-off items. While we appreciate that a standard format will not work for everyone, consistent headings, supported by bespoke descriptions, could provide clarity. In addition, we found examples of companies providing separate narrative disclosure of significant items in their reconciliation and linking material items to other areas of the annual report, which assists with understanding.

- Some companies explain the relationship between the tax charge and cash tax paid more clearly by providing a reconciliation of the two numbers. This enables the company to explain how the tax charge in the financial statements relates to the actual cash tax paid to the authorities.

4 https://www.pwc.co.uk/tax/assets/pdf/shaping-tax-transparency-debate-2019-explaining-tax.pdf

MTN provides a clear and understandable effective tax rate reconciliation with supporting narrative to explain line items in the tax rate reconciliation. Larger items in the tax rate reconciliation are fully explained, and reconciling items in the tax rate reconciliation are split into categories that enhance the usefulness of the information.

Continuous improvement on tax governance and transparency continued

Group effective tax rate (GETR) reconciliations

Consolidated Group	2020 %	2019 %	Comment
MTN Group	32,45	38,95[15]	This is GETR as reported on the Annual Financial Statements. Please refer below for the breakdown and comments.
MTN Group	36,97	40,89	This is normalised GETR. Please refer below for the breakdown.

Reported Group effective tax rate reconciliation

	2020 %	2019 %	Comment
Reported Group effective tax rate	32,45	38,95	Lower rate in 2020 mainly due to the non-taxable gain from the sale of Ghana and Uganda Tower InterCo BV.
Main reconciling items:			
Other	4,42[16]	0,68[17]	
Sudan non-deductible expenses	(4,38)	(2,30)	Turnover tax applied with result that bulk of operational expenses and loss not allowable for tax purposes, ie a tax at 7% of (turnover and other income) less: (interconnect, roaming and transmission costs, and commission and discounts). Higher impact in GETR because of higher expense in 2020 (R4,55bn gross amount and R1,46bn in 2019).
Non-taxable gain from sale of Ghana and Uganda Tower InterCo BV/(from Jumia dilution and sale of Amadeus and TravelStart)	5,90	1,85	In 2020 this related to a gain on sale of Ghana and Uganda Tower InterCo BV (2019 this related to a gain realised on dilution of Jumia).
Nigeria regulatory fine and related expenses	–	(0,31)	This item includes unwinding interest on the Nigeria fine liability and the amortisation of fees related to the listing of MTN Nigeria. Lower impact to GETR due to lower Nigeria fine unwinding expenses in 2020 (Rnil) compared to 2019 (R0,20bn).
Impairment loss on remeasurement of non-current assets held for sale	(1,45)	–	
Foreign income and withholding taxes	(4,89)	(5,97)	Higher withholding tax value in 2020 (R1,42bn) compared to 2019 (R1,06bn).
Impairment of goodwill and investment in joint ventures	(1,03)	–	
Assessed loss and other timing differences on which deferred tax credit was not recognised	(1,91)	(2,91)	This relates to unrecognised deferred tax credits on assessed losses and other timing differences mainly in Business Solutions Group, South Sudan, Guinea-Conakry, Liberia, Netherlands and Smartvillage due to not meeting requirements of IAS 12 for recognition of a deferred tax asset.
Disallowed interest expenses	(1,11)[18]	(1,99)	
Standard effective tax rate	**28,00**	28,00	

[15] *Restated for change in accounting policy, refer to note 11 for details of restatements.*
[16] *This mainly consists of: Share of losses from MTN joint ventures and associates (+1,10 (+0,77%); foreign tax rate adjustment to RSA standard rate (+6,20%); Nigeria educati deductible expenses (-1,45%); section 9D imputation (net income of controlled foreign (-0,30%); additional minimum tax (mainly from Cameroon, Liberia, Guinea-Bissau, Syr*
[17] *This mainly consists of: Share of losses from MTN joint ventures and associates (+1,11 (+1,32%); foreign tax rate adjustment to RSA standard rate (+4,41%); Nigeria educati deductible expenses (-1,81%); section 9D imputation (net income of controlled forei additional minimum tax (mainly from Cameroon, Liberia, Guinea-Bissau, Syria and Gu*
[18] *This mainly relates to non-deductible interest expense incurred in MTN Holdings (Pr companies).*

Continuous improvement on tax governance and transparency continued

Normalised group effective tax rate reconciliation

	2020 %	Restated 2019 %	Comment
Normalised Group effective tax rate:[19]	36,97	40,89	This is GETR as reported on the Annual Financial Statements. Please refer below for the breakdown and comments.
Main reconciling items:			
Other	5,02[20]	0,94[21]	This is normalised GETR. Please refer below for the breakdown.
Sudan non-deductible expenses	(4,99)	(2,42)	Turnover tax applied with result that bulk of operational expenses and loss not allowable for tax purposes, ie a tax at 7% of (turnover and other income) less: (interconnect, roaming and transmission costs, and commission and discounts). Higher impact in GETR because of higher expense in 2020 (R4,55bn gross amount and R1,46bn in 2019).
Non-taxable gain from sale of Ghana and Uganda Tower InterCo BV/(from Jumia dilution and sale of Amadeus and TravelStart)	–	–	Since this was a once-off transaction, we have removed it for normalisation of GETR.
Impairment loss on remeasurement of non-current assets held for sale	–	–	Since this was a once-off transaction, we have removed it for normalisation of GETR.
Impairment of goodwill and investment in joint ventures	–	–	Since this was a once-off transaction, we have removed it for normalisation of GETR.
Nigeria regulatory fine and related expenses	–	–	Since this was a once-off transaction, we have removed it for normalisation of GETR.
Foreign income and withholding taxes	(5,56)	(6,27)	Higher withholding tax value. In 2020 (R1,42bn) compared to 2019 (R1,06bn).
Assessed loss and other timing differences on which deferred tax credit was not recognised	(2,18)	(3,05)	This relates to unrecognised deferred tax credits on assessed losses and other timing differences mainly in Business Solutions Group, South Sudan, Guinea-Conakry, Liberia, Netherlands and Smartvillage due to not meeting requirements of IAS 12 for recognition of a deferred tax asset.
Disallowed interest expenses	(1,26)[22]	(2,09)	
Standard effective tax rate	**28,00**	28,00	

[19] *Normalised Group effective tax rate is calculated by dividing the Group reported tax by adjusted Group profit before tax.*
[20] *This mainly consists of: Share of losses from MTN joint ventures and associates (+1,25%); Nigeria investment allowances relief/Cameroon reinvestment allowance (+0,88%); foreign tax rate adjustment to RSA standard rate (+6,25%); Nigeria education tax (-1,54%); Ghana special levy (-5%) of IFRS PBT (-1,10%); other non-deductible expenses (-1,65%); section 9D imputation (net income of controlled foreign companies) (-0,51%); prior year deferred and current tax audit adjustment (-0,35%); additional minimum tax (mainly from Cameroon, Liberia, Guinea-Bissau, Syria and Guinea-Conakry) (-0,27%) and other miscellaneous (+2,06%).*
[21] *This mainly consists of: Share of losses from MTN joint ventures and associates (+1,17%); Nigeria investment allowances relief/Cameroon reinvestment allowance (+1,39%); foreign tax rate adjustment to RSA standard rate (+4,63%); Nigeria education tax (-2,12%); Ghana special levy (-5%) of IFRS PBT (-1,14%); other non-deductible expenses (-1,90%); section 9D imputation (net income of controlled foreign companies) (-0,48%); prior year deferred tax audit adjustment (-0,95%); additional minimum tax (mainly from Cameroon, Liberia, Guinea-Bissau, Syria and Guinea-Conakry) (-1,11%) and other miscellaneous (+1,45%).*
[22] *This mainly relates to non-deductible interest expense incurred in MTN Holdings (Proprietary) Limited and MTN Mauritius Limited (two of the Group's holding companies).*

Continuous improvement on tax governance and transparency continued

Effective tax rates and standard corporate income tax rates by opco country

	2020 GETR[24] %	2020 standard corporate income tax rates[25] %	2019 GETR[26] %	2020 standard corporate income tax rates %
South Africa[23]	35,90	28,00	30,54	28,00
Nigeria	31,50	30,00	30,31	30,00
Ghana	29,30	25,00	30,14	25,00
Uganda	30,01	30,00	29,00	30,00
Rwanda	35,20	30,00	44,93	30,00
Zambia	41,46	40,00	36,01	40,00
South Sudan	–[27]	20,00	–	20,00
Botswana (joint venture)	23,48	22,00	35,26	22,00
eSwatini (joint venture)	29,09	30,00	29,67	30,00
Cameroon	108,80[28]	33,00	(32,82)	33,00
Côte d'Ivoire	24,80	30,00	21,25	30,00
Benin	99,43[29]	30,00	42,15	30,00
Guinea-Conakry	(0,11)[30]	35,00	(7,31)	35,00
Congo-Brazzaville	23,62	22,5	26,15	22,5
Liberia	(10,22)[31]	25,00	(4,60)	25,00
Guinea-Bissau	(19,95)[32]	25,00	(29,62)	25,00
Iran (joint venture)	(25,02)[33]	25,00	27,15	25,00
Syria	1,82[34]	14,00	12,27	14,00
Sudan	37,05	7,00	39,38	7,00
Yemen	41,07	50,00	74,49	50,00
Afghanistan	15,97	20,00	20,19	20,00

[23] *This is MTN South Africa opco Group of companies.*
[24] *These are all based on ZAR currency converted profit before tax and income tax expenses and are for the Group in the applicable countries.*
[25] *These are standard corporate income tax rates at the respective jurisdictions where our opcos operate. They are in line with their in-country income tax legislations.*
[26] *These are all based on ZAR currency converted profit before tax and income tax expenses and are for the Group in the applicable countries.*
[27] *MTN South Sudan made a tax loss. The deferred tax credit on assessed losses and other temporary differences was not recognised due to requirements of IAS 12 of the International Financial Reporting Standards not being met.*
[28] *MTN Cameroon levied tax due to minimum alternative tax rules in-country and higher non-deductible expenses.*
[29] *MTN Benin had higher non-deductible expenses.*
[30] *MTN Guinea-Conakry had an accounting loss but still levied a minimum tax. The deferred tax credit on assessed losses and other temporary differences was not recognised due to requirements of IAS 12 of the International Financial Reporting Standards not being met.*
[31] *MTN Liberia had an accounting loss but still levied a minimum tax. The deferred tax credit on assessed losses and other temporary differences was not recognised due to requirements of IAS 12 of the International Financial Reporting Standards not being met.*
[32] *MTN Guinea-Bissau had an accounting loss but still levied a minimum tax. The deferred tax credit on assessed losses and other temporary differences was not recognised due to requirements of IAS 12 of the International Financial Reporting Standards not being met.*
[33] *MTN Iran's negative effective tax rate reconciliation as a result of hyper-inflation adjustments.*
[34] *MTN Syria had an assessed loss and claimed the deferred tax credit.*

Source: MTN Group Limited Tax report for the year ended 31 December 2020, P11 – 13

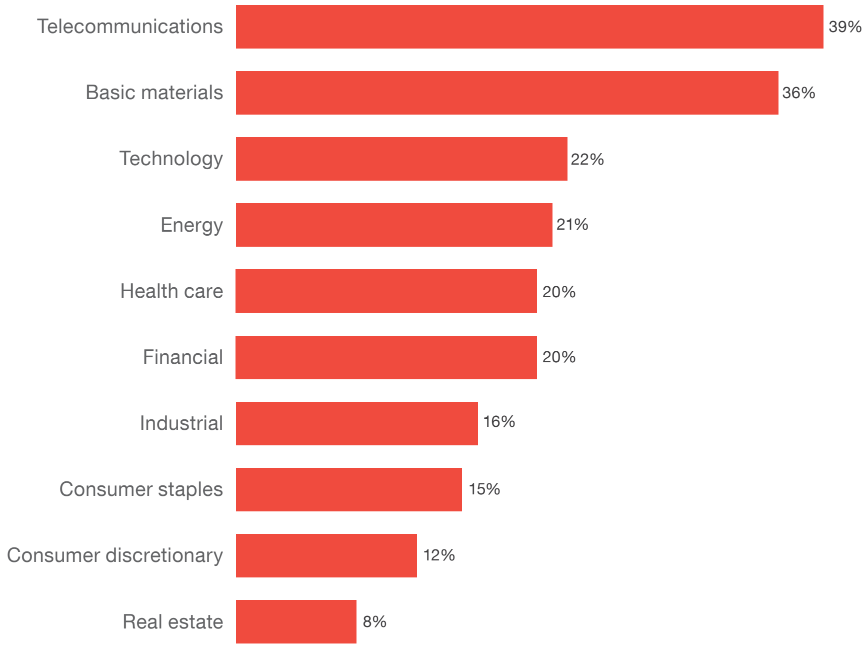
Cash tax

Sixty-five companies make mention of their cash taxes paid / cash tax rate in 2020 of which 40 provide a detailed breakdown. Only three companies provide a detailed explanation of the difference between their cash tax rate /cash tax paid and their ETR / corporate tax paid and one company discussed how the cash tax rate is likely to perform in the future.

> *"Cash tax reconciliation is a voluntary disclosure which sets out the difference between the tax charge disclosed in the financial statements and the corporate tax paid by the company. This disclosure is less common, but it is provided by companies seeking to explain and clarify to stakeholder groups how the tax charge in accounts relates to the actual cash tax paid to the authorities.*

Total tax contribution and wider impact

Figure 12. Total tax contribution and wider impact: Average score per sector, 2020



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2020

Often broken down geographically by type of tax and distinguishing between taxes borne and collected, companies that are interested in emphasising and showcasing the wider contributions they make to society demonstrate more than simply focusing on the corporate tax they pay on profits. This voluntary disclosure of a company's total tax contribution is more prevalent in the telecommunications and the basic materials sectors.

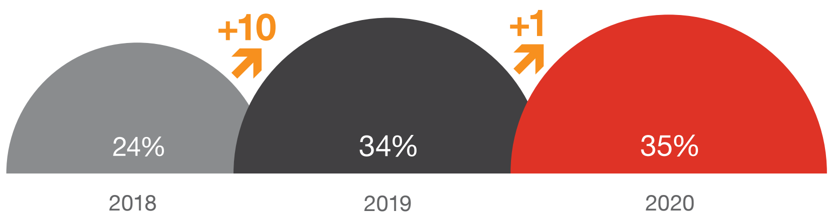
Country-by-country reporting is the reporting of financial, economic and tax related information for each jurisdiction in which the organisation operates. Tax jurisdictions are considered to be those where the entities included in the companies' audited consolidated financial statements are resident for tax purposes. These entities include permanent establishments and dormant entities. Usually, this information is reported at the level of tax jurisdictions and not at the level of the individual entity.

Other financial and tax related information include number of employees, total in-country employee remuneration, taxes withheld and paid on behalf of employees in-country, revenues, profit/loss before tax, and tangible assets other than cash and cash equivalents. This information provides an indicator of the organisation's scale of activity within a tax jurisdiction and can inform assessment about the level of taxes being paid in the jurisdiction. For these purposes, it is beneficial if the company provides a general description of the primary activities in a tax jurisdiction.

In 2020 the majority of companies included information on the nature of their operations by jurisdictions (for all jurisdictions in which a company operates). However, only 16 companies provided this information in the context of their tax contributions. Similarly, more than half of the companies disclosed other financial and tax related information, but only seven companies provided this information in the context of their tax obligations.

> Total taxes paid refer to taxes directly borne by the company as a direct cost to the company.
>
> Total taxes withheld refer to taxes which are collected on behalf of governments, because of the economic activity generated by the business.

Taxes/levies paid/disclosed on a country-by-country/ geographic region basis



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

There was little movement in 2020 of organisations that disclosed taxes paid on a country-by-country or regional basis. Some companies provided comparisons of their total economic contributions per year and explanations for variances, but only 12 companies offered this information at a granular level. There was a significant decline in the number of companies that provide a breakdown of the different types of taxes they pay.

Forty companies provided some information on the types of taxes they pay in 2020, down from 61 companies in 2019 and only 12 companies provided a detailed breakdown to explain the base of their tax contributions by tax type.

Vodacom provides a detailed breakdown of country-by-country tax and non-financial information, with comparisons to previous years

Tax and our total economic contribution to public finances

In the countries in which we operate taxes are most often the largest source of government revenue. These tax revenues enable governments to pay for essential public services, such as health care, security and education, whilst ensuring a functional infrastructure is built and maintained across society.

We take our responsibilities to contribute to the social and economic development of the countries in which we operate seriously, and we remain committed to acting with integrity, honesty and transparency in the creation and execution of our tax strategy, policies and practices. The below contributions reported excludes the taxes and other economic contributions made by joint ventures and associates of the Group.

R20.4 billion

As a major investor, taxpayer, employer and purchaser of local goods and services we contributed more than R20.4 billion (2019: R20.0 billion) to the public finances of governments in the jurisdictions in which we operate.

R8.2 billion was paid in **direct taxes** (2019: R9.4 billion)

R9.9 billion was collected and paid as **indirect tax contributions** (2019: R9.2 billion)

R2.3 billion was paid in **direct non-tax contributions*** (2019: R1.5 billion)

The major tax types included in the above are:

We paid R6.4 billion (2019: R6.5 billion) in corporate taxes and dividend withholding taxes on profit before tax of R23.1 billion (2019: R22.1 billion).

Thus we paid R0.28 (2019: R0.29) in corporate tax for every R1 of profit we generated in profit.

We paid R2.2 billion (2019: R2.2 billion) in various forms of employment tax on behalf of our 7 641 (2019: 7 746) employees.

We paid R1 billion in customs and import duties (2019: R1.1 billion).

We collected R7.6 billion (2019: R6.9 billion) in net value-added tax from our operations and excise duty on behalf of governments.

Thus we contributed R0.33 (2019: R0.31) in value-added tax and excise duties for every R1 we generated in profit.

We withheld R537 million (2019: R521 million) in withholding tax from our suppliers and paid it to the relevant tax authorities on their behalf.

* Direct non-tax contributions refer to all other regulatory fees paid to the various relevant government bodies and include among other license fees, spectrum fees and contributions made to the universal access fund.

Our total tax and economic contribution to public finances in South Africa

Vodacom Group Limited is the ultimate holding company of Vodacom, incorporated in South Africa and is listed on the Johannesburg Stock Exchange. The South African operations was founded in 1994. Vodacom derives the large majority of its revenue from its biggest operating company Vodacom (Pty) Ltd through the provisioning of mobile and fixed line services. Financial and insurance services are also provided to customers through separate legal entities to promote customer loyalty.

As a major investor, taxpayer, employer and purchaser of local goods and services we contributed

R11.7 billion

(2019: R12.2 billion)

to the public finances of South Africa.

R5.5 billion
was paid in direct taxes
(2019: R6.2 billion)

R5.7 billion
was collected and paid as indirect tax contributions
(2019: R5.6 billion)

R431 million
was paid in direct non-tax contributions
(2019: R428 million)

The major tax types included in the total tax and economic contributions paid are:

CORPORATE TAXES

We paid R5.2 billion (2019: R5.5 billion) in **corporate taxes** on a profit before tax of **R16.5 billion** (2019: R16.2 billion).

During the 2019 financial year the corporate tax paid was more due to the realisation of foreign exchange gains previously deferred by Vodacom Group Limited which resulted in additional taxable income.

EMPLOYMENT TAXES

We paid R1.6 billion (2019: R1.6 billion) in various forms of **employment taxes** on behalf of our **5 620** (2019: 5 422) **employees.**

NET VALUE ADDED TAX

We collected R4.2 billion (2019: R4.0 billion) in **net value added tax** on behalf of the government from our operations.

Thus we contributed R0.25 (2019: R0.25) in value added tax alone for every R1 we generated in profit.

DIVIDEND WITHHOLDING TAX

We paid R13 million (2019: R21 million) in **dividend withholding tax** on behalf of the participants of the Vodacom Black Economic Empowerment scheme.

The withholding tax paid in the 2019 financial year was more due to the higher dividend declared and paid by Yebo Yethu (RF) Limited.

Our total tax and economic contribution to public finances in Lesotho

Vodacom Lesotho Pty Ltd is a subsidiary of the South Africa-based Vodacom Group Limited, through Vodacom International Holdings Pty Limited, which owns 80% of the company. The remaining interest is owned by Sekhametsi Enterprises (Pty) Limited. Vodacom entered Lesotho in 1996 through the award of a mobile license. Vodacom Lesotho Pty Ltd also provides mobile financial services through M-Pesa, enabling people unable to access traditional banking systems to benefit from money transfer and other financial services.

As a major investor, taxpayer, employer and purchaser of local goods and services we contributed

R391 million

(2019: R331 million)

to the public finances of the Kingdom of Lesotho.

R148 million
was paid in direct taxes
(2019: R155 million)

R140 million
was collected and paid as indirect tax contributions
(2019: R104 million)

R104 million
was paid in direct non-tax contributions
(2019: R73 million)

The major tax types included in the total tax and economic contributions paid are:

CORPORATE TAXES

We paid R125 million (2019: R119 million) in **corporate taxes** on a profit before tax of **R456 million** (2019: R495 million).

We thus paid R0.27 (2019: R0.24) in corporate tax for every R1 of profit we generated. The corporate taxes paid during the year is based on the prior year taxable income as required per local legislation. Thus the taxes paid will vary year on year based on the increase in taxable income in the prior years.

EMPLOYMENT TAXES

We paid R28 million (2019: R29 million) in **employment and fringe benefit taxes** on behalf of our **229** (2019: 220) **employees.**

NET VALUE ADDED TAX

We collected R93 million (2019: R60.0 million) in **net value added tax** on behalf of the governments from our operations.

Thus we contributed R0.20 (2019: R0.12) in value added tax alone for every R1 we generated in profit. The increase in the net VAT paid for the 2020 financial year is due to the increase in the VAT rate for telecommunication services enacted on the 1st of April 2019. The rate increased from 9% to 12%.

DIVIDEND WITHHOLDING TAX

We paid R22 million (2019: R23million) in **dividend withholding tax** on behalf of our shareholders.

The withholding tax paid in the 2019 financial year was more due to the higher dividend declared and paid.

The different tax types applicable to our operations

List of direct taxes, indirect taxes and direct non-tax fees paid to, or collected on behalf of governments in the countries we operate in.

Direct tax contribution

- Advertisement tax
- Capital gains tax
- City services levy and other municipal taxes
- Communications services tax
- Construction tax
- Corporation tax (including minimum alternative taxes)
- Customs and import duty
- Donations tax
- Education tax
- Environmental and pollution taxes
- Fuel tax
- Gaming tax
- National fiscal stabilisation levy
- Real estate/property/landlord tax

Indirect tax contribution

- Excise duty
- Consumption tax
- Employees taxes
- Expatriate tax
- Fringe benefit tax
- Social security tax
- Value added tax
- Withholding tax suffered on M-Pesa interest in Tanzania
- Withholding tax withheld from suppliers

Direct non-taxation mechanisms

- Frequency fees
- Interconnect tax (local and international)
- License and regulatory fees

	2019				2020			
R'million	Revenue	Revenue from third parties	Revenue from other related parties*	Revenue from intragroup transactions**	Revenue	Revenue from third parties	Revenue from other related parties*	Revenue from intragroup transactions**
Total as per consolidated annual financial statements	**86 627**				**90 746**			
South Africa	67 505	67 412	93	496	69 114	69 019	95	648
Tanzania	6 111	6 082	29	62	6 568	6 579	(11)	56
DRC	6 374	6 368	6	148	7 459	7 443	16	109
Mozambique	4 547	4 535	12	241	5 557	5 540	17	223
Lesotho	1 140	1 143	(3)	168	1 167	1 163	4	209
Nigeria	405	405	–	45	388	388	–	36
Zambia	81	81	–	20	75	75	–	15
Ghana	45	45	–	26	29	29	–	17
Kenya *(excluding Safaricom)*	48	48	–	23	52	50	2	26
Cameroon	64	64	–	20	55	55	–	24
Ivory Coast	18	18	–	19	21	20	1	22
Angola	15	15	–	12	11	10	1	5
United Kingdom	274	274	–	156	250	171	79	155
Mauritius	–	–	–	285	–	–	–	289
Guernsey	–	–	–	–	–	–	–	–
TOTAL		**86 490**	**137**	**1 721**		**90 542**	**204**	**1 834**

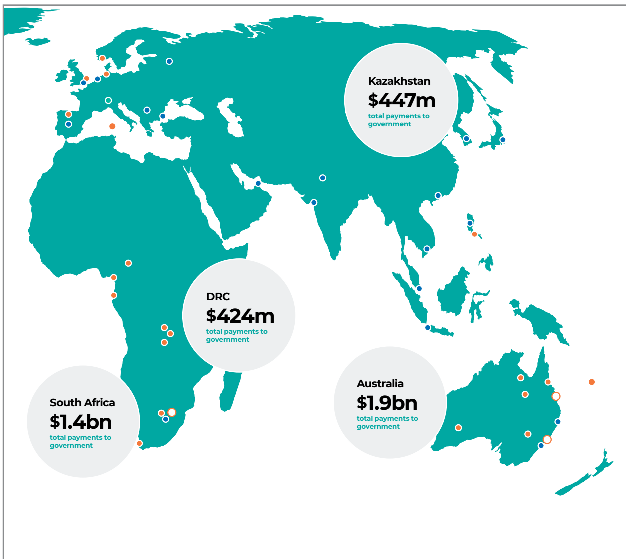
\# Revenue reported in our audited consolidated financial statements does not include dividends, interest and other non-sector specific sources of income that is disclosed separately in the consolidated income statement. The revenue analysis included in this report thus also does not include dividends, interest and other non-sector specific sources of revenue.

* Revenue from other related parties refers to revenue from transactions with connected parties outside of the Vodacom Group i.e. fellow Vodafone subsidiaries.

** Revenue from intragroup transactions refers to revenue from transactions with fellow Vodacom subsidiaries.

Source: Vodacom Tax Transparency Report for the year ended 2020, P18-P23, P26, P29

Glencore's interactive website, video demonstrating commitments, as well as the broader socio-economic contribution and Payments to Governments Report 2020 highlights the organisations payments to governments and contribution to the economy



How we contribute:

Local employment and skills development	Local procurement and enterprise development	Societal contribution	Payments to governments and tax transparency
We prioritise employing people from the regions close to our assets. We provide families with livelihoods via direct employment at our assets and indirect employment via contractors and our use of local suppliers. During 2020, 96% of our workforce was local to our operating countries.	Where possible, we use local suppliers (suppliers located in the same country as the asset), and support the development of local businesses to drive local economic diversification and to help our host governments fulfil their own development objectives. During 2020, 80% of our global procurement spend was with suppliers and contractors located in the countries where we operate. Nearly 80,000 people benefited from our enterprise development and economic diversification investments.	Our community development programmes reduce dependency on our assets, encourage self-reliance and contribute to sustainable regional growth. In remote and underdeveloped areas, we install infrastructure, such as roads, water, sanitation and electricity, which is often shared as appropriate with local communities. In 2020, we spent $95 million on programmes supporting local community development, which included $19 million on initiatives to respond to the global pandemic and nearly $10 million on enterprise development and economic diversification of local entrepreneurs.	We pay all relevant taxes, royalties and other levies in amounts determined by the legislation of relevant national, regional or local governments. We welcome transparency in the redistribution and reinvestment of these payments. In 2020, our payments to governments totalled US$5.8 billion, reflecting the taxes, royalties and duties we pay in our operating countries for our marketing and industrial activities.

Our payments to governments[1]

The information below has been prepared in the manner outlined in the About this report section on page 39

Economic contribution

Amounts in US$ '000 Country	Production Entitlements	Taxes on Income[2]	Royalties	Fees	Infrastructure improvements	Total EU Transparency Directive	Customs/Import/ Excise/Export tax and duties	Payroll taxes[5]	Taxes and duties relating to non-extractive activities plus other taxes[3]	Payments not included in Sustainability Report[4]	Total
Argentina[6]	-	976	-	-	-	976	303	7,255	9,387	-	17,921
Australia	-	179,318	500,083	28,890	1,654	709,946	540,916	166,544	444,977	-	1,862,383
Bolivia	-	619	5,684	-	-	6,303	413	5,055	8,602	-	20,373
Cameroon	18,312	648	-	-	-	18,960	-	14	29	(18,312)	691
Canada	-	39,117	-	1,423	-	40,540	-	38,387	174,864	-	253,791
Chad	5,915	-	8,191	2,563	-	16,669	1,605	377	4,308	(8,478)	14,480
Chile	-	238,520	-	969	-	239,489	-	3,764	39,920	(227,360)	55,813
Colombia	-	37,644	55,563	341	2,561	20,821	101	2,294	34,036	9,255	66,507
Democratic Republic of Congo	-	40,694	116,332	157	97,828	255,012	116,284	45,843	6,522	-	423,661
Equatorial Guinea	22,690	9,891	10,700	299	-	43,580	188	275	1,458	(22,989)	22,512
Kazakhstan	-	272,659	93,195	-	-	365,854	2,744	44,682	33,676	-	446,957
Peru	-	205,912	58,541	6,758	-	271,211	-	21,754	152,538	(225,324)	220,178
South Africa	-	62,049	15,218	-	-	77,267	-	4,997	1,323,700	-	1,405,964
Tanzania	-	-	-	-	-	-	-	88	324	-	412
Zambia	-	-	16,402	154	-	16,556	1,833	2,104	25,292	-	45,786
Rest of the World	-	-	-	-	-		-	195,833	740,623	-	936,457
Total at 31 December 2020	**46,917**	**1,012,759**	**879,910**	**41,555**	**102,044**	**2,083,184**	**664,387**	**539,267**	**3,000,256**	**(493,208)**	**5,793,886**

1 The reports are not corrected for rounding.
2 Taxes on income include income taxes paid in Colombia, Peru and Chile relating to Glencore's proportionate ownership interest in joint ventures (Cerrejón, Antamina and Collahuasi) amounting to a total of $383 million.
3 Taxes and duties paid relating to non-extractive activities are considered without payroll tax. Other taxes include: wealth tax, stamp duties, transfer tax, environmental tax and other taxes according to local law.
4 Payments not included in the 2020 Sustainability Report are primarily payments relating to Glencore's proportionate ownership interest in certain joint ventures noted above. These were necessarily not part of the scope of the 2020 Sustainability Report, which aligns itself with the Group's statutory financial reporting.
5 Payroll taxes include payments made by the employer only; payments made by employees amounted to a total of $1,101 million.
6 Disposal of Minera Alumbrera Limited in December 2020.

Contributing to the economy of South Africa

Glencore has been present in South Africa since 1974. Today, our ferroalloys and coal commodity businesses have assets in three provinces (Mpumalanga, Limpopo and North West). Our South African coal assets include four complexes that produce thermal coal for export and domestic power generation.

Through our 79.5% stake in the Glencore-Merafe Chrome Venture, we have interests in five chrome and one silica mines and five ferroalloys smelter complexes. We also have, through our majority shareholding stake in the Rhovan-Bakwena Vanadium Venture, an open-cast mine and smelter complex, which mainly produces ferrovanadium and vanadium pentoxide.

In 2019, we acquired Astron Energy, a leading supplier of petroleum products in South Africa and the operator of a crude oil refinery in Cape Town and a lubricants manufacturing plant in Durban.

Empowering local business

In South Africa, recognising the role that small and medium-sized businesses can take in the country's economic recovery from the impacts of Covid-19, our ferroalloys and coal businesses are rolling out Enterprise Supplier Development (ESD) hubs. To establish the hubs, we partnered with a consultancy that specialises in the design, development and implementation of enterprise and supplier development solutions.

The objective of the hubs is the long-term sustainability of small, micro and medium enterprises (SMME) through their integration into competitive markets as stronger and more resilient businesses. The hubs focus on economic inclusion and up-skilling for the communities living around our operations through providing financial guidance, funding and technical skills development. The hubs target businesses that are majority owned by black, female, disabled and/or young entrepreneurs.

Through the ESD programme, our South African coal business, has also established a Supplier Development Training Programme. The one-year training programme equips SMME members with the knowledge and expertise to grow their businesses. It covers various topics, such as; strategic planning, Glencore's procurement approach, acquiring businesses, participating in tendering processes, management and leadership skills and financial acumen.

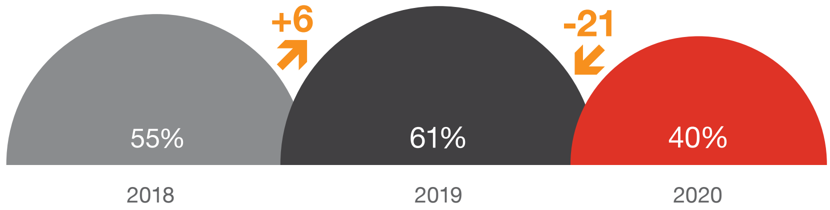
The hubs provide support for six to 36 months, depending on the growth stage and development needs of each participating SMME.

2020 payments to the South African economy

$296m	$1.4bn	18,500	$6m
capital expenditure	total payments to government	employees and contractors	community social investments

Source: Glencore Payments to Governments Report 2020, P9, P17 – 19

A breakdown of the different types of taxes

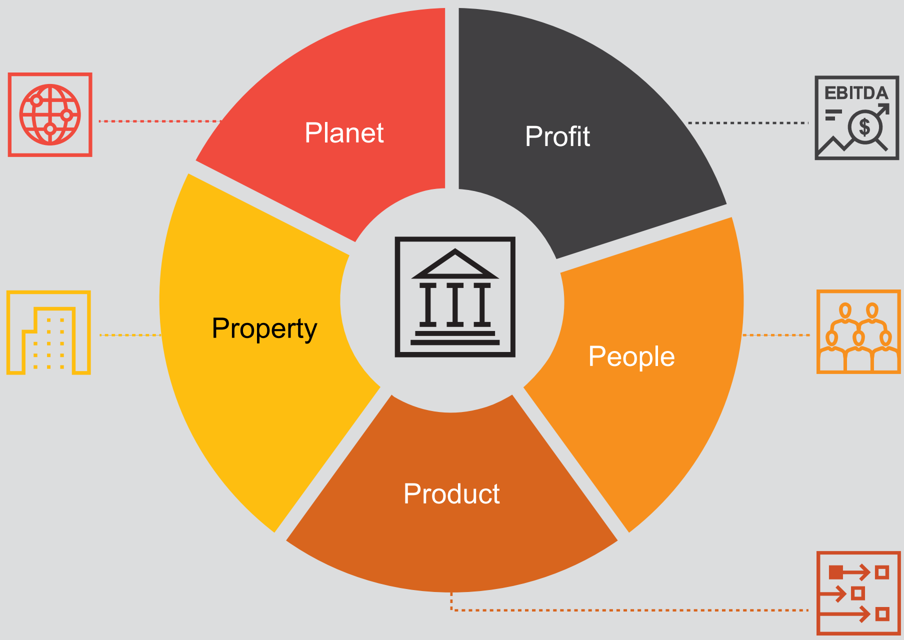


Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

In 2020, 40 companies provided a breakdown of the different types of taxes that they pay (i.e. direct taxes borne by the organisation, indirect taxes collected on behalf of the organisation or any other categorisation of types of taxes). This is down from 2019 where 61 companies provided a breakdown of the different types of taxes that they pay.

The reason for the decline is not clear. Companies should consider not only the benefit of external disclosure of this type of information, but also the value in having this information at a granular level at hand internally. This will provide insight into key financial indicators of the organisation's operations and how they align to its tax positions and payments made. Implementing efficiencies in data collection and analysis and gaining access to multiple data sources allows trend analysis and early risks detection.

There are various ways to distinguish between the different types of taxes paid by companies. One approach is to classify total tax contribution according to the 5Ps:



Since taxes have different names in different countries, we identified five tax bases under which tax is borne and collected and can be categorised – 'the 5Ps':

Profit taxes:
These include taxes on company profits that are borne (such as corporate income tax) and collected (such as withholding tax on payments to third parties).

People taxes:
Taxes on employment, both borne and collected (including income tax and social security payments).

Product taxes:
Indirect taxes on the production and consumption of goods and services, including VAT and sales tax, customs duties, insurance premium tax and alcohol and tobacco duties.

Property taxes:
Taxes on the ownership, style, transfer or occupation of property.

Planet taxes:
Taxes and duties levied on the supply, use or consumption of goods and services that are considered to be harmful to the environment, including vehicle excise duties.

Tax and the environment

The resultant impact of the effects of climate change places South Africa in a precarious situation. The warming of the earth's temperature will increase the magnitude and frequency of natural disasters such as rising sea levels, floods, droughts, tropical storms, heatwaves, wildfires and a shortage of clean water many of which are presently manifesting in South Africa. The effects of climate change will have a direct impact on the profitability of companies within sectors that South Africa's economy is highly reliant on, such as mining, agriculture and transport.

Extreme weather conditions will disrupt industry through, inter alia, damaged infrastructure, reduction in the volume of harvested crops and the working conditions that labourers will be subjected to. The impact that climate change risk poses for South Africa is heightened as the country remains vulnerable to a transition to a low-carbon economy (from an economic gain and energy perspective). With a global decline in the demand for fossil-fuel reliant products, both from a consumer and investor market, including regulatory shifts away from fossil fuels, South African companies that remain heavily reliant on fossil fuels run the major risk of becoming obsolete in the near future.

Having regard to the above, it would not only be prudent but imperative that South African companies incorporate The Task Force on Climate-Related Financial Disclosures (TCFD) recommendations in their operations, as this will help them be more resilient to climate-related shocks. The TCFD framework is above all about disclosing and accounting for the financial impacts of climate change on businesses, improving transparency and helping inform better investment, credit and insurance writing decisions. The recommended disclosure is around four broad themes, namely, Governance, Strategy, Risk Management and Metrics and Targets.

Regulatory shifts in South Africa aimed at supporting reporting and disclosure include the introduction of the Carbon Tax Act as well as the Climate Change Bill. Companies that do not report on their strategies and targets for reducing greenhouse gas emissions face increased costs, taxes and fines. Carbon tax raises the cost of emitting greenhouse gases for companies. The intention behind the introduction of carbon tax is to encourage companies to reduce their emissions or face declining profits. Companies may come under fire for failing to report on their strategy to reduce the tax burden to shareholders, which would necessarily require reducing emissions. South Africa's proposed Climate Change Bill will require companies to submit a carbon budget to the Department of Forestry, Fisheries and the Environment. Once enacted, the Bill will force companies to reduce their emissions and to put in place a strategy for emissions reductions, based on regulations which are subject to the input of various stakeholders. Using the TCFD Recommendations, companies can voluntarily prepare for the effects of future carbon budgets and implement mitigation, adaptation, resource efficiency, pollution reduction and transition plans that are best suited for their inevitable transition.

Anglo American Platinum discusses environmental taxes and the link to natural capital in value creation

FutureSmart Mining technologies will be a key driver in reducing our emissions. We will also increase our sourcing of renewable energy and low-carbon operational solutions, including the production and use of hydrogen. Risk impact, mitigation and tracking elements are embedded in our operating model to help us understand what we need to put in place to achieve our targets.

Our management systems, structures, governance and engagement processes ensure that climate change is considered in all our business decisions. Going forward, we will take into account a carbon price for all our forecasting. Our initiatives to reduce our carbon emissions will also reduce our exposure to evolving climate-change regulatory requirements and increases in energy costs.

Our CEO's scorecard includes performance on energy and carbon. Anglo American Platinum's general managers are financially rewarded for achieving operational-level energy-reduction targets. In future, we aim to incentivise individuals based on their team's performance against climate, energy and water targets. This will contribute to the whole workforce being incentivised to meet our GHG targets.

Further disclosure on our climate-related practices appears in our integrated annual report and in our annual submission to CDP (www.cdproject.net). Anglo American Platinum's leadership on climate action and the transition to the new sustainable economy is recognised in being on the CDP's 'A' list based on our 2020 submission.

Understanding our climate-related risks and opportunities

Our business is exposed to a spectrum of risks from climate change, including physical, regulatory, market, cost or legal. Details are provided in our annual submission to CDP, section C2.2c (www.cdproject.net). Our principal climate-related risk is the potential impact of climate change on security of water supply for our organisation and host communities. Security of energy supply, rising energy prices and the carbon tax in South Africa are also material risks for our operations.

Our risk management approach enables us to identify and manage both risks and opportunities, helping to ensure the resilience of our portfolio. Our quantitative scenario analysis work, reviewed below, has reinforced this approach and is a key input in our strategic-planning processes. Anglo American Platinum assesses and reviews climate-change risks monthly, with a formal annual risk review.

Two key processes guide how we manage climate-change risks: the operational risk management (ORM) programme and investment development model for projects. The ORM guides operations on assessing risk at each level of activity, with tools to identify priority unwanted events and the controls we need to put in place and monitor to prevent those events. The investment development model process and evaluation criteria ensure that climate-change risks and opportunities are embedded in the investment design, including the consideration for alternative low-carbon energy sourcing and the adaptation required for extreme weather and long-term climate change.

Climate change and energy regulatory developments

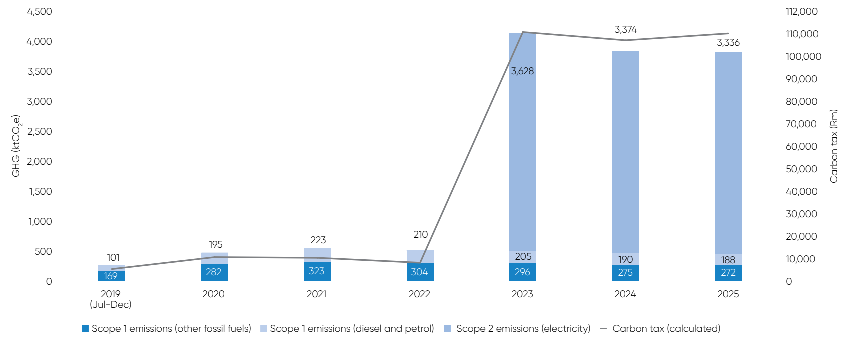
In South Africa, the Department of Environment, Forestry and Fisheries (DEFF) and Treasury continue to make efforts to introduce the necessary regulatory and policy framework to address climate change, in line with the country's commitment to the United Nations framework convention on climate change. Over the last year, this has included enacting regulations to fully implement the carbon-tax levy and allowances; introducing greenhouse gas (GHG) reporting legislation to strengthen disclosure and monitoring protocols; climate-change mitigation and adaptation policy documents to provide a blueprint for a coordinated and integrated response by both the public and private sector; and resuming consultations on the climate change bill, which will provide the much-needed regulatory framework and legal certainty. These developments are in line with global trends and Anglo American Platinum's carbon-neutrality commitments, energy-reduction targets as well as sustainability goals and objectives.

Carbon-tax liability

In South Africa, our operations are liable to pay carbon tax from the combustion of coal and other fossil fuels. The design of the tax provides for significant tax-free emissions allowances ranging from 60% to 95% for the first phase (1 June 2019 to 31 December 2022). To ease the potential adverse impacts on energy-intensive sectors such as mining, the tax will not have any impact on the price of electricity during the first phase.

The first filing and levy payment date for carbon-tax liabilities was deferred by government from 30 July to 31 October 2020 as part of a relief mechanism during the national lockdown period. Our operations prepared reports for the time period stipulated in phase 1 and submitted them on time.

Carbon tax projections based on 2020 emissions



Notes
– Carbon tax rate escalates at CPI +2% pa until 2022, thereafter at CPI.
– Base carbon tax of R120/tCO_2e less applicable allowances.

Ensuring resilience to climate change

Understanding how climate change may affect our operations and key end markets for our products is critical to our strategic decisions. It also gives us confidence in the resilience of our business, as we strive to optimise opportunities associated with the transition to a low-carbon future.

Scenarios help us imagine how the world might develop in response to different assumed conditions. It is not possible to know exactly how climate change will evolve and what its implications will be. However, for mining, we expect the impacts in two broad areas:

- Physical: the potential impact on our operations and neighbouring communities from floods, droughts and other extreme weather events
- Demand for mined products: the regulatory and technological implications of the transition to a low-carbon economy and how this might affect demand for different products.

To anticipate these impacts and formulate strategic responses, we have developed scenarios for possible future worlds that represent combinations of a potential set of outcomes.

Our resilience to physical risks

The investment decisions we make today on mine projects could be significantly affected by weather variability associated with long-term climate change. We seek to understand the physical implications of climate change for our operations and neighbouring communities and implement adaptation responses.

Our approach to adaptation includes building climate-change scenarios with the best-available science, using our operating models to identify vulnerability and exposure. We also consider adaptation measures in new project stage-gate evaluations.

Climate change and extreme weather are potential risks for our operations. We have worked with South Africa's Council for Scientific and Industrial Research (CSIR), a leading research body, to model the possible impacts of climate change and extreme weather and inform the design of mitigating controls. For example, increased frequency of extreme rainfall will require changes in monitoring, infrastructure design and emergency preparedness. Our aim was to understand the impact of changes in rainfall, water consumption, security of water supply and infrastructure.

The model we jointly developed with the CSIR is a state-of-the-art, high-resolution climate model, with results used to inform the risk assessment and infrastructure planning work by Anglo American's water and environment teams. The analysis extends beyond 2050. The CSIR team looked at the PGM-bearing Bushveld complex of north-eastern South Africa and the Great Dyke region of southern Zimbabwe. The data from the climate models is used in water-catchment models and site-water balances.

Portfolio resilience

The transition to lower-carbon, climate-resilient economies is expected to affect demand for our products. These trends are factored into our risk and opportunity assessments. In 2016, we completed a qualitative analysis of climate-change signposts and indicators affecting PGM demand to 2035. In 2018, we extended this work with a climate-modelling and adaptation exercise across all our operations in South Africa. We developed quantitative scenario analyses for possible future worlds that represent combinations of a potential set of outcomes from physical impacts on our operations and neighbouring communities, and demand for our mined products.

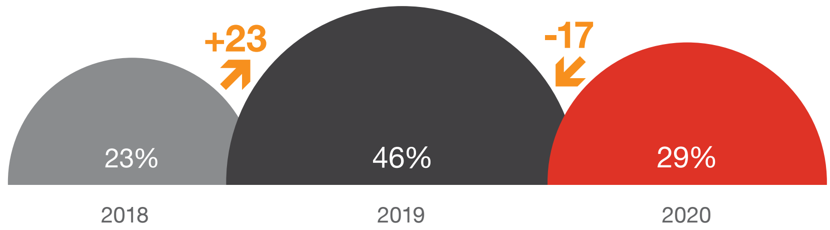
Demand for PGMs is forecast to increase over time, given the ongoing trend to cleaner-emission vehicles under more stringent global legislation. Increasing demand by the automotive industry is likely to be augmented by growing opportunities for emerging applications, including hybrid and hydrogen fuel cell electric vehicles, while emerging countries such as India offer the potential of developing, from a relatively low base, into significant platinum jewellery markets.

We are well positioned to proactively stimulate demand for platinum, including through targeted campaigns in emerging jewellery markets; create new investment demand for the metal as a store of value; and support the development of PGM technologies that are expected to drive industrial demand. This includes investing in primary research and development; investing in early-stage companies commercialising PGM technologies; and working to enable a favourable policy environment for these technologies.

Source: Anglo American Platinum Limited Environmental, Social and Governance Report 2020, P39 and P40

Approach to tax linked to the sustainable development strategies of the organisation

Considering the enhanced focus on ESGs world-wide, it is surprising that the number of companies that provide information linking their approach to tax to their sustainable development strategies has decreased from 46 companies in 2019 to 29 companies in 2020 – a 37% decline. Ten companies provide a detailed discussion on this topic, demonstrating the link between tax and value creation.



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

AngloGold Ashanti links tax as part of economic value generated and also links to SDGs

ECONOMIC VALUE-ADDED STATEMENT
For the year ended 31 December 2020

How we create and share VALUE

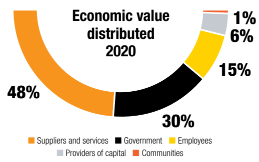
ECONOMIC VALUE GENERATED

US dollar million	%	2020	%	2019
Gold sales and by-product income [1]	94	4,836	96	4,080
Interest received	1	30	1	20
Royalties received	0	-	0	3
Profit from sale of assets	0	2	0	1
Income from investments	5	261	3	139
Other Income	0	5	0	16
Total Economic value generated	100	5,134	100	4,259

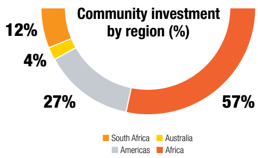
Economic value distributed [2]

US dollar million	2020	2019	Contributing to the SDGs
Employees	508	591	1, 5, 8, 10
Salaries and wages	497	579	
Training and development	11	12	
Government	1,055	736	12, 16, 17
Current taxation [3]	562	298	
Royalties [4]	175	131	
Employee taxes [4]	209	221	
Production, property and other taxes [4]	109	86	
Community [5]	22	26	3, 4, 6, 11
Suppliers and services [6]	1,664	1,755	12, 16, 17
Providers of capital	221	208	8, 17
Finance costs and unwinding	183	181	
Dividends	38	27	
Total	3,470	3,316	

[1] Gold income increased by 19% due to a higher gold price received for the year 2020
[2] Economic distribution providing human, financial, social, natural and manufactured capital, guided by business objectives and material issues identified through the operating process to ensure sustainable long-term value retention for stakeholders, underpinned by our key behavioural programme operational excellence, implemented at every step of the business from exploration through the entire chain to divestment / disposal
[3] Current taxation includes normal taxation and withholding taxation on dividends paid per jurisdiction in which the Group operates
[4] Employee, production, property and other taxes and royalties are reported on a cash basis and exclude equity-accounted joint ventures
[5] Community and social investments exclude expenditure by equity-accounted joint ventures
[6] Suppliers and services excludes capital expenditure



Total distributed
$3.47bn
(2019: $3.32bn)



Community investment by region ($000)

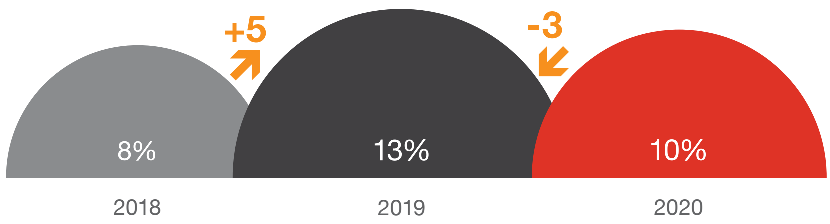
Region	$000
Africa	12.9
Americas	6.2
Australia	0.8
South Africa	2.9

Total distributed
68%
(2019: 78%)

Value retained
32%
(2019: 22%)

Source: AGA IR20, P96 and 97

Assurance for disclosures relating to tax and payments to governments



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2018, 2019 and 2020

We also noted a decline in the number of companies indicating some form of assurance of the non-financial information disclosed, related to tax. Assurance can include activities designed to result in published conclusions on the quality of the tax report and/or activities designed to result in published conclusions about systems or processes which form the foundation to the company's approach to tax. A company can use a variety of approaches to enhance the credibility of its report.

MTN provides a description of the assurance process for disclosures relating to tax and payments to governments.

> **Independent assurance review of Group total tax contribution (TTC) number**
> As part of our drive and commitment to improving transparency and to increase the credibility of 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. For details of the scope of work, procedures and outcome of the review of the total Group TTC number, please refer to the independent assurance report on non-financial data on our website www.mtn.com.

Source: MTN Group Limited Tax report for the year ended 31 December 2020, P8

4 Are we at the tipping point?

In the current landscape clear and consistent information to objectively assess a company's position on tax is crucial. Our analysis of the tax transparency reporting of the top 100 listed companies in the South African market provides a useful baseline to understand what type of information companies are disclosing publicly and how reporting practices have evolved over time. Compared to other sustainability issues such as climate change, public reporting on non-financial information regarding tax is still less developed or standardised across sectors in this market – but companies are moving beyond risk- based approaches – centred solely on corporate imperatives to drive growth and profit – to embrace more systemic approaches to integrity issues. This includes multinationals incorporating perspectives and voluntary standards from multilateral institutions and initiatives.

Widespread public concern about corporate hypocrisy and 'greenwashing' further necessitates a more strategic and coordinated approach to integrity commitments. Companies are pressured as never before to take stands on social and environmental issues, but if rhetoric is not accompanied by concrete, measurable action, allegations of hypocrisy will continue to rise.[5]

In 2021 we saw stakeholders calling on a major multinational organisation in the US to disclose global tax practices and risks and more specifically to implement the GRI 207, including public country-by-country reporting of financial, tax and worker information. This is an unprecedented request by stakeholders who clearly indicated their interest in more information on the tax position of the organisation, and we may see more requests of this nature in future.

> *Tax as a sustainability and ESG issue is a new and developing area and businesses should develop a strategic response to the calls for increasing tax related disclosures. It is important for organisations to reach a consensus and embed their approach to tax throughout the business, including sustainability teams, investor relations and the Board.*
>
> *Andy Wiggins, PwC Global Tax Accounting Services Leader*

We recommend

Transparency for whom and what purpose

This is an essential question of the framework and takes into account the full range of internal and external stakeholders.

What are the views around the business?

Internal consensus on approach is key. Prepare a briefing paper for the board, public relations, investor relations, sustainability, corporate reporting teams setting out the latest developments in tax transparency and how your current tax disclosures compare to your peers.

What do stakeholders want to know and why?

For your external stakeholders, identify what they want to know, why they want to know it and therefore what information might be useful to them. Whether or not you choose to disclose that information is a separate question. You might consider disclosures around tax havens, transfer pricing and tax incentives.

What are the risks and benefits of providing additional information?

Do the benefits of additional transparency outweigh the potential risks? This is an important consideration for internal stakeholders. What are the risks and benefits of providing or withholding information? What is the value of more transparency?

Are the disclosures understandable?

Once decisions on disclosures have been made, consider whether they are understandable by the target audience. Is there a business case for providing additional narrative to explain tax question marks?

Do you have systems to support your disclosure?

The final element of the framework and the ability to gather and report non-financial tax data effectively is to consider whether there are controls and processes in place to support any disclosures and high quality tax data is readily available. Details of board approval of the tax strategy and the tax control framework can help provide comfort that statements made are followed in practice.

5 World Economic Forum, Global Future Council on Transparency and Anti-Corruption, Ethics and Integrity Beyond Compliance, Agenda for Business Integrity: https://www3. weforum.org/docs/WEF_ GFC_on_Transparency_ and_AC_pillar1_beyond_ compliance_2020.pdf

5 Contact us

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