

South African companies perform reasonably in ethical compliance

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The majority of companies listed on the Johannesburg Security Exchange is ethically conscious and also report on the ethical climate within their organizations. This is according to a research conducted by the University of Pretoria's Centre for Business and Professional Ethics (CBPE).

The study began towards the end of last year (2007). It focused on 55 Socially Responsible Investment (SRI) companies listed on the JSE. The main aim was to establish the ethics reporting practices of these companies in line with the King II Report and Code of Corporate Practices and Conduct. The King Report II was published in 2002 and the King III Report will be published this year.

According to the King II report, all companies in South Africa listed on the JSE are urged to submit their annual and sustainability reports detailing their corporate governance practices such as compliance with ethical standards, codes, policies and practices.

The research team of the University of Pretoria, led by Professor Deon Rossouw selected companies that participated in the SRI index. The index lists requirements that a company must satisfy in order to qualify as a SRI listed company. Such requirements detail the environmental, societal and economic sustainability of a company in question.

The study conducted by the University of Pretoria wanted to determine to what extent do companies that have already been highlighted as socially responsible actually reports on ethics.

The researchers focused on the most recently available annual reports and/or sustainability reports of the companies.

Other findings from the research conducted by the University of Pretoria are as follows:

- Only 14.5% of the SRI JSE companies report on ethics only for King II Report compliance purposes. Such companies did not discuss their code in any detail.
- About 62% of the companies are substantial in their ethics reporting and 38% are minimal in that their ethics reporting is not detailed.
- Only 27% of the SRI JSE companies publish their code of conduct in their annual reports, usually as an abridged or paraphrased version of their full code. The remaining 73% do not publish their code in the annual report.
- About 82% of the SRI JSE companies mention the King II Report for compliance and auditing purposes. About 18% do not mention the Report because their annual reports are more of an international nature.
- About 45 of the companies in this study mention having an ethics or fraud line.
- About 38% of the companies are reporting as a "knee-jerk" reaction to King II Report compliance. This could be seen by other people as merely paying a lip service to corporate governance implementation and compliance.

The University of Pretoria intends to carry out a similar study annually.

"This will give an indication of whether SRI JSE listed companies have a commitment towards implementing and maintaining a healthy ethics environment," said Professor Deon Rossouw – head of Philosophy Department and Director of the Centre for Business and Professional Ethics at the University of Pretoria.

Read the [full report](http://www.ethics.up.ac.za) on the Centre's website www.ethics.up.ac.za

The study was conducted with the support of [Business Enterprises at UP](#).