The following pages contain the detailed scoring for your company based on public information.

The following table represents a summary of your scores:

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<thead>
<tr>
<th>Topic</th>
<th>Number of questions</th>
<th>% score based on public information</th>
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<tbody>
<tr>
<td>Leadership, Governance and Organisation</td>
<td>10</td>
<td>35%</td>
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<tr>
<td>Risk Management</td>
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<td>14.3%</td>
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<td>Company Policy and Codes</td>
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<td>Training</td>
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<td>Personnel and Helplines</td>
<td>7</td>
<td>64.3%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>43.9%</strong></td>
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</tbody>
</table>
A1:
Does the company publish a statement from the Chief Executive Officer or the Chair of the Board supporting the ethics and anti-corruption agenda of the company?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company publishes a statement from the Chief Executive Officer or the Chair of the Board supporting the ethics and anti-corruption agenda of the company. TI notes the CEO statement in the Annual Report, but this does not have a strong anti-corruption focus.

References:

Public:
TI notes:
Annual Report (2014), p. 20:
GROUP CHIEF EXECUTIVE OFFICER’S REPORT
‘VALUES BASED LEADERSHIP  We believe that, when it comes to values of an organisation, attitudes, gestures and everyday actions are as important as broader business initiatives. Values describe how we behave towards one another, towards our stakeholders and in the way we implement our strategies. Values are the starting point of any successful organisational cultural programme. Companies that are most successful over the long-term are those that incorporate their values at the core of their everyday business operations. Our values are: Performance, Integrity, Innovation, Caring and Accountability. Ensuring that the Denel values are lived by all employees has been the organisational development focus for the year under review.’
A2:

Does the company’s Chief Executive Officer or the Chair of the Board demonstrate a strong personal, external facing commitment to the ethics and anti-corruption agenda of the company?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company’s Chief Executive Officer or the Chair of the Board demonstrate a strong personal, external facing commitment to the ethics and anti-corruption agenda of the company.

References:

Public:
NA
A3:
Does the company’s Chief Executive Officer demonstrate a strong personal, internal-facing commitment to the ethics and anti-corruption agenda of the company, actively promoting the ethics and anti-corruption agenda at all levels of the company structure?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company’s Chief Executive Officer demonstrates a strong personal, internal-facing commitment to the ethics and anti-corruption agenda of the company, actively promoting the ethics and anti-corruption agenda at all levels of the company structure.

References:

Public:
NA
A4:

Does the company publish a statement of values or principles representing high standards of business conduct, including honesty, trust, transparency, openness, integrity and accountability?

Score:

2

Comments:

Based on public information, there is evidence that the company publishes a statement of values representing high standards of business conduct, including integrity, honesty, trust, and accountability.

References:

Public:
Code of Ethics (November 2013), p.41.2:
3. Undertaking in respect of core company values
3.1 In dealings with customers, suppliers, governments, employees and the public, Denel is committed to do so with:
3.1.1 Integrity at all times by being honest, truthful and ethical
3.1.2 Excellence by performing to the expectations of stakeholders and delivering quality products, services and solutions to our customers
3.1.3 Innovation by creating sustainable innovative and improvements including improve processes to satisfy customers and address stakeholder expectations
3.1.4 Caring for people, customers, communities, and the environment and acting in the best interests of stakeholders to create a sustainable future for our business and societies in which we operate
3.1.5 Accountability – by taking responsibility for its actions and exposing wrong-doing for corrective action to be taken.

A5:
Does the company belong to one or more national or international initiatives that promote anti-corruption or business ethics with a significant focus on anti-corruption?

Score:

0

Comments:
Based on public information, there is evidence that the company strives to adhere to the principles of the UN Global Compact, promoting anti-corruption and business ethics. However, a search of the UN Global Compact participant list shows no readily available evidence that Denel is an official signatory. There is also no explicit evidence of a clear intention of the company to join this initiative. The company therefore scores 0.

References:
Public:
TI notes:
Annual Report (2014), p.68:
‘Denel’s values of integrity, the principles of the UN Global Compact and the requirement of the PFMA to prevent financial misconduct and fraud, inform Denel’s fraud and corruption prevention strategy.’

UN Global Company Participant Database:
https://www.unglobalcompact.org/participants/search
A6: Has the company appointed a Board committee or individual Board member with overall corporate responsibility for its ethics and anti-corruption agenda?

Score: 2

Comments: Based on public information, there is evidence that the company has appointed a Board committee with overall corporate responsibility for its ethics and anti-corruption agenda. This is the Social and Ethics Committee chaired by a non-exec director (Stella Nkomo) and attended by other non-execs, execs and the CEO. Terms of reference are set out in the latest annual report. Furthermore, the Audit and Risk committee also shares part of the responsibilities in regards to issues arising from the hotline.

References:

Public:
‘The board established a social and ethics committee and non-executive directors serve on this committee. The two executive directors, Exco members and relevant managers attend the committee meetings. The external experts as proposed in the regulations will be nominated and appointed by the board to this committee as and when necessary. The committee held its first meeting on 13 June 2012, where the committee considered relevant issues, as per its terms of reference. The committee advises the board on good corporate citizenship and ethical relationships. Its responsibilities include:
• Evaluating policies and measures in place to prevent fraud and corruption;
• Reviewing the CSI strategies and progress thereon;
• Evaluating the stakeholder engagement model, monitor the status and from time to time assess effectiveness;
• Reviewing the transformation strategies, progress on initiatives and improvement plans; and
• Reviewing OHS policies and monitor effectiveness’.


Annual Report (2014), p.58:
Audit and Risk Committee:
The roles and responsibilities of the committee are detailed in the report of the A&R committee on page 104 and include the following:

• Considering matters emanating from the company’s ethics hotline, planned management actions and the results of enquiries;

(p.59):

‘SOCIAL AND ETHICS COMMITTEE

The S&E committee comprises only independent non-executive directors, including the chairman who is confirmed at every AGM. The executive directors are standing invitees to committee meetings and relevant EXCO members attend the committee meetings by invitation. External experts as proposed in the regulations are nominated and appointed by the board to the committee as and when necessary. The committee advises the board on good corporate citizenship and ethical relationships, and report to the board and the shareholder on the group’s commitment in this regard. The committee’s terms of reference are reviewed and updated annually and its responsibilities include:

• Evaluating policies and measures in place to prevent fraud and corruption;
• Reviewing the corporate social investment (CSI) strategies and progress thereon;
• Evaluating the stakeholder engagement model, monitoring the status and from time to time assessing effectiveness;
• Reviewing the transformation strategies, progress on initiatives and improvement plans; and
• Reviewing occupational health and safety (OHS) policies and monitoring effectiveness.

The committee has an annual work plan and at its meeting held on 12 June 2014 ensured that the committee met all monitoring and reporting responsibilities within the annual cycle. The committee further considered the company’s corporate and social investment, transformation and ED initiatives, OHS, stakeholder management, as well as the ethics policy.

A7:
Has the company appointed a person at a senior level within the company to have responsibility for implementing the company’s ethics and anti-corruption agenda, and who has a direct reporting line to the Board?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company has appointed a person at a senior level within the company to have responsibility for implementing the company’s ethics and anti-corruption agenda. TI notes the role of the Group Company Secretary, but the scope of responsibility and the terms of reference remain unclear.

References:
Public:
TI notes:
Code of Ethics (November 2013), p.41.2:

The Group Company Secretary,
Denel (SOC) Limited
PO Box 8322
Centurion
0046

T: 012 671 2896
F: 012 671 2860

Denel will treat any reported suspicion of fraud and corruption seriously and it will be reviewed, analysed, and if warranted, investigated.

(p. 41.4):
including discounts, entertainment, travel, and loans, except loans upon normal terms from a qualified lending institution. Employees are required to complete a declaration of business courtesies/gifts, approved by their supervisor to hand it to the Company Secretary to be included in the gift register (refer form DCO_018).

Annual Report (2014), p.57:
‘GROUP COMPANY SECRETARY The group company secretary is responsible for developing systems and processes that enable the board to discharge specific functions efficiently and effectively. She is responsible for advising the board on corporate governance issues, setting the annual plan for the board in conjunction with the chairman and monitoring compliance with the Public Finance Management Act, no. 1 of 1999 (PFMA), the Companies Act and other relevant legislation, as well as keeping the board updated on new relevant legislation. All directors have access to her services and guidance.’

(p.59):
‘The S&E committee comprises only independent non-executive directors, including the chairman who is confirmed at every AGM. The committee’s terms of reference are reviewed and updated annually and its responsibilities include:

• Evaluating policies and measures in place to prevent fraud and corruption;

PERSONNEL, REMUNERATION AND TRANSFORMATION COMMITTEE Denel has a committee that oversees personnel, remuneration and transformation issues, referred to as the PR&T committee.

p.68:
‘The S&E committee advises the board on good corporate citizenship and ethical relationships and oversees the implementation of the strategy.’

(p.104):
Elizabeth Africa
Group company secretary

(p.107):
‘GROUP COMPANY SECRETARY
The group company secretary for the period under review was
Ms Elizabeth Africa. Her business and postal addresses, which is also
the address of the registered office of the company, are stated below:
Denel Building Head Office PO Box 8322
Nellmapius Drive Centurion
Irene 0046
Gauteng South Africa’
A8:
Is there regular Board level monitoring and review of the performance of the company’s ethics and anti-corruption agenda?

Score:

2

Comments:
Based on public information, there is evidence of regular Board level monitoring and review of the performance of the company’s ethics and anti-corruption agenda. The Social and Ethics Committee has a mandate to review policies and measures for fraud and corruption within an annual acycle. The company therefore scores 2.

References:
Public:
‘The board established a social and ethics committee and non-executive directors serve on this committee. The two executive directors, Exco members and relevant managers attend the committee meetings. The external experts as proposed in the regulations will be nominated and appointed by the board to this committee as and when necessary.
The committee held its first meeting on 13 June 2012, where the committee considered relevant issues, as per its terms of reference. The committee advises the board on good corporate citizenship and ethical relationships. Its responsibilities include:
• Evaluating policies and measures in place to prevent fraud and corruption;

Having clarified its mandate, the committee at the meeting held on 4 April 2013 ensured that the committee met all its monitoring and reporting responsibilities within the annual cycle. The committee further considered the company’s corporate and social investment, transformation and enterprise development initiatives, occupational health and safety, stakeholder management, as well as the ethics policy’.

(p.70): ‘Detection of fraud and corruption
Denel has put in place a continuous control monitoring (CCM) system, that analyses transactions and identifies discrepancies in the procurement and payment environment which is susceptible to fraud and corruption. Management follows up discrepancies identified and takes corrective action. Management continuously interrogates financial, HR, and inventory information to detect instances of fraud and corruption as part of the day-to-day control activities, and reports to the audit and risk committee. In addition, audits were
conducted by external audit regarding potential conflicts of interest. These procedures found no evidence of fraud and corruption.

Annual Report (2014), p. 59:
‘The committee’s terms of reference are reviewed and updated annually and its responsibilities include:
• Evaluating policies and measures in place to prevent fraud and corruption;’
‘The committee has an annual work plan and at its meeting held on 12 June 2014 ensured that the committee met all monitoring and reporting responsibilities within the annual cycle.’

(p. 61): ‘Code of Ethics
Denel has strengthened policies and processes to ensure employees have clear guidance to make ethical choices and understand the due diligence required in all business decisions. Denel’s code of ethics was updated during the year and sets clear expectations for directors, employees, suppliers and clients. Regular awareness training regarding the code and our ethical standards helps us to embed a culture of responsible business conduct throughout the company.

Ethics matters are monitored and reported to both the A&R and the S&E committees.’
A8(a):
Is there a formal, clear, written plan in place on which the review of the ethics and anti-corruption agenda by the Board or senior management is based, and evidence of improvement plans being implemented when issues are identified?

Score:
0

Comments:
Based on public information, there is no readily available evidence of a formal, clear, written plan in place on which the review of the ethics and anti-corruption agenda by the Board is based, or evidence of improvement plans being implemented when issues are identified.

References:
Public:
Ti notes:
Annual Report (2013), p.69:
‘Fraud and corruption have adverse reputational, legal and financial implications for any organisation, and Denel is committed to dealing with it within its ranks. Denel has implemented a fraud response plan in line with the principles of good corporate governance and anti-graft legislation. The plan is founded on the organisation’s value of integrity and principles of the UN Global Compact regarding the fight against corruption. Subsequent to the release of the Transparency International Anti-corruption Index 2011/12 for global defence companies, Denel assessed its fraud and corruption strategy to ensure that it was aligned with this benchmark and updated its policies accordingly’.

Annual Report (2014), p.68:
’FRAUD AND CORRUPTION
Denel’s values of integrity, the principles of the UN Global Compact and the requirement of the PFMA to prevent financial misconduct and fraud, inform Denel’s fraud and corruption prevention strategy. The S&E committee advises the board on good corporate citizenship and ethical relationships and oversees the implementation of the strategy. During the year, Denel’s fraud and corruption prevention strategy and policy was aligned with legislation and updated to improve detection, prevention and investigation of possible fraud and corruption.
FRAUD AND CORRUPTION AWARENESS
Denel has implemented a system of financial and operational controls including policies,
such as the delegation of authority, procurement, and employee ethics that promote ethical conduct with the aim of preventing fraud and corruption. The system includes security procedures to protect assets, and declaration of interests by employees and directors. Denel has adopted a transparent procurement process that consists of formal tender publications, as well as appointed adjudication committees to ensure segregation of duties, and procurement decisions are taken within the delegated authority. The scope of the code of ethics and business conduct was broadened to include business partners and other stakeholders. As part of instilling a culture of good ethics and integrity, Denel embarked on group-wide campaigns to communicate its values to employees.

DETECTION OF FRAUD AND CORRUPTION
Management continuously interrogates financial, HR, and inventory information to detect possible instances of fraud and corruption as part of the day-to-day control activities. In addition, external auditors and internal auditors include fraud detection in their audit procedures and have found no evidence of fraud and corruption for the year under review. Denel has refined the parameters of its continuous control monitoring (CCM) system to increase data accuracy and improve the detection of discrepancies in the procurement and payment environment which might be susceptible to fraud and corruption. Internal audit reviewed all discrepancies and no instances of fraud were identified.’
A9: Does the company have a formal process for review and where appropriate update its policies and practices in response to actual or alleged instances of corruption?

Score: 1

Comments:

Based on public information, there is evidence that the company has a process to follow up identified cases of fraud and corruption and to take corrective action. However, it is unclear whether this is a part of a formal process to review and where appropriate update its policies and practices. The company therefore scores 1.

References:

Public:
Annual Report (2013), p.70:
‘Detection of fraud and corruption
Denel has put in place a continuous control monitoring (CCM) system, that analyses transactions and identifies discrepancies in the procurement and payment environment which is susceptible to fraud and corruption. Management follows up discrepancies identified and takes corrective action. Management continuously interrogates financial, HR, and inventory information to detect instances of fraud and corruption as part of the day-to-day control activities, and reports to the audit and risk committee. In addition, audits were conducted by external audit regarding potential conflicts of interest. These procedures found no evidence of fraud and corruption’.

Annual Report 2014), p.68:
‘DETECTION OF FRAUD AND CORRUPTION
Management continuously interrogates financial, HR, and inventory information to detect possible instances of fraud and corruption as part of the day-to-day control activities. In addition, external auditors and internal auditors include fraud detection in their audit procedures and have found no evidence of fraud and corruption for the year under review.
Denel has refined the parameters of its continuous control monitoring (CCM) system to increase data accuracy and improve the detection of discrepancies in the procurement and payment environment which might be susceptible to fraud and corruption. Internal audit
reviewed all discrepancies and no instances of fraud were identified.’
A9(a):

Does the company have a formal anti-corruption risk assessment procedure implemented enterprise-wide?

Score:

1

Comments:

Based on public information, there is evidence that the company has a formal anti-corruption risk assessment procedure implemented enterprise-wide. The company has an enterprise-wide risk management approach based on COSO (Committee of Sponsoring Organisations of the Treadway Commission). There is evidence that fraud and corruption are part of the assessment process. The company therefore scores 1. To score higher the company would need to provide evidence of the development and application of mitigation plans.

References:

Public:
Annual Report (2013), p.69:
‘Denel’s enterprise-wide risk management process is based on the COSO framework and ensures a coordinated risk management approach throughout the group. The process entails continuous identification, evaluation, mitigation and monitoring of risk, using robust intelligence gathering processes and structures. The risk assessment process entails identifying risk, assessing exposure prior to implementing controls and assessing residual risk post implementation of the control measures. Denel adopts a combination of a top-down and bottom-up approach to risk assessment, and uses business units and corporate inputs to develop the risk profile.

The various levels of the organisation play specific roles in the governance of risk. The board is responsible for approving risk management policy and has delegated the role of governance of risk oversight to the A&R committee. The other board committees also play a critical role in the risk management process’.

(p.70): ‘In order to assist in detecting fraud and corruption, document and process reviews were conducted and various interactions held with management, to identify and assess areas and processes that are susceptible to fraud and corruption. Denel has implemented a system of financial and operational control to prevent fraud and corruption. This includes publication of policies governing delegation of authority, procurement, and employee ethics, among others to promote ethical conduct’.
Denel adopts a combination of a top-down and bottom-up approach to risk assessment, and uses business units and group EXCO’s inputs to develop the risk profile. Each business unit addresses internal control issues as they arise and also dedicates time at least twice a year to formally assess the internal control environment and address specific risks. This ensures risks are mitigated at the appropriate levels of management throughout the group.

At least once a year, executive management undertakes a rigorous strategic planning process, which is reported to the A&R committee and which includes the identification of risks and opportunities, assigns responsibilities for mitigation, reporting and monitoring of risks. The broad categories of risks are financial, programme management, safety management, IT and other risks. Financial risk management is governed by the group accounting and treasury policies, directives and procedures approved by the board. Risks related to programme and contract execution are monitored and managed continuously by management through various forums at business unit level including formal programme review meetings. Denel has adopted various management systems, ISO9001, ISO14001 and OHSAS18001, on which workplace, environmental management and product safety processes are based. The company’s top ten risks are detailed below including the key success factors, impact, affected stakeholders, opportunities and mitigations. The mitigations have been implemented and are duly monitored by both the board and the EXCO.’

‘Risk description: Legal and regulatory changes
Key success factors: Compliance Arms control Statutory obligations Operating licences
Impact(s): Reputational damage Loss of operating licences Penalties
Affected stakeholders: Regulators Government Customers
Opportunities: Improved business processes
Mitigations: Compliance framework Stakeholder engagement model’

(p.197) GRI G3 Indicator, Corruption:
SO2 Percentage and total number of business units analysed for risks related to corruption
Risk governance 65-69
A10:
Does the company have a formal anti-corruption risk assessment procedure for assessing proposed business decisions, with clear requirements on the circumstances under which such a procedure should be applied?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company has a formal anti-corruption risk assessment procedure for assessing proposed business decisions, with clear requirements on the circumstances under which such a procedure should be applied. The Annual Report 2014 mentions guidance on making ethical choices, as well as due diligence required in all business decisions, but TI has seen no specific evidence of any procedure regarding anti-corruption risk assessment.

References:
Public:
TI notes:
Annual Report (2014), p.61:
‘Denel has strengthened policies and processes to ensure employees have clear guidance to make ethical choices and understand the due diligence required in all business decisions. Denel’s code of ethics was updated during the year and sets clear expectations for directors, employees, suppliers and clients’
A11:
Does the company conduct due diligence that minimises corruption risk when selecting or reappointing its agents?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company conducts due diligence that minimises corruption risk when selecting or reappointing its agents. TI notes that the company demonstrates understanding of the importance of conducting due diligence in all business decisions, but there is no evidence of a specific procedure that minimises corruption risk. The company therefore scores 0.

References:
Public:
TI notes:
Annual Report (2014), p.61:
‘Denel has strengthened policies and processes to ensure employees have clear guidance to make ethical choices and understand the due diligence required in all business decisions. Denel’s code of ethics was updated during the year and sets clear expectations for directors, employees, suppliers and clients’
A12:
Does the company have contractual rights and processes for the behaviour, monitoring, control, and audit of agents with respect to countering corruption?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company has contractual rights and processes for the behaviour, monitoring, control, and audit of agents with respect to countering corruption. TI notes that the Code of Ethics and the Annual Report discuss the company’s expectations of agents, but does not amount to specific contractual rights and processes for the behaviour, monitoring, control, and audit of agents with respect to countering corruption.

References:
Public:
TI notes:
Code of Ethics (November 2013), p.41.2:
‘This code applies to Directors, employees, representatives, consultants, and suppliers, whilst doing business for and on behalf of Denel i.e. any persons engaged to act in the name of Denel in the course and scope of their employment or appointment will be expected to adhere to all elements of this code’.

Annual Report (2014), p. 68:
‘Denel has adopted a transparent procurement process that consists of formal tender publications, as well as appointed adjudication committees to ensure segregation of duties, and procurement decisions are taken within the delegated authority. The scope of the code of ethics and business conduct was broadened to include business partners and other stakeholders. As part of instilling a culture of good ethics and integrity, Denel embarked on group-wide campaigns to communicate its values to employees.’

Supply Chain Opportunities, p.17:
‘Denel through its supply chain activities is committed to:
Ethical business dealings, South Africa’s economic growth, increased spend on Black suppliers as part of Black economic empowerment, reduction in unemployment and poverty, focused development of eligible Black suppliers, with a specific focus on emerging Black SMMEs and increased support for locally manufactured products.’

A13:
Does the company make clear to contractors, sub-contractors, and suppliers, through policy and contractual terms, its stance on bribery and corruption and the consequences of breaches to this stance?

Score:
1

Comments:
Based on public information, there is some evidence that the company makes clear to contractors, sub-contractors, and suppliers, through policy, its stance on bribery and corruption. The Code of Conduct clearly states that it applies to suppliers. However, there is no evidence as to how this is translated into contractual terms or what the consequences of breaches to these standards would be. The company therefore scores 1.

References:
Public:
Code of Ethics (November 2013), p.41.2:
‘This code applies to Directors, employees, representatives, consultants, and suppliers, whilst doing business for and on behalf of Denel i.e. any persons engaged to act in the name of Denel in the course and scope of their employment or appointment will be expected to adhere to all elements of this code’.

Annual Report (2014), p. 68:
‘Denel has adopted a transparent procurement process that consists of formal tender publications, as well as appointed adjudication committees to ensure segregation of duties, and procurement decisions are taken within the delegated authority. The scope of the code of ethics and business conduct was broadened to include business partners and other stakeholders. As part of instilling a culture of good ethics and integrity, Denel embarked on group-wide campaigns to communicate its values to employees.’

Supply Chain Opportunities, p.17:
‘Denel through its supply chain activities is committed to:
Ethical business dealings, South Africa’s economic growth, increased spend on Black
suppliers as part of Black economic empowerment, reduction in unemployment and poverty, focused development of eligible Black suppliers, with a specific focus on emerging Black SMMEs and increased support for locally manufactured products.'

A13(a):
Does the company explicitly address the corruption risks associated with offset contracting?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company explicitly addresses the corruption risks associated with offset contracting.

References:
Public:
TI notes:
‘Offset contracts in Denel's Malaysia turret deal revealed’

Defence News website: Denel, Malaysian Company Settle Offsets Deal for Turret Purchase
‘South Africa’s Denel Aerostructures (DAe) and Malaysian company Strand Aerospace Malaysia have signed a deal that initiates an indirect offsets program South Africa is offering in return for the Malaysian Army’s 3.5 billion Malaysian ringgit (US $1.1 billion) order of Denel Land Systems turrets for its eight-wheel-drive armored infantry fighting vehicles.'
A13(b):
Does the company conduct due diligence that minimises corruption risk when selecting its offset partners and offset brokers?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company conducts due diligence that minimises corruption risk when selecting its offset partners and offset brokers.

References:
Public:
TI notes:
‘Offset contracts in Denel's Malaysia turret deal revealed’

Defence News website: Denel, Malaysian Company Settle Offsets Deal for Turret Purchase
‘South Africa’s Denel Aerostructures (DAe) and Malaysian company Strand Aerospace Malaysia have signed a deal that initiates an indirect offsets program South Africa is offering in return for the Malaysian Army’s 3.5 billion Malaysian ringgit (US $1.1 billion) order of Denel Land Systems turrets for its eight-wheel-drive armored infantry fighting vehicles.’
A15: Does the company have an anti-corruption policy that prohibits corruption in its various forms?

Score: 2

Comments: Based on public information, there is evidence that the company has an anti-corruption policy that prohibits corruption in its various forms.

References:

Public:
Code of Ethics (November 2013), p.41.7:

5.3.8 Employees may not employ or participate in dishonest methods or schemes, including methods involving fraud, deceit or overreaching, or methods which depart from fundamental standards of honesty and fair play for the purposes of obtaining personal or business advantage or reward.

5.3.9 No bribes or kickbacks may be solicited by or offered to an employee. Solicitation, payment or receipt of a bribe constitutes a criminal offence and will be prosecuted to the full extent of the law.
A16:
Is the anti-corruption policy explicitly one of zero tolerance?

Score:

1

Comments:

Based on public information, there is evidence that the company has a zero tolerance policy for violations of its Code of Ethics. The company therefore scores 1. To score higher the company would need to provide evidence that it has a zero tolerance policy of corruption or bribery specifically.

References:

Public:
Code of Ethics, p.41.3:
‘There are no tolerable levels of unethical conduct. Any breach of Denel’s Code of Ethics constitutes a breach of discipline and will be dealt with in terms of Denel's disciplinary code and procedure.’
A17:
Is the company's anti-corruption policy easily accessible to Board members, employees, contracted staff and any other organisations acting with or on behalf of the company?

Score:

2

Comments:
Based on public information, there is evidence that the company's Code of Ethics is easily accessible to Board members, employees and third parties. The Code is available online in English, with evidence suggesting that the company only operates in South Africa. The company therefore scores 2.

References:
Public:
Code of Ethics (November 2013)
A17(a):
Is the company’s anti-corruption policy easily understandable and clear to Board members, employees and third parties?

Score:

2

Comments:
Based on public information, there is evidence that the company’s anti-corruption policy is easily understandable and clear to Board members, employees and third parties.

References:

Public:
Code of Ethics (November 2013), p.41.7:

2. SCOPE

This code applies to Directors, employees, representatives, consultants, and suppliers, whilst doing business for and on behalf of Denel i.e. any persons engaged to act in the name of Denel in the course and scope of their employment or appointment will be expected to adhere to all elements of this code.

A18:

Does the anti-corruption policy explicitly apply to all employees and members of the Board?

Score:

2

Comments:

Based on public information, there is evidence that the anti-corruption policy explicitly applies to all employees and members of the Board.

References:

Public:
Code of Ethics (November 2013), p.41.2:
‘This code applies to Directors, employees, representatives, consultants, and suppliers, whilst doing business for and on behalf of Denel i.e. any persons engaged to act in the name of Denel in the course and scope of their employment or appointment will be expected to adhere to all elements of this code’.
A20:
Does the company have a policy on potential conflicts of interest, and does it apply to both employees and board members?

Score:

2

Comments:
Based on public information, there is evidence that the company has a policy on potential conflicts of interest, which applies to both employees and Board members. The policy contains a definition and examples of potential conflicts of interest.

References:
Public:
Code of Ethics (November 2013) p.41.3:
‘Conflict of interest
In the interest of fairness, equity and transparency, Denel seeks to avoid actual and perceived inequities caused by conflict of interest or personal interest in all areas of its operations.
Interests of Denel will take precedence over the personal interests of employees and Directors. To this end, Denel requires that:

- Directors and employees must refrain from placing themselves in a position that could be or perceived to interfere with their objectivity in discharging their obligations to Denel.
- Conflicts of interest include the following:
  - Having a financial interest, or being closely related to someone with a financial interest, in one of Denel’s suppliers, customers, sub-contractors or competitors (or potential suppliers, customers or sub-contractors).
  - Part–time employment in areas similar to those in which Denel is involved.
  - Employment of relatives or family connections for individuals on management to executive manager level. Employees involved in recruitment should recuse themselves from the interview process when their relatives apply for positions.
  - Accepting gifts of more than token nature from a supplier or a supplier’s representative.
  - Soliciting loans from customers granting loans to the public. or suppliers who are not ordinarily in the business of granting loans to the public
  - Participation in any activity that might lead to disclosure of Denel’s
Annual Report (2014), p.56:
‘The board subscribes to the principle of effective management of conflicts of interest and that fundamental conflicts should be avoided. At each board and subcommittee meeting, directors declare their interests regarding any agenda item to prevent personal interests of a director taking precedence over those of the company. In addition, directors’ interests are declared by the individual directors in a register which is presented to the shareholder at every AGM for consideration. Board members who have personal interests in a matter under discussion disclose their interests and recuse themselves from the meeting. For the period under assessment directors declared that they had no interests regarding any of the agenda items tabled at either the board or committee meetings. Similar practice applies to all employees of the group.’
A21:
Does the company have a policy for the giving and receipt of gifts to ensure that such transactions are bona fide and not a subterfuge for bribery?

Score:

1

Comments:
Based on public information, there is evidence that the company has a policy for the giving and receipt of gifts. However, it is unclear whether the upper limits apply to both giving and receiving of gifts. Furthermore, there is not enough evidence of a detailed senior authorisation procedure to ensure that such transactions are bona fide and not a subterfuge for bribery. The company therefore scores 1.

References:

Public:
Code of Ethics (November 2013), p.41.4:
‘No employee, or members of his or her immediate family, shall accept any gift or favour from third persons which might reasonably be interpreted by others as being of such a nature that it could violate his or her duties to Denel. Gifts or favours of more than token nature may not be accepted on any occasion from any supplier, customer, sub-contractor, or competitor of Denel or from any other person or corporation having a business relationship with Denel, without the prior written consent of Denel. For purposes of this policy a "gift" or "favour" means anything exceeding a value of R500-00, including discounts, entertainment, travel, and loans, except loans upon normal terms from a qualified lending institution. Employees are required to complete a declaration of business courtesies/gifts, approved by their supervisor to hand it to the Company Secretary to be included in the gift register (refer form DCO_018).’

p.41.13 :
‘Q. Can I give Denel branded apparel and items to potential customers?
A. Yes. The items are important marketing features. However, their value should not be excessive. The items must be available to all Denel’s customers. Procurement of corporate gifts should at all times be facilitated through the Corporate Affairs Department.'
Q A supplier’s representative sent me a pen and pencil set as a token of appreciation. May I accept the gift?
A Yes, provided that the gift is of a nominal value and is available to others in similar circumstances. Frequent gifts should be avoided as they create or may be perceived as creating indebtedness. The same principle applies to invitations to meals by suppliers.

Q A supplier has offered me rugby tickets together with overnight accommodation vouchers. Can I accept this gift?
A If a courtesy involves travel outside your geographical area or overnight accommodation it is advisable for you to bear the costs for such accommodation. However entertainment and courtesies may differ according to employees’ seniority. In cases of substantial courtesies, full disclosure must be made and prior approval must be obtained.

Q What should I do if I receive an unacceptable gift/courtesy?
A You must politely decline and explain that Denel’s policy prohibits acceptance of the gift.

Q Can I invite my friends to Denel’s suite at the stadium?
A No. Allocation of sporting tickets and access to suites are mainly intended for customers and suppliers. Employees may also be invited to sporting events to foster team spirit. If you require tickets to entertain an outside person, you must provide the Corporate Affairs Department with the name of the client or customer. The tickets are for the sole use of that particular person and are not transferable to 3rd parties. In the event that the invited person cannot attend, the tickets must be returned to the Corporate Affairs department.
A22:
Does the company's anti-corruption policy include a statement on the giving and receipt of hospitality that ensures that such transactions are bona fide and not a subterfuge for bribery?

Score:
1

Comments:
Based on public information, there is evidence that the company has a policy for the receipt of hospitality, and an upper limit is set. There is guidance in the Q and A section of the Code of Ethics on offering hospitality, but there is no specific definition of what hospitality constitutes and whether the policy addresses both the giving and receiving of hospitality. Furthermore, the authorisation procedure and any upper limits also remain unclear. The company therefore scores 1. To score higher, the company would need to provide further evidence of these details on regulations for hospitality.

References:
Public:
Code of Ethics (November 2013), p.41.4:
‘No employee, or members of his or her immediate family, shall accept any gift or favour from third persons which might reasonably be interpreted by others as being of such a nature that it could violate his or her duties to Denel. Gifts or favours of more than token nature may not be accepted on any occasion from any supplier, customer, sub-contractor, or competitor of Denel or from any other person or corporation having a business relationship with Denel, without the prior written consent of Denel. For purposes of this policy a "gift" or "favour" means anything exceeding a value of R500.00, including discounts, entertainment, travel, and loans, except loans upon normal terms from a qualified lending institution. Employees are required to complete a declaration of business courtesies/gifts, approved by their supervisor to hand it to the Company Secretary to be included in the gift register (refer form DCO_018).’

p.41.13:
‘Q. Can I invite my friends to Denel’s suite at the stadium?
A. No. Allocation of sporting tickets and access to suites are mainly intended for customers and supplier. Employees may also be invited to sporting events to foster team spirit. If you
require tickets to entertain an outside person, you must provide the Corporate Affairs Department with the name of the client or customer. The tickets are for the sole use of that particular person and are not transferable to 3rd parties. In the event that the invited person cannot attend, the tickets must be returned to the Corporate Affairs department.’
A23:
Does the company have a policy that explicitly prohibits facilitation payments?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company has a policy that explicitly prohibits facilitation payments. TI notes that the Code of Ethics prohibits bribery and kickbacks, but does not explicitly prohibit facilitation payments.

References:
Public:
TI notes:
Code of Ethics (November 2013), p.41.7:
‘No bribes or kickbacks may be solicited by or offered to an employee. Solicitation, payment or receipt of a bribe constitutes a criminal offence and will be prosecuted to the full extent of the law’. 
A24:
Does the company prohibit political contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent? Does the company record and publicly disclose all political contributions?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company prohibits political contributions, or regulates such contributions in order to prevent undue influence or other corrupt intent.

References:
Public:
NA
A25:
Does the company have a clear policy on engagement in lobbying activities, in order to prevent undue influence or other corrupt intent, and discloses the issues on which the company lobbies?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company has a clear policy on engagement in lobbying activities, in order to prevent undue influence or other corrupt intent, or discloses the issues on which the company lobbies. TI notes a section in the latest annual report regarding public policy compliance, but this does not amount to a clear company-wide policy on engagement in lobbying activities.

References:
Public:
TI notes:
Annual Report (2014), p.69:
‘LEGAL, REGULATORY AND PUBLIC POLICY COMPLIANCE
The nature of Denel’s business requires assessment of and integration of legal, regulatory and public policy requirements into the strategy and operational processes of the organisation to meet its contractual, moral and corporate citizenship obligations. As a public entity trading globally, the observation of laws that govern the company and its activities forms the foundation for good corporate governance and demonstrates stewardship and responsibility to the shareholder and other stakeholders.’
A25(a):
Does the company prohibit charitable contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent?

Score:
1

Comments:
Based on public information, there is limited evidence that the company regulates charitable contributions through the Social and Ethics Committee. Whilst corporate social investment is discussed in the annual report, there is no evidence that individual contributions are publicly declared. The company therefore scores 1.

References:
Public:
Code of Ethics (November 2013), p.41.10
‘We will support communities in which we operate. Charitable donations and educational and cultural contributions will be made within a policy set and reviewed by the companies’ Social and Ethics Committee’.

Annual Report (2014), pp.82-83:
Contribution to Our Communities
‘DENEL’S CORPORATE SOCIAL INVESTMENT (CSI) PROGRAMMES MAINLY TARGET YOUTH TO IMPROVE, EMPOWER AND TRANSFORM THEIR LIVES IN AN ATTEMPT TO ENSURE THAT THEY ARE GIVEN THE OPPORTUNITY TO CONTRIBUTE MEANINGFULLY TO THE ECONOMY. THE PROGRAMMES FURTHER FOCUS ON EDUCATION AND SKILLS ACQUISITION AS A CRITICAL ENABLER IN THE FIGHT TO ERADICATE POVERTY, INEQUALITY AND UNEMPLOYMENT.’

‘Denel’s youth development programme is two-pronged, namely creating awareness among the youth about the various career opportunities available in mathematics and science, and providing programmes to address their development in these areas.’

(p.84):
OTHER OUTREACH PROJECTS
A26:

Does the company provide written guidance to help Board members and employees understand and implement the firm’s ethics and anti-corruption agenda?

Score:

1

Comments:

Based on public information, there is some evidence that the company provides written guidance to help Board members and employees understand and implement the firm’s ethics and anti-corruption agenda. This is in the form of a series of Q&As at the end of the Code of Ethics. The company therefore scores 1.

References:

Public:
Code of Ethics (November 2013), p.41.13:
QUESTIONS AND ANSWERS

Q  My spouse owns a company that can offer great discounts to Denel. Would it still be considered a conflict of interest even if I was not involved in the decision to award the contract?
A  Yes. Business transactions involving spouses or close family relations must be avoided.

Q  A supplier’s representative sent me a pen and pencil set as a token of appreciation. May I accept the gift?
A  Yes, provided that the gift is of a nominal value and is available to others in similar circumstances. Frequent gifts should be avoided as they create or may be perceived as creating indebtedness. The same principle applies to invitations to meals by suppliers.

Q  A supplier has offered me rugby tickets together with overnight accommodation vouchers. Can I accept this gift?
A  If the courtesy involves travel outside your geographical area or overnight accommodation it is advisable for you to bear the costs for such accommodation. However entertainment and courtesies may differ according to employees’ seniority. In cases of substantial courtesies, full disclosure must be made and prior approval must be obtained.

Q  What should I do if I receive an unacceptable gift/courtesy?
A  You must politely decline and explain that Denel’s policy prohibits acceptance of the gift.

Q  Can I invite my friends to Denel’s suite at the stadium?
A  No. Allocation of sporting tickets and access to suites are mainly intended for customers and suppliers. Employees may also be invited to sporting events to foster team spirit. If you require tickets to entertain an outside person, you must provide the Corporate Affairs Department with the name of the client or customer. The tickets are for the sole use of that particular person and are not transferable to 3rd parties. In the event that the invited person cannot attend, the tickets must be returned to the Corporate Affairs department.
A27:

Does the company have a training programme that explicitly covers anti-corruption?

Score:

1

Comments:

Based on public information, there is evidence that the company has a training programme on its ethics and compliance systems, which includes an anti-corruption policy. The company therefore scores 1. To score higher the company would need to provide evidence of an explicit anti-corruption module.

References:

Public:
Annual Report (2013), p.70:
‘During the year under review, 390 employees received awareness training on the company’s ethics programme covering corporate values, business conduct and offering and receiving business courtesies, amongst other things’.

Annual Report (2014), p.61:
‘Regular awareness training regarding the code and our ethical standards helps us to embed a culture of responsible business conduct throughout the company. The board and the top 100 leaders in Denel attended an ethics course facilitated by the Ethics Institute of SA, which included practical guidance to help employees deal with important ethical issues.’

(p.68):
‘The scope of the code of ethics and business conduct was broadened to include business partners and other stakeholders. As part of instilling a culture of good ethics and integrity, Denel embarked on group-wide campaigns to communicate its values to employees.’

(p. 197):
GRI G3 INDICATOR
‘SO3 Percentage of employees trained in organisation’s anti-corruption policies and procedures √ √ √ Risk governance 65-69’
A28:
Is anti-corruption training provided in all countries where the company operates or has company sites?

Score:

1

Comments:
Based on public information, there is evidence that the company provides ethics training throughout the company. However, it is unclear whether all employees are trained. The company therefore scores 1.

References:
Public:
Annual Report (2013), p.70:
‘During the year under review, 390 employees received awareness training on the company’s ethics programme covering corporate values, business conduct and offering and receiving business courtesies, amongst other things’.

Annual Report (2014), p.61:
‘Regular awareness training regarding the code and our ethical standards helps us to embed a culture of responsible business conduct throughout the company. The board and the top 100 leaders in Denel attended an ethics course facilitated by the Ethics Institute of SA, which included practical guidance to help employees deal with important ethical issues.’
A29:

Does the company provide targeted anti-corruption training to members of the Board?

Score:

1

Comments:

Based on public information, there is evidence that the company provides ethics training to Board members. However, it is unclear how often such training takes place and whether it deals with anti-corruption specifically. The company therefore scores 1.

References:

Public:
Annual Report (2014), p.61:
‘Regular awareness training regarding the code and our ethical standards helps us to embed a culture of responsible business conduct throughout the company. The board and the top 100 leaders in Denel attended an ethics course facilitated by the Ethics Institute of SA, which included practical guidance to help employees deal with important ethical issues.’
A30:
Does the company provide tailored ethics and anti-corruption training for employees in sensitive positions?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company provides tailored ethics and anti-corruption training for employees in sensitive positions. TI notes that the board and the top 100 leaders attended an ethics course, but this does not amount to a tailored ethics and anti-corruption training for employees in sensitive positions.

References:
Public:
TI notes:
Annual Report (2014), p.61:
‘The board and the top 100 leaders in Denel attended an ethics course facilitated by the Ethics Institute of SA, which included practical guidance to help employees deal with important ethical issues.’
A31:
Does the company have a clear and formal process by which employees declare conflicts of interest?

Score:
1

Comments:
Based on public information, there is evidence that the company has a process by which employees declare conflicts of interest to a manager or via the Declaration of Interests section of their employment contracts. The company therefore scores 1. To score higher the company would need to provide evidence that employees report conflicts of interest to an independent department.

References:
Public:
Code of Ethics (November 2013), p.41.4:
‘5.1.3 Denel requires all employees to declare and keep current, in the form of the « Declaration of Interests » attached to their contracts of employment, the names of all other businesses, companies, close corporations, partnerships or work with which they are associated, or in which they have a financial interest. This will foster a culture of transparency in their business dealings.

5.1.4 If for any reason whatsoever an employee unavoidably finds him/herself in a position of conflict or potential conflict of interest with Denel, this must be immediately disclosed to his/her manager. In instances where an employee is unsure whether a situation constitutes a conflict of interest, it is advisable that he/she consults his/her superior before taking any further action.

5.1.5 Should an employee finds him/herself in a conflict of interest situation, he/she should if possible, and depending on the circumstances, delegate/re-assign all affected decisions or transactions to another employee who has no conflict of interest. If this is not possible, then all affected decisions or transactions should be approved by a higher ranking employee.’
A32:
Is the company explicit in its commitment to apply disciplinary procedures to employees, Directors and Board members found to have engaged in corrupt activities?

Score:

2

Comments:
Based on public information, there is evidence that the company is explicit in its commitment to apply disciplinary procedures to employees, Directors and Board members found to have violated the Code of Ethics.

References:
Public:
Code of Ethics (November 2013), p.41.2:

2. **SCOPE**

   This code applies to Directors, employees, representatives, consultants, and suppliers, whilst doing business for and on behalf of Denel i.e. any persons engaged to act in the name of Denel in the course and scope of their employment or appointment will be expected to adhere to all elements of this code.

(p.41.3): ‘There are no tolerable levels of unethical conduct. Any breach of Denel’s Code of Ethics constitutes a breach of discipline and will be dealt with in terms of Denel's disciplinary code and procedure’.
A33:
Does the company have multiple, well-publicised channels that are easily accessible and secure, to guarantee confidentiality or anonymity where requested by the employee (e.g. web, phone, in person), to report concerns or instances of suspected corrupt activity?

Score:
2

Comments:
Based on public information, there is evidence that the company has multiple channels for employees to report concerns or instances of suspected corrupt activity. In particular, employees can report using the Ethics Hotline which is operated independently and facilitates anonymous reporting.

References:
Public:
Code of Ethics (November 2013), p.41.12:
‘If you become aware of a circumstance or action that violates, or appears to violate, the code of conduct, Denel’s policy, or applicable law, contract your supervisor, or local managements as soon as possible.
If you are not able to get an answer to a question, or resolve an issue, under the Code of Conduct by working with your supervisor or local management, you can contact the Denel Ethics Hotline.
Denel has appointed an independent entity, KPMG, to provide this service and employees or others can report unethical behaviour that affects the Denel Group by this independent and confidential system. The KPMG number to report Fraud and Corruption is 0800 20 48 80 and is available 24 hours and seven days a week.
Remember that stamping out fraud starts with you! Blow the whistle on unethical behaviour by calling the anonymous hotline today’.
A33(a):
Are the whistleblowing channels available to all employees in all geographies?

Score:
2

Comments:
Based on public information, there is evidence that across geographies, all employees have access to more than whistleblowing channel. This includes the Ethics Hotline and local management channels.

References:
Public:
Code of Ethics (November 2013), p.41.12
‘If you become aware of a circumstance or action that violates, or appears to violate, the code of conduct, Denel’s policy, or applicable law, contract your supervisor, or local managements as soon as possible.
If you are not able to get an answer to a question, or resolve an issue, under the Code of Conduct by working with your supervisor or local management, you can contact the Denel Ethics Hotline.
Denel has appointed an independent entity, KPMG, to provide this service and employees or others can report unethical behaviour that affects the Denel Group by this independent and confidential system. The KPMG number to report Fraud and Corruption is 0800 20 48 80 and is available 24 hours and seven days a week.
Remember that stamping out fraud starts with you! Blow the whistle on unethical behaviour by calling the anonymous hotline today’. 
A33(b):
Does the company have formal and comprehensive mechanisms to assure itself that whistleblowing by employees is not deterred, and that whistleblowers are treated supportively?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company has formal and comprehensive mechanisms to assure itself that whistleblowing by employees is not deterred, or that whistleblowers are treated supportively.

References:
Public:
NA
A34:
Does the company have well-publicised resources available to all employees where help and advice can be sought on corruption-related issues?

Score:

2

Comments:
Based on public information, there is evidence that the company has well-publicised resources available to all employees where help and advice can be sought on corruption-related issues. These resources include local management and the Ethics Hotline.

References:
Public:
Code of Ethics (2013), p.41.12:
‘5.14.1 If you become aware of a circumstance or action that violates, or appears to violate, the code of conduct, Denel’s policy, or applicable law, contact your supervisor, or local managements as soon as possible.
5.14.2 If you are not able to get an answer to a question, or resolve an issue, under the Code of Conduct by working with your supervisor or local management, you can contact the Denel Ethics Hotline.
5.14.3 Denel has appointed an independent entity, KPMG, to provide this service and employees or others can report unethical behaviour that affects the Denel Group by this independent and confidential system.
A35:
Is there a commitment to non-retaliation for bona fide reporting of corruption?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company has a commitment to non-retaliation for bona fide reporting of corruption.

References:
Public:
NA
Information Sources:

Company Website:
http://www.denel.co.za/

Annual Report (2013):


Code of Ethics (November 2013):

Supply Chain Opportunities: