

About this report

Our reporting is evolving as the Company's strategic focus, operational priorities and organisational thinking become more integrated, thereby enabling us to remain strategically aligned and responsive to stakeholder concerns.



Reporting philosophy and approach



This report was prepared in accordance with the IIRC's framework.

We report on financial and non-financial performance for the year in review and provide forward-looking information in terms of our short, medium and long-term strategic outlook, highlighting the material relationships between the stores of value ('capitals') that form the basis of our value-creation process.

Reporting boundary



The 2019 Integrated Report covers the financial reporting period from 1 April 2018 to 31 March 2019. The reporting boundary (Figure 1) encompasses the Transnet Group, its Operating Divisions and Specialist Units; and extends to include factors that impact Transnet's ability to create value.

The Transnet Integrated Report is published annually and approved by the Board of Directors. The previous integrated report for the period 1 April 2017 to 31 March 2018 was approved by the Board on 10 August 2018.

Materiality in our reporting



The 2019 Integrated Report provides information that we consider to be of material significance in creating short, medium and long-term value. To observe the IIRC's principles of 'Materiality', 'Connectivity' and 'Conciseness', we have considerably simplified our materiality reporting to align with Transnet's Performance Framework (page 48). Accordingly, we emphasise six overarching material aspects for the 2019 reporting year, which we unpack throughout this report and reference by way of page citations. We further align material aspects to performance, strategy, risks and opportunities, linked visibly by icons, and disclose material stakeholder impacts and concerns raised during the year.

We are confident that the report provides information that is of material interest to all stakeholders wishing to make informed assessments of Transnet's performance and its ability to create and sustain long-term value.

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Transnet's material aspects
Process for identifying, validating and approving material aspects

Transnet Group

Figure 1: Reporting boundary

Specialist Units

- TRANSNET GROUP CAPITAL
- TRANSNET PROPERTY

Operating Divisions

- Freight Rail
- Engineering
- National Ports Authority
- Port Terminals
- Pipelines

Factors impacting Transnet's ability to create value

Statement of Strategic Intent

Transnet's business context and operating environment, including its subsidiaries, associates and joint ventures¹

Material risks

Stakeholder concerns

- Employees
- Shareholder (DPE²)
- Customers
- Investors and commercial partners
- Rating agencies and financial institutions
- Suppliers and service providers
- Regulators
- Government
- Media and the general public
- Academia and research institutions
- NGOs³
- International bodies
- Communities
- Organised labour

¹ Referenced in the Annual Financial Statements, Note 38.
² Department of Public Enterprises.
³ Non-Governmental Organisations.

Integrated approach to assurance



Transnet's Integrated Assurance Plan has been applied to the process of preparing the integrated report to provide an independent perspective on the transparency and accountability of our disclosures. Transnet's Integrated Assurance Plan encompasses the assurance provided by management, internal specialists, internal audit, external audit, external advisers and service providers. The Board serves as the last line of defence.

Table 1: Integrated Reporting Assurance Framework

Content	Assurance providers	Outcome	Framework/Standard
Integrated Report (in full)	<ul style="list-style-type: none"> The Transnet Board Audit Committee Remuneration, Social and Ethics Committee Corporate Governance and Nominations Committee 	<ul style="list-style-type: none"> Directors' approval 	<ul style="list-style-type: none"> International <IR> Framework Audit Committee Terms of Reference
Annual Financial Statements (consolidated and summary)	<ul style="list-style-type: none"> SizweNtsalubaGobodo Grant Thornton Inc. Audit Committee Transnet Board 	<ul style="list-style-type: none"> Qualified audit opinion due to external audit not being able to satisfy themselves that the reported Irregular Expenditure in Note 40 in the AFS is complete and accurate. Material findings on processes used to measure certain performance information. 	<ul style="list-style-type: none"> Public Finance Management Act (PFMA) Companies Act International Financial Reporting Standards (IFRS)
Selected information relating to Transnet socio-economic developmental outcomes (SDO) contained in this report	<ul style="list-style-type: none"> SizweNtsalubaGobodo Grant Thornton Inc. 	<ul style="list-style-type: none"> Reasonable assurance opinion, and limited assurance conclusion. Sustainability information has been prepared in all material respects in accordance with Transnet's reporting criteria. 	<ul style="list-style-type: none"> Transnet's sustainability reporting criteria
Review of internal controls and risk management	<ul style="list-style-type: none"> Transnet Internal Audit National Occupational Safety Association (NOSA) International Standards Organisation (ISO) accreditation bodies Legal firms 	<ul style="list-style-type: none"> Financial controls: Requires improvement Operational controls: Unsatisfactory Risk management: Requires improvement 	<ul style="list-style-type: none"> Committee of Sponsoring Organisations (COSO) PFMA NOSA standards ISO standards relating to safety and environment, including ISO 9000 and ISO 14000 Legislative requirements Enterprise risk management ISO 31000 standard
BEE contributor level	<ul style="list-style-type: none"> Beever Verification Agency CC 	<ul style="list-style-type: none"> Level confirmed as 'Level 2' 	<ul style="list-style-type: none"> Broad-Based Black Economic Empowerment (B-BBEE) Act and charters Rail sub-sector scorecard Marine sub-sector scorecard
Corporate Governance	<ul style="list-style-type: none"> Transnet Internal Audit 	<ul style="list-style-type: none"> Assessment of controls: Unsatisfactory 	<ul style="list-style-type: none"> King IV PFMA Companies Act

[Read more](#)
40 Addressing stakeholder interests

Statement of stakeholder commitment



We strive to communicate with stakeholders early and often. Our core values – expressed in our Culture Charter – guide us in our interactions with stakeholders.

To meet stakeholder commitments, we continue to strive for:

- An organisational culture that views change as an opportunity to improve quality in all we do;
- A safe working environment, and an 'IBELONG' culture;
- Customer-centric business innovations, and reliable service offerings;
- Fair and equitable tender processes;
- Integrity, communication, diversity, continuous learning, accountability and excellence in everything we do;
- Support for communities where we operate;
- Collaborative relationships with policymakers and regulators;

- Demonstrable sensitivity and care for the environment; and
- Superior returns to our investors, as a reliable and credible borrower which, albeit State-owned, issues debt on the strength of its financial position without any government guarantees.

Going-concern status



In adopting the going concern assumption, the Board reviewed the Group's performance for the year and considered the robustness of budgets and business results, cash flow projections for the 15 months ending 30 June 2020, cost-saving opportunities, the cost of capital projects and related optimisation opportunities, the funding plan and loan covenants.

The impact of the prior year audit qualification on loan covenants has been resolved, with all affected funders having provided a waiver to Transnet. The Directors have considered the impact of the current year audit qualification and, due to the nature of the qualification being similar to that of the prior financial year (related to the accuracy and completeness

of reported irregular expenditure), do not expect any impact on the going concern ability of the Company.

Both credit rating agencies have assigned a stable outlook for the Company and the Board does not anticipate any difficulty in accessing the debt capital markets for required funding.

Board oversight of the elements of the 2019 Integrated Report



The Board and the Group Executive Committee have respectively established committees to ensure effective management and monitoring of the business, and to respond to the elements of the Company's mandate and strategy. Accordingly, the table below links the management activities and Board committee oversight to the required elements for inclusion in the 2019 Integrated Report.

The Governance Terms of Reference for the 2019 Integrated Report are contained in Annexure A of this report.

Table 2: Board oversight of integrated reporting elements

Integrated reporting element	Required activities	Group Executive Committee governance structures	Committee of the Board
Stakeholder engagement and relationships	<ul style="list-style-type: none"> Effective stakeholder engagement and responsiveness Complaints Desk 	<ul style="list-style-type: none"> Human Resources Committee Risk Management Committee 	<ul style="list-style-type: none"> Remuneration, Social and Ethics Committee
Risks and opportunities	<ul style="list-style-type: none"> Effective identification and assessment of material issues 	<ul style="list-style-type: none"> Risk Management Committee CIO Council 	<ul style="list-style-type: none"> Risk Committee Audit Committee
Strategy and resource allocation	<ul style="list-style-type: none"> Appropriate strategic response including: <ul style="list-style-type: none"> Processes and controls Initiatives and activities Resource allocation 	<ul style="list-style-type: none"> Capital Investment Committee Human Resources Committee Procurement Committee 	<ul style="list-style-type: none"> Audit Committee Finance and Investment Committee Remuneration, Social and Ethics Committee
Performance and outlook	<ul style="list-style-type: none"> Appropriate performance measurement and management including: <ul style="list-style-type: none"> Applicable lead and lag indicators Setting of targets, accountability and incentivisation 	<ul style="list-style-type: none"> Risk Management Committee Finance Committee Human Resources Committee Capital Investment Committee Procurement Committee 	<ul style="list-style-type: none"> Corporate Governance and Nominations Committee Remuneration, Social and Ethics Committee Finance and Investment Committee
Remuneration	<ul style="list-style-type: none"> Appropriate remuneration structure to align performance against strategy in short, medium and long-term incentives 	<ul style="list-style-type: none"> Human Resources Committee 	<ul style="list-style-type: none"> Remuneration, Social and Ethics Committee
Governance	<ul style="list-style-type: none"> Governance and assurance processes to oversee execution of strategy and structures in accordance with policy and regulation 	<ul style="list-style-type: none"> Risk Management Committee Finance Committee Procurement Committee Forensic Committee 	<ul style="list-style-type: none"> Corporate Governance and Nominations Committee Risk Committee Audit Committee