

PERSPECTIVES

Foreword by the Minister of Minerals and Energy

Message from the Chairperson of the Parliamentary Portfolio Committee on Minerals and Energy

Chairperson's Report

Director's Report

MEETING THE CHALLENGE

Transforming and liberalising the industry: a summary

Report on the Environment

Fuel Tax Reform

Social Responsibility: Helping South Africa prepare for its future

National crime: New threats and Sapia's counter-measures

Ethics and Good Governance

The Pricing of Petroleum Products

Fuel Saving Tips

FACTS AND FIGURES

Statistical Appendices

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ETHICS AND GOOD GOVERNANCE

Seldom has the world witnessed a break-down in ethical business practices on so large a scale as in 2001.

Corporations and global companies attract billions of dollars of public money annually because they and their accountants are trusted. But currently an increasing number of newcomers in new technological industries have been shown to be untrustworthy – and some of them ethically bankrupt.

The climax came in mid-year in the United States when malfeasance within a single company cost investors upwards of R1,750,000,000,000. The United States is now introducing sweeping reforms in business which are unmatched anywhere in 60 years. The reforms include stiff new rules for boards of directors; changes in auditing procedures and policing of conflicts of interest.

It is generally accepted, however, that rules are no lasting answer because tougher laws and higher standards of policing mean little to those intent on fraud and deception. And in less open societies where corruption is a way of life, rules simply don't work.

What is needed is a *culture* that sustains ethics and

basic values. And it is this culture which was one of the motivating forces for the formation of the South African Petroleum Industry Association (Sapia) in 1994.

In its very first Report, the first chairperson of Sapia stated: *“The Association's core purpose is to ensure transparency and the open good governance of the industry, which is the cornerstone of the national economy. Sapia members strive at all times to meet the highest standards of environmental responsibility, industrial safety, development of human resources, business practices, ethics, and involvement in the community.”*

This message has been repeated in various ways in every Sapia report since the founding of the Association, and is subscribed to by all its founding members and its current membership.

CONSTANT VIGILANCE

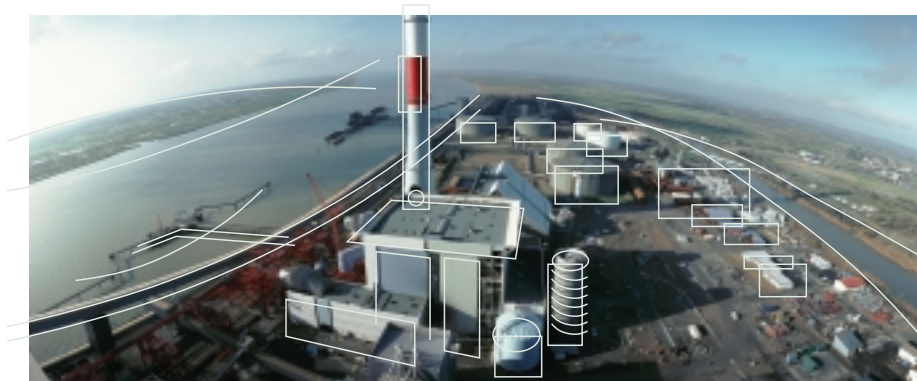
Ethics require constant and dedicated vigilance. No industry can claim to be absolutely pure in its morality, and the oil industry is not blameless. The challenges to ethical practice are particularly difficult for any competitive industry operating globally in a world where rule of law is not always sustained; where

secrecy reigns or bribes are expected in many autocratic societies, or where the culture of ethics has been overwhelmed. However, Sapia is fortunate, for it has made itself answerable to some of the strictest statutory codes of business ethics operating in the free world.

The low incidence of corruption and of dishonesty in the industry is partly due to ethical codes, but mainly the result of a culture that has matured over more than a century, in which the industry grew from wild-cat privateering to giant corporations with social obligations. Good governance within the industry is maintained by careful internal audit; by close scrutiny from outside interests in the most sophisticated trading zones; but more basically by the ethical culture

developed by major oil companies. Thus the founding members of Sapia are accustomed to working to agreed standards when dealing with sensitive matters of political donations, and in combating commercial blackmail, bribery and corruption.

Sapia's code of ethics is based on accumulated experience and applies to all its multinational and local members who operate under South African conditions. The oil companies emphasise "a recognition of our moral obligations" and are proud that their modern reputation is founded, not merely on clean management of monetary matters, but also on the values they have adopted on issues such as industrial safety and environmental protection.



MISSION STATEMENT

Among Sapia's goals are:

- To ensure good governance and the highest standards of conduct in the industry.
- To promote communications within the industry.
- To create a forum for consultation between the industry, Government and other organisations on issues of public interest.
- To seek consensus with Government and all other role players on how the industry should be re-shaped to best serve the national interest.
- To promote understanding of the petroleum industry.
- To represent the SA petroleum industry at international level.

LONG-TERM COMMITMENT

Sapia members have grown up with South Africa over the past century and are committed to being a part of its future.

The industry is essential to economic growth and forms the basis for much of the nation's productivity. The industry prides itself on having established itself as an ethical industry with high standards.

Some of the many corporate responsibilities, which Sapia members assume, are referred to in the Environmental and Social Responsibility reports as well as in other sections of this document.