Building public trust through tax reporting

A review of the tax disclosure of the top 100 companies listed on the Johannesburg Stock Exchange in 2021

March 2023

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Foreword

In November 2022, the South African Revenue Service (SARS) issued a media release emphasising its focus *on taking tax transparency and exchange of information to the next level*, stating that it is essential to work with and through stakeholders to improve the tax ecosystem to foster greater collaboration and cooperation.[1] It has been apparent in the last couple of years that transparency and trust are converging. In our view, there is a definite and inseparable linkage between transparency and building trust in tax, and across environmental, social and governance (ESG) more generally, helping to reinforce the direction of travel towards sustained outcomes.

An informal poll of the general public we conducted in December 2022 found that 88% of respondents believe that organisations need to demonstrate a responsible approach to tax transparency and governance to build trust. In the words of our Global Chairman, Bob Moritz, "Transparent and consistent reporting will help create the conditions for progress and increased trust".

This year marks the *7th edition of our Building Public Trust through Tax Reporting publication*. We continue to explore the value derived from being transparent on tax and the growing interest from stakeholders. Our focus and findings represent the level of tax transparency provided by the top 100 companies on the Johannesburg Stock Exchange.

Up until now, reporting non-financial information on tax has largely been voluntary, but many guidelines do exist and companies that are taking the lead are doing so by providing disclosure and explanatory narratives far beyond the statutory requirements. Some of these businesses report on their tax affairs within the Global Reporting Initiative Tax Standard: GRI 207 and/or the World Economic Forum Global Tax Metrics for Sustainability Reporting. Some are also taking guidance from the recently released JSE Sustainability Standards on Tax Transparency. Notably, the influence of rating models applied by investment managers is coming to the fore. Notwithstanding these guidelines and transparency drivers it is evident from this study that most large listed South African companies still do not publicly report more information on tax, other than what is required from accounting standards.

If the past year is anything to go on, we will see a significant uptake by stakeholders expecting increasing public reporting on tax, whether it be about one's approach to tax, tax contributions, effective tax rate or country-by-country reporting. In addition, there is much interest in green taxes, green cash grants and green tax incentives.

It's easy to be overwhelmed by the thought of public tax transparency. The more information stakeholders demand and the more your competitors disclose, the more you'll be expected to report. The landscape will undoubtedly continue to evolve, creating operational challenges for the tax function and underlining the importance of engagement with boards in building tax into strategic planning and linking tax policy to the ethos and values of the business. By breaking down big challenges into smaller ones, companies can find and create opportunities internally, but also externally, contributing to the public debate on tax as an enabler of societal good.

Step forward and get ready to tell your tax ESG story.

We would like to thank each and every one of our community of solvers for their views, insights and expertise shared in this publication. Their contributions are both invaluable and greatly appreciated.

1 *SARS: Greater focus on taking tax transparency and exchange of information to the next level*

1 Trust – the glue that binds cohesive societies

The growing importance of trust is deeply intertwined with the changing nature of leadership, due to the increased complexity of stakeholder dynamics and the growing need for the private sector to help solve important societal problems.

It's not just companies that rely on trust. Trust is also key to *social cohesion*, prosperity, and quality of life of communities and countries.

As The Economist observed, 'Trust keeps society running. Even the most trivial interactions rely on small acts of trust.'[2]

Today, trust is harder to earn. According to the *2022 Edelman Trust Barometer*, distrust is now society's default emotion. Concerningly, the lowest socioeconomic quartile of the population has very little trust in any of society's institutions. Societal leadership is now a core business function and it is no surprise that 64% of investors will choose to invest in a company based on their beliefs and values and 88% of institutional investors subject environment, social and governance factors (ESG) to the same scrutiny as operational and financial considerations.[3]

Companies must build trust in new ways. But in order to build trust today, they must meet the expectations of a broader set of stakeholders on a wider range of issues such as cybersecurity, diversity, data security, tax payments, and environmental performance. Companies are examined on an ever-growing list of questions about whether they are forces for good in society.

The result is that companies need to build trust at a time when it is both more fragile and more complicated to earn.

Boldly transforming the company to be part of the long-term solution to society's dislocations

This year, our Global Chairman Bob Moritz set out *the trust imperative* for business. In the face of dramatic disruptions (from a pandemic to war to climate change) that can fray trust in society, business has an opportunity – and responsibility – to lead. Business should be part of the long-term solution to society's greatest challenges. This means defining and adhering to a long-term vision for the company as a force for good in society that delivers value to all stakeholders.

2 *Economist, 'Believing is seeing,' Aug 2016*

3 *2022 Edelman Trust Barometer*

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The profound changes in the world mean that our clients can only succeed by creating a virtuous circle between earning trust and delivering sustained outcomes. By bringing our unique combination of capabilities together, we can help them do that — unlocking value for their shareholders, stakeholders, and wider society.

Periods of dislocation are not new. I’ve witnessed many in my nearly 40 years of advising global businesses. What feels unique about the current period is the intersection of so many highly consequential forces at a time when the fault lines between East and West, industrialised and developing economies, democracy and authoritarianism are on full display.

To navigate these disruptions, leaders should get ‘reinvention ready’. This means boldly transforming the company to be part of the long-term solution to society’s dislocations. The business community—along with governments, communities and civil society—has an unprecedented opportunity, and responsibility, to lead. Specifically, business leaders should focus on two things: transitioning to a more responsible form of capitalism that drives value for all stakeholders and resetting corporate agendas with an eye toward long-term outcomes. Although leaders can’t forget short-term results, it is these deeper shifts that are the keys to sustained success for both business and society.

Companies that embrace a role as a valuable, purpose-driven contributor to society—and whose leaders make bold, long-term decisions consistent with that role—will earn trust. Trust builds loyalty with stakeholders, drives long-term resilience and is the foundation of sustained outcomes. You could say that trust is the most important currency business leaders can earn today.

Bob Moritz, Global Chairman, PwC

Trust may be hard to build, but it can be measured.

Our *proprietary trust framework* maps eight quantifiable trust drivers for companies, ranging from financial performance to ESG to transparent reporting.[4] This framework encompasses a broad range of stakeholders from policymakers to the public. It enables our clients to map their stakeholders, measure trust levels, identify problem areas, and track progress.

Eight Trust Drivers

Financial Creating long term shareholder return	**Economic** Broader economic impact in the communities where you operate and in broader society
Brand Perception in the public domain	**Environmental** Positively impacting natural environment across the value chain of its products and services
Social Ensuring people's wellbeing by fostering save, diverse, inclusive, respecful communities	**Governance** Conduct ethically and with integrity, in line with applicable laws for corporate accountability
Reporting Transparently demonstrate and communicate consistent and aligned behaviour	**Technology** Leverage technology to avoid adverse effects and improve business oucomes

The trust framework

4 *PwC Global Annual Review 2022*

Trust has always been significant to PwC. It's part of our organisation's purpose: '*to build trust in society and solve important problems*'. We strongly believe its place on the corporate leadership agenda needs to rise. Trust will be critical for leaders seeking to stay ahead of pressures such as economic and social polarisation, deep anxiety about personal privacy amid the surging pace and volume of digital information flows, generational divides not seen since the 1960s, and growing complexity in the stakeholder environment and the far-flung ecosystems in which companies operate—all in a world of instantaneous transparency. Not only is trust needed to address these issues, but our research suggests it will reward leaders who embrace its importance.[5]

What does trust mean in today's world of tax

Tax is a powerful indicator of how a business views its role in society and its commitment to its purpose. Tax disclosures are often read by people who are not steeped in the complexities of tax and compliance, so taking the time to develop and communicate a tax narrative can prevent misunderstandings. Doing so also builds trust.

Think about reframing tax as part of a larger movement to better align business with societies in which they operate and the citizens they serve – get the narrative right, tell an authentic tax story... be transparent on tax. PwC research shows that trust isn't a fuzzy concept. It's an intangible asset tightly linked with corporate performance.

To remain credible and trustworthy, companies need to shift the tax conversation to tangible and concrete statements about the impact their business is having on society. If you are claiming that you are making an impact, then you need to be able to prove that. And that's what makes a statement of your position on tax powerful.

5 *PwC, Translating trust into business reality*

Transparent tax reporting as an agent of change

What gets measured gets controlled. That's been a common mantra in the corporate world for decades. We should now add a corollary: what gets reported is what really matters. "Employees look at corporate disclosures to decide who they want to work for," notes Nadja Picard, PwC's Global Reporting Leader. "Customers look at corporate disclosures to decide what they want to buy." And the punishments for missing the boat on reporting can be significant.[6]

Reporting isn't just a requirement for companies. It's a driver for real change. In fact, stakeholders of all kinds are demanding information that is more detailed, more readily measured, and more easily verified. With the right combination of data and disclosures, you can be confident in both clearer reporting and greater trust, not just for now, but for the long term.

It wasn't so long ago that tax disclosures were aimed at investors and centred primarily on the effective rate of corporate income tax. That's changed because the context has changed. Today, tax disclosures increasingly need to speak to a wider audience and can cover topics such as strategy and governance as well as numbers. It's a complex topic, and businesses should not underestimate the time it can take to gather and analyse the tax data and then explain that data in a way that builds trust and is meaningful for their investors and wider stakeholders.

6 *PwC, Corporate reporting as an agent of change*

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> Corporate tax scandals and aggressive tax planning practices, such as minimising the amount of tax payable, have certainly increased demands from investors and other stakeholders for tax transparency and accountability. Paying a fair amount of corporate taxes can be seen as part of a company’s corporate responsibility to contribute to the sustainable development of the society in which it operates. Transparent tax disclosures can enable stakeholders to make informed judgements about an entity’s taxation practices. Payments to government taxation authorities help stakeholders understand the relationship between the value an entity has created as well as distributed towards societal and economic development. As part of their corporate responsibilities, South African companies should consider how they apply and engage with tax legislation and tax authorities and how their tax policies are underpinned by good tax governance supported by transparency in disclosure.
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> **Renitha Dwarika, Reporting Leader for PwC Africa**

What companies say about their approach to tax can provide great insight into what they do. The way they describe how they are monitoring and addressing tax matters, through mandatory reporting or voluntary statements can be a lever for building trust with those around them.

But any claims made should be intentional, achievable, balanced and verifiable.

Just as there are pressures building from a variety of stakeholders for information related to tax, pressure from the industry of activism devoted to debunking any misleading, incomplete, or false claims is also growing. And companies face consequences for not living up to their stated aims, even if the shortcomings can be validly explained.

Imperatives for a sustainable tax driven future

Find out what matters to your stakeholders

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> Transparent, comparable and trustworthy sustainability reporting is becoming an increasingly vital source of information for assessing business performance. Solely focusing on financial results is no longer enough.
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> **Nadja Picard, Global Reporting Leader, PwC**

Boards, management leadership teams, and heads of tax need to understand their company’s tax position not just from a shareholder’s point of view, which focuses on consolidated financial statements, but also from the perspective of investors, employees, civil society, and national tax authorities.

By leveraging the eight trust drivers (financial, economic, brand, environmental, social, governance, reporting and technology) of PwC’s proprietary trust framework in the context of tax, companies can map their tax stakeholders as well as measure the level of trust each stakeholder requires and has in respect of the tax affairs of the business; and then key areas of focus can be determined.

Creating a narrative on tax that works for stakeholders—one that is comprehensive, relevant, balanced and accurate—is no easy feat. It requires adherence to guidance and standards backed up by data and a clear understanding of stakeholder needs. What is important to one group of stakeholders may not matter to another.

Figuring out what information related to tax matters most, to whom, and how to present it is a complex task, and engagement with stakeholders will be paramount.

Get the right data

Once it is understood what matters to stakeholders, it is possible to report what they need to know. But first, be clear about what data is required, and establish a mechanism to collect and analyse it. Doing so is not always easy, especially when the data is dispersed throughout the company. Being well-intentioned, but having imprecise and incomplete data, is a big red flag for investors and other stakeholders alike.

Collecting the data required will involve planning, specialised expertise to measure and assess it, a way to assure it is reliable, strict oversight and a strategy to deal with the results.

Collaborate and consult

Tax departments need to engage across the entire business to align its tax strategy with the broader corporate strategy. Almost every business decision has a tax impact, and those impacts will take on increased visibility in the extensive tax disclosures that are likely to feature more prominently. Considering tax impacts early will help companies understand and develop the tax narrative that accompanies such longer-term transformations.

Tell the right—and full—story

Whether tax is discussed in the integrated annual report, governance or sustainability report or if a company opts to prepare a stand-alone tax report, the publication needs to be just as robust and relevant as its other financial reporting. Part of how this is done will be prescribed by a set of globally aligned reporting standards. Another part will mean anticipating future stakeholder requirements as they evolve, even before the reporting standards catch up.

Tax transparency sends a powerful message about a company's commitment to society. A carefully considered tax transparency strategy, including a compelling narrative, is an opportunity rather than a risk or inconvenience for companies.

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> The general perception that large corporations enjoy an oversized slice of the globalisation pie has triggered a broad discussion on the tax affairs of multinationals. To answer this allegation, a whole new attitude towards corporate accountability and growing sensitivity in terms of tax transparency disclosure has been established. Public tax transparency has been taken up by various institutional investors but also wider stakeholders, including media, NGOs, employees, tax administrations and, last but not least, society.
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> Nowadays, the debate is not only around the pure financial profit and shares of the companies, but also about their commitment in terms of ESG topics. In this new environment of the rapidly accelerating sensitivity to the ESG agenda, it is expected from the companies to disclose their tax data and how they govern their tax data more transparently.
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> Due to the current lack of comprehensive mandatory regulations, companies have a great opportunity to influence the narration and shape the debate around when, how and to what extent to present their tax-related information to society. We know from talking with clients that tax transparency is high on their agenda. Companies are seeing that tax transparency sends a powerful message about their commitment to the environment and the society. They see the positive impact on their reputation and, associated with it, opportunities. However, they struggle with what level and type of disclosure they should opt for. Eventually, the risk lies not in disclosing tax information, but by not putting it in the right context. Assurance by an external third party of such additional tax disclosures will become essential, if not a requirement.
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> Therefore, it is important to get prepared and be involved in the wider debate. Finally, it is only a matter of time before tax disclosures become mandatory either through legislation (see *EU public Country by Country Reporting (CbCR))* and/or as part of the sustainability reporting framework(s).
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> **Charalambos Antoniou, Partner, Tax Function Design and Tax Transparency Leader, PwC Switzerland**

Companies that don't disclose the tax information stakeholders want to see, or that try to 'greenwash' information to appear more stakeholder-friendly than they are in reality, are taking a big gamble and the reputational risk of being known as a company that says it's doing good, but it's actually not.

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To put it simply, greenwashing is akin to fraud: it misleads stakeholders, markets and consumers – and must be stopped. We need to view exaggerating sustainability efforts on the same level as overstating revenues or profits, because both can be equally damaging to investors and public trust.

While many Global Reporting Initiative (GRI) reporters already provide some assurance on a voluntary basis, the transition to mandatory auditing of sustainability information is only a matter of time. Not only will this address the legacy of greenwashing, intentional or otherwise, it will provide a level playing field for all.

Beyond making claims to be doing good, companies must be able to back them up. I am confident that our progress towards a comprehensive global system for all sustainability-related disclosures, through GRI's engagement with the International Sustainability Standards Board (ISSB) and others, will go a long way to ensuring this is the case.

Eelco van der Enden, Chief Executive Officer, GRI

Companies should also be mindful to not use vague, boilerplate or generic language. Such vagueness reduces the decision-usefulness of the information.

Assurance will be critical to ensuring stakeholders have confidence in the information reported by companies. Such assurance should provide confidence not just of companies' tax disclosure in their financial statements but of their impact on people and the planet as well.

It helps demonstrate their progress, enabling them to build trust in what matters to stakeholders, enhance their corporate reputations, and grow enterprise value.

We believe that if it needs to be trusted, it needs to be assured.

Nearly two thirds of investors surveyed globally say they want sustainability reporting to describe the impact a company has on the environment and society. Investors clearly want to place more trust in what's reported: a large majority (87%) suspect that corporate disclosures contain some greenwashing. External assurance, many say, would boost their confidence in sustainability reports. Ultimately, investors expect assurance work to be undertaken by regulated firms that employ independent experts with high levels of sustainability knowledge and expertise in applying professional scepticism.[7]

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High-quality reporting…can empower investors to allocate capital to businesses that are working to create sustainable value. And it can empower other stakeholders to decide whether to buy from, sell to or work for a company. In this way, reporting can drive the business transformation needed to address these vital issues facing the world today.

Nadja Picard, Global Reporting Leader, PwC & Gilly Lord, Global Public Policy and Regulation, PwC

7 *PwC's Global Investor Survey 2022*

2 The standard setters

Faced with a confusing menu of reporting frameworks and methodologies, companies must seek to find out what matters to their stakeholders now.

The goal of corporate reporting is to help improve the visibility of, and understanding about, a business's contributions to the countries in which it operates, and the societies it is part of. And, by doing that, help businesses be sustainable in this new world.

> There exists a virtuous cycle: how transparency on tax and ESG can enable governments and businesses to drive more sustainable behaviour.[8]

Some standard-setters' core focus is on organisations' sustainability in terms of the impact their behaviour has on the planet and people. So 'impact reporting' on a company's effects on, and contributions to, the outside world, is the lens through which it views tax transparency. Other role players are focussing on making companies' tax contributions transparent, as well as assuring citizens that businesses are paying tax where it is owed.

Each of these streams focus on one key ingredient and that is making corporate behaviour visible by providing certain specific information – this information can provide governments with a powerful new lever, and businesses with a powerful new opportunity.

> Governments can leverage this information to gain powerful new insight to help move businesses towards behaving more sustainably. Countries can achieve this by using this enhanced information to reconfigure their tax systems, both to impose higher levies on a variety of ESG impacts, as well as rewarding societally beneficial behaviour through the tax system. The effect will be to take social and environmental externalities that have not historically had an associated financial value and internalise them as real tax costs and benefits to the business – in turn creating a much more compelling incentive for companies to transform their behaviour.

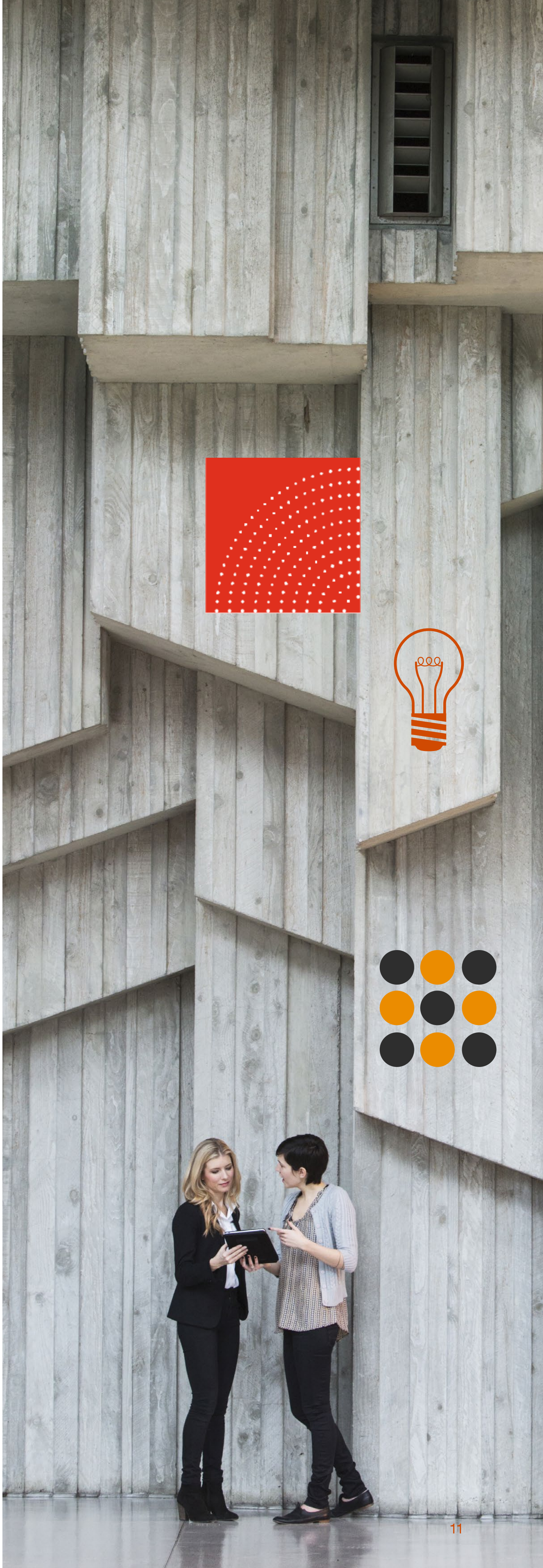
8 *PwC, Virtuous cycle of tax and ESG*

Businesses now have an opportunity to show the economic benefit they bring to countries and to society. And transparency also encourages them to talk to stakeholders about what their tax numbers mean, and how they link to the wider purpose of the business. In short – done well – it gives businesses the opportunity to rebuild trust.

Ultimately, when it comes to tax and ESG, there are two key questions or areas that are being assessed, questions that may be difficult for taxpayers to answer or for the public at large to gauge:

- **Tax fairness:** Are companies paying their 'fair share' of taxes?
- **Tax transparency:** Are companies being sufficiently transparent about taxes?

Although non-financial reporting is voluntary, many businesses are preparing for a future in which it becomes a legal requirement. Companies need to determine the tax transparency metrics and guidance most appropriate for them.



We highlight some of the influencers below (some familiar, but still very relevant):

2015

OECD BEPS Action 13 requiring companies to provide certain Country by Country Reporting (CbCR) requirements to tax authorities.

2017

King IV™ [9] requires companies to demonstrate responsible citizenship through a governing board approved tax policy and putting a spotlight on aggressive tax strategies.

2018

The B Team, made up of global business and civil society leaders, providing companies with a set of responsible tax principles to follow and report on.

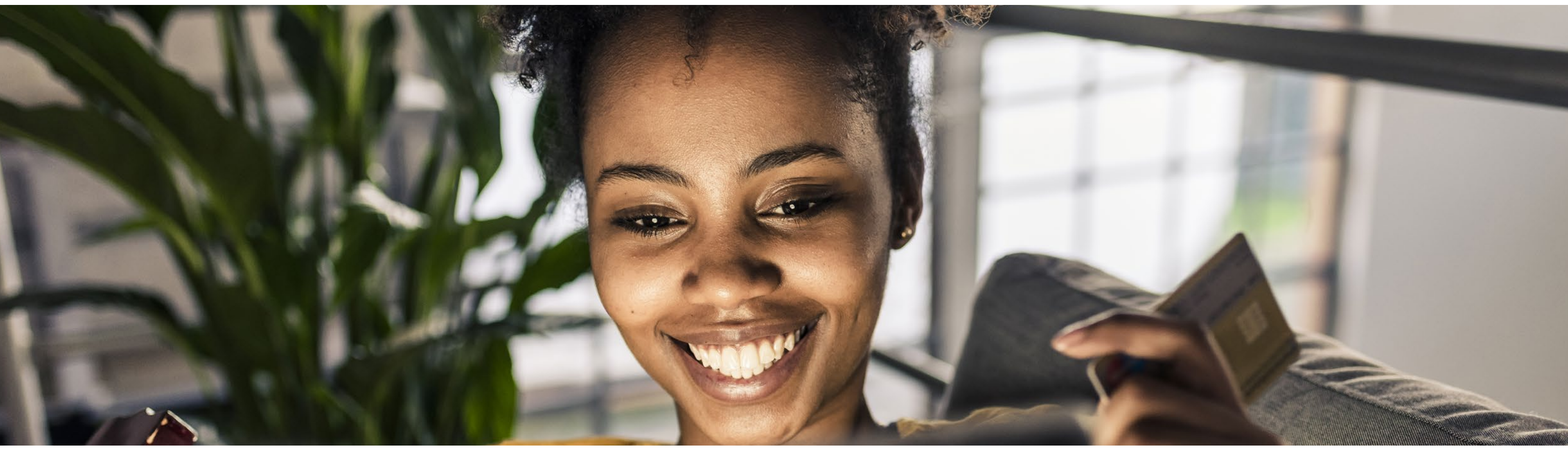
2019

The Global Reporting Initiative 207: Tax Standard (GRI 207) whereunder companies are expected to increase tax transparency. Enhanced trust and credibility can be achieved through the publication of a strategy, by explaining how the enterprise deals with regulatory compliance and by demonstrating how the sustainable development goals of the enterprise are met. Perhaps the best-known disclosure under GRI 207 is the public CbCR standard, which should not be confused with the OECD CbCR under Action 13 of the BEPS project or the EU directive on public CbCR. There are commonalities between these three disclosure tools, but also important differences.

More than 10,000 organisations in 100 countries are using the Global Reporting Initiative (GRI) standards, which include reporting on tax. Some 120 companies are members of the World Economic Forum's (WEF) International Business Council, which made tax disclosures a core component of its ESG reporting metrics, published by the WEF in 2020.

2020

World Economic Forum's (WEF) International Business Council (IBC) issued in September 2020, the Stakeholder Capitalism Metrics were designed to harmonise ESG reporting and provide a common core set of ESG metrics and disclosures on non-financial factors for investors and other stakeholders. The metrics were developed within the IBC by CEOs from 120 of the world's largest companies. Over 70 companies now include the metrics within their reporting materials. It includes as a core metric – data similar to CbCR (GRI 207-4) and as a recommended metric – total global taxes borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes and other taxes that constitute costs to the company, by category of taxes.



9 *The King IV Report on Corporate Governance for South Africa 2016, Copyright and trade marks are owned by the Institute of Directors in Southern Africa The King IV Report on Corporate Governance for South Africa 2016, Copyright and trade marks are owned by the Institute of Directors in Southern Africa*

2021

EU CbCR Directive requires both EU-based and non-EU based multinational enterprises doing business in the EU through a branch or subsidiary with total consolidated revenue of more than €750m in each of the last two consecutive financial years to report publicly the income taxes paid and other tax-related information such as a breakdown of profits, revenues and employees. This directive will now have to be transposed into the EU Member States' legislation by June 2023.

2021

International Sustainability Standards Board (ISSB) – The IFRS Foundation launched the ISSB in November 2021. Designed to harmonise the various ESG standards developed over recent years and elevate their status alongside IFRS accounting standards, the ISSB's formation represents the establishment of a new global baseline for ESG reporting. Given the importance of tax transparency in other voluntary ESG frameworks – such as the GRI, WEF and *Sustainable Accounting Standards Board (SASB)* – it is likely to become a central tenet of the ISSB's sustainability standards too.

2021

S&P Global Sustainability Assessment measures information on a company's tax policy, strategy or principles in place which indicates commitments related to its approach towards tax e.g. not to transfer value to low tax jurisdictions. It also looks at publicly reported key business, financial and tax information for each tax jurisdiction where entities are resident for tax purposes (fairly similar to CbCR) and the requirements of WEF metrics.

Tax is an increasingly important component of ESG and a specific metric of ESG scores. Rating agencies compare companies to their peers on issues like accounting ratios, tax controversy, and effective tax rate (ETR). For this purpose, rating agencies analyse existing publicly disclosed information as they typically gather data from natural-language AI software. Understanding the inputs and developing their narrative around their specific circumstances can help a company seeking a positive ESG score.

2021

FTSE Russell ESG Ratings Tax Transparency Framework looks at a company's commitment to tax transparency, how tax payments are aligned to revenue generating activities, alignment to tax fairness, governance of tax, disclosure of taxes paid on a country-by country basis and assurance measures.

2022

MSCI ESG Ratings Methodology: evaluates companies on their estimated corporate tax gap (i.e., the difference between estimated ETR and estimated statutory tax rate) and their involvement in tax-related controversies.

2022

JSE Sustainability Disclosure Guidance contains metrics that aim to enable more useful, consistent, and comparable sustainability disclosure, to inform better decision-making and action. While intended primarily to assist JSE-listed companies, this guidance will also be of value to institutional investors and the different entities that they invest in (including non-listed companies and debt issuers), as well as a range of stakeholder groups interested in sustainability disclosure and performance.

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> Succeeding in business is no longer only about profitability and companies don’t operate in a silo, therefore a company’s broader societal impacts are increasingly important to investors and other stakeholders. In the last few years stakeholders looked to factors, other than profit, to evaluate the value proposition of a company. Although sustainability and ESG issues are sometimes referred to as ‘non-financial’, these issues clearly contribute to protect, create and enable the value of a company. The JSE Sustainability Disclosure Guidance assists in understanding and aligning to evolving international disclosure practice, by providing Sustainability Narrative Disclosures and Core and Leadership Sustainability Metrics to communicate sustainability performance more effectively. It is significant that tax transparency forms part of these metrics.
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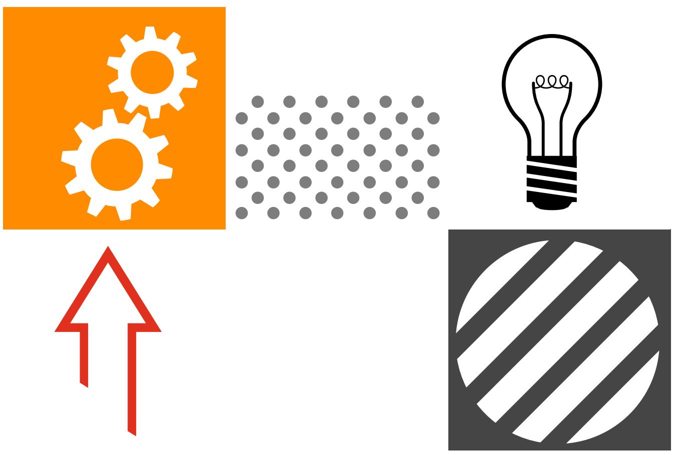
> **Renitha Dwarika, Reporting Leader for PwC Africa**



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> At the heart of the JSE Sustainability Disclosure Guidance Disclosure Guidance is the belief, firstly, that sustainability issues are material to enterprise value creation and increasingly provide valuable opportunities for commercial innovation, and secondly, that if we are to transition to a more sustainable economy – as outlined for example in the *UN Sustainable Development Goals* (SDGs) and the *Glasgow Climate Pact* – then organisations need to deepen their understanding and disclosure of their most significant social, economic, and environmental impacts.[10]

The JSE Sustainability Disclosure Guidance include specific disclosure metrics for tax, in particular Governance Core and Leadership metrics – G5 on Tax Transparency which requires companies to provide:

- A description of the organisation’s approach to tax including: i) whether the organisation has a tax strategy and, if so, a link to this strategy if publicly available;
  ii) the governance body or executive-level position within the organisation that formally reviews and approves the tax strategy, and the frequency of this review; iii) how its approach to tax is linked to the business and sustainability strategies of the organisation.
- For each tax jurisdiction: the total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes and other taxes that constitute costs to the company, by category of taxes.

10 JSE Sustainability Disclosure Guidance June 2022, p6

- The extent of exposure to countries and jurisdictions recognised for their corporate tax rate, tax transparency and tax haven status; estimated tax gap (gap between estimated ETR and estimated statutory tax rate).

According to the JSE, investors are increasingly interested in sustainability issues as this pertains to all their investments, irrespective of whether they are large or small, equities or bonds, listed or unlisted, across all sectors. The JSE believes that the characteristics of high-quality disclosure and effective engagement with investors is broadly the same for all entities, whether it is a large publicly listed issuer with a long track record of reporting, a smaller company, a privately held business, or a debt issuer. All these different entities are encouraged to use these guidelines.

2023

OECD Pillar 2: By February 2023, 138 countries had signed up to the global agreement on the OECD's Pillar Two initiative which, at its core, is a global minimum corporate tax rate of 15%. Significantly, the UK and the entirety EU bloc have already committed to a 2024 effective date for implementation in their territories, with several others expected to follow suit. With all of the actual rules and the bulk of the guidance commentaries having already been finalised during 2022, multinational groups are faced with having to extract and report in excess of 200 data points for each jurisdiction in which they operate —essentially targeting not only so-called low-taxed countries but also jurisdictions with incentives and other special regimes. The debate around whether multinational groups are paying their 'fair share' is likely to be reignited in this new reporting environment.

Translating voluntary tax reporting into business reality

The numerous guidelines do not hinder the adoption of tax transparency and disclosure, as they make organisations consider their tax disclosure in terms of 'for whom and what purpose they are reporting' instead of simply using it as a template or tick-the-box exercise to meet certain requirements. It's important to say upfront that there is no one-size-fits-all approach, and, depending on geography, sector, and other factors, different businesses will come to different conclusions at different times about how much and what information should be disclosed to build trust.

> Tax transparency is not scary at all. Not being transparent is. Why? You get initiatives like Oxfam's that trigger questions that will not be answered. Then you get decision-making by investors and other stakeholders based on perceptions and not on facts. If you as a business need support to take the first step towards tax transparency and get useful benchmark information, don't hesitate to contact GRI. Many went before you.
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> **Eelco van der Enden, Chief Executive Officer, GRI**

3 ESG reporting presents a new opportunity to reframe tax reporting as a positive for business

Fundamental shifts are transforming what it takes to be commercially successful, raising the importance of ESG factors as part of the global shift towards so-called 'stakeholder capitalism'. The purpose and resulting strategy of a company needs to reflect the significance of ESG to both short- and long-term growth, to operations, to investors and to stakeholders. The right reporting approach – for both financial and non-financial metrics – flows from that strategy.

The nature of ESG reporting—especially as the disclosures become more codified and standardised—also allows more rigorous comparisons of corporate performance across a far wider range of criteria. This, in turn, gives stakeholders greater scope to draw inferences not just about a business's financial performance, but about its sense of purpose and social responsibility. ESG reporting also helps companies know where they stand in relation to their peers and competitors.[11]

Some asset management firms and activist investors are among those urging public and portfolio companies to obtain and publish ESG scores prepared by credit agencies. Companies are also coming under pressure from stakeholders, including a growing number of investors, to disclose taxes more transparently as part of a rapidly accelerating sensitivity to the ESG agenda, including the sustainability dimension. A company's approach to tax is no longer just a question of compliance, as tax is a significant component of these ratings.

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> There are significant upsides to getting this narrative right. Looking at tax reporting through an ESG lens has the potential to tell a more holistic and relevant story about a business's purpose, thereby building trust.
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> We know that societal trust is at a premium, and transparency in the tax space can be an important part of building (re-establishing) that trust. Societal interest in the environment (the E) is only growing, and governments recognise that by incentivising businesses to be green, including through the tax system. Trust is a crucial part of the social (the S) aspect of ESG and good governance (the G) – which can be demonstrated not just by transparency over the numbers themselves, but also over the business's tax strategy, and by an overall narrative where the business puts numbers in perspective – is important for making the business sustainable over the longer term. (And the G can also, obviously, relate back to the S).
>
> A company's tax 'footprint'—how much taxes are paid, and to whom, on a country-by-country basis—can be an early indicator of how the business might manage other aspects of its ESG agenda. While many elements of a business's actions in relation to the environment, for example, will take years, or even decades to bear fruit, transparency around taxes is something that can happen today, illustrating the direction of travel by the business in real time.
>
> **William Morris, Deputy Global Tax Policy Leader, PwC US**

Three ways an ESG reporting lens can enhance transparency and affect how tax disclosures are viewed

1 First, it increases the scope of reporting on non-financial, material factors such as carbon emissions and workplace racial and gender diversity, which themselves have tax implications.

2 Second, it emphasises the link between governance and transparency, which is the foundation of trust.

3 And third, an ESG-based approach to tax reporting is about more than publishing data; it's about having a tax strategy, and a narrative surrounding that strategy, that are aligned with the company's overall values.

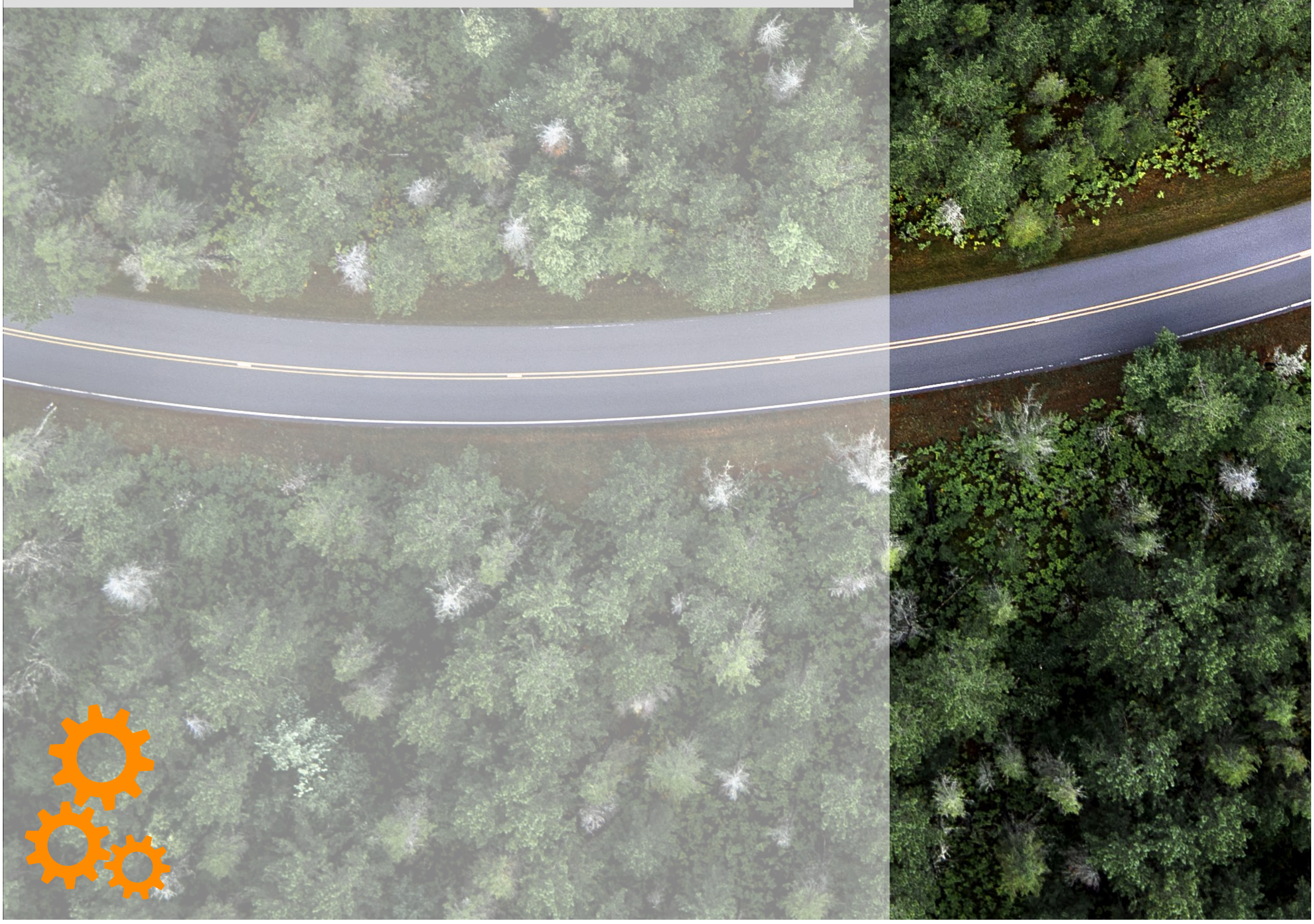
11 PwC, Tax as a crucial part of the ESG conversation

In conversation with Andy Wiggings, ESG Reporting Lead, PwC UK

Andy is the ESG Tax Reporting Lead for PwC UK, focusing on how ESG fits within the tax reporting framework and helping clients understand the changing voluntary and mandatory reporting requirements. We asked Andy a few questions around the changes, trends and challenges businesses are facing around tax transparency globally.

In the last couple of years we have seen a tremendous amount of developments in tax transparency globally, including the move towards public country-by-country reporting in the EU and several other jurisdictions; the development and rising usage of voluntary ESG reporting frameworks, including from GRI and WEF; the emergence of ESG standards such as the Task Force on Climate-Related Financial Disclosures (TCFD) and EU's Corporate Sustainability Reporting Directive (CSRD); and the Pillar 2 global minimum tax regime. What are the net implications of all this for businesses?

> There has been an increase in focus on how ESG impacts companies and therefore the associated tax consequences and transparency. These changes will lead to an increased compliance and regulation burden on companies, however, there is also an opportunity to make a positive tax message to stakeholders. Tax has impacts across the E, S and G. These developments in reporting carry some reputation risk if tax strategies are not aligned to broader ESG disclosures, but they also allow tax teams to demonstrate the contribution tax can make to ESG.



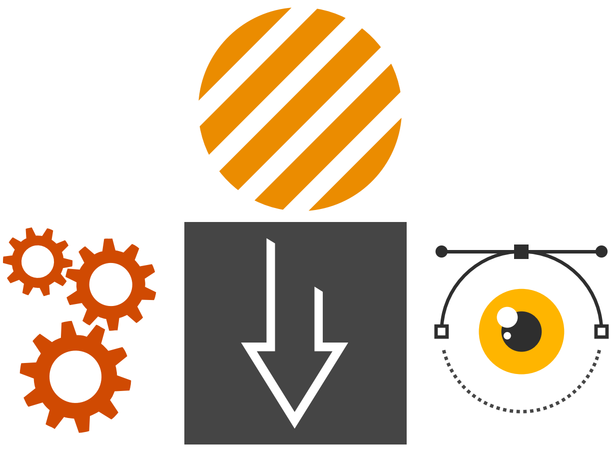
Adherence or alignment with so many different ESG/sustainability related tax standards create complexity and additional cost. How does a business navigate these challenges?

Assess – establish what mandatory requirements you are subject to, understand what your peers are doing and align with your broader business and sustainability strategy.

Design – agree your Tax ESG Reporting strategy for mandatory and voluntary internal and external messaging, design the processes and controls to gather the relevant data and outline your narrative.

What are some of the most interesting trends in tax transparency that you have witnessed in the last 12 months?

Stakeholders' interest in tax transparency continues to increase together with the broader ESG agenda. There is a real focus on disaggregating corporate income taxes (CIT) by country from EU public CbCR to rating agencies incorporating CbCR in their metrics to accounting standards boards considering greater disaggregation in the financial statements. However, this is only part of the business story with increasing non-CITs (e.g., planet taxes), changes in value chains and business models as a result of ESG and digital transformation leading to a changing taxation footprint.



4 Where does the 'E' in ESG fit into Building Public Trust?

Green taxes – the 'E' in ESG

At PwC we create value for our business and our communities by respecting the environment, and understanding and reducing our impact on the world around us. We also create value for clients through PwC's sustainability and climate change practices. Our overarching ambition is to minimise our environmental impact and demonstrate our commitment externally through appropriate reporting. We believe environmental stewardship is part of an organisation's licence to operate.

At first sight, you might think that environment and tax are parallel developments running along separate tracks. But think again. The reality is that transparency on tax, and transparency on environmental impacts converge in ESG. And in combination, we believe they can enable governments and businesses worldwide to drive a profound and lasting transformation of sustainable behaviour on ESG issues.[12]

Green taxes, green cash grants and green tax incentives are proliferating as governments look to reach their environmental goals in an effective and cost-efficient way. And companies can use green taxes and incentives to accelerate decarbonisation and boost the bottom line.

What are green taxes?

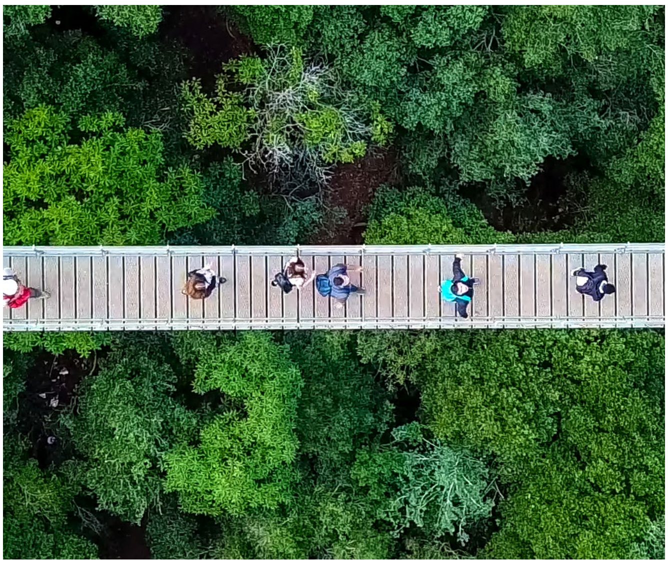
Green taxes include taxes on pollution, energy, carbon emissions, fuel consumption, waste production and disposal, use of natural resources, motor vehicles and other taxes on transport.

What are green incentives?

Green incentives are financial benefits to encourage projects and investment that reduce environmental harm. They include government cash grants and tax incentives that reduce tax liabilities to stimulate investments that mitigate environmental impact.[13]

In addition to the main taxes on profits, income, consumption, and property, there are already more than 1,000 environmental taxes across the OECD member countries alone, according to a PwC analysis of the OECD's Policy Instruments for the Environment database, and the list is changing all the time.

This is an astonishing fact and demonstrates why the subject of environmental taxes needs to be explored in further detail.



12 PwC, *Virtuous Cycle - Tax and ESG*

13 PwC, *Green taxes and incentives can help businesses achieve ESG goals*

Views from our 'Green' Experts.

We asked our community of solvers in this space to provide their views and insights on questions that we frequently come across in discussions with our clients.

Contribution by Niels Muller, Tax Partner, PwC Netherlands, Jason Daniel, Tax Manager, PwC South Africa and Jonathan Banks, Tax Senior Associate, PwC Netherlands

> Who are the stakeholders and what do they want to know about an organisation's contribution to green taxes?

"

Examining tax reporting from an ESG perspective has the potential to provide a more comprehensive and relevant account of a company's purpose, thus contributing towards building public trust. Alongside achieving net-zero emissions, in recent years stakeholders are increasingly becoming interested in understanding the tax footprint of a company. This includes understanding the total tax contribution (including green taxes) and to whom they are paid. Consequently, investors are becoming more likely to view a company's management of its tax affairs as a preliminary sign of its approach to other ESG considerations. Presently, tax disclosures are becoming increasingly crucial in communicating with a broader audience, including customers and employees. Tax disclosures should encompass subjects such as strategy, governance as well as emission and green tax figures. Although such tax disclosures are, to a certain extent, still voluntary, there is an increasing number of companies that embrace voluntary reporting standards such as GRI 207. In addition, initiatives such as the EU CSRD (Corporate Sustainability Reporting Directive) will increase the onus on companies to engage in broader and more fulsome ESG reporting. It is a complicated topic and businesses should not undervalue the time and effort required to gather and analyse tax information and present it in a manner that promotes trust and is easily understandable for their investors and wider stakeholders.

The steps companies take to improve their ESG positions will ultimately impact everyone, so in that regard, the potential stakeholders can be very broad. From within the client, these stakeholders could include the chief sustainability officer, chief operating office and chief financial officer, as well as the business development executive; legal executive and regulatory affairs. In the external market, the stakeholders can include the regulator and government, as well as the general public and Not for Profit (NFP) operators. Based on our experience, most stakeholders like to see an accurate and complete report on how a company is tackling ESG, and to a greater extent, the climate component of that. This report could include items such as an overview of any relevant green taxes and incentives, pricing and forecast tools for the cost of emissions and an update on the actual reductions in emissions produced.

What is new on the green tax front globally and locally?

“

Locally, the Carbon Tax Act became effective on 1 June 2019. In accordance with the Act, carbon tax must be levied in respect of the sum of the direct scope 1 greenhouse gas emissions released by a taxpayer, as a result of activities under its operational control. The GHG emissions resulting from fuel combustion activities, industrial processes and product use as well as fugitive emissions, expressed as a carbon dioxide equivalent (CO2e) will be taxable. The Taxation Laws Amendment Act 2022 brings into effect the policy set out under South Africa’s climate change response and carbon tax price path as released by National Treasury in February 2022. Among the amendments, the most significant one relates to the progressive increase in the carbon tax rate from R159/tCO2e in 2023 to R462/tCO2e in 2030. Additionally, we are seeing environmental taxes moving up the agenda for National Treasury. It is apparent from the publication of recent policy documents that government is exploring the expansion of environmental taxes and levies. In the 2022 budget documents, it was expressed that the government aims to reduce single-use plastics and that an upstream plastic tax and a tax on single-use plastics will be investigated.

Globally, the green taxes and incentives landscape is always evolving, and it is therefore difficult to summarise how much has changed in the last 12 months. However, 2022 saw more concrete guidance on the new Carbon Border Adjustment Mechanism (CBAM), which will apply a price to the embedded emissions of certain goods being imported into the EU. While this is relevant in its own right, the introduction of CBAM also demonstrates the global shift to pricing carbon emissions at the point of production (even when this production occurs in a different territory to the one issuing the tax). Plastic taxes are slowly gathering global momentum too, driven by a combination of public pressure and political will. The EU introduced a tax on its member states on non-recycled plastic packaging waste, which produced reactionary local legislation in other countries (including the UK).

How does an organisation's contribution to green taxes address the ‘E’ in ESG and the sustainability of the organisation in general?

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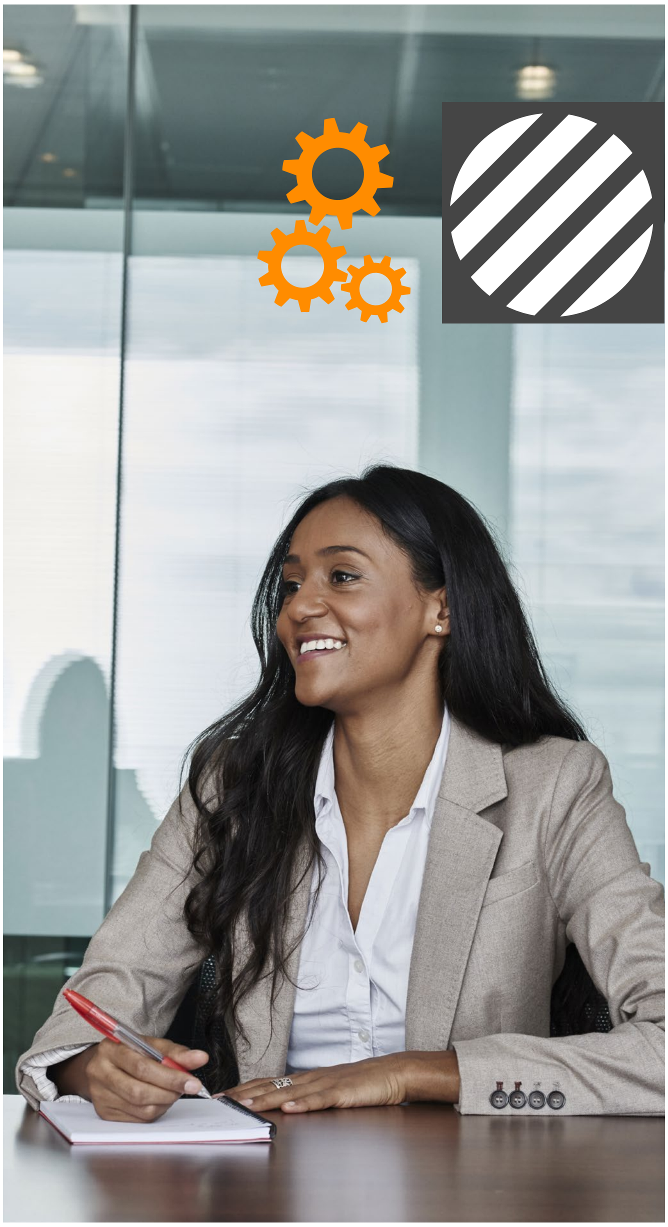
The actual amount of green taxes paid only represents one element of a company's contribution to the ’E’ topic. The broader focus is perhaps on the behavioural change as a result (at least in part) of the environmental taxes paid. Any green tax (as with most taxes) acts as a punitive measure for adverse or undesirable environmental outcomes. The application of environmental taxes and incentives should therefore be an integral part of any sustainability business case.



Is it possible to have a sustainable tax strategy for your environmental taxes?

"

Yes. A sustainable tax strategy is one that considers all stakeholders when making tax planning decisions, and environmental taxes can be considered in much the same way.

Traditionally, the concept of tax regarding ESG has been linked with governance and transparency. However, as companies move from mere theory to practical implementation, the role of tax goes beyond just reporting. Companies are expected to have a well-planned strategy for governance related issues, including addressing tax policy ambiguity. Countries have put in place or are contemplating putting in place tax measures, such as carbon taxes, green tax incentives, carbon pricing and carbon border adjustments. On the other hand, companies are working to quantify and minimise their carbon impact, assess risks posed by climate change and share this information with stakeholders such as investors, shareholders, employees, customs, regulators and/or the general public.

Companies ought to make sure that their reporting is truly informative. Businesses must identify the most important qualitative and quantitative information for their stakeholders. Gathering, confirming and comprehending this data and then selecting which parts to reveal in disclosures takes effort and time. However, businesses that delay this process will be at a disadvantage when facing inquiries from investors and customers.

Companies that aim to link their tax practices to values and strategies, while showing stakeholders they are dedicated to ESG priorities, need to start this process early on. Companies should not consider their tax position solely with a shareholder lens, but also from an investor's perspective focused on ESG. It is crucial for tax teams to engage across the entire business to align tax strategy with broader corporate strategy. Assessing the tax implications early on will assist businesses in comprehending and creating the tax story that goes along with these long-term changes. It is important to communicate a clear tax narrative – which ultimately results in building trust. It is crucial to think about how your company appears, when its tax decisions are evaluated through the ESG and stakeholder lenses. It is further imperative for business leaders to benchmark their progress against their peers to ensure ongoing development of their tax reporting. Business ought to be proactive and perceptive regarding the changing views of stakeholders, including new metrics and reporting requirements.

Do green taxes contribute to the race to ‘net zero’?

“

Without a doubt! Environmental tax directly impacts the behaviour of business and the end consumers. This is assuming the environmental tax is structured properly and actually results in the desired behavioural change. As an example, many companies offer leased vehicles as part of their employee value proposition (which is part of a tax policy). Such a lease arrangement is usually done on a fixed fee basis and may have the unintended consequence of providing employees with 'unlimited' car usage. This could be counterproductive to the goal of reducing road and transport-based carbon emissions.

Developing effective green tax frameworks will be critical given the financial constraints facing public finances. However, fiscal measures such as green taxes and incentives can play a crucial role in driving change. They can discourage harmful environmental practices (by imposing a carbon taxation), incentivise investment in environmentally friendly products (such as green income tax incentives or zero rating the VAT on environmentally friendly products) and energy efficiency (through measures such as generous capital allowances for energy efficiency infrastructure).

Businesses ought to be conscious of perceived ‘greenwashing’. Essentially, greenwashing is ‘misleading the public to believe that a company or entity is doing more to protect the environment than it is’. The problem with making net zero commitments is that they create an illusion with very limited accountability, openness and believability, which ultimately amounts to deceptive environmental claims. Green taxes and incentives have established a financial regulatory framework where taxpayers bear the cost of their greenhouse gas emissions, pay taxes and participate in incentive programmes while receiving benefits without showing how climate change has actually been reduced and/or how the environment has improved, as business operations continue as usual.

A UN appointed panel of experts have identified crucial areas and actions that must be taken by both state and non-state actors in order to guarantee credible and accountable net zero commitments – these commitments are aimed at focusing on environmental integrity, credibility, transparency, accountability and the role of governments.

We have noted from our research that some of the JSE listed companies that report on environmental taxes only provide information on carbon taxes and their proposed plans / carbon tax strategies. Is there more that companies can report on that can provide value?

“

Well to begin with, any company reporting on their ESG (and carbon taxes) has already taken an important first step. To follow up what is reported with concrete and validated plans would further enhance these reports.

Reporting on carbon taxes and/or environmental taxes, as well as carbon tax plans, demonstrates how favourable carbon tax rates are secured and access to green benefits and incentives is gained. The payment of environmental and/or carbon taxes is indicative of the fact that a company is polluting – the extent of a company’s carbon tax liability bears with it a negative public perception (i.e. reducing public trust). However, effective disclosures coupled with a reduction in carbon tax liability can lead to more favourable outcomes (i.e. building public trust). Ultimately, effective taxation and disclosures, whether mandatory or voluntary, can provide undeniable value to a company.

Proposed carbon strategies or plans should be transformed into final plans and executed. Then, progress should be reported on to make sure it is monitored and improvements are made, as and when they are needed. Simply reporting without demonstrating concrete action is equivalent to greenwashing. As a guideline, per the UN working group, net-zero commitments must be in line with the UN Intergovernmental Panel on Climate Change. Plans must be detailed and concrete, outlining how the transition will be achieved, including accountability for delivering on these pledges. There is a need for the global standardisation of carbon reporting in a manner that is open to the public. According to the UN working group, green taxes and other environmentally focused initiatives should not be viewed through a lens of compliance. This attitude fosters and accepts doing the bare minimum as an acceptable standard. The call to action is for state and non-state actors to seek opportunities in green initiatives that lead to tangible and measurable results. For example the EU CSRD, as well as the US Securities and Exchange Commission (SEC) Disclosures, aim to ensure that companies publicly disclose adequate information about the risks, opportunities and impacts of their activities on society, their stakeholders and the environment.

What is meant by greening of the tax system?

This refers to the integration of ESG and environmental taxes into the general tax framework. When governments use tax and regulation to drive positive environmental change, this ‘greens’ the tax system. We note again the importance of properly structured incentives and tax regimes, which actually go to the core of what behavioural change is trying to be achieved.

‘Greening’ the tax system must encompass a comprehensive evaluation of both green taxes and regulation; i.e., transport, pollution, and energy taxes, independently. It is essential to examine the overall system and how each component contributes to achieving net zero emissions. When evaluating the potential of greening the tax system to support the goal of net zero, there are several key principles that should be taken into account during the design of tax policies and the evaluation of current policies. These principles would include aspects such as, inter alia, the polluter pays, certainty, international cooperation, carrot (tax incentives) and stick (environmental taxes), greenhouse gas hierarchy, green technologies, transparency, circular economy and just transition.

What is the role of the tax function in green taxes?

As with all taxes, the tax function is at the heart of environmental taxes. Tax specialists will play a key role in the effective and compliant management of environmental taxes. Environmental taxes also intersect with many other facets of business, such as the operations and supply chain management teams.

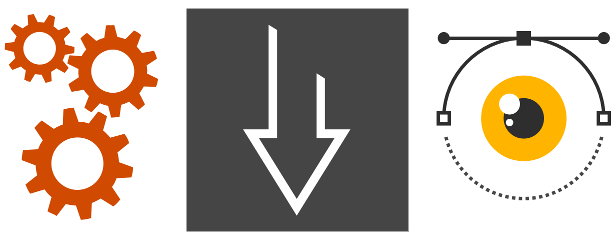
The role of the tax function in green taxes is to maintain accurate records and track the greenhouse gas emissions produced by industries within a specific region. The amount of tax collected serves as an indicator of various data points. The focus is on the emission causing activity, not on any specific individual or entity.

What is next?

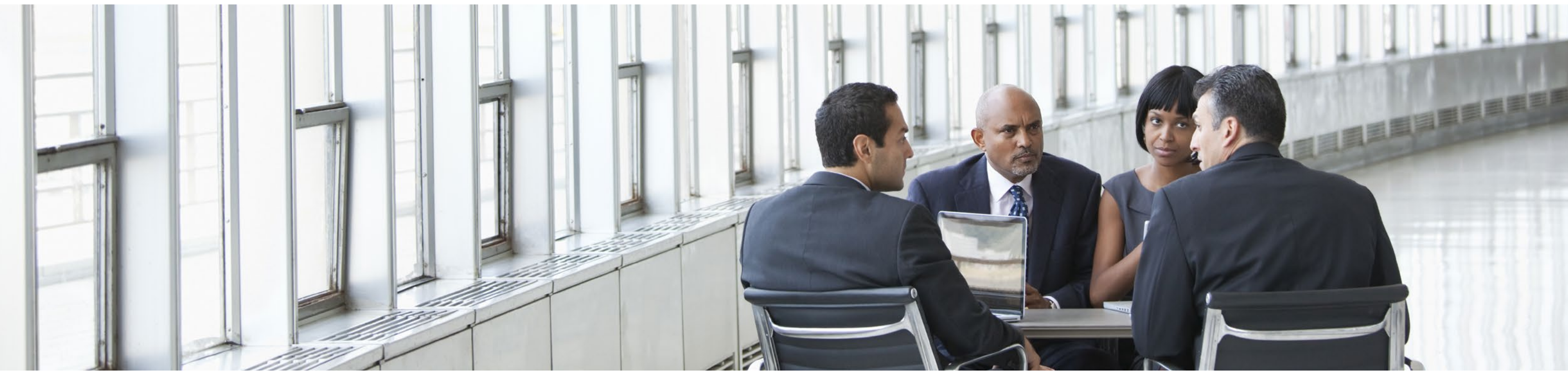
The year 2023 is already set to be another big one. For example, CBAM is scheduled to become reportable in October and the EU Emissions Trading System (ETS) will be expanded to the maritime, road and built environment sectors. In February 2023, the EU Commission presented a Green Deal Industrial Plan, – the goal is to strengthen Europe’s net-zero industry and facilitate a rapid transition towards climate neutrality. It intends to create a favourable environment for increasing the EU’s production capacity of net-zero technologies and products essential for achieving Europe’s rigorous climate objectives, thereby boosting competitiveness. Additionally, the US Inflation Reduction Act (IRA) was signed into law in August 2022 and aims to bolster tax credits and incentives in private green investments and climate change measures – focusing on cleaner energy sources such as hydrogen or battery storage.

As governments explore the use of environmental taxes and incentives to combat climate change, business leaders and CEOs need to reassess their strategies, risks and business models. Supranational organisations are increasingly focusing on raising awareness, establishing standards and determining best practices in this field.

The OECD has consistently emphasised that pricing mechanisms, which encourage widespread action to minimise environmental harm, at the lowest cost, should be a fundamental aspect of environmental sustainability policies for promoting green growth. It has released a number of reports in recent years focusing on carbon pricing, carbon taxes and emission trading schemes. In addition, with support from finance ministers, the OECD is seeking to secure a mandate from the G20 to develop a new multilateral framework, similar to the existing Inclusive Framework, to facilitate international dialogue around a minimum level of carbon pricing, after wrapping up its digital tax project under BEPS Action 1.



5 The PwC Tax Transparency Framework



Our approach – evolving within the ever changing environment

Objective of this study

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".

Scope of this study

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 companies evaluated are selected based on their market capitalisation on 31 December 2021. Annual reports, corporate social responsibility reports, annual financial statements, integrated reports, tax reports, sustainability reports and other relevant publicly available information for the 2021 financial year were reviewed in our assessment.

Approach of this study

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 transparent tax reporting. In this context, we reconsider the criteria included in the Framework frequently to ensure that it aligns with global frameworks. We also ensure that our measuring criteria is clear and comparable.

This year we have again reconsidered our assessment methodology and believe it should evolve within the ever-changing environment. We continue to assess companies according to four primary categories. Each category is separated into various specified criteria, which have been adapted to align with global frameworks. Our scoring methodology was also adapted to ensure it provides provides credit due to companies in a measurable way. These changes were carefully considered after a thorough review to ensure that it reflects the status, trends and developments on tax transparency, including standards, regulations and ESG expectations.

This year we assess a total of 43 broadly defined tax transparency criteria that we consider to be the basis of good practice in voluntary tax reporting, and a maximum score of 80 can be attained.

The criteria are grouped under the following four main categories:

A – Context

- Effective tax transparency – easy to find and well communicated
- Value reporting
- Integration of tax related disclosures with other company related disclosures
- Importance of tax transparency to the organisation
- Frameworks supported

B – Tax strategy and risk management

- Tax strategy
- Tax as a business risk
- Tax risk management, tax governance, tax reporting and oversight
- Tax controversy
- Stakeholder engagement
- Tax in the context of ESG

C – Tax numbers and performance

- Key financial indicators
- Effective tax rate vs cash tax rate
- Tax incentives
- Clear and understandable rate reconciliation
- Adjusted tax rate
- Future performance of tax rates

D – Total tax contribution and wider impact

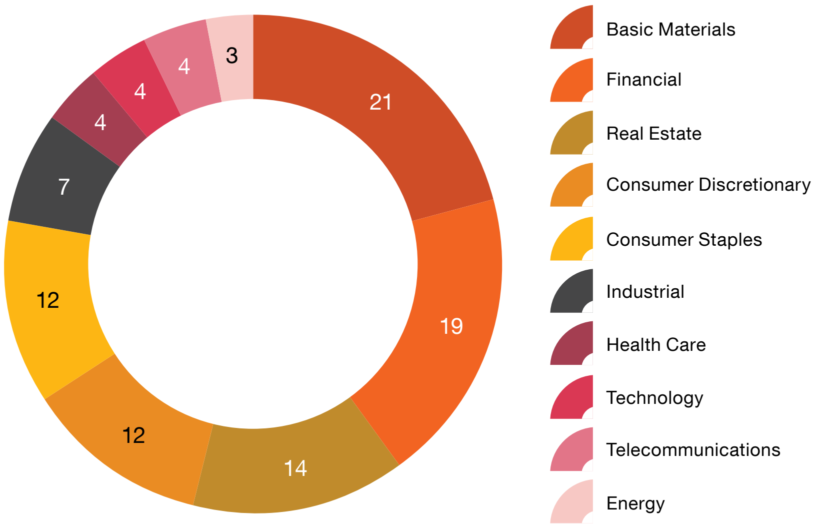
- Jurisdictions, entities and primary activities
- Total economic contributions per tax type, jurisdiction, year
- Other economic contributions to government
- Tax and wider value creation
- Tax and SDGs / corporate citizenship

Results

This study of JSE listed companies is designed to help you define your own stance and response to the challenge of public tax transparency.

Transparency by sector and company type

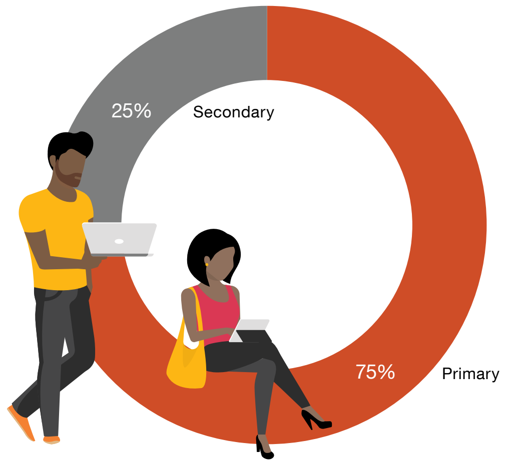
Figure 1: Sector representation 2021



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2021

In terms of market capitalisation, the greatest representation in the study are companies from the basic materials sector (21%) followed by the financial sector (19%) and the real estate sector (14%).

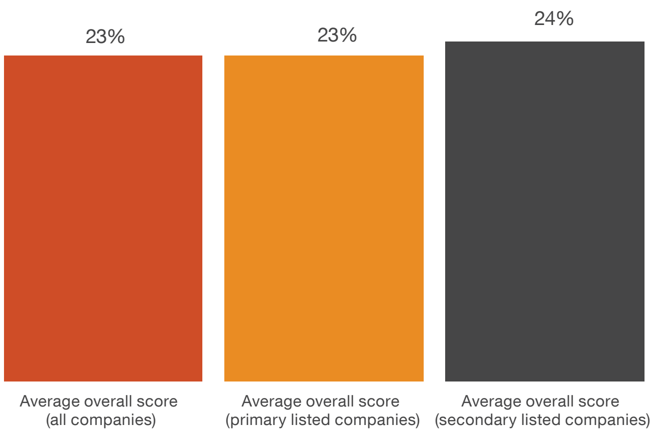
Figure 2: Representation of primary vs secondary companies



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2021

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 (75%) to demonstrate the progress made by South African-owned companies in their journey towards greater voluntary tax transparency. Twenty five percent of the companies studied have a primary listing on a stock exchange outside South Africa.

Figure 3: Average overall score for total tax transparency



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2021

The average overall score attained for total transparency is 18.32 points out of a possible 80 points, which translates to an average score of 23%.

This year, ten companies attained a score of more than 60%, of which seven are primary listed and three are secondary listed. Seventy five companies attained a score of 30% or less for total transparency.

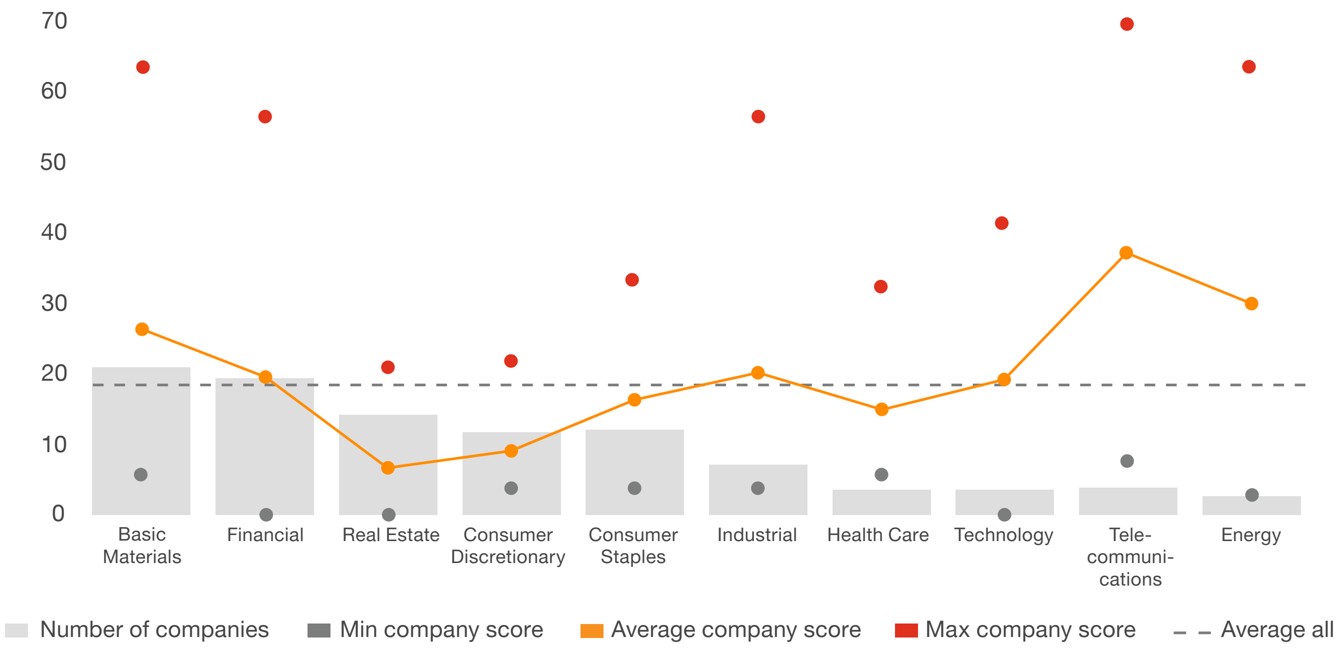
On average, primary listed companies scored 18 points out of a possible 80 points, which translates to an average score of 23% for total tax transparency.

Fifty-seven of the 75 primary listed companies attained a score of 30% or less for total transparency.

On average, secondary listed companies scored 19 points out of a possible 80 points, which translates to an average score of 24% for total tax transparency.

Eighteen of the 25 secondary listed companies attained a score of 30% or less for total transparency.

Figure 4: Minimum, average and maximum company scores per industry



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2021

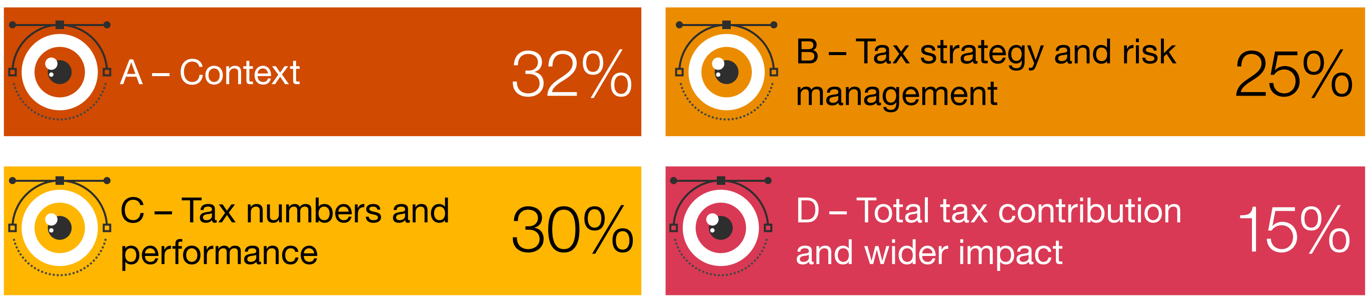
As in previous years the telecommunication sector consistently provided the most effective transparency of taxes overall, closely followed by the energy and the basic materials sector. The average transparency per sector is dependent on overall tax transparency demonstrated by all companies in the sector.

Transparency by category

Below, we outline the most significant findings, trends and good practices 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. Here we take a look at the level of disclosure provided and give a comparison of companies that provided high level disclosure for the criteria compared to those that provided detailed disclosure.

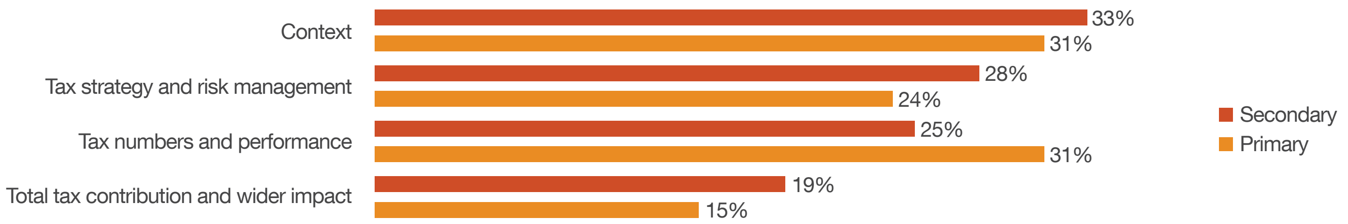
Due to the overhaul of our methodology for the 2021 Tax Transparency Framework, the previous years' results are not fully comparable and have been left out. Next year we will include data from previous years once again. To illustrate the level of disclosure by participating companies further we provide a comparative analysis of transparency per category of primary-listed and secondary-listed companies.

Figure 5: Average transparency score per category of the PwC Framework – all companies



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2021

Figure 6: Average transparency per category – of primary-listed and secondary-listed



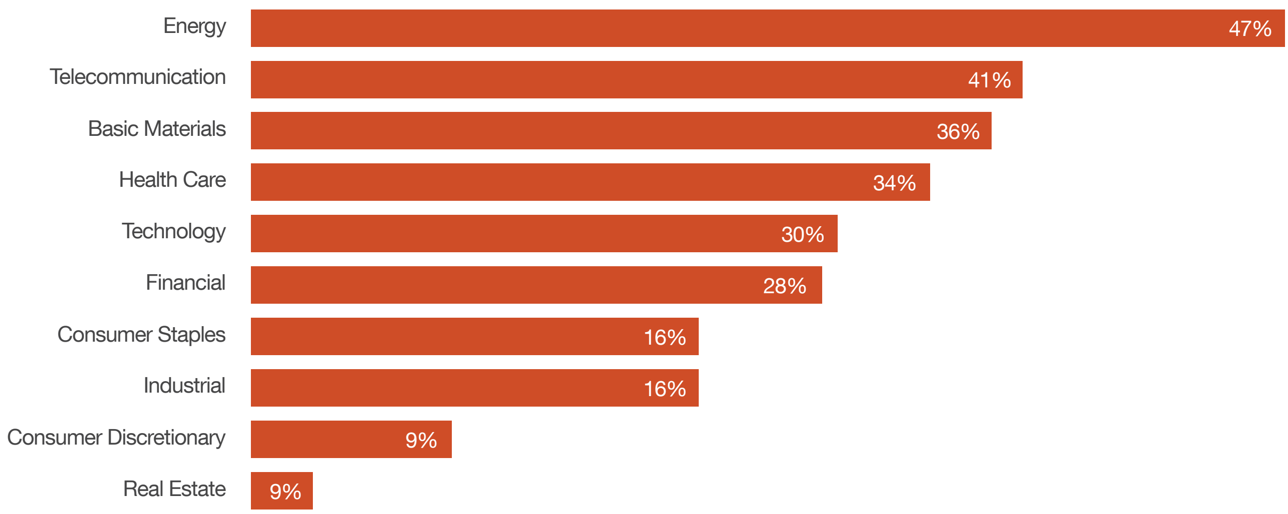
Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2021

A – Context

The companies participating in the 2021 study provided tax disclosure in a variety of disclosure types. Eleven prepared a stand-alone tax report for the 2021 financial year. How a company decides to disclose its information relating to tax is a very personal decision, and should be determined in consultation with internal stakeholders, such as investor relations, sustainability teams, finance teams etc. We have observed local and international companies providing tax transparency in the integrated report, sustainability report, governance report, and ESG report. Some large multinationals have also moved their reporting on tax to a separate web page, for example the *Glencore Payments to Government Report 2021*.

At least 34 companies demonstrated a clear understanding of how to effectively provide transparency of taxes, in a way that was easy to find, well-articulated, comprehensive and a designated identifiable communication on tax. Furthermore, at least 37 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.

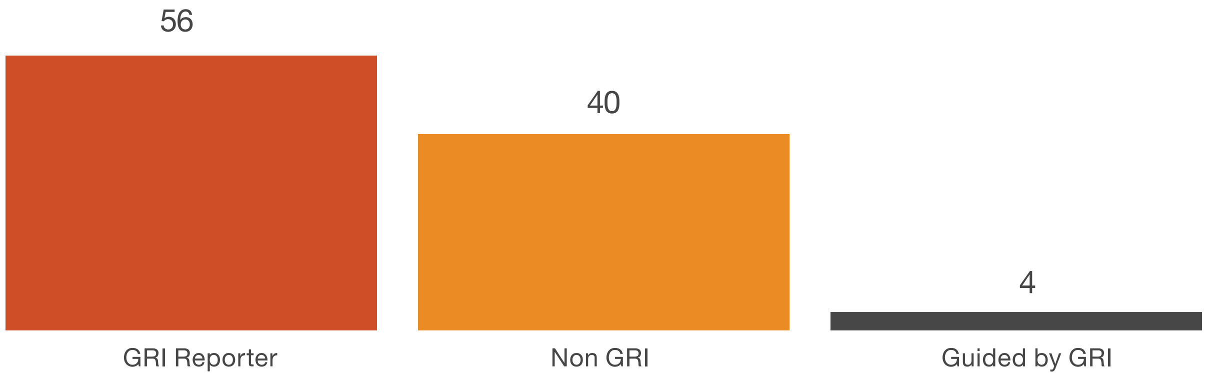
Figure 7: Context: Average score per sector



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2021

Of the 100 companies participating in this study, only 27 discussed their support to guidelines or frameworks on tax transparency — e.g., GRI, IBC, B Team etc.

Figure 8: Global Reporting Initiative (GRI) reporters on the JSE



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2021

Of all the participating companies:

- 56 are GRI reporters[14]
- 40 do not use the GRI reporting standards
- 4 are guided by the GRI standards in their sustainability reporting.

Companies that report in accordance with the GRI framework using the Core and Comprehensive option and that classify taxes as material according to their materiality analysis are required to apply GRI-207. Even if an organisation does not report in terms of the GRI standards, providing the information in GRI 207 can prove to have positive effects.

Even though more than 50% of companies in this study make use of the GRI standards in some way or form, only 18 specifically reference GRI 207 in their tax reporting. However, despite not necessarily referencing the standard, at least 22 provided all the information required in terms of GRI 207 in their tax reporting for 2021, based on our assessment.

It is evident from our findings that companies need to carefully consider their tax reporting strategy, taking into account GRI 207 and the other influencers mentioned in this report. Yet many are still getting a handle on how to track and report, and eventually assure, their related tax data. They have questions about how to measure some non-financial tax data on a consistent basis, not just from year to year but from business to business, so that performance and impact can be compared. They often face limited or obsolete data—whether actual or modelled—and inconsistency across sources.

14 A company reporting in accordance with the GRI Standards. Under this approach, the organisation reports on all its material topics and related impacts and how it manages these topics. This reporting approach provides a comprehensive picture of an organisation's most significant impacts on the economy, environment, and people.

Anglo American demonstrates a detailed summary of each of the relevant GRI disclosures for tax and the locations of further publications which includes more information.

GRI 207: Tax

As part of Anglo American's tax commitment to leadership in tax transparency, key elements of GRI 207: Tax 2019 were already an integral part of our tax reporting suite of information prior to and throughout 2021.

Set out below is a summary of each of the relevant GRI disclosures for tax and the locations of further publications which include more information:

Management approach disclosures

Disclosure 207-1: Approach to tax.

A description of the approach to tax, including:

i. Whether the organisation has a tax strategy available and, if so a link to this strategy if publicly
ii. The governance body or executive-level position within the organisation that formally reviews and approves the Tax Strategy, and the frequency of this review
iii. The approach to regulatory compliance
iv. How the approach to tax is linked to the business and sustainable development strategies of the organisation.

Anglo American's best-practice approach to tax is integral to our Values and published details can be found on our website within the following:

– Group Tax Strategy
– The Integrated Annual Report; and Sustainability Report
– Tax and Economic Contribution Report
– Code of Conduct

The governance body responsible for the Group Tax Strategy at Anglo American is the Anglo American plc Board who review and oversee the Group Tax Strategy regularly.

As set out in the above documents our approach to regulatory compliance is to comply with both the letter and spirit of the law, ensuring payment of the right amount of tax at the right time, in the countries in which we undertake business activity.

Our approach to tax firmly fits within the wider Anglo American Sustainable Mining Plan that forms the basis of all the Group's decision-making. The tax sustainability plan, see page 15 (under which we have a rolling programme of key workstreams), aligns to the three Global Sustainability pillars of:

– Healthy Environment
– Thriving Communities
– Trusted Corporate Leader.

Disclosure 207-2: Tax governance, control and risk management.

A description of the tax governance and control framework, including:

i. The governance body or executive-level position within the organisation accountable for compliance with the Tax Strategy
ii. How the approach to tax is embedded within the organisation
iii. The approach to tax risks, including how risks are identified, managed, and monitored
iv. How compliance with the tax governance and control framework is evaluated.

Further details are included within the documents listed above. The Anglo American plc Board remains accountable for compliance with the Group Tax Strategy.

For further details please see the Group Tax Strategy.

On an operational level, accountability for ensuring compliance with the Tax Strategy is delegated to the Group Head of Tax.

In line with our Tax Governance Framework, this accountability is overseen by the Group Finance Director and Audit Committee. Our TCF sets out how tax risks arising from the business activities that we undertake, should be managed across the Group. It is a global framework that establishes a minimum standard of control (based on three lines of defence) across all our Group companies to effectively manage tax risk. The process for evaluation of the control framework continues to be refined. See page 10 of this report for more information.

We use our Tax Risk Management policy and its assessment framework, in conjunction with our TCF to identify, manage, and monitor risks. We carry out risk assessments on the tax impacts of significant transactions. Compliance with our TCF and its policies is monitored by our Tax GRC team and by periodic reviews by our internal audit team. We report on the performance of the TCF to the Audit Committee.

Disclosure 207-3: Stakeholder engagement and management concerns related to tax.

A description of the approach to stakeholder engagement and management of stakeholder concerns related to tax, including:

i. The approach to engagement with tax authorities
ii. The approach to public policy advocacy on tax
iii. The processes for collecting and considering the views and concerns of stakeholders, including external stakeholders.

Further details can be found within pages 12-15 of the Integrated Annual Report and also within our published Group Tax Strategy, however in brief, we seek to maintain a long term, open, transparent, and constructive relationship with relevant key stakeholders and especially tax authorities and governments in relation to tax matters.

Details on our public policy advocacy on tax matters can be found within the annual Tax and Economic Contribution Report.

We maintain a dialogue with a range of stakeholders both directly and through other internal functions, and industry associations to understand all their concerns – this includes peers, other businesses, NGOs, investors and policymakers. We consider this gives us a good view of their concerns but where specific concerns are raised with them we always engage in one-to-one dialogue to seek to resolve those concerns.

Topic Specific Disclosures

Disclosure 207-4: Country-by-country reporting requires reporting of financial, economic and tax-related information for each jurisdiction in which the organisation operates.

Anglo American already publishes key elements of Country-by-Country reporting data as part of its annual transparency data as an appendix to the Tax and Economic Contribution Report. Data with respect of the years up to and including 2019 were published as submitted to Her Majesty's Revenue & Customs in line with UK law under the globally recognised OECD format. The 2020 data was published in line with GRI 207-4 requirements. This approach continues for 2021 onwards. A list of tax jurisdictions where the entities in the Group audited financial statements are tax resident is included within note 35 of the 2021 Anglo American Annual Report (pages 230-243).

Source: Anglo American plc Tax and Economic Contribution Report 2021, p11

Vodacom demonstrates how it applies the B Team responsible tax principles with hyperlinks to guide readers to more detail provided for each principle.

Our approach to tax

Tax is a key element that enables Vodacom to fulfil our Social Contract to contribute to the economic and social development of the countries and communities where we operate. Our Social Contract is premised on trust, fairness and leadership.

For more information refer to **page 12** of the integrated report.

We remain committed to acting with integrity, honesty and transparency in the creation and execution of our tax strategy, policies and practices.

Vodacom applies The B Team responsible tax principles, as adopted by Vodafone[1]. The principles, aimed to drive best practice, set out a responsible approach to tax and support stable, secure and sustainable communities. The Principles cover three main areas; approach to tax management, relationships with others and reporting to stakeholders.

The B Team | Responsible tax principles in action: Vodafone's commitment to tax transparency

Vodacom's application of the B-team responsible tax principles is demonstrated as follows:

1. **ACCOUNTABILITY & GOVERNANCE:** Tax is a core part of our corporate governance and responsible corporate citizenship.
   Read more on **page 08**.
2. **COMPLIANCE:** We comply with the tax legislation of the countries in which we operate and pay the right amount of tax, at the right time.
   Read more on **page 10**.
3. **BUSINESS STRUCTURE:** We only use business structures, with genuine substance, that are driven by commercial considerations and aligned to our business activities.
   Read more on **page 29**.
4. **RELATIONSHIP WITH AUTHORITIES:** We continue to develop co-operative relationships with tax authorities, based on mutual respect, trust and transparency.
   Read more on **page 12**.
5. **TAX INCENTIVES:** Where we claim tax incentives offered by government authorities, we ensure that our use of the incentives are consistent with the statutory and /or regulatory frameworks.
   Read more on **page 14**.
6. **EFFECTIVE TAX SYSTEMS:** We continuously engage in national and international dialogue with governments, business groups and civil society to promote and support the development of effective tax systems, clear legislation and transparent administration.
   Read more on **page 13**.
7. **TRANSPARENCY:** Through this report we annually provide information to all stakeholders about our approach to tax and the economic contributions we make in the countries were we operate.
   Read more on **page 17**.

Vodacom Group Limited Tax transparency report for the year ended 31 March 2022, P7

Old Mutual notes the reporting frameworks that it adheres to in its Tax Transparency report, which includes King IV, UNPRI, GRI 207 and the B Team.

REPORTING FRAMEWORKS

- King IV Report on Corporate Governance™ for South Africa, 2016 (King IV). Copyright and trade marks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.
- United Nations Principles for Responsible Investment (UNPRI).
- Guided by the Global Reporting Initiative's Sustainable Reporting Standard (GRI 207: Tax), as issued by the Global Sustainability Standards Board.
- Guided by the 'B Team' Initiative of responsible tax principles for business (a body founded by global business leaders to set the framework for good tax practice).

OLD MUTUAL Tax Transparency Report 2021, p1

B – Tax strategy and risk management

25%

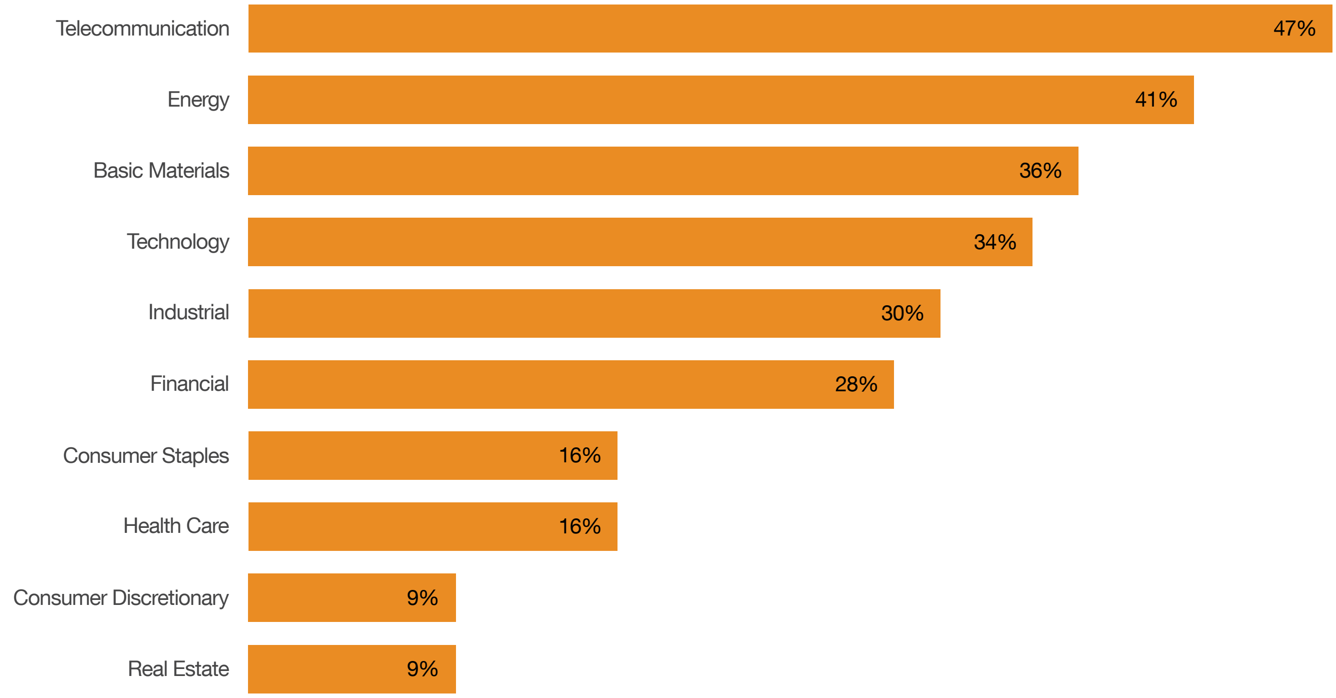
Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2021

The average overall score attained for the tax strategy and risk management category is 9.10 points out of a possible 37 points, which translates to an average score of 25%.

This year, 17 companies attained more than 23 out of a possible 37 points (higher than 60%) of which 11 are primary listed and six are secondary listed. More than 70 companies attained a score of 30% or less for tax strategy and risk management.

In this category the best performing sector is telecommunications (47%), followed by energy (41%) and basic materials (36%).

Figure 9: Tax strategy and risk management: Average score per sector



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2021

Tax strategy

10% high level disclosure

28% detailed disclosure

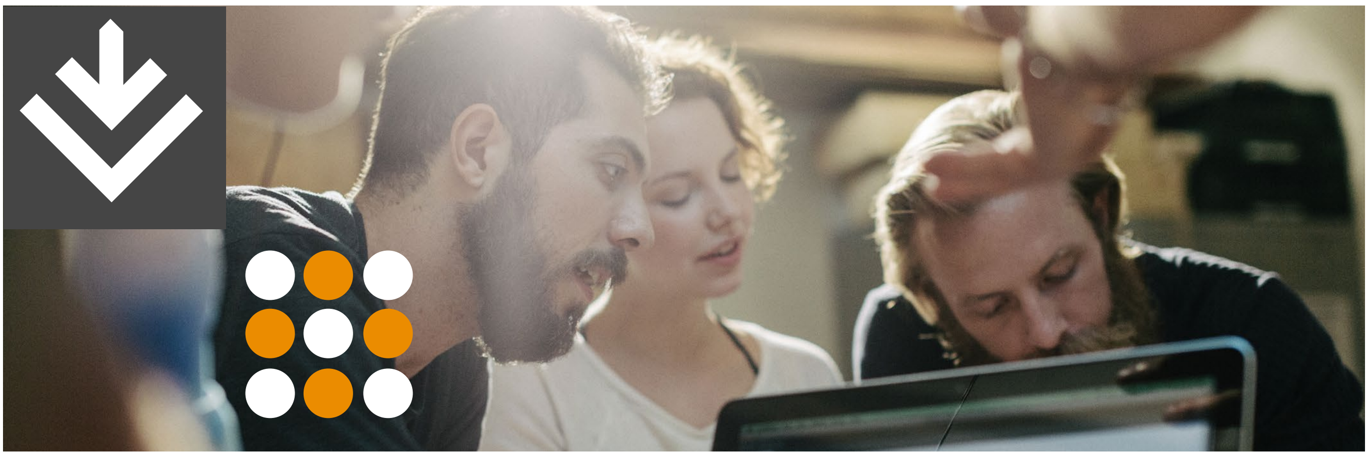
Thirty-eight companies communicated their tax strategy publicly (this might be in the integrated report, in the format of a separate document, or part of a code of conduct, a tax policy or similar document). Of these, ten provided a high-level overview of their tax strategy whereas 28 provided a full explanation of their tax strategy and how it interlinks with the organisations' business strategy.

Role of governing body

12% high level disclosure

18% detailed disclosure

Thirty companies indicated that the governing body takes ultimate ownership of the tax strategy, but only 18 discussed the governing body's role in tax in detail.



South32 discloses its approach to tax (tax strategy/principles) in its Tax Transparency and Payments to Governments report and affirms the role of the board and CEO in the review and approval of this approach.

MANAGING TAX IN ACCORDANCE WITH OUR PURPOSE AND VALUES

All tax-related decisions are made in accordance with our purpose and our values and are consistent across all jurisdictions.

To enable appropriate supervision of tax matters by our Board, tax is a regular agenda item for Board Risk and Audit Committee meetings.

Our Board and Chief Executive Officer (CEO), as part of an annual review of tax governance, have affirmed the following principles of our approach to tax in all jurisdictions:

- Complying with all applicable laws, regulations and disclosure requirements, the accurate payment of taxes and timely lodgement of returns;
- Building and maintaining constructive relationships with revenue authorities, government bodies and all other relevant parties;
- Taking decisions at an appropriate level, supported by comprehensive documentation;
- Confirming that technical filing positions include robust risk assessments with appropriate risk mitigation activities (for example, professional opinions, appropriate disclosure);
- Supporting tax positions taken with evidence, so they can be substantiated if reviewed by a revenue authority;
- Immediate voluntary reporting of any detected errors/omissions to all relevant revenue authorities; and
- Complying with all of South32's Group and tax specific controls and maintaining evidence of their operation.

Source: South32 Tax Transparency and Payments to Governments Report 2022, p6

Tax and ESG

21% high level disclosure

8% detailed disclosure

Twenty-nine companies linked/integrated tax or discussed tax in the context of either of the ESG elements (i.e., environmental, social and governance). However only eight demonstrated a sustainable tax strategy that facilitates ESG addressing each of the three elements in a cohesive manner.

Tax is complicated, easily misunderstood and, at times, overwhelming. In addition to the main taxes on profits, income, consumption, and property, there are already more than 1,000 environmental taxes across the OECD member countries alone, according to a PwC analysis of the OECD's Policy Instruments for the Environment database, and the list is changing all the time.

Understanding the implications of all this on a global scale is complex. This is why a narrative that explains the concepts behind a business's tax strategy is so important, especially given the likelihood of future tax incentives for environmentally sustainable growth. For example, if a company's investment in new, environmentally friendly, technology allows it to claim a tax incentive and thereby reduce its tax bill, that company, in the absence of a strong narrative, may be accused of tax avoidance rather than being recognised for its proactive investing.[15]

Anglo American demonstrates how its tax strategy and values align to its sustainable mining plan.

Tax and the Sustainable Mining Plan

Our Sustainable Mining Plan is integral to the Group's strategy and how we live up to our Purpose. As part of our commitments, each site and Group function, including the tax team, has developed a five-year sustainability plan.

This ensures we are playing a key role in embedding sustainability in finance, in collaboration with the Sustainability Integration and Impact team and the business units, in order to achieve our Purpose.

In 2020 we developed a formal tax sustainability plan aligned to each pillar of the Sustainable Mining Plan, signed off by the Group Finance Director.

Last year we explained how our Group Tax Strategy and Values align to our Sustainable Mining Plan.

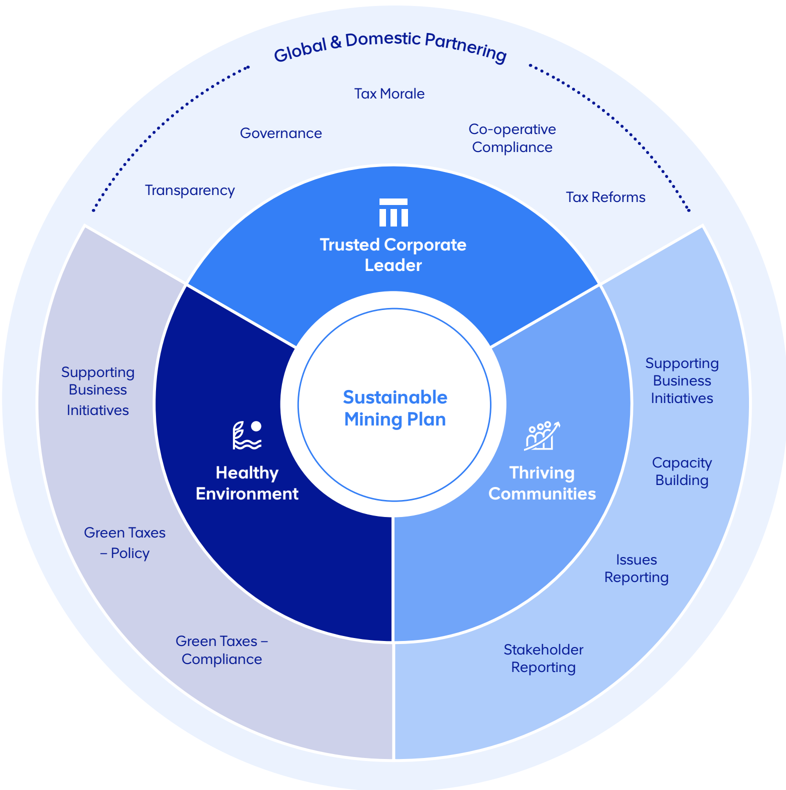
This year we expand on that mission by explaining ways in which we demonstrate those sustainable ambitions and bring to life the ways in which we live our Values.

We therefore set out on the following pages a series of short case studies on each of the three pillars of our Sustainable Mining Plan in relation to tax under the following three headings:

– Healthy Environment
– Thriving Communities
– Trusted Corporate Leader.

While all three of the pillars of the Sustainable Mining Plan are important, tax is fundamentally part of the relationship between business and societies and so from a tax perspective, being a Trusted Corporate Leader is not just a series of projects – it also holds us to account on how we deliver all of the elements of our tax sustainability plan.

This means that as well as supporting the business in delivering its objectives around healthy environments and thriving communities we also proactively deliver tax policy insights, compliance and transparency that will help communities and the environment. We don't only comply with the requisite tax laws; we want to help lead and shape the relevant tax debates that will create sustainable tax systems of the future.



Source Anglo American Plc Tax and Economic Contribution Report 2021, p15

15 PwC, Tax is a crucial part of ESG reporting

Tax governance

10% high level disclosure

17% detailed disclosure

Twenty-seven companies mentioned that the approach to tax is embedded within the organisation, however only 17 provided a detailed description of how this is done, e.g., initiatives such as a formalised tax governance framework, code of conduct, tax risk management, guiding tax policies and principles, tax reporting, clear roles and responsibilities as well as mechanisms that are in place for proper adherence to these guiding frameworks.

Exxaro provides information on initiatives such as performance management and tax digitisation to enhance its tax governance.

PERFORMANCE MANAGEMENT

- The group tax manager consults Exxaro's recruitment policies to ensure employees are qualified with the necessary skills and experience for each tax function role and its responsibilities
- Exxaro financially supports training and formal postgraduate studies. employees regularly attend courses and seminars
- Formal development programmes are in place for tax employees
- Personal performance appraisals assess employees' commitment to risk management
- Bonus and share option schemes retain tax function employees with rewards for excellent performance and non-performance is addressed by Exxaro's group human resources business unit

TAX DIGITALISATION

Robotic process automation (RPA) and artificial intelligence assist Exxaro's tax function in becoming a valued strategic partner by improving efficiency and effectiveness. RPA eliminates repetitive, time-consuming manual tasks and mitigates tax risks. The following digital automation projects have been approved and are in different stages of implementation:

- Automation of VAT apportionment calculations
- Monitoring dashboard on tax compliance and administration
- Automated reconciliation of IT14SD (supplementary declaration of income tax, VAT, employees' tax and customs after submission of the company's tax return)

Source: Exxaro Tax Report 2021 p4

Nedbank notes how its tax team is measured against key performance indicators to embed tax governance.

The Tax Team is measured against the following key performance indicators:

- Level of compliance.
- Introduction of technology to enhance and improve the effectiveness and efficiency of the operational tax processes.
- Maintenance of an acceptable level of operational losses, such as tax penalties and tax interest, within a predetermined accepted loss tolerance level.
- Feedback from stakeholders, being regulators, shareholders and business.
- Management and resolution of key audit issues and regulatory disputes.
- Accurate and adequate provision and disclosure of all tax obligations.

Source: Nedbank Governance Report 2021 p112

AECI discusses its tax operating model which enables it to achieve its tax vision and strategic objectives.

Tax operating model

AECI operates within a tax framework which includes a tax operating model (TOM). This summarises how Group Tax operates and achieves its vision and strategic objectives. The tax function as a whole is widely represented across the Group. Group Tax relies on the finance teams of subsidiaries and divisions to perform certain tax functions.

TAX STEERING COMMITTEE

COMPLIANCE

Foreign entities
Central contact and coordination of foreign tax compliance (corporate income tax, indirect tax, etc.). Managing revenue authority queries and application of relevant tax laws and practices

South African direct tax
Managing local queries and the application of SA tax laws and practices

South African indirect tax
Managing local queries and indirect tax compliance policies in line with relevant laws

Tax dispute resolution
Managing tax audits and disputes with relevant revenue authorities for the entire AECI Group

OPERATIONS

Tax planning
Cash flow planning in conjunction with tax efficiency planning in terms of tax positions to be taken

Risk management
Internal audit/controls/processes management and assessing the impact of changes on processes

Group reporting
Tax consolidation, reporting and accounting as well as preparation of tax disclosures

Tax administration
Coordination of queries, managing tax clearance certificates and administering e-filing platforms

SPECIAL PROJECTS

Transactions
Tax planning relating to corporate activity, M&A, contracts, etc.

Long-term planning
Group-wide tax planning initiatives (including local and foreign entities)

AECI LTD Tax Transparency Report 2021, p7

Tax planning

26% high level disclosure

12% detailed disclosure

Thirty-eight companies provided a statement around tax planning, but only 12 shared a full explanation of their approach to tax planning, minimising tax liabilities or aggressive tax strategies.

Nedbank provides detailed principles followed in respect of tax planning.

Tax planning

The group applies the following principles to tax planning:

Zero tolerance for evading any tax liability or facilitating the evasion of any tax liability on behalf of a third party.

Zero appetite for transactions that have no valid commercial purpose other than obtaining a tax benefit.

Zero appetite for arrangements where the tax benefit is paid to clients, but the tax risk remains within the group.

May enter into transactions with significant tax uncertainty only if the commercial benefits clearly exceed the potential cost (ie risk-reward equation), and in this context risk appetite is guided by the 'more likely than not' principle.

Low appetite for arrangements that could rebound to the detriment of the group in the event of external disclosure, eg litigation, and accordingly the group enters only into transactions that can be fully justified if they become public.

May not purposefully structure its affairs to shift profits to low-tax jurisdictions or 'tax havens' and will operate in these jurisdictions only if there are valid business reasons and sufficient commercial substance.

May enter into cross-border transactions with controlled parties only on an arm's-length basis.

Source: Nedbank Governance Report 2021 p111

Transfer pricing

25% high level disclosure

10% detailed disclosure

Thirty-five companies included transfer pricing as a topic in their disclosure, but only ten clearly explained their approach or policy on transfer pricing, the nature of their transactions and why they are at arm's length.

South32 provides significant detail of its intra group cross border charges, financing and related party dealings.

International related party dealings

As a globally diversified mining and metals company, we have operations and support functions located in many countries. This operating model results in cross border intra-group transactions including dividends, sales and purchases of commodities, and financing and service arrangements. We prepare significant documentation to support the understanding and pricing of these transactions, provide this documentation to tax authorities and have independent expert advice confirming the transactions are completed on an arm's length basis.

We have non-operating offshore companies incorporated in the British Virgin Islands and Jersey. These entities only hold investments, they do not trade, or make any trading profit. These entities provide no tax benefit to us as they are Australian or UK tax residents. This means any taxable income of the companies is subject to tax in accordance with the tax legislation of Australia or the UK. We will continue to hold non-operating offshore companies while the tax or commercial costs required to rationalise these entities is excessive.

Sales and purchases of commodities by our Singapore marketing subsidiary

We conduct our sales and purchasing activities, including marketing, logistics (shipping and freight movement) and customer credit risk management from Singapore. As a commercial hub with proximity to the markets that we trade with, Singapore is well suited to be the location for these activities. Our Singapore marketing headquarters is supported by staff in our London office.

All sales and purchase transactions between our operations and marketing office are priced in accordance with the Organisation for Economic Cooperation and Development (OECD) guidelines and local laws.

Our Singaporean marketing activities are taxed at five per cent under an incentive granted by the Singapore government. This is one of a range of incentives which is legislated and open to all taxpayers in Singapore that can demonstrate significant contributions to the economy and meet the ongoing quantitative and qualitative criteria. Trading profits from our Singapore marketing activities relating to Australian sourced commodities are also included in full in our Australian income tax return and subject to tax in Australia.

Table 10 South32 Singapore marketing income statement for the year ended 30 June 2022

US$M	Group product sold to unrelated parties	Group product and raw materials sold to related parties	Third party product sold to unrelated parties	Freight services to unrelated parties	Freight services to related parties	Other	South32 Marketing
Revenue[36][37]	6,902	1,458	414	323	33	-	**9,130**
Equity accounted investments profit	-	-	-	-	-	2	**2**
Services revenue[38]	-	-	-	-	-	6	**6**
Purchases[39][40]	(6,638)	(1,360)	(377)	-	-	-	**(8,375)**
Freight	(117)	(100)	(15)	(324)	(24)	-	**(580)**
Service expense	-	-	-	-	-	(7)	**(7)**
Interest Income	-	-	-	-	-	1	**1**
Office related costs	-	-	-	-	-	(23)	**(23)**
Profit/(loss)	**147**	**(2)**	**22**	**(1)**	**9**	**(21)**	**154**

South32 Tax Transparency and Payments to Governments Report 2022, p15

Intra-group cross border charges

We charge service fees for Group management activities and other intra-group services. These services are provided on an arms length basis.

Additionally, our Singaporean insurance company provides insurance options to assist the Group to manage business risks. The company is incorporated and subject to tax in Singapore at the Singaporean statutory tax rate, however the company is also an Australian tax resident and subject to tax in Australia.

Table 11 Intra-group cross border charges by country for the year ended 30 June 2022

	Service provider				Service recipient
US$M	Australia	Canada	South Africa	United Kingdom	Expenses
Australia	-	4	12	-	**(16)**
Colombia	10	-	2	-	**(12)**
Mozambique	3	-	8	-	**(11)**
Singapore	4	-	-	4	**(8)**
South Africa	18	-	-	-	**(18)**
United States	3	-	1	-	**(4)**
Service provider revenue	**38**	**4**	**23**	**4**	**(69)**

Intra-group cross border financing

Our companies, located in various countries, place funds on deposit with one of our UK companies. These financing arrangements are provided at relevant market rates and the interest income is assessed and associated tax paid in the jurisdiction of the lending company.

Table 12 Intra-group cross border interest charges by country for the year ended 30 June 2022

	US$M
Australia	**(3)**
Singapore	**1**
South Africa	**1**
United States	**1**
Interest income	**-**

As part of our acquisition of Sierra Gorda, we acquired Sierra Gorda's existing capital structure comprising both common equity and shareholder loans. As such, we acquired two Dutch subsidiaries that provide long-term funding to Sierra Gorda. In the year ended 30 June 2022, accrued interest income of US$55 million has been subject to tax in the Netherlands at the rate of 25.8 per cent and is also included in South32's Australian income tax return.

Source: South32 Tax Transparency and Payments to Governments Report 2022, p16

Low tax jurisdictions

13% high level disclosure

14% detailed disclosure

Twenty-seven companies stated their position on low-tax jurisdictions, but only 14 provided a detailed narrative of their policies on low-tax jurisdictions and whether they operate in such jurisdictions, as well as the nature and extent of the operations.

Exxaro defines its understanding of tax havens and provides an explanation for having operations in such jurisdictions.

TAX HAVENS

Tax havens are countries or jurisdictions offering certain tax benefits such as lower tax rates, credit mechanisms or deductions resulting in limited or no tax levying on certain profits. Switzerland is generally considered a tax haven due to its low corporate tax rate of 8.5%. Additional cantonal and municipal rates can increase the maximum corporate tax rate (including federal, cantonal and communal taxes) to a maximum of 21.6%.

Exxaro has a logistics and marketing office in Zug, Switzerland, Exxaro International Trading AG (EITAG). Zug is considered a trading hub for various commodities, including coal. The reason for Exxaro operating in Zug is based on sound business principles. Exxaro does not derive a tax benefit from operating in Switzerland. Although Exxaro pays 12% corporate tax in Switzerland (federal and cantonal taxes combined), the company's profits are imputed in the income of ROCSI Holdings Proprietary Limited in terms of section 9D of the Income Tax Act, 1962 (Act 58 of 1962) (Income Tax Act).

Source: Exxaro Tax Report 2021 p2

Tax incentives

Nineteen companies indicated that they make use of tax incentives, however only 8 provided detailed information on the nature of the tax incentives, how they were obtained and how they are utilised.

11% high level disclosure

8% detailed disclosure

Exxaro discloses its use of tax incentives, providing detail of their nature.

TAX INCENTIVES

Exxaro contracts a specialist service provider to assist the group in maximising tax incentives provided by government either through special allowances in terms of the Income Tax Act or incentive programmes offered by the national departments of Science and Technology, Mineral Resources and Energy, and Trade, Industry and Competition. We are in the process of sourcing a new supplier in terms of our supply chain policies and procedures.

In prior years, Exxaro has benefited from the following allowances in terms of the Income Tax Act:
- Industrial policy project grants in terms of section 12(I)
- Research and development allowances in terms of section 11D
- Learnership allowances in terms of section 12H
- Energy efficiency allowances in terms of section 12L

Exxaro recognises the value of its human capital and continues to invest in training. Grootegeluk and Matla claimed learnership allowances for 281 new registered learners during 2021 and another 86 learners completed their training agreements. Total learnership allowances amounting to R15.5 million were claimed by these mines, resulting in a total tax saving of almost R4.3 million. For more information see ESG report: People section

No other incentives were claimed as deductions in calculating the taxable income of the relevant taxpayers in 2021.

In support of Exxaro's sustainability goals to continue lowering its energy consumption, Exxaro will again pursue the benefits of energy efficiency allowances offered in terms of the Income Tax Act. A new service provider will be appointed to verify claims. For more information on Exxaro's climate change response/ decarbonisation strategy, refer to our ESG report "Climate Change" and Energy Management sections.

Source: Exxaro Tax Report 2021 p3

Tax Risk

Framework

17% high level disclosure

25% detailed disclosure

Forty-two companies indicated that they have frameworks in place to manage and monitor tax risk, however, only 25 of the 42 companies provided a detailed discussion on the approach to tax risks, e.g., disclosure on types of tax risk, risk appetite and tolerance, reference to lines of defence, internal control frameworks or generally accepted risk management principles that are applied to tax.

Communication

Furthermore, of all the companies assessed only 16 provided a detailed explanation of how tax risk is communicated through the organisation from an operational level to board / audit committee level, frequency and nature of reporting, seat of tax at the audit committee, discussion at tax risk committee, etc.

Monitoring

Lastly, regarding tax risk, only 11 of all the companies assessed provided a detailed explanation of how compliance with the tax governance and control framework is evaluated in the organisation, i.e. detail on the process through which the tax governance and control framework is monitored, tested, and maintained. For instance internal auditor / compliance team / enterprise risk accountability for undertaking annual reviews / external / independent reviews and testing and reporting to the audit committee on performance.

We know the degree of interconnectedness between business decisions and tax has far-reaching implications. Leading organisations are demonstrating how they enhance their resilience, but also their risk maturity so they are ready today to protect the business but also to seize new opportunities for the future with greater confidence. It is clear how valuable risk-informed decisions are, and that tax risks are no longer something that can be well-handled within organisational silos or a central function. Navigating the risk landscape takes executive oversight and board-level accountability. Data is a key tool in the arsenal to detect changes in the tax risk landscape and create actionable risk intelligence for them all.

AECI discloses its lines of assurance to identify, mitigate and monitor tax risk.

Lines of assurance to mitigate tax risk

We recognise that tax risks are inherent in many business activities. Taking a consistent approach in line with our broader risk management strategy, the TRM process is defined to help identify, mitigate and monitor AECI's significant tax exposures. The TRM framework aligns itself with the AECI Group enterprise risk management (ERM) framework and follows the same approach to managing tax risk by considering the potential consequence of all types of tax risk on all processes, activities, stakeholders, products and services. We provide assurance to all our stakeholders that tax risk is managed proactively and continually strive to improve tax decision-making across our business.

Line of assurance	Those providing assurance	Nature of assurance
First	Finance Executives and finance teams	Complete tax internal control matrix bi-annually.
Second	Audit Committee and Executive Committee	Provide monitoring and oversight of the overall Group Growth Strategy.
Second	Group Tax, Tax Steering Committee, Foreign Investment Committee and Tax Sub-committees	Follow through on Group strategy. Create awareness and training and ensure compliance.
Third	External auditor, Internal Audit and external third-party service providers	Provide overall assurance on tax compliance, processes and policies.

AECI LTD Tax Transparency Report 2021, p8

Tax controversy exposures

15% high level disclosure

11% detailed disclosure

Twenty-six companies provided a statement on tax controversy exposures, but only 11 disclosed detailed information of the nature, circumstances, quantification of amounts set aside for tax controversy exposures and the potential impact on stakeholders.

Exxaro provides detail of its tax controversy matters, including the nature, period and impact.

SARS audits

The following SARS audits were conducted during 2021.

LEGAL ENTITY	TAX TYPE	PERIOD AUDITED	STATUS OF AUDIT	RESULT OF AUDIT
Exxaro Coal	Diesel rebates	June 2015 to November 2018	Completed	R49 million in claims disallowed (R10 million interest paid)
Exxaro Coal	Diesel rebates	December 2018 to February 2021	Completed	R11 million claims forfeited (R3.7 million interest and penalties levied)
Exxaro Coal	Income tax	2018 Year-of-assessment	In progress	Information submitted (await response from SARS)
Exxaro Coal	VAT	January 2016 to October 2018	Completed	Additional assessment of R4.7 million plus R1.2 million penalties
Exxaro Coal Mpumalanga	Diesel rebates	June 2015 to November 2018	Completed	R34 million in claims disallowed (R22 million interest and penalties paid)
Exxaro Coal Mpumalanga	Diesel rebates	December 2018 to February 2021	In progress	Information was submitted to SARS on 31 January 2022

OPEN YEARS OF ASSESSMENTS

The following tax years are open to SARS for assessment. Income tax filings to the SARS prescribe after 3 years in terms of the Tax Administration Act and 5 years in terms of Swiss tax legislation.

ENTITY	OPEN YEARS OF ASSESSMENT
Major subsidiaries	
Exxaro Coal	**2017 to 2020**
EITAG	**2016 to 2020**
Material to the group	
Exxaro Coal Mpumalanga	**2017 to 2020**
Exxaro Resources	**2018 to 2020**
Amakhala Emoyeni Renewable Energy Project 1 Proprietary Limited (Amakhala)	**2018 to 2020**
Tsitsikamma Community Wind Farm Proprietary Limited (Tsitsikamma)	**2018 to 2020**

Only entities classified as major subsidiaries or material to the Exxaro group have been listed. A major subsidiary represents 25% or more of total assets or revenue of the consolidated group results (JSE Listings Requirements service issue 25). Material entities do not meet the 25% criteria but this is material to the group.

Source: Exxaro Tax Report 2021 p6

Building relationships

Revenue authorities

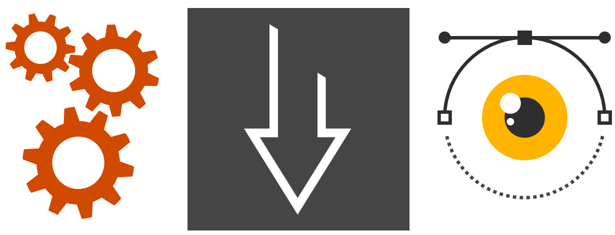
15% high level disclosure

28% detailed disclosure

Almost half of the companies provided a statement on their relationship with revenue authorities. Twenty-eight of these companies discussed their approach to and relationship with revenue authorities in detail by including information such as participating in cooperative compliance agreements, seeking active real-time audit, seeking clearance for all significant transactions, engaging on tax risks, and seeking advance pricing agreements, etc.

Tax policy advocacy

Of all the companies assessed only 12 disclosed their efforts to be involved in tax policy discussions, advocacy or lobbying activity in detail, describing their lobbying activities related to tax, reasons for these activities — their stance on significant issues related to tax that they address in their public policy advocacy in their industry and the wider tax impact of tax reform on their organisations and payments to the government.



Nedbank provides detailed information on its engagement with stakeholders on tax and in particular tax advocacy and lobbying initiatives.

Stakeholder engagement and the tax landscape

In line with the Nedbank Group tax principles, we engage constructively and cooperatively with revenue authorities and industry bodies in the interests of our stakeholders and support the development of effective and efficient tax systems, laws and administration.

Advocacy and lobbying activity

Nedbank Group participates actively in various industry bodies and forums where it can influence the outcome of revenue authority behaviour, taxpayers' rights and legislative changes.

The Banking Association South Africa (BASA), of which Nedbank Group is a member, is the mandatory representative of the banking sector. The BASA Taxation Committee focuses on direct and indirect tax issues and assists in formulating industry positions or motivations for tax reforms for various South African revenue acts, including the Income Tax Act, 58 of 1962; the Value-Added Tax Act, 89 of 1991; the Tax Administration Act, 28 of 2011; and all subsequent amendment acts that have a significant impact on BASA members. Similar industry bodies are in operation in Nedbank Africa Regions (NAR), and tax developments in all jurisdictions are monitored centrally by Nedbank Group.

The group is also a member of the CFO Forum Tax Committee, the South African Institute of Chartered Accountants (SAICA) National Tax Committee and the Association for Savings and Investment South Africa (ASISA) Tax Committee.

The BASA Taxation Committee seeks to promote discussions on issues relating to the revenue acts and assists BASA in advocating for the interests of its members in ensuring that the regulatory and supervisory framework takes cognisance of the relevant issues.

During 2021 Nedbank Group participated and provided input into the following initiatives:

- Establishing a consistent industry view about the account-freezing requirement incorporated in the amended regulations in respect of the Common Reporting Standards (CRS) as developed by the Organisation for Economic Cooperation and Development (OECD) (the new CRS regulations).
- Completing a general review and commenting on the tax amendment bills (2021).
- Addressing unintended tax consequences regarding the proposed tax amendments impacting the treatment of the rehypothecation of securities in collateral arrangements.
- Addressing tax challenges faced by employees working from home.
- Commenting on the SARS draft guide on the voluntary disclosure process.
- Advancing the tax ruling framework and process.

Nedbank Group complies with the Banking Accord (the accord) signed by SARS and BASA. The accord encourages the banking industry to promote tax compliance, both within banks and by their clients, to determine and review the effective tax rate of banks periodically; discourage the involvement in and promotion of impermissible tax avoidance arrangements; supply and disclose relevant information to SARS timeously; and regularly engage SARS in resolving any matters of dispute. The accord also encourages SARS to enhance the levels of service to BASA members from various initiatives such as adhering to statutory timelines, promoting compliance with the SARS Service Charter, dedicating skilled resources to the banking industry, and ensuring professionalism in the services provided to the industry. The accord further seeks to enhance the relationship between SARS and banks, and to provide greater certainty

about the interpretation and application of tax and customs laws, as well as the identification of tax risks. In addition, the accord has established the BASA/SARS Operational Forum to facilitate interaction between SARS and BASA in relation to all tax-related operational issues that are relevant to the banking industry and SARS. Nedbank Group pledged its commitment to facilitating and supporting SARS in the automation of third-party data processes and other SARS information technology initiatives.

BASA addressed the following operational issues and initiatives during 2021:

- Improving service delivery at SARS in the deceased-estate and trust sectors.
- Accessing SARS eFiling platforms through automated and robotics solutions.
- Improving taxpayer debt collection processes through third-party bank accounts.
- Mitigating illicit financial flows – Advanced Payment Notification (APN).

Source: Nedbank Governance Report 2021 p113

C – Tax numbers and performance

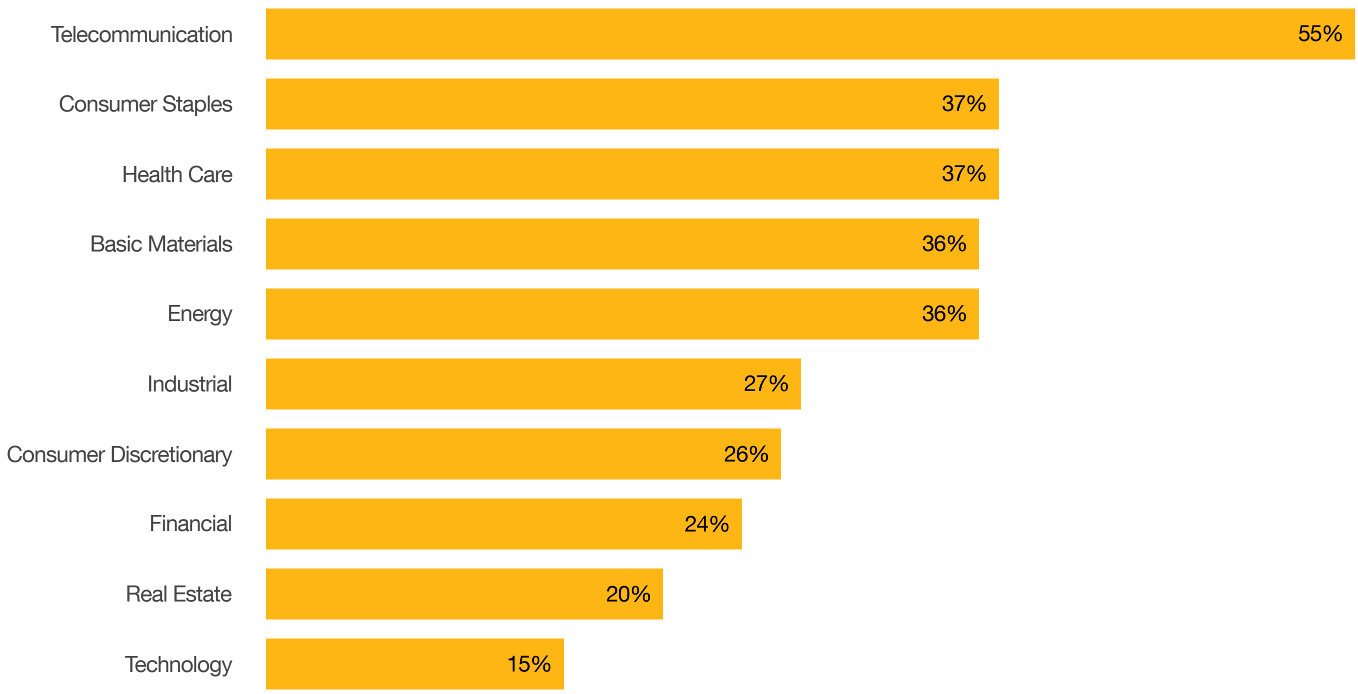
30%

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2021

The average overall score attained for the tax numbers and performance category is 4.44 out of a possible 15 points, which translates to an average score of 30%.

This year, eight companies attained more than nine out of a possible 15 points (higher than 60%) of which five are primary listed and three are secondary listed companies. More than 50 companies attained a score of 30% or less for tax numbers and performance.

Figure 10: Tax numbers and performance: Average score per sector



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2021

In this category the best performing sector is telecommunications (55%), followed by consumer staples (37%) and health care (37%).

Tax rate reconciliation

38% high level disclosure

42% detailed disclosure

Most companies assessed do provided a clear and understandable tax rate reconciliation. Eighty provided a breakdown into broad categories, and 42 provided a detailed breakdown of the reconciliation into specific categories.

Only 19 companies followed a categorised split layout and 24 provided a detailed narrative to explain the items in the reconciliation (e.g., specific footnotes or narrative directly relating to the items in the reconciliation).

Effective tax rate

Drivers

33% high level disclosure

12% detailed disclosure

In total 45 companies provided some sort of discussion on the drivers of the effective tax rate, but only 12 of them provided a significant amount of detail in their disclosure by expanding on the nature of and the circumstances driving these changes in the effective tax rate and why they occurred.

Variances

Thirty-two companies provided reasons for the variances of the effective tax rate from previous years.

Future performance

Seven companies discussed how the effective tax rate is likely to perform in future (i.e., narrative description, a figure or range of figures).

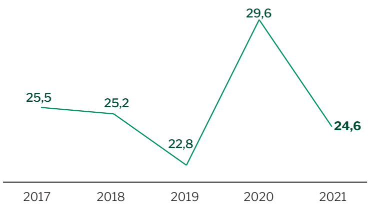
Nedbank provides a five-year analysis of its ETR and a tax rate reconciliation in which certain line items have been disaggregated to provide additional information.

Tax numbers and performance

Nedbank Group constantly reviews its level of tax provisioning across the group.

The graph below depicts the five-year historical analysis of the effective tax rate for Nedbank Group.

Effective tax rate history
(%)



The effective tax rate for Nedbank Group at December 2021 was 24,6% (2020: 29,6%). The total direct tax charge for December 2021 was R4 043m (2020: R1 877m). This is lower than the statutory rate of 28% in relation to the profit before tax according to the income statement. A detailed reconciliation between the statutory tax rate and the effective tax rate, with an explanation of each adjustment, is provided opposite.

During the year, the group reviewed the presentation of its taxation rate reconciliation. As a result of this review, certain reconciling line items have been disaggregated to provide our users with additional information. 'Non-taxable income' has been disaggregated into 'Dividend income' [2020: (3,2%)] and 'NAR non-taxable amounts' [2020: (0,7%)] and 'Exempt income and special allowances' [2020: (0,2%)]. 'Non-deductible expenses' [2020: 3,1%] has been aggregated with 'Net monetary loss' [2020: 0,9%]. To provide comparability, the prior-year balances have been restated accordingly. In addition, the tax related to the impairments charge on non-financial instruments and other gains and losses has been incorporated into the group's effective taxation rate, whereas previously this line was excluded. The effective taxation rate for 2020, previously disclosed as 23,7%, was restated accordingly.

Following the initial announcement by the Minister of Finance (the Minister) on 24 February 2021 that the corporate income tax rate would change from 28% to 27%, the Minister further announced on 23 February 2022 that this change would be effective for years of assessment ending on or after 31 March 2023. Deferred tax balances at 31 December 2021 are reflected at 28% as this is the rate that was enacted substantively. The change in rate is considered a non-adjusting event and is applicable to Nedbank Group for the 2023 financial year. The group does not consider it practical to estimate the quantitative impact of the rate change at the date when the 2021 financial statements were authorised for issue.

Note 1: Exempt dividend income from listed and unlisted ordinary and preference shares.

Taxation rate reconciliation (%)	2021	2020 (Restated)
Standard rate of South African normal taxation	**28,0**	28,0
Dividend income (note 1)	**(1,4)**	(3,2)
Share of profits of associate companies	**(1,3)**	0,3
Capital items	**(0,1)**	0,7
Foreign income and s9D attribution	**(0,5)**	(1,4)
Additional tier 1 capital instruments (note 2)	**(1,3)**	(3,3)
Revenue losses not recognised	**0,1**	1,6
Impairment of non-financial instruments	**0,5**	4,8
Exempt income and special allowances	**(0,4)**	(0,2)
NAR non-taxable amounts	**(0,5)**	(0,7)
Non-deductible expenses (note 3)	**1,1**	4,0
Prior-year adjustments	**0,4**	(1,0)
Effective taxation rate	**24,6**	29,6
Non-cash tax items		
Share of profits of associate companies	**1,3**	(0,3)
Net monetary loss included in non-deductible expenses	**0,1**	(0,9)
Revenue losses not recognised	**(0,1)**	(1,6)
Prior-year adjustments	**(0,4)**	1,0
Impairment of non-financial instruments	**(0,5)**	(4,8)
Withholding taxes	**-**	(0,1)
Normalised effective tax rate	**25,0**	22,9
Timing differences:		
Credit impairments (note 4)	**0,8**	11,4
Accelerated asset allowances (note 5)	**1,2**	(1,9)
Other timing differences (note 6)	**1,1**	6,3
Long-term employee benefits	**(0,8)**	(1,0)
Equity items: Share-based payments (note 7)	**(1,0)**	(2,2)
Total cash tax rate	**26,2**	35,5

Note 2: Tax relief in respect of interest paid on tier 1 capital is accounted for in comprehensive income, although the interest paid is still accounted for in equity.

Note 3: Non-deductible expenses include the monetary loss sustained in Zimbabwe due to hyperinflation accounting .

Note 4: Tax relief is granted only based on the relevant stage of the credit impairment: stage 1 (25%), stage 2 (40%) and stage 3 (85%). The decrease in the cash tax rate in 2021 is due to the corresponding decrease in credit impairments during the year as reflected in comprehensive income.

Note 5: The decrease in the tax relief in 2021 is due to a change in the write-off period applicable to internally developed software with effect from 24 March 2020. During 2021 R1,9bn of self-developed costs were commissioned to software, which can now be deducted only for tax over a five-year period (refer to note F2.1 of the Integrated Report).

Note 6: Other timing differences include the net movement in provisions and prepayments.

Note 7: The cost associated with shares issued in terms of the employer incentive schemes is accounted for in the share-based payment reserve in equity.

Source: Nedbank Governance Report 2021 p116

Vodacom provides a visual glance of key tax information with detailed explanations of the consolidated tax expense and ETR.

Tax for the year ended 31 March 2022 at a glance

Number of subsidiaries in the Group#
52
(2021: 50)

Including Vodacom's direct and indirect BEE shareholders, included in the consolidated results of the Group.

Read more on legal entities on **page 29**.

Profit before tax:
R24.6 billion
(2021: R23.8 billion)

Net Tax Charge:
R6.8 billion
(2021: R6.7 billion)

Refer to annual financial statements online.

Effective tax rate:
27.8%
(2021: 28.2%)

Adjusted profit before tax*:
R21.5 billion
(2021: 20.3 billion)

R7.1 billion
in income tax paid**
(2021: R7.4 billion)

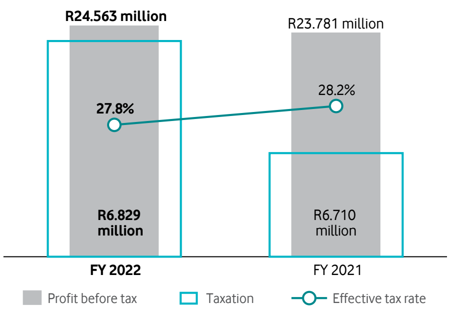
Cash Tax Rate:
33.1%
(2021: 36.5%)

* Adjusted profit before tax excludes the after-tax profits of our associate, Safaricom Plc, and joint ventures. As the net tax charge and corporate tax paid, does not include the net tax charge and corporate tax payments of our associate (Safaricom Plc) and joint ventures, we adjust the profit before tax to exclude the net profit from associate and joint ventures.

** Income Tax Paid represents corporate income taxes paid and irrecoverable withholding taxes on dividends, interest, and other income

The consolidated tax expense for the year ended 31 March 2022 of R6.8 billion is 1.8% higher than the prior year (FY2021: R6.7 billion) due to the increase in the profit before tax of the Group.

The increase in the tax charge is however lower than the 3.3% increase in the consolidated profit before tax. The current year tax charge was positively impacted by the deferred tax credit due to the change in the corporate tax rate in South Africa from 28% to 27% effective 1 April 2022. The net deferred tax liabilities related to the South African legal entities in the Group were remeasured from 28% to 27%, resulting in a deferred tax credit of R 110 million.



The deferred tax credit as a result of the corporate tax rate change in South Africa resulted in a decrease in the consolidated effective tax rate from 28.2% (FY2021) to 27.8%.

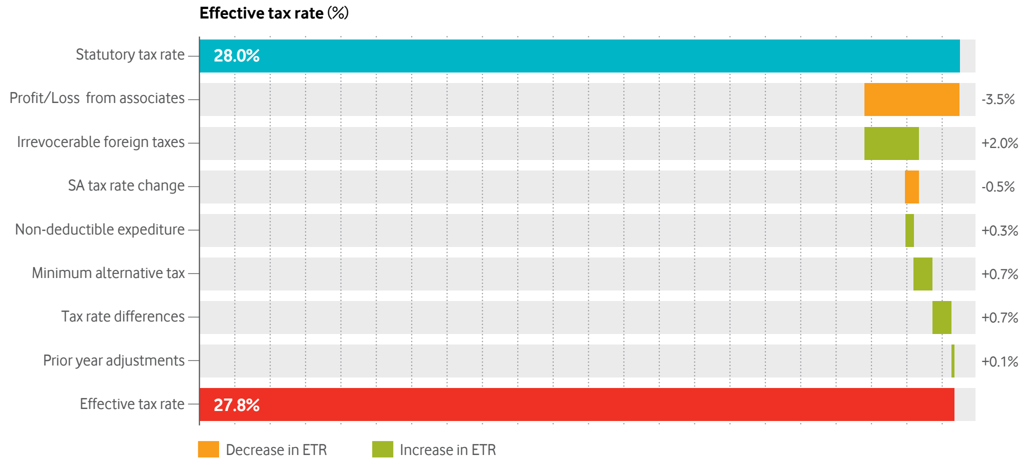
When we compare our total corporate tax paid of R7.1 billion (FY2021: R7.4 billion), in actual cash terms, to our adjusted profit before tax of R21.5 billion (FY2021: R20.3 billion), our actual cash tax rate of 33.1% (FY2021: 36.95%) is higher than our effective tax rate of 27.8% (FY2021: 28.2%).

The primary reason for the variance between our effective tax rate and the cash tax rate is the inclusion of the after-tax profits of our associate and joint ventures, in the consolidated profit before tax which reduces our effective tax rate.

Furthermore, in some of the tax jurisdictions in which we operate, such as the DRC, Lesotho and Mozambique, the corporate tax paid in the current year is based on the taxable income of the prior year (as required by the applicable legislation in that jurisdiction). The current year corporate tax charge is thus not comparable to the taxes paid during the same year in these jurisdictions.

Another contributing factor for the variance is the fact that certain items of income or expenditure are taxable or deductible in different years. For these timing differences a net deferred tax liability of R3.2 billion is recognised as at 31 March 2022 (FY2021: R3.4 billion).

Our Effective Tax Rate for the year ended 31 March 2022 is lower than the South African statutory tax rate of 28%



The consolidated effective tax rate is lower than the South African statutory tax rate of

28%

due to:

the -3.5ppt benefit from the after-tax profits of Safaricom and the Mpesa joint ventures included in the Profit Before Tax of the Group.

This benefit is offset by

the irrecoverable withholding taxes suffered (+2ppt),

Included in the irrecoverable foreign taxes are the withholding taxes suffered on the intragroup dividend income from Kenya, Mozambique and Lesotho and irrecoverable withholding taxes suffered in the DRC in respect of intragroup loan interest income.

non-deductible expenditure (+0.3ppt),

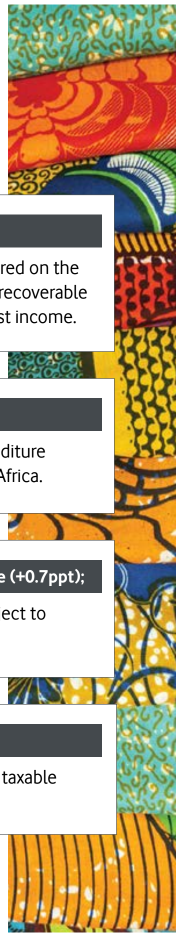
Included in the non-deductible operating expenditure is marketing expenditure incurred in Mozambique and consulting and legal fees incurred in South Africa.

the higher tax rates applicable in the other markets in which we operate (+0.7ppt);

Our key operations in the DRC, Mozambique, Tanzania and Kenya are subject to higher statutory tax rates than the South African statutory tax rate.

minimum alternative taxes payable in the DRC (+0.7ppt).

In the DRC, our tax payable is based on 1% of Revenue as the companies' taxable income is lower than the minimum alternative tax threshold.

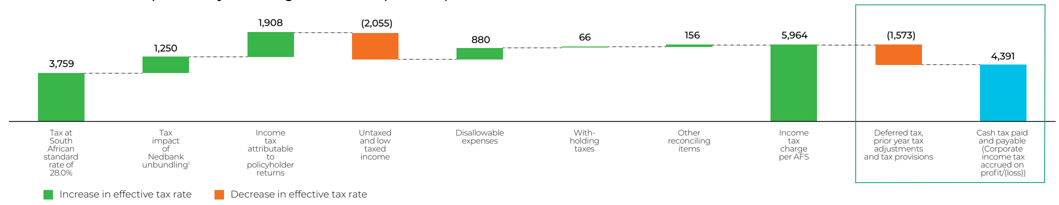


Source: Vodacom Group Limited Tax transparency report for the year ended 31 March 2022, p4 and 5

Old Mutual provides a reconciliation of its statutory tax charge to cash tax with explanations and an analysis of the IFRS ETR, adjusted headline ETR and Cash tax rate over a period.

Reconciliation of Group Statutory Tax Charge to Cash Tax

Reconciliation of Group Statutory Tax Charge to Cash Tax (R million)



Note: The graph from the left starts with the statutory tax payable on the IFRS pre-tax profit and then illustrates the various adjustments to achieve the IFRS tax charge and the cash tax payable. The IFRS tax charge and the cash tax payable is higher than the theoretical statutory tax charge, hence the increase in the effective tax rate:

*IFRS EFFECTIVE TAX RATE[2]

The Group IFRS effective tax rate as at 31 December 2021 is 44.4% (December 2020: -63.4%). This is 16.4% higher than the statutory tax rate of 28%. The key drivers of the higher IFRS effective tax rate (as compared to the statutory rate of 28%) are as follows:

- Income tax attributable to policyholder taxes contributed a 14.2% increase to this rate;
- Tax impact of the Nedbank unbundling increased the rate by 9.3%; and
- These increases were offset by non-taxable income and gains by 5.4%.

* *Refer to page 21 of the 2021 Old Mutual Limited Annual Financial Statements*

2 IFRS effective tax rate is defined as the IFRS Income tax charge as a percentage of pre-tax IFRS profits of the Group.

**ADJUSTED HEADLINE EARNINGS (AHE) EFFECTIVE TAX RATE[3]

The Group effective AHE tax rate as at 31 December 2021 of 26.7% (December 2020: 32.0%) is lower than the Group effective IFRS tax rate of 44.4%. The key drivers of the lower effective tax rate on an AHE basis, as compared to the IFRS basis, relate mainly to the following:

- The income tax attributable to policyholder taxes which are excluded from the tax on the AHE basis;
- Impact of the Nedbank unbundling (excluded from AHE); and
- Other non-core earnings (excluded from AHE).

** *Refer to page 23 of the 2021 Old Mutual Limited Annual Financial Statements*

3 AHE effective tax rate is defined as the AHE Income tax charge as a percentage of pre-tax AHE profits of the Group. AHE is an alternative non-IFRS profit measure used alongside IFRS profit to assess performance of the Group. The basis of preparation of Adjusted Headline Earnings is defined under A1 on page 31 of the Annual Financial Statements.

***CASH TAX RATE[4]

The Group cash tax rate as at 31 December 2021 of 32.7% (December 2020: -73.8%) is higher than the Group statutory tax rate of 28.0%. The key drivers of the higher cash tax rate, relate mainly to the following:

- Income tax attributable to policyholder taxes which contributed a 10.8% increase to this rate;
- The tax impact of the Nedbank unbundling increased the rate by 5.4%; and
- Offset by non-taxable income and gains.

*** *Cash tax excludes: deferred income tax, prior year tax adjustments and tax provisions*

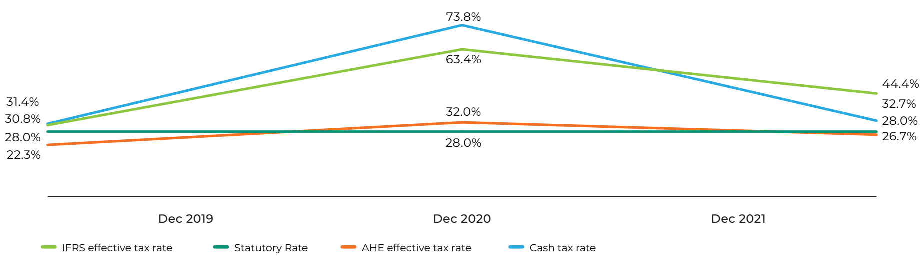
4 Cash tax rate is defined as Cash tax paid and payable (Corporate income tax accrued on profit/(loss)) in respect of current year income as a percentage of pre-tax IFRS profits/losses of the Group.

1 *Refer to page 21 for further information on the unbundling of Nedbank shares*

OLDMUTUAL Tax Transparency Report 2021 16

Source: OLDMUTUAL Tax Transparency Report 2021, p16

Three year trend of taxes (%)



Note In 2020, due to the inverse relationship caused by the IFRS loss before tax these percentages (except for the AHE Effective Tax Rate and statutory rate) have been inverted to correctly depict the trend in the Effective Tax Rates. The AHE Effective Tax Rate as well as the statutory rate have not been inverted, as on the AHE basis the Group has made a profit.

COMMENTARY AND TRENDS

Whilst the adjusted headline earnings effective tax rate has reduced compared to 2020 it is still higher than the historic average of 25.4%. Barring any economic shocks it is expected that the adjusted headline earnings effective tax rate should trend slightly higher than the current year adjusted headline earnings effective tax rate due to the investment in Nedbank no longer being equity accounted.

The IFRS effective tax rate remains volatile and is driven mainly by the performance of the investment markets which feeds into policyholder returns and revaluations of investments. Due to this volatility it is difficult to predict with certainty the IFRS effective tax rate going forward.

Source: OLDMUTUAL Tax Transparency Report 2021, p17

D – Total tax contribution and wider impact

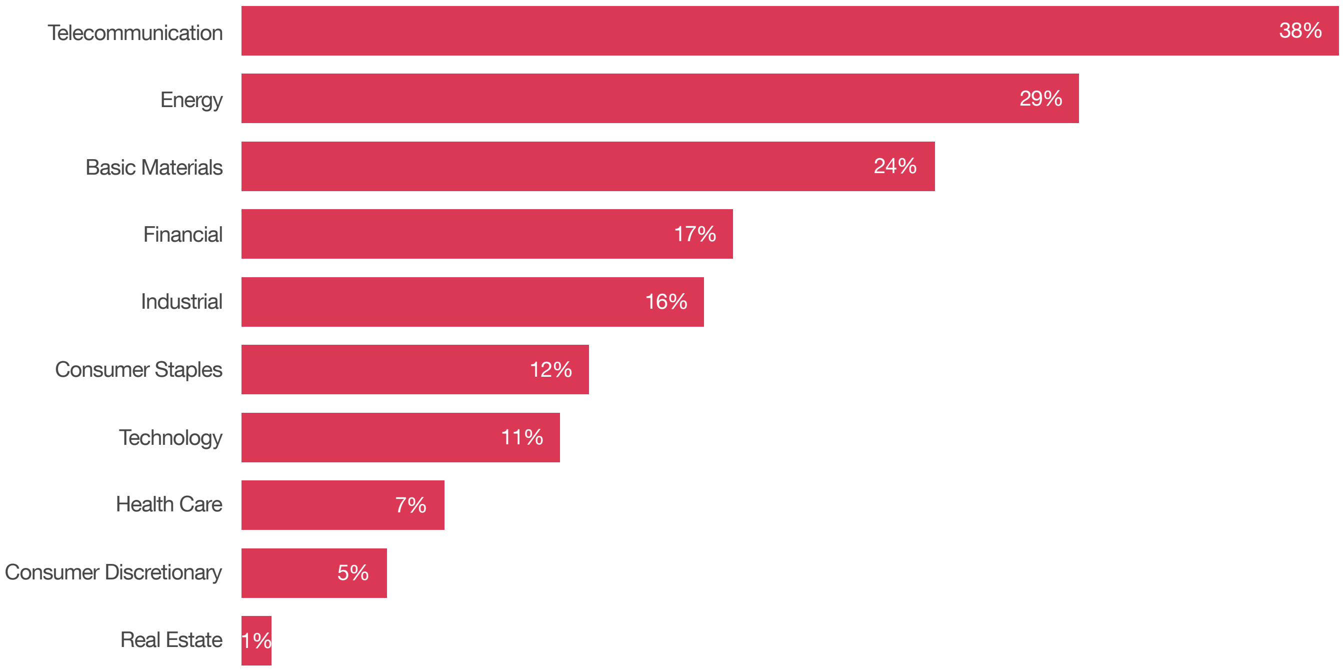
15%

Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2021

The average overall score attained for the total tax contribution and wider impact category is 3.51 out of a possible 24 points, which translates to an average score of 15%.

This year, five companies obtained more than 15 out of a possible 24 points (higher than 60%) of which three are primary listed and two are secondary listed companies. More than 80 companies attained a score of 30% or less for total tax contribution and wider impact.

Figure 11: Total tax contribution and wider impact: Average score per sector



Base: 100 JSE listed companies
Source: PwC Building Public Trust Study 2021

In this category the best performing sector is telecommunications (38%), followed by energy (29%) and basic materials (24%).

Country by country reporting

Less than 10% of companies assessed in this study provide comprehensive public CbCR information.

Globally there are powerful institutional and regulatory drivers encouraging public CbCR.

Influencers such as GRI 207, WEF IBC criteria, and EU CbCR Directive encourage companies to provide information for each of the countries in which they operate, related to:

- Primary activities of the organisation.
- Number of employees, and the basis of calculation of this number.
- Total employee remuneration and benefits.
- Revenues from third-party sales.
- Revenues from intra-group transactions with other tax jurisdictions.
- Profit/loss before tax.
- Tangible assets other than cash and cash equivalents.
- Corporate income tax paid on a cash basis (exclude deferred corporate income tax and provisions for uncertain tax positions).
- Corporate income tax accrued on profit/loss.
- Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax.
- Balance of intra-company debt held by entities in the tax jurisdiction, and the basis of calculation of the interest rate paid on the debt.

Vodacom provides detailed public CbCR information based on GRI 207.

	2022				2021			
	Revenue# R'million	Revenue from third parties R'million	Revenue from other related parties* R'million	Revenue from intragroup transactions** R'million	Revenue# R'million	Revenue from third parties R'million	Revenue from other related parties* R'million	Revenue from intragroup transactions** R'million
Total as per Consolidated annual financial statements	**102 736**				98 302			
South Africa (excluding joint ventures)	**80 417**	**80 176**	**241**	**534**	76 360	76 100	260	546
Tanzania	**6 194**	**6 177**	**17**	**35**	6 819	6 808	11	40
DRC	**8 223**	**8 213**	**10**	**118**	8 151	8 137	14	146
Mozambique	**6 456**	**6 441**	**15**	**156**	5 590	5 587	3	186
Lesotho	**1 135**	**1 133**	**2**	**109**	1 059	1 058	1	150
Kenya (excluding associates and joint ventures)	**30**	**22**	**8**	**–**	35	30	5	15
Cameroon‡	**–**	**–**	**–**	**–**	26	25	1	13
United Kingdom	**280**	**185**	**95**	**19**	262	217	45	149
Mauritius	**0**	**–**	**0**	**196**	–	–	–	242
Guernsey	**–**	**–**	**–**	**–**	–	–	–	
TOTAL		**102 347**	**389**	**1 166**		97 962	340	1 487

‡ This subsidiaries were sold during the FY2021 financial year.
# 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.

	2022							
	Profit before tax* R'million	Total Tax Charge* R'million	Effective tax rate ('ETR') %	Statutory tax rate %	Current Year Corporate tax charge R'million	Corporate tax paid** R'million	Corporate tax paid rate %	Comment on ETR and tax paid rate
Total as per Consolidated annual financial statements	24 563	6 829	27.8%	28.0%	6 833	7 124	29.0%	
South Africa (excluding joint ventures)	18 077	5 443	30.1%	28.0%	5 472	5 281	29.2%	1
Tanzania	18	155	861.1%	30.0%	158	276	1533.3%	2
DRC	433	232	53.6%	35.0%	232	467	107.9%	3
Mozambique	2 048	711	34.7%	32.0%	669	634	31.0%	4
Lesotho	253	64	25.3%	25.0%	79	62	24.5%	5
Kenya (excluding Safaricom)	1	2	200.0%	30.0%	2	2	200.0%	6
United Kingdom	44	4	9.1%	19.0%	4	4	9.1%	7
Mauritius	629	218	34.7%	15.0%	217	398	63.3%	8
Guernsey	5	–	0.0%	0.0%	–	–	0.0%	
Net after tax profit from associates and joint ventures	3 055							

* The profit before tax in each jurisdiction reported in this section of the report is after the elimination of intragroup transactions and thus would be different to the statutory profit before tax reported in the annual financial statements of those legal entities when aggregated.
* The total tax charge represents the sum of our corporate income tax, irrecoverable withholding taxes and deferred tax. Refer to the audited consolidated annual financial statements available at www.vodacom.com for more details on our tax accounting policy.
** Corporate tax paid includes dividend withholding taxes paid where dividend income is exempt from corporate tax in that jurisdiction.

1 The ETR and cash tax rate for our South African operations is higher than the statutory tax rate due to the irrecoverable withholding taxes; non-deductible consulting and legal fees and finance costs.
2 The ETR and cash tax rate for our operations in Tanzania is higher than the statutory tax rate due to the unrecognised tax losses of Vodacom Tanzania Plc; and the corporate taxes paid by Mpesa Limited.
3 The ETR for our operations in the DRC is impacted by the unrecognised tax losses and the payment of minimum alternative taxes. The tax payments for the current year is based on the taxable income of the prior year (as required per the legislation) and hence the variance between the cash tax rate and the ETR.
4 The ETR for our operations in Mozambique is higher than the statutory tax rate primarily due to the non-deductible marketing expenditure. Marketing expenditure in terms of the Mozambique tax legislation is limited to 1% of revenue. The tax payments for the current year is based on the taxable income of the prior year (as required per the legislation) and hence the variance between the cash tax rate and the ETR.
5 The ETR for our operations in Lesotho is higher than the statutory tax rate primarily due to the non-deductible donations made to the healthcare sector. The tax payments for the current year is based on the taxable income of the prior year (as required per the legislation) and hence the variance between the cash tax rate and the ETR.
6 The ETR for our operations in Kenya is impacted by the unrecognised deferred tax asset and non-deductible operating expenditure for Vodacom Business (Kenya) Limited.
7 The ETR for our operations in the United Kingdom is impacted by the unrecognised deferred tax asset and the irrecoverable withholding taxes suffered.
8 The ETR and cash tax rate for our operations in Mauritius is higher than the statutory tax rate due to the irrecoverable withholding taxes suffered.

	2021							
	Profit before tax# R'million	Total Tax Charge* R'million	Effective tax rate ('ETR') %	Statutory tax rate %	Current Year Corporate tax charge R'million	Corporate tax paid** R'million	Corporate tax paid rate %	Comment on ETR and tax paid rate
Total as per Consolidated annual financial statements	**23 781**	**6 710**	**28.2%**	**28.0%**	7 101	7 428	31.2%	
South Africa (excluding joint ventures)	**13 147**	**5 488**	**41.7%**	**28.0%**	5 645	5 888	44.8%	1
Tanzania	**37**	**232**	**627.0%**	**30.0%**	358	476	1286.5%	2
DRC	**(17)**	**169**	**(994.1%)**	**35.0%**	169	134	(788.2%)	3
Mozambique	**1 643**	**508**	**30.9%**	**32.0%**	616	787	47.9%	4
Lesotho	**328**	**84**	**25.6%**	**25.0%**	85	105	32.0%	5
Kenya (excluding associates and joint ventures)	**4 466**	**4**	**0.1%**	**30.0%**	4	2	0.0%	9
Cameroon	**(4)**	**1**	**(25.0%)**	**33.0%**	1	3	(75.0%)	10
United Kingdom	**22**	**(4)**	**(18.2%)**	**19.0%**	(4)	–	0.0%	13
Mauritius	**688**	**234**	**34.0%**	**15.0%**	233	29	4.2%	14
Guernsey	**(28)**	**(6)**	**21.4%**	**0.0%**	(6)	4	(14.3%)	15
Net after tax profit from Safaricom (associate)	**3 499**							

The profit before tax in each jurisdiction reported in this section of the report is after the elimination of intragroup transactions and thus would be different to the statutory profit before tax reported in the annual financial statements of those legal entities when aggregated.

* The total tax charge represents the sum of our corporate income tax, irrecoverable withholding taxes and deferred tax. Refer to the audited consolidated annual financial statements available at www.vodacom.com for more details on our tax accounting policy and note 7 for more details on the net tax charge.

** Corporate tax paid includes dividend withholding taxes paid where dividend income is exempt from corporate tax in that jurisdiction.

1 The ETR and cash tax rate for our South African operations is higher than the statutory tax rate due to the irrecoverable withholding taxes; non-deductible Black Economic Empowerment expenditure; other consulting and legal fees and finance costs.
2 The ETR for our operations in Tanzania is higher than the statutory tax rate due to the unrecognised tax losses of Shared Networks Tanzania Limited (a wholy owned subsidiary). The cash tax rate is higher that the ETR due to the difference in the accounting depreciation period of the network equipment (i.e. useful life) and the allowance period granted in terms of the tax legislation in Tanzania. This timing difference results in more taxes paid in the initial years of acquisition of the equipment when compared to the profit before tax for the same period.
3 The ETR for our operations in the DRC is impacted by the unrecognised tax losses and the payment of minimum alternative taxes while generating a statutory loss before tax. The tax payments for the current year is based on the taxable income of the prior year (as required per the legislation) and hence the variance between the cash tax rate and the ETR.
4 The ETR for our operations in Mozambique is higher than the statutory tax rate primarily due to the non-deductible marketing expenditure. Marketing expenditure in terms of the Mozambique tax legislation is limited to 1% of revenue. The tax payments for the current year is based on the taxable income of the prior year (as required per the legislation) and hence the variance between the cash tax rate and the ETR.
5 The ETR for our operations in Lesotho is higher than the statutory tax rate primarily due to the non-deductible donations made to the healthcare sector. The tax payments for the current year is based on the taxable income of the prior year (as required per the legislation) and hence the variance between the cash tax rate and the ETR.
6 The ETR for our operations in Nigeria is higher than the statutory tax rate primarily due to the unrecognised deferred tax asset, non-deductible operating expenditure and the addititional 2% education tax that is payable on the taxable income.
7 The ETR for our operations in Zambia is impacted by the unrecognised deferred tax asset and the non-deductible operating expenditure while generating a statutory loss before tax.
8 The ETR for our operations in Ghana is impacted by the non-deductible operating expenditure.
9 The ETR for our operations in Kenya is impacted by the unrecognised deferred tax asset and non-deductible operating expenditure.
10 The ETR for our operations in Cameroon is impacted by the non-deductible operating expenditure.
11 The ETR for our operations in Ivory Coast is impacted by the unrecognised deferred tax asset and the non-deductible operating expenditure while generating a statutory loss before tax.
12 The ETR for our operations in Angola is impacted by the utilisation of a unrecognised tax asset in the current year, offset by the non-deductible operating expenditure.
13 The ETR for our operations in the United Kingdom is impacted by the unrecognised deferred tax asset and the irrecoverable withholding taxes suffered while generating a statutory loss before tax.
14 The ETR for our operations in Mauritius is higher than the statutory tax rate due to the irrecoverable withholding taxes suffered.
15 The ETR for our operations in Guernsey is impacted by the irrecoverable withholding taxes suffered while generating a statutory loss before tax.

Our country-by-country report continued

	2022				2021			
	Capital Expenditure R'million	Number of employees	Amount distributed to employees in salaries and benefits R'million	Tangible assets other than cash and cash equivalents R'million	Capital Expenditure R'million	Number of employees	Amount distributed to employees in salaries and benefits R'million	Tangible assets other than cash and cash equivalents R'million
Total as per Consolidated annual financial statements	**14 642**	**8 132**	**7 258**	**50 184**	13 307	7 875	6 963	48 201
South Africa	**11 157**	**5 930**	**5 509**	**33 559**	10 083	5 769	5 339	32 072
Tanzania	**1 127**	**560**	**392**	**6 046**	852	569	398	6 232
DRC	**1 000**	**575**	**605**	**5 374**	1 072	556	574	4 915
Mozambique	**1 147**	**779**	**465**	**4 316**	1 089	693	349	4 093
Lesotho	**197**	**261**	**143**	**858**	189	253	116	857
Kenya (excluding Safaricom)	**5**	**20**	**21**	**5**	5	27	20	3
Cameroon‡	**–**	**–**	**–**	**–**	–	–	10	–
United Kingdom	**9**	**2**	**10**	**25**	17	3	10	27
Mauritius	**–**	**5**	**113**	**1**	–	5	147	2
Guernsey	**–**	**–**	**–**	**–**	–	–	–	–

‡ This subsidiary was sold during the FY2021 financial year.

Source: Vodacom Group Limited Tax transparency report for the year ended 31 March 2022, p25 – 28

Total tax contribution

Category split

8% high level disclosure

14% detailed disclosure

Twenty-two companies provided information for each tax jurisdiction where the organisation is tax resident to provide context on its total economic contribution. Only 14 of these companies provided a breakdown of this information into categories (e.g., total direct taxes [directly borne by the organisation], total indirect taxes [collected by the organisation on behalf of revenue authorities from customers and employees]) or a similar categorisation.

Comparisons and variances

Twenty-seven companies provided comparisons of their total economic contributions per year and only four provided explanations for variances.

Tax contribution through the value chain

Twenty-eight companies provided a high-level statement on their total tax contribution through the value chain of their operations, of which 14 provided a detailed explanation demonstrating the value through narrative and infographics.

Tax in the context of economic value add

A fair amount of companies (33) mentioned tax in a discussion about the company's economic value add.

Assurance over non-financial information

Only eight companies provided a description of the assurance process for disclosures relating to tax and payments to governments, including, if applicable, a reference to the assurance report, statement, or opinion.

The focus on the disclosure of a company's overall total tax contribution measure has grown. This is clearly evident from recommendations by the WEF IBC and the JSE Sustainability Standards.

Benefits for a business in being able to disclose a detailed breakdown of each of the types of taxes it bears or collects on a country-by-country basis

Taxes borne by a company are those that represent a cost when paid and are reflected in financial results such as corporate income taxes, royalties, property taxes, the employer's share of social security taxes, unemployment taxes, customs duties licence taxes and state and local use taxes. Taxes collected are those collected on behalf of governments as a result of the economic activity generated by the business, such as employee's share of social security and health insurance taxes, withholding taxes, and most sales and excise taxes that a company remits to the government. In the 18 years that PwC has conducted *the total tax contribution study* it has become increasingly evident that a business contributes significantly more to the economies that it operates in than only corporate income tax.

There are a number of benefits of collecting total tax contribution data. Internal communication of total tax contribution data allows the board, employees, the sustainability team and investor relations to understand the contribution made by the company from all taxes. External communication enables the company to inform the public debate over its contribution to the public finances. Attention is often focused on corporate income tax, as is the case with public country-by-country reporting in the EU, with little visibility over other taxes. Country level total tax contribution data allows an understanding of the company's contribution in people taxes, product taxes, property taxes and environmental taxes in each country of operation, enabling more meaningful engagement with stakeholders in each country and a better understanding of the company's broader contribution in taxes to local communities.

Most significant trends in the 18 years of conducting this study

"

Over the years that we have carried out the total tax contribution study of the largest companies in the UK, we have seen a move away from corporate income tax based on profits to other tax bases. This is partly due to economic factors such as the financial crisis but also due to changes in tax policy. The headline rate of corporate income tax in the UK has fallen over the period from 30% to 19% and rates of other taxes, such as taxes on employment, that are not related to profit, have increased. As a result, we have seen the share of profit taxes in the total tax contribution fall, with a corresponding increase in people, property and product tax bases.

Janet Kerr, Senior Manager, Total Tax Contribution Lead, PwC UK

Old Mutual provides a useful overview of value created for stakeholders through taxes paid with an analysis of the impact the company believes it has on the national budget.

AT A GLANCE

Our tax contributions have significant economic and social impacts[1] in the jurisdictions and communities we serve[2]

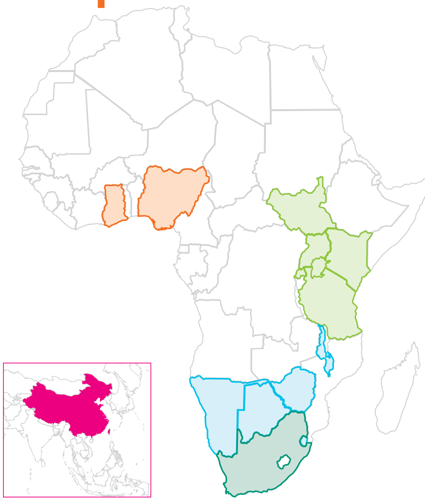
R14.2bn

- **R6.2 billion** Payroll Tax
- **R3.3 billion** Corporate Tax
- **R3.0 billion** Indirect Tax
- **R1.1 billion** Policyholder Tax
- **R0.3 billion** Property Rates and Taxes
- **R0.2 billion** Dividends Tax
- **R0.1 billion** Other

VALUE CREATION FOR STAKEHOLDERS[7]

	2021 Rbn	2020 Rbn
Total Revenue	**R248bn**	R147bn
Claims & Benefits Paid	**R132bn**	R82bn
Payments & Benefits to Employees	**R11bn**	R10bn
Dividends to Shareholders	**R14bn**	R3bn
Taxes borne by the group	**R6bn**	R5bn

Operating in 14 countries[3]



SOUTH AFRICA

South Africa — Tax contribution **R12.1 billion**, 85.2% (2020: R11 billion)

SOUTHERN AFRICA (Excluding South Africa)

Namibia, Botswana, eSwatini, Malawi, Zimbabwe — Tax contribution **R1.3 billion**, 9.4% (2020: R772.1 million)

EAST AFRICA

South Sudan, Kenya, Uganda, Rwanda, Tanzania — Tax contribution **R599.1 million**, 4.2% (2020: R568.6 million)

WEST AFRICA

Ghana, Nigeria — Tax contribution **R39.2 million**, 0.3% (2020: R37.4 million)

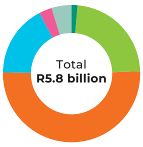
ASIA AND OTHER REGIONS: TOTAL TAX CONTRIBUTION

China, Other — Tax contribution **R123.7 million**, 0.9% (2020: R13 million)

We believe our tax contribution in South Africa has the following impact on our national budget[4]

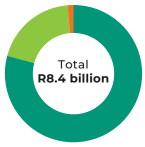
Education	Health	Social Development	Community Development
R4.3bn	**R2.7bn**	**R2.6bn**	**R2.5bn**

Tax borne by the Group, by tax type, in FY2021 (Rbn)[5]



	2021
Payroll Tax	R0.1bn
Indirect Tax	R0.8bn
Corporate Tax	R3.3bn
Policyholder Tax (in Life company)	R1.1bn
Dividends Tax	R0.2bn
Property Rates and Taxes	R0.3bn

Tax collected on behalf of Revenue Authorities, by tax type, in FY2021 (Rbn)[6]



	2021
Payroll Tax	R6.1bn
Indirect Tax	R2.2bn
Stamp Duty	R0.1bn

1 Refer to page 7 and 44 of the Old Mutual Limited Sustainability Report 2021
2 Refer to the Supplementary Information: Tax by Region for additional analysis
3 We operate in 13 African countries and China
4 The allocation has been calculated by applying the expenditure ratio per the 2021 National Budget to the South African tax contribution
5 'Taxes borne' means taxes incurred by entities in the Old Mutual Group and not recovered
6 'Taxes collected' refers to taxes collected by entities in the Old Mutual Group on behalf of Revenue Authorities and paid over
7 Refer to 2021 Old Mutual Limited Annual Financial Statements (except for Taxes borne by the Group noted above)

Source: OLDMUTUAL Tax Transparency Report 2021, p5

Anglo American provides a holistic overview of cash value distributed to shareholders on a country level basis as well as information on assurance provided over the disclosure.

Key metrics that highlight the tax and economic contributions of Anglo American

	2021	2020[4]
Australia	**2,261.8**	2,305.6
Botswana	**1,041.7**	726.9
Brazil	**1,931.9**	1,342.8
Canada	**196.1**	471.3
Chile	**3,226.2**	2,890.1
Namibia	**538.5**	484.0
Peru	**1,333.8**	1,307.1
Singapore	**551.9**	132.3
South Africa	**9,134.7**	6,627.4
United Kingdom	**1,597.0**	1,689.3
Zimbabwe	**348.7**	214.9
Other	**250.7**	174.2
Total	22,412.9	18,365.9

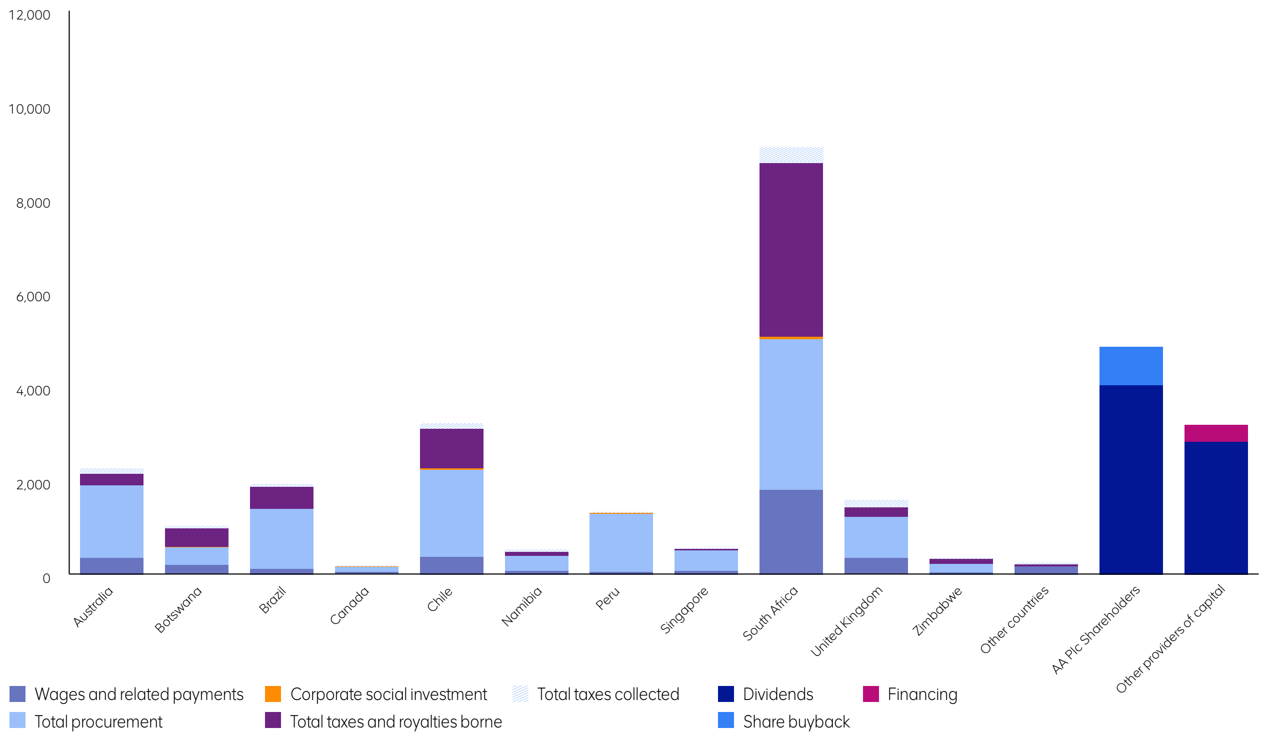
	2021	2020[4]
Australia	**244.0**	135.6
Botswana	**398.3**	234.9
Brazil	**465.0**	148.5
Canada	**8.5**	9.4
Chile	**849.6**	370.3
Namibia	**76.8**	132.2
Peru	**5.8**	9.5
Singapore	**36.3**	13.2
South Africa	**3,710.6**	1,560.5
United Kingdom	**199.6**	120.6
Zimbabwe	**109.7**	28.9
Other	**38.4**	26.8
Total Ⓐ	6,142.6	2,790.5

	2021	2020[4]
Australia	**2,000**	2,000
Botswana	**3,300**	3,200
Brazil	**4,100**	3,900
Canada	**650**	700
Chile	**4,300**	3,800
Namibia	**1,500**	1,400
Peru	**750**	400
Singapore	**350**	300
South Africa	**41,450**	44,500
United Kingdom	**1,900**	1,500
Zimbabwe	**1,600**	1,400
Other	**1,700**	1,900
Total	63,600	65,000

(1) Total tax and economic contribution comprises of the sum of total taxes and royalties borne, taxes collected, corporate social investment, wages and related payments, and total country procurement, (including capital investment).
(2) Taxes and royalties borne are payments in respect of taxes directly incurred by Anglo American as a result of its economic activity. This amount is made up of corporate income tax, royalties and mining taxes, and other payments borne.
(3) Average number of Group employees, excluding employees of contractors, associates' and joint ventures' employees, and including a proportionate share, based on percentage shareholding of employees within joint operations.
(4) 2020 data has been rebased in order to provide like-for-like comparability as per the updated basis of preparation outlined on page 5.
Ⓐ The figures $6,142.6 million and $2,790.5 million have been subject to limited assurance by Pricewaterhouse Coopers LLP and is referred to as the 'Selected Information', in their assurance report on page 33. Basis of preparation as per page 32.

Anglo American demonstrates its total cash value distributed per country in a graph format

Total cash value distributed to stakeholders of $30.4 billion[5]



(5) Further information provided on pages 6-7 and pages 20-30.

Anglo American expands on its total cash value distributed as illustrated in graph format through further narrative and comparatives.

Total cash value distributed to stakeholders of $30.4 billion

This year we have improved and expanded the reporting of our tax and economic contributions in order to provide greater context in explaining how each of our stakeholder groups benefit from the total economic value we have generated and distributed.

The value we add comes in many forms. We take a long term view so that not only do we contribute the following types of value each year, we also design our operations and community development initiatives so that communities and economies can continue to thrive long after our mines close.

In tune with our Purpose of *Re-imagining mining to improve people's lives*, we set out some years ago a very different future for mining that we refer to as FutureSmart Mining™. This integrated approach to technology and digitalisation is designed to deliver a broad range of sustainability outcomes across the three pillars of ESG. This work spans many of our physical mining processes, acting as a catalyst for self-sustaining regional economic activity and advocating for policies that support decarbonisation and ethical sourcing of raw materials, as examples.

By employing people, paying and collecting taxes and spending money with suppliers, we make a significant positive contribution to both our host communities and their regional and national economies. Most of these are in developing countries. Thanks to the multiplier effect, our total economic contribution extends far beyond the direct value we add.

Rebasing 2020 data

As set out in the Finance Director's statement on page 5, the 2020 comparatives have been rebased to align with the improved metrics used in the current year. This gives true comparable figures on a like-for-like basis.

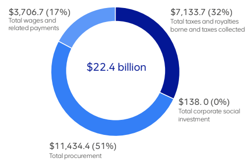
Employees: wages and related expenditure in 2021 of $3.7 billion

Our people are critical to all that we do: we create working environments and an inclusive and diverse culture that encourages and supports high performance and innovative thinking.

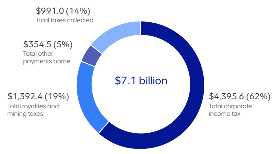
Our first priority is always employee safety. Safety comes foremost; we train, equip and empower people to work safely every day.

See page 16 for examples of how the Group's commitment to employees was, once again, demonstrated in 2021 by various initiatives and awards.

2021 Total tax and economic contribution $m



2021 Total taxes and royalties borne and taxes collected $m



2021 Total taxes and royalties borne and taxes collected: developing vs developed countries $m

Developing	6,348.8	89%
Developed	784.9	11%
Total	**7,133.7**	

2021 Local procurement spend $m

Total local procurement	9,976.8	87%
Total procurement	11,434.4	100%
Total	**11,434.4**	

Taxes and royalties borne and taxes collected in 2021 of $7.1 billion

The royalties and taxes we pay (and collect) add economic value to a country. They are levied by tax administrations to fund socio economic projects in line with that government's ambitions.

We see the taxes and royalties that we pay as a critical part of our licence to operate and we are proud that we pay them in the countries where we undertake our economic activities.

Set out on pages 20-30 of this report are more details of the breakdown of taxes and royalties borne and collected for each of our key jurisdictions.

Procurement spend in 2021 of $11.4 billion

We also ensure that our business operations deliver economic value to communities by our policies on inclusive procurement, local recruitment and supporting local suppliers.

By investing in local suppliers as far as possible we increase the wealth of the people who live and work in the countries in which we operate. In this report we demonstrate the total procurement spend for each key operating country, and furthermore show the relevant amount of local procurement by comparison. This helps our stakeholders understand the benefits we make as a result of local procurement.

Launched in 2010, our Local Procurement Policy provides a framework for supporting development outcomes through targeted procurement initiatives. This policy is further strengthened by region-specific policies. Local procurement strategies articulate the value to Anglo American and local communities. The measurement of local procurement varies between operations, and is informed by a combination of development outcomes and legal requirements.

In 2021, our total cash value distributed to stakeholders totalled $30.4 billion.

This comprised of the following:

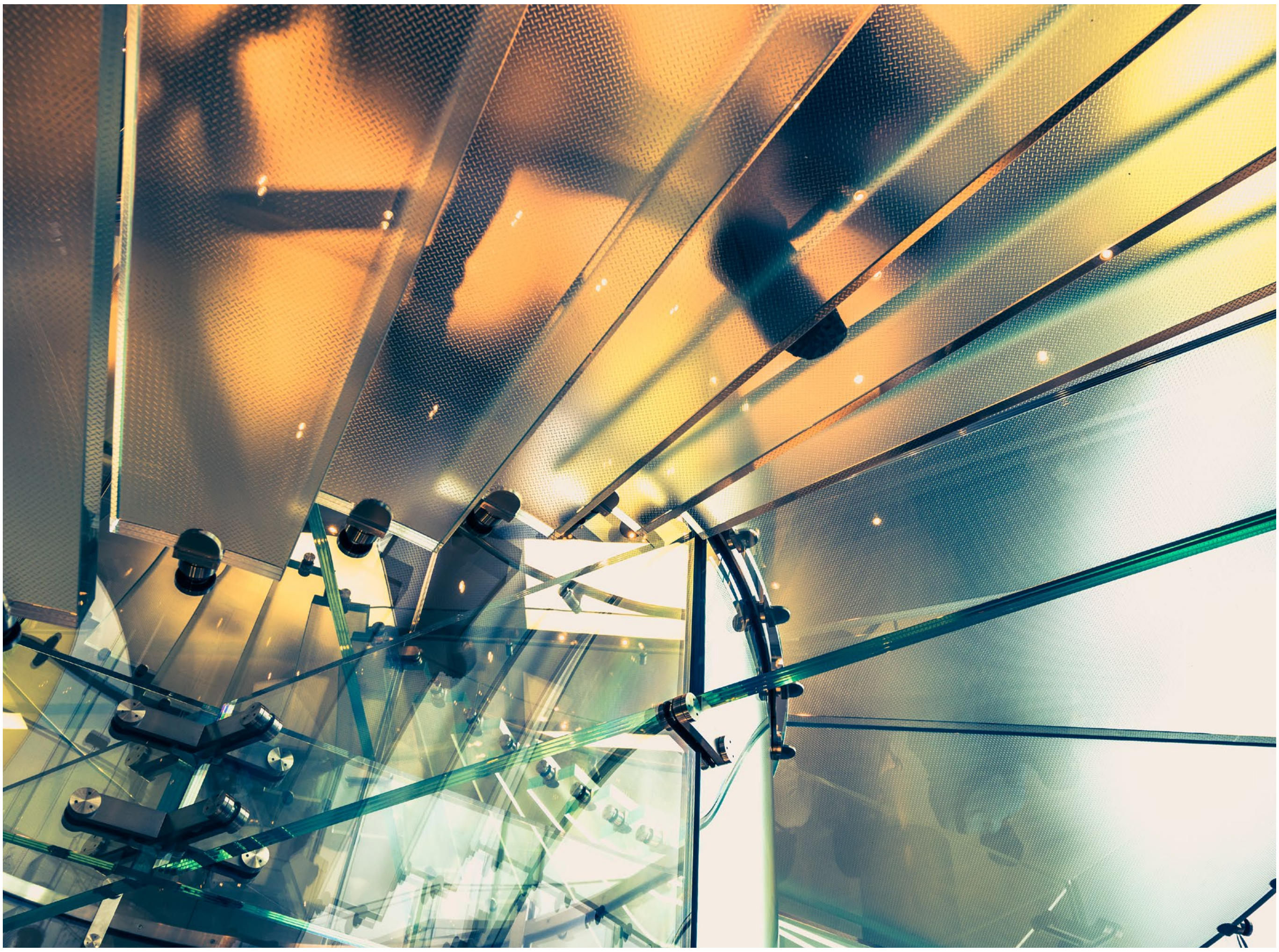
$3.7 bn
To our employees through wages and related expenditure

$7.1 bn
Paid in taxes and royalties borne and taxes collected

$11.4 bn
Paid to suppliers (including in respect of capital investment)

$138.0 m
Spent on Corporate Social Investment (CSI)

$8.1 bn
To providers of capital (of which $433m was paid to lenders, dividends of $2.8bn were paid to non-controlling interests, and $4.9bn was paid to Anglo American plc shareholders)



Local procurement occurs on multiple levels, and often as a combination of factors, including procurement from host, indigenous and previously disadvantaged communities. See the Sustainability Report for more information.

We actively manage our asset portfolio to improve its overall competitive position, continuing our trajectory towards future-enabling metals and minerals that are essential to decarbonise energy and transport and that support a growing global consumer population.

Each year the Group reinvests heavily in the assets we own. In 2021, the Group reinvested a total of $5.4bn from overall profits into the future profitability of the business. This is turn will benefit all our stakeholders (both internal and external) around the world.

Corporate social investment in 2021 of $138.0 million

Another key element of our economic contribution to society is our investment in our employees and communities. This collaboration with local partners addresses local needs, provides skills and education and builds sustainable local economies that are less dependent on our mines.

A full explanation of how we classify corporate social investment can be found in the Sustainability Report. Broadly, however, it comprises of charitable donations, community investment and commercial initiatives.

There must, however, be a clear and primary element of public benefit. We prohibit the making of donations for political purposes to any politician, political party or related organisation, an official of a political party or candidate for political office in any circumstances either directly or through third parties.

In 2021, our corporate social investment reached $138.0 million (2020: $125.3 million). Since the beginning of the pandemic in 2020, we have increased our corporate social investment investment and slightly readjusted our funding priorities, investing more in health.

In mid-2021, we broadened the scope of our programme of matching employee donations to select charities to remove the requirement linking funding to Covid-19 and to make it available to all employees worldwide.

We expanded our global employee volunteering programme, Ambassadors for Good, to include Peru, Ireland and Germany (Element Six).

Returns to providers of capital in 2021 of $8.1 billion

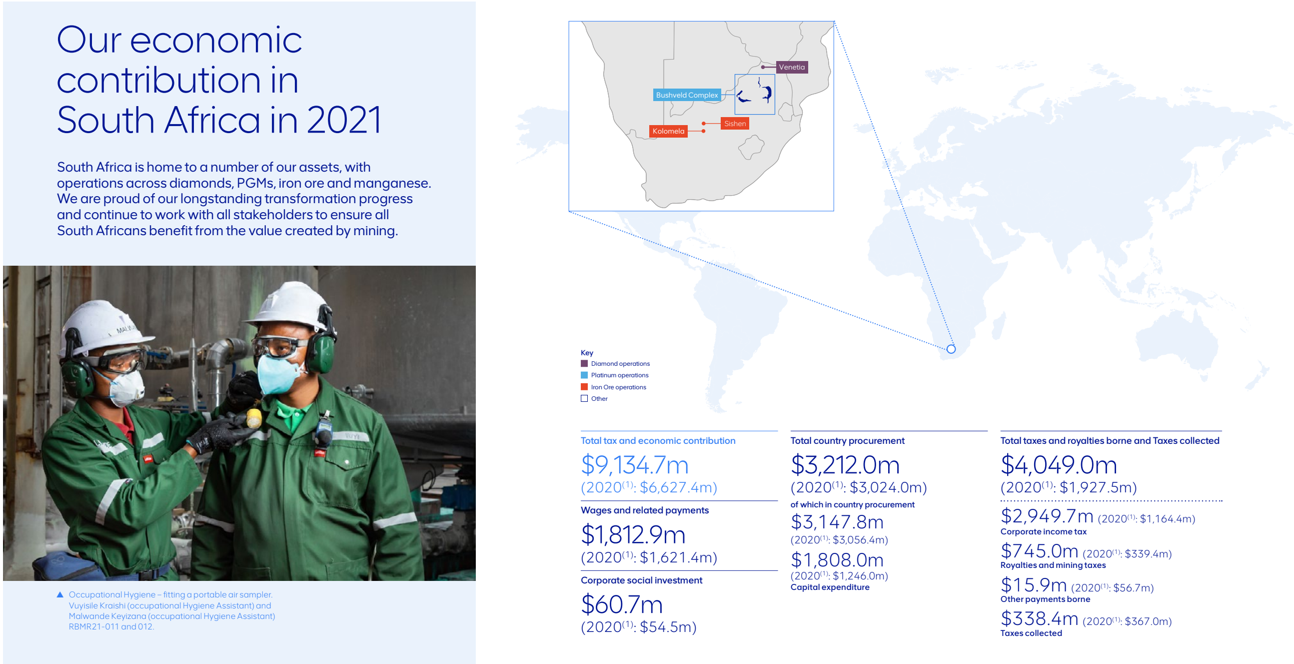
Investors who share in the risks of the Group via debt funding are compensated via interest paid on external financing. Investors who purchase shares in the Anglo American Group receive a return via dividends or, occasionally, via share buyback.

Underpinning our strategy, we have a value-focused approach to capital allocation; sustaining our operations and maintaining asset integrity; and the payment of a base dividend (determined on a 40% underlying earnings-based payment ratio), while ensuring a strong balance sheet.

All remaining capital is then allocated based on a rigorous and balanced investment appraisal approach that identifies and delivers projects that will have a net positive impact for our shareholders, the communities in which we operate, and that are aligned with our strategic priorities. Discretionary projects that further our strategic ambitions are assessed against financial and non-financial metrics to deliver holistic accretive value. In 2021, a special dividend was paid and an on-market share buyback programme took place. More detail can be found in the 2021 Integrated Annual Report.

Source: Anglo American plc Tax and Economic Contribution Report 2021, p1, 6 and 7

Anglo American provides a detailed breakdown of economic contribution at a country level e.g., South Africa



Our economic contribution in South Africa in 2021

South Africa is home to a number of our assets, with operations across diamonds, PGMs, iron ore and manganese. We are proud of our longstanding transformation progress and continue to work with all stakeholders to ensure all South Africans benefit from the value created by mining.

▲ Occupational Hygiene – fitting a portable air sampler. Vuyisile Kraishi (occupational Hygiene Assistant) and Malwande Keyizana (occupational Hygiene Assistant) RBMR21-011 and 012.

Total tax and economic contribution
$9,134.7m
(2020[1]: $6,627.4m)

Wages and related payments
$1,812.9m
(2020[1]: $1,621.4m)

Corporate social investment
$60.7m
(2020[1]: $54.5m)

Total country procurement
$3,212.0m
(2020[1]: $3,024.0m)

of which in country procurement
$3,147.8m
(2020[1]: $3,056.4m)

$1,808.0m
(2020[1]: $1,246.0m)
Capital expenditure

Total taxes and royalties borne and Taxes collected
$4,049.0m
(2020[1]: $1,927.5m)

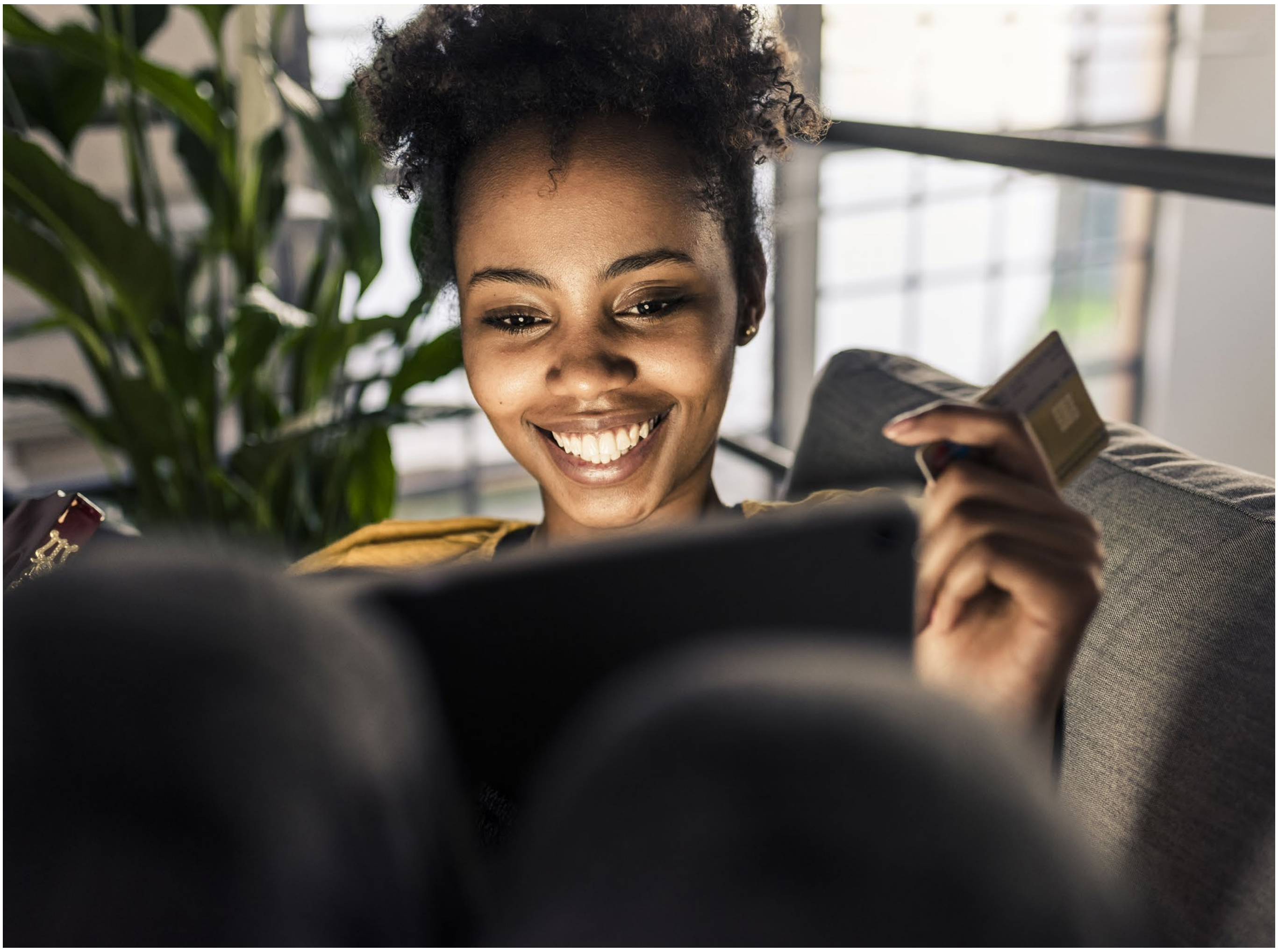
$2,949.7m (2020[1]: $1,164.4m)
Corporate income tax

$745.0m (2020[1]: $339.4m)
Royalties and mining taxes

$15.9m (2020[1]: $56.7m)
Other payments borne

$338.4m (2020[1]: $367.0m)
Taxes collected

Source: Anglo American plc Tax and Economic Contribution Report 2021, p28



Anglo American provides information on assurance provided over the disclosure

Assurance report

Independent Limited Assurance Report to the Directors of Anglo American plc

The Board of Directors of Anglo American plc ("Anglo American") engaged us to provide limited assurance on the information described below and set out in Tax and Economic Contribution Report 2021 for the years ended 31 December 2021 and 31 December 2020 (rebased).

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the years ended 31 December 2021 and 31 December 2020 (rebased) has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of what we say in the remainder of our report.

Selected Information

The scope of our work was limited to assurance over Anglo American's Taxes and Royalties Borne figures of $6,142.6 million for the year ended 31 December 2021 and $2,790.5 million for the year ended 31 December 2020 (rebased) as found on the pages 1 and 7 of the Tax and Economic Contribution Report 2021 and marked with the symbol Ⓐ (the "Selected Information"). Our assurance does not extend to any other information included in the Tax and Economic Contribution Report 2021.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We complied with the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the IESBA Code of Ethics.

We apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Basis of Report Preparation (the "Reporting Criteria") on page 32 of the Tax and Economic Contribution Report 2021 which Anglo American is solely responsible for selecting and applying. It includes other payments to the government, such as licences and extraction fees. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of Anglo American's management, including those with responsibility for the Selected Information;
- performed analytical procedures over the Selected Information;
- performed limited substantive testing on a selective basis of the Selected Information to financial statements or source data (such as tax returns and bank payments); and
- considered the disclosure and presentation of the Selected Information.

The Directors' responsibilities

The Directors of Anglo American are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;
- measuring and reporting Selected Information based on the Reporting Criteria; and
- the content of the Tax and Economic Contribution Report 2021.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of Anglo American.

This report, including our conclusions, has been prepared solely for the Board of Directors of Anglo American in accordance with the agreement between us dated 5 January 2022, in order to assist the Directors in reporting the Selected Information. We permit this report to be disclosed in the Tax and Economic Contribution Report 2021, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Anglo American for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London
3 March 2022

Source: Anglo American plc Tax and Economic Contribution Report 2021, p33

South 32 provides a detailed breakdown of tax payments made to governments on a country level.

Total payments made by country and level of government

Table 1 Total payments made by country and level of government for the year ended 30 June 2022 (by country of tax residence)

US$M[1]	Corporate income tax	Royalty related taxes	Royalties	License fees	Payments to governments for UK Regulation purposes	Employer payroll taxes	Other taxes and payments	Total government payments borne	Employee payroll taxes (not borne)[2]	Net transaction taxes paid/(refunded)[3]
Australia										
Government of Australia	601.4	-	7.8	0.2	**609.4**	-	6.0	**615.4**	161.6	(91.1)
Government of Northern Territory	-	71.8	-	-	**71.8**	4.5	0.5	**76.8**	-	-
State of New South Wales	-	-	139.3	0.1	**139.4**	10.6	1.8	**151.8**	-	-
State of Queensland	-	-	38.3	0.2	**38.5**	5.6	0.4	**44.5**	-	-
State of Western Australia	-	-	18.8	0.3	**19.1**	16.6	1.2	**36.9**	-	-
Townsville City Council	-	-	-	-	**-**	-	0.1	**0.1**	-	-
Australia: Total	601.4	71.8	204.2	0.8	**878.2**	37.3	10.0	**925.5**	161.6	(91.1)
Brazil										
Government of Brazil	9.0[4]	-	0.1	-	**9.1**	4.8	6.5	**20.4**	1.4	(1.4)
State of Maranhão	-	-	-	-	**-**	-	-	**-**	-	1.5
State of Para	-	-	0.3	-	**0.3**	-	0.2	**0.5**	-	0.7
Municipality of São Luis	-	-	-	-	**-**	-	3.5	**3.5**	-	-
Municipality of Oriximiná	-	-	0.1	-	**0.1**	-	0.2	**0.3**	-	-
Municipality of Terra Santa	-	-	0.4	-	**0.4**	-	-	**0.4**	-	-
Brazil: Total	9.0	-	0.9	-	**9.9**	4.8	10.4	**25.1**	1.4	0.8
Canada										
Government of Canada	(0.8)	-	-	-	**(0.8)**	-	-	**(0.8)**	0.8	-
Canada: Total	(0.8)	-	-	-	**(0.8)**	-	-	**(0.8)**	0.8	-
Chile										
Government of Chile[5]	3.4	26.0	-	-	**29.4**	-	5.8	**35.2**	2.1	(16.9)
Chile: Total	3.4	26.0	-	-	**29.4**	-	5.8	**35.2**	2.1	(16.9)
Colombia										
Government of Colombia	118.4[6]	-	76.9	0.1	**195.4**	-	1.0	**196.4**	3.1	(12.2)
Municipality of Montelibano	-	-	-	-	**-**	-	0.4	**0.4**	-	0.3
Municipality of Planeta Rica	-	-	-	-	**-**	-	-	**-**	-	0.1
Colombia: Total	118.4	-	76.9	0.1	**195.4**	-	1.4	**196.8**	3.1	(11.8)
Ecuador										
Government of Ecuador[7]	2.4	-	-	-	**2.4**	-	-	**2.4**	-	-
Ecuador: Total	2.4	-	-	-	**2.4**	-	-	**2.4**	-	-
Mozambique										
Government of Mozambique	-	-	6.8	-	**6.8**	-	-	**6.8**	3.2	-
Mozambique: Total	-	-	6.8	-	**6.8**	-	-	**6.8**	3.2	-
Netherlands										
Government of Netherlands	1.1	-	-	-	**1.1**	-	-	**1.1**	-	-
Netherlands: Total	1.1	-	-	-	**1.1**	-	-	**1.1**	-	-
Singapore										
Government of Singapore	2.3	-	-	-	**2.3**	-	-	**2.3**	0.6	(0.4)
Singapore: Total	2.3	-	-	-	**2.3**	-	-	**2.3**	0.6	(0.4)
South Africa										
Government of South Africa	239.8[8]	-	9.0	-	**248.8**	-	1.3	**250.1**	35.1	(163.9)
South Africa: Total	239.8	-	9.0	-	**248.8**	-	1.3	**250.1**	35.1	(163.9)
United Kingdom										
Government of United Kingdom	0.9	-	-	-	**0.9**	-	-	**0.9**	1.6	(0.2)
United Kingdom: Total	0.9	-	-	-	**0.9**	-	-	**0.9**	1.6	(0.2)
United States of America										
Government of United States of America	-	-	-	0.3	**0.3**	0.8	-	**1.1**	2.8	-
State of Arizona	-	-	-	0.1	**0.1**	-	-	**0.1**	0.5	-
State of Delaware	-	-	-	-	**-**	-	0.3	**0.3**	-	-
Santa Cruz County	-	-	-	-	**-**	-	0.1	**0.1**	-	-
United States on America: Total	-	-	-	0.4	**0.4**	0.8	0.4	**1.6**	3.3	-
Total taxes paid[9]	977.9	97.8	297.8	1.3	**1,374.8**	42.9	29.3	**1,447.0**	212.8	(283.5)

Source: South32 Tax Transparency and Payments to Governments Report 2022, p8-9

6 Smarter business for a stronger world – Tax transparency as a tool for rebuilding social cohesion in South Africa

Contribution by Dr Christie Viljoen, Senior Manager and Economist, PwC South Africa.

Social cohesion has deteriorated over the past 5–10 years

South Africa has made tremendous strides as a nation over the past three decades. The Human Development Index (HDI) has classified the country in the 'high human development' category since 2012, reflecting progress made since 1994 in improving the country's health, education and quality of living outcomes.[16] However, the country's challenges remain numerous.

Violent civil unrest in KwaZulu-Natal and parts of Gauteng during July 2021 was the worst such incident since the dawn of democracy. The violence occurred within a context of multiple socio-economic challenges facing the country, including high unemployment, poverty and inequality. A panel of experts investigating the unrest found that these and other social challenges would be a recipe for constant instability.[17]

Our concern right now is that many of the driving forces behind the 2021 unrest have not improved over the past 18 months. Some factors (like spatial planning) are structural and impossible to change over a short period while other challenges (like the number of unemployed youths) have deteriorated further. This has caused a continued weakening in the country's social fabric.

There is ample evidence (including the 2021 unrest) that social cohesion has significantly deteriorated in South Africa over the past five to ten years. Social cohesion is defined in the local context as comprising: 1) inclusion in economic and social life, 2) acceptance and belonging in society, 3) social relationships and trust, 4) participation in political life, as well as 5) trust in the legitimacy of institutions.[18]

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16 United Nations Development Programme (UNDP), 2022. South Africa. https://hdr.undp.org/data-center/specificcountry-data#/countries/ZAF

17 The Presidency, 2022. Report of the Expert Panel into the July 2021 Civil Unrest. https://www.thepresidency.gov.za/content/report-expert-panel-july-2021-civil-unrest

18 Poverty and Inequality Initiative (PII), 2018. Defining social cohesion in the South African context. http://www.ijr.org.za/home/wp-content/uploads/2018/02/Policy-Brief-1_final.pdf

The risk faced by South Africa at present is that the breakdown in social cohesion experienced in recent years continues on a negative trend over the short-to medium-term. For private companies, this increases operational and security risk for business activities. This is expensive to mitigate. For example, a survey by the City of eThekwini found that the value of lost sales and stock caused by the July 2021 unrest totalled R40bn.[19]

At the same time, the public sector is overwhelmed; stretched in every direction to cope with these and other challenges – seemingly unable to fix the problems.

Creating sustained outcomes that drive value and fuel growth, while strengthening our environment and societies

In spite of the challenges experienced, we also deliver a message of hope. South African companies can make a meaningful and sustainable impact on their communities by adopting a transparent strategy in relation to tax. Tax transparency is more than ticking boxes. It's about making a difference – for your business and our world.

Private companies can help rebuild social trust by measuring their Total Tax Contribution

The private sector will need to play an increasingly important role in helping the state address socio-economic challenges – specifically at the community level. But this goes beyond just spending on corporate social investment (CSI) which is too transactional in nature. Organisations can only have a meaningful impact on social cohesion by deliberately taking a purpose–driven approach to their general business operations with a focus on the five pillars of social cohesion.

In our recently published report '*Rebuilding social cohesion is an essential contributor to economic development in South Africa*', we listed several practical steps for companies to make an impact on social cohesion. One of these is to assess the organisation's societal impact. With quantitative tools, we have conducted many Socio-Economic Impact Assessments (SEIAs) for South African companies to better understand the impact that they have on the South African society in general and more specifically at a community level.

A SEIA goes beyond merely determining the impact of an organisation on the economy. It delves into linkages that the business has at a local, regional and national level, and how this influences economic activity, job creation, household income, and the generation of taxes. Within this analysis, quantifying a company's total tax contribution provides robust data on the contribution made by the enterprise to public finances. This, in turn, empowers the company to transparently show its socio-economic impact and the value it creates in its communities.

Taking the lead

Businesses that are raising the bar and leading the way on tax transparency want to show that their approach to tax is sustainable and builds trust with their stakeholders. Just as importantly, many are using the voluntary disclosures as a testbed for the step-up in mandatory reporting ahead. With financial and non-financial reporting coming together, tax reporting will need to be governed by a financial reporting mindset and investor-grade set of controls. The more information stakeholders demand and the more your competitors disclose, the more you'll be expected to report. Getting on the front foot is a chance to set the narrative on tax, while developing the robust processes and credible disclosures needed to build stakeholder confidence and trust.

19 Daily Maverick, 2022. KZN unrest cost eThekwini businesses R70bn and counting – survey. https://www.dailymaverick.co.za/article/2022-07-04-kzn-unrest-cost-ethekwini-businesses-r70bn-and-counting-survey/

7 Contact us

Carla Perry

Tax Reporting & Strategy

PwC South Africa
+27 (0) 78 735 9393
carla.perry@pwc.com

Kerneesha Naidoo

Tax Reporting & Strategy

PwC South Africa
+27 (0) 83 627 3956
kerneesha.naidoo@pwc.com

Laetitia Le Roux

Tax Partner

PwC South Africa
+27 (0) 82 792 9294
laetitia.le.roux@pwc.com