

## IIRC Consultation Draft Framework – Transnet SOC Ltd response to questions

### General comment:

Transnet SOC Ltd (Transnet) supports the approach taken to Integrated Reporting outlined in the Consultation Draft International <IR> Framework. The Framework is clearly structured, accessible, balanced and provides the appropriate level of guidance for companies of different size, scope, sector, ownership, complexity and location. We applied the <IR> Framework to drafting the Transnet IR 2013 and found it to be both valuable and relevant.

### Specific comments:

1.6 Transnet produces an IR for a wider stakeholder audience than the providers of financial capital. It should be noted that this may be the case for some users of the IR Framework, and is valid.

1.10 “The Framework is intended primarily for application by private sector for-profit companies....” Suggest add ‘and’ between ‘private sector’ and ‘for-profit’ to read “private sector and for-profit” in order to include ‘state-owned for-profit companies’, which are neither “private sector for-profit” nor “public sector non-profit”.

1.13 While the principles-based approach to <IR> is supported at this stage, it will be valuable for the <IR> initiative to expand into the development of guidance documentation towards standardising key measurements of the capitals where such standards do not yet exist.

1.18 line 9 - Suggest amend ‘additional reports’ to read ‘complementary reports...’

2.34 and 2.35 The distinction between ‘Outputs’ and ‘Outcomes’ is not sufficiently clear. ‘Outcomes’ should require an explicit sustainability focus: Outcomes should be defined as the value created or destroyed over time resulting from the company’s business activities.

### Comments per questions provided:

Chapter 1: Overview		RESPONSE
<b>Principles-based requirements</b>		
To be in accordance with the Framework, an integrated report should comply with the principles-based requirements identified throughout the Framework in bold italic type (paragraphs 1.11-1.12).	1. Should any additional principles-based requirements be added or should any be eliminated or changed? If so, please explain why.	No additional principled-based requirements are needed.  Please amend 1.10: ‘private sector and for-profit’ to accommodate state-owned for-profit. (see specific comment above)
<b>Interaction with other reports and communications</b>		
The <IR> process is intended to be applied continuously to all relevant reports and communications, in addition to	2. Do you agree with how paragraphs 1.18-1.20 characterize the interaction with other reports and	Agreed, except change ‘additional reports’ to ‘complementary reports’

the preparation of an integrated report. The integrated report may include links to other reports and communications, e.g., financial statements and sustainability reports. The IIRC aims to complement material developed by established reporting standard setters and others, and does not intend to develop duplicate content (paragraph 1.18-1.20).	communications?	
	<b>3.</b> If the IIRC were to create an online database of authoritative sources of indicators or measurement methods developed by established reporting standard setters and others, which references should be included?	We agree that the <IR> should create such a database. Standard setters could include IAS, CDP, GRI, AccountAbility, UNGC. The IIRC should engage these and others to assess which are suitable.
Other	<b>4.</b>	None
<b>Chapter 2: Fundamental concepts</b>		
<b>The capitals (Section 2B)</b>		
The Framework describes six categories of capital (paragraph 2.17). An organization is to use these categories as a benchmark when preparing an integrated report (paragraphs 2.19-2.21), and should disclose the reason if it considers any of the capitals as not material (paragraph 4.5).	<b>5.</b> Do you agree with this approach to the capitals? Why/why not?	Yes – but will have to develop a <b>reporting method</b> that can demonstrate the interactive nature between the capitals, that is material, showing diminution/destruction of certain capitals while creating medium to long-term value for the business as a whole.
	<b>6.</b> Please provide any other comments you have about Section 2B?	The value creation model is very helpful.
<b>Business model (Section 2C)</b>		
A business model is defined as an organization’s chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term (paragraph 2.26).	<b>7.</b> Do you agree with this definition? Why/why not?	Yes
Outcomes are defined as the internal and external consequences (positive and negative) for the capitals as a result of an organization’s business activities and outputs (paragraphs 2.35-2.36).	<b>8.</b> Do you agree with this definition? Why/why not?	There should be an explicit reference to ‘sustainability’ in the definition of ‘Outcomes’ and the notion of ‘value creation/destruction’ should also be included. (see specific comment above).
	<b>9.</b> Please provide any other comments you have about	The definition of Outputs may need further elaboration or

	Section 2C or the disclosure requirements and related guidance regarding business models contained in the Content Elements Chapter of the Framework (Section 4E).	examples otherwise 'Outputs' run the risk of being blurred with 'Outcomes' in the report-writing process.
Other	10.	None
<b>Chapter 3: Guiding Principles</b>		
Materiality and conciseness (Section 3D)		
Materiality is determined by reference to assessments made by the primary intended report users (paragraphs 3.23-3.24). The primary intended report users are providers of financial capital (paragraphs 1.6-1.8).	11. Do you agree with this approach to materiality? If not, how would you change it?	Agree with the approach, but Transnet extends its materiality assessment to a wider stakeholder audience
	12. Please provide any other comments you have about Section 3D or the Materiality determination process (Section 5B).	Agree but the link between materiality determination and Risk analysis could be made more explicit.
Reliability and completeness (Section 3E)		
Reliability is enhanced by mechanisms such as robust internal reporting systems, appropriate stakeholder engagement, and independent, external assurance (paragraph 3.31).	13. How should the reliability of an integrated report be demonstrated?	The nature and maturity of a company's assurance framework should be demonstrated in the IR.
	14. Please provide any other comments you have about Section 3E.	None
Other	15.	No other
<b>Chapter 4: Content Elements</b>		
16. Please provide any comments you have about Chapter 4 that are not already addressed by your responses above (please include comments on the Content Element Business Model [Section 4E] in your answer to questions 7-9 above rather than here).		Content elements are relevant and they work in practise.
<b>Chapter 5: Preparation and presentation</b>		
Involvement of those charged with governance		

<b>(Section 5D)</b>		
Section 5D discusses the involvement of those charged with governance, and paragraph 4.5 requires organizations to disclose the governance body with oversight responsibility for <IR>.	<b>17.</b> Should there be a requirement for those charged with governance to include a statement acknowledging their responsibility for the integrated report? Why/why not?	Yes. Boards should apply their minds and confirm that the IR is a reflection of the company's business model, performance and prospects at that point in time.
	<b>18.</b> Please provide any other comments you have about involvement of those charged with governance (Section 5D).	None
<b>Credibility (Section 5E)</b>		
The Framework provides reporting criteria against which organizations and assurance providers assess a report's adherence (paragraph 5.21).	<b>19.</b> If assurance is to be obtained, should it cover the integrated report as a whole, or specific aspects of the report? Why?	The <IR> Framework should be flexible to allow for assurance of the report as a whole or aspects thereof, depending on the maturity of the reporting organisation.
	<b>20.</b> Please provide any other comments you have about Credibility (Section 5E). Assurance providers are particularly asked to comment on whether they consider the Framework provides suitable criteria for an assurance engagement.	None
<b>Other</b>	<b>21.</b>	None
<b>Overall view</b>		
<b>22.</b> Recognizing that <IR> will evolve over time, please explain the extent to which you believe the content of the Framework overall is appropriate for use by organizations in preparing an integrated report and for providing report users with information about an organization's ability to create value in the short, medium and long term?		The <IR> is appropriate for use now – it is a very helpful reporting framework. It will facilitate increased rigor and comparability.
<b>Development of &lt;IR&gt;</b>		
<b>23.</b> If the IIRC were to develop explanatory material on <IR> in addition to the Framework, which three topics would you recommend be given priority? Why?		The measurement of Capitals – both as inputs and outcomes
<b>Other</b>	<b>24.</b>	Thank you!