

DEFENCE COMPANIES INDEX (DCI) ON ANTI-CORRUPTION AND CORPORATE TRANSPARENCY 2020

FINAL ASSESSMENT

DENEL SOC



The following pages contain the detailed scoring for this company based on publicly available information.

The table below shows a summary of the company's scores per section:

Section	Number of Questions*	Score Based on Publicly Available Information
1. Leadership and Organisational Culture	4	1/8
2. Internal Controls	6	1/12
3. Support to Employees	7	2/14
4. Conflict of Interest	4	2/8
5. Customer Engagement	7	1/14
6. Supply Chain Management	5	0/10
7. Agents, Intermediaries and Joint Ventures	10	0/20
8. Offsets	4	0/8
9. High Risk Markets	4	2/8
10. State-Owned Enterprises	4	5/8
TOTAL		14 / 112
BAND		F

*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.

1. Leadership and Organisational Culture

Question
1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?
Score
0
Comments
<p>The company has a publicly stated commitment to 'integrity' and 'high ethical standards'. However, there is no evidence that this statement is directly authorised or supported by the company leadership and it does not explicitly refer to anti-bribery and corruption.</p>
Evidence
<p>[3] Code of ethics (webpage) Accessed 24/07/2019 http://www.denel.co.za/code-of-ethics Code of ethics</p> <p>As a corporate entity, Denel draws the attention of many stakeholders, which makes it paramount that the conduct of all those that act on Denel's behalf as Directors, officers, employees and suppliers to be beyond reproach. Such conduct must be able to measure up to Denel's values of performance, integrity, innovation, caring and accountability and be able to stand to scrutiny.</p> <p>Denel recognises that it is responsible for instilling the culture of good ethics in its employees and has a role to play to inculcate such a culture in the environment in which it operates, but it depends on the commitment of all those that do business with it or have an interest in good corporate citizenship for this to succeed.</p> <p>Therefore, Denel enjoins all stakeholders to support the organisation in promoting ethical conduct for common good and to resort suspected unethical conduct affecting Denel to Denel through the mechanisms provided in the downloadable document below in order for action to be taken.</p> <p>[2] Company values (webpage) Accessed 24/07/2019 http://www.denel.co.za/about-us/company-values</p> <ul style="list-style-type: none"> • Be a responsible corporate citizen to ensure: <ul style="list-style-type: none"> ◦ Good governance, and sustainability. ◦ Transformation and employee well being. <p>Our Values</p> <div>  Performance We embrace operational excellence. </div> <div>  Integrity We are honest, truthful & ethical. </div>

Question
1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories: a) All employees, including staff and leadership of subsidiaries and other controlled entities; b) All board members, including non-executive directors.
Score
0
Comments
<p>The company has a Code of Ethics which applies to directors and employees. However, the code is not available on the company's website. The company provides a summary of its Code of Ethics and outlines some standards that it establishes, but these summaries do not specifically mention tackling bribery or corruption.</p>
Evidence
<p>[3] Code of ethics (webpage) Accessed 24/07/2019 http://www.denel.co.za/code-of-ethics Code of ethics</p> <p>As a corporate entity, Denel draws the attention of many stakeholders, which makes it paramount that the conduct of all those that act on Denel's behalf as Directors, officers, employees and suppliers to be beyond reproach. Such conduct must be able to measure up to Denel's values of performance, integrity, innovation, caring and accountability and be able to stand to scrutiny.</p> <p>Denel recognises that it is responsible for instilling the culture of good ethics in its employees and has a role to play to inculcate such a culture in the environment in which it operates, but it depends on the commitment of all those that do business with it or have an interest in good corporate citizenship for this to succeed.</p> <p>Therefore, Denel enjoins all stakeholders to support the organisation in promoting ethical conduct for common good and to resort suspected unethical conduct affecting Denel to Denel through the mechanisms provided in the downloadable document below in order for action to be taken.</p> <p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.75] Code of ethics</p> <p>Denel's values underpin its code of ethics and are addressed to all stakeholders who have an interest in the group's activities and the way it conducts business. The group's code of ethics includes guidance on ethical standards and how to achieve them.</p> <p>Over time Denel has strengthened policies and processes to ensure employees have clear guidance to make ethical choices and an understanding of the due diligence required in all business decisions.</p> <p>Through the recently updated code of ethics Denel now sets clear expectations for directors, employees, suppliers, clients and other stakeholders. Regular awareness training regarding the code and ethical standards help to embed a culture of responsible business conduct throughout the group.</p> <p>The group has a whistle-blowing mechanism that is operated by an independent organisation. External stakeholders have also been made aware of the company's ethics policy and hotline via our procurement and legal departments.</p> <p>Ethics matters are monitored and reported to both the audit committee and the S&E committees.</p>

Question
1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?
Score
1
Comments
<p>There is evidence that a designated board committee – the Social & Ethics Committee – oversees the company's ethics and anti-bribery and corruption activities. However, the company receives a score of '1' because there is no evidence to suggest that it engages in formal oversight functions, such as reviewing reports from management. The Audit Committee reviews reports from auditors although it is unclear if this specifically includes reviewing reports on the anti-bribery and corruption programme.</p>
Evidence
<p>[4] Corporate governance (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads//7c2bdf98bf25c46722689aa4a7e8d0aa.pdf</p> <p>[p.2] The board promotes efficient, accountable, transparent and ethical management of the business through an effective system of corporate governance. This ethos is embedded in all the group's activities and thus Denel's governance framework goes beyond mere compliance with legislation.</p> <p>[p.2] The board has delegated specific responsibilities to four standing committees, namely:</p> <ol style="list-style-type: none"> 1. Audit committee 2. Risk and Finance committee 3. Personnel Remuneration and Transformation (P, R&T) committee, and 4. Social and Ethics (S&E) committee <p>[p.3] The audit committee provides the following support to the company:</p> <ul style="list-style-type: none"> • audit and risk function • corporate governance • Other business risk <p>This is done with a view to improve accountability and limit risks. The appointment of members of the audit committee is reconsidered and voted on at every annual general meeting (AGM).</p> <p>The Audit committee provides the following support activities to the board of directors:</p> <ul style="list-style-type: none"> • Reviews the integrated report, including consolidated annual financial statements, and considers reports of the auditors on the financial statements; • Reviews and assesses the risk control processes and systems; • Reviews the effectiveness of the company's internal controls; • Considers matters emanating from the company's ethics hotline, planned management actions and the results of enquiries; • Agrees on the scope of the auditors' work and their fees; • Monitors the performance of the internal audit function; • Considers the combined assurance model, assesses levels of assurance as provided by auditors, regulators, management and other assurance providers; • Considers treasury controls and related risk management processes; • Information Technology governance. <p>[p.5] Social Ethics (S&E) Committee</p> <p>Only independent non-executive directors serve on the S&E committee. This includes the chairman who is confirmed at every AGM. The executive directors are standing invitees to committee meetings and relevant Exco members may attend the committee meetings by invitation. External experts as proposed in the regulations may be appointed to the committee by the board, as and when necessary.</p>

The committee advises the board on good corporate citizenship and ethical relationships, reporting 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.

An annual work plan ensures that the committee meets all monitoring and reporting responsibilities within the annual cycle. A significant responsibility of the committee is to consider the group's corporate and social investment (CSI) programmes, transformation and enterprise development (ED) initiatives, occupational health and safety (OHS), stakeholder management and the ethics policy.

The Social and Ethics committee provides the following support activities to the board of directors:

- 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.

[6] Annual report 2018 (Document)

Accessed 24/07/2019

<http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf>

[p.75] Ethics matters are monitored and reported to both the audit committee and the S&E committees.

[p.76] Denel's fraud and corruption prevention strategy is underpinned by the group's values of integrity, along with the requirements of the PFMA to prevent financial misconduct and fraud, and the principles of the UN Global Compact. The S&E committee advises the board on good corporate citizenship and ethical relationships in implementing the group strategy.

Question
1.4. Is responsibility for implementing and managing the company's anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company's programme?
Score
0
Comments
There is no evidence that a specific managerial-level employee has ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme. There is evidence that the company has a Risk and Compliance Manager but it is not explicitly stated that this individual's remit includes implementing and managing the company's anti-bribery and corruption activities.
Evidence
<p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.19]</p> <div data-bbox="142 860 545 1160" data-label="Image"> </div> <p>THEMBA ZWELIBANZI (54) GROUP EXECUTIVE: RISK AND COMPLIANCE MANAGER</p> <p><i>BCom, Advanced programme risk management, Diploma (Human Resources), Graduate Diploma (Company Direction)</i></p> <p>DIRECTORSHIPS: Permanent invitee to the audit committee and social and ethics committee, trustee of DMBT, AMD Arms Control work group member, council member of SACCI, Densecure SOC Ltd board member</p> <p>RELEVANT SKILLS, EXPERTISE AND EXPERIENCE: Risk management, corporate governance, change management and negotiations skills</p> <p><i>Appointed as risk and compliance manager in June 2006</i></p>

2. Internal Controls

Question
2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?
Score
0
Comments
<p>The company has a risk assessment process managed by the Risk and Finance Committee. While this makes reference to fraud risk evaluation, there is no evidence that the company specifically refers to assessment of bribery and corruption risks.</p>
Evidence
<p>[4] Corporate governance (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads//7c2bdf98bf25c46722689aa4a7e8d0aa.pdf [p.3] Risk and Finance Committee</p> <p>The Risk and Finance committee is responsible for the governance of risk. The committee comprises of only independent non-executive directors, with the executive directors as standing invitees to the committee meetings.</p> <p>The strategy must be clearly communicated to all employees to ensure that the risk management strategy is incorporated into the language and culture of Denel (Treasury Regulations paragraph – 27.2.1). Particularly the Risk and Finance Committee should, among other things:</p> <ul style="list-style-type: none"> • Oversee the development and annual review of a policy and plan for risk management to recommend same for approval to the Denel Board; • Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes; • Oversee the dissemination of the risk management plan throughout Denel and its integration in the day-to-day activities of Denel; • Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks; • Ensure that management considers and implements appropriate risk responses; <p>[p.4] Ensure that continuous risk monitoring by management takes place.</p> <ul style="list-style-type: none"> • Express the Audit Committee's opinion to the Denel Board on the effectiveness of the system and process of risk management; <p>Ensure that risks arising from business strategies and activities are identified and prioritised (including material environmental and social issues);</p> <ul style="list-style-type: none"> • Ensure management and the Denel Board have determined the level of risks acceptable to Denel, including the acceptance of risks designed to accomplish Denel's strategic plans; • Ensure risk mitigation activities are designed and implemented to reduce or otherwise manage risk at levels that were determined to be acceptable to management and the Denel Board; • Ensure ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage it. • Ensure that the Denel Board and management receive periodic reports on the results of the risk management process. The corporate governance process of Denel should provide periodic communication of risks, risk strategies, and controls to stakeholders; and • Ensure Denel's Fraud Prevention Plan, based on a fraud risk evaluation, is regularly reviewed. • Review arrangements in place for combined assurance and views on their effectiveness.

[6] Annual report 2018 (Document)

Accessed 24/07/2019

<http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf>

[p.42]

RISK DESCRIPTION		STRATEGIC RESPONSE
[...]		
9	Fraud and corruption (by employees, third parties and collusion with third parties)	<ul style="list-style-type: none"> • Management of business interests. • Introduce an electronic fraud- detection process at transaction level. • Continuous review and monitoring of controls around fraud high risk areas by management • Continuous strengthening of the internal control environment • Continuous review and monitoring of the general internal control environment by Internal Audit

Question		
2.2. Is the company's anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?		
Score		
0		
Comments		
<p>There is evidence that the company's mitigations for fraud and corruption include provisions for continuous review of internal controls by internal audit. However, the company receives a score of '0' because further details are not provided, for example, it is not clear how frequently audits are conducted or whether the findings are used to update the anti-bribery and corruption programme.</p>		
Evidence		
<p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.76] Management continuously interrogates financial, HR and supply chain information to detect possible instances of fraud and corruption as part of the day-to-day control activities. Fraud detection tests were also included in the external and internal auditors' procedures. To embed integrity in the organisation, Denel decided to introduce lifestyle audits for executives and senior staff. Processes are being put in place to effectively implement the audits.</p> <p>[p.42]</p>		
9	<p>Fraud and corruption (by employees, third parties and collusion with third parties)</p>	<ul style="list-style-type: none"> • Management of business interests. • Introduce an electronic fraud- detection process at transaction level. • Continuous review and monitoring of controls around fraud high risk areas by management • Continuous strengthening of the internal control environment • Continuous review and monitoring of the general internal control environment by Internal Audit
<p>[4] Corporate governance (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/7c2bdf98bf25c46722689aa4a7e8d0aa.pdf [p.3] The Audit committee provides the following support activities to the board of directors:</p> <ul style="list-style-type: none"> • Reviews the integrated report, including consolidated annual financial statements, and considers reports of the auditors on the financial statements; • Reviews and assesses the risk control processes and systems; • Reviews the effectiveness of the company's internal controls; • Considers matters emanating from the company's ethics hotline, planned management actions and the results of enquiries; • Agrees on the scope of the auditors' work and their fees; • Monitors the performance of the internal audit function; • Considers the combined assurance model, assesses levels of assurance as provided by auditors, regulators, management and other assurance providers; 		

Question
2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?
Score
1
Comments
<p>There is evidence that the company commits to investigating incidents, which are monitored by the Audit Committee and Social Ethics Committee. However, the company receives a score of '1' because it does not provide details on its investigation process from receipt to final outcome. It is also not fully clear which team or individual currently conducts investigations and whether evidence on each investigation is documented. The company does not make a commitment to providing whistleblowers with updates on the outcome of investigations. In addition, it is not clear whether the Audit Committee or Social Ethics Committee review summary information on investigations on a regular, at least annual, basis.</p> <p>In its 2018 Annual Report, the company describes plans to establish a penal to ensure that cases are independently investigated. However, publicly available information does not contain any further information on what changes were made and whether they were implemented.</p>
Evidence
<p>[4] Corporate governance (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/7c2bdf98bf25c46722689aa4a7e8d0aa.pdf [p.3] The Audit committee provides the following support activities to the board of directors: [...]</p> <ul style="list-style-type: none"> • Considers matters emanating from the company's ethics hotline, planned management actions and the results of enquiries; <p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.75] The group has a whistle-blowing mechanism that is operated by an independent organisation. External stakeholders have also been made aware of the company's ethics policy and hotline via our procurement and legal departments.</p> <p>Ethics matters are monitored and reported to both the audit committee and the S&E committees.</p> <p>[p.76] WHISTLE-BLOWING</p> <p>Denel has an independent, confidential hotline accessible to all stakeholders, through which suspected fraudulent and unethical behaviour may be reported. The hotline number is published on the intranet and website, supplier and customer orders, the group's newsletter and noticeboards. Denel has put plans in place to re-launch the hotline and establish a panel of forensic companies to ensure that cases are promptly and independently investigated.</p>

Question
2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?
Score
0
Comments
<p>There is no evidence that the company assures itself of the quality of its internal investigations. The company states that ethics matters are monitored by the Audit Committee and Social Ethics Committee, but it is not clear whether the committees review the company's investigation procedures. Moreover, there is no evidence that staff tasked with conducting investigations are properly trained to perform the function, nor that a procedure is in place to handle complaints about the process.</p> <p>In its 2018 Annual Report, the company describes plans to establish a panel to ensure that cases are independently investigated. However, publicly available information does not contain any further information on what changes were made and whether they were implemented.</p>
Evidence
<p>[4] Corporate governance (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/7c2bdf98bf25c46722689aa4a7e8d0aa.pdf [p.3] The Audit committee provides the following support activities to the board of directors: [...]</p> <ul style="list-style-type: none"> • Considers matters emanating from the company's ethics hotline, planned management actions and the results of enquiries; <p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.75] The group has a whistle-blowing mechanism that is operated by an independent organisation. External stakeholders have also been made aware of the company's ethics policy and hotline via our procurement and legal departments.</p> <p>Ethics matters are monitored and reported to both the audit committee and the S&E committees.</p> <p>[p.76] WHISTLE-BLOWING</p> <p>[...] Denel has put plans in place to re-launch the hotline and establish a panel of forensic companies to ensure that cases are promptly and independently investigated.</p>

Question
2.5. Does the company's investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?
Score
0
Comments
<p>There is no evidence that the company's investigative procedure includes a commitment to report material findings to the board or relevant authorities. The company states that ethics issues are monitored and reported to the board-level Audit Committee and Social and Ethics Committee, but it is not clear from this statement whether this specifically applies to material findings, nor how direct this reporting line is to the board itself. Moreover, there is no evidence that an appropriate senior individual within the committees is responsible for ensuring this disclosure, if necessary.</p>
Evidence
<p>[4] Corporate governance (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads//7c2bdf98bf25c46722689aa4a7e8d0aa.pdf [p.3] The Audit committee provides the following support activities to the board of directors: [...]</p> <ul style="list-style-type: none"> • Considers matters emanating from the company's ethics hotline, planned management actions and the results of enquiries; <p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.75] The group has a whistle-blowing mechanism that is operated by an independent organisation. External stakeholders have also been made aware of the company's ethics policy and hotline via our procurement and legal departments.</p> <p>Ethics matters are monitored and reported to both the audit committee and the S&E committees.</p>

Question
2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?
Score
0
Comments
<p>There is no evidence that the company publishes any data on ethical or bribery and corruption-related investigations or disciplinary actions involving its employees. In its 2018 Annual Report, the company makes reference to one corruption allegation involving former senior management at the company, but this is not counted as high-level data from all ethics investigations.</p>
Evidence
<p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf</p> <p>[p.87] Denel was affected by state capture and its symptoms of fraud, corruption and malfeasance that engulfed some of the state-owned companies in the country. The Group experienced governance lapses resulting in serious reputational damage and loss of credibility with stakeholders as well as negative publicity. The Board is conscious of the role Denel plays in the local industry especially the DoD and Armscor, the global defence supply chain and the contribution towards the national developmental agenda. To enable Denel to fulfil this role will require a demonstration of, and commitment to, sound governance and eradication of fraud and corruption. The Board is committed to fully cooperate with the investigations by the Special Investigations Unit commissioned by the shareholder to investigate fraud, corruption and malfeasance in state-owned companies as well as the commission on state-capture appointed by the President. The Board has appointed external forensic firms to independently investigate malfeasance, fraud and corruption including irregular appointment of service providers or awarding of contracts with a view to taking disciplinary and/ or civil or criminal action where appropriate.</p> <p>The Board considers the departure of the former Group CEO and on-going disciplinary action against the Group FD as an opportunity to ensure leadership that will stand scrutiny and espouse integrity and ethical values across the Group. The Group has commenced roadshows with critical stakeholders as part of the process of the governance turnaround and the Board looks forward to constructive engagements and support of the stakeholder.</p> <p>[p.91] Investigations</p> <p>As a result of Denel being implicated in state capture, the Board has placed a strong emphasis on the restoration of credibility on both Denel and its leadership. To this end, Denel is at an advanced stage of discussing a proclamation with the Special Investigating Unit to investigate allegations of malfeasance, fraud and corruption. The focus areas will include supply chain, procurement and contracting with customers. In addition to current internal investigations, and in consultation with the Special Investigating Unit and the Department of Public Enterprises, Denel has initiated lifestyle audits for members of the Board and senior management.</p>

3. Support to Employees

Question
3.1. Does the company provide training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?
Score
1
Comments
<p>There is some evidence that the company provides its employees with training on anti-bribery and corruption. The company states that prevention of corruption is included as part of its induction programme. However, the company receives a score of '1' because it is unclear whether training is refreshed throughout employment or whether training is systematically provided to all employees across all divisions, all countries regions of operation or in all appropriate languages.</p>
Evidence
<p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.75] Regular awareness training regarding the code and ethical standards help to embed a culture of responsible business conduct throughout the group.</p> <p>[p.76] Denel continuously raises awareness among employees regarding the system of internal controls. This includes the delegations of authority, supply chain and other policies aimed at protecting the organisation's assets and reputation, preventing fraud and corruption and promoting ethical conduct. The system provides for the segregation of duties to promote transparency and accountability at various levels of the group. The values of Denel, ethics and fraud and corruption prevention awareness are included in the group's induction programme. Additionally, fraud and corruption prevention awareness are continuously promoted through the group's newsletters and other forms of communication.</p>

Question
3.2. Does the company provide tailored training on its anti-bribery and corruption programme for at least the following categories of employees: a) Employees in high risk positions, b) Middle management, c) Board members.
Score
0
Comments
There is no evidence that the company tailors its anti-bribery and corruption training to employees based on an assessment of their role and exposure to corruption risk.
Evidence
No evidence found.

Question
3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?
Score
0
Comments
There is no evidence that the company measures or reviews the efficacy of its anti-bribery and corruption communications or training programme.
Evidence
No evidence found.

Question
3.4. Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
0
Comments
There is no evidence that the company's incentive schemes incorporate ethical or anti-bribery and corruption principles. The company mentions some information on its remuneration strategy, but there is no evidence that this includes a consideration of anti-bribery and corruption principles.
Evidence
<p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf</p> <p>[p.78] The remuneration strategy seeks to:</p> <ul style="list-style-type: none"> • Provide remuneration that attracts, retains, measures and motivates employees and helps to develop a high performance culture; • Ensure that remuneration levels are competitive in the market; • Provide a "total reward" approach, which involves creating a suitable mix of financial and non-financial rewards; • Remunerate practices that encourage highly competent individuals to consistently and effectively apply their competencies to enhance business performance; • Ensure remuneration is capped at a maximum monetary value, related to market remuneration, per job level above which no individual may progress; • Develop a remuneration process that provides for equitable pay that is fair, consistent and transparent but differentiates between non-performance, average and excellent performers; • Ensure alignment with Denel business strategy; • Be fit for purpose, not one size fits all; • Be flexible and adaptable in response to Denel divisional operating environment; • Be fair and equitable and supportive of diverse needs (i.e. remuneration does not discriminate unfairly based on criteria that is not work-related or outside the employee's control such as race, gender, family responsibility, disability, age, etc.); • Reinforce teamwork and a culture of belonging and high commitment; • Comply with legislation and relevant guidelines; • Withstand scrutiny of stakeholders and the general public.

Question
3.5. Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?
Score
0
Comments
There is no evidence that the company commits to support or protect employees who refuse to act unethically.
Evidence
No evidence found

Question
3.6. Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?
Score
0
Comments
There is no evidence that the company has a policy of non-retaliation against whistleblowers or employees who report bribery and corruption incidents.
Evidence
No evidence found

Question					
3.7. Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?					
Score					
1					
Comments					
<p>There is evidence that the company provides an externally operated whistleblowing channel to allow employees and external stakeholders to report bribery or corruption allegations. However, the company receives a score of '1' because it is not clear that these channels can be used to seek advice on the company's anti-bribery and corruption activities, nor does it state that reports can be made anonymously and are treated confidentially. It is not explicitly clear that the channel is available to all employees in any country of operation, or in multiple languages, or to any employees of third parties, suppliers or joint venture partners.</p>					
Evidence					
<p>[4] Corporate governance (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads//7c2bdf98bf25c46722689aa4a7e8d0aa.pdf [p.3] The Audit committee provides the following support activities to the board of directors: [...]</p> <ul style="list-style-type: none"> • Considers matters emanating from the company's ethics hotline, planned management actions and the results of enquiries; <p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.75] The group has a whistle-blowing mechanism that is operated by an independent organisation. External stakeholders have also been made aware of the company's ethics policy and hotline via our procurement and legal departments.</p> <p>Ethics matters are monitored and reported to both the audit committee and the S&E committees.</p> <p>[p.42]</p> <table border="1"> <tr> <td>9</td><td>Fraud and corruption (by employees, third parties and collusion with third parties)</td><td> <ul style="list-style-type: none"> • Management of business interests. • Introduce an electronic fraud- detection process at transaction level. • Continuous review and monitoring of controls around fraud high risk areas by management • Continuous strengthening of the internal control environment • Continuous review and monitoring of the general internal control environment by Internal Audit </td></tr> </table> <p>[p.76] WHISTLE-BLOWING</p> <p>Denel has an independent, confidential hotline accessible to all stakeholders, through which suspected fraudulent and unethical behaviour may be reported. The hotline number is published on the intranet and website, supplier and customer orders, the group's newsletter and noticeboards. Denel has put plans in place to re-launch the hotline and establish a panel of forensic companies to ensure that cases are promptly and independently investigated.</p> <p>To report suspected incidents of fraud and corruption employees and stakeholders call 0800 20 48 80</p>			9	Fraud and corruption (by employees, third parties and collusion with third parties)	<ul style="list-style-type: none"> • Management of business interests. • Introduce an electronic fraud- detection process at transaction level. • Continuous review and monitoring of controls around fraud high risk areas by management • Continuous strengthening of the internal control environment • Continuous review and monitoring of the general internal control environment by Internal Audit
9	Fraud and corruption (by employees, third parties and collusion with third parties)	<ul style="list-style-type: none"> • Management of business interests. • Introduce an electronic fraud- detection process at transaction level. • Continuous review and monitoring of controls around fraud high risk areas by management • Continuous strengthening of the internal control environment • Continuous review and monitoring of the general internal control environment by Internal Audit 			

4. Conflict of Interest

Question
4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?
Score
1
Comments
<p>There is evidence that the company has a conflict of interest policy for board members and it states that a similar policy applies to all employees of the group. There is evidence that the company addresses risks arising from personal relationships and some indication that it addresses financial interests, though this category is not fully defined.</p> <p>The company receives a score of '1' because, based publicly available information, there is no evidence that this policy covers actual, potential and perceived conflicts, nor whether explicitly applies to all employees, including those of subsidiaries and other controlled entities. In addition, there is no evidence that the company's policy addresses other categories of conflict outlined in the scoring criteria, such as government relationships or other employment.</p>
Evidence
<p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.70] Managing conflict of interest</p> <p>The principle of effective management of conflicts of interest is paramount to limit risk and ensure transparency. Our Board members declare their interests at each board and subcommittee meeting regarding any agenda item to prevent a director's personal interests taking precedence over those of the company. Directors' interests are declared by the individual directors in a register which is presented to our shareholder at every AGM for consideration. Moreover, the conflict of interest schedule has been enhanced significantly. Directors who have personal interests in a matter under discussion disclose their interests and recuse themselves from the meeting.</p> <p>For the period under assessment, no such conflict of interest was declared by our directors regarding agenda items tabled at either the Board or committee meetings. A similar practice applies to all employees of the group.</p> <p>[4] Corporate governance (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/7c2bdf98bf25c46722689aa4a7e8d0aa.pdf [p.2] Composition of The Board</p> <p>The Denel group has a unitary board, comprising of two ex-officio directors, the GCEO and the Group Chief Financial Officer (GCFO), as well as seven nonexecutive directors. The non-executive directors meet the independence criteria in terms of being free from any business relationship that could generally hamper their objectivity or judgement on the business and activities of the group. Any conflict of interest is declared.</p>

Question
4.2. Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?
Score
1
Comments
<p>There is evidence that the company has procedures to identify and manage conflicts of interest. The company states that director interests are held in a dedicated register which is presented to the company's shareholder on an annual basis, and there is an indication that a similar process applies to all employees.</p> <p>However, the company receives a score of '1' because it is unclear with there is a specific body or individual with oversight and accountability for handling cases. Although the company states that directors' interests are recorded in a register, there is no evidence that a similar procedure applies for employee declarations. There is also no evidence that the company describes criteria for recusals, nor does it explicitly state that disciplinary measures will apply if the policy is breached.</p>
Evidence
<p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.70] Managing conflict of interest</p> <p>The principle of effective management of conflicts of interest is paramount to limit risk and ensure transparency. Our Board members declare their interests at each board and subcommittee meeting regarding any agenda item to prevent a director's personal interests taking precedence over those of the company. Directors' interests are declared by the individual directors in a register which is presented to our shareholder at every AGM for consideration. Moreover, the conflict of interest schedule has been enhanced significantly. Directors who have personal interests in a matter under discussion disclose their interests and recuse themselves from the meeting.</p> <p>For the period under assessment, no such conflict of interest was declared by our directors regarding agenda items tabled at either the Board or committee meetings. A similar practice applies to all employees of the group.</p> <p>[4] Corporate governance (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/7c2bdf98bf25c46722689aa4a7e8d0aa.pdf [p.2] Composition of The Board</p> <p>The Denel group has a unitary board, comprising of two ex-officio directors, the GCEO and the Group Chief Financial Officer (GCFO), as well as seven nonexecutive directors. The non-executive directors meet the independence criteria in terms of being free from any business relationship that could generally hamper their objectivity or judgement on the business and activities of the group. Any conflict of interest is declared.</p>

Question
4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?
Score
0
Comments
There is no evidence that the company has a policy regulating the employment of current or former public officials.
Evidence
No evidence found.

Question
4.4. Does the company report details of the contracted services of serving politicians to the company?
Score
0
Comments
There is no evidence that the company reports details of the contracted services of serving politicians.
Evidence
No evidence found.

5. Customer Engagement

5.1 Contributions, Donations and Sponsorships


Question
5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?
Score
0
Comments
There is no evidence that the company has a policy on corporate political contributions.
Evidence
No evidence found.

Question
5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?
Score
0
Comments
There is no evidence that the company discloses any details of its political contributions.
Evidence
No evidence found.

Question
5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?
Score
0
Comments
There is no evidence that the company has a policy and/or procedure covering charitable donations and sponsorships.
Evidence
No evidence found

5.2 Lobbying

Question
5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?
Score
0
Comments
There is no evidence that the company has a policy and/or procedure on lobbying.
Evidence
No evidence found.

Question		
5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?		
Score		
1		
Comments		
<p>The company publishes some information on its engagement with government departments in South Africa, including with its shareholder, the Ministry of Public Enterprises, as well as the Department of Defence. However, it provides limited information on its aims in these engagement activities. The company does not publish information regarding its lobbying activities in other jurisdictions, nor an indication that it does not conduct lobbying elsewhere.</p>		
Evidence		
<p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.36]</p>		
<div> <div>STAKEHOLDER</div> <div>  <div> SHAREHOLDER REPRESENTATIVE PARLIAMENT AND OTHER KEY GOVERNMENT DEPARTMENTS <ul style="list-style-type: none"> ■ DPE ■ DoD ■ Parliament RSA </div> </div> </div>		
ISSUES	PLANNED ENGAGEMENT METHOD	OUTCOMES
<ul style="list-style-type: none"> ■ Maintaining the shareholder support for Denel's business strategy including marketing support, the regulatory environment and industry participation programmes ■ Engagement on the state of Denel's finances ■ Aligning to the shareholder developmental agenda for Denel as articulated in the Shareholder Compact ■ Government oversight of progress in advancing Broad-Based Black Economic Empowerment, diversity management, skills and enterprise development within Denel ■ Building and strengthening relationships with government, both as a partner in the development of the country, the Shareholder and as a key client ■ Governance breaches; leadership conduct and allegations of corruption ■ Allegations of state capture 	<ul style="list-style-type: none"> ■ Regular scheduled meetings between the Minister and the Board Chairperson. ■ Senior Officials with Board Members and Executive Directors when necessary ■ Bilateral and issue-specific meetings between the DPE and Denel's executive management ■ Regular engagements to report on progress and strategic review of Denel's Shareholder Compact targets with DPE ■ Participation and visibility of the shareholder in Denel's initiated stakeholder activities, e.g. exhibitions, air shows, gala dinners golf days and hospitality suites ■ Parliamentary Committees Presentations 	<ul style="list-style-type: none"> ■ Relationships with key stakeholders require to be strengthened through more engagement and alignment. ■ This process is on-going and will continue into the next financial period.

[p.37]

STAKEHOLDER

PRIMARY CLIENTS AND CUSTOMERS

- Department of Defence
- ARMSCOR
- SAPS

ISSUES	PLANNED ENGAGEMENT METHOD	OUTCOMES
<ul style="list-style-type: none"> ■ Adequate support for the operational readiness of the SANDF ■ To jointly plan and deliver the strategic defence capabilities of the SANDF and the country ■ Engagement to develop, protect and sustain South Africa's sovereign and strategic defence capabilities ■ Maintaining support for Denel's business strategy including marketing support, the regulatory environment and industry participation programmes ■ Building and strengthening relationships with the DoD and ARMSCOR, both as partners in the development of the country and as key clients ■ To provide input into legislative development processes that will affect the economy including the positioning and role of the South African Defence industry (SADI) in South Africa's economic development 	<ul style="list-style-type: none"> ■ Monthly and weekly issue-driven meetings ■ Joint planning sessions between Denel and DoD/ARMSCOR ■ Presentation of Strategic Integrated Programme to the Security Cluster and Council of Defence ■ Written comments and workshops between the DoD/Armcor and Denel ■ Attending the Budget Vote of relevant Ministries ■ Participation and visibility of the DoD/ ARMSCOR in Denel's initiated stakeholder activities, e.g. exhibitions, air shows, gala dinners, golf days. 	<ul style="list-style-type: none"> ■ These relationships also require to be strengthened through more engagement and alignment. ■ This process is on-going and will continue into the next financial period.

STAKEHOLDER

OTHER GOVERNMENT DEPARTMENTS

- National Treasury
- DoT
- DST
- DTI
- DTPS
- DHA
- DIRCO
- CoGTA
- DHET

ISSUES	PLANNED ENGAGEMENT METHOD	OUTCOMES
<ul style="list-style-type: none"> ■ Liquidity challenges ■ Decline of the Department of Defence capital spending ■ Financial performance of Denel ■ Denel's challenges ranging from financial and operational sustainability to policy decisions that have an adverse impact on the viability of Denel's operations. ■ Governance breaches; leadership conduct and allegations of corruption ■ Participation and visibility in, and being a partner to, the transformation of SA ■ A clear and defined role that Denel can play in government's developmental agenda and strategic objectives 	<ul style="list-style-type: none"> ■ Regular feedback to the relevant Parliamentary Portfolio Committees ■ Annual presentation to the Parliamentary Portfolio Committee on Public Enterprises on Denel's results and Shareholder's Compact performance ■ Presentation of Strategic Integrated Programme to co-ordination structures ■ Attending Budget Votes of key government departments ■ Participation in government business delegations both local and International 	<ul style="list-style-type: none"> ■ Some of the key relationships were fractured and remain strained with low levels of trust ■ Rebuilding the relationship and increasing trust levels is on-going and will continue into the next financial period.

Question
5.2.3 Does the company publish full details of its global lobbying expenditure?
Score
0
Comments
There is no evidence that the company provides details about its global lobbying expenditure.
Evidence
No evidence found.

5.3 Gifts and Hospitality

Question
5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?
Score
0
Comments
There is no evidence that the company has a policy or procedure on gifts or hospitality.
Evidence
No evidence found.

6. Supply Chain Management

Question
6.1. Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?
Score
0
Comments
There is no evidence that the company requires the involvement of its procurement department in the establishment and/or oversight of its supplier base.
Evidence
No evidence found.

Question	
6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?	
Score	
0	
Comments	
The company states that it conducts due diligence on potential partners, but does not provide any further details on this process that would be required to score '1'.	
Evidence	
[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.42]	
8 Conduct of business partners and agents that may impact negatively on Denel's image	<ul style="list-style-type: none"> ■ Conducting due diligence on potential partners ■ Including ethical requirements as a condition in contracts with technical advisors. ■ Improving monitoring and oversight of business partners ■ Continuously review, refine and strengthen processes for appointing technical advisors and agents.

Question
6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?
Score
0
Comments
<p>There is evidence that the company sets expectations for its suppliers through its Code of Ethics. However, based on publicly available information, this code refers to general standards of ethical business conduct and does not specifically refer to any of the anti-bribery and corruption measures mentioned in score '1'.</p>
Evidence
<p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.75] Code of ethics</p> <p>Denel's values underpin its code of ethics and are addressed to all stakeholders who have an interest in the group's activities and the way it conducts business. The group's code of ethics includes guidance on ethical standards and how to achieve them.</p> <p>[...]</p> <p>Through the recently updated code of ethics Denel now sets clear expectations for directors, employees, suppliers, clients and other stakeholders.</p> <p>[3] Code of ethics (webpage) Accessed 24/07/2019 http://www.denel.co.za/code-of-ethics Code of ethics</p> <p>As a corporate entity, Denel draws the attention of many stakeholders, which makes it paramount that the conduct of all those that act on Denel's behalf as Directors, officers, employees and suppliers to be beyond reproach. Such conduct must be able to measure up to Denel's values of performance, integrity, innovation, caring and accountability and be able to stand to scrutiny.</p> <p>Denel recognises that it is responsible for instilling the culture of good ethics in its employees and has a role to play to inculcate such a culture in the environment in which it operates, but it depends on the commitment of all those that do business with it or have an interest in good corporate citizenship for this to succeed.</p> <p>Therefore, Denel enjoins all stakeholders to support the organisation in promoting ethical conduct for common good and to resort suspected unethical conduct affecting Denel to Denel through the mechanisms provided in the downloadable document below in order for action to be taken.</p>

Question
6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?
Score
0
Comments
There is no evidence that the company takes steps to ensure that the substance of its anti-bribery and corruption programme and standards are required throughout the supply chain.
Evidence
No evidence found.

Question
6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or anti-bribery and corruption investigations relating to its suppliers, or the associated disciplinary actions.
Evidence
No evidence found.

7. Agents, Intermediaries and Joint Ventures

7.1 Agents and Intermediaries

Question	
7.1.1 Does the company have a clear policy on the use of agents?	
Score	
0	
Comments	
<p>There is no evidence that the company has a clear policy covering the use of agents. In its Annual Report (2018), it commits to continuously reviewing and strengthening processes for appointing agents. The company receives a score of '0' because it does not provide further information on these processes nor does it specifically address the corruption risks associated with the use of agents.</p>	
Evidence	
<p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.42]</p>	
<p>8 Conduct of business partners and agents that may impact negatively on Denel's image</p>	<ul style="list-style-type: none"> ■ Conducting due diligence on potential partners ■ Including ethical requirements as a condition in contracts with technical advisors. ■ Improving monitoring and oversight of business partners ■ Continuously review, refine and strengthen processes for appointing technical advisors and agents.

Question	
7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?	
Score	
0	
Comments	
The company states that it conducts due diligence on potential partners but does not provide any further information on its procedures.	
Evidence	
[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.42]	
8 Conduct of business partners and agents that may impact negatively on Denel's image	<ul style="list-style-type: none"> ■ Conducting due diligence on potential partners ■ Including ethical requirements as a condition in contracts with technical advisors. ■ Improving monitoring and oversight of business partners ■ Continuously review, refine and strengthen processes for appointing technical advisors and agents.

Question
7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?
Score
0
Comments
There is no evidence that the company aims to establish the beneficial ownership of its agents, nor does it commit to not engaging or terminate its engagement with agents or intermediaries if beneficial ownership cannot be established.
Evidence
No evidence found.

Question			
7.1.4 Does the company's anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities?			
Score			
0			
Comments			
<p>There is some evidence that the company includes provisions related to ethics in its contracts with advisors, but it does not mention anti-bribery and corruption. In addition, there is no publicly available evidence that the company includes audit and termination rights in these contracts. It is also not clear that the company's has an anti-bribery and corruption policy which applies to agents. As such, the company receives a score of '0'.</p>			
Evidence			
<p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.42]</p> <table border="1"> <tr> <td> <p>8 Conduct of business partners and agents that may impact negatively on Denel's image</p> </td><td> <ul style="list-style-type: none"> ■ Conducting due diligence on potential partners ■ Including ethical requirements as a condition in contracts with technical advisors. ■ Improving monitoring and oversight of business partners ■ Continuously review, refine and strengthen processes for appointing technical advisors and agents. </td></tr> </table>		<p>8 Conduct of business partners and agents that may impact negatively on Denel's image</p>	<ul style="list-style-type: none"> ■ Conducting due diligence on potential partners ■ Including ethical requirements as a condition in contracts with technical advisors. ■ Improving monitoring and oversight of business partners ■ Continuously review, refine and strengthen processes for appointing technical advisors and agents.
<p>8 Conduct of business partners and agents that may impact negatively on Denel's image</p>	<ul style="list-style-type: none"> ■ Conducting due diligence on potential partners ■ Including ethical requirements as a condition in contracts with technical advisors. ■ Improving monitoring and oversight of business partners ■ Continuously review, refine and strengthen processes for appointing technical advisors and agents. 		
<p>[p.75] Code of ethics</p> <p>Denel's values underpin its code of ethics and are addressed to all stakeholders who have an interest in the group's activities and the way it conducts business. The group's code of ethics includes guidance on ethical standards and how to achieve them.</p> <p>[...]</p> <p>Through the recently updated code of ethics Denel now sets clear expectations for directors, employees, suppliers, clients and other stakeholders.</p>			

Question
7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
0
Comments
There is no evidence that the company's incentive structures for agents are designed to minimise risks of bribery and corruption or that incentive structures are recognised as a risk factor in agent behaviour.
Evidence
No evidence found.

Question
7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the agents currently contracted to act for or and on behalf of the company.
Evidence
No evidence found.

Question
7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption-related investigations, incidents or the associated disciplinary actions involving to agents.
Evidence
No evidence found.

7.2 Joint Ventures

Question	
7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?	
Score	
0	
Comments	
The company states that it conducts anti-bribery and corruption due diligence on its potential partners but there is no evidence that the company directly refers to joint ventures.	
Evidence	
[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.42]	
8 Conduct of business partners and agents that may impact negatively on Denel's image	<ul style="list-style-type: none"> ■ Conducting due diligence on potential partners ■ Including ethical requirements as a condition in contracts with technical advisors. ■ Improving monitoring and oversight of business partners ■ Continuously review, refine and strengthen processes for appointing technical advisors and agents.

Question
7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture partnerships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?
Score
0
Comments
There is no evidence that the company commits to establishing or implementing anti-bribery and corruption policies or procedures in its joint ventures.
Evidence
<p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.75] Code of ethics</p> <p>Denel's values underpin its code of ethics and are addressed to all stakeholders who have an interest in the group's activities and the way it conducts business. The group's code of ethics includes guidance on ethical standards and how to achieve them.</p> <p>[...]</p> <p>Through the recently updated code of ethics Denel now sets clear expectations for directors, employees, suppliers, clients and other stakeholders.</p>

Question
7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?
Score
0
Comments
There is no evidence that the company commits to take an active role in preventing bribery and corruption in all of its joint ventures.
Evidence
No evidence found.

8. Offsets

Question
8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?
Score
0
Comments
There is no evidence that the corruption risks associated with offset contracting are addressed. There is no evidence that a dedicated body, department or team is responsible for monitoring of the company's offset activities.
Evidence
No evidence found.

Question
8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?
Score
0
Comments
There is no evidence that the company has a formal procedure to conduct anti-bribery and corruption due diligence on its offset obligations.
Evidence
No evidence found.

Question
8.3 Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the offset agents, brokers or consultancy firms currently contracted to act with and on behalf of the company's offset programme.
Evidence
No evidence found.

Question
8.4 Does the company publish details about the beneficiaries of its indirect offset projects?
Score
0
Comments
There is no evidence that the company publishes any details of its offset obligations and/or contracts.
Evidence
No evidence found.

9. High Risk Markets

Question
9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?
Score
0
Comments
<p>There is no evidence that the company acknowledges the corruption risks of operating in different markets, or that risk assessment procedures are used to inform the company's operations in high risk markets. There is no reference to high risk markets for corruption in the company's description of its risk management procedures.</p>
Evidence
<p>[4] Corporate governance (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads//7c2bdf98bf25c46722689aa4a7e8d0aa.pdf [p.3] Risk and Finance Committee</p> <p>The Risk and Finance committee is responsible for the governance of risk. The committee comprises of only independent non-executive directors, with the executive directors as standing invitees to the committee meetings.</p> <p>The strategy must be clearly communicated to all employees to ensure that the risk management strategy is incorporated into the language and culture of Denel (Treasury Regulations paragraph – 27.2.1). Particularly the Risk and Finance Committee should, among other things:</p> <ul style="list-style-type: none"> • Oversee the development and annual review of a policy and plan for risk management to recommend same for approval to the Denel Board; • Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes; • Oversee the dissemination of the risk management plan throughout Denel and its integration in the day-to-day activities of Denel; • Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks; • Ensure that management considers and implements appropriate risk responses; <p>[p.4]</p> <ul style="list-style-type: none"> • Ensure that continuous risk monitoring by management takes place. • Express the Audit Committee's opinion to the Denel Board on the effectiveness of the system and process of risk management; • Ensure that risks arising from business strategies and activities are identified and prioritised (including material environmental and social issues); • Ensure management and the Denel Board have determined the level of risks acceptable to Denel, including the acceptance of risks designed to accomplish Denel's strategic plans; • Ensure risk mitigation activities are designed and implemented to reduce or otherwise manage risk at levels that were determined to be acceptable to management and the Denel Board; • Ensure ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage it. • Ensure that the Denel Board and management receive periodic reports on the results of the risk management process. The corporate governance process of Denel should provide periodic communication of risks, risk strategies, and controls to stakeholders; and • Ensure Denel's Fraud Prevention Plan, based on a fraud risk evaluation, is regularly reviewed. • Review arrangements in place for combined assurance and views on their effectiveness.

Question

9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?

Score

1

Comments

The company publishes a list of subsidiaries and non-fully consolidated holdings in its annual report. The list includes the countries of incorporation of the subsidiaries and percentages owned. However, the company receives a score of '1' because the list does not include the countries of operation. The list is not accompanied by a statement that it is complete at the time of publication to the best of the company's knowledge and it is therefore not clear whether this is a complete list of subsidiaries.

Evidence
[6] Annual report 2018 (Document)

Accessed 24/07/2019

<http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf>

[p.134]

12 INVESTMENTS IN SUBSIDIARIES

Unlisted shares	2 635	2 541	2 541
Accumulated impairment	(1 055)	(1 055)	(1 055)
Carrying value at 31 March	1 580	1 486	1 486

The accumulated impairment loss on investments in subsidiaries is as follows:

Unlisted shares			
Impairment for the year (refer note 3) ¹			
Balance at 1 April	1 055	1 055	1 055
Impairment for the year	-	-	-
	1 055	1 055	1 055

	2017/18			2016/17			2015/16		
	Effective share - holding	Share investment by Denel SOC Ltd	Impairment	Effective share - holding	Share investment by Denel SOC Ltd	Impairment	Effective share - holding	Share investment by Denel SOC Ltd	Impairment
	%	Rm	Rm	%	Rm	Rm	%	Rm	Rm
Subsidiary companies									
Denel Aerostructures SOC Ltd	100	1 689	(1 055)	100	1 689	(1 055)	100	1 689	(1 055)
Densecure SOC Ltd	100	8		100	8		100	8	
LMT Holdings SOC Ltd (RF)	51	16		51	16		51	16	
Denel Vehicle Systems (Pty) Ltd	100	828		100	828		100	828	
Turbomeca (Africa) Pty) Ltd	100	94							
Denel Asia LLC	51	-	-	51	-	-	51	-	-
		2 635	(1 055)		2 541	(1 055)		2 541	(1 055)

BAE Land Systems South Africa (Pty) Ltd was acquired on 29 April 2015, subsequent name change to Denel Vehicle Systems (Pty) Ltd. Denel Asia LLC was established in Hong Kong on 29 January 2016.

100% of the shares held in Denel Vehicle Systems (Pty) Ltd have been pledged as security in relation to the loan received from Nedbank (refer note 24.3).

A detailed breakdown of the investments in subsidiaries is contained in note 37.

[p.136]

13 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

13.1 ESTABLISHMENT OF ASSOCIATED COMPANIES (CONTINUED)

Associated company	Equity partner	2017/18		2016/17 and 2015/16	
		Denel SOC Ltd		Denel SOC Ltd	
		Shareholding %	Number of board members	Shareholding %	Number of board members
Hensoldt Optronics (Pty) Ltd	Hensoldt Sensors GmbH ¹	30	1	70	5
Rheinmetall Denel Munition (Pty) Ltd	Rheinmetall Waffe Munition GmbH ¹	49	2	51	3
Pioneer Land Systems LLC	International Golden Group PJSC ²	49	2	51	3
Tawazun Dynamics LLC	Tawazun Holding ³	49	2	51	3
Turbomeca Africa (Pty) Ltd ³	Turbomeca SAS and Safran SA ⁴			49	3

The above mentioned information was used in management's judgement that Denel did not exercise control over these companies and therefore, will disclosed these companies as associate companies. The financial year-end of all Denel's associated companies is 31 December.

[p.203] The country of incorporation of subsidiaries are not different from Denel, except for Denel Asia Co Ltd which is a Hong Kong based company. The country of incorporation of associated companies are not different from Denel, except for Tawazun Dynamics LLC and Pioneer Land Systems LLC which are both UAE based companies. All associated companies are strategic to the business activities of Denel. Non-controlling interest voting rights are not different from % shareholding

[5] Associated companies (webpage)

Accessed 24/07/2019

<http://www.denel.co.za/our-business/associated-companies>

Hensoldt Optronics

Denel holds a 30% stake in Hensoldt Optronics, formerly known as Carl Zeiss Optronics. The South African subsidiary is a specialist entity in the design, development, manufacture and after sales support of electro-optical products for airborne, laser and helmet head tracker systems for the commercial and military markets.

For more information, please visit: <https://www.hensoldt.net>

Rheinmetall Denel Munition

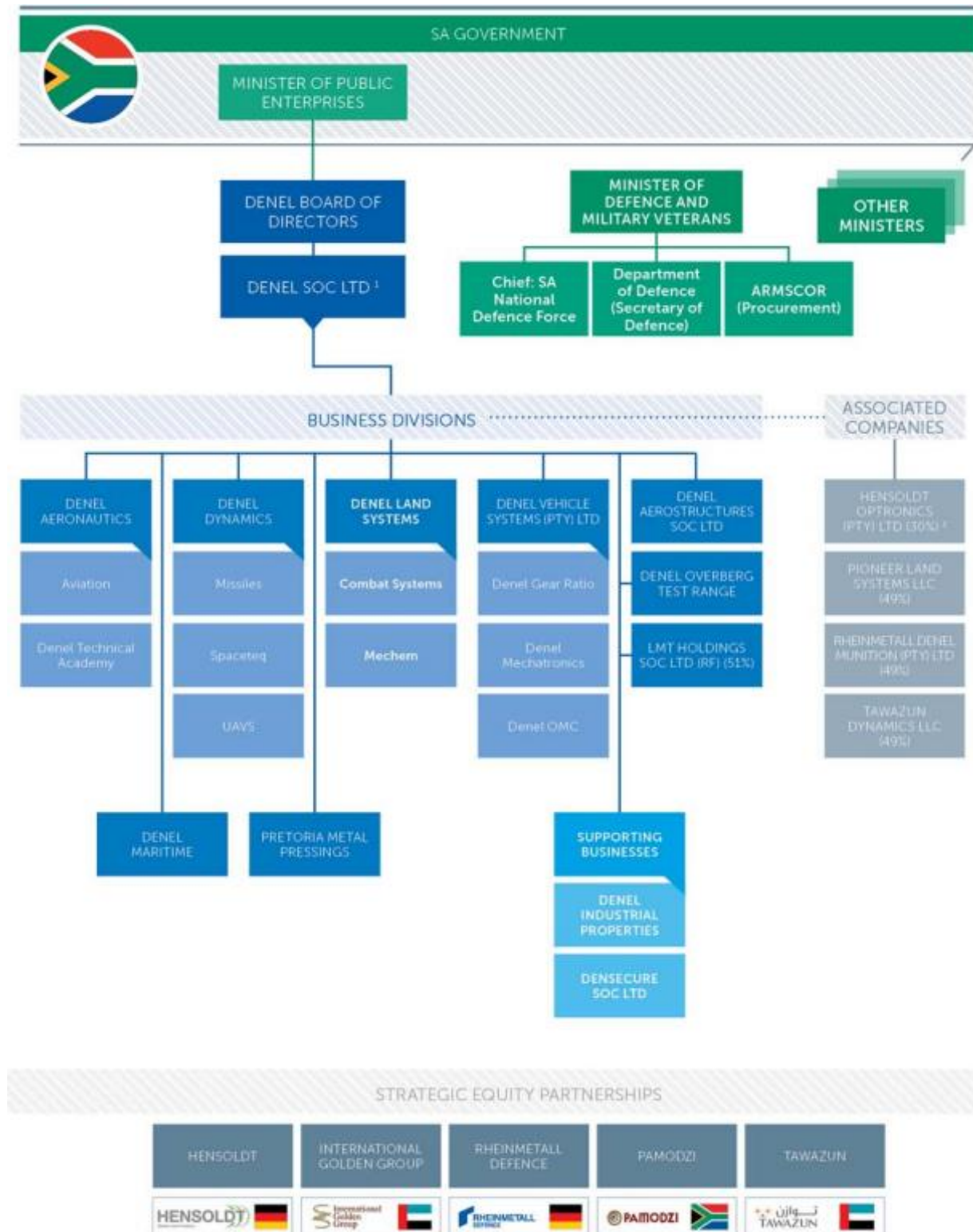
Rheinmetall Denel Munition (RDM) was created on 1 September 2008 when Rheinmetall Waffe Munition GmbH of Germany acquired a 51% share in certain of Denel's munitions manufacturing facilities. All propellants, heavy caliber ammunition and pyrotechnics are now manufactured by RDM).

For more information, please visit: http://www.rheinmetall-defence.com/en/rheinmetall_defence/company/divisions_and_subsidaries/rheinmetall_denel_munition/index.php

[7] Group structure (Document)

Accessed 24/07/2019

<http://admin.denel.co.za/uploads//2168ded8f76229eeeca02cd12faf634e.pdf>

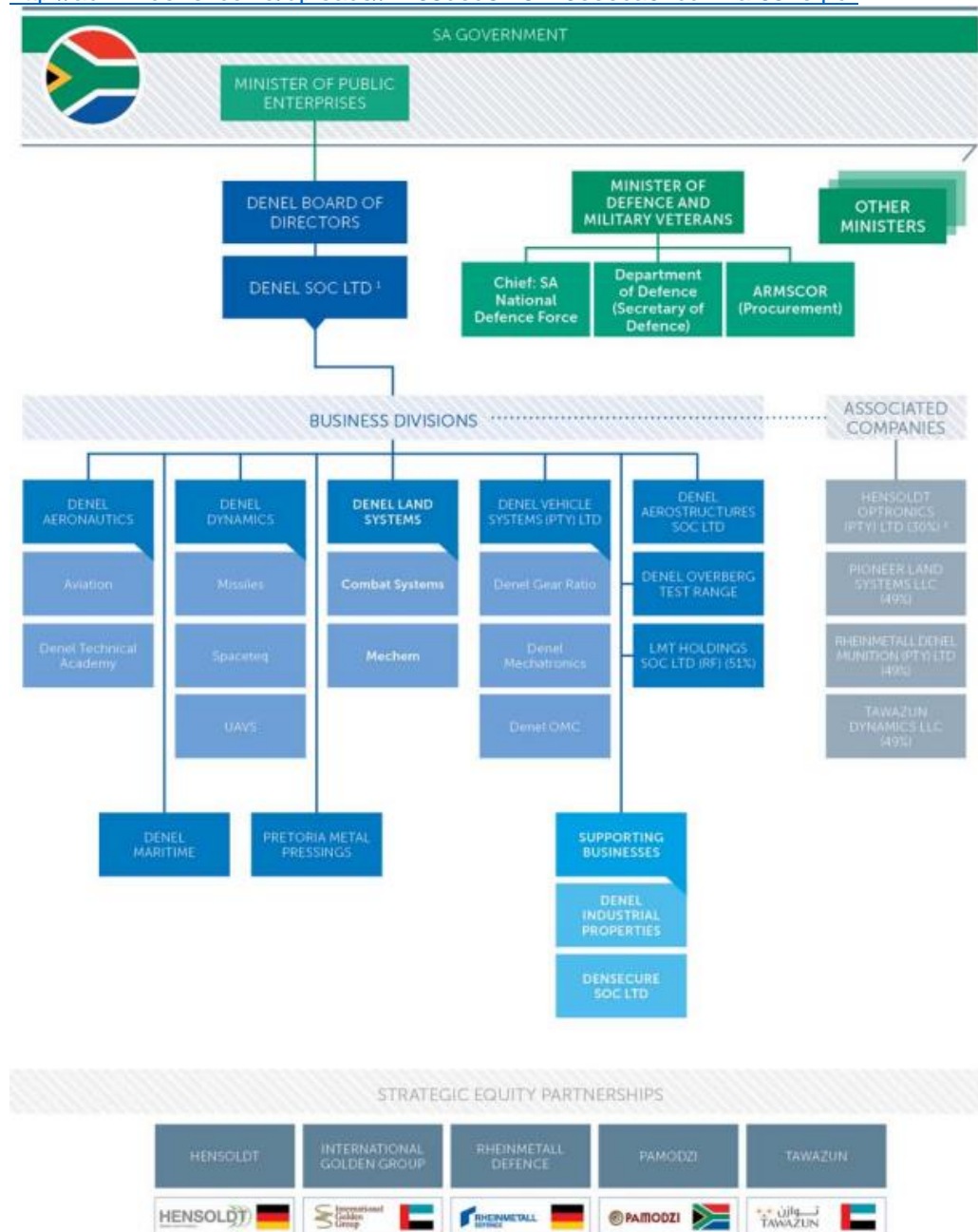


Question**9.3 Does the company disclose its beneficial ownership and control structure?****Score****1****Comments**

The company discloses its ownership by the South African state on its website. The company does not disclose details in an open data format, nor does it disclose its ownership in a freely available central public register.

Evidence**[7] Group structure (Document)**

Accessed 24/07/2019

<http://admin.denel.co.za/uploads//2168ded8f76229eeeca02cd12faf634e.pdf>



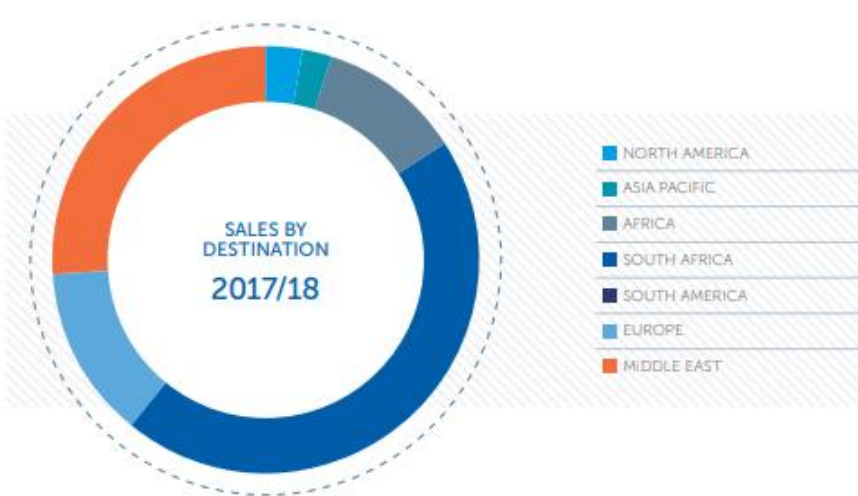
1. Denel's shareholding is 100%, unless stated otherwise.

[1] Company profile (webpage)


Accessed 24/07/2019

<http://www.denel.co.za/about-us/company-profile>

Denel SOC Ltd is the largest manufacturer of defence equipment in South Africa and operates in the military aerospace and landward defence environment. Denel SOC Ltd was incorporated as a company in 1992 in terms of the South African Companies Act (No 62 of 1973), Denel's sole shareholder is the South African Government.

Question
9.4 Does the company publish a percentage breakdown of its defence sales by customer?
Score
0
Comments
<p>There is no evidence that the company publishes details of its defence sales by customer. The company provides some information on sales by destination – which includes 45% of sales to South Africa – but does not provide details of other customers beyond regional percentages.</p>
Evidence
<p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.22]</p>   <p>[p.46] The local customer is our most important partner and comprises 45% of Denel's current revenue stream.</p>

10. State-Owned Enterprises (SOEs)

Question
10.1 Does the SOE publish a breakdown of its shareholder voting rights?
Score
N/A
Comments
The company publishes a statement that it is a state-owned enterprise, with 100% of shares held by the South African Government. Therefore, it can be inferred that the company does not have shareholders and that the South African Government also holds 100% of its voting rights.
Evidence
<p>[1] Company profile (webpage) Accessed 24/07/2019 http://www.denel.co.za/about-us/company-profile Denel SOC Ltd is the largest manufacturer of defence equipment in South Africa and operates in the military aerospace and landward defence environment. Denel SOC Ltd was incorporated as a company in 1992 in terms of the South African Companies Act (No 62 of 1973), Denel's sole shareholder is the South African Government.</p> <p>[7] Group structure (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads//2168ded8f76229eeeca02cd12faf634e.pdf</p>  <p>[...]</p> <p>1. Denel's shareholding is 100%, unless stated otherwise.</p>

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
2
Comments
<p>The company provides details of its commercial and public policy objectives on its website, and there is evidence in the Annual Report to indicate that these objectives are updated and reviewed on an annual basis. This includes reporting against an annual performance plan agreed with the shareholder. Although there is no direct evidence that the objectives on the company's website are updated annually, the inclusion of key objectives in the Annual Report is considered sufficient to receive a score of '2'.</p>
Evidence
<p>[2] Company values (webpage) Accessed 24/07/2019 http://www.denel.co.za/about-us/company-values As a values driven SOC, Denel's purpose is to:</p> <ul style="list-style-type: none"> • Supply the RSA defence & security environment with strategic technology capability, products, services, and support. • Leverage indigenous capability to access selected export markets. • Contribute to the socio economic imperatives of Government such as: <ul style="list-style-type: none"> ○ Job creation, Skills development and social investment. ○ Enhancing the local technology and manufacturing base. ○ Supplier development. ○ Exploiting commercial use of technology. ○ Foreign policy and regional security objectives. • Be a responsible corporate citizen to ensure: <ul style="list-style-type: none"> ○ Good governance, and sustainability. ○ Transformation and employee well being. <p>[4] Corporate governance (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads//7c2bdf98bf25c46722689aa4a7e8d0aa.pdf [p.1] As a state-owned company (SOC), the company enters into an annual shareholder's compact with the Government of South Africa represented by the Minister of Public Enterprises. This contract sets out annual key performance deliverables that cover but are not limited to social and economic drivers.</p> <p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.46] Local Environment</p> <p>The local customer is our most important partner and comprises 45% of Denel's current revenue stream. The local client base assists in key product developments which Denel leveraged when pursuing foreign business initiatives. The current defence and security budget is 1.1 % of GDP which is low compared to international norms. Whilst the relatively low defence spend places pressure on Denel to find export clients to maintain capability and be sustainable, it provides a base load together with investment in new technologies. The technology is important when pursuing export business. The export business provides critical mass to sustain strategic and sovereign defence capabilities. The strategic alignment between the DoD/SANDF and Denel ensures that the recently approved Defence Review policy implementation does achieve its stated objectives.</p>

[p.47]

STRATEGY



PROGRESS AGAINST THE STRATEGY




STRATEGIC DRIVERS	KEY OBJECTIVES	KEY OUTCOMES
Improve customer and other stakeholder relationship in support of a strong long-term order book	<ul style="list-style-type: none"> Significant increase in order book that can be converted to cash generated revenue. Strong relationship with customers Leverage smart relationship 	<ul style="list-style-type: none"> Achieved a R2.7bn in year order intake. However, the order book was reduced to R18bn and is at levels lower than planned. A key objective remains the improvement of Denel's brand and relationships within its eco-system in support of a future-orientated growth strategy. Whilst the liquidity challenges of Denel have negatively impacted on the Denel brand and supply performance, sound, high level strategic communication is maintained between Denel and the DoD/Armcor and SANDF. Denel remains fully committed to its role as a sovereign and strategic supplier to the DoD. Extensive industrial cooperation with governments and other contractors have become the price of entry as demonstrated by the Tawazun Dynamics Joint Venture in UAE. Denel has ongoing engagements with customers to replicate this model.
Increase productivity, efficiency and profitability	<ul style="list-style-type: none"> Focused managing of working capital Operational excellence in contract execution Optimise cost structure Lucrative contracting Profitable cash returns Restructuring debt profile Strong balance sheet 	<ul style="list-style-type: none"> High working capital levels due to the liquidity constraints Key contracts are behind schedule and ongoing engagements with clients are in progress to review timelines Sustained significant losses were incurred and this trend is expected to continue in 2019. However, Denel is engaged in a process to review the cost structure to reduce sustainably going forward; Debt ratio still not optimal despite some repayments; further actions to be followed in the new year
Enhance capability and foster innovation	<ul style="list-style-type: none"> Deliver differentiated and sustainable value Leveraging current product lines Meeting customers' requirements Selective and focused R&D investment particularly in areas of expertise and core strengths 	<ul style="list-style-type: none"> Denel has strengthened its focus on products that would best suit market penetration and produce free cash flows available for technology investment. Whilst R&D work continues with very good results on the high technology products, other products best positioned for large volume exports were identified especially in the missiles and standoff weapons area. The industrialisation of the weapons is being reviewed to reduce cost and to enhance productivity. Denel is engaging with global customers to support their aspirations for more localisation as part of its market penetration drive. In the process investment in R&D and product development from customers has been secured that supports capability retention and development for Denel.
Create a dynamic and vibrant organisation	<ul style="list-style-type: none"> An entrenched culture driving a transformed, high performance and innovative organisation Attract, develop and retain talent Good governance 	<ul style="list-style-type: none"> High working capital levels due to the liquidity constraints Key contracts are behind schedule and ongoing engagements with clients are in progress to review timelines Sustained significant losses were incurred and this trend is expected to continue in 2019. However, Denel is engaged in a process to review the cost structure to reduce sustainably going forward; Debt ratio still not optimal despite some repayments; further actions to be followed in the new year

[p.51] The business of Denel is to provide a strong and innovative technology base to enable an independent defence industrial capability and supports the mandate of a modern, balanced and technologically advanced South African National Defence Force (SANDF) that is required to protect the sovereignty of the Republic of South Africa and ensure targeted economic growth.

[p.64]

PERFORMANCE AGAINST THE SHAREHOLDER COMPACT

SIS STRATEGIC OBJECTIVES	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	ACTUALS 2016/17	2017/18		COMMENTS
				TARGETS	ACTUAL	
OPERATIONAL EXCELLENCE	Security of supply and retention of capabilities in areas required by the DoD&MV	Retained strategic capabilities in support of the DoD&MV's requirements as per register	100%	100%	100%	
	Research and development	Research and development investment	R609m	>=R500	R769m	
	Programme delivery	Achieving contracted cash flow targets on major programmes.	96%	>85%	60%	Target not met due to delays on all major contracts
		Achieving of cardinal milestones as contractually agreed by clients for selected major programmes	86%	> 85%	42%	
SUSTAINABLE DEVELOPMENT	Maximise the appointments from designated groups in order to address employment equity requirements	ACI as % of total appointments	84%	80%	83%	Target exceeded
		Women as % of total appointments	51%	40%	44%	Target exceeded
	B-BBEE level	B-BBEE contributor level (new codes)	Level 4	Level 4	Level 6	Target not met due to liquidity constraints
	Preferential procurement and enterprise development (current baseline for women owned=1.3%)	Local Content	76%	70%	73%	Target exceeded
		B-BBEE (% of recognised spend):	100%	75%	71.46%	Target not met due to liquidity constraints
		Procurement from Black owned suppliers as % of local spend	27%	30%	30%	Target exceeded
		Black woman owned as a % of total local spend	9%	9%	15%	Target exceeded
SUSTAINABLE DEVELOPMENT	Preferential procurement and enterprise development (current baseline for women owned=1.3%)	Black youth owned as a % of total local spend	1,60%	1%	0.80%	Target exceeded
		Spend on companies with ownership by Persons with Disabilities	0%	0.20%	2.70%	Target exceeded
		Small and emerging enterprises suppliers developed	73	30	55	Target exceeded
	Corporate social investment	Total CSI Spend	R7.2m	>=R10 million	R9.4m	Target not met due to liquidity constraints
	Training spend	% of personnel cost	3%	3%	2%	Target not met due to liquidity constraints
	Skills development-scarce and critical skills	Total number of engineering trainees (bursaries and internships)	85	50	9	Target not met due to liquidity constraints
		Total number artisan trainees	177	100	249	Target exceeded
		Total number of DTA artisan (enrolments during the year Denel sponsored only)	66	100	151	Target exceeded
FINANCIAL SUSTAINABLE	Cash	Cash generated from operations, after restructuring	R380m	>=R350m	(R716m)	Target under strain due to project delays, non-payment of creditors and over investment in working capital.
	Order intake	Value of new orders to be concluded in 2017/18	R5.2bn	≥ R2bn	R2.7bn	Target exceeded
	Solvency	Debt/Equity	NA	80/20	74/26	Target not met due to losses and restructuring of balance sheet required
	Profitability management	EBIT Margin	8%	4%	(29%)	Target not met

Question
10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?
Score
1
Comments
<p>The SOE publishes clear information about the composition of its board, for example whether each board member is an independent director or an executive. It states that independent board members are appointed by the Minister for Public Enterprises, acting on behalf of the company's sole shareholder, the Ministry for Public Enterprises. However, the company receives a score of '1' because on its website it does not provide any further information on the nomination and appointment process for executive and non-executive directors.</p>
Evidence
<p>[1] Company profile (webpage) Accessed 24/07/2019 http://www.denel.co.za/about-us/company-profile The Minister for Public Enterprises appoints an independent Board of Directors that oversees the executive management team which is responsible for the day-to-day management of the company.</p> <p>[4] Corporate governance (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads//7c2bdf98bf25c46722689aa4a7e8d0aa.pdf [p.2] Composition of The Board The Denel group has a unitary board, comprising of two ex-officio directors, the GCEO and the Group Chief Financial Officer (GCFO), as well as seven nonexecutive directors. The non-executive directors meet the independence criteria in terms of being free from any business relationship that could generally hamper their objectivity or judgement on the business and activities of the group. Any conflict of interest is declared. The company supports the principles of gender diversity at board level. Collectively, the board believes the current mix of knowledge, skills and experience meets the requirements to lead the company effectively.</p> <p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf [p.14]</p> <div>  <p>MS MONHLA HLAHLA (55) <i>Bachelor of Arts Honours in Economics from Pomona College, Master of Arts in Urban and Regional Planning, Advanced Management Programme</i> INDEPENDENT NON-EXECUTIVE DIRECTOR & CHAIRPERSON Appointed to the Board on 9 April 2018 (confirmed by cabinet 24 May 2018) DENEL BOARD COMMITTEE MEMBERSHIPS: Chairperson of the Board, member of the personnel, remuneration and transformation committee and member of the social and ethics committee DIRECTORSHIPS: Non-executive director at Ruta Thari Limited, Stanlib Limited and Asset Management, Exaro Resources Limited and Liberty Holdings</p> </div> <div>  <p>MR MICHAEL L KGOBE (49) <i>Master's Degree: Aeronautical Production & Maintenance, Executive Leadership Programme, Executive Development Programme</i> GROUP CHIEF EXECUTIVE OFFICER (Acting) and EX OFFICIO DIRECTOR Appointed to the group executive committee in March 2010 and acting group chief executive officer with effect 15 May 2018 DENEL BOARD COMMITTEE MEMBERSHIPS: Invitee to the Board and board committees DIRECTORSHIPS: Executive Director of Denel Aerostructures SOC Ltd VALUE ADD TO THE BOARD: Leadership, strategic planning and implementation, policy formulation, professional practice and ethics, organising and planning.</p> </div> <div>  <p>MR ODWA MHLWANA (41) <i>NDip (Internal auditing), BCompt, BCompt (Hons), CA (SA)</i> GROUP CHIEF FINANCIAL OFFICER and EX OFFICIO DIRECTOR Appointed as group chief financial officer with effect 1 November 2017 DENEL BOARD COMMITTEE MEMBERSHIPS: Invitee to the Board and board committees DIRECTORSHIPS: Executive director Mhlwana & Associates, Non-executive Director of Rheinmetall Denel Munitions (RF) Ltd, Tawazun Dynamics LLC, LMT Holdings (RF) Ltd and alternate director Hensoldt Optonics (Pty) Ltd VALUE ADD TO THE BOARD: Finance, auditing, management, corporate governance and strategy formulation</p> </div>

[p.15]



**MRS GLORIA TOMATO
SEROBE (59)**

*B.Com Degree and Masters of Business
Administration (MBA)*

**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

Appointed to the Board on 9 April
2018 (confirmed by cabinet 24 May
2018)

DENEL BOARD COMMITTEE

MEMBERSHIPS: Chairperson of the
risk and finance committee and
member of the Audit Committee

DIRECTORSHIPS: Co-founder and
Executive Director of Wipholding,
chief executive officer of Wipcapital
(Pty) Ltd and non-executive director
of Hans Merensky Holdings (Pty)
Ltd, the Mamba Cement Company
(RF) (Pty) Ltd, Adcorp Holdings,
Sasfin Bank Limited, Sasfin Holdings
Limited and Sasfin Wealth (Pty) Ltd



**MR NHLANHLA RIGNEY
KUNENE (65)**

*LLB Degree and a Certificate Programme
in Industrial Relations*

**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

Appointed to the Board on 9 April
2018 (confirmed by cabinet 24 May
2018)

DIRECTORSHIPS: Non-executive
director at 3C Telecommunications,
Cell C (Pty) Ltd, CellSAF, Grintek
Ewaton, Alcatel Lucent, OB
Investments and founder and chief
executive officer of Kunene Finance
and Kunene Industrial Holdings

VALUE ADD TO THE BOARD:
Industry knowledge, legal and
business leadership



**PROF TSHILIDZI
MARWALA (46)**

*PhD in Computational Intelligence
in Engineering System, Master's of
Engineering and Bachelor of Science*

**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

Appointed to the Board on 9 April
2018 (confirmed by cabinet 24 May
2018)

DENEL BOARD COMMITTEE

MEMBERSHIPS: Chairperson of
the social and ethics committee
and member of the personnel,
remuneration and transformation
committee

DIRECTORSHIPS: Non-executive
director at Resolution Circle and
EOH Holdings

VALUE ADD TO THE BOARD:
Industry knowledge, technical and
business leadership

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DR SIBUSISO SIBISI (63)

*PhD and BSc (Physics) of Science and
Technology*

**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

Appointed to the Board on 9 April 2018
(confirmed by cabinet 24 May 2018)

DENEL BOARD COMMITTEE

MEMBERSHIPS: Member of the risk
and finance committee and member
of the audit committee

DIRECTORSHIPS: Non-executive
director at Liberty Holdings

VALUE ADD TO THE BOARD:
Industry knowledge, technical,
business strategy development and



**LIEUTENANT GENERAL
(RETIRED) TEMBA TEMPLETON
MATANZIMA (65)**

*Presidential Strategic Leadership
Development Programme; Master's Degree
in Management and Development and a
Bachelor of Social Science*

**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

Appointed to the Board on 9 April 2018
(confirmed by cabinet 24 May 2018)

DENEL BOARD COMMITTEE

MEMBERSHIPS: Member of the social
and ethics committee

DIRECTORSHIPS: Non-executive
director of NT (MPAT)



MS SUE RABKIN (70)

BA Hons in English and Education

**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

Appointed to the Board on 9 April 2018
(confirmed by cabinet 24 May 2018)

DENEL BOARD COMMITTEE

MEMBERSHIPS: Member of the
audit committee and social ethics
committee

VALUE ADD TO THE BOARD:
Industry knowledge and technical

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MR TALIB SADIK (52)

Bachelor of Commerce, Advanced Diploma in Accounting, Advance Management Programme, CA (SA)

He served as GCEO of Denel between 2008 and 2012

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board on 9 April 2018 (confirmed by cabinet 24 May 2018)

DENEL BOARD COMMITTEE

MEMBERSHIPS: Chairperson of the audit committee and member of the risk and finance committee

DIRECTORSHIPS: Non-executive director of Tonoku Properties, Sunspray Foods, Sectional Polls, Sita SOC Ltd, Vaxmax Inv. and Ardeen Inv.

VALUE ADD TO THE BOARD:

Business strategy development, finance and corporate finance



MR THAMSANQA MAGAZI (60)

Bachelor of Science in Business Administration, Master's in Business Administration (MBA)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board on 9 April 2018 (confirmed by cabinet 24 May 2018)

DENEL BOARD COMMITTEE

MEMBERSHIPS: Chairperson of the personnel, remuneration and transformation committee

DIRECTORSHIPS: 100% shareholder and director of Reata Supplies International (company dormant) and non-executive director of Leshala Laruna Investments, Brighthorse Investments, Reatisa Smart Technologies, Avo Mac Enterprises (Pty) Ltd and Reata Aviation Services (Pty) Ltd

VALUE ADD TO THE BOARD:

Business strategy development and implementation, operations and sales leadership and stakeholder management



MS NONZUKISO (ZUKIE) SIYOTULA (34)

Bachelor of Accountancy (Honours), MBA, CA (SA)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board on 9 April 2018 (confirmed by cabinet 24 May 2018)

DENEL BOARD COMMITTEE

MEMBERSHIPS: Member of the audit committee and member of the personnel, remuneration and transformation committee

DIRECTORSHIPS: executive director of Siyotula Holdings Pty Ltd and non-executive director at African Phoenix Investment Limited, Akhona Group (Pty) Ltd, Akhona Properties (Pty) Ltd, Ogilvy and Mather South Africa (Pty) Ltd, Stangen Investments CC, Specpharm Holdings (Pty) Ltd, Specpharm Group (Pty) Ltd, Taste Holdings Limited and Toyota Financial Services (South Africa) (Pty) Ltd

VALUE ADD TO THE BOARD:

Business leadership in the financial services and investment sectors

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MR MANDLA MARTIN MNISI (37)

LLB Degree, LLM (Human Rights Law) and LLM (Banking and Stock Exchange Law)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board on 9 April 2018 (confirmed by cabinet 24 May 2018)

DENEL BOARD COMMITTEE

MEMBERSHIPS: Member of the risk and finance committee and the social and ethics committee

DIRECTORSHIPS: Director - MNS Attorneys

VALUE ADD TO THE BOARD:

Legal and business leadership



GENERAL (RETIRED) SIPHIWE NYANDA (65)

Bachelor of Arts Degree and Master of Science (Financial Management)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board on 24 May 2018

DENEL BOARD COMMITTEE

MEMBERSHIPS: Member of the risk and finance committee and member of the social and ethics committee

DIRECTORSHIPS: Director of Gen S Nyanda Consulting and Oasis Media

VALUE ADD TO THE BOARD:

Industry knowledge, technical and business leadership



DR HANNELIE NEL (46)

Bachelor's degree in engineering (Chemical Engineering), Master of Science Degree in Engineering and Doctorate in Engineering Management (Industrial Engineering)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board on 24 May 2018

DENEL BOARD COMMITTEE

MEMBERSHIPS: Member of the risk and finance committee and member of the personnel, remuneration and transformation committee

DIRECTORSHIPS: Managing Director of Tennelli Industries

VALUE ADD TO THE BOARD:

Industry knowledge, technical and business leadership

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MS KABELO LEHLOENYA (38)

B. Com (Accounting), B. Comm. Hons (Accounting), Post Graduate Diploma in Accounting Sciences, CA (SA)

**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

Appointed to the Board on 24 May 2018

DENEL BOARD COMMITTEE

MEMBERSHIPS: Member of the risk and finance committee

VALUE ADD TO THE BOARD:

Skills in budgeting, financial reporting, risk management and stakeholder engagement




[p.69] COMPOSITION OF THE BOARD

The Denel group has a unitary Board, comprising two exofficio directors, the GCEO and the group chief financial officer (GCFO), as well as thirteen non-executive directors. They all meet the Board's independence criteria in terms of being free from any business relationship that could generally hamper their objectivity or judgement on the business and activities of the group. The company supports the principles of gender diversity at board level. Collectively, the Board believes the current mix of knowledge, skill and experience meets the requirements to lead the company effectively.

APPOINTMENT AND RETIREMENT OF DIRECTORS

In terms of Denel's Memorandum of Incorporation (MoI), the shareholder appoints the chairperson, GCEO and nonexecutive directors. The remaining ex-officio director (GCFO) is appointed by the Board with the approval of the shareholder.

Our shareholder reviews the composition of the Board on an annual basis to ensure the rotation of directors at appropriate intervals and for the Board to remain dynamic in its thinking and abilities. The term of office for the non-executive directors is a period of three years subject to annual review and confirmation by our shareholder at the Annual General Meeting (AGM).

Question
10.4 Is the SOE's audit committee composed of a majority of independent directors?
Score
2
Comments
There is evidence that the company's executive-level audit committee is composed of a majority of independent directors. The company provides clear information about the independence of directors alongside their committee membership.
Evidence
<p>[4] Corporate governance (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/7c2bdf98bf25c46722689aa4a7e8d0aa.pdf [p.2] The board has delegated specific responsibilities to four standing committees, namely:</p> <p>1. Audit committee</p> <p>[p.2] Audit Committee</p> <p>The audit committee comprises only independent non-executive directors, with the executive directors as standing invitees to committee meetings.</p> <p>[6] Annual report 2018 (Document) Accessed 24/07/2019 http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf</p> <div style="display: flex; justify-content: space-around;"> <div style="width: 30%;"> <p>[p.15]</p>  <p>MRS GLORIA TOMATO SEROPE (59) <i>B.Com Degree and Masters of Business Administration (MBA)</i> INDEPENDENT NON-EXECUTIVE DIRECTOR Appointed to the Board on 9 April 2018 (confirmed by cabinet 24 May 2018) DENEL BOARD COMMITTEE MEMBERSHIPS: Chairperson of the risk and finance committee and member of the Audit Committee</p> </div> <div style="width: 30%;"> <p>[p.16]</p>  <p>DR SIBUSISO SIBISI (63) <i>PhD and BSc (Physics) of Science and Technology</i> INDEPENDENT NON-EXECUTIVE DIRECTOR Appointed to the Board on 9 April 2018 (confirmed by cabinet 24 May 2018) DENEL BOARD COMMITTEE MEMBERSHIPS: Member of the risk and finance committee and member of the audit committee</p> </div> <div style="width: 30%;"> <p>[p.16]</p>  <p>MR TALIB SADIK (52) <i>Bachelor of Commerce, Advanced Diploma in Accounting, Advance Management Programme, CA (SA)</i> He served as CEO of Denel between 2008 and 2012 INDEPENDENT NON-EXECUTIVE DIRECTOR Appointed to the Board on 9 April 2018 (confirmed by cabinet 24 May 2018) DENEL BOARD COMMITTEE MEMBERSHIPS: Chairperson of the audit committee and member of the risk and finance committee</p> </div> </div>

[p.16]



**MS NONZUKISO (ZUKIE)
SIYOTULA (34)**

Bachelor of Accountancy (Honours), MBA, CA (SA)

**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

Appointed to the Board on 9 April 2018
(confirmed by cabinet 24 May 2018)

DENEL BOARD COMMITTEE

MEMBERSHIPS: Member of the audit committee and member of the personnel, remuneration and transformation committee

[p.72]

KEY ISSUES CONSIDERED AND RECOMMENDED TO THE BOARD/NOTED BY THE AUDIT COMMITTEE THIS YEAR:

COMMITTEE	MATERIAL MATTERS CONSIDERED
Audit Committee	<p>During the 2017 financial year, the committee, amongst others, focused on the following:</p> <ul style="list-style-type: none"> Reviewed and recommended for adoption to the board the Annual Financial Report and the Integrated Report for 2017. Reviewed the reports from the internal and external auditors regarding the effectiveness of the internal control environment. Monitored the appropriateness of the company's combined assurance model. Approved the external and internal audit plans Reviewed and recommended the external audit fees Reviewed the quality and effectiveness of the external audit process. Considered and approved the insourcing of the internal audit function Reviewed the quarterly reports before submission to the executive authority.

DETAILS REGARDING ATTENDANCE OF COMMITTEE MEETINGS ARE REFLECTED BELOW:

BOARD MEMBER	BOARD MEETINGS						
	Total	24 Apr 17	18 Jul 17	17 Oct 17	Joint Audit Committee & PRT 24 Oct 17	25 Jan 18	Special 22 Feb 18
Ms M Kgomongoe (Interim Chairman)	5/6	✓	✓	A	✓	✓	✓
Mr TJ Msomi ¹	2/2	✓	✓	-	-	-	-
Ms KPS Ntshavheni	6/6	✓	✓	✓	✓	✓	✓
Lt Gen TM Nkabinde (rtd) ²	4/4	-	-	✓	✓	✓	✓
STANDING INVITEES							
Mr Z Ntshope	5/6	✓	✓	✓	A	✓	✓
Mr Z Mhlwana	6/6	✓	✓	✓	✓	✓	✓
INVITEES							
Ms PM Mahlangu ³	2/3	✓	A		✓	-	-

A Apology

2. Appointed on 25 August 2017

1. Resigned from 21 July 2017

3. Requested to attend meetings as from 1 February 2016 to 31 July 2017 as observe

Question
10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?
Score
0
Comments
The company does not publish any details about its management of asset transactions.
Evidence
No evidence found.

List of Evidence & Sources

No .	Type (Webpage or Document)	Name	Download Date	Link
01	Webpage	Company profile	24/07/2019	http://www.denel.co.za/about-us/company-profile
02	Webpage	Company values	24/07/2019	http://www.denel.co.za/about-us/company-values
03	Webpage	Code of Ethics	24/07/2019	http://www.denel.co.za/code-of-ethics
04	Document	Corporate governance	24/07/2019	http://admin.denel.co.za/uploads//7c2bdf98bf25c46722689aa4a7e8d0aa.pdf
05	Webpage	Associated companies	24/07/2019	http://www.denel.co.za/our-business/associated-companies
06	Document	Annual report 2018	24/07/2019	http://admin.denel.co.za/uploads/29a2543d6eec1dfc373dd0b17c7f37e0.pdf
07	Document	Group Structure	24/07/2019	http://admin.denel.co.za/uploads//2168ded8f76229eeeca02cd12faf634e.pdf
08	Webpage	Open Ownership	24/07/2019	https://register.openownership.org/search?utf8=%E2%9C%93&q=denel+SOC