REINVENT
FOR GROWTH

INTEGRATED REPORT **2023**

REIN
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CONTENTS

NAVIGATING THIS REPORT

The capitals

- Financial capital
- Manufactured capital
- Human and intellectual capital
- Social and relational capital
- Natural capital

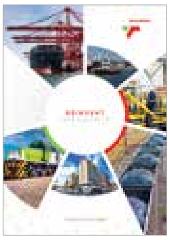
FORWARD-LOOKING INFORMATION

All references to forward-looking information and targets in the 2023 reports are extracted from the 2023/24 Transnet Corporate Plan, as approved by the Board.

Feedback on this report

We welcome feedback on our 2023 Integrated Report. Please provide written feedback to Busisiwe Mthwa.

busisiwe.mthwa@transnet.net



The 2023 Integrated Report
is the Company's primary report to all stakeholders.

The 2023 Annual Financial Statements
include reports of the directors and independent auditor.

Performance key

- ↑ Improvement on prior year performance
- ↓ Decline compared to prior year performance
- Target achieved
- = Equivalent performance to prior year
- O Target not achieved
- King IV Report on Corporate Governance for South Africa, 2016

DIRECTORS' APPROVAL AND STATEMENT OF RESPONSIBILITY

Our aim at Transnet is to support economic growth and ensure a secure supply chain by providing suitable port, rail, and pipeline infrastructure. We strive to do this in a cost-effective and efficient manner, while adhering to recognised benchmarks. This commitment aligns with our mission and goals, as well as our shareholders' Statement of Strategic Intent, and supports the wider objectives of South Africa to reduce business costs and stimulate economic development.

In compliance with the supplement for State-Owned Enterprises (SOEs) outlined in Principle 2.1 of the King IV report on corporate governance (King IV™), the Board of Directors at Transnet (the Board), entrusted with overarching governance oversight, proactively guides the Company's process of value creation. Given that the integrated report serves as a gauge of Transnet's capacity for sustained value creation, the Board vigilantly ensures the report's overall precision and quality, as well as the process-related disclosures outlined in the governance terms of reference for the report. Consequently, the Board confirms that the 2022/23 Financial Year (FY) Integrated Report aptly illustrates the Company's progressive stride towards an integration of strategy, risk and opportunity, performance, and sustainable development.

Following a thorough review, the Board affirms the 2022/23FY Integrated Report's:

- Integrity, alongside the veracity of any supplementary information referenced therein;
- Exhaustiveness in addressing material aspects; and
- Reliability of the reported performance information, underpinned by the combined assurance process employed.

The Board is committed to upholding the principles of transparency, accountability, and ethical management as stated in the King IV report.

For the sake of completeness, it should be noted that Transnet's operations continue to have a significant impact on the economy, the environment, and the South African society at large. This has led to an increased focus on sustainable development and corporate responsibility, ensuring that all decisions are made with a balanced consideration for all stakeholders. The Board continues to monitor these elements closely, striving for continuous improvement in corporate governance, operational performance, and public accountability.

The 2022/23FY Transnet Integrated Report was approved by the Board of Directors and signed on its behalf by:

Mr Andile Sangqu
(Chairperson)

Ms Portia Derby
(Group Chief Executive)

Ms Nonkululeko Dlamini
(Group Chief Financial Officer)

Ms Lebohang Letsoalo

Mr Busisa Jiya

Mr Dipak Patel

Mr Martinus Debel

Ms Refilwe Buthelezi

Ms Mosadiwamaretlwa Zambane

Dr Popo Molefe

Ms Boitumelo Sedupane

Prof Fholisani Mufamadi

ABOUT THIS REPORT

BASIS OF PREPARATION

This report reflects Transnet's adoption of integrated thinking and the application of the process. In determining the content provided, issues that materially impact the Company's ability to create and maintain value for its stakeholders are considered. The information is drawn from Transnet's records, such as its quarterly reports submitted to the Department of Public Enterprises (DPE) and National Treasury (NT), includes details of the operating context, strategic performance, risks and associated mitigation measures, stakeholder engagement, and identified business opportunities. Inputs from the Executive Management team are also included in this report. All information is reviewed by various committees and ultimately approved by the Board.

DETERMINING MATERIALITY

This report provides information that we consider to be of material significance in creating and preserving short, medium and long-term value. All reference to material, major, significant, and substantial events is determined through a consideration of the event's strategic relevance, intrinsic value, magnitude, impact, and implications – as they align with Transnet's Performance Framework.

Material aspects are further aligned to performance, strategy, risks and opportunities. All material stakeholder impacts and concerns are also addressed.

In line with Section 54(2) of the Public Financial Management Act (PFMA), the following is deemed material:

- establishment or participation in the establishment of a company;
- participation in a significant partnership, trust, unincorporated joint venture, or similar arrangement;
- acquisition or disposal of a significant shareholding in a company;
- acquisition or disposal of a significant asset;
- commencement or cessation of significant business activity;
- a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture, or similar arrangement; and
- all instances of theft, fraud, and corruption (regardless of amount).

Reporting philosophy

KING IV. P5

This report was prepared in accordance with the Value Reporting Foundation's principles-based integrated reporting framework. We report on financial and non-financial performance for the year in review and provide forward-looking information relating to our short, medium and long-term strategic outlook.

Forward-looking statements

KING IV. P5

Contained in this report are various forward-looking statements. Such statements may relate to the possible future financial position, business operation and strategy, or management plans. Forward-looking statements are not, at this time, considered fact as they are based on current estimations, assumptions, and expectations for Transnet, and are dependent on circumstances that may or may not be realised in the future. Transnet does not undertake to publicly update or revise such statements, whether to reflect new information, future events, or otherwise.

Assurance

KING IV. P8 and 15

This report is compiled in accordance with the ethical values of Transnet, statutory legislative frameworks, and reporting best practices. The Board has reviewed the report and is satisfied that the information contained in this report, to the best of its knowledge, is an accurate and true representation of the Company's position. Financial statements contained herein have been assured via the audit conducted by the Auditor-General of South Africa (AGSA).

SCOPE AND BOUNDARY

Transnet SOC Ltd is a state-owned company (SOC), with the Department of Public Enterprises (DPE) being its sole shareholder. The 2022/23FY Integrated Report covers the financial reporting period from 1 April 2022 to 31 March 2023. The reporting boundary encompasses the Transnet Group and its Operating Divisions, 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.

Factors impacting Transnet's ability to create value

STATEMENT OF STRATEGIC INTENT

BUSINESS CONTEXT AND OPERATING ENVIRONMENT

MATERIAL RISKS

STAKEHOLDER CONCERNS

1. Employees	**2.** Shareholder (DPE)
3. Customers	**4.** Investors and commercial partners
5. Rating agencies and financial institutions	**6.** Suppliers and service providers
7. Regulators	**8.** Government
9. Media and the general public	**10.** Academia and research institutions
11. Non-Governmental Organisations (NGOs)	**12.** International bodies
13. Communities	**14.** Organised labour

COMPLIANCE WITH REGULATORY REQUIREMENTS

Transnet complies with the provisions of the PFMA for Schedule 2 Entities. In addition, Transnet adheres to more than 200 regulatory requirements.

Tariffs charged by the Transnet National Ports Authority and Transnet Pipelines are determined by independent economic regulators, being the Ports Regulator of South Africa (Ports Regulator) and the National Energy Regulator of South Africa (Nersa), respectively. The Railway Safety Regulator (RSR) oversees the safety of Transnet's rail operations. The RSR conducts inspections and audits of the Company and its systems, and determines (based on the outcomes of audits) whether to issue safety permits.

Transnet also operates within a policy context determined by the DPE and the Department of Transport (DOT).

The Department of Trade, Industry and Competition's (dtic) implemented a framework for Broad-Based Black Economic Empowerment (B-BBEE) policy and legislation. Transnet's adherence to B-BBEE codes is detailed below.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

Transnet's B-BBEE verification covers six of the seven elements of the Generic Transport Public Sector Scorecard (excluding the ownership element). The Maritime, Property, and Rail Charters are also applied.

Transnet achieved full points for enterprise development and socio-economic development for the 2022/23FY.

ENTERPRISE AND SUPPLIER DEVELOPMENT (ESD)

South Africa's developmental agenda consists of key elements that are established as ESD initiatives.

Transnet's ESD:

- Is guided by government's Competitive Supplier Development Programme;
- Is informed by the B-BBEE Codes of Good Practice;
- Seeks to increase competitiveness, capacity, and capability of Black-owned suppliers through financial and non-financial support; and
- Targets ESD initiatives that support localisation and industrialisation, and provide opportunities for Black people, youth, women, small businesses, people with disabilities, and people living in rural communities.

Transnet's integrated ESD strategy supports the rise of young Black entrepreneurs through the various developmental levels – including high-school innovation programmes, business case development, business incubation, Transnet's Black Industrialist Programme, as well as its regional and global exporting and trade programmes.

APPLICATION OF REPORTING FRAMEWORKS

This report was prepared in accordance with the Value Reporting Foundation's principles-based integrated reporting framework. This report contains details of Transnet's financial and non-financial performance for the year in review and provides forward-looking information. Capitals, as provided in King IV, for the basis of the value-creation process. The Board acknowledges that reference to 'value creation' in this report includes the concepts of 'value preservation' and 'value erosion'.

APPROACH TO ASSURANCE OF INFORMATION

Transnet's Integrated Assurance Plan has been applied to the process of preparing the integrated report; providing an independent perspective on the transparency and accountability of disclosures. This 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.

ABOUT THE COMPANY

Transnet SOC Ltd, is a **public corporation** established under the **Legal Succession Act of 1989**, with the South African **Government as its sole shareholder.**

Transnet proudly carries the mantle of **ownership for South Africa's railway, ports, and pipeline** framework.

The Company's memorandum of incorporation (MOI) – ratified by the Shareholder Minister on 25 June 2013 – complies with the stipulations of the **PFMA, the Companies Act, and the National Ports Act, No 12 of 2005, as amended.**

Each year, Transnet signs a **Shareholder's Compact with the Government** of the Republic of South Africa, represented by the Minister of the **DPE**. The Shareholder's Compact charges the Company with delivering numerous strategic initiatives, including **sustainable economic, social, and environmental outcomes.**

The DPE, acting as the government's representative, has a directive from the Executive to monitor seven SOCs that operate in fundamental sectors of the economy, such as mining, defence, energy, **logistics**, and more.

Transnet, as a SOC, is governed primarily by the PFMA.

The DPE's strategy is borne out of the context of the **National Development Plan (NDP)**, the **medium-term strategic framework**, and in response to both internal and external environmental factors.

The DPE's strategy acknowledges the challenging and complex macro-environment and the consequent difficulty of optimally allocating limited resources.

SHAREHOLDER'S STATEMENT OF STRATEGIC INTENT

Transnet's Reinvention Strategy aligns seamlessly with the Shareholder's Statement of Strategic Intent (SSI), which mandates Transnet to target and deliver on several macro strategic outcomes.

Transnet is mandated to deliver on the following strategic outcomes:

- To **decrease the overall cost of logistics** in relation to the transportable gross domestic product (GDP)
- To **effect and expedite the modal shift**, enhancing the role of rail in the national transport endeavour
- To **forge stronger connections** between South Africa, the region, and the global community
- To **maximise the social and economic effects** of all interventions
- To engage and **leverage the private sector** to provide infrastructure and operations, as needed.

WHO WE ARE

WHO WE ARE

Transnet stands as the cornerstone of the country's freight logistics network, the vital artery ensuring the seamless delivery of goods across South Africa.

With a primary role as the custodian of ports, rail, and pipeline infrastructure, Transnet's objective is to cultivate a world-class freight system that acts as a catalyst for sustained growth and economic diversification in South Africa.

OUR VISION

Fuelling Africa's growth and development as the leading provider of innovative supply chain solutions.

OUR MISSION

Linking economies; connecting people; growing Africa!

OUR MANDATE

To assist in lowering the cost of doing business in South Africa, facilitating economic growth, and ensuring security of supply by providing appropriate port, rail, and pipeline infrastructure in a cost-effective and efficient manner, while remaining within acceptable benchmarks. The mission and goals of Transnet, as well as our Shareholders' Statement of Strategic Intent, are congruent with national objectives.

OUR UNIQUE ASSETS

Overall asset base
R364,1 billion

Total Employee Headcount
50 364 people

Pipelines
3 800 km

Locomotives
1 799 units

Wagons
58 462 units

Commercial ports along the coastline
Eight sites

Cargo terminals across seven South African ports
Sixteen sites

Railway track and two heavy-haul lines
30 400 km

Rail and port manufacturing and maintenance
Six sites

Commercial and residential properties
R11,3 billion

Freight Rail

Rail corridor throughout South Africa

Total

26 347

R34,8 billion

Engineering

Bloemfontein, Durban, Germiston, Koedoespoort, Salt River, Uitenhage

Total

8 145

R8,0 billion

National Ports Authority

Cape Town, Durban, East London, Mossel Bay, Ngqura, Port Elizabeth, Richards Bay, Saldanha

Total

3 939

R13,4 billion

Port Terminals

Cape Town, Durban, East London, Ngqura, Port Elizabeth, Richards Bay, Saldanha

Total

8 891

R16,8 billion

KEY RELATIONSHIPS AND OUR VALUE PROPOSITIONS

Value for the economy

- Cut down on the total cost of logistics as a proportion of transportable gross domestic product (GDP).
- Maximise the contribution of rail transportation to the overall national transportation task in order to facilitate and quicken the process of mode transfer.
- Utilise the resources of the private sector to assist in the delivery of both infrastructure and operational services.
- Integrate the South African economy with economies in both the region and the rest of the world.
- Enhance the positive social and economic effects of any and all interventions that are undertaken toward the fulfilment of these goals.
- Ensure continued expansion of commercial activities and financial viability.

Socio-economic value and environmental stewardship

The sustainable development outcomes (SDOs) that Transnet has committed to seek to improve South Africa's socio-economic climate. As a State-Owned Entity, we at Transnet are mandated to actively participate in activities that will have a positive influence in the regions and communities we operate in. This is done through our ESG framework which outlines the nine SDOs we have committed to, which are as follows:

- Industrial capability building
- Investment leveraged
- Regional integration
- Skills development
- Transformation
- Employment
- Environmental stewardship
- Health and safety
- Community-oriented outcomes

We continue to implement various initiatives such as the Phelophepha health train which seek to make primary healthcare accessible to people in the most rural of areas. There are a number of artisan and graduate programmes that the company has in place to address the unemployment and critical skills shortage issue within the country. Our contribution towards the eradication of socio-economic ills and disparities is part and parcel of how we conduct business as these SDOs are embedded in our operating activities. We strive to be a responsible corporate citizen and hold ourselves accountable in accordance with our ESG framework.

Pipelines

Durban,
Johannesburg

Total

649

R5,8 billion

Property

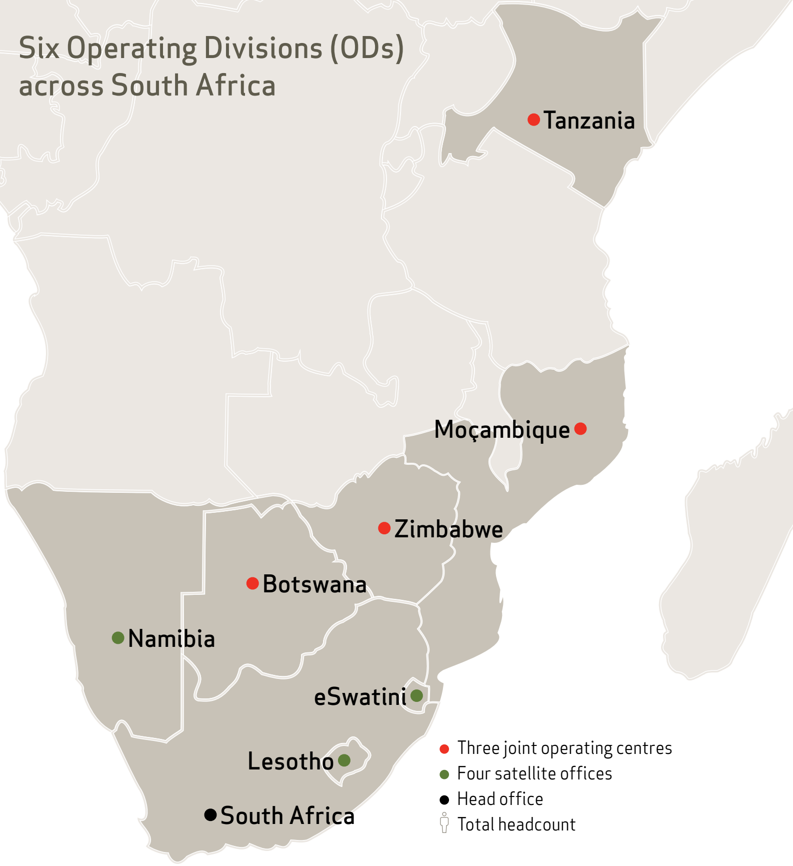
Durban, Johannesburg
Cape Town, Pretoria,
Gqeberha

Total

695

R2,2 billion

Six Operating Divisions (ODs) across South Africa



Value for domestic and regional customers

- Strive to continue delivering customer volumes that are both reliable and predictable.
- Innovations in business centred on the customer.
- Full value chain service propositions.
- Product and service configurations that are customised to each market segment.
- Integrated cross-operating divisional customer support, spanning the whole logistical value chain and the life cycle requirements.
- Digital transformation across the entire value chain.

Value for suppliers and service providers

- An ethical and transparent procurement process.
- Fair and equitable tender processes.
- Fair, transparent and efficient contract management.
- A proactive and collaborative approach to local supplier development.

Value for employees

- A work ethos of "safety is in everything we do."
- Opportunities to advance both professionally and academically.
- Exposure and connectivity to broader regional and national opportunities, both professionally and academically.

Value for our Shareholder

- The Reinvention Strategy will contribute to broad industrial development within South Africa's key commodity segments, thereby supporting post-COVID economic growth.
- Sustained financial returns and broad socio-economic value.
- Regulatory compliance, accountable business practices, ethical leadership and responsible corporate citizenship.
- Investment priorities closely aligned with Government's infrastructure programme.

Value for financial partners

- A strong balance sheet and the ability to generate cash flow to support further investment for continued financial stability.
- A strong Environmental, Social, and Governance (ESG) record through both targeted investment in ESG projects and ensuring sustainable socio-economic and environmental outcomes of our commercial activities.
- Exceptional expertise in our core sectors of rail, ports and pipelines, with strong growth potential in regional markets across all modes.
- A funding strategy based on the strategic priorities of our segmental Reinvention Strategy.
- A business model that promotes strategic value for large burgeoning markets by reducing the cost of regional logistics infrastructure and ensuring a secure product supply.
- A reliable and credible borrower which issues debt on the strength of its financial position without government guarantees.

OUR BOARD MEMBERS

KING IV. P7

MR ANDILE SANGQU

Chairperson/and NED

Date of birth: October 1966

Date of appointment: July 2023

1 18 19 22

Qualifications:

B Com (Acc) (Rhodes); B Compt Hons CTA (WSU); H Dip Tax Law (UJ); Executive Development Programme (EDP) (Wits Business School); MBL (UNISA SBL), Advanced Management Programme (AMP)-INSEAD Business School (Fontainebleau-France); HCCM (Higher Certificate in Christian Ministry)- Seth Mokitimi Seminary)

Directorship/Shareholding/Trusteeship:

- Deliwe Properties
- Emerald Panther Investments 84
- JAS Property Investments
- PGJA Mining Private Equity Fund
- Growthpoint Properties
- PSG Konsult
- Sangqu Property Investments
- Shanike Investments No173 (RF)
- Shanike Investments No175 (RF)
- Western National Insurance Company
- Rhodes University Council – Member of Council

MS PORTIA DERBY

Group Chief Executive

Date of birth: December 1969

Date of appointment: February 2020

2 3 4 20 22

Qualifications:

MBA (University of Witwatersrand); BSc (Hons) Economics (University of KwaZulu-Natal); BSc (Geology and Economics) (University of KwaZulu-Natal); Management Advancement Programme Certificate

Directorship/Shareholding/Trusteeship:

- Ubu Investment Holdings (60%)
- LPA Properties (50%)
- Tandimanzi (Pty) Ltd
- JoyAnanda Investments (50%)
- Pholela Trust
- Sisanda Holdings

MS NONKULULEKO DLAMINI

Group Chief Financial Officer

Date of birth: October 1973

Date of appointment: July 2020

1 4 19 22

Qualifications:

Chartered Accountant (SA); Bachelor of Commerce (University of the Witwatersrand); Higher Diploma in Accounting (CTA) (University of Natal)

Directorship/Shareholding/Trusteeship:

- Rosherville Properties

BOARD COMMITTEES

- Audit
- Corporate Governance and Nominations
- Finance and Investment
- Remuneration, Social and Ethics
- Risk

BOARD MEMBERS' COMPETENCIES

1	Auditing and Finance	7	Information Systems Governance	13	People Management	19	Strategic Governance
2	Business Management	8	Infrastructure Development	14	Project Management	20	Strategy
3	Compliance Management	9	Logistics and Operations	15	Property Management	21	Transport and Logistics
4	Corporate Governance	10	Marketing Management	16	Risk Management	22	Leadership Principles
5	Data and Digital Science	11	Mergers and Acquisitions	17	Socio-Economic Development		
6	Engineering and Design	12	Operations and Maintenance	18	Stakeholder Relations		

MS LEBOHANG LETSOALO

Independent non-executive director

Date of birth: March 1979

Date of appointment: July 2023

9 10 19 20 22

Qualifications:

Diploma Purchasing, UJ, 2000; Bachelor of Technology/ Logistics, 2002; Masters in Business Administration, UNISA, 2012

Directorship/Shareholding/Trusteeship:

- Sincpoint 100%
- African Women in Supply Chain Association
- Jet Demolition
- Cross Boarder Road Transport Agency
- Booyco Engineering
- Hlola Trust (Trustee)
- BI Engineering (Director)
- Bay Engineering (Director)
- House of Delicacies (Director)
- Black Industrialist Group 100%

MR BUSISA JIYA

Independent non-executive director

Date of birth: December 1971

Date of appointment: July 2023

1 22

Qualifications:

Bachelor of Business Science with majors in Economics and Actuarial Science, UCT, 1995; Senior Leadership Development Programme, Manchester University - Business School, 2001; Advanced Leadership & Management Programme, Liberty Corporate, 2002; Advanced Management Programme, Thomson Reuters Academy, 2009; Directorship in Companies, Witwatersrand University – Business School, 2010; Key Individual (RE1 and RE3 FAIS Exams), Financial Sector Conduct Authority, 2013

Directorship/Shareholding/Trusteeship:

- Chairman of the ASISA Academy
- Board of Business Unity South Africa
- International Investment Funds Association

MR DIPAK PATEL

Independent non-executive director

Date of birth: February 1964

Date of appointment: July 2023

1 2 6 21 22

Qualifications:

National Diploma: Chemical Engineering, DUT, 1986; Associate Membership: Qualified Brewer, Institute of Brewing (United Kingdom),1987; MBA: Business Administration and Corporate Strategy, University of the Witwatersrand,1995; Master of Science: Development Economics and Finance, University of London, 2001; Advanced Management and Leadership Programme, INSEAD Business School (France),2008

Directorship/Shareholding/Trusteeship:

- Member of the executive of the Association of Former Directors-General
- Secretariat of the "Defend our Democracy" Campaign.
- Member of the Advisory Board of the Green Outcomes Fund

MR MARTINUS DEBEL

Independent non-executive director

Date of birth: October 1955

Date of appointment: July 2023

1 4 6 8 9 10 20 22

Qualifications:

BSC- Eng in Maritime Science; Thesis: Accuracy of Long-Range Navigation Systems; Navigation License – All Ships/ All Seas; Post Graduate: Analyse, Understand & Construct Business process redesign

Directorship/Shareholding/Trusteeship:

- Experion Global, Netherlands, 100%

MS MOSADIWAMARETLWA ZAMBANE

Independent non-executive director

Date of birth: July 1970

Date of appointment: July 2023

1 3 13 16 22

Qualifications:

Practical Legal Studies Course, UCT, 1994; Bachelor of Law (LLB), UCT, 1992; Bachelor of Arts (Law),UCT, 1990; Higher Diploma in International Tax Law ,UJ, 2004; Higher Diploma in Tax Law ,UJ, 1999

Directorship/Shareholding/Trusteeship:

- Wamaretlwa Investments (Pty) Limited
- Columbus Stainless Steel

KING IV. P7

DR POPO MOLEFE

Independent non-executive director

Date of birth: April 1952

Date of appointment: May 2018

14 20 22

Qualifications:

Honorary Doctorate (Leadership Aptitude) (University of North West); Certificate of Conflict Resolution (Harvard University); Course on Governance (Harvard University); Certificate of Completion of Business Leadership Course (Pennsylvania University)

Directorship/Shareholding/Trusteeship:

- Lereko Investments (Pty) Ltd
- LMCGF
- Andru Mining (Pty) Ltd
- Popo Molefe Foundation
- Mooki Trust
- Mopisi
- Mining Technologies Solutions (Pty) Ltd

MS BOITUMELO SEDUPANE

Independent non-executive director

Date of birth: February 1984

Date of appointment: July 2023

4 13 18 22

Qualifications:

BA Industrial Psychology & Industrial Sociology; BA (Honours Degree) – Industrial & Organisational Psychology; Executive Development Programme

Directorship/Shareholding/Trusteeship:

- Member of the Independent Exemption Body for the National Bargaining Council for the Road Freight and Logistics Industry.
- Chartered HR Professional at South African Board for People Practices
- Professional member of Institute of Directors South Africa

MS REFILWE BUTHELEZI

Independent non-executive director

Date of birth: August 1983

Date of appointment: July 2023

1 4 6 14 16 20 22

Qualifications:

Master's in Business Leadership (MBL), University of South Africa, 2015; Masters in Engineering Management, University of Johannesburg, 2011; Bachelor of Engineering - Electrical & Electronics, University of Johannesburg, 2006

Directorship/Shareholding/Trusteeship:

- President - Engineering Council of South Africa (ECSA)
- SANRAL
- Federation of African Engineering Organisation (FAEO)
- Coefficient Technologies, 100%
- Phungashe Consortium
- Pfuxani STEM (NPO)

PROF FHOLISANI MUFAMADI

Independent non-executive director

Date of birth: February 1959

Date of appointment: May 2018

14 20 22

Qualifications:

PhD (University of London); MSc in states, society and development (University of London)

Directorship/Shareholding/Trusteeship:

- Absa Bank Mozambique
- Zimplats (Chairman)
- Implats Holdings Limited

MS SHOKIE BOPAPE

Group Company Secretary

Date of birth: May 1969

Date of appointment: September 2020

4 22

Qualifications:

BJuris (University of KwaZulu-Natal); LLB (University of KwaZulu-Natal); MA (Social Policy – Industrial Stream) (UKZN); Postgraduate qualification in Strategic leadership (GIBS); CSSA Professional Postgraduate Qualification: Company Secretarial and Governance Practice (Chartered Secretaries Southern Africa)

OUR EXECUTIVE LEADERSHIP

KING IV. P7

MS PORTIA DERBY

Group Chief Executive

Date of birth: December 1969

Date of appointment: February 2020

1 2 3 4 19

Qualifications:

MBA (University of Witwatersrand); BSc (Hons) Economics (University of KwaZulu-Natal); BSc (Geology and Economics) (University of KwaZulu-Natal); Management Advancement Programme Certificate

MS NONKULULEKO DLAMINI

Group Chief Financial Officer

Date of birth: October 1973

Date of appointment: July 2020

1 3 20 22

Qualifications:

Chartered Accountant (SA); Bachelor of Commerce (University of the Witwatersrand); Higher Diploma in Accounting (CTA) (University of Natal)

DR ANDREW SHAW

Chief Strategy and Planning Officer

Date of birth: May 1967

Date of appointment: July 2020

3 4 12 15 20 21

Qualifications:

Bachelor of Science (University of Witwatersrand); Masters of Science in Engineering (University of Witwatersrand); Doctor of Philosophy in Transport Economics (University of Leeds, UK); Master of Business Administration (University of Reading, UK)

MS SIZAKELE MZIMELA

Chief Executive: Transnet Freight Rail

Date of birth: May 1965

Date of appointment: May 2020

1 12 20 22

Qualifications:

BA Economics and Statistics (University of Swaziland); Certificate in Management (Henley College); Transnet Executive Development Programme (Gordons Institute of Business Science); Financing Small Businesses, USAID; World-Class Service Excellence, GIBS; Board Leadership Programme, GIBS; Executive Airline Briefing, Stephen Shaw; Airport Management

MR JABULANI MDAKI

Chief Executive: Transnet Port Terminals

Date of birth: October 1976

Date of appointment: January 2021

12 13 22

Qualifications:

Global Executive Development Programme GIBS Johannesburg SA; Post-graduate Diploma in Business Management (PGDM) (University of KwaZulu-Natal); National Diploma in Mechanical Engineering (Mangosuthu Technikon)

ADV MICHELLE PHILLIPS

Chief Executive: Transnet Pipelines

Date of birth: December 1970

Date of appointment: November 1999

4 9 12 19

Qualifications:

B Juris LLB (Nelson Mandela University); Executive Development Leadership Programme (GIBS); Global Executive Development Leadership Programme (GIBS); Several International Terminal Operations Management Programme; Transnet Woman in Operations Management Programme; Breakthrough Programme for Senior Executives (IMD)

EXECUTIVE LEADERSHIP COMPETENCIES

1 Auditing and Finance	5 Data and Digital Science	9 Logistics and Operations	13 People Management	17 Socio-Economic Development	21 Transport and Logistics
2 Business Management	6 Engineering and Design	10 Marketing Management	14 Project Management	18 Stakeholder Relations	22 Leadership Principles
3 Compliance Management	7 Information Systems Governance	11 Mergers and Acquisitions	15 Property Management	19 Strategic Governance	
4 Corporate Governance	8 Infrastructure Development	12 Operations and Maintenance	16 Risk Management	20 Strategy	

KING IV. P10

MR PEPI SILINGA

Chief Executive: Transnet National Ports Authority

Date of birth: December 1964

Date of appointment: October 2020

6 14 22

Qualifications:

BSc Civil Engineering (University of Natal-Durban); Master of Engineering (University of Witwatersrand); Master of Business Administration (Heriot Watt University); MDP (UNISA); CMP (Stellenbosch) ;AMP (INSEAD); Carted director (Iod UK); Post-graduate Diploma - Company Direction (GMIT) & IOD (UK); Diploma in Industrial Relation (Damelin); Major Projects Association (Templeton College – Oxford)

MR KAPEI PHAHLAMOHLAKA

Chief Executive: Transnet Property

Date of birth: April 1976

Date of appointment: September 2020

14 15

Qualifications:

Bachelor of Arts (Hons) (VISTA University); Bachelor of Laws (LLB) (University of South Africa); Master of Business Administration (Regent Business School); Certificate in Commercial Property Practice – CCPP (University of Pretoria); Property Development Programme – PDP (University of Cape Town); Certified Property Manager – CPM (Institute of Real Estate Management – IREM)

MR RALPH MILLS

Chief Executive: Transnet Engineering

Date of birth: January 1964

Date of appointment: April 2020

2 6 12 20

Qualifications:

Bachelor's degree in Military Science (BMil) (SA Military Academy at the University of Stellenbosch); Masters in Business Leadership (MBL) (University of South Africa's School of Business Leadership)

ADV SANDRA COETZEE

Chief Legal Officer

Date of birth: April 1962

Date of appointment: April 2020

3 4

Qualifications:

An admitted advocate of the High Court of South Africa BLC (University of Pretoria); LLB (University of Pretoria); Senior Leadership Programme Certificates (University of Cambridge and London School of Economics)

MS YOLISA KANI

Chief Business Development Officer

Date of birth: September 1975

Date of appointment: May 2020

3 21 9 14

Qualifications:

BSc Hons in Applied Science (with a specialisation in Transportation Engineering) (University of Pretoria)

MR ITUMELENG MATSHEKA

Chief of People and Learning

Date of birth: July 1969

Date of appointment: November 2020

2 3 13 17

Qualifications:

Masters in Business Administration (Milpark Business School); Bachelor of Social Sciences (Honours) (Rhodes University); Bachelor of Social Sciences (Rhodes University)

EXECUTIVE LEADERSHIP COMPETENCIES

1 Auditing and Finance	5 Data and Digital Science	9 Logistics and Operations	13 People Management	17 Socio-Economic Development	21 Transport and Logistics
2 Business Management	6 Engineering and Design	10 Marketing Management	14 Project Management	18 Stakeholder Relations	22 Leadership Principles
3 Compliance Management	7 Information Systems Governance	11 Mergers and Acquisitions	15 Property Management	19 Strategic Governance	
4 Corporate Governance	8 Infrastructure Development	12 Operations and Maintenance	16 Risk Management	20 Strategy	

MR VULEDZANI NEMUKULA

Chief Procurement Officer

Date of birth: January 1968

Date of appointment: April 2020

3 4 8 22

Qualifications:

Masters in Business Administration (MBA) (University of Wales); Bachelor of Science (University of CT); Advanced Business Management Programme (ABP) (University of Johannesburg); Advanced Management Programme (AMP) (NSEAD); Oxford Executive Leadership Programme (OELP) (Oxford University Saïd Business School)

MS SAYEEDA KHAN

Chief Audit Executive

Date of birth: March 1975

Date of appointment: March 2022

3 4 7 16

Qualifications:

BCom (Accounting) (University of Durban, Westville); Diploma in Accountancy (University of Durban, Westville); CA(SA) and CIA

MR PANDELANI MUNYAI

Chief Information Officer

Date of birth: January 1969

Date of appointment: May 2020

1 5 6 7 10 17 18

Qualifications:

Master of Business Leadership (University of South Africa); Master of Electronic Engineering (University of Pretoria); BSc Electrical Engineering (University of Cape Town); BSc Physics and Mathematics (University of Venda)

MS HEMA CHETTY

Chief Digital Officer

Date of birth: April 1982

Date of appointment: April 2022

1 2 5 14 16

Qualifications:

Bachelor of Commerce in Internal Auditing (Hons) degree (UP); Bachelor of Commerce in Financial Accounting (UP); Executive programme in Digital Transformation, Massachusetts Institute of Technology (MIT)

MR ANDRE PILLAY

Group Treasurer

Date of birth: August 1969

Date of appointment: May 2022

1

Qualifications:

BSc (Mathematics) (University of Pretoria); BCom (NDP): Econ, Accountancy (University of South Africa)

OUR INVESTMENT CASE

At the heart of Transnet's purpose as a SOC lies a commitment to fostering a globally competitive freight logistics system. This drive fuels large-scale industrial capability-building for key economic sectors in South Africa, ultimately streamlining business operations and bolstering trade competitiveness. This commitment serves both large and small industrial players by creating efficient export and import corridors.

In our 2021 suite of reports, we launched our Reinvention Strategy, a partnership-based initiative set to bolster South Africa's economy. This initiative, embracing multi-stakeholder collaboration within key commodity sectors, aligns with the Shareholder Minister's Statement of Strategic Interest. It empowers Transnet to capitalise on private sector contributions for both infrastructure and operational requirements. As a result, the strategy's sector initiatives will suit market demands, addressing necessary infrastructure modernisation and repairs, while simultaneously rejuvenating and transforming essential value chain services.

A comprehensive SWOT analysis across segments has unearthed long-term growth opportunities. Our unique position as a heavy haul freight bulk carrier, our robust railway asset base, and our unparalleled rail connectivity within Sub-Saharan Africa, present us with a competitive advantage in all sectors excluding coal and liquid fuels.

Transnet Freight Rail operates the heavy haul coal and iron ore export lines and is developing the manganese export corridor to heavy haul standards.	
The diverse rail network comprises	
1 500 kilometres heavy haul lines	3 928 kilometres of branch lines
These serve as feeders to the main lines	

The rail network service provides strategic links between ports, terminals and production hubs providing connectivity with Southern African railways to support regional integration. Infrastructure connectivity, coupled with close co-operation with other Operating Divisions (ODs) and collaboration with key customers, enables the delivery of freight volumes across value chains.

Our ports, strategically situated near economic zones within the South-South corridor, hold a diversified port infrastructure, making Port Terminals a regional leader in the container, automotive, and dry bulk segments (excluding coal). It leads the market in handling iron ore and manganese – holding 21 terminal operator licences nationwide.

Transnet Pipelines, Southern Africa's largest multi-product pipeline (NMPP) operator, offers a well-established pipeline supply value chain, enhanced by advanced pipeline skills and extensive experience in operations, engineering, and maintenance. This Division holds significant potential to establish strategic terminal import connectivity for the southern hemisphere, particularly in the renewable energy sector.

Since its inception, Transnet Port Terminals has played a key role in supporting the South African government's export-led growth strategy. Most Southern African import and export commodities are handled through South Africa's seven logistics ports, Richards Bay, Durban, Saldanha, Cape Town, Port Elizabeth, East London and Port of Ngqura. Port Terminals handles container sector, mineral bulk, agricultural bulk, and Roro sectors.

The Port Terminal's major customers represent a broad spectrum of the economy and include the shipping industry, vehicle manufacturers, agriculture, timber and forest products, the mining industry, as well as exporters of minerals, metals and granite.

Transnet Engineering
Largest heavy engineering firm in South Africa
Provides crucial support to rail, ports, and pipeline infrastructure
Operates one of the largest engineering fabrication facilities in Africa
Possesses a multidisciplinary workforce with expertise in rolling stock design requirements in the African context
Particularly adept in handling narrow gauge railways operating on infrastructure of variable quality

Transnet Property:
One of the largest landowners in South Africa
Manages a diverse property portfolio
Portfolio spans across 204 municipalities

Transnet's progression towards a more integrated operational model is set to significantly enhance pit-to-port flows across major commodity sectors. This approach is exemplified by the ability of Port Terminals to collaborate with Freight Rail, providing integrated port-rail solutions that boost overall operational efficiencies within the logistics chains of key commodity sectors.

Transnet's segment strategies position the Company to engage in multiple integrated commodity value chains, working alongside the private sector to revitalise and expand Transnet's portfolio in a financially sustainable manner.

OUR CAPITAL PORTFOLIO AND PRIORITISATION PRINCIPLES

Transnet prioritises affordability and sustainability in its future capital investments. A strategic shift towards rail is a key environmentally sustainable approach, designed to alleviate pressure on the road network, reduce carbon emissions, and cut transport costs.

To ensure the alignment of the Capital Investment Plan with our strategy and its capacity to provide value for Transnet and its stakeholders, we have developed a set of prioritisation principles. Elements of these principles have been used to inform the capital portfolio:

- A strategic shift towards rail:
  - Promotes an environmentally sustainable approach.
  - Alleviates pressure on the road network.
  - Reduces carbon emissions.
  - Cuts transport costs.
- Assessment of all capital investment projects:
  - Evaluation from the perspective of each segment.
  - Focus on return on investment through growth in revenue, profitability, and market share.
- Contextual evaluation of investment opportunities:
  - Investment to be part of a segment or supply chain.
  - Business case should demonstrate potential impact on the supply chain, the segment, and Transnet's overall performance.

Appraisal of all capital projects against five criteria:

Strategic fit	Financial impact	Potential alternative funding sources	Risk rating	Unique impact
Alignment with Transnet's overall strategy	Expected financial return from the project	Exploration of different funding options	Assessment of potential risks associated with the project	Evaluation of the project's unique contribution to Transnet

OUR FUNCTIONAL PORTFOLIO

Transnet plans to invest R122,7 billion in capital over the next five years, of which 80,9% will be dedicated to maintenance and sustaining capital investment. A substantial part of this capital will be spent on maintaining and sustaining permanent ways, as well as locomotives and wagons, with the remainder allocated for port fleet and pipeline equipment.

Historically, investment in permanent ways has lagged behind investment in locomotives, leading to a pressing need to expedite investment in this area. The bulk of the planned sustaining investment of R99,5 billion over the period, will be in permanent ways. We believe that such investment will result in significant business benefits to the new locomotives and terminal capacity.

INVESTMENT GOVERNANCE AND ASSURANCE

Transnet's investment governance is underpinned by an organisational framework that enables effective and transparent decision-making on capital investment projects. This approach ensures that the most suitable projects and programmes are advanced through their respective life cycles to collectively deliver on the Company's strategic objectives. Investment decisions will be made based on shared risk portfolio, quality, viability, sustainability, and portfolio – creating maximum strategic value. Transnet's Finance and Investment Committee is instrumental in effective decision-making on all capital investment projects.

OUR FUNDING PLAN

Transnet's capital structure incorporates funding from equity and debt, which is used to finance its existing operations, future growth opportunities, and to refinance maturing debt.

After more than 20 years of funding without government guarantees, the need for Transnet to have such government guarantees readily available is increasing. These are primarily needed for credit enhancements to support our developmental capital investment objectives.

A company of Transnet's size is typically funded from a variety of sources to mitigate the concentration risk associated with relying on limited sources of funding.

OPPORTUNITIES IN THE FUNDING ENVIRONMENT

Our Reinvention Strategy, combined with management's commitment and demonstrated ability to execute this strategy, is perceived by investors as a positive turning point. This allows the business to fully embrace its essential role in South Africa's economy.

The balance sheet for the reporting period shows a less optimistic picture compared to the previous reporting period. Despite this, Transnet has maintained an impeccable record in servicing its debt. This includes:

- Fulfilling capital repayments.
- Meeting interest payments on all funding instruments.

Despite the current financial challenges, Transnet remains committed to its Reinvention Strategy. The aims of this strategy include:

- Better positioning Transnet to support economic growth.
- Attracting investor confidence.
- Increasing Transnet's property portfolio.
- Expanding private partnerships.

UPGRADE IN RATING BY MOODY'S

Moody's Investors Service revised the outlook for Transnet, from negative to stable. This occurred on 6 February 2023 and affirmed most of the Company's ratings, including the corporate family rating of Ba3 and national scale senior unsecured MTN programme rating of A2.za. This revision came as Transnet successfully priced a new 5-year USD 1 billion international bond, improving liquidity and, in doing so, covering upcoming debt maturities and planned capital expenditure over the next 12 to 18 months.

Despite the slow operational recovery, Moody's indicated confidence in Transnet having sufficient liquidity sources to address its financial obligations, including the R14,6 billion debt maturing in the 2022/23FY. Our weak free cash flow generation and increasing cost of debt may, however, pose vulnerabilities to our liquidity profile in the long run.

SUSTAINING VALUE THROUGH THE CAPITALS

CAPITAL INPUTS

Human and Intellectual

- Responsible leadership
- Retention of permanent skilled employees
- Sound remuneration philosophy and process
- Project life cycle programme methodologies
- Research and development

Financial

- Export credit markets
- International and domestic investments
- Loan markets (public and private)
- Development finance institutions
- Structured financing
- Partial funding by interested stakeholders
- Commodity-based revenue
- Non-commodity revenue from operations

Manufactured

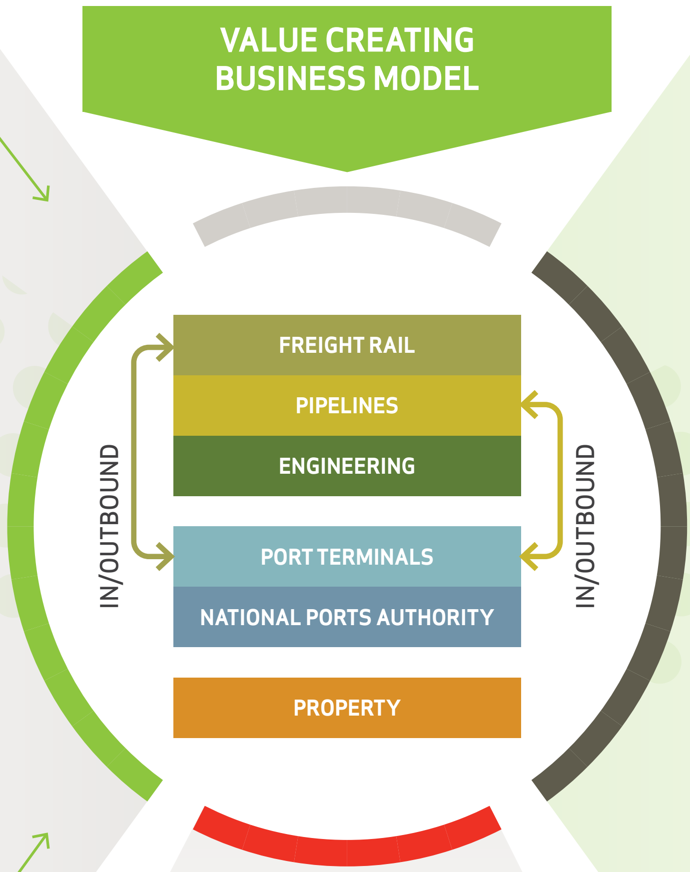
- Property, plant and equipment
- Investment property
- Rail and branch-line networks
- Locomotives and rolling stock
- Expansive petroleum and gas pipeline infrastructure
- Multi-cargo ports
- Port terminals
- Repairs and maintenance

Social and Relationship

- Shareholders and funders value creation
- Diverse sector contributions to the SA economy
- Stakeholder information and relations
- Government and regulators
- Corporate social investment

Natural

- Water
- Electricity
- Air
- Land



... OPERATIONS SUPPORTED THROUGH DELIVERY AGAINST OUR STRATEGY

FIVE TRANSVERSAL STRATEGIC FOCUS AREAS

01	02	03	04	05
CUSTOMER SERVICE	PEOPLE	ASSET UTILISATION	SAFETY	COST OPTIMISATION

OUTPUTS

(Product service offering and by-products)

Wide range of transported general bulk and containerised freight commodities.	Secure inland petroleum product supply.	Cargo-handling services to a wide range of customers.	Waste materials as by-products of infrastructure projects (e.g. asbestos and hydrocarbon waste).

Value creation | Value preservation | Value erosion

CAPITAL OUTCOMES

Human and Intellectual

- Distinctive product and service designs
- Globally recognised operating standards
- Strong governance structure and oversight
- Technologically agile, integrated digital capabilities
- Accurate data outputs for informed decision-making
- Effective control and legitimacy
- Integrated planning and resourcing
- Safe working environment
- Skilled and representative workforce
- High performance culture, improved employee performance
- Promote diversity, training, and ongoing education
- Responsible and ethical leadership.
- Employer of choice with inclusive culture
- Improved physical and mental health, and safety
- Strong engineering research and development
- Lost Time Injuries
- Lost Time Injury Frequency Rate
- Public fatalities

Financial

- Commercial agility
- Diversified capital investments
- Reliable borrower
- Investment-grade stand-alone credit profile
- Cash interest cover of 2,1 times
- Gearing at 43,6%
- Procurement reform

Manufactured

- Enhanced operational performance
- Optimised use of rolling assets (mention standing loco)
- Largest railway in Africa
- Ranked among Top 10 global freight railways
- Ongoing rail capacity growth
- Infrastructure damage through vandalism and theft
- Running line derailments
- Shunting derailments
- High standards of maintenance, repair, and upgrade of assets

Social and Relationship

- Social licence to operate
- Customer-centric and reliable delivery of services
- Informed and empowered stakeholders
- Collective agreements with organised labour
- Partnerships with customers and logistics providers
- Fair, transparent, and efficient contract management
- Fair and equitable tender processes
- Proactive and collaborative supplier development
- Provision of primary healthcare services to rural communities

Natural

- Water quality monitoring and reporting
- Sustainable waste management and optimisation
- Manage and enhance biodiversity in operations
- Air quality management
- Management of historical contamination
- Environmental incidents management
- Environmental legal compliance
- Pipeline spillages
- Infrastructure damage through vandalism
- Ethical business practice
- Environmental transgressions and incidents

Popo Molefe
Outgoing Chairperson

Andile Sangqu
Incoming Chairperson

CHAIRPERSON'S REVIEW

> **"The Company seeks to increase competitiveness, capacity, and capability of black-owned suppliers through financial and non-financial support."**

My tenure as Chairman of the Board of Directors came to an end on 11 July 2023, following the appointment of a new Board by the shareholder minister. It has been an honour and privilege to serve in this capacity, notwithstanding the many economic and operational challenges we have encountered.

We have had to wrestle with the aftermath of State Capture, whose shadow continues to loom large. As I noted in my inaugural review in 2019, this unfortunate era in our country was characterised by systemic weakening of governance control systems in order to enable corruption. The operational and financial performance of the company in recent years is, in many ways, a direct result of decisions taken during those years.

Under the Leadership of Mr. Andile Sangqu and the near full complement of new Board – in which I continue to serve – I am optimistic that Transnet will continue to embed high standards of performance, accountability and governance as to strives to fulfill its mandate and strategic objectives.

Over the years, I have admired how the company has demonstrated unwavering commitment to its mandate as a key lever and driver of our economic engine, development and transformation. This gives me optimism about the years ahead.

Transnet's fortunes and that of the South African economy are intertwined. Having seen out the turbulent period which resulted from the COVID-19 pandemic, the macroeconomic outlook remains subdued. The National Treasury's baseline forecast, released on 22 February 2023, expected a moderate deceleration of growth to 0,9% in 2023. The forecast by the South African Reserve Bank (SARB) towards the end of January 2023 was less optimistic, at 0,3%. The SARB marginally revised down the growth outlook to 0,2% at the end of March 2023, while the International Monetary Fund (IMF) slashed its 2023 forecast from 1,2% (per its January's update) to a meagre 0,1% on 23 March 2023.

To create a conducive environment for future growth, Transnet recognises the urgent action needed to address supply-side constraints to the country's growth, such as ensuring stable electricity supply and improving freight and logistics.

The new Board takes over at a time when Transnet is grappling with its own binding constraints and their impact on the economy, and finding its way out of an immensely challenging period in its recent history. We are aware of the multiple challenges we face as a country, particularly in rebuilding the economy and restoring confidence. We are also not oblivious to the fact that key economic sectors have lost billions in the past year, with profound implications for the national fiscus; and that continued declines in volumes transported are threatening economic growth and Transnet's sustainability.

This is a huge mountain for any entity to climb, and the Transnet management have gone about the task of turning the company around with passion and massive commitment – and, it must be said, extensive engagement on the future state of the company with all stakeholders, including business and labour.

OPERATIONAL AND FINANCIAL PERFORMANCE

Revenue for the year increased by 0,6% to R68,9 billion (2022: R68,5 billion) in line with positive port and pipeline operational performance. Automotive and break-bulk volumes improved significantly (+21,0%) and petroleum volumes increased by 1,0% (compared to the previous year). Rail volumes, however, decreased by 13,6%, adversely affected by the floods in KZN in April 2022, cable theft, infrastructure vandalisation, equipment challenges and operational inefficiencies relating mainly to the general freight and export coal businesses.

Transnet realised some positive spin-offs from various cost management strategies implemented to mitigate the impact of inflation, and was able to contain its net operating expenditure to a 2,0% increase year on year. In the main, the benefits came through the optimisation of operational processes, curtailing discretional costs and streamlining of the workforce. To that end, the Company recorded a marginal erosion of 2,1% in EBITDA to R23,0 billion and a net loss of R5,7 billion.

SAFETY PERFORMANCE

Transnet prioritises the health, safety, and well-being of its workforce, implementing comprehensive safety measures, occupational health provisions, and wellness services. Both management and employees are encouraged to actively contribute to safety management programmes. Transnet is steadfast in the pursuit of a 'Zero Harm' vision and commitment to fostering a robust safety culture, founded on a 'Just' safety culture approach.

The South African National Accreditation System (SANAS) has re-accredited the Company as an Occupational Hygiene Approved Inspection Authority. The Lost Time Injury Frequency Rate (LTIFR) improved, public fatalities significantly reduced, and a three-year Railway Safety Permit was obtained. The Transnet Academy updated safety training initiatives in February 2023, with over 2 500 employees already being trained.

Transnet has successfully re-integrated its workforce, reverting to a state of near normality following the COVID-19 pandemic. The Company continues to vigilantly monitor and remedy the persistence and effects of COVID-19 in accordance with the Hazardous Biological Agents Regulations and the Code of Practice: Managing Exposure to SARS-COV-2 in the Workplace, 2022.

ENVIRONMENT, SOCIAL, AND GOVERNANCE (ESG)

ESG governance is an essential part of our corporate governance framework and is integral to fulfilling Transnet's mandate, executing our strategy, meeting our responsibilities to our customers, and delivering value to our stakeholders. Faced with the growing impact of climate change, the Board embraces its fiduciary duty to monitor and direct the implementation of Transnet's ESG commitments. This involves shaping the Company's strategy, harmonising stakeholder interests, and advancing towards long-term economic, social, and environmental sustainability.

Transnet's commitment to ESG governance is reflected in its adherence to the King IV principles and its decade-long status as a signatory to the United Nations Global Compact (UNGC), which has propelled the continuous improvement of our ESG governance practices.

We support socio-economic development programmes to support the creation of a more inclusive society and stable economic environment in which business can thrive.

Our commitment to human prosperity dovetails seamlessly with our dedication to environmental sustainability. By championing energy efficiency, promoting modal shift, planning our infrastructure responsibly, optimising resources, embracing green technologies, and building resilience against climate change, we contribute to the collective pursuit of a sustainable future.

Climate change is the defining challenge of this generation and companies are expected to lead in meeting net-zero commitments. Our climate change response approach seeks to align with global efforts to reduce the effects of climate change and attain climate resilience based on climate science. Our approach also aligns with Sustainable Development (SDG) Goal 13 and the National Development Plan, which spell out the need to transition to a green economy.

ENTERPRISE AND SUPPLIER DEVELOPMENT (ESD)

In driving its Enterprise and Supplier Development (ESD) strategy, Transnet is guided by government's Competitive Supplier Development Programme and informed by the B-BBEE Codes of good practice. The Company seeks to increase competitiveness, capacity, and capability of black-owned suppliers through financial and non-financial support. We target ESD initiatives that support localisation and industrialisation, and provide opportunities for black people, youth, women, small businesses, people with disabilities, and people living in rural communities. Transnet's integrated ESD strategy supports the rise of young Black entrepreneurs through the various developmental levels, including high school innovation programmes, business case development, business incubation, and Transnet's Black Industrialist Programme.

As part of Transnet's Reinvention Strategy, we focus on promoting skills development, increasing procurement from Black-owned businesses and suppliers, and strengthening partnerships with industry stakeholders. By doing so, we aim to drive sustainable growth, contribute to South Africa's developmental priorities, and foster an inclusive economy.

COMMUNITY UPLIFTMENT

South Africa continues to experience challenges in food security, access to education, slow economic development, and unequal access to quality healthcare. In addition, changes in weather patterns as a result of climate change are causing catastrophic disasters in communities. The Transnet Foundation is committed to responding to the needs of communities in an effective and impactful way. We remain people-centered and focused on prioritised areas including health and education. These focus areas receive continued support from our employees who actively participate in employee volunteerism initiatives. Our socio-economic initiatives aim to improve the quality of life for vulnerable and rural communities, and we achieve this primarily through our Phelophepha I and II Healthcare Trains, which provide primary healthcare services, as well as dental, optometry, pharmaceutical, and counselling services.

During the year, we invested R109 million (2022: R139,6 million) in community development initiatives in the areas of health, education, sports, employee volunteerism, and socio-economic infrastructure development across South Africa. Our Phelophepha Healthcare Trains I and II provided comprehensive primary healthcare to 448 329 patients in over 68 communities across the country.

OUR INTERNAL CONTROL ENVIRONMENT

Transnet's internal control environment continues to be a work in progress. The external auditors assessed our internal control environment as "concerning" in the previous financial year (2021/22FY). This assessment, together with the strategic initiatives for the 2023 financial year (2022/23FY), was the starting plan for addressing internal controls in the year under review. Our leadership has taken full note of this assessment and is committed to putting forth its best efforts to prioritise corporate governance as a crucial business imperative.

Accordingly, we have put in the work required to embed, measure, and monitor our control environment to achieve the required improvements. Transnet designs and implements its risk-based systems of internal control in line with the Internal Control Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The internal control components have been integrated with the requirements of the Public Finance Management Act, No. 1 of 1999 (as amended) (PFMA).

REVIEW OF JUDICIAL PROCEEDINGS

KING IV. P13

The annual financial statements include the best estimate of expected settlement costs for judicial proceedings involving Transnet, as either defendant or plaintiff, where the outcome can be assessed with reasonable certainty. These estimates consider the legal opinions obtained for the Group. Contingent liabilities of the Group are disclosed in note 31 of the annual financial statements.

TOTAL SA AND SASOL OIL VERSUS TRANSNET PIPELINES

On 21 June 2022, the Constitutional Court delivered its judgement in favour of Transnet on the Sasol/Total contractual dispute. In terms of the judgment, the Constitutional Court found:

- that the Variation Agreement was terminable; and
- the Variation Agreement was validly terminated, with effect from 13 September 2020.

In relation to the other defences that Transnet had raised, the matter has reverted to the High Court for determination. Judge Wepener has been appointed to case manage the matter and the matter has been set down for trial from 2 October to 13 October 2023.

REPOSITIONING TRANSNET FOR SUSTAINABILITY WITHIN AN EVER-EVOLVING ENVIRONMENT

Our journey to reinvent and reposition Transnet as a reliable logistics partner began with the implementation of the Reinvention Strategy in 2021. The strategy recognises that part of the solution to our current challenges involves crowding in the private sector in certain areas of the business, such as through Private Sector Partnerships as recently announced for Transnet Port Terminals Pier 2 at the Durban Container Terminal, and others in the pipeline – including a new port and rail development in Boegoebaai in the Northern Cape. The changing policy landscape, as seen in the rail reform programme underway – the National Rail White Paper (March 2022) and the Economic Regulation of Transport Bill (2022) – also necessitates that we do things differently, as we prepare to open up the network to third-party rail operators.

Transnet's strategy aims to reposition the company by achieving financial sustainability in the short to medium-term and unlocking growth in the medium to long-term. To achieve this, a three-pronged approach has been developed, which entails renewed and focused delivery against the three focus areas:

i) fixing and optimising the business;
ii) transforming the business; and
iii) growing the business.

Transnet's segment approach focuses on industry supply chains, focusing efforts on the eight segments which account for over 80% of Transnet's revenue.

The long-term objective of our reinvention journey is to achieve business growth, thus aligning with the principal objectives of the Shareholder. This includes enhancing logistics efficiency in the country, enabling economic growth, increasing the volume of freight transported via rail, and rejuvenating the network infrastructure of the country through crowding in private sector investment and skills.

APPRECIATION

I take this opportunity to extend my sincere gratefulness to our Shareholder Ministry, customers, commercial partners, management and employees for their unwavering support and dedication to Transnet. To former board members whose dedication, diligence, commitment to Transnet and selflessness saw them devoting countless hours of work to the company without any expectation of compensation. I wish to welcome warmly the current Board members together with whom I will continue the exciting yet challenging journey of turning around the Transnet business to enable it to fulfil its central mandate facilitating inclusive growth of our economy. Thank you for your robust and spirited engagements as we position Transnet for sustainability in a dynamically changing environment.

My profound appreciation go the leadership of our recognised unions, namely the South African Transport and Allied Workers Union (SATAWU) and the United National Transport Union (UNTU), for their constructive though robust engagements, guidance, leadership, and willingness to share in the long-term vision of Transnet.

The stable financial performance, operational achievements, and resilience demonstrated during the financial year under review are a testament to our collective efforts and unwavering commitment to excellence.

As we move forward, we remain focused on creating sustainable value, driving innovation, and delivering outstanding results. With our robust reinvention strategy, a talented team, and the support of all stakeholders, I am confident that Transnet is poised for continued success.

Thank you for your trust and confidence in Transnet.

P.S. Molefe

Dr Popo Molefe
Former Chairperson

INCOMING CHAIRPERSON'S REVIEW

The new Board of Directors takes over at a time when Transnet faces a number of key challenges. We are fully alive to the impact that these have had on the company and on the economy, and wish to assure all our stakeholders that these matters are receiving priority attention.

A turnaround strategy for the business is currently being developed which will be submitted to the Board, together with an implementation plan with key milestones, targets and deadlines. This will consist – amongst others – of business improvements, optimisation of operational performance and processes.

Despite the challenges which have been outlined, it is a time of seizing new opportunities for the organisation. As the policy landscape changes in line with the reform programme of Government, and Transnet prepares to operate in a more competitive environment, we are determined to ensure that this is done in the interests of the business and of SA Inc. The former Board of Transnet made some bold and innovative decisions in introducing greater collaboration with the private sector, through the introduction of Private Sector Partnerships and concessions in certain parts of the business.

Crowding in the private sector supports our plans to mobilise resources and enhance local skills and competence, which position us for global competitiveness. In this regard, in the 2023/24FY, the partnership with an international terminal operator for Transnet Port Terminals (TPT) in the Container Terminal in Durban will be finalised and implementation will get underway, the establishment of the Infrastructure Manager and a leasing company (the LeaseCo) in the rail space will also take shape as we prepare for greater third party access onto the rail network.

The concessioning of the Container Corridor will also be finalised.

We are working closely and collaboratively with the private sector. The Board supports the Presidency-led National Logistics Crisis Committee (NLCC), and is committed to working with all the stakeholders to accelerate policy and operational reforms. Two of the non-executive directors have been assigned to support the NLCC initiatives and will be reporting to the Board on a regular basis.

We welcome the goodwill shown by our stakeholders, in government and in business, to walk this journey with us, and we look forward to further collaboration to bring about outcomes that are to our mutual benefit.

I wish to thank the previous Board, led by Dr Popo Molefe, for steering the ship during a challenging period. I also wish to thank the Shareholder Ministry for the trust and confidence placed in the Board to lead this critical entity. We stand ready to serve.

Mr Andile Sangqu
Incoming Chairperson

OPERATING ENVIRONMENT

The operating environment of Transnet continues to be shaped by numerous macro and micro-environmental factors, which we continue to carefully navigate in order to sustain and improve upon our performance–delivering value to our stakeholders.

MACRO-ENVIRONMENT

Transnet continues to operate amidst challenging global and domestic economic conditions, amplified by the lingering effects of the COVID-19 pandemic and the conflict between Russia and the Ukraine. The global economic growth is anticipated to slow down, with particular impact to emerging markets. Despite these challenges, Transnet looks forward with a view to innovation, transformation, and reinvention of its network.

The advent of digitisation and Fourth Industrial Revolution technologies presents both opportunities and challenges for our operations. As part of our long-term strategic positioning, we aim to leverage technology to enhance our operations and service delivery. Transnet maintains focus on innovation that supports investments in technology and business processes so that it may continue to deliver value to stakeholders.

To align with global trends towards sustainable business practices, Transnet (a responsible corporate citizen) continues to contribute to the socio-economic development of South Africa. We recognise the importance of integrating ESG factors into our operations and have made significant headway in this area.

Our Reinvention Strategy embodies our commitment to sustainable practices and reducing our environmental footprint, acknowledging the escalating global focus on climate change and the transition to a low-carbon economy–in support of the United Nation's Sustainable Development Goals.

MICRO-ENVIRONMENT

Transnet continues to focus on customer centricity and improving the quality of its services. Our diverse range of services, from railway infrastructure to port and pipeline operations, meets the unique requirements of our varied customer base.

The year under review has been particularly trying. The Company has had to navigate many unforeseen occurrences that have had a major impact on its balance sheet. The reporting period has seen serious flooding in the KwaZulu-Natal region, causing substantial damage to infrastructure, resulting in loss of life across the province, and adding economic pressure to an already pressurised environment. In addition to the floods, the power crisis faced in South Africa has imparted tremendous pressure on Transnet's ability to operate and generate value for stakeholders. These factors have impacted on the socio-economic experience of the country's residents–including the working force–and this has led to an increase in mental health pressures, which in turn result in staff not delivering to their optimal performance.

Our strategic alliances with suppliers and partners are essential for efficient service delivery. To foster a culture of mutual growth and development, Transnet is committed to ethical procurement practices and to supporting local businesses and SMMEs.

Overall, Transnet's navigation through the macro and micro-environment is underpinned by its unwavering commitment to serving South Africa's development agenda. Our sustained performance, despite the challenging operating environment, is testament to our strategy, resilience, and the unwavering support of our stakeholders. We remain steadfast in our pursuit of excellence, strategically leveraging opportunities, managing risks, and delivering sustainable economic support.

ADDRESSING STAKEHOLDER INTERESTS

TRANSNET STAKEHOLDER UNIVERSE REFLECTING INCLUSIVITY

Transnet continues to value interactions with stakeholders. The stakeholder categories of Transnet have been revised to include two more categories: Traditional Leadership and Parliament. This development has been captured in the Stakeholder Engagement Policy which is currently undergoing approval. The Company continuously works on improving relational capital with stakeholders.

The numbering of the stakeholder category does not signify the rank, influence or importance of each category, but for listing purpose.

In our endeavour to bolster our relational capital, we are committed to aligning with the King IV Report on Corporate Governance for South Africa. Our focus remains on fulfilling our mandate while considering the valid needs and expectations of our key stakeholders.

Our ongoing dedication to enhancing the quality of our relationships is guided by the Stakeholder Engagement Policy and Management Procedure. We take pride in our burgeoning stakeholder engagement culture within the business, a journey that is gathering momentum and yielding positive results. Our frameworks have fostered a systematic approach to managing stakeholder engagement across the company, in line with the following benchmarks:

- King IV Code;
- The International Integrated Reporting Framework;
- Global Reporting Initiative G4 Guidelines; and
- The AA1000 Stakeholder Engagement Standard.

We continue to refine our collective assurance processes, aiding management, our Audit Committee, and the Board to achieve an advanced level of maturity in stakeholder engagement. This progress enables us to respond aptly to stakeholder concerns, ultimately leading to improved operational efficiency, productivity, financial sustainability, and the achievement of Transnet's objectives.

Transnet SOC Ltd. is deeply committed to its robust stakeholder engagement programme to enhance and advocate its corporate strategy of reinventing and growing the organisation.

Transnet's leadership has shown determination in taking stakeholder engagement seriously by holding several key engagements with different business sectors.

PRINCIPLES

Inclusivity	Materiality	Consistency	Responsiveness	Accountability	Service Excellence
Stakeholders participate in developing and achieving an accountable and strategic response to sustainability. We accept our accountability to those who impact and those who have an impact on us.	Topics and indicators that reflect key economic and sustainability impacts or that may substantively influence stakeholder assessments and decisions.	Maintain regular and consistent communication to ensure continuity.	Our response to stakeholder issues that affect our sustainability performance, and are realised through decisions, actions, performance and communication.	Being accountable for and transparent about the impacts of our policies, decisions, actions, products and performance.	Translates to the ability to meet consistently and where possible exceed customers' expectations.

Examples include an EXCO-led Suppliers' Workshop on 22 November 2022 in Esselen Park. The session engaged suppliers on the Company's intention to achieve its mandate of reducing the cost of logistics in SA, whilst transforming the lives of ordinary South Africans. Furthermore, Transnet engaged with the suppliers on plans to empower them by delivering sustainable value through the development of an innovative digital Supply Chain Management (SCM) function, which will increase efficiency and effectiveness levels.

In February 2023, Transnet's EXCO held a consultative engagement with captains of industry in Richards Bay. The engagement was supported by organisations such as Foskor, Tronox, Mondi, Sappi, Bell Mining and Construction, Richards Bay Coal Terminal, Grindrod, Lovemore Brothers, and the Richards Bay Industrial Development Zone.

The Company has embarked on a process to review our control instruments, including the Stakeholder Engagement Policy as well as the Stakeholder Management and Engagement Procedure. These instruments are critical in guiding the Company's stakeholder engagement processes and building an integrated system of managing all Company engagements. Furthermore, this report provides a broad range of stakeholder engagement activities that Transnet executed in the financial year 2022/23.

The report provides an updated list of the Transnet stakeholder universe. Secondly, it highlights progress in strengthening collaboration with other companies that face the scourge of cable theft and vandalism to infrastructure.

The report also provides results of the 2023 Performance Analysis of the Regional Stakeholder Forums which looked at the leadership and functionality of each forum. In the 2022 report, we alluded to the formation of the Regional Stakeholder Engagement Forums as a combined assurance lever to strengthen the second line of defense. This analysis outlines the efficiency and effectiveness of each forum, and the results confirm that only a minimum of four forums are operating at an average level while five are operating at an effective level.

Going into the next year, the Company will be assessing the maturity level of stakeholder management in its divisions, and undertaking a multi-stakeholder perception survey, to gauge the strength of our responsiveness to stakeholder needs.

COMMITTED TO STAKEHOLDER ENGAGEMENT

In recognising the importance of building stronger stakeholder relationships and effectively applying the principles of consulting them often and communicating well that make up the pertinent aspects of stakeholder engagement.

Transnet firmly believes that to build relational capital, it is important to treat stakeholders with respect, equability, and consideration to improve reputational gains. To improve and strengthen our relationships in the current period of the report, we have enhanced our stakeholder engagement experience by embracing and applying the six principles we outline as part of our stakeholder engagement strategy.

The application of these principles allowed us to deepen our impact on key stakeholders. This report provides a snapshot of the application of these principles in our day-to-day interaction with stakeholders as mapped in our stakeholder matrix.

The King IV Code emphasised that the Board should consider legitimate and reasonable needs, interests, and expectations of the stakeholders – not merely as an instrument to serve the interests of the stakeholder – but as a matter of intrinsic value.

SIX PRINCIPLES OF STAKEHOLDER ENGAGEMENT

Inclusivity. We accept our accountability to those we impact and those who have an impact on us. We, therefore, seek to involve all stakeholders in an inclusive manner.

Responsiveness. We endeavour to respond to issues as they arise through our pro-active decision making, our actions, performance, and communication.

Materiality. We share indicators that reflect key economic and sustainability factors that impact, or that may substantively influence, stakeholder assessments and decisions.

Accountability. We account for, and take responsibility for, the Company's actions. We engage transparently about the impact of our policies, decisions, actions, products, and performance.

Consistency. We hold ourselves accountable and maintain regular communication that is consistent across the various channels.

Service Excellence. A promise to our partners and stakeholders at large, so that they may be assured of our commitment to world-class service.

Collaborations fuelling our responsive engagements

In 2021, Transnet – together with Eskom, Prasa, and Telkom – embarked on a journey to fight increasing cable theft and vandalism to infrastructure. The collaboration was initiated through the GCE roundtable where SOC chiefs and the heads of security from the four SOCs met. At the meeting, the parties engaged to find effective means and opportunity for collaboration to address theft and vandalism of critical infrastructure affecting all four SOCs.

Network of critical infrastructure

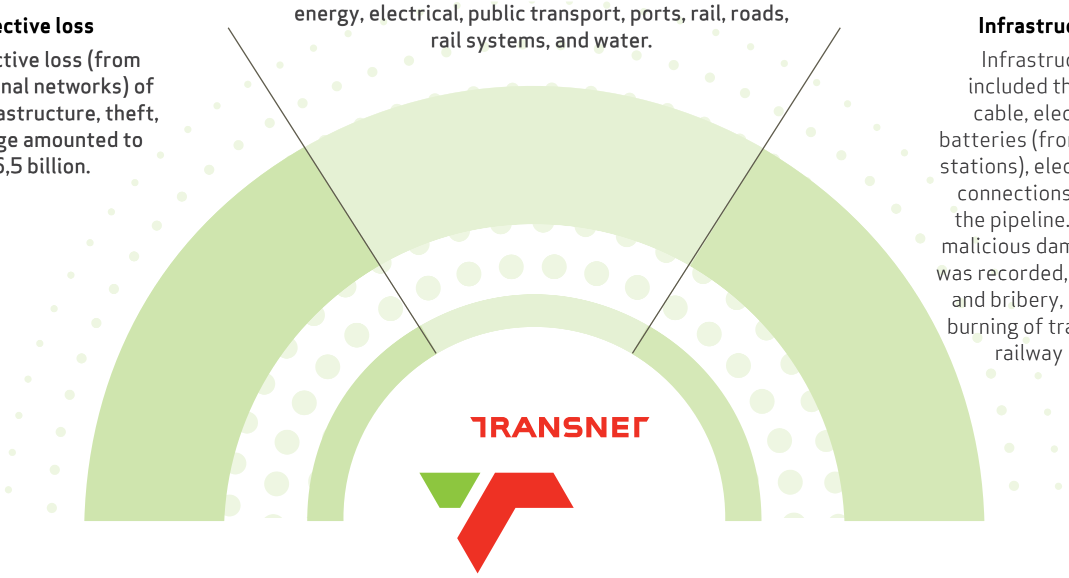
The national network of critical infrastructure included, but was not limited to, telecommunications, energy, electrical, public transport, ports, rail, roads, rail systems, and water.

Collective loss

The collective loss (from these national networks) of critical infrastructure, theft, and damage amounted to ~R46,5 billion.

Infrastructure crimes

Infrastructure crimes included theft of copper cable, electricity poles, batteries (from telecoms base stations), electricity via illegal connections, and fuel from the pipeline. Vandalism and malicious damage to property was recorded, as was extortion and bribery, hostage taking, burning of train coaches, and railway lines theft.



Success Factors

The work of the Task Team on Economic Sabotage of Critical Infrastructure is ongoing. The team has hosted awareness campaigns and have lobbied for harsher sentences, as well as a change in identified legislation. As a result, more arrests and successful convictions were achieved.

Taking accountability

Parliament (National and Provincial Legislatures)

Parliament has been identified as a critical stakeholder that should stand alone in the stakeholder universe. This is due to its critical oversight role that is exercised through its committees, as enshrined in the Constitution.

During the reporting period, Transnet engaged various committees of parliament at a national and provincial level. Engagements were conducted with both houses, The National Assembly and National Council of Provinces, on diverse issues. Transnet processes questions from the National Assembly and the National Council of Provinces–a requirement from Parliament to hold the SOC accountable. Transnet, through its shareholder, ensures that service delivery issues are consistently managed in line with the expected outputs, and that they represent the objectives of policy delivery.

2022/23FY

A. Parliamentary questions processed

- For 2022/23FY, Transnet processed 65 parliamentary questions.

08 JUNE 2022

B. Engagement with portfolio committee on transport

- Transnet faces challenges in respect to rail infrastructure and migration from road to rail; and
- The sector faced three principal challenges–significant under-investment inrail over the years, an under-supply of locomotives, and high level of security incidents.

03 AUGUST 2022

C. Engagements with the portfolio on enterprises and communication

- Transnet provided an update on Port Developments, which entailed restoration of Durban harbour to is former competitive glory as a leading container hub. The Company detailed its plans to relocate identified functions to the Port of Richards Bay (PoRB);
- The successful growth of the Port of Durban substantially relied on the rail operating efficiently and being able to successfully evacuate the cargo; and
- Informed the Committee that the SIU had completed some of the investigations, while some were ongoing.

22 NOVEMBER 2022

D. Engagement with Standing Committee on Appropriations

- Transnet has had no fiscal support for over 15 years. This has resulted in a growing debt burden;
- Transnet has been experiencing a very constrained insurance market as a result of residual perceptions and diminished governance during the state capture period as well as the high degree of fossil fuel processing in Transnet's operations; and
- The 2021 KZN floods contributed immensely to the current state of affairs.

Consistent communication driving buoyant communities

The establishment

Ten forums were established. Nine regional forums, that meet monthly, feedback to one main forum that conducts quarterly meetings. The forums are comprised of representatives from the various ODs, and TCC departments (academy, business development, enterprise and supplier development, corporate affairs, the Foundation, people, and security).

The leadership

All the regional forums comprise of the Chairperson, the Secretary, and one headquarter (HQ) support member from each of the above-mentioned departments. Some forums choose to have Deputy Chairpersons and Deputy Secretaries to share the workload. The membership of the forum is based on the ODs as represented in the region, geographic reach, and departments. Focus areas and communities have been identified per region, with some areas identifying their top issues.

Meetings	Region and Comments
7	**Eastern Cape** • Individual OD plans and reports discussed at the meeting • Need to strengthen the secretariat
8	**Free State** • The Forum had a planning session which listed priority issues for the Region • Fewer problems because of the size
5	**Gauteng** • Struggled in the beginning but was able to catch up later • Need to strengthen the secretariat
6	**KwaZulu-Natal** • Has done more work and overcome many challenges. The inter-OD alignment works better than in other forums • Chair effective but need to strengthen secretariat
8	**Limpopo** • Has done well in geographic reach • Has a few hotspot areas
7	**Mpumalanga** • Doing well in terms of discussing issues and alignment • Still missing some geographic focus

Meetings	Region and Comments
6	**Northern Cape** • The Forum has clear issues and communities in their agenda for discussion • Re-negotiating new leadership • No secretary for the Forum
9	**North West** • The Forum has dear issues and priority communities with Community Champions • Needs HQ support to complete the team
5	**Western Cape** • The inter-OD alignment is working well • Need to strengthen the secretariat
7	**Main Forum** • All quarterly meetings with members were held in the reporting period • This Forum is improving • Three out of four meetings were held this year

Legend
- 5 – 6 Moderate
- 7 – 9 Effective

Richards Bay engagement–charting the way forward

On 28 February 2023, the spirit of reinvention was embraced and filled the air as business leaders from the King Cetshwayo District convened. The meeting, arranged in partnership with South32 (backed by the Zululand Chamber of Commerce and Industry (ZCCI)) and the Richards Bay municipality, reflected the commitment to improved engagement and collaboration to find solutions to matters impacting operations in the area. This was a bold step towards reshaping operations in the district.

Richards Bay, a leading industrial hub, is host to strong manufacturing sectors, such as agro-processing, metals beneficiation, and marine industry development. As a major industrial area, Richards Bay experiences complex stakeholder issues that require an extensive collaboration process amongst the major industry leaders.

Through comprehensive discussions, the discussions tackled areas of mutual interest, such as bolstering social and economic development initiatives, fostering SMME development, propelling empowerment programmes, nurturing skills development, and enhancing safety and security measures. This forward-thinking venture saw the support of other major industrial players, including Foskor, Tronox, Mondi, Sappi, Bell Mining and Construction, Richards Bay Coal Terminal, Grindrod, Lovemore Brothers, and Richards Bay Industrial Development Zone.

In the spirit of continued progress, Transnet and the partners will establish ad-hoc, multilateral working committees, inviting all relevant stakeholders from both the community and industry levels. This initiative, under the ZCCI's guidance, aims to encourage local economic development. The committee's focus will encompass corporate social investment (CSI) initiatives, local economic development projects, SMME databases, skills development initiatives, and safety and security management at operational sites.

These collaborative structures promise a collective, transformative impact on the Richards Bay community, fostering an environment that promotes seamless business continuity for Transnet and other stakeholders in the area. This meeting has ignited the journey towards defining a framework for ongoing collaboration, embodying a commitment to dynamic evolution and reinvention.

Purviews of engagements in corridors

North East Corridor	North Corridor
Acornhoek/Cottondale: A new ultra-militant business and community formation called Nhlengelo ya di Hosi, is contributing to instability in the region. **Transnet's engagement response:** Approached Local Bushbuckridge community for assistance and mediation with the formation–relationships have broken down between the municipality and the community group. A partnership was forged with Foskor and PMC to share common concerns. **Luphisa/Pienaar:** Community requests for employment, business opportunities, community development, and livestock loss due to collisions. **Transnet's engagement response:** Foundation has made available a budget for the building of a science lab. Through the Foundation, Transnet Freight Rail (TFR) will also support local early childhood development (ECD) centres. **Phalaborwa:** Quite challenging with the local Business forums violent and demanding projects from Companies operating in the area. **Transnet's response:** Nevertheless, we are working with the local structures to provide two IT centres in the two schools in the area, these were identified by the business forums and the Trust representing the villages.	**Rustenburg, Mogwase, Northam, Thabazimbi, Lephalale:** Challenges around the illegal occupation of railway houses, safety incidents threats to Transnet maintenance teams. **Transnet's engagement response: Transnet resolved to do an audit** of the Company's railway houses and to set aside a budget for safety communication. Lastly to do SMME and youth development workshops/ expos. **Richards Bay:** Engagement with the King Cetshwayo Business Forum. Issues include: • Lack of business opportunities for communities. • Requested an assistance in facilitating an engagement with RBCT. **Transnet's engagement response:** Forum updated on opportunities at TPT. Invited to attend TNPA SMME Workshop. Further invited to participate in the ports fencing project. The Forum members were happy with the approach.

Central Corridor	Cape Corridor
Klerksdorp: Request from the community for the erection of a wall in Kaalfontein. **Transnet's engagement response:** Engagement with the municipalities was intensified, leading to an Engagement Task Team being formed to deal with other community pressures. Security contingency plans were implemented. **Ookmoor:** Unlawful occupation and erection of informal settlement in a Transnet land. **Transnet's engagement response:** Engagement with the relevant stakeholders, which include JEMPD, PRASA Security, TFR Security, and TP.	**Kamfersdam (Sol Plaatjie Municipality):** Building a strong relationship with the municipality. **Transnet's engagement response:** Solutions-based engagements were held to resolve the Kamfersdam matters. Various factions agreed with the municipality. **Nelson Mandela Bay:** Engagement on Rail Network-Metro Interface. **Transnet's engagement response:** Enhanced working relations with the Metro on rail network requirements. **Nelson Mandela Bay Metro:** Transnet has been approached to avail out-of-home sites to help raise awareness on Nelson Mandela Bay Municipality's (NMBM) water crisis. **Transnet response:** A proposal and project plan have been forwarded to NMBM.

Ore Corridor	Container Corridor
Saldanha: Community social activation. **Transnet's engagement response:** Transnet and the Saldanha Bay Municipality entered a three-year partnership in 2020, to build the Transnet Saldanha Stadium. Annual tournaments have been held at the stadium–regarded as a catalyst for community development.	**Durban:** Plans to increase the cargo handling capability at the Port of Durban and to ease congestion. **Transnet's engagement response:** Transnet plans to expand the port's handling capacity from its current 2,9 million units a year to 11 million units a year.

Employees volunteering to convert an abandoned Transnet property into a community food farm.

Dondotha Community Centre, in Dondotha, King Cetshwayo District.

Waterval Boven is a key town along Transnet's North East Corridor. This Corridor is a critical link between SA and Mozambique.

Delivering service excellence to our communities

Active citizenry extends beyond individuals, encompassing corporations with a duty to enhance the social and economic wellbeing of their operational communities. By responding to environmental and societal needs, companies can bolster their sustainability. Transnet's Corporate Social Investment (CSI) programmes, driven by community research and an aspiration for positive change, leave lasting imprints, fostering resilient societies. The pursuit of sustainability, investment in vulnerable sections, and formation of strategic partnerships for development growth, all signify Transnet's commitment to being a responsible corporate citizen. Transnet's CSI activities are further detailed from page 159.

The Transnet Foundation Phelophepa I and II trains completed the 2022/23FY having serviced over 448 329 patients through both healthcare trains. The trains continue to be a primary healthcare service provider for many communities across South Africa. In partnership with national and local health departments, the trains have provided needed healthcare services in many rural areas across South Africa. The trains have also served to support local economic development with temporary jobs created and local procurement services being pursued to support sustainable engagement with the community even beyond the healthcare services. The trains continue to provide medication, eye care and eyeglasses, basic dental care, psychological services, and other care services. An overview of the impact of the trains is indicated below. Additionally, the Education portfolio delivered learning materials to 20 Early Childhood Development Centres and an additional 1 000 school shoes, school bags, and educational materials to 20 schools.

448 329
Total number of patients assisted

6 562
Number of community volunteers trained in basic healthcare and sustainable food gardening

9 500
Teenagers receiving hygiene packs and general health, and menstrual health education

4 800
Temporary jobs created in communities visited by Phelophepa

R7.7 million
Spend in job creation

28 457
Patients that received spectacles

4 885
Pairs of school shoes donated to schools in Transnet key corridors

SHAREHOLDER

- Concerns around governance;
- Composition of the accounting authority; and
- Governing structures and delegation.

BOARD AND MANAGEMENT

- Improvement of the capital planning;
- Decision to conduct lifestyle audits;
- Decision to increase capacity allocation in rail and ports;
- Transnet initiated a re-organisation intervention;
- Investing in African Mining Indaba;
- Back to Basic employee engagement; and
- Transnet's Reinvention strategy.

INVESTORS AND FINANCIAL RATING AGENCIES

- Moody's update to Transnet ratings;
- Concerns around governance;
- Covenant breaches and credit rating downgrades;
- Set aside of the locomotive supply agreements;
- Liquidity and funding, and financial market instruments; and
- Cash interest cover and audit qualification covenant breaches.

GOVERNMENT

- Shortage of locomotive spares required for maintenance;
- Debt funding constraints;
- Transnet Corridor Model;
- Delays in the approval of property transactions (leases and disposals) by DPE; and
- Transnet's Reinvention strategy.

SUPPLIERS

- Procurement digitisation;
- Collusion, fraud, and corruption;
- Lack of tax compliance;
- Management of late bid submissions;
- Contract price adjustments;
- National Treasury PFMA SCM, instruction Note 3 of 2021/22;
- Transnet's localisation approach;
- Lack of access to funding;
- The new Transnet procurement policy; and
- Service provider complaints regarding outstanding payments.

EMPLOYEES

- Digitisation drive;
- Safety and Health at work;
- Disposal of residential properties;
- Productivity and new technologies sessions;
- COVID-19 vaccination outreach;
- Changes to the Transnet retirement fund contribution; and
- Appointed marine pilots at the Port of Cape Town.

CUSTOMERS

- Locust outbreak plaquing Northern Cape;
- Manganese ore facility to be relocated;
- Hydraulic;
- Electrical infrastructure upgrades at the Robinson Dry Dock;
- Bumper maize crop and surplus grain volume;
- KZN floods impacting security of fuel supply;
- Vessels backlog cleared at Cape Town Container Terminal;
- Supporting customers during the citrus season;
- Ambient Reefer Train for Transnet's Division TPT;
- High Volumes as Auto Industry Recovers;
- Car Terminal Creates Capacity and Exports Record Volumes; and
- Operational challenges impacting customers.

LABOUR

- Three-year wage agreement discussions;
- TPT-private sector partnership transactions;
- TFR–third party participation rail slots; and
- Transnet bargaining council.

ACADEMIC AND RESEARCH INSTITUTIONS

- Update on Transnet supply chain management framework and introduced long contracts;
- Transnet approaches market for lease of the container corridor; and
- Manganese export capacity allocation outcomes.

REGULATORS

- Services SETA: No more accreditation or renewal of accreditation of legacy qualifications are accepted by the SETA;
- Transport Education Training Authority (TETA): Competency certificates must be issued after the external moderation;
- Engage TETA in funding applications that Transnet had applied;
- Transnet needs to develop, implement, and maintain licenses for all safety-critical grades in rail operations with SRS; and
- National Artisan Moderation Body (NAMB) opportunities.

COMMUNITIES

- KZN flood relief;
- Land claim settlement;
- Cable theft and vandalism on the network; and
- What effect the sale of Carlton Centre would have on the Johannesburg skyline.

PUBLIC

- KZN Floods relief;
- Land Claim Settlement;
- Cable thieves sentenced to ten years;
- The sight of another informal settlement in the railway tunnels between Victoria Bay and Wilderness; and
- Transnet gives back on Mandela day.

CIVIL SOCIETY

- Vandalism of properties, including cable theft and other damages;
- Illegal occupation of properties;
- Residential tenant issues (sewer spillage, geyser bursts, electricity and water disconnection); and
- Commercial tenant issues (lease applications not approved).

MEDIA

- On 1 May 2023 Transnet awarded on-road fuel supply contract to two suppliers - Masana Petroleum and Sasol Limited;
- A delegation from the Kenya School of Government visited South Africa;
- Transnet launches a successful USD 1 billion five-year bond issuance and credit rating updated;
- Transnet partners with Vopak;
- Manganese export capacity allocation capacity;
- Transnet's inclusion of emerging miners in the system;
- Transnet to implement contingency plan;
- Transnet investigated allegations of ghost train operations; and
- Transnet rebuilding internal audit capabilities.

Stakeholder responses

Stakeholders	1. Governance and leadership	2. Regulatory and compliance	3. Corporate social responsibility
Shareholder	• The Minister of Public Enterprises, Pravin Gordhan commends Transnet SOC Ltd on considerable progress in undertaking repairs to operational areas damaged by the recent KwaZulu-Natal (KZN) floods, which were declared a National Disaster	• Collaboration with various authorities and key stakeholders to close off state capture-related activities. • Delegation of authority framework approved by the Board and satisfaction with the framework disclosed in the integrated report	• Transnet has hired professional services firms Deloitte and EY as it moves away from a fully outsourced internal audit service, saying that 40% of its internal auditing functions will now be conducted in-house
Board and management	• Transnet has appointed an external service provider, BDO Advisory Services, to conduct lifestyle audits on all employees • The re-organisation intervention process is designed to improve operational efficiencies across all of Transnet's ODs and functions • On Monday, 23 May, the GCE (supported by Chief Executives from our ODs) hosted a staff broadcast	• Management has taken note of Moody's report and the underlying concerns being raised and would like to assure all our colleagues that the issues are urgent • Transnet officially presented three complete Ammonia Tanker Wagons to Omnia. These wagons are part of an initial order for 20 wagons, which are currently being manufactured at Transnet Engineering's Germiston depot	• Transnet employees provided immediate relief to employees impacted by the floods, and 250 food parcels were donated by Phoenix Cash and Carry and our Foundation • During the previous financial year, Transnet lost 591km of cable due to theft with the amount spent on security interventions, adding that the Company has a budget of R1,4 billion for security costs
Employees	• Capital Governance and Assurance training as well as the amendments to 'The Project Life Cycle Process' • Transnet has subsequently initiated a second phase of the lifestyle audit process. This phase will cover all new employees in levels A to C • Appointments increase the pool of Marine Pilots at Transnet National Ports Authority (TNPA), thus reducing the chance of operational delays resulting in improved customer service levels	• Transnet celebrated International Safety and Health Day at work by encouraging employees to send safety tips • In June/July Transnet conducted a series of training sessions on Productivity and New Technologies for the Microsoft Teams platform every Friday	• The disposal of residential properties is only for staff who are purchasing their first homes • KZN floods - many of our employees were impacted, ranging from collapsed boundary walls to entire homes submerged in water • Transnet has arranged a COVID-19 vaccination outreach on-site, to provide convenient access to employees and their loved ones who wish to be vaccinated
Government	• There has been an improvement (reduction) in the number of security incidents since the peak in August 2022 due to - ongoing engagements with all stakeholders to curb the number of incidents and implement long-term holistic, sustainable solutions	• The Department of Transport (DoT) introduced a national rail policy (NRP) aimed to reshape and enhance the rail sector's performance through various policy provisions which focus on achieving several objectives which entail fostering collaboration between SOEs and private sector to leverage and resources (e.g., IP) in developing rail infrastructure	• Continued engagements with the DPE through the offices of the GCE and Board Chairperson on how approvals regarding property position • Transnet's Port Terminal (TPT) Division has a standing engagement every Sunday with the KZN Premier's Office collaboration discussions with the Office of the Mayor eThekwini
Communities/civil society (NGOs etc.)	• On 1 April 2022 Transnet held a ceremony for the settlement that was agreed on between the PoRB and Isizwe sase-Mandlazini after a claim by the Mandlazini Community was lodged a few years ago	• Efforts are also being made to let Vacant properties as they are less likely to be vandalised if they have tenants • There are security providers in place to secure properties, including vacant properties • Transnet has an ongoing rollout of ad-hoc and scheduled maintenance plans and appointments of maintenance service providers. For instance, initiatives to conduct repairs at some of the problematic hostels are underway	• South Africa's deadliest storm on record, the severe floods and subsequent landslides in KZN killed over 400 people, destroyed 4 000 and damaged 8 000 houses, and displaced 40 000 residents • Participation of employees in employee volunteerism to different critical community activities including Mandela Day, the building of a community bridge in Waterval-Boven. • Transnet, SAFA and Interest groups have formed a Task Team to work on the exit from the Transnet/SAFA School of Excellence

4. Transformative journey	5. Collaboration and integration	6. Operational efficiency
• Transnet has implemented various initiatives to improve corporate governance and is committed to keeping the Shareholder updated on all legal and regulatory matters that may impact Transnet's reputation and brand, as well as providing timeous reporting on the financial and operational sustainability of the Company • With Transnet embarking on the new Reinvention Strategy, roadshows were successfully conducted with potential investors who expressed interest in participating	• Transnet intends to invest heavily in the ports over the next five years. The Group Chief Executive held a Media Briefing alongside the Minister of the DPEs, Mr Pravin Gordhan, and the President of South Africa, Hon Cyril Ramaphosa, on the planned port expansions and developments around the ports of South Africa over the next five years. These investments have an estimated value of over R100 billion	• Composition of the Board reflects an appropriate mix of knowledge, skills, experience, diversity, and independence • Transnet engaged the Minister on the unresolved challenges of China Rail and shortage of rolling stock locomotives and the lack of spare parts
• Transnet implemented measures to increase capacity allocation in rail and ports for emerging miners, as part of efforts to reduce barriers to entry • Transnet Chairperson led discussions with Amdec. The discussion was around the Roggebaai Canal Precinct and the Culemborg Cargo and Container Depot. Amdec is willing to develop the site and maintain it • Transnet engaged EuroChem and SUEK, which are leading producers of mineral fertilisers while SUEK leads in integrated energy solutions and is the largest rail car and port operations in Russia. Both companies seek to invest in coal and mining in Limpopo and would require logistical support from Transnet	• Transnet participated in the Mining Indaba 2022, with the theme, Evolution of African Mining: Investing in the Energy Transition, ESG, and the Economies, which hosted various prestigious industry leaders and suppliers • Transnet has seen a sharp increase in incidents of the theft of cables and railway tracks and has been working with law enforcement agencies to address this issue, which impacts the economy negatively • The Chairperson had an engagement with Rio Tinto - RBM. RBM has been a supplier of critical minerals since 1978 and has the desire to deepen its partnership with Transnet	• Port Elizabeth Car Terminal's continuous improvement efforts and ability to use internal resources to create additional capacity has hashes resulting in a record 5 700 export units moved in a single vessel • The Chairperson also had a brief discussion with management on the need to engage in strategic collaboration partnership discussions with other stakeholders
• Transnet has embarked on a digitisation drive using Microsoft Office 365 products • The change means the total Transnet contributions remain unchanged at 12% but the portion of the employer contributions that goes towards retirement savings will be reduced from 7,5% to 6,5%	• Employee Development Partnership with Transnet Academy on Employee Development, with a focus on building a sustainable pool to grow critical roles, and monitoring and tracking of the development initiatives • Creating the ultimate Transnetter experience through cutting-edge digital tools	• As part of our culture transformation journey, we are embarking on a digital transformation journey to serve you through harnessed digital technologies and innovation • Richards Bay Industry Leadership engagement (various stakeholders), in collaboration with Transnet, ZCCI and South32. Various issues/challenges affecting businesses in Richards Bay from security to Corporate Social Initiatives were raised
• Crippling theft and vandalism of key infrastructure resulting in operational disruption • Security collaboration with the South African Police Service (SAPS) support and stakeholders to deploy additional capacity and technologies to fight the scourge of theft, vandalism, and sabotage	• Transnet will undertake various private sector participation (PSP) transactions to develop infrastructure where feasible • The Transnet Corridor Model is designed to improve decision-making, responsiveness to customer needs and integrated problem solving in the rapidly changing business, market, and policy environments	• Transnet has initiated a process of engaging locomotive OEMs to secure required technical support and spares through MTSA and Maintenance and Reliability Support Agreements (MRSA) contracts to return long-standing locomotives • Transnet embarked on roadshows regarding the new Reinvention Strategy, which were successfully conducted with potential investors who expressed interest in participating
• Meanwhile, TFR is employing drones, as well as ground security personnel, to monitor crime hotspot areas • Transnet interacted with the South African Youth Economic Council on the Presidential Climate Commission hosted by the Youth Energy Summit to address the involvement of youth in Just Transition • Transnet and Saldanha municipality had a partnership to host the rugby tournament in Saldanha. The tournament sponsored the Rugby Super 8 over the Easter weekend. This a collaboration with the Saldanha Municipality and local rugby clubs participating	• Police while conducting their patrol duties searched the vehicle and found pieces of copper cables in the boot, resulting in conviction and jail sentences for ten men • To date, customers have committed 80 000 tons with a potential of 85 000 tons still to be committed	• Transnet employees lend a hand by donating clothes and household items for the KZN Floods Relief • In 2022 our Freight Rail Division (TFR) was impacted by the KZN floods, which affected its and affected ability to transport jet fuel from the coast to O.R. Tambo International Airport. Our organisation implemented various strategies to mitigate this impact and ensure the availability of jet fuel to the biggest and busiest airport in Africa

Stakeholders	1. Governance and leadership	2. Regulatory and compliance	3. Corporate social responsibility
Customers	• Transnet responded to the locust outbreak with an innovation of fitting brooms to the leading locomotives • Manganese ore facility will be relocated from the city's harbour to the Port of Ngqura in 2028 • Transnet has strengthened its efficiency and introduced the implementation of the latest technology to curb theft as well as stringent measures to be put in place	• The crucial maintenance undertaken includes the installation of the new bulk electrical infrastructure and ensures compliance with the latest statutory Occupational Health and Safety Act and SANS • To improve its poor performance in Iron Ore trains, Transnet has increased its security surveillance, as well as added resources to deal with the demand • The renewable energy plant design mooted for Richards Bay will comprise a ground-mounted solar PV plant and a rooftop system. This helps in reducing carbon emissions and providing a cost-effective, reliable energy supply to the port and its users	• Customer sponsoring the yellow equipment to TPT since May 2022 to enable continuous offloading, due to the shortage of yellow equipment at PoRB for offloading magnetite and chrome • Engagement on emerging miners' issues such as: – Barriers to penetration – Volume commitments
Labour	• On 31 May 2022, Transnet started wage negotiations with Transnet's recognised unions, SATAWU and UNTU	• Engaged the Labour on policy review and updates through the Strategic Leadership Forum – Task Team	• Participation of employees in employee volunteerism to different critical community activities including Mandela Day, the building of a community bridge in Waterval-Boven
Investors and financial rating agencies	• Liquidity: Transnet continues to engage rating agencies to share the latest cash flow projections as an indication of the current and short-term liquidity position. • Any strategic interventions proposed or implemented by Transnet are shared with the rating agencies to improve their confidence in Transnet's ability to remediate its liquidity position. Transnet is seeking to remedy liquidity issues raised with other long-term funding	• Moody's has also lowered Transnet's baseline credit assessment, a measure of Transnet's standalone credit quality before any assessment of potential government support, to b2 from b1 • Initiatives include strengthening the internal control environment by continuously issuing amendments to the Delegation of Authority Framework as required, providing additional PFMA-related training for all levels of management, and the launch of the e-Tender portal to prevent any mishandling of tender submission	• Many firms will work with Transnet's internal audit department to improve risk management, governance, and internal controls, which the Company hopes will increase operational effectiveness • Benin: Transnet delegation was invited to meetings in Benin to discuss the North Quay and other opportunities as arranged by the South Africa Mission. Transnet to deploy a cross-functional team to Benin to conduct assessments of the existing infrastructure and prepare a proposal to Benin in accordance with Transnet's governance processes • Namibia: Ship repair facilities – Namport through its subsidiary to consider taking up this opportunity in some of our Ports. - Transnet to share the TPT request for information (RFI) on port equipment. The RFI has been shared with Cliff, we will await a response from Namport • Botswana: The two countries have agreed in principle on joint development initiatives to be implemented by TFR and Botswana Rail (BR) - TFR and BR to develop a JDA to improve rail infrastructure and operations to enable heavy haul trains travelling from Botswana to the ports of Richards Bay and Durban for export markets

4. Transformative journey	5. Collaboration and integration	6. Operational efficiency
• Both KZN and the Eastern Cape move export volumes to over 100 countries, mainly in the European Union (EU), Russia, the United States of America (USA), and Mediterranean countries • The expected increase in citrus exports this year is also good news, not only for the agriculture sector but for the South African economy in general • To reduce the risk of wet cargo Magnetite customers offered to buy some tarpaulins to cover their loads. Phalaborwa Copper bought their tarpaulins in January 2023 to cover five of their trains	• The decision to recommission the grain elevator is necessitated by a bumper maize crop harvest as well as the war between Russia and Ukraine, which has led to a risk of food shortages in various countries • Transnet has seen record-breaking shift performances. In mid-April, there were a few records of over 4 000 twenty-foot equivalent units (TEU) loaded and offloaded within 24 hours, with ship working hours going up to 68 against a target of 50 • Magnetite customers offered to buy the telemeters to be used and ring-fenced for the Phalaborwa trains. This will start by the middle of May 2023 • Transnet and its customers on the Cape corridor continue to explore various solutions such as different wagon types, straps, and tarpaulins in protecting the consignment	• The Port of Cape Town has taken delivery of its first two new hydraulic shore tension units as part of its plan to mitigate the severity of long-wave effects on container vessels moored at the Cape Town Container Terminal • Transnet provided an ambient refrigerated container train to cater for the citrus exports, to rail 50 ambient refrigerated containers per day • The automotive industry has had shortages of critical parts needed to fully assemble vehicles owing to COVID-19 interruptions but for the month of May, East London has seen higher export volumes • Port Elizabeth Car Terminal's continuous improvement efforts and ability to use internal resources to create additional capacity have resulted in a record 5 700 export units moved in a single vessel
• Traxtion Rail has been awarded the right to operate on Transnet rail as of 01 April 2023 on a lease period	• Transformation of Transnet Bargaining Council into a multi-employer bargaining council • Transnet is finalising the process that will lead to PSP at two of its terminals, being Ngqura (Gqeberha) and Pier • Container Terminal (Durban) • This will allow much-needed financial injection by private players while retaining 50% ownership leading to more volumes and equipment revamp etc.	• Transnet successfully concluded a three-year Wage Agreement with Untu and Satawu after robust negotiations that led to industrial action of few than 2 weeks. This agreement guarantees labour peace until 3 March 2025
• All funding partners have been engaged in present and possible covenant loan breaches due to credit rating downgrades. Although the negotiations are still ongoing, Transnet is confident that funding partners will consider waivers for the affected loans owing to long-standing business relationships • These firms include Deloitte, with their transformation partners Thamani Advisory, Africa Rise and Shine, and Isibani Chartered Accountants and Auditors. EY Services with their transformation partner, Motlanalo Chartered Accountants and Auditors will also make up the outsourced audit functions	• Transnet and the special investigation unit (SIU) jointly launched a substantive application in the High Court to review and set aside the locomotive supply agreements which had been concluded with four original equipment manufacturers (OEMs): China South Rail, China North Rail, Bombardier Transport and General Electric. The relief sought against each OEM is specific but includes the setting aside of the contracts, and for the court to award a just and equitable remedy, which will include Transnet retaining the locomotives in its possession and receiving compensation for overpayments • Transnet embarked on roadshows regarding the new Reinvention Strategy, which were successfully conducted with potential investors who expressed interest in participating	• Fraud prevention: Consequence management, through legal action if required, has been strengthened to prevent fraudulent activities • Transnet has implemented various initiatives to improve corporate governance and is committed to keeping the Shareholder updated on all legal and regulatory matters that may impact Transnet's reputation and brand, as well as providing timeous reporting on the financial and operational sustainability of the Company • Fraud prevention: Consequence management, through legal action if required, has been strengthened to prevent fraudulent activities

Stakeholders	1. Governance and leadership	2. Regulatory and compliance	3. Corporate social responsibility
Suppliers	• Transnet's vision is to digitally transform its business processes and systems. The product enables the current and potential service providers to submit tender documents electronically via a bespoke, web-based electronic platform – named the e-Tender submission portal • Transnet plans to partner with international OEMs to support local business subsidiaries and assembly • Transnet has Strategic partnerships with other state-owned DFIs such as NEF, SEDA, SEFA, IDC etc. for a meaningful impact on SMMEs	• Broad transformative levers entail provision to implement measures that include but are not limited to, local production, directed procurement, sub-contracting as well as enterprise supplier development in its SCM processes created • Opportunity to leverage long-term contracting to promote the participation of suppliers in the development of a more innovative and inclusive economy • Transnet cannot award business to a company that does not have its tax affairs are not in order	• Digitisation will educate employees internally and suppliers externally to embrace an integrated platform.
Regulators	• Services SETA: Service provider to get accreditation through Quality Council for Trades and Occupations (QCTO) on current legacy qualifications • Transnet Academy needs to implement internal moderation timeously and issue certificates of competence after external moderation	• Provide training, assessment, and moderation resources to ensure all safety critical grade licences are valid • Transnet's schools - Faculty of Port Terminals and Marine undergoing a project to revise all marine learning material to align with STA • Transnet Academy to report on the status of the national skills plan for 2022/2023FY	• Services SETA: Service provider to get accreditation through QCTO on current legacy qualifications • Transnet Academy needs to implement internal moderation timeously and issue certificates of competence after external moderation
Media and the general public	• Transnet is repositioning and strengthening its internal audit function to ensure improved governance and internal controls. A key part of this includes the implementation of a strategy to move away from a fully outsourced internal audit service	• Transnet is making several changes to its SCM policy to enable specific preferential procurement practices and provide certainty to qualifying bidders following the Preferential Procurement • Regulations (PPR), 2022, which came into effect on 16 January 2023 • Transnet is working with stakeholders to implement contingency plans where necessary to ensure business continuity in light of the planned protest action on Monday 20 March 2023	• For Mandela Day, Transnet's employees donated toys and clothes for the community of Mount Moriah, which were distributed by NPO Asibanakekele. Volunteers cooked for the community and donated groceries to last for the remainder of the year, while children received party packs
Academic and research institutions	• TA need to transit Legacy Qualifications from SETA to QCTO Framework immediately for registered Qualifications and request the development of Qualifications for Legacy Qualifications that are not yet developed	• It is important for Transnet to align with QCTO in respect of the lifting equipment operator licence renewals as currently apply to legacy qualifications	

4. Transformative journey	5. Collaboration and integration	6. Operational efficiency
• Transnet plays a significant role in achieving the Company's mandate of reducing the cost of logistics in SA, while transforming the lives of ordinary South Africans • Transnet has decided to collaborate with other SOEs in the development of local manufacturing capacity for long-term and sustainable contracts • The Finance and Procurement structures are currently being filled (at Head Office and Regions) to ensure that the issue of long outstanding payments is promptly resolved	• Transnet has partnered with the National Empowerment Fund to provide funding to Transnet's suppliers • Furthermore, has partnered with NAACAM to stimulate manufacturing capability in the Rail sector, targeting local supplies • Digitised process will be cost-effective, and automation will speed up the procurement process	• Transnet urges its clients, suppliers, and the general public to report any fraud or corruption to TIP-OFFS ANONYMOUS • Digital procurement will usher in a remarkable transformation requiring new tools, processes, and strategies • When procurement embraces this transformation in the form of Procurement Process Automation by switching from manual to automated processes, their function becomes not only a cost-saving operation for the business but a highly valued strategic one as well
• Transnet's schools need to implement internal moderation timeously and issue certificates of competence after external moderation	• TA need to transit Legacy Qualifications from SETA to QCTO Framework immediately for registered Qualifications and request the development of Qualifications for Legacy Qualifications that are not yet developed	• Monthly meetings to be conducted between the Faculty of Engineering and Pipelines and TETA ETQA to check the status of each application • TETA agreed to a ten-day response period for the allocation of external moderators to a faculty and 5 days to issue TETA-approved moderation reports
• Transnet realises that the Johannesburg skyline and the central business district (CBD), in general, may cease to exist as we know it if state-owned companies withdraw entirely. For this reason, Transnet intends to stay in Johannesburg CBD and will use the sale of the Carlton Centre building as an opportunity to further increase its real-estate portfolio within the city	• Transnet is pleased to announce that it has concluded its process to allocate 2 million tons per annum of export manganese capacity to emerging miners through the Manganese Export Capacity Allocation (MECA) III process • As part of expanding capacity allocation and creating a more inclusive and competitive environment, Transnet recently announced the addition of six new entrants who have been allocated capacity on rail and at the ports under the MECA III programme (Manganese Export Capacity Allocation)	• Transnet believes that this is critical for the development of strong and enduring relationships with its SMME and broad-based Black economic empowerment (B-BBEE) partners. Transformation is critical for Transnet to ensure a least-cost procurement environment, while supporting the sustainable growth of the South African economy • Transnet is pleased to announce that it has selected Vopak Terminal Durban (Pty) Ltd as its preferred partner to jointly bid for the TNPA S56 Request for Proposal to appoint a terminal operator for the LNG Terminal in the PoRB • Ghost trains are trains not scheduled formally by Transnet, resulting in revenue not flowing back to Transnet. Considering that these serious allegations have not yet been accompanied by supporting evidence, Transnet has referred the allegations for an independent investigation
• There is a possible collaboration by the Research and Development department at Transnet Engineering (TE) on signalling equipment on technology with the Institute of Railway Signal Engineers.	• On Wednesday 19 April, the delegation visited TE's Koedoespoort plant, where a well-attended and interactive session, where Transnet provided a brief overview of the organisation	

CONCLUSION

It has been critical to strengthen stakeholder management and intensify engagement with stakeholders. The formation of regional engagement forums has been a critical step in enhancing stakeholder relations in the previous year, and the analysis of the forum's performance during the year under review has given a glimpse of hope. These Regional Forums have forged a strong arm to flatten the silo mentality and allow ODs to integrate their engagements with stakeholders. This has allowed more twining of resources as well as forming strong collaborative teams.

We have reviewed our control instruments – the Stakeholder Engagement Policy and the Stakeholder Management and Engagement Procedure to strengthen compliance and simplify the engagement process. We continue to monitor the implementation of these tools Transnet-wide and hope to deepen the understanding of these tools in the year ahead (2023/24).

Enhancing stakeholder engagement has been fundamental to realising our goal of reinvention at Transnet. The establishment of regional engagement forums symbolises our dedication to enriching stakeholder relationships. The forums' performance over the year shows promising signs of a fresh, collaborative future. By dismantling the silo mentality, these forums have enabled the ODs to synergies stakeholder engagements–cultivating robust collaboration.

To solidify our transformation, we have revamped our control instruments (the Stakeholder Engagement Policy, and the Stakeholder Management and Engagement Procedure). Our aim is to amplify compliance and streamline engagement, constantly monitoring the deployment of these tools across Transnet. In the upcoming year, we are geared towards deepening the understanding and application of these instruments and pushing the boundaries of our reinvention even further.

Looking ahead, during the 2023/24FY, Transnet undertakes to:

- Foster adoption of the Stakeholder Management and Engagement Procedure through organisation-wide training;
- Assist the ODs in crafting tailored engagement plans;
- Facilitate the appointment of stakeholder relationship owners (SROs) across the ODs, and provide training on engagement execution and subsequent reporting; and
- Evaluate the quality of our stakeholder relationships.


3

TRANSNET'S ENTERPRISE RISK MANAGEMENT

The world continues to change in fundamental ways which has resulted in dramatic shifts in the risk landscape faced by the business. Economic uncertainty, increasing market volatility and complexity required that the business strengthen its risk management and integrity culture.

Transnet continues to operate in an uneven environment with significant challenges and risks. Some of the risks identified during strategic risk profiling have materialised and mitigation plans for these identified risks require rigorous implementation and adaptation when shortcomings emerge. The goal is to enable the organisation to perform and deliver for its customers on agreed terms and conditions as a minimum.

The risk landscape

External changes, environmental disasters and business uncertainty persist as Transnet evolves in terms of its Reinvention Strategy. The global risk landscape has hampered the logistics and transportation industry with the ongoing effects of the COVID-19 pandemic and other communicable diseases remaining challenging. There has also been a rise in environmental catastrophes including floods, which has resulted in economic downturns and supply chain disruptions.

There has also been an increase in the interconnectedness of risks, their velocity and speed, and the sheer scale of their impact on the business. The unprecedented KZN floods have had a significant impact on Transnet with a large percentage of the damage costs falling outside the current insurance limit. The recent labour strike caused disruption in some areas of the business and this resulted in both financial and non-financial impacts on Transnet.

Russia's invasion of Ukraine has triggered a sharp increase in oil, gas and certain agricultural product prices, intensifying inflation pressures and threatening food security in some developing economies. If unaddressed, these supply chain challenges will negatively impact economic recovery and long-term growth. For Transnet, as the custodian of rail, ports and pipelines, this has brought multiple strategic and operational challenges as well as meta-uncertainty on the lasting impact of these events.

Intensifying energy supply risk and the impact of loadshedding experienced in South Africa is causing severe disruption to households, businesses, and service delivery institutions. Transnet is not exempt from these challenges, as the risk of operational discontinuity poses a serious threat to our strategic initiative to deliver efficient services. The country's available grid capacity is compromised by critical infrastructure failures and an inability to meet current demand (as asserted by Eskom).

The outlook suggests that load shedding will persist for an extended period. Eskom has communicated that, at a minimum, the country will need to contend with stage 1 and stage 2 load shedding for the next two years (2023-2024). However, this does not preclude the possibility of escalated stages of load shedding, depending on the demand and available capacity at any given time. Thus, at Transnet, we must plan for the worst potential load shedding scenario.

The reliance on generators to maintain our operations compounds the situation by driving operational costs upwards. This increase is primarily due to rapidly rising fuel prices, which have so far outpaced any decreases in costs. In these challenging circumstances, we remain focused on the reinvention and improvement of Transnet, always striving to provide our services as efficiently as possible.

The Risk Committee

The Risk Committee has maintained a continuous line of sight into the risk landscape that has resulted in transparency and frankness in discussing risks, opportunities and challenges facing the Company. Management has held risk workshops with the Risk Committee to bring material risks and impediments to the fore and to unpack the actions implemented to mitigate these risks.

Integrated risk, sustainability and compliance audit sprints have been instituted to improve the effectiveness of assurance and responsiveness to risk findings. This has resulted in agility in responding to the recent floods, fire incidents and derailments as a result of implemented plans.

The success of these processes underscores the value of risk management which is to *'create and preserve value for Transnet.'*

The risk management function has partnered with executive leadership to discuss lessons learned from these disruptive incidents and how the concepts of risk-in-action or agile risk management can be implemented throughout the Company. These inputs created an ideal platform for the ongoing refinement of the Transnet's Enterprise Risk Management (ERM) architecture which is built on principles agreed with the leadership of Transnet. The risk management team undertakes ongoing monitoring of Transnet's risk exposure to ensure effective plans are implemented to mitigate risks and identify emerging risks that can have an impact on the strategy.

The ERM framework

The most important principle of the adopted ERM approach is to enable the business to make proactive and informed decisions. All elements of the risk architecture, transformation, governance, and assurance areas are designed and implemented with this principle in mind.

This integrated systems approach to risk management is based on four areas of focus and each area has specific building blocks that integrate towards success.

Risk Architecture

- ERM Policy;
- ERM Framework; and
- Transnet Risk Appetite and Tolerance Framework.

Transformation Management

- ERM Plan;
- Risk crucial leadership conversations; and
- Functional action plans.

Management of Risks

- Top 10 strategic risk clusters; and
- Key emerging risks.

Assurance and governance

- Top 10 strategic risk clusters; and
- Key emerging risks.

Transnet's Integrated Risk Management Plan (IRMP)

KING IV. P 2, 4, 8 and 11

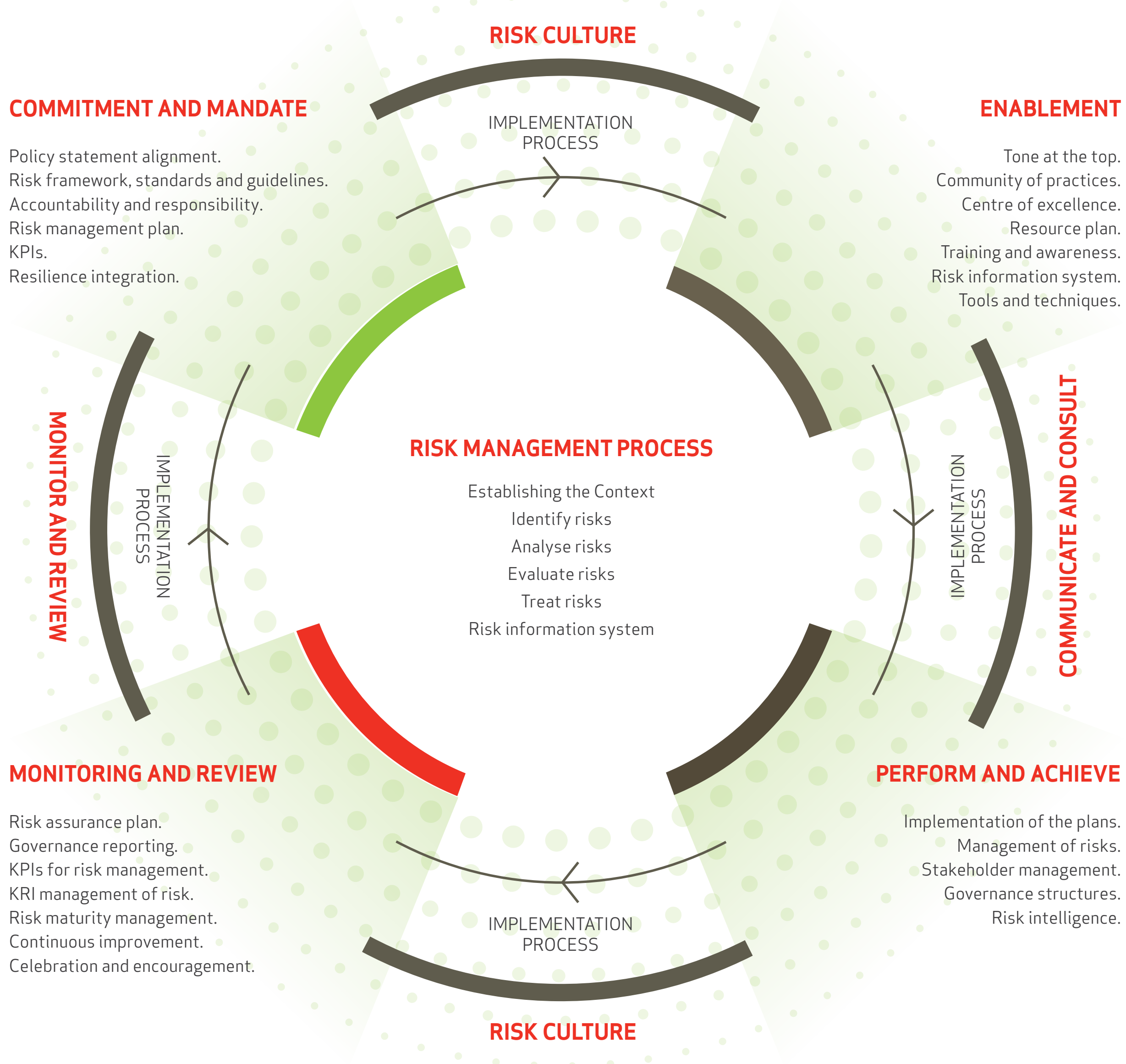
The Transnet's IRMP is a formal risk management process that supports the integration of the ERM architecture methodologies while steering the employee mindset towards risk ownership and not just risk reporting. In a reinvention of risk, the IRMP defines four integrated focus areas that drive the principles, concepts, common language and direction required to execute the plan.

These include:

- Commitment and mandate;
- Enablement;
- Perform and achieve; and
- Monitoring and review.

Operationally engaged executives lead in the definition and management of these four focus areas which has resulted in a reimaging of risk transformation processes that are both practical and relevant.

The transformation actions are captured in the approved IRMP that is outlined below. There are two distinct but integrated cycles in the IRMP. The innermost cycle is the tactical risk management process that provides the framework for managing risk on a day-to-day basis and surrounding this is the transformational envelope with areas of focus that drive the activities to be implemented.



The progress made in the last year has been notable in the outcomes of the Transnet Internal Audit (TIA) review of the ERM Effectiveness. ERM effectiveness achieved a "Requires Improvement" audit outcome. This confirms that risk management is on track and is progressing well towards a mature state (Satisfactory audit outcome) in future. The primary focus remains on addressing digitisation and improving data analytics and risk intelligence to further enhance ERM maturity. The progress on ERM maturity initiatives is consistently monitored by the Risk Committee.

The IRMP is in its third year of implementation and the initiatives for 2023/24 are outlined in the tables below. Significant progress has been achieved and is consistently monitored by the Risk Committee.

Commitment and mandate

Objectives	Initiatives	Key milestones
• Align the IRMP to the policy statement requirements to develop and maintain a robust risk management culture • Review the risk framework, standards and guidelines to enable the risk and opportunity management processes to support the policy • Assign accountability and responsibility for risk	• Develop the 2023/24 IRMP (Group and ODs) • Continuously improve the risk management templates and guidelines to standardise and support methodology • Implement the IRMP	• Approved Group and OD risk management plans IRMP • Improved risk management templates and guidelines • Significant progress on the implementation plan of the IRMP

Enablement

Objectives	Initiatives	Key milestones
• Establish the tone at the top for leadership commitment to risk management • Establish community of practices for continuous improvement of risk management practices • Establish a Centre of Excellence to optimise risk management resources • Develop a resource plan for the execution of the IRMP • Training and awareness to ensure alignment and common understanding of risk management • Source the risk information system to drive risk management across the Company • Implement tools and techniques for the management of risks	• Continue risk 'crucial conversation' platform • Execute the Centre of Excellence projects • Roll out the training plan as per the calendar • Roll out the Change and Communication Plan • Implement the recommended outcomes of the Resource Management Plan • Continuously conduct risk working group forums • Launch the 'back-to-basics' awareness campaign across Transnet	• Hosting two 'crucial conversation' platforms per annum • Improved risk management intervention • Significant progress on the Change and Communication Plan • Minutes are a true reflection of the Risk Management Forum • Participation of risk champions in Company-wide training led by Group Risk (dependent on resources available) • Two communications issued

Performance and achievement

Objectives	Initiatives	Key milestones
• Implement the risk management plans to deliver on the risk maturity milestones aimed at improving the culture of risk management • Ensure ongoing management of risks for proactive mitigating actions before risks materialise • Implement stakeholder management processes to identify and rank stakeholders in terms of their influence • Improve the governance of risk • Implement risk intelligence to ensure quality management of risk information	• Conduct risk intelligence scanning utilising scenario analysis and data mining • Facilitate risk assessments in the new methodology • Give adequate support to champions to ensure they can deliver • Ensure quality management of risk information on OD and strategic levels	• Quarterly trend and risk reports • Completed risk assessments • Continuous platforms for champion engagements

Monitoring and review

Objectives	Initiatives	Key milestones
• Develop a Risk Assurance Plan for second line of assurance on enterprise risks • Improve governance risk reporting to enable risk-based decision-making • Develop KPIs to manage performance for risk management • Establish KRIs for management of risk to monitor changes in the levels of risk exposure • Implement risk maturity management to manage risks and improve risk maturity across the Company • Execute risk maturity milestones for continuous improvement • Document and implement lessons learnt to improve the risk management culture and processes • Encourage and celebrate employees who embrace risk management to improve the risk management culture	• Collaborate with Internal Audit to understand Company-wide risk controls and treatment testing • Perform regular assurance activities • Track KPIs • Monitor and review KRIs • Conduct an annual risk maturity assessment • Conduct self-assessment and benchmarking	• Performance report on overall implementation and OD progress self-assessment reported to governance structures • Global context report • Strategic and OD risk registers • Self-assessment reports and improvement plan

Risk management architecture

A formalised ERM architecture ensures a structured and consistent approach to risk management as it aligns strategy, processes, people, technology and knowledge for the purpose of evaluating and managing the uncertainties that Transnet faces in creating shareholder value, both now and in the future.

The three critical elements that comprise the ERM architecture are: The ERM policy, ERM framework and Transnet Risk Appetite and Tolerance Framework.

The ERM Policy

The purpose of the ERM policy is to provide direction through a commitment statement from the Transnet Board and the Group Chief Executive regarding the management of risk to support the achievement of corporate objectives, protect employees and business assets, and ensure financial stability.

This policy is made practical through the ERM framework

The risk management approach adopted by Transnet was developed in line with ISO 31000: 2018 Risk Management principles and guidelines, the 2017 COSO ERM framework of the Committee of Sponsoring Organisations of the Treadway Commission, and South African legislative requirements. This ERM framework provides guidance on:

- The fundamentals and principles on the management of risk as well as the risk management methodologies that are to be applied in most situations throughout all levels of the organisation;
- The process for identifying, assessing, mitigating, monitoring and reporting risks and controls;
- The risk management roles and responsibilities of each level of management; and
- The mechanisms for managing risks.

The ERM framework is supported by the Transnet Risk Appetite and Tolerance Framework

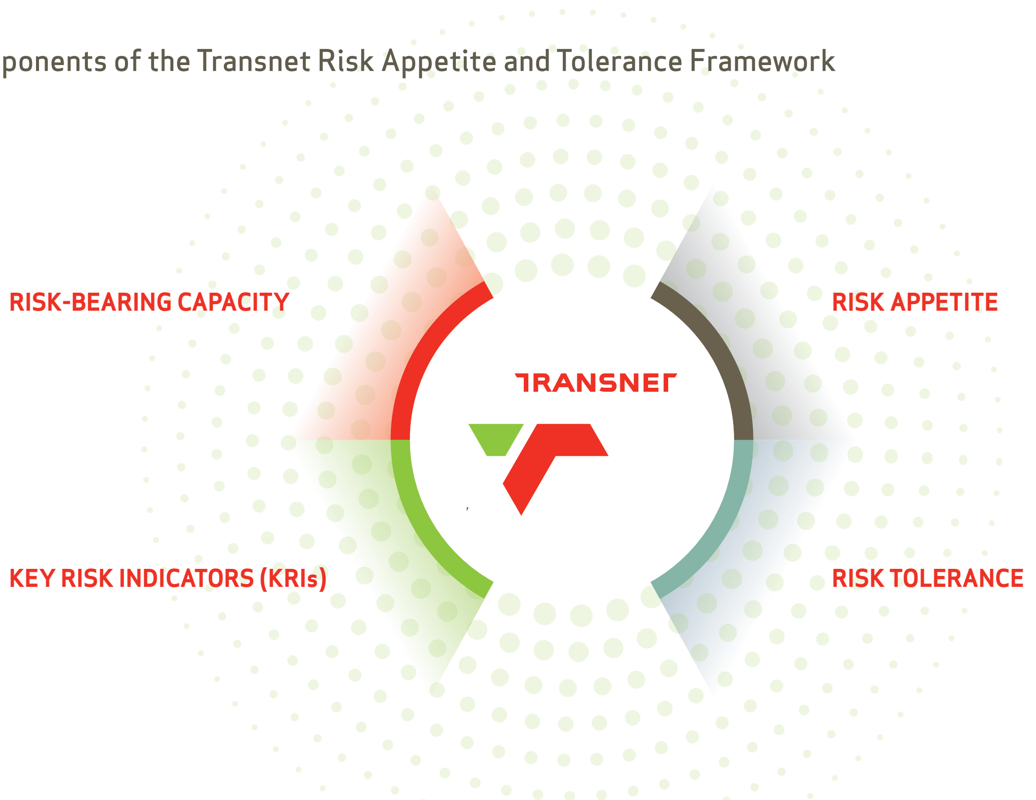
Risk appetite is the level of risk Transnet is willing to take in pursuit of its business goals and objectives. It is defined as the variability in results that Transnet as an organisation, its Board, and its senior executives are prepared to accept in support of the approved strategy.

Transnet cannot accept collective or aggregated risk in excess of its overall risk-bearing capacity and in a complex and integrated business, this requires contextualising the risk appetite in terms of the risk clusters.

The IRMP places emphasis on the need to reset and reposition the risk management base to respond to the current context of the changing face of Transnet that advocates the need to instil an ethos of ethical leadership and reinvention based on principled values as advocated by the King IV Report on Corporate Governance for South Africa, 2016. This has been achieved through leadership conversations and the implementation of functional plans to address IRMP initiatives.

The responsibility for the management of risk is achieved through assigning risk sponsorship and ownership for mitigations in the top ten strategic risk clusters and key emerging risks. Although progress has been made, this area still requires attention.

The components of the Transnet Risk Appetite and Tolerance Framework



The Risk and Integrity Management Framework (RIMF)

The DPE exercises oversight over several state-owned companies that play a critical role in the country's economic sectors. To this end, the DPE has developed the RIMF to support improved oversight and performance as well as to strengthen governance in State-owned companies.

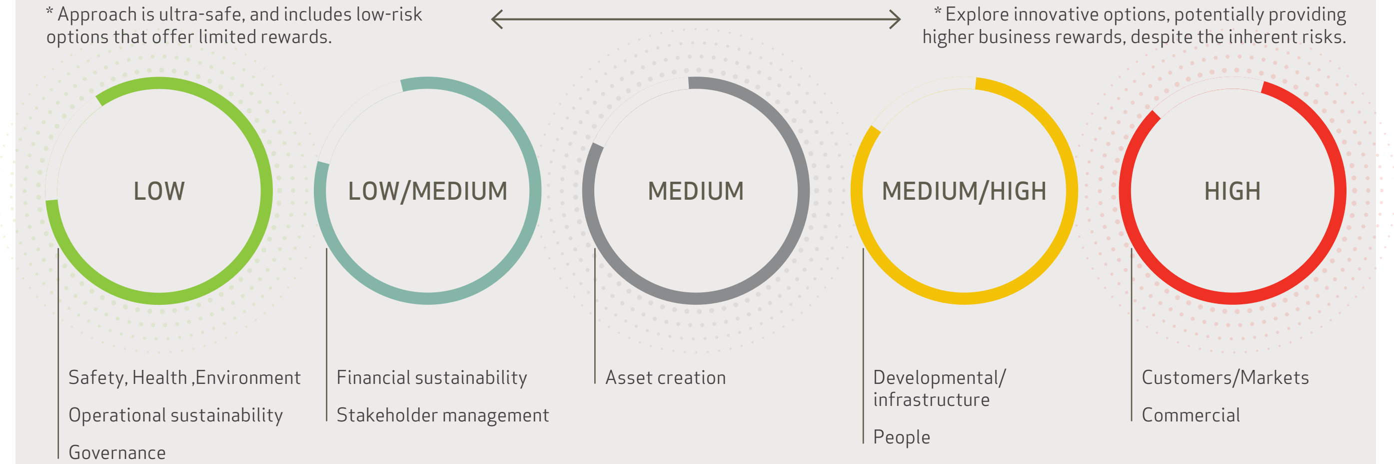
The RIMF articulates the norms and standards with regards to risk-based performance management which is an extension of the amount and type of risk that the Board of a State-owned company is willing to accept – risk appetite and tolerance. This includes the extent to which its current level of risk-taking is aligned to the risk-appetite statement.

Currently, database tracking and monitoring of the risk appetite, risk threshold and breaches are in the process of being implemented to give effect to the RIMF compliance requirements. Relevant functions have been integrated to prevent and detect acts of fraud and the RIMF implementation plan has been developed and rolled out in the business.

Below is an example of Transnet's risk appetite level per strategic risk cluster showing that the appetite differs for various risk clusters and therefore results in varying risk responses. Transnet's approach to risk management continues to evolve, adapting to meet the needs of the enterprise.

Low risk appetite level:
* Approach is ultra-safe, and includes low-risk options that offer limited rewards.

High risk appetite:
* Explore innovative options, potentially providing higher business rewards, despite the inherent risks.



Functional focus areas

The risk function has taken ownership of the ERM plan and identified additional key areas of focus that will further strengthen the ERM business plan.

2023/24

Strategic ERM

Focus area description	Focus area objectives
Integration of the ERM governance structures and systems into organisational decision-making processes to ensure that risks capable of threatening the achievement of organisational objectives are managed while opportunities are enhanced	• Review and implement standardised risk management governance structures and processes for an enhanced risk culture • Enhance the management of the strategic, tactical and operational risk identification processes across the Company • Integrate performance and risk management reporting • Align performance management to risk appetite
Key strategic initiatives	**Key milestones and targets**
• Align ERM with strategy formulation to mitigate Corporate Plan initiatives at risk and integrate strategy, risk and resilience	• Collaborative platform with Group Strategy and Planning by June 2023
• Review the risk appetite and risk tolerance statement annually to communicate the amount of risk the business is willing to accept as part of decision-making processes	• A developed approach to review the risk appetite and risk tolerance statement by June 2023
• Implement a risk quantification and aggregation process across the business to accurately determine the risk profile of the business and the risk consequence	• Standardised risk management taxonomies by June 2023
• Report on risks against the Shareholder's Compact (KPI performance) to highlight threats to performance on agreed targets and mitigation thereof	• Integrated performance and risk management reporting which is aligned to Shareholder's Compact targets by September 2023
• Continually review the top ten strategic risk register, tactical risk registers and KRIs to ensure that risks capable of threatening the achievement of the strategic objectives of the business are identified and mitigated to acceptable levels	• Quarterly risk awareness sessions • Application and understanding of the ERM framework and methodologies by stakeholders by September 2023 • Reviewed and approved strategic risk profile by March 2024

2023/24

Insurance

Focus area description	Focus area objectives
To ensure adequate insurance cover for Transnet as well as the management of insurance according to the Public Finance Management Act, No 1 of 1999 (as amended) (PFMA) and other relevant legislation and regulations	• Support Transnet's Risk Management Strategy by providing the most cost-effective and comprehensive fit-for-purpose risk financing option • Continuously monitor and report incidents that may give rise to insurance claims
Key strategic initiatives	**Key milestones and targets**
• Continue to drive the implementation of the risk survey recommendations to minimise risk exposures	• Monitor implementation of the risk survey recommendations as per target date through: – Audit sprints; and – Quarterly reporting.
• Conduct a market exercise for annual insurance renewal to secure cost-effective, comprehensive and fit-for-purpose insurance cover that covers the Company against catastrophic events	• Insurance market presentation and placement of cover annually • Payment of premiums to receive insurance policy documents by June 2023
• Provide training and awareness to the business on insurance policies to improve the understanding of policy terms and conditions, cover and exclusion	• Appoint dedicated policy owners for all relevant insurance policies by July 2023 • Develop and implement a quarterly insurance training programme
• Manage the aggregate fund on behalf of Transnet to ensure that insurance incidents that are within the fund are properly recorded and managed (all incidents outside the fund to be claimed against the insurer)	• Monitor and report on the performance of the aggregate fund quarterly to the appropriate governance structures
• Continually review the top ten strategic risk register, tactical risk registers and KRIs to ensure that risks capable of threatening the achievement of the strategic objectives of the business are identified and mitigated to acceptable levels	• Quarterly risk awareness sessions • Application and understanding of the ERM framework and methodologies by stakeholders by September 2023 • Reviewed and approved strategic risk profile by March 2024

Risk monitoring and analysis

Focus area description	Focus area objectives
Provide an efficient and effective platform that enables effective risk data management through storage of data, development of data analytical tools and processes to support monitoring of effective management of risks and facilitate informed decision-making throughout the Company	• Implement the integrated risk management system • Conduct risk analytics to support the proactive assessment of risks and opportunities • Ensure the quality of risk information
Key strategic initiatives	**Key milestones and targets**
• Implement the integrated risk system ((Transnet Integrated Management System (TIMS)) to support the risk management process and enable effective risk monitoring and reporting	• Implement the system phases as per the project plan starting in June 2023 • Implement a change management process for relevant stakeholders by August 2023 • Conduct training and awareness on the system to capacitate users of the system by February 2024
• Develop a data analytics system and supporting tools to support the analysis of risk information for decision-making	• Research and develop analytical tools and processes to support risk information analysis, modelling and quantification by February 2024 • Conduct training on analytical tools for the identified stakeholder by March 2024
• Develop an effective information management process (information recording, quality, reporting, etc.) that ensures the integrity of risk information throughout the Company	• Development and roll-out of reporting channels and frequency of reporting by November 2023 • Review information recorded on the system for quality and integration quarterly from December 2023
• Ensure risk management continuous improvement through best practice benchmarking to improve risk management system capabilities and relevance	• Review and monitor the effectiveness of the implemented systems, processes and tools by January 2024

2023/24

Business continuity management (BCM)	
Focus area description	**Focus area objectives**
To ensure readiness to respond and recover from disruptive incidents timeously	• Improve business resilience through a robust integrated BCM Programme • Ensure alignment of the systems and tools to best practice standards by March 2024
Key strategic initiatives	**Key milestones and targets**
• Review the Group BCM Strategy to ensure that the strategy is relevant, adequate and in accordance with best practice	• Review and update the Group BCM Strategy by April 2023 • A Group BCM Forum to be held quarterly • Implement BCM Procedure Version 3 by September 2023 • Appoint competent BCM co-ordinators and champions by September 2023
• Ensure that integrated business continuity plans and supporting documentation across the value chain are current to guarantee timely and co-ordinated responses to disruptive incidents	• Ensure that all response plans are reviewed and updated by April 2023 • Review and update the business impact analysis and develop business continuity plans in line with the new structure by September 2023
• Conduct integrated business continuity exercises and information and communications technology (ICT) disaster tests across the value chain to ensure business effectiveness and adequacy of continuity solutions and response structures for timely response to incidents	• Conduct two exercises (desktop and medium exercises) quarterly to validate business continuity plans • One ICT disaster test conducted quarterly • BCM onboarding, awareness and training conducted quarterly
• Improve the maturity level of the BCM Programme to ensure that the desired level of readiness to respond to disruptive incidents, as set out in the TIMS Leadership Procedure, is achieved	• One live simulation conducted annually • Report for each exercise conducted to confirm the effectiveness of plans • Conduct self-assessments annually and update all records on TIMS

CONTEXTUALISING TRANSNET'S TOP RISKS FOR 2023

Outline

Transformation and reinvention remain a priority within Transnet and in how it drives organisational objectives and manages associated risks. Transnet has adopted a principle which requires risks be managed at the level of the objective associated with the identified risk and this results in risk being managed at all levels of the organisation, including strategic, operational, and tactical risks. The risk management function takes an active approach to include the executive leadership of Transnet by engaging with them in the improvement processes through crucial risk conversation workshops.

A review of the top strategic and emerging risks was conducted in accordance with the Transnet Segment Strategy. Risks and opportunities were identified through discussions with the ODs and corporate centre functions in a strategic risk review workshop held on 6 December 2022. Granular risk mitigations were updated with the outcomes of this strategic risks workshop.

Due consideration was given to the key internal challenges in the business as well as to the constant changes in the global risk landscape. External environmental scanning was conducted using sources such as the Institute of Risk Management South Africa, Gartner, and the World Economic Forum. While there has been minimal change in the strategic risk clusters and themes, there has been a significant shift in the underlying risks.

An uneven environment

Transnet continues to operate in an uneven environment with significant challenges and risks. Some of the risks include the KZN floods in April 2022, the major derailment of the coal line in June 2022, the strike action as a result of wage negotiations in October 2022, and continued vandalism and theft of assets.

Interconnected risks

There has been a notable increase in the interconnectedness of risks, their likelihood and the sheer scale of impact on the business. The KZN floods had a significant financial impact on Transnet with a large portion of the asset damage and business interruption costs falling outside the current insurance limit. Furthermore, the volume risk to the business has worsened.

The recent labour strike caused disruption in some areas of the business and this resulted in both a financial and non-financial impact on Transnet. Business continuity plans were activated to contain and minimise the impact of the strike, including its reputational damage to the business.

TRANSNET'S RISK CLUSTERS

The workshops held to date have focused on risk maturity and plans for risk throughout Transnet, as well as the identification of the top ten strategic risk clusters and associated risks. Group functions provide strategic direction and integration across the business for the management of risks. At a strategic level, these ten risk clusters guide the level of attention required, each one with a set of associated risks that are managed on an individual basis. Although the risk clusters remain mostly static, the individual risks, key risk indicators, appetite and tolerance levels are dynamic, and managed accordingly.

Increasingly, the impact of reputational damage is felt across the business. Criticism and public attacks on Transnet's operations, strategy, governance, and financial sustainability affect customer sentiment, investor sentiment and shareholder sentiment. These risks are being proactively managed with increased efficacy. We have solidified and implemented plans to protect and promote the Transnet brand by all means possible. Through our efforts, we aim to ensure that the reputation is rebuilt and strengthened, ultimately resulting in a positive sentiment. The success of these efforts are, however, impacted by risk management and positive developments in the areas mentioned above (operations, strategy, governance and financial sustainability). The perception and reality are inter-linked, and must be addressed simultaneously.

The top ten risks for 2023

Residual top ten risk cluster ranking: Movement from 2022 to 2023

Risk priority and senior oversight	
i	Priority I Risk – GCE and Board level
ii	Priority II Risk – ODs' CEs
iii	Priority III Risk – General Manager level
iv	Priority IV Risk – Management level
v	Priority V Risk – Employee level

Residual top ten risk cluster ranking: Movement from 2022 to 2023

2022 risk rating (residual)	
1	Financial sustainability
2	Market/segment/customer*
3	Business development**
4	Infrastructure/asset creation
5	Operational sustainability and efficiency
6	Safety, security, health, and environment
7	People and learning***
8	Governance
9	Stakeholder management
10	Developmental/industrialisation/procurement****

2023 risk rating (residual)	
1	Financial sustainability
2	Operational sustainability and efficiency
3	Business development
4	Infrastructure/asset creation
5	Market/segment/customer
6	Safety, security, health and environment
7	People and learning
8	Governance
9	Reputation management
10	Developmental/industrialisation/procurement

* *Market/Segment/Customer: The customer business process has been moved to ODs (TFR and TPT)*

** *Commercial: This cluster has renamed Business Development which includes regional integration and PSPs (new business)*

*** *People: This cluster has been updated to reflect People Management and Transnet Academy under one sponsor and department*

**** *Developmental/Industrialisation/ has been updated to include Procurement risks*

The strategic risk clusters and associated risks are reviewed, updated and reported on a quarterly basis. These include:

Financial sustainability	**1**
Responsibility: Group Chief Financial Officer	
Objective	**Appetite statement**
Finance contributes to lowering the cost of doing business in South Africa by providing cost-effective funding, deploying effective cost control measures and delivering appropriate financial returns to the shareholder, while complying with laws and regulations	Transnet has a medium to high appetite in respect of financial sustainability by maintaining financial covenants close to its limits to enable investment, drive economic activity and lower the cost of doing business
Key risks	**Mitigating actions**
• Operational non-performance resulting in low cash generation • Insufficient cash generated from operations to fund infrastructure maintenance resulting in deteriorating asset health • Protracted poor business performance leading to debt covenant breaches and asset impairments • Inaccurate/incomplete financial information resulting in financial adjustments at year-end • Credit rating downgrades complicating the ability to raise affordable funding or match long-term funding needs • High loan repayment profile in the short term • Loan covenant breaches and waivers • The corporatisation of the National Ports Authority • Impairment of assets • Non-compliance with the PFMA and incomplete and inaccurate reporting of irregular expenditure, fruitless and wasteful expenditure and criminal conduct • Poor control environment	• Ensure certainty around price per volume for major customers by concluding take-or-pay contracts, focusing on iron ore, manganese, and coal segments • Manage revenue at risk, implement recovery plans for sectors at risk, and introduce new business development initiatives to bridge revenue-generation deficit • Implement sustainable cost control measures and renegotiate top procurement contracts for further cost savings • Conduct feasibility assessments for private partnerships to improve operational performance, financial health, and prioritise higher-margin commodity flows and corridors • Resolve disputes with manufacturers quickly to return the 1 064 long-standing locomotives to operations or find alternative supplies; increasing Freight Rail's volumes • Continuously manage working capital, closely monitor customers with high credit risk exposure, and collaborate with strategic partners for sustaining and expansionary capital • Sell non-core assets and scrap for cash injection, fast-track recovery of insurance claims, overdue debtors, and long-outstanding PRASA debt • Implement standardised accounting policies and procedures, providing support to ODs to ensure compliance with International Accounting Standards and the correct application of International Financial Reporting Standards • Conduct ongoing PFMA training, implement document management system for records management, and monitor internal control and PFMA remedial plans • Implement consequence management to reduce violations and ensure disciplinary actions are taken against transgressors • Monitor the control environment and policy compliance via quarterly SCM Council meetings • Implement, track, and clear audit action plans (internal and external) timely, ensuring full implementation of recommended controls

Operational sustainability and efficiency	2
Responsibility: Operating Division Chief Executives	
Objective	**Appetite statement**
Maintaining security of freight handling, movement and providing on-time service delivery for our clients in a cost-effective and efficient manner to contribute to lowering the cost of doing business	Transnet is eager to be innovative in improving operational efficiency and asset utilisation across all ODs and to choose options such as technology and regrouped service channels to achieve higher business rewards
Key risks	**Mitigating actions**
• Lack of sufficient funding resulting in capital expenditure shortfalls impacting rolling stock, infrastructure maintenance and security interventions • Unavailability and unreliability of locomotives (including the impact of 1 064 locomotive renegotiations) leading to the inability to achieve volume targets • Increase in security incidents leading to Freight Rail's inability to secure its assets and deliver a reliable service to customers • Inability to improve efficiencies in port operations resulting in loss of customers to neighbouring ports, loss of revenue and reputational exposure • Inability to unlock full commercial value from the portfolio resulting in no improvement of the portfolio and the non-execution of some of the mandates • Inadequate lease management processes resulting in revenue leakages • Potential increase in bad debts by clients/tenants due to inadequate management of the debtors, poor client relationship management practices, poor credit control processes and protracted litigation processes • Inability to optimise the returns from the property portfolio due to its poor condition resulting in continued high holding costs and the dilapidation of buildings	• Implement alternative funding models (private sector participation, sale of wagons, leasing options, etc.) and engage development financing institutions • Ensure timely working capital management, especially debtors book, for improved liquidity • Review Freight Rail pricing strategy for effective cost recovery, engage original equipment manufacturers for long-standing locomotives solutions • Group Legal to oversee 1 064 contract review and negotiations, and develop a funding proposal to release additional locomotive capacity • Ensure timely maintenance activities through multi-year budget approvals and execute prioritised activities for 2023/24FY • Implement security improvement and technology roll-out plans, including partnerships with customers for joint security interventions • Develop an integrated port management system for real-time performance tracking, and a stakeholder management strategy for reputation enhancement • Negotiate with critical spares suppliers to shorten procurement turnaround time, invest in smart port access solutions, and implement Durban logistics hub projects • Implement a warning system for licence expiry, an oversight strategy with dedicated resources, and execute marine and aviation capital projects • Fast-track completion of dry port and rail links, and implement an optimal property management model for higher occupancy and collections • Dispose of non-core and underperforming properties, accelerate commercially viable PSP opportunities and development lease model • Complete historical reconciliations, develop a plan for collection of outstanding debts, and implement renewable energy initiatives for cost reduction • Expedite the utilities cost management programme, including the installation of digital tools, to enhance utilities management and collections from clients

Business development — 3

Responsibility: Chief Business Development Officer and Operating Division Chief Executives

Objective	Appetite statement
Drive growth and diversify Transnet core businesses through strategic transactions and partnerships by: • Expanding geographically into new markets; • Improving the bankability of transactions for private sector investments; • Building innovative partnerships across value chains; and • Enabling project development risk sharing/mitigation with the private sector.	Transnet is risk-neutral with regard to taking commercial risks that may be construed as incurring fruitless expenditure or increasing the cost of doing business, balanced with a need to contractually engage on an arms-length basis with counterparties to balance risk and return for both parties

Key risks	Mitigating actions
• Political, economic, climate and changes in Government resulting in cancellation or untimely cancellation of transactions • Insufficient or lack of funding for projects resulting in failure to take up growth opportunities • Long lead times to obtain approval from the relevant authorities to execute transactions resulting in missed market opportunities and unnecessary delays • The risk of poor reputation due to failed legacy projects • Identified partners may not have the requisite capabilities and competencies to execute transactions resulting in a loss of revenue which may also result in fines and/or penalties • Failure to adhere to legal and regulatory requirements and policy uncertainty in target countries • Procurement processes resulting in costly delays in transactions • Lack of integration and alignment with key stakeholders and strategic partners resulting in failure to effectively transact • Poor maintenance and security of heritage assets resulting in damage, loss and theft of the heritage assets • Security exposure of heritage assets leading to the destruction/vandalism of these assets	• Implement a risk review for countries targeted for growth, monitoring in-country risks to identify new developments • Leverage governmental bilateral relationships/agreements to support transactions and align with South Africa's foreign policy • Determine suitable funding strategies to exploit growth opportunities, and identify local or international funding partners to improve capital affordability • Engage relevant authorities proactively for guidance on approval requirements, and ensure compliance with frameworks and the PFMA for obtaining necessary approvals • Conduct strategic stakeholder engagements and solicit support from the Department of International Relations and Cooperation to build relationships • Provide clear communication on Transnet's regional interests and participation, and conduct partner vetting (legal, technical, financial) to identify partners upfront • Conduct regulatory analysis per country to determine requirements and compliance costs, and utilise Group procurement for efficient procurement processes • Maintain and refurbish buildings to meet occupational requirements and protect reputation • Fully implement the Heritage Preservation Strategy and Policy for asset conservation, and obtain approval for the Security Improvement Plan to protect heritage assets

Infrastructure/asset creation	4
Responsibility: Chief Strategy and Planning Officer	
Objective	**Appetite statement**
Capital is allocated and invested to provide enduring benefits to the business in terms of meeting strategic objectives, including maximising financial returns, improving operational efficiency, safety and lowering the cost of doing business in the country	Transnet has a medium to high appetite to invest in infrastructure that will attract or sustain volumes, improve operational efficiency and cost-effectiveness to lower the cost of doing business while offering a commensurate return on investment
Key risks	**Mitigating actions**
• Potential equipment malfunction due to inadequate maintenance planning could result in unsafe working conditions and service delivery issues • Unclear roles in the Delegation of Authority Framework could delay business case approval for maintenance projects, risking accidents and derailments • Insufficient resources and skills, along with bureaucratic processes, could hinder effective execution of capital projects, leading to cost and schedule overruns • Poor project scope and business need definition might lead to PFMA and Transnet policy violations, and non-delivery against strategic objectives • Failed procurement processes and poor contracting strategies may inhibit capital project execution, resulting in delays and increased costs • Contractors' bankruptcy during COVID-19 could escalate costs for Transnet and delay project implementation • Global unrest causing supply chain uncertainty and delays might lead to procurement issues for long lead items, increased costs, and non-delivery of strategic objectives	• Ensure adherence to the Company's Maintenance Strategy across all divisions to maintain operating equipment's working condition • Provide assurance on maintenance projects to ensure timely, cost-effective delivery. • Develop comprehensive maintenance strategies and plans for each OD • Conduct resource assessments for capital/maintenance project delivery at OD level • Optimise capital governance processes to improve capital project performance • Evaluate and validate business case information for Group-level approved projects to ensure viability • Train project teams on various contracting strategies to enhance project support skills and capacity • Assess financial status of current Transnet contractors to ascertain their commitment capability • Perform trend analysis on cancelled and delayed contracts to identify and address gaps • Develop and implement procurement strategies for long-lead items as part of the project life-cycle process for efficiency

Customers/markets/segments	5
Responsibility: Operating Division Chief Executives (Freight Rail and Port Terminals)	
Objective	**Appetite statement**
Increase market share in all market segments by delivering on the Company's service promise to customers through effective key account management and operational service excellence	Transnet is eager to be innovative and develop new markets, improve customer service levels and forge relationships with existing and new customers to profitably increase market share and effect and accelerate modal shifts
Key risks	**Mitigating actions**
• Renegotiate key procurement contracts for further savings • Enhance financial sustainability through PSP on key initiatives • Address poor brand equity and reputation to avoid revenue losses • Mitigate the effects of subdued or negative international and national markets on Transnet • Address potential impact of the US-China trade war on global markets and trade flows • Improve internal processes, like key account management protocols and tactical volume plans, to support growth and customer service • Manage concentration risk with diversified revenue sources • Adjust pricing and service levels to attract new business • Enhance rail turnaround times and integrated logistics solutions to compete with road transport • Increase capacity to meet customer demand in certain market segments • Address operational challenges to meet volume commitments and honour customer agreements • Improve customer satisfaction to retain volumes and revenue • Plan for natural disaster risks affecting domestic and global markets	• Regularly meet with customers and industries to address concerns and needs • Validate volumes annually to support growth and meet customer demands • Implement service level agreements and monthly KPI dashboards to monitor port and rail performance • Secure long-term take-or-pay contracts with customers to safeguard volumes and revenue • Track order book regularly to manage operational processes • Conduct customer satisfaction surveys frequently to gauge satisfaction levels • Utilise a network-based costing model to set suitable service prices • Generate annual 'revenue at risk' reports and sample prices for better decision-making • Implement the Transnet Transversal Project to devise new pricing guidelines in response to changes in the Competition Commission landscape

Safety, security, health and the environment	6
Objective	**Appetite statement**
Transnet runs operations that are safe and secure to employee/public health and safety, and less harmful to the environment, while successfully protecting assets from vandalism and damage	Transnet seeks to avoid risk and uncertainty when employee/public health and safety is at risk and has no appetite for environmental legal contraventions and causing irreversible harm to the environment. The Company is also eager to be innovative in improving lives
Safety and health – Responsibility: Chief of People	
Key risks	**Mitigating actions**
• Negative impact of the COVID-19 pandemic on people's health and wellness • Resurgence of COVID-19 impacting people and business	• Embed the Culture Code and 'I belong' Programme to review and remodel values and ethical behaviour • Execute the Safety Strategy to secure asset safety • Improve employee working environment through initiatives focused on facilities management and amenities • Enhance employee well-being through wellness initiatives and health management programmes • Implement the revised Occupational Health and Wellness Strategy, ensuring compliance with COVID-19 regulations for employee safety • Streamline Transnet health clinics to provide equitable, efficient services for employees • Respond to COVID-19 resurgences with interventions targeting employee behaviour, return-to-work protocols, workplace readiness, personal protective equipment availability, and supportive resources such as the Employee Assistance Programme

Safety, security, health and the environment 6

Security – Responsibility: Chief Security Officer

Key risks	Mitigating actions
• Security and vandalism of infrastructure and assets (e.g. cables, etc.) leading to loss of revenue and critical infrastructure for operations • Product theft at Pipelines resulting in damage to infrastructure and loss of revenue	• Establish an integrated task team across service providers to stabilise security hotspots • Install and redeploy appropriate technologies to protect critical infrastructure in hotspots, buildings, and yards • Solicit external law enforcement support for disruptive operations in hotspots, addressing criminal activities • Ensure consequence management of both internal and external resources • Target unscrupulous scrap metal dealers for prosecution under the Criminal Matters Amendment Act, No. 18 of 2015 • Deploy aerial surveillance (helicopters and drones) to protect infrastructure • Reallocate current resources to focus on rail network security and train movement. • Establish a 'Freight Rail 10111' centre for rapid response to theft incidents (pilot project) • Position security service providers in the Operations Control Centre for improved reaction • Implement intelligence-driven operations and drone team deployments, guided by daily incident analysis • Issue a guarding tender aligned with revenue protection priority to control costs • Implement risk and threat assessments, lifestyle audits, and physical security measures to safeguard Transnet's assets • Engage with the intelligence community, deploy advanced technology, and conduct honesty testing to build trust and protect infrastructure • Implement integrated planning, mobile security teams, and specialised task teams to combat theft, property damage, and environmental pollution • Foster community engagement, including traditional leaders and farm owners, to monitor security initiatives • Adopt technology and physical security measures, and ensure outcome-based contract management.

The environment – Responsibility: Chief Legal Officer

Key risks	Mitigating actions
• Extreme weather events such as floods and similar • Climate change adaptation, resilience to protect port, rail infrastructure	• Implement early warning systems to identify weather-related events to reduce vulnerabilities and improve the safety of people, property and infrastructure • Review current business continuity strategies to respond to changing weather events • Develop a risk and vulnerability framework to inform the development of a resilience plan
• Adverse weather conditions impacting operations • Regulatory contraventions and fines due to environmental incidents and transgressions • Decarbonisation and moving away from internal combustion engines towards clean energy/ renewables	• Implement recommendations of the approved Climate Change Position Paper to address climate change risks • Implement the Communication Strategy and the Stakeholder Engagement Plan to increase awareness of weather patterns and extremes related to seasonal exposure • Develop an infrastructure risk and vulnerability framework to identify risks brought about by extreme weather phenomena and their associated potential impact on Transnet's infrastructure

People

7

Responsibility: Chief of People

Objective	Appetite statement
The Company has a cadre of well-trained, motivated and engaged employees who will drive the objectives of the new business model. This will be achieved through agile leadership, talent, culture, modernisation and digitisation to positively impact employees, customers and business results	Transnet has a medium (moderate/risk-neutral) appetite to roll out an efficient resource plan to support delivering the Corporate Plan through efficient workforce utilisation while being invested in the development of people

Key risks

- Inadequate capacity and misalignment of skills requirements to address current and future business demand
- Culture of power and unethical conduct resulting in disengaged and unhappy employees
- Lack of asset (people) care mindset leading to a disengaged workforce
- Deteriorating productivity and operational ratios compared to benchmarks impacting negatively on service delivery
- Change in the operating model and restructuring causing panic among employees
- Disruptive technologies e.g. at Port Terminals' container operations resulting in the inability to deliver technologically advanced services
- Lack of or slow pace of digitisation and ICT skills and ICT challenges that impact people performance
- Mismatch of skills versus excess capacity in other parts of the business
- Relationship with labour not optimal resulting in lack of buy-in from labour partners as critical stakeholders

Mitigating actions

- Develop a strategic workforce plan to anticipate current and future skills requirements
- Collaborate with Transnet Academy for necessary training and skills development
- Embed Culture Code and 'I belong' Programme to encourage employee engagement
- Create reorganisation, redeployment, and retraining frameworks to optimise resources
- Conduct skills audits and training to address skills gaps
- Optimise HR processes through digital solutions
- Design virtual learning solutions to encourage personalised learning
- Equip employees with tools for remote working to boost productivity
- Leverage HR digital platforms such as self-service applications and implement HR automation in stages
- Facilitate interventions to mend trustful relationships between management and labour
- Organise relationship-building sessions between management and organised labour

Governance

8

Responsibility: Chief Legal Officer

Objective	Appetite statement
Transnet is a well-run and governed entity delivering value-adding services to its customers and stakeholders while delivering suitable returns to the Shareholder	There is a low appetite for non-compliance with laws and regulations in the quest to be a good corporate citizen that maintains high standards of ethics and transparency

Key risks

- Operational inefficiencies and lack of discipline risking sanctions and negative publicity
- Regulatory changes leading to over-regulation and possible penalties
- Failure to promptly detect and respond to non-compliance resulting in fines and adverse findings
- Changes in national policy and safety regulations in rail, ports, and pipelines risking loss of customers and revenue decline
- National Treasury's increased regulatory controls potentially causing procurement inefficiencies
- Policy and regulatory uncertainty increasing systematic risk and capital cost

Mitigating actions

- Schedule regular dialogues with Government departments/Regulators to align Transnet strategies and legislation via a risk-based approach
- Influence sector policy developments, economic and safety regulation methodologies, and sector and regulatory legislation through position papers, especially when government strategy or legislation poses risks to Transnet
- Implement and track the coverage of significant risks linked to regulatory decisions via combined assurance
- Agree with National Treasury on engagement protocols for proposed regulatory requirements, ensuring proactive compliance and process efficiencies
- Apply the Ports Regulator of South Africa's approved multi-year tariff methodology for regulatory and revenue certainty in the National Ports Authority
- Adhere to the National Energy Regulator of South Africa's approved tariff methodology for Pipelines' petroleum pipeline tariffs annually

Reputation management	9
Responsibility: Transnet Spokesperson – Corporate Affairs	
Objective	**Appetite statement**
To protect and enhance the Company's public image and reputation through, *inter alia*, communicating key projects and plans of the organisation to key stakeholders and ensuring the Company delivers on its socio-economic objectives	Transnet has a low to medium appetite to take on any risk that will impair relationships and standing with key stakeholders or tarnish its reputation
Key risks	**Mitigating actions**
• Poor brand reputation leading to poor perception of the Company's brand • Limited communication channels to engage employees fully resulting in confusion and frustration among employees • Stakeholder dissatisfaction resulting in disruptions to operations, damage to infrastructure and reduced trust and confidence in the organisation	• Develop a brand repositioning manifesto to communicate Transnet's role and core competencies • Ensure timely communication on organisational developments to counter negative reporting • Engage with the media proactively, including rebuttal responses to manage reputation • Develop campaigns that positively position the Transnet brand • Create awareness campaigns to drive a positive narrative for Transnet • Disseminate key strategic project information to keep employees updated • Utilise multimedia channels for engaging content • Embed language services for transformation and diversity • Implement a proactive stakeholder engagement strategy for effective relationships • Coordinate stakeholder management and provide detailed engagement reports to governance forums for assurance • Expand reach to provincial legislatures and local structures to improve stakeholder trust

Developmental/industrialisation	10
Responsibility: Chief Procurement Officer	
Objective	**Appetite statement**
To prioritise localisation opportunities and provide intensive support to Black-owned enterprise suppliers in line with identified opportunities	Transnet is eager to drive logistics economic enablement, localisation and industrialisation and provide the infrastructure required by accepting greater inherent risk to achieve higher business rewards
Key risks	**Mitigating actions**
• Failure to meet enterprise and supplier development (ESD) targets and objectives aimed at supporting Black-owned enterprise suppliers as part of economic transformation • Non-achievement of economic transformation caused by the misalignment of ESD initiatives with procurement plans • Regulatory uncertainty leading to a misalignment between the Preferential Procurement Policy Framework Act, No 5 of 2000 and Transnet's transformational objectives • Misaligned priorities between Transnet and ESD partners resulting in the slow implementation of transformation initiatives • The lack of development of skills and capabilities of local firms due to local content being excluded in the new Preferential Procurement Regulations 2022	• Obtain approval of planned ESD initiatives and incorporate them into the Corporate Plan to formalise the monitoring of performance of such initiatives • Ensure that contract payment terms with ESD partners are structured in a performance-based manner to achieve transformation objectives • Identify ESD initiatives based on Transnet's value chain with a focus on supplier development and localisation as a means of empowering and capacitating downstream local suppliers • Transnet has developed a draft Preferential Procurement Policy that addresses transformation objectives excluded by the Preferential Procurement Regulations • National Treasury has approved Transnet's approach to confine ESD initiatives to State-owned entities to ensure alignment of transformation objectives • Transnet is currently in discussions with the Department of Trade, Industry and Competition on the best approach to incorporate local content into procurement policies

TRANSNET'S EMERGING RISKS

Transnet faces various strategic, operational and sustainability-related emerging risks which are likely to impact the organisation going forward. These risks relate, in part, to environmental and market factors that fall outside of Transnet's control, such as climate change, community unrest and unforeseen disruptive technological developments in the freight and logistics sector.

The cascading impacts of COVID-19 on markets, people and operations further exacerbate potential impacts, requiring Transnet to establish a firm approach to business continuity, readiness and resilience.

The emerging risk descriptions and related mitigating actions are:

Emerging risk cluster	Risks	Mitigating actions
Environmental sustainability	• Extreme weather events (floods, etc.) • Climate change adaptation/resilience to protect port/rail infrastructure	• Implement early warning systems to identify weather-related events to reduce vulnerabilities and improve the safety of people, property and infrastructure • Review current business continuity strategies to respond to changing weather events • Develop a risk and vulnerability framework to inform the development of a resilience plan
Financial sustainability	• Cash flow and liquidity pressures • Debt increase • Failure to stabilise the price trajectory • Economic downturn • Severe commodity shocks • Geopolitical risks	• Implement sustainable cost control measures to reduce cash flow and liquidity pressures • Implement funding plans with the current operational focus being to grow revenue and profitability • Collaborate with strategic partners to secure sustainable and expansionary capital for infrastructure and growth • Conclude take-or-pay contracts to ensure certainty around price per volume for major customers • Implement new business development initiatives to bridge the revenue-generation deficit gap
Customer	• Inability to meet customer demands • Increasing number of dissatisfied customers	• Address operational challenges e.g. cable theft, asset condition, etc. which result in volumes not being achieved and commitments to customers not being honoured • Conduct regular customer engagement to align on delivery
ICT	• Increased cyberattacks • Breakdown/large-scale interruption of critical information infrastructure	• Continuously review mitigation strategies and ensure the following is addressed: • Implement revised cybersecurity models such as multi-layered defence mechanisms to proactively reduce cyberattack exposure • Implement enhanced security breach detection to enable quick response to security breaches • Develop data encryption methods to protect the Company's data
Social	• Protests as a result of private sector partnerships • Civil unrest due to service delivery protests • Youth unemployment • Changes in the political landscape – South Africa moving towards elections	• Implement effective stakeholder engagement plans for the effective management of stakeholder relationships • Increase security surveillance to protect the Company's assets
Regulatory and procurement	• Global supply chain disruptions • Non-adherence to governance policies and procedures	• Increase oversight of third-party relationships to reduce the Company's exposure to supply chain disruptions, data breaches and reputational damage • Improve contract governance to ensure the fulfilment of contractual obligations • Assess third-party compliance with the Company's information security standards to ensure compliance with regulatory requirements • Continue engagements with Regulators to influence and/or lead policy changes, especially in the rail business
Operations	• Exacerbating energy supply risk (impact of load shedding) • Critical infrastructure failure due to extreme weather or accidents • Asset maintenance and asset health • Vandalism of infrastructure	• Implement renewable energy and sustainability initiatives to reduce operating costs at Transnet-owned properties • Implement business continuity plans to ensure faster recovery and resilience of operations after interruptions • Implement maintenance initiatives to improve asset health • Increase security surveillance to protect Company infrastructure
People	• Employment and livelihood risk/lack of skills • Mental health/fatigue	• Enhance and continue the implementation of people and change management initiatives aimed at developing a high-performance culture e.g. people, pride and care, awards and recognition and culture and engagement programmes • Implement HR policies to support employees and ensure employee wellness (Employee Assistance Programme, training, etc.)

ASSURANCE AND GOVERNANCE

Assurance and governance are focused on gaining and maintaining trust from Transnet's stakeholders so it can deliver on what it promises. Transnet has taken an integrated assurance and governance approach as the combination of the two provides the confidence needed by stakeholders that risk management is working effectively.

Transnet works with functional experts, external assurance providers and governance committees to provide an objective view to validate the state of information and design effective control frameworks and systems to proactively highlight or manage deviations from risk management requirements. The assurance infrastructure uses different levels of defence to give an integrated view.

The first line of assurance

Assurance directly from those who are responsible for delivering specific objectives or processes and associated risks on a day-to-day operational basis.

Second line of assurance

Assurance from independent specialist functions internal to the organisation such as Compliance and Risk. These provide assurance through a control framework to ensure risk management operates effectively.

Third line of assurance

Objective and independent assurance on the overall effectiveness of governance, risk management and internal controls within the organisation, provided by the internal audit function.

Fourth line of assurance

An external and independent line of defence provided by external auditors such as the Auditor-General. This provides an important and valuable external perspective on the governance, risk management and internal control environment within Transnet. Their external status helps strengthen confidence in the level of objectivity and independence.

COMBINED ASSURANCE

The implementation of a second line of assurance to embed adequacy and effectiveness on the top ten strategic risk clusters and key emerging risks is underway. Audit sprints have been implemented for combined assurance within Transnet's operations to assess the level of maturity and effectiveness of risk management implementation.

These reviews are conducted on a quarterly basis and will continue throughout 2023/24FY. The audits are executed across all assurance functions such as Risk, Sustainability, Safety and Compliance to ensure integration and consolidated support to operations. This has improved the adequacy and effectiveness of controls and responsiveness to risk findings.

Risk within the mandate of the Transnet Corporate Plan

The government, through the Shareholder Representative (Minister of Public Enterprises) and the Transnet Board of Directors, conclude a Shareholder's Compact on an annual basis, as required by the PFMA. The Shareholder's Compact stipulates and defines the Company's mandate and strategic objectives over the medium term, which, in turn, forms the basis for the corporate plan.

The corporate plan has the following objectives that define risk and risk mitigation:

To provide important information to stakeholders in their assessment of Transnet's financial standing and their evaluation of the risks faced by each of the ODs and the Company as a whole, as well as associated mitigating actions.

TRANSNET RISK MANAGEMENT WITHIN SEGMENTS

Transnet is committed to its repositioning as a reliable logistics partner and reinvention as a trusted service provider within its multi-faceted Reinvention Strategy. To this end, it has undertaken a focused approach to risk across segments and sectors.

Chrome and magnetite

With South Africa producing half of the world's chrome ore, the clear focus is on stability, efficiency and risk reduction of the broader supply chain. With chrome ore being a strategic commodity utilised in the production of stainless steel among other products, it is imperative that capacity and resilience of the supply chains are prioritised. With this in mind, a dual-channel approach to the export of chrome ore (and the adjacent magnetite ore) is the primary focus for Transnet.

Automotive

Transnet is pursuing a risk-mitigating dual rail channel export solution for the automotive sector, focused towards improving rail corridors between Gauteng and eThekwini, and Gauteng and the Eastern Cape ports. Transnet plans to almost double capacity at the port of Durban to over 900 000 fully built units, with the port of Durban remaining South Africa's primary port of automotive export in the long term.

Energy

The liquid fuels and gas markets play key roles in the current and future energy mix for South Africa, and Transnet's role as a critical logistics enabler of the markets defines the Company's positioning and investment planning. Currently, partnership-driven investments to support three key natural gas entry points are planned at the ports of Richards Bay, Ngqura and Saldanha. The Richards Bay and Ngqura investments are currently being fast-tracked to align with planned anchor investments in peaking power-generation facilities in the respective industrial development zones, with the added potential to link to the Lilly pipeline from Richards Bay.

TRANSNET FRAUD RISK MANAGEMENT PLAN

Overview

The Transnet FRM function identifies, prioritises, and monitors fraud risk that poses a threat to Transnet's ability to run a seamless business and provide value to shareholders. This plan is prepared in terms of the NT Regulation 29.1.1 prescribed under the Public Finance Management Act, No: 1 of 1999 (PFMA), which requires all state-owned companies to have a plan to prevent fraud.

Management started the robust development of a fraud prevention and detection programme as part of the overall Fraud Risk Management Plan (FRM). In addition, management has embarked on the development of a comprehensive fraud risk assessment aimed at proactively addressing vulnerabilities to internal and external fraud.

This robust process is aimed at addressing and confirming identified weaknesses for the purpose of strengthening internal controls. With the aid of data analytics and a comprehensive analysis of these weaknesses, a better understanding is obtained of the vulnerabilities within the fraud risk environment of Transnet.

The FRM Plan will further encompass the execution of a fraud prevention and detection programme as part of Transnet's Combined Assurance Framework. Standing firm as the second line of defence, this Plan is further regarded as an extension of ERM and internal audits.

Accomplishments of the FRM Plan

- Due to the current resource constraints within the Fraud Risk Management Department and with a maximum of two FRM Auditors, the FRM team of four has achieved 76% completion rate against the three-year approved Fraud Risk Management Plan.
- This is further extended to the completion of 12 unplanned ad hoc audit assignments that were conducted in addition to the approved FRM.
- Key lessons learned from these experiences include, inter alia: The importance of continuous improvement, flexibility, and leveraging technology and data analytics to enhance fraud detection and prevention efforts.
- In identifying various shortcomings, the FRM team has contributed to the cash saving of the business.
- Should management implement the recommendations from the FRM team, these will further add to Transnet's savings in the sphere of contract management.
- During the course of the FRM audits, fraud risk was identified resulting in seven matters being referred for further investigations.
- The Fraud Risk Management department undertook a second phase of Lifestyle Audits. The objective was to conduct a lifestyle audit on 5 300 employees to establish which employees' lifestyles are not commensurate with their income. In order to facilitate the audit, a secure e-platform was developed with the lifestyle audit service provider to communicate and receive the required information from employees. This ensures the confidentiality of information between staff members and the service provider whilst also creating a verifiable audit trail.
- 2 714 employees will receive clearance from the Lifestyle Audit process. Individuals that are flagged as high risk will be referred to the SIU via the Transnet Investigations department, for further investigation. The second phase of the lifestyle audits is expected to conclude by the end of 2023/24FY.

The outlook of the FRM

From the 2023/24FY onward, a comprehensive risk assessment will be executed across Transnet, with the results feeding into an updated Fraud Risk Management Plan. This plan will be aimed at curbing and reducing fraud and corruption within Transnet. The purpose of this exercise is to ensure the integrity and sustainability of Transnet operations.

MANAGEMENT OF MATERIAL ESG ISSUES

Overview

Transnet's ESG risk management approach and materiality assessment methodology ensure that we operate in a responsible, sustainable, and transparent manner. This approach empowers Transnet to effectively identify, assess, and manage ESG impacts, risks and opportunities that could influence its operations, reputation, and long-term value creation.

ESG risk management approach

The ESG risk management is anchored in the ERM architecture and is aligned with the corporate strategy. Alignment with the strategy, processes, people, technology, and knowledge helps us to evaluate and manage uncertainties in the pursuit of stakeholder value.

Material ESG risk considerations are integrated to multidisciplinary management processes across the Group, resulting in Company-wide oversight of these risks. The Sustainability Forum and Transnet management, serving as the second line of assurance, shoulder the responsibility of monitoring ESG aspects. The Company operates within a Board-approved risk appetite framework, monitoring and mitigating significant exposures.

The overall impact on enterprise value, people, planet, and the economy will determine the materiality of an ESG matter. Focus is maintained on those ESG matters that meaningfully affect the Company's ability to create long-term value, as well as those of relevance to Transnet and its stakeholders.

GROUP CHIEF EXECUTIVE'S REVIEW

KING IV. P4

> "As part of the maintenance culture that we intend establishing within Transnet, we have prioritised maintenance projects over expansion projects when deliberating our capex allocations. This shift has included tasking OEMs with the life-cycle maintenance of our equipment, which is expected to improve its availability and reliability, and enables Transnet to free up financial resources by leaving consignment stock on the OEMs' balance sheets."
>
> Ms Portia Derby

INTRODUCTION

What a harrowing year it has been! Between the terrible floods in KZN, where many people lost their lives including Transnet employees; wherein we at Transnet suffered extensive damage to our property, and the wage strike which meant that the economy was at a stand-still for almost two weeks, it has been a challenging time. Over and above this, we have continued to struggle with locomotive availability, driven in large part by the long-standing locomotives and the impact of the rightful review of the 1064 locomotive procurement. In spite of all this, I am honoured to present this year's annual integrated report, reflecting the journey, the progress we've made, the challenges we've encountered, and our vision for Transnet. I am deeply grateful to be part of this resilient team and continue to be encouraged by their commitment and passion to turn Transnet around into a true source of pride for us all.

OPERATIONAL PERFORMANCE AND MAINTENANCE PRIORITIES

Our operational performance, particularly at Transnet Freight Rail (TFR), has been affected by the long-standing locomotives that was exacerbated by the suspension of the CRRC contract as part of the review applications of the 1064 locomotive procurement from Wabtec, Alstom and CRRC. A long-standing locomotive stands for more than 50 days because of the unavailability of spares and parts. In the first instance, we had to deal with the challenge of designation for SA supply of some of the required components and parts which are not available in South Africa. For this, we required approval by the Department of Trade, Industry and Competition (dtic) to import, and unfortunately, this has taken too long to secure. As an aftermath to COVID-19, following on the closure of China, long-lead items have even longer lead times to deliver. Lastly, we have been challenged by the National Treasury (NT) regulations that prohibit procurement without the full budget being allocated. Following on a workshop organised by Operation Vulindlela, we finally achieved alignment with the NT and have been granted partial approval to depart from Instruction Note 3 of 21/22 paragraph 8.4(a) of the PFMA that enables us to proceed with procurement processes prior to securing all the funding required. As non-compliance with the dtic designation and NT regulations lead to irregular expenditure and thus a potential qualification it was essential that we wait for the approval. Over and above this, in the case of CRRC, the suspension of their contract by the Board and the inability to conclude the maintenance, reliability and spares agreement (MRSA) at that time meant that spares and parts were not forthcoming from the OEM until such time that the dispute is resolved. This has meant that 455 of the 1174 new generation locomotives are either sterilised or increasingly unreliable as we are unable to secure spares and parts until the suspension of the contract is lifted. We hope to close on this issue soon but frankly, this problem remains unresolved. Consequently, we've had to depend on an ageing, unreliable locomotive fleet that is prone to failures, adding to our challenges of reliability, spares availability and rising unscheduled maintenance costs. In response, we have doubled down on efforts to embed a maintenance culture within Transnet that prioritises asset care and stewardship, instead of a throw away culture which we inherited where all equipment is run to failure. It is tough to hold this as a discipline because it requires asset maintenance, even when driving it a little bit harder and further would generate revenue. This shift included a shift to introducing MRSA across our rail and ports businesses with OEMs taking over accountability for the maintenance of our equipment. This is expected to improve equipment availability and reliability, while shifting the consignment stock to the OEMs' balance sheets, thus freeing up our financial resources for operations and capex. Progress in concluding these MRSAs has been slow as a result of Instruction Note 3 of 21/22 paragraph 8.4(a) of the PFMA. In the 23/24 budget, NT allocated R2,9 billion for the return to service of locomotives, and the Industrial Development Corporation (IDC) provided us with additional funding for the same. Only after this funding was secured could we commence with the procurement from the OEM. The MRSA in Transnet Port Terminals (TPT) and TFR will be concluded by the end of the calendar year, from the beginning of the next financial year, responsibility for our newer fleet of port equipment and locomotives will rest on the OEM.

A sometimes under-appreciated situation is the extent of cable theft that we have suffered over the last few years. This is at crisis levels. In the financial year under review, 1 000km of cable was stolen. While it is an improvement on the 1 500km stolen the previous year, this still translates to over 3 500 events, each creating significant bottlenecks and sizeable backlogs that can take days to clear. The more direct costs are in lost freight volumes, increased unscheduled maintenance to replace the cables and the inevitable redirecting of an already constrained maintenance budget to these unplanned events, and the ever increasing costs of security in Transnet, and in TFR in particular. An even bigger challenge is the very poor performance of prosecutions – with a conviction rate of only 4% across the Group. Much needs to be done before we see real changes in this area. This is a critical issue for us as 60 percent of the rail system is electric. We would like to extend a big thank you to our customers who have supported us in providing security over the past year and the Security cluster of government.

The Port of Durban as a regional hub port for not only South Africa but also the Southern African region remains a key priority project. The Masterplans for the Eastern Ports – Durban and Richards Bay – were approved by the TNPA Board on 1 September 2022, then presented to the Ports Consultative Committees (PCC) of both ports and the National Ports Consultative Committee (NPCC) for consultation. The promulgation application has to be submitted to the Minister of Transport in this financial year, all that is outstanding is the confirmation of both Port Masterplans as Strategic Infrastructure Programme (SIP)1 and SIP2 by Infrastructure South Africa. As a result of these Masterplans, not only does the Port of Durban grow in size to 11,3mTEU, but the Port of Richards Bay benefits by acquiring a new Naval Base along with significant new investments, including the much-anticipated LNG terminal. This will see the King Cetshwayo District Municipality receiving significant new infrastructure investment and the associated investment leading to much-needed jobs.

In the year under review, we finally commenced the procurement process for the development of the long-awaited Boegoebaai Port in the Northern Cape. Much progress has been made in driving other strategic initiatives such as the freeing of land at the Port of Port Elizabeth over the next few years with the movement at the manganese terminal and the tank farm to the Port of the Ngqurha and the eventual development of the long-expected waterfront. But more about this in the coming years.

ADDRESSING CHALLENGES

The flooding experienced in KZN in 2022 caused significant damage to our assets – movable and fixed – infrastructure, and operational capacity. I am humbled by the ingenuity, resilience and dedication shown by our teams across Operating Divisions during this time. The quick turnaround at the Port of Durban post-floods stands testament to the strong skills sets we have at Transnet. We mourn the loss of colleagues who lost their lives during this period, and those who lost family members as a result of the floods. We extend our heartfelt condolences to their families and friends and will continue to support as they recover from this calamity.

The 11-day strike by our employees during the wage negotiations was truly unfortunate and is something that we would have liked to avoid. This led to considerable loss of revenue and earnings for our workers and the economy. A positive outcome of the negotiations, however, was a three-year wage agreement that has provided a level of certainty around financial planning.

The increase in the number and severity of derailments is a serious concern. These impact on the infrastructure, lead to losses in locomotives that we can ill afford and cause significant delays in operations, affecting reliability and our profitability as well as that of our customers. A primary cause for these incidents is largely the significant underinvestment in maintenance. We have huge backlogs in maintenance that have to be addressed, and more so now as we prepare for third-party access onto our rail network. We are channelling our efforts to reducing the backlog in maintenance to improve reliability, increase available slots and reduce future derailments.

FINANCIAL PERFORMANCE

The procurement of the 1 064 locomotives was unfortunately based on a very wrong assumption of the economy growing by 5 percent per annum, for how long, it is not clear. What is a fact is that the economy has grown by no more than 1.8 percent on average since 2012. This means that we incurred debt that we are now unable to service without compromising the business, as the anticipated revenues have not been forth coming, add COVID-19 and the diminishing locomotive availability to this and you have a debt crisis. There is, therefore, no mystery to our financial challenges. The recent poor financial performance of the business worsens what is already a dire situation.

TFR normally contributes between 47 and 50% of Transnet's revenues. The challenges faced by TFR, therefore, have a profound impact on the entire Group. The approximate 43% contribution to Transnet's revenue in the year under review, shows the poor performance achieved in the last financial year by TFR. Nevertheless, Transnet Port Terminals (TPT), Transnet National Ports Authority (TNPA), and Transnet Pipelines (TPL) have all performed very well.

Our goals for improving financial performance and ensuring sustainability hinge on transitioning to cost-reflective tariffs on rail, and the full utilisation of our rolling stock on rail. The introduction of the Transport Economic Regulator in 2023/2024 should see cost-reflective tariffs for track access and finally a sustainable solution for the funding of infrastructure. We continue to engage government on the funding for the backlog of maintenance as well as capacity expansion, which help contain the cost of track access, but in the immediate, there is relief for Transnet. This shift will decrease our reliance on debt to fund maintenance of infrastructure, making the business more sustainable in the medium to long run.

Even the new Operating Division, Transnet Property (TP), is starting to flex its muscles. We are selling certain parcels of land and buildings such as the Carlton Centre, to enable TP to fund its operations and participate in its property developments to improve on the returns. The last key issue that TP has to address are the huge historic debts, the large number of properties mired in legal disputes and the introduction of modern system required for a property development and management company.

REGULATION AND PROCUREMENT POLICIES

Three Operating Divisions will soon be regulated with the introduction of economic regulation on track access – namely TNPA, TPL, TFR Infrastructure. We provided comments on the Transport Economic Regulation of Transport (ERT) Bill and await the promulgation of the Act. We have been hard at work in anticipation of its promulgation.

Despite our considerable efforts to reform procurement policies within Transnet, we still operate within the constraints of the Public Finance Management Act (PFMA) and National Treasury regulations. These constraints limit the extent of changes we can make to our procurement processes and systems, leading to certain inefficiencies remaining.

To mitigate the current cumbersome procurement processes, we are pushing forward with the project to fully automate our procurement. The tender is in the market at present, we should start the next financial year with a new service provider. The benefits will be reduced irregular expenditure, quicker turn arounds in procurement and hopefully lower cost procurement. We remain committed to transformation and local manufacturing to ensure shorter supply chains in parts and components in high and frequent demand.

For the 2022/2023 financial year, we started the process of adjusting tariffs for all our customers to at worst break even. This was initially not well received by customers but gratefully, we have seen progress. However, some flows require very sizeable price increases to achieve even break-even and, in these cases, we have started discussions with customers about alternative service design and are potential opportunities for new entrants to the rail market.

The increased cost of water, electricity, fuel and security costs have led to significant increases in our operating costs whilst personnel costs remain the highest contributor to operating costs. Water expenses have risen from R487 million to R622 million, security costs have escalated from R1,7 billion toR2,2 billion and energy costs have also escalated to R8 795 million from R8 002 million. We remain committed to managing these costs and mitigating their impact on our overall operations. We are looking for opportunities to self provide fuel as a means of driving down this ever increasing cost.

LOOKING AHEAD

A key priority will be successfully bedding down of the recently-announced DCT Pier 2 partnership. We are now at the due diligence phase and the operating teams including management and bargaining unit employees are starting engagements with International Container Terminal Services Inc. (ICTSI). Another significant transaction that is due to close soon is the Manganese Terminal in Ngqura. We should be starting the process to expand rail capacity for manganese and the long awaited berth deepening project in the Port of Durban soon. The conclusion of the first LNG terminal section 56 transaction will be announced by the end of this current financial year. The process to secure a partner for TE Leasing, an initiative announced in the year under review, is an essential intervention for successful third-party access, is progressing very well.

Again, it's a year of focusing on closing all our strategic transactions with due care. These are too important for Transnet and the economy at large to rush, but are urgently needed.

The establishment of the Infrastructure Manager is the last significant restructuring in Transnet. We have spent time understanding different jurisdictions – this takes time and must be carefully considered with all our people taken along. With all this said, we are very excited about the future.

The remarkable performance of our auto terminals is an indication of the performance of the automotive industry. We are committed to ensuring that this sector grows from strength to strength in SA. Soon we will have the next phase in the development of additional capacity at the Durban Port. The tender for an EPC to build additional rail capacity to move Ford volumes from Rosslyn to Gqeberha is already in the market and should close in this current financial year. The continued performance of the automotive industry will have positive spin offs for the economy.

With the conclusion of outcomes-based security contracts at TFR we hope to see a reduction in cable theft incidents. With the introduction of Peace Officers we should be better able to support investigations of theft across our system, and hopefully see improvements in prosecutions.

We need to mend relationships with some of our customer associations but I am grateful that despite the challenges, we have retained very strong working relationships on the ground with our customers. We need to foster relationships of trust characterised by cooperation and collaboration. We have seen significant improvements in our working relationships, and continue to focus on these. We hope that the recently former National Logistics Crisis Committee (NLCC) will help resolve some of the deep structural challenges for the logistics system and help drive the move from road to rail.

IN CONCLUSION

I wish to thank the Transnet Board of 2018, ably led by Dr Popo Molefe. The Board not only showed courage in supporting and directing many of the transactions that we started under their leadership. They have been deft in providing guidance to me and the team at Exco and their hand can be seen in the investment, risk, people and audit processes we have adopted. The maturity with which the transactions were guided through the governance processes is thanks to the Board's wisdom and flexibility. I wish to thank them all for their efforts, passion and time, and their tolerance even when it could have been easier to complain. Makwande la nithathe khona.

To the Transnet Exco, I honestly would not be able to do this job without you. We have faced some huge challenges in the last year but have managed to remain a team. I am eternally grateful to you and your wonderful executive teams.

The journey over the past year has been one of considerable challenges but also one of resilience, progress, and unwavering dedication. Our team remains committed to overcoming obstacles, embracing change and driving growth in the years to come.

To the team at DPE and NT, thank you for your support and your frank advice, and sometimes, chiding. Thank you to all our stakeholders for your trust and support as we navigate this journey together..

Best regards,

P. P. J. Darby

Ms Portia Derby
Group Chief Executive Officer

OUR STRATEGY

> "Vision without action is just a dream, action without vision just passes the time, and vision with action can change the world."
>
> Nelson Mandela.

Inspired by the words of Madiba, we at Transnet are committed to a strategic vision that drives us to action. The synergy of vision and action empowers us to tackle the dynamic challenges of Transnet, enabling us to contribute positively to South Africa's socio-economic landscape. Through our strategic initiatives, we strive to foster sustainable growth, reinforce operational efficiency, and bolster our contribution to the communities we serve.

As our strategic journey unfolds, we map the course to a future that embodies:

Commitment to service

Sustainability

Ongoing improvement and repositioning of Transnet

REPOSITIONING TRANSNET FOR SUSTAINABILITY WITHIN AN EVER-EVOLVING ENVIRONMENT

The drive to reposition Transnet as a reliable logistics partner has begun with the implementation of the multi-faceted Reinvention Strategy, as shown in the diagram below, based on solid collaboration with the industry to create value. The strategy aims to reposition Transnet by achieving financial sustainability in the short to medium term and unlocking growth in the medium to long term. Key to achieving these strategic objectives is the implementation of a series of coherent programmes and supporting initiatives developed to address operational challenges in the operating business units. The overarching programme outlined, comprises several sub-programmes, including the tactical, evolutionary, and transformational programmes that are being rolled out concurrently to transform Transnet into a responsive and trusted logistics partner for local and regional industry.

To achieve this, a three-pronged approach has been developed to fix and reposition the Company

Transnet's Reinvention Strategy has been developed with the aim of addressing operational challenges and improving execution of the mandate.

This entails renewed and focused delivery against the three main focus areas:

FIXING AND OPTIMISING THE BUSINESS	TRANSFORMING THE BUSINESS	GROWING THE BUSINESS
TACTICAL	TRANSFORMATIVE	EXPANSIONARY
Operationally focussed initiatives aimed at **protecting current revenue** sources, **improving the way** in which we do business, **saving costs** and delivering on our current mandate	Development of a **new way of doing business,** a **fundamental change** to operating models (incl. rail operating model reform) and **longer term repositioning** of the business	A mix of initiatives intended to leverage **successes** of **repositioning** to expand market share with **focus** being on areas of **inherent** and **acquired** comparative advantage

Shorter-term natured interventions aimed at simplifying business and improving efficiency

- Improve **utilisation of current assets**
- **Containment of cost** in operations
- Improve and simplify **business processes**
- **Enhance** customer service and **meet** service expectations

Segment strategies and key transformative programmes

- Enhance **operational focus** and performance in areas where we have **comparative advantage**
- **Reinventing** the role of Transnet within the rail industry
- Form partnerships that enable **growth** in areas where we do not have funds to invest
- Implement **market segment** strategy for **focused** growth

Our strategy unfolds through three main programmes:

ONE

The **first programme**, a tactical, short-term 'back-to-basics' initiative, is geared towards arresting operational decline, bolstering efficiency, and safeguarding critical business elements such as existing revenue streams. This initiative drives the implementation of short-term performance enhancement initiatives across ODs, leaning on the war room structures for operational improvements.

TWO

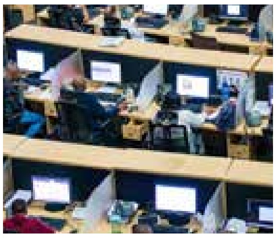
The **'evolution programme'** marks the beginning of Transnet's reorientation towards strategic business segments that account for roughly 85% of revenue. In aligning with upcoming policy reforms such as the National Rail White Paper and the Economic Regulation of Transport Bill, this mid-term initiative seeks to strategically position the Company to leverage its presence in relevant sectors, building sustainability and growth opportunities.

THREE

The **final programme** adopts a longer-term outlook, focusing on transforming Transnet's market relationship to foster strategic partnerships. Aimed at improving commercial acumen, acquiring industry skills, building delivery capability, and sourcing capital from potential private sector partners, this transformative programme aims to reposition the Company for long-term growth, aligning with the Shareholder's principal objectives.

Our repositioning journey is deeply rooted in five strategic pillars: customer service, people, asset utilisation, safety, and cost optimisation. These pillars, integral to our DNA, underscore Transnet's ongoing mission to optimise operational efficiency, enhance asset management, and promote a culture of service excellence. Aligning with these focus areas embodies our commitment to reinvention.

Outline of Transnet's five transversal strategic focus areas





01	02	03	04	05
CUSTOMER SERVICE	PEOPLE	ASSET UTILISATION	SAFETY	COST OPTIMISATION
• Being customer-centric by ensuring that customers are the focal point of services provided and that their service expectations are consistently met • Making a commitment to the customer and doing what we say we will do	• People are Transnet's most valuable asset and their contributions are essential to the Company's success • In order for people to do their work and contribute to the Company, they need the right environment i.e. communication, the right tools, training, appropriate rewards and be treated with dignity and respect • Driving a shared culture that values employees and advocate service excellence	• An asset is not an asset unless it is put to use and needs to earn its keep • Asset utilisation is about maximising the value of the asset by continually fine-tuning processes	• Safety is every employee's responsibility and means 100% compliance 100% of the time	• Cost optimisation is the management of all expenses for both short-term operating expenses and long-term capital expenses

As part of Transnet's ongoing reinvention, customers will take centre stage in planning and decision-making, aimed at enhancing service quality and customer satisfaction. This transition will be bolstered by numerous levers, including enhanced communication and collaboration, particularly with key customers, alongside improved responsiveness, and agility. These initiatives are set to facilitate the formation of mutually beneficial, long-standing partnerships.

In parallel, Transnet's culture transformation initiative, set to shape how the Company conducts its business, will be a critical enabler for the transition, alongside its people. Crafting a shared and comprehensible culture that values employees while championing service delivery excellence across the Company will be crucial to Transnet's re-emergence as a globally competitive rail, ports, and pipeline Company.

Embracing Rail Reform

The Rail Policy's sweeping rail sector reforms aim to liberalise the sector by regulating rail infrastructure and providing private train operating companies with access to the Freight Rail network. This liberalisation process has been enabled by the introduction of two policies, namely the National Rail White Paper (March 2022) and the Economic Regulation of Transport Bill (2022). The liberalisation process will significantly reshape the market structure as Freight Rail will no longer be the sole provider of rail services and will, over time, face competition from emerging operators within a dynamic rail logistics industry. The proposed changes will also profoundly impact Freight Rail's operating model, as evidenced by the required separation of the rail network and rail operations functions to establish an independent Rail Infrastructure Manager function within Freight Rail. While still a part of the Freight Rail family, the Rail Infrastructure Manager will be a standalone function with separate accounting statements, such as income and balance sheets, a dedicated workforce, a defined asset base and will be accountable to a Rail Regulator for how it provides services (an interim regulator, the Interim Rail Economic Regulatory Capacity, will be established in 2023).

This policy shift and the ensuing changes to the market structure could initially be perceived as a threat to the long-term viability of the Transnet Rail Division, as its dominance over the industry would be disrupted. Transnet, on the contrary, views this ongoing disruption as a unique opportunity to reposition Freight Rail as the premium rail logistics service provider, focusing on the provision of high quality, scalable services targeted at clients that offer sustainable margins.

In alignment with embracing the implementation of the rail reform process, Freight Rail led the implementation of key initiatives during 2021/22 and 2022/23. Several pivotal initiatives, forming the pillars of the reform process, have been completed and will enable the effective roll-out of the remaining steps in the process, as illustrated in the subsequent diagram.

Overview of key initiatives undertaken in support of rail reform between 2021 and 2022

	Completed key initiatives and description	Impact/role of initiatives
Costing and pricing	Development of costing and pricing principles for Transnet's rail network and initial tariff for third-party access roll-out	The establishment of costing and pricing principles was a key enabler of the development of the initial cost-reflective tariff to facilitate the equal treatment of all potential operators
Accounting separation	Accounting separation for Transnet's set of financial statements for TFR's Network and Operations functions is complete	Initiation of accounting separation marks the start of the commercial separation of the TFR Network and Operations businesses. This will enable the establishment of a focused network manager within TFR
Network tiering	Initiate the process of categorising the vast freight rail network into tiers based on various elements e.g. policy and freight demand to improve management approach	Effective network tiering will enable more efficient use of capital and allocation of investment into the lines which provide best returns for diverse stakeholders, including the network manager, operators and freight customers
Network statement	Development of a consolidated network statement covering the freight rail network and outlining conditions for market access	The network statement is a single document containing all commercial, technical and legal information which potential train operating companies may require to gain network access. The network statement will promote efficiency and transparency in the application process
Sale of third-party slots	Successful appointment of the first privately owned freight train operating company from the third-party RFP process. Traxtion Rail will operate on the Cape Corridor between Kroonstad and East London	• The slot sale process provided insights on an approach to issuing slots and will improve the future slot allocations model • Operational phase of the project will provide insights that will enable further tailoring and improvement of the rail operations prior to roll-out across more parts of the network

OVERVIEW OF THE TRANSNET SEGMENT STRATEGIES

In pioneering a new approach to its segment strategy, Transnet has implemented a transformative shift in its business model. We have made industry supply chains our primary unit of analysis, moving away from focusing solely on our existing ODs.

Across South Africa, and indeed globally, competitive conditions vary significantly amongst supply chains. To meet the distinct needs of different market segments, we have tailored our strategies accordingly. By ensuring our customers' supply chains remain globally competitive, we position transport and logistics as catalysts for economic growth. In this context, it is crucial to understand that Transnet is one of several actors involved in the end-to-end customer supply chain. We aim to position ourselves optimally within these supply chains.

Transnet's overall portfolio is now divided into eight pivotal segments, collectively accounting for more than 80% of our revenue. These segments encompass:

1. Automotive
2. Containers
3. Coal
4. Chrome and magnetite
5. Iron ore
6. Manganese
7. Energy (encompassing liquid fuels, natural gas, and green hydrogen)
8. Agriculture

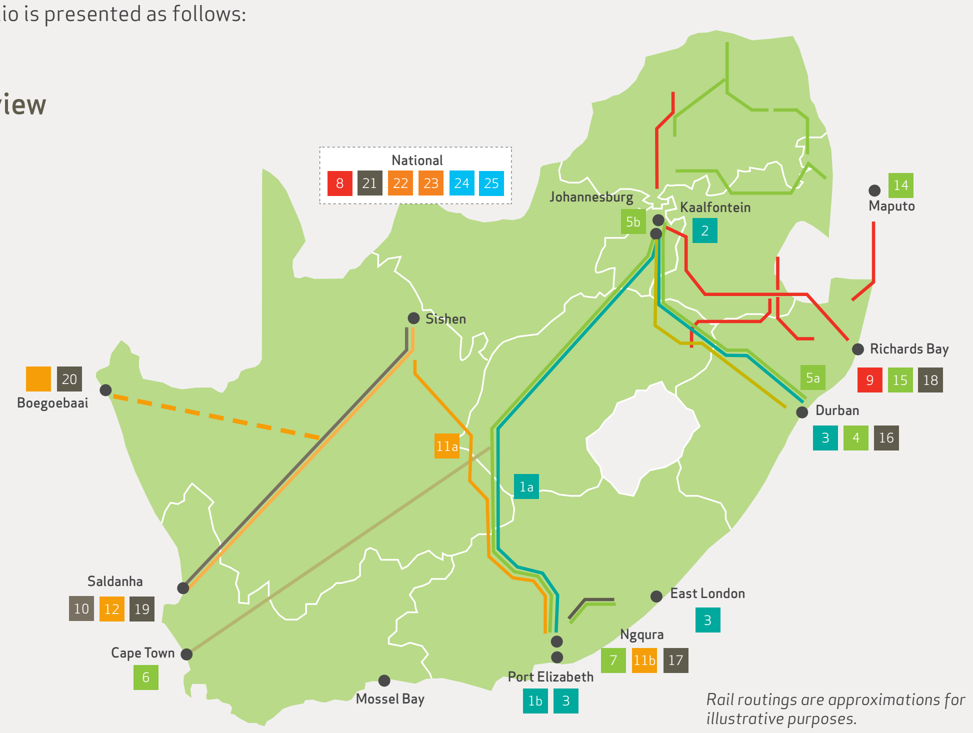
Each segment has been scrutinised to understand various factors, including global market trends, national importance (such as contributions to GDP and employment opportunities), forecasted demand, and the local and international value chains. We have also examined Transnet's relevance and role within these value chains.

This granular analysis has enabled clear positioning of each segment, leading to more accurately targeted solution development. This involves both capacity creation and operational improvements to enhance supply chain competitiveness for our customers. The defined benefits sought have guided the development of a portfolio of interventions, which we have actively managing and steering towards execution.

A high-level overview of the portfolio is presented as follows:

High-level portfolio overview

- Automotive
- Containers
- Coal
- Iron ore
- Manganese
- Chrome and magnetite
- Liquid fuels
- Gas
- Multi-segment and other



1a & b	High-capacity corridor for automotive volumes via the South Corridor and Gqeberha
2	Kaalfontein Terminal automotive supply chain integration
3	Automotive export capacity and operating model at the ports of Durban, Port Elizabeth and East London
4	Reposition the port of Durban as an international container hub, including: • Point Container Terminal • DCT Pier 2 • Various master plan-led projects
5a & b	Rail revitalisation of the Container Corridor, including initiatives linked to the third-party rail operating model: • New Gauteng hub terminal/s • City Deep Container Terminal

6	Cape Town Container Terminal landside capacity expansion
7	International transshipment hub development at the port of Ngqura
8	Partnership-based Eskom coal logistics solution
9	Consolidated and sustainable export coal network
10	Iron ore export capacity expansion via the port of Saldanha
11a & b	Ngqura manganese corridor expansion (rail and new bulk export terminal)
12	Port of Saldanha manganese export capacity expansion
13	Boegoebaai manganese export channel (long term)
14	Strengthening the secondary export channel via the port of Maputo
15	Expansion of bulk export capacity via the PoRB

16	Develop the Transnet Fuel Import Terminal at the port of Durban
17	Develop an LNG terminal and facilities at the port of Ngqura
18	Develop an LNG terminal and facilities at the PoRB
19	Develop an LNG terminal and facilities at the port of Saldanha
21	Develop green hydrogen capacity at the port of Boegoebaai
20	Develop an energy transition strategy for Transnet
22	Concession various branch lines to support the agriculture sector
23	Develop inland terminal/consolidation facilities to support rail supply chains
24	Rail operating model: third-party access
25	Various wagon sales to private operators

Transactions are presented as a conceptual portfolio at various stages of project development and viability maturation. Transnet will commit to execute once business cases are approved

The successful implementation of this portfolio is predicated on the need for substantial enhancements in operational efficiency and reliability. This operational improvement imperative is fortified by subject matter experts from across the Company, primarily driven by those with the most comprehensive understanding of our assets and operations – the ODs.

A centralised approach to portfolio development and consistent strategic alignment to manage the implementation process have resulted in robust internal cohesion. Despite the substantial shift induced by the segment strategies, we are on track with target delivery. Indeed, the acceleration of delivery is viewed as a crucial driver and facilitator for many aspects of both the short-term and future-state interventions.

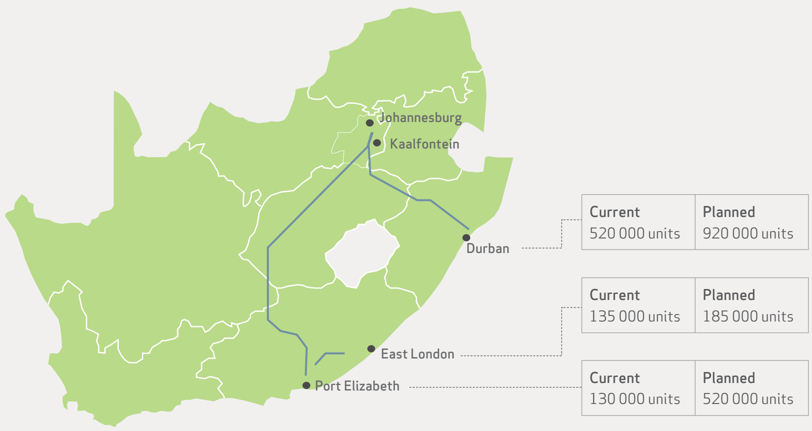
AUTOMOTIVE

The automotive sector represents a substantial component of the South African economy. The vehicle and components manufacturing industry contributed 4,4% to GDP in 2017, which declined to 2,4% of GDP in 2021. In parallel, the vehicle and component retail industry added a further 2,5% to GDP in 2017, dropping to 1,9% of GDP in 2021, as depicted in the subsequent graph. Furthermore, the sector provided employment for 34 300 individuals in September 2022. Although the local automotive sector is substantial relative to the South African economy, it only accounts for 0,6% of global automotive production. This suggests that South Africa has a relatively low comparative advantage in the automotive sector and is heavily reliant on an efficient local supply chain, where Transnet serves as a critical service provider, to effectively compete with larger producers.

Given the strategic economic importance of this sector, which has notably declined over the past five years due in part to constraints in both rail and port capacity and operational inefficiencies, these flows have been identified as priorities within the business plan. This approach complements significant private sector investments into this sector, with the major vehicle manufacturers injecting an aggregate capital expenditure of R8,8 billion in 2021, with a further commitment of R40 billion by 2026.

The automotive segment strategy approach is illustrated in the following diagram:

Automotive segment strategy



Rail routings are approximations for illustrative purposes.

Transnet is advancing a risk-mitigating dual rail channel export solution for the automotive sector. This development focuses on enhancing rail corridors between Gauteng and eThekwini, and Gauteng and the Eastern Cape ports. Our plans involve nearly doubling capacity at the port of Durban to over 900 000 fully built units, reaffirming Durban as South Africa's primary port of automotive export in the long term.

Nonetheless, constraints on the Container Corridor between Gauteng and Durban, coupled with anticipated disruptions at the port of Durban due to a significant revitalisation initiative, have necessitated the prioritisation of capacity expansion on the corridor servicing the ports of Port Elizabeth and East London. This conduit will be a critical lifeline to bolster the automotive industry, and we are developing various partnership-driven funding and delivery mechanisms to ensure Transnet can bring in private investment, government grants, and subsidies to create this capacity as swiftly as possible.

Key focus areas for the automotive sector in 2023/24 include the implementation of the new throughput operating model and initiating partnership transactions primarily for creating back-of-port facilities at strategic locations in Durban, Port Elizabeth, East London, and the Kaalfontein Automotive Terminal in Gauteng. These partnerships are set to enhance port-side operations for off-site extended dwell day storage, thereby unlocking existing port terminal capacity in addition to broadening the scope of services provided in the back-of-port facilities to support the automotive industry. The automotive back of port facilities will be for private sector investment and development.

Beyond expanding capacity on rail and at ports, achieving this in the most efficient manner will require deeper partnerships at both inland and coastal back-of-port facilities. Transnet also plans to invite third party rail operators (through rail slot sales) onto both the Gauteng-East London and Gauteng-Durban routes to create additional train capacity in the system. This process was kick-started during 2022/23 and is set to be operational in 2024/25.

Transnet will pursue the following transactions for the automotive segment:

Transaction	Description of transaction	2023/24	Five-year deliverable
Export capacity and value-added services at strategic back-of-port facilities in Durban, Port Elizabeth, and East London to support the new throughput operating model	PSP targeted for the investment, development, and operations at strategic back-of-port facilities for extended dwell storage and beneficial value from ancillary services that support optimised operations to increase efficiencies at the port automotive terminals	• Engagement and agreement with private sector logistics service providers and industry	• Partnership concluded and operationalised in 2024/25
Kaalfontein Automotive Terminal supply chain integration	Partner-driven repositioning of the Kaalfontein Automotive Terminal	• Integrated into the Container Corridor operational lease transaction • Announcement of preferred bidder by July 2024	• Partnership concluded and operationalised in 2024/25
Ukuvuselela Project: High-capacity corridor for automotive volumes via the South Corridor and Gqeberha	Co-funded development of rail and port terminal infrastructure for a high-capacity automotive export corridor	• Secure external funding for, and commence with feasibility studies • Award of turnkey EPC before 2023/24 • Port capacity expansion completed 2023/24	• Construction completed and automotive ramp-up capacity to meet Ford Motor Company South Africa demand by December 2027

CONTAINERS

South Africa's inherited rail network has focused on certain regions, reflecting the country's inward-focused industrial legacy. Key challenges include:

- Durban port's competitiveness is hindered, with shipping charges 40% higher than comparable middle-income countries due to infrastructure limitations.
- The inter-city railway network struggles with speed and reliability, unable to compete with advanced road transport models.
- Rail has seen a decline in market share on the Durban-Gauteng corridor, due to difficulties in competing with road hauliers' reliability, cost, and convenience.
- Freight Rail has lost significant traffic, especially in manufactured, processed goods and agricultural supply chains.

South Africa's container landscape faces two key issues:

1. Underinvestment in port and rail infrastructure and equipment.
2. Poor operational efficiency, predictability, and reliability.

A future-oriented plan to rejuvenate port and rail infrastructure and operations has been developed, with key initiatives including:

- Transforming Durban port into a modern deep-water port, aiming for a capacity of 11.3 million TEUs.
- Developing and optimising the Cape Town Container Terminal (1.4 million TEUs) as a gateway to regional and European trade.
- The expansion of the Ngqura Container Terminal to 2 million TEUs.
- The development of near-port terminals, such as a potential cold storage-enabled container and refrigerated container facility at the Belcon Terminal.

These initiatives aim to reduce South Africa's container logistics costs by 20%. Transnet also plans to improve rail performance on the Gauteng-Durban corridor, leasing operations to a third-party operator to increase container volumes from road transport. This aligns with the strategy to position rail as a component in a broader supply chain, offering competitive advantages such as journey time, reduced carbon footprint, and cost.

Freight Rail aims to appeal to complex supply chains by:

- Leasing the Gauteng-Durban Container Corridor; and
- Enabling high-value freight movers to incorporate rail into their existing aggregation models.

This initiative, combined with enhanced network access and rail services, is expected to significantly reposition Freight Rail in the short to medium term.

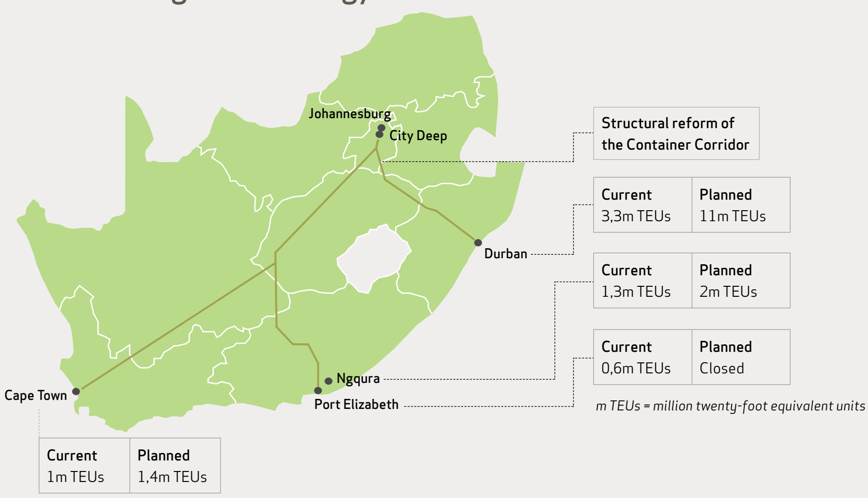
In alignment with the Rail Policy, a lease or concession-type model is proposed to joint venture companies for a fixed period, likely 20 years, akin to the South African toll road network. After this period, the infrastructure reverts to Transnet in an improved condition.

The 2023/24 focus areas for the container segment include:

- Finalising partnership agreements and financial close on the DCT Pier 2 and Ngqura Container Terminal transactions.
- Executing an operating lease on the Container Corridor.
- Seeking a partner to revitalise and reposition the Container Corridor and the City Deep Container Terminal.

Transnet is collaborating with international experts to develop a future-oriented plan for the Container Corridor.

Container segment strategy



Rail routings are approximations for illustrative purposes.

Transnet will pursue the following transactions for the container segment:

Transaction	Description of transaction	2023/24	Five-year deliverable
DCT Pier 2	Transnet to partner with an International Terminal Operator via a PSP transaction	• Negotiation and completion of project agreements by November 2023	• Improved operational efficiencies, productivity and capacity increased to an estimated 2,9 million TEUs
Ngqura Container terminal	TPT to partner with an ITO/shipping line via a PSP transaction.	• Negotiation and completion of project agreements by November 2023	• Improved operational efficiencies, productivity, and capacity increased to an estimated 2 million TEUs
Durban Point Container terminal	Development of 1,7m TEU container terminal in the Point precinct	• Marine feasibility business case completed by August 2023 • TPT partnership/financing strategy finalised and in implementation	• Improved operational efficiencies, productivity, and volume throughput
Container Corridor, City Deep Container terminals and Kaalfontein Automotive Terminal	A partnership or operating lease to drive improved operational performance and viability of the Container Corridor and terminal, in addition to modernisation and capacity funding	• Partner selection (or relevant procurement completion milestone) during 2023/24FY	• Improved operational efficiencies, productivity, and volume throughput
Cape Town Container Terminal	Partnership to modernise and expand landside capacity at the Cape Town Container Terminal to match marine capacity of 1,4 million TEUs	• Detailed design of the truck staging facility and rail yards by September 2023	• Capacity expansion to 1,4 million TEUs and port modernisation including the introduction of semi-automation

COAL

Coal, especially for export, has been a cornerstone commodity for both Transnet and the South African economy for many years. Recognising the significant global and local shift from coal towards green energy production, Transnet's primary focus for this segment is operational optimisation of logistics chains. This will aim to maximise the return on invested capital as much as possible for Transnet and the broader industry, while also increasing operational capacity from 74 million tons per annum (mtpa) to 81mtpa.

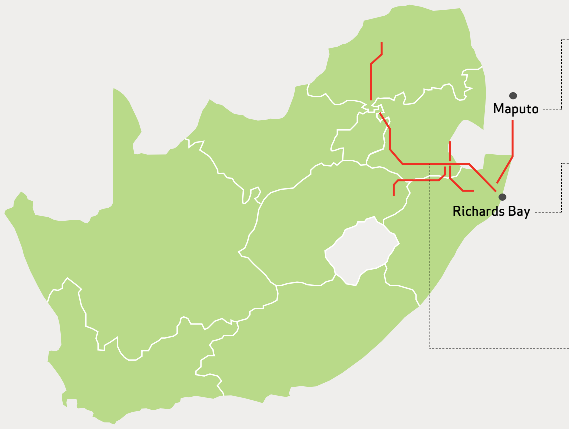
Recognising the limited window of opportunity to keep the segment viable, Transnet is focused on reducing the cost of logistics and improving reliability and optimal use of assets already in service. This includes the co-funded consolidation of export coal volumes on the lowest-cost supply chain possible, particularly the heavy haul coal rail line, and optimised sustaining investment in the existing asset base to ensure that operational stability and the ability to export against installed capacity is maintained in line with market demand.

In addition to export coal, domestic coal utilised for power generation is an area where opportunities for optimisation abound. In light of the poor viability articulated in Eskom's analysis of potential inland coal terminals, Transnet is considering a logistics partner-driven solution to utilise spare rail capacity to reduce road congestion and improve costs associated with delivering coal to various power stations.

The coal segment's focus areas for 2023/24 encompass:

- Operational efficiency initiatives, including the return to service of long-standing locomotives and the commissioning of additional jumbo wagons.
- The creation of an environment conducive to the future consolidation of coal exports along the lowest-cost supply chain. This would entail partnership-based arrangements for funding required investments.
- The delivery of a joint plan and roadmap with Eskom to guide the future of domestic coal logistics.

Coal segment strategy



Current	Planned
2,0mtpa	2,0mtpa

Port	Current	Planned
Richards Bay Coal Terminal	91mtpa	85mtpa
RBT Grindrod Terminal	3,5mtpa	–
Multi-purpose terminal	1,8mtpa	TBC

Rail	Current	Planned
Richards Bay Coal Terminal	77mtpa	81mtpa
RBT Grindrod Terminal	3,5mtpa	–
Multi-purpose terminal	2mtpa	TBC

Rail routings are approximations for illustrative purposes.

CHROME AND MAGNETITE

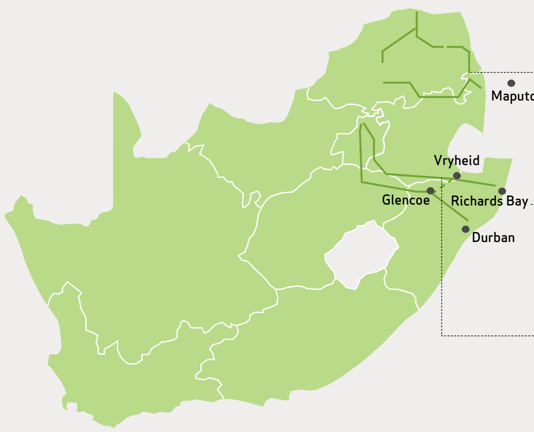
With South Africa producing half of the world's chrome ore, the clear focus is on stability, efficiency, and risk reduction of the broader supply chain.

Chrome ore, a strategic commodity used in the production of stainless steel and other products, requires prioritisation of supply chain capacity and resilience. Consequently, Transnet is primarily focusing on a dual-channel approach for the export of chrome ore and adjacent magnetite ore. This approach involves a partnership-driven expansion of capacity at the Richards Bay port to 26 mtpa, as well as a strategic alliance with regional stakeholders to enhance capacity and efficiency of exports through the Maputo port to over 11mtpa. The planned capacity expansion aims to accommodate the transition of chrome and other bulk commodities from the Durban port, freeing up additional rail services for various commodities intended for export via the Richards Bay port. In keeping with the imminent overhaul of the rail operating model, it is projected that wagons will be sold to private operators, with Transnet providing hook-and-haul services for these wagons.

The 2023/24FY focus for the chrome and magnetite segments is set on capacity expansion and operational efficiency. Key focus includes:

- The development of a feasibility business case and a corresponding roadmap for expanding export capacity via the Richards Bay port.
- Operational efficiency enhancements at the port, which were initially planned for 2021/22FY but postponed due to fire damage to the conveyor belt and related infrastructure.
- Reinforcing cooperative relationships with the Maputo port to stimulate volume growth and create short- to medium-term capacity whilst repairs and expansion at Richards Bay are ongoing.

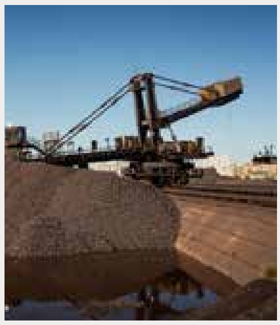
Chrome and magnetite segment strategy



Maputo	Current		Planned	
Rail	9,5mtpa		>11mtpa	
	Chrome	Magnetite	Chrome	Magnetite
	3,0mtpa	6,5mtpa	>4,0mtpa	6,5mtpa

Richards Bay	Current		Planned	
Port	16mtpa		26,0mtpa	
	Chrome	Magnetite	Chrome	Magnetite
	8,0mtpa	8,0mtpa	17mtpa	8,3mtpa

Richards Bay	Current		Planned	
Rail	15,4mtpa		>21,4mtpa	
	Chrome	Magnetite	Chrome	Magnetite
	8,0mtpa	7,4mtpa	>13,1mtpa	8,3mtpa



Rail routings are approximations for illustrative purposes.

Transnet will pursue the following transactions for the chrome and magnetite segment:

Transaction	Description of transaction	2023/24	Five-year deliverable
Dry Bulk Terminal (focused on chrome) to the PoRB	Development of additional dry bulk export capacity, specifically focused on chrome capacity in conjunction with the private sector. This will likely entail a phased approach, involving both terminal and marine expansion over time	• Business case developed and finalised • Partnership agreement and operational design for expanded terminal completed in 2023/24FY	• Developed capacity for the migration of volumes from the port of Durban and capacity for the planned increased volumes aligned to customer demand • Terminal development/expansion will be phased in and determined by the business case
Secondary export channel via the port of Maputo	Collaboration with port and rail authorities in Mozambique to increase rail volumes via Maputo	• Embedding of the run-through operating model (akin to bonded trains) to the port of Maputo	• Expansion of capacity via the Maputo Corridor to >11mtpa

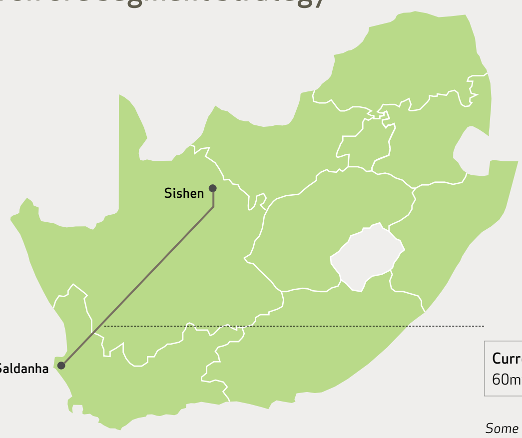
IRON ORE

Iron ore is a significant component in South Africa's mining volumes, feeding various industries worldwide and contributing R104 billion in total sales to the country's fiscus in 2021. Transnet's iron export system is globally recognised in heavy-haul bulk logistics. Challenges, including underinvestment and operational disruptions, have impacted operational reliability and efficiency.

Key focus areas include:

- Implementing a plan to improve rail and port installed capacity, setting the foundation for future investment to meet increasing demand.
- Amending the current Air Emissions Licence (AEL) in the Port of Saldanha from 60mtpa to 76mtpa to accommodate an initial capacity increase to 67mtpa.
- Investments in rail network to improve asset utilisation, construct critical network linkages, and upgrade rail yards in Sishen and Saldanha.
- Port investments will include an expansion of the bulk export terminal rail off-loading, storage and vessel loading systems, and the construction of a new bulk berth.
- A phased approach to incrementally raise channel capacity to 67mtpa, then 77mtpa guided by industry demand.
- Conducting a strategic health and environmental assessment to guide a clear, sustainable expansion roadmap for the Saldanha port and operational improvements.
- Leading innovative financing arrangements for rolling stock on the Ore Corridor to raise capital and retain long-term access to strategic assets, possibly through 'sale and leaseback' transactions. This would serve as a model for future wagon ownership arrangements.

Iron ore segment strategy



Current	Planned
60mtpa	67mtpa

Some rail and port assets in the channel are partially shared between manganese and iron ore.

Rail routings are approximations for illustrative purposes.

Transnet will pursue the following transactions for the iron ore segment:

Transaction	Description of transaction	2023/24	Five-year deliverable
Sale and leaseback of CR13/14 iron ore wagon fleet	• Secure capital injection via the sale of iron ore wagons and negotiate favourable financing arrangements to lease back the wagons to retain long-term access to the wagons without diluting operational control	• Financing arrangement to be concluded by April 2023	• Not applicable
Sishen-Saldanha rail capacity expansion	• Increase the Ore Corridor rail capacity to 67mtpa	• Completion of due diligence to ascertain the feasibility and sustainability by March 2024	• Expansion of capacity to 67mtpa by end 2028
Port of Saldanha export capacity expansion	• Increase in berth capacity • Expansion of bulk export terminal capacity to 67mtpa	• Feasibility study to commence in July 2023	• Expansion of capacity to 67mtpa by end 2028

[1] *Minerals Council of SA, Facts and Figures Pocketbook 2022.*

MANGANESE

The manganese sector in South Africa has experienced exponential growth in recent years and manganese ore mining and exportation represents almost 1% of SA's GDP, with an export revenue contribution of R 48 billion in 2022[2]. Transnet has worked collaboratively with industry to enable this growth leading to an increase in SA's global manganese seaborne market share from 24% to 36% in the last 10 years.

Transnet currently exports manganese through various channels with the ports of Port Elizabeth/ Ngqura together and Saldanha serving as the primary manganese export channels. The two primary export channels are supplemented by the ports of Richards Bay, Durban and Cape Town.

A total of 20,5mt of manganese ore was exported via South African ports in 2022/23 with approximately 14,1mtpa or 73% of the exports on rail.

The multi-channel export strategy will be replaced by a more sustainable dual channel strategy consolidating and increasing the export of manganese to 16mtpa via the Port of Ngqura and 6mtpa via the Port of Saldanha. The viability of a new export channel via the (planned) Port of Boegoebaai to support growth beyond 22mtpa is being considered in the medium term.

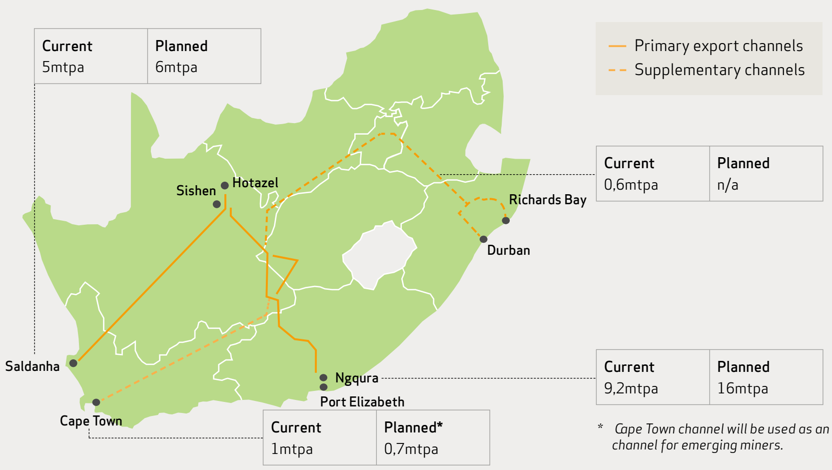
Transnet will, via a partnership approach, invest in the necessary rail and port capacity to increase manganese exports to 22mtpa and to unlock the value offered by the manganese sector at large. The investments comprise the development of a new 16mtpa bulk terminal in the Port of Ngqura and an equivalent increase in rail corridor capacity as the primary export channel, and increase capacity via the Port of Saldanha to 6mtpa as the supplementary channel.

Furthermore, in building on the recent success with MECA III, Transnet's will continue to drive industry transformation by allocating a minimum of 30% of new capacity created to emerging miners.

Key focus areas for the manganese segment in 2023/24FY include:

- Reaching financial close on a partnership-based development of a 16mtpa bulk manganese export terminal at the Ngqura port;
- Commencing with a tranche-based rail capacity expansion along the South Corridor; and
- Crafting a sustainable development roadmap for expanding manganese export capacity at the Saldanha Port.

Manganese segment strategy



* *Cape Town channel will be used as an onboarding channel for emerging miners.*

Rail routings are approximations for illustrative purposes.

Transnet will pursue the following transactions for the manganese segment:

Transaction	Description of transaction	2023/24	Five-year deliverable
Ngqura port terminal capacity	A new 16mtpa world-class bulk manganese export terminal	• Award completed for design, build, and construction of the new bulk terminal	• Ngqura Manganese Export Terminal operational by March 2027
Ngqura rail capacity expansion	Investments in rolling stock and upgrades to the rail link between the mines in the Northern Cape and the planned terminal in the Port of Ngqura	• Commence with construction by April 2023	• Rail capacity at 16mtpa by March 2027

[2] *Minerals Council of SA, Facts and Figures Pocketbook 2022.*

ENERGY

Liquid fuels and gas markets play a crucial role in South Africa's energy mix. Transnet's part as a logistics enabler influences the company's position and investment planning. Key points include:

Liquid Fuels:

Global trends predict a levelling off in the demand for liquid fuel capacity, leading Transnet to restructure the expansion programme of the Multi-product Pipeline. Transnet is exploring opportunities to broaden market access to the pipeline while minimising planned investment.

The Transnet Fuel Import Terminal at the Durban port will become a partnership-driven, shared-user liquid fuel import facility. It aims to maximise utility from existing assets, stimulate market entry by historically disadvantaged individuals, and drive volume uptake on the Multi-product Pipeline.

Energy segment strategy

Rail routings are approximations for illustrative purposes.

Natural Gas:

Despite currently contributing only 3% to South Africa's energy mix, the natural gas sector is projected to grow as a supplementary power-generation capacity.

Transnet plans investments in partnerships to strengthen three key natural gas entry points at the ports of Richards Bay, Ngqura, and Saldanha.

These investments offer potential linkage to the Lilly pipeline from Richards Bay and virtual pipelines via rail or road for Ngqura and Saldanha to enable inland and regional market access.

Green Fuels:

South Africa is well-positioned for both the production and export of green hydrogen, forecasted to experience a compound annual growth rate of 54% from 2021 to 2030, growing from its current value of USD 1.8 billion to an estimated market size of USD 89 billion.

Investigations are ongoing into opportunities in the Northern Cape, with the potential for renewable energy via solar power generation combined with the potential development of manufacturing and export facilities at the port of Boegoebaai.

For the energy segment, 2023/24 focus areas include:

Completion of the partner procurement or co-funding agreement process for three transactions:

- Development of the Transnet Fuel Import Terminal Project at the port of Durban;
- The natural gas import facility at the port of Ngqura; and
- The natural gas import facility at the PoRB.

Transnet will pursue the following transactions for the energy segment:

Transaction	Description of transaction	2023/24	Five-year deliverable
Coastal terminal in the port of Durban	Develop the coastal terminal in the port of Durban (also referred to as Terminal 1 or TM1) for product accumulation and an import terminal to enable security of fuel supply for existing and new entrants in the petroleum sector	• Appoint an engineering, procurement, and construction management service provider for the Transnet Fuel Import Terminal (TFIT) by July 2023 • Award the first execution contract for the accumulation tanks by November 2023 • Complete the concept phase for the TFIT by December 2023	• Operationalisation of the accumulator tanks to increase capacity and operational efficiency of the Multi-product Pipeline
Richards Bay natural gas import facility	Development of an LNG import facility (berthing, receiving and transmission infrastructure) at the PoRB, potentially including connection to the Lilly pipeline.	• Develop a business plan in preparation for TPL's consortium to participate in the TNPA's Section 56 competitive bid process to develop and operate the LNG terminal in Richards Bay by June 2023 • Conduct a risk analysis for the gas business strategy by December 2023	• Import terminal operational by end 2027

AGRICULTURE

Agriculture and agro-processing exports play a key role in South Africa's economy, with agriculture holding strategic national importance due to its potential for job creation and contribution to the Economic Reconstruction and Recovery Plan. Over the past decade, the agriculture sector has experienced growth, and radical innovation in logistics systems is necessary for its continued expansion. Key points include:

Agricultural Sector:

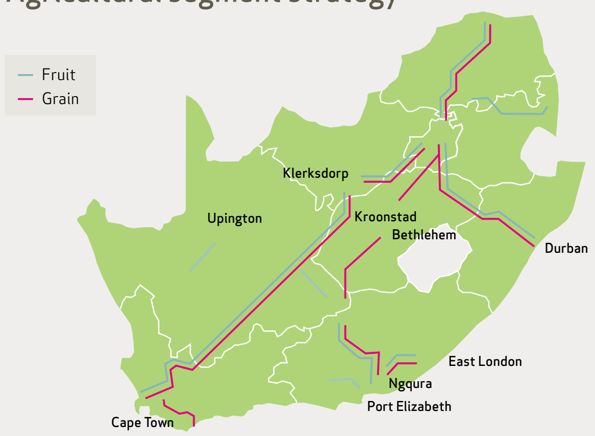
Agriculture and agro-processing exports have risen from 9% to 11% of the country's overall exports in the past decade.

Despite a decrease in agriculture's GDP share from 10% in the 1960s to 2,5% currently, the sector has grown in output and value terms, largely driven by trade.

Logistics Challenges:

For efficient market access, an innovative approach to inland and port logistics systems, focusing on rail, is vital. However, lack of rail density and the seasonal nature of agricultural commodities present investment challenges.

Agricultural segment strategy



Rail routings are approximations for illustrative purposes.

The decline in rail market share over the past decade is to be addressed through targeted agricultural logistics solutions, involving the private sector in operations, network, and asset management.

Partnership-Based Approach:

Partnerships with the private sector will generate efficiencies to reduce logistics costs, support the sector's growth, and spur economic revitalisation in rural areas.

The grain sector will benefit from partnerships revitalising branch lines and developing storage and loading facilities. Third-party branch line operators and private wagon ownership will be encouraged.

The high-growth fruit sector will require a collaborative approach to cater to end-to-end cold chain accountability requirements. Initiatives include concessioning of sector-linked branch lines, developing inland reefer terminals, encouraging specialised third-party rail operators, and expanding reefer capacity at various port terminals.

2023/24FY Focus Areas:

The focus areas and commitments for the agricultural segment are being finalised. The primary deliverable is a committed roadmap and partnership strategy.

Transnet will pursue transactions relating to branch lines and fruit terminals for the agricultural segment.

Transnet will pursue the following transactions relating to branch lines and fruit terminals for the agricultural segment:

BRANCH LINES

Line	Deliverable
Addo-Kirkwood – Awarding a 25-year concession for network rehabilitation and terminal development for fruit opportunities by rail to the ports of Port Elizabeth and Ngqura	• Readvertise the RFP by June 2023 (dependent on finalisation of slot sales)
Elgin Station – Awarding a 25-year concession (design, build, operate and transfer) for terminal development for fruit opportunities	• Readvertise the RFP by June 2023
Cookhouse-Blaney – Awarding a 25-year concession for traffic to and from Gqeberha and East London as well as from Gqeberha to Mthatha (fast-moving consumable goods, beverages, vehicles, containers, and general freight)	• Readvertise the RFP by June 2023 (dependent on finalisation of slot sales) • Concessionaire operational by April 2024
Upington-Kakamas branch line and terminal – Awarding a 25-year concession for network rehabilitation and construction of the terminal at Kakamas to support the fruit industry and opportunities to rail dolomite	• Bid process finalised by October 2023

[3] *Wandile Sihlobo, Chief Economist of the Agricultural Business Chamber of South Africa, November 2022.*

CONCLUSION

Even in a difficult operating environment, Transnet's plan for organisational improvement and reform has made significant progress. As the uncertainties created by the COVID-19 pandemic continue to recede, new ways of working are taking hold. This climate of increasing confidence and stability provides crucial support for Transnet's action plan. Looking ahead, our focus will shift to a more disciplined implementation of this action plan.

Transnet remains committed to a transformative agenda aimed at improving the competitiveness of the country's freight system. The execution of our strategy will bolster Transnet's volumes, particularly in areas where we have a compelling competitive advantage, such as heavy haul rail solutions.

In sectors characterised by greater diversity and more complex supply chains, such as containers, automotive, and agriculture, Transnet's objective is to collaborate with partners to enhance access to the railway network and craft intermodal solutions for these markets. The successful implementation of our strategy will not only increase Transnet's revenue, but also provide more competitive and diverse solutions to our customers in these segments.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OUR STRATEGY IN SEGMENTAL CONTEXT

STRATEGIC OPPORTUNITIES AND RISKS IMPACTING OUR STRATEGY

The various segments are provided below, with an explanation of the segmental context and an overview of the opportunities identified within the segment. Also detailed are the priority areas for the 2023/24FY and their anticipated outcomes. As these are forward-looking priorities and outcomes, we do not guarantee the results and expected. However, we will endeavour to achieve against our listed priorities to support the strategy.

Also provided with each segment, is an overview of the identified risks and Transnet's strategic response to these.

CONTAINER SEGMENT

Segmental context

In the dynamic landscape of global trade, success pivots on strategic consolidation and robust connectivity. For the container sector, larger volume consolidation, connecting hubs, and feeder ports form an appealing strategy for larger vessels, leading to improved economies of scale (ultimately reducing container shipping costs and bolstering international competitiveness).

This tactic is in sync with the rising global trend for larger vessels, an evolution which has occasionally bypassed South African ports due to capacity constraints. We posit that the creation of global hub ports, typically attracting substantial trade volumes due to lower unit container movement costs, provides a viable solution to this challenge.

Countries with hub ports enjoy significant benefits, including reduced feeder service costs, which reinforce their role in the global trade network. As new trade flows emerge in the South, Durban - responsible for 60% of South Africa's trade volumes - stands primed to benefit from this shift.

Development of a hub status port could notably increase the handling of trans-shipment volumes aimed at South African Development Community region ports, boosting South Africa's presence in regional trade. Such an initiative calls for meticulous planning and greater private sector integration into Transnet's rail business. This calls for an evolution of our operating model to allow third-party access, in line with ongoing rail regulatory reform developments.

Mindful of our environmental obligations, we support the Slow Steaming initiative, aimed at reducing our carbon footprint, thus contributing to global sustainability efforts while we navigate the challenges and opportunities within the container sector.

Opportunities identified

The container segment presents Transnet with various opportunities:

- Repositioning Durban port as a global container shipping hub, elevating South Africa's role in global trade.
- Enhancing rail performance between Durban port and Gauteng to speed up container transfers.
- Establishing a dedicated Durban Point Container Terminal to boost container handling capacity.
- Enhancing capacity and capabilities at trade entry points in response to trade growth.
- Increasing rail freight to South Africa's northern neighbours, capitalising on our strategic location.
- Repositioning the ConCor rail container business to allow for third-party access and infrastructure investment, opening up partnership opportunities.
- Strengthening connectivity at Ngqura to enhance its role as a regional trans-shipment hub.
- Developing efficient subsystems to support mega industrial and agricultural complexes, thereby facilitating sector growth.

Priorities for 2023/24FY

- Contracting and final close on the RFP to enhance DCT Pier 2 by partnering with an ITO – including incorporating the terminal into the ITO's partner network
- Contracting and final close on the RFP to partner with an ITO or shipping line to establish Ngqura as an international trans-shipment hub with installed capacity of 2 million TEU
- RFP to partner with the private sector through an Operating Lease transaction, aimed at providing the necessary capital investments, operational expertise and market access to operate, maintain and upgrade the Container Corridor (inclusive of the back-of-port and inland terminals-Bayhead, City Deep and Kaalfontein) in a sustainable and mutually beneficial manner for a defined period
- RFP (Section 56) to develop a Container handling Terminal in the PoRB
- Complete feasibility study for Point Container terminal

Anticipated outcomes

- Significantly lower maritime shipping costs
- Efficient and reliable container terminals (port and inland)
- Assets operating at design capacity
- A container intermodal service that competes effectively with road supply chains as a viable alternative
- Optimised network design to drive rail freight density
- Ability to harness private sector skills and capabilities by mobilising joint resources in the segment's value chain
- An ecosystem of specialist service providers, collaborating to develop, manage and operate the container supply chain
- Enhance ports' and container terminals' positioning for greater maritime connectivity
- Build regional and global container shipping connectivity
- Include port of Ngqura into a global network of ports and terminals and develop and operate associated industrial development zone-based value-added services
- Create a rail-enabled industrial and logistics cluster to increase rail market share
- Expand container handling capacity in the port of Durban

Key segmental risks directing Transnet's strategic responses

- Misaligned investment could result in either over- or under-capacity
- Terminals run by international terminal owners could over time gradually erode existing Transnet terminals' business if the latter do not keep pace
- Labour erroneously perceiving the proposed transactions as "privatisation" rather than industry mobilisation of joint resources through PSPs (in line with Government's Economic Reconstruction and Recovery Plan (ERRP)) and hence as potential threat to job security
- Lack of engagement with environmentalists who are resistant to expansion plans at the port of Durban could result in significantly delayed environmental approvals and/or onerous environmental requirements
- Aggressive impact of Climate Change on key infrastructure

Transnet's strategic responses

- Clearly define the role of the anticipated hub ports (Durban and Ngqura) both regionally and to international stakeholders to align strategic expansion plans and joint commercial aspects
- Develop a strategy to attract and secure sustainable demand by ensuring Transnet is aligned with the medium- to long-term needs and expected deliverables from various customer segments in the Container sectors
- Ensure an iterative, phased approach to developing additional capacity (port and rail) to ensure alignment of Transnet's plans with the pace and potential of sector growth
- Ensure Transnet invests with discernment where its own capacity and capabilities are already proving efficient, with potential for improvement, and crowd-in private sector investment to augment the resource requirements in the medium- to long-term expansion of the container sectors' value chains
- Develop a robust stakeholder engagement and communications strategy to clarify Transnet's Segmental Strategy as one of joint segmental growth and industrial enablement, as aligned with the Government's ERRP, to ease stakeholder tensions – particularly Labour concerns
- Ensure Transnet's PSP transactions incorporate the Company's existing labour policies and adjust policies where required to remain inclusive and sensitive to Labour's concerns, particularly in a post-COVID-19 and post-2021 unrest economic context
- Design of climate resistant infrastructure

AGRICULTURE SEGMENT

Segmental context

The agricultural sector represents a rapidly expanding area for Transnet, particularly given the meteoric rise of the fruit industry, which is quickly exceeding the capacity of road haulage. South Africa has established a strong position on the global stage as a noteworthy exporter of pomme fruit, citrus, and grapes. This reinforces robust export ties to European and Asian markets.

The sector has witnessed a substantial decrease in rail market share, a decline partially attributable to the sector's dispersed nature, which consequently poses challenges to branch line density and viability. As a response to these complexities, there is increasing consolidation and organisation within the industry, leading to a growing capacity and appetite for private sector involvement in logistic solutions. This evolution aligns well with our strategies and stands to enhance our operating model.

The agricultural sector has been identified as a crucial enabler for Government's ERRP, underlining its importance in national economic strategy. This positions Transnet at the heart of a significant growth area, with the potential to greatly influence the development of the country's economy.

In line with global trends, there has been considerable technological advancement within the agricultural sector, encompassing both tools and operating models. These advancements, however, have not yet been fully adopted by Transnet. Acknowledging this, we are actively looking to integrate such innovations into our operations to further enhance our efficiency and competitive advantage in the agricultural sector.

Opportunities identified

Transnet recognises various opportunities within the agricultural sector:

- Implementing a value chain approach to tap into the sector's growth potential, both locally and internationally.
- Harnessing international cold chain standards and other key performance indicators to create rail-friendly solutions.
- This model, largely drawn from the fruit value chain, could radically transform the efficiency and capacity of our transport solutions within the sector.
- Providing third-party rail access to encourage proactive industry participation, potentially fostering innovation and investment.

Utilising these opportunities, Transnet aims to:

- Capture a larger market share;
- Foster growth in the agricultural sector; and
- Contribute to South Africa's national economic development.

Priorities for 2023/24FY

The development and implementation of a value chain-based portfolio of initiatives based on:

- Inland consolidation points to drive rail density;
- The concessioning of supporting branch lines to allow private sector operators to manage associated costs;
- Third-party access rail operating model allowing for branch line operators to access port terminals for efficient operations;
- Potential use of near-port terminals as purpose designed back-of-port facilities; and
- Port Terminals aligned to the value chain need (cool ports/grain elevators etc.) or utilised as throughput ports enhanced by back-of-port facilities.

Anticipated outcomes

- The migration of volumes from road to rail, with significant growth in the rail market share for the agricultural industry
- The increased market access and reduced cost of logistics prompting further growth in the South African agricultural industry
- Efficient port terminal operations enabling greater volume throughput and improved financial results

Key segmental risks directing Transnet's strategic responses

- Significant investment requirements for (in many instances) greenfield or brownfield inland consolidation facilities and in some cases mothballed branch lines
- Investments required to reinstate and increase capacity in grain export/import facilities
- Rail density causing viability challenges
- Market volatility and peaking due to seasonal and easily disrupted production characteristics – planning for the peaks is not a viable from an asset utilisation perspective

Transnet's strategic responses

- Partnership approach to investment, with the industry playing a key role in informing the planning of the solutions to support the value chain, and the private sector taking the financial risks associated with the investment in inland consolidation facilities and grain export/import facilities;
- Concession-based model for branch lines, with the private partner assuming the fixed cost responsibility for maintenance and restoration of the infrastructure while integrating with Transnet's rail operations either via hook-and-haul or third-party access operating models;
- Integration with industry planning and forecasting processes to understand and capacitate according to realistic and appropriate target setting

AUTOMOTIVE SEGMENT

Segmental context

South Africa's automotive sector has made a striking comeback in 2022, recovering from the global impact of COVID-19, with a 20,5% increase in local auto industry volumes compared to 2021. This positive trend has seen the domestic market surpass its 2019 peaks.

Exports of transport equipment

2021		2022
R167,9 billion	↑	**R192,6 billion**

Despite this resurgence, the sector continues to grapple with various escalating factors which have caused disruptions. These include several key markets, both production and consumption, implementing restrictions on internal combustion engines. Resilience in the supply of component parts, notably semiconductors, has also proved challenging. The impact of the conflict in Ukraine, a crucial supplier of components for many key inputs, especially within the German auto industry, has further added to the sector's volatility.

Amid these challenges, we expect the new Automotive Production and Development Programme (APDP) and Pan-African Auto Pact to bolster the automotive value chain around Port Elizabeth. We must also address significant congestion in our current export channel, which involves rail haulage on the Container Corridor and import/export via the port of Durban.

At our Kaalfontein terminal, we have identified key areas for improvement, including a lack of dedicated secure parking and under-optimised, poorly integrated operations, which currently result in poor service and low rail-able volumes. The ever-changing requirements in the automotive sector present ongoing challenges to wagon configurations. Our current wagon configurations risk becoming obsolete, and we must continuously adapt to stay relevant and efficient.

Transnet recognises these complexities and is committed to fostering resilience, efficiency, and innovation within the automotive sector, ensuring we remain a key player in South Africa's economic growth.

Opportunities identified

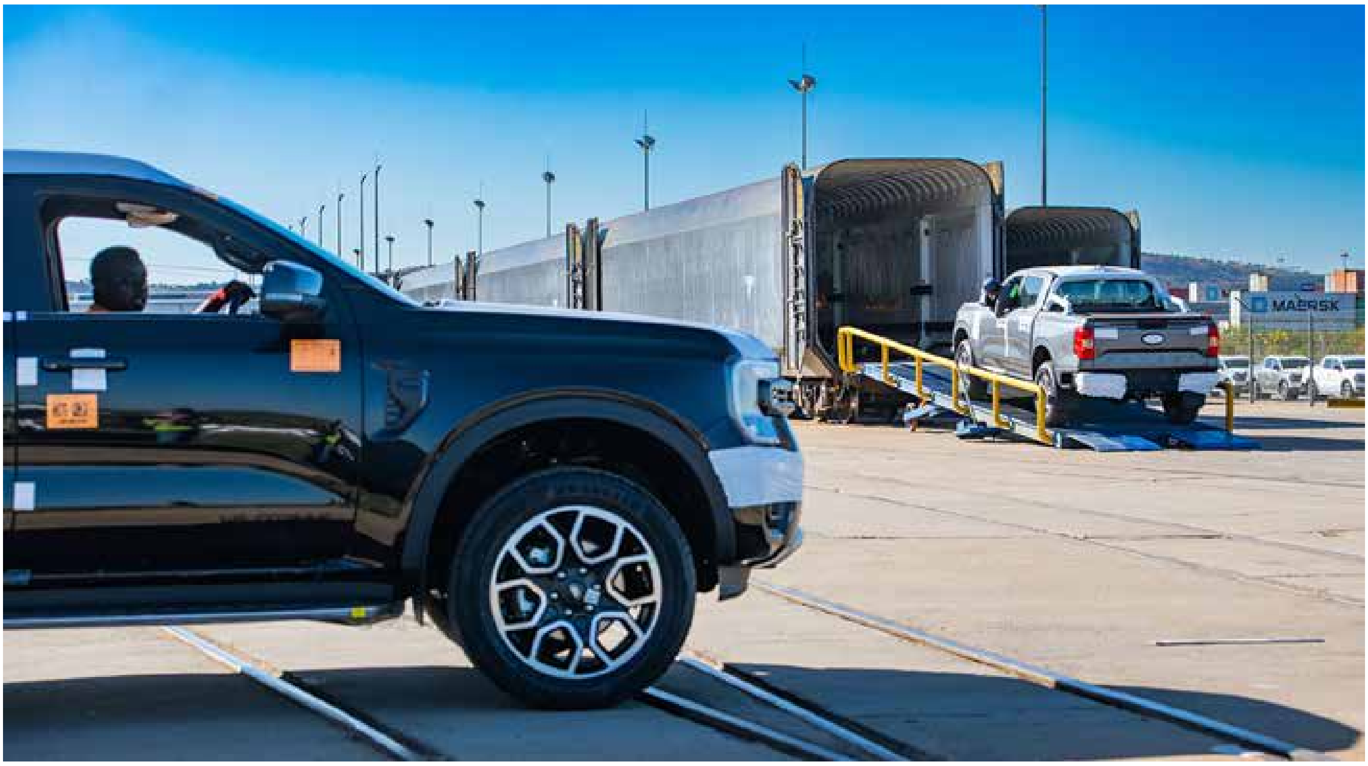
To enhance our automotive sector strategy and respond to the dynamic needs of the industry, Transnet is poised to capitalise on a series of exciting opportunities.

We are exploring the adaptation of the operating model for automotive port terminals to a throughput model, aiming to use port parking capacity more efficiently. This would involve re-engineering the port of Durban Ocean Terminal and T Jetty Precinct, creating an open automotive footprint with optimised parking bays. A dedicated preloading facility closer to the berth would support this new operating model, streamlining processes and boosting efficiency.

An opportunity to provide extended dwell days storage at various back-of-port facilities, in collaboration with the private sector, exists. Further opportunity is identified in providing value-add and ancillary services at these back-of-port facilities, which can be developed through PSP transactions. Further integration of the automotive supply chain is identified as a key opportunity at the Kaalfontein terminal. Through a lease or concession, we could significantly support the road to rail strategy.

Also present, is the opportunity to migrate Ford auto flows to the port of Port Elizabeth. By increasing the SouthCor rail corridor capacity and port capacity, we could better streamline the automotive flow.

Transnet is committed to boosting automotive wagon availability, utilisation, and suitability. By revising the automotive wagon ownership through potential PSPs and adopting an operating model rooted in a "hook-and-haul" philosophy, we can further enhance our capacity to support the evolving needs of the automotive sector. Transnet is determined to turn these opportunities into realities, further reinforcing our role in South Africa's automotive industry.



Priorities for 2023/24FY

- Pilot and optimise new operating model in the ports of Durban and Port Elizabeth
- RFP to market for a Turnkey Engineering, Procurement and Construction contractor for the design, construction, and commissioning of the rail loop extension for the South Corridor for the relocation of the import and export of certain automotive segment supply chains for fully built-up units through the SouthCor to the port of Port Elizabeth.
- Potential partnership to develop the BoP automotive export and import capacity as well as the development of "value-add and ancillary services" at port of Port Elizabeth, port of Durban and port of East London
- Consider disposing of Transnet's current automotive wagon fleet to a wagon-owning LSP, while partnering one or more wagon operators to collaborate with OEMs to ensure adequate wagon configurations for growth
- Re-engineer and reposition the Point automotive terminal by relocating and demolishing strategy components of Ocean terminal operations and infrastructure
- Repurposing of the Charl Malan Container Terminal for automotive handling and retaining a smaller container terminal footprint for Peak Reefer handing and weather related risks

Anticipated outcomes

- Economies of scale create opportunities for more rail-based inbound and out-bound logistics by removing last-mile challenges to intermodal solutions
- A range of co-sourcing investments and partnerships for both port and rail to support the automotive segment for growth
- Changing automotive model configuration needs are constructively addressed by suitable wagon structures
- The mitigation of significant operating expenses, risk and capacity constraints imposed by the existing limited wagon fleet and inland terminal constraints
- Sustainable risk sharing of investments due to the high volatility of Automotive demand
- Unlocking of port capacity to meet the industry demand through business re-engineering of the operating model
- Broaden the value proposition to incorporate value-add and ancillary services
- Mitigation of security of supply risk of coastal and hinterland logistics
- Optimisation of rail capacity

Key segmental risks directing Transnet's strategic responses

- The high unpredictability, volatility and fluctuations of global demand in the Automotive sector may result in export volumes not materialising, thereby rendering investments in the segment's supply chain infrastructure unsustainable in the short to medium term
- Due to the laggard nature of the South African Automotive Industry in the transition to smart Electric Vehicles and hybrid technology readiness, there is a risk that local South African OEM could miss out on the manufacturing contracting of electric and sustainable hybrid vehicle types, hence a reduction in export volumes and stranded assets

Transnet's strategic responses

- Promulgate and gazette the anticipated project for expanding capacity on the SouthCor rail for the accommodation of Automotive volumes as a 'Strategic Infrastructure' project within the Presidential Infrastructure Coordination Commission. Further, apply for Government subsidy and crowd-in financing support to co-fund the project
- Monitor global, regional and domestic automotive demand and trend capital investments to the most prudent investments on a just-in-time basis
- Share investment risk with industry participants across the value chain
- Influence Government's policy planning and effect policy change in the APDP and the SAAM masterplan to support the incentivisation of OEMs to start building capacity infrastructure, technology and skills to embrace the smart electric vehicle production capability
- Innovative wagon designs that are flexible, can be tailored and modified seamlessly as the priority in the manufacture of wagons
- Private sector driven supply of rolling stock and haulage service to the automotive industry

COAL SEGMENT

Segmental context

The coal sector remains a dominant player in South Africa's energy landscape. Despite shifting global attitudes towards greener energy alternatives, coal's significance cannot be downplayed. Coal contributed 81,8% to our national energy mix during the first quarter of 2021. This increase came as an additional coal unit at the Kusile power station entered commercial operation. In comparison, renewable energy sources collectively contributed almost 11% to the energy mix during the same period. This includes contributions from solar PV, wind, hydro, Concentrating Solar Power, and other renewable sources. Zero-carbon energy sources, comprising renewables and nuclear, contributed 14,3%.

Yet, the global energy landscape is evolving, with numerous governments enacting legislation to limit the use of coal in electricity generation. South Africa is no exception to this trend, with the share of coal-generated power in our electricity mix expected to gradually reduce from 71% in 2019 to 43% by 2030, as projected by the IRP 2019. It must be noted, however, that the transition to renewables is not as straightforward as it might appear. In fact, coal-fired electricity generation reached an all-time high globally in 2021, underlining the challenges associated with completely phasing out coal from the energy mix.

Recent geopolitical tensions between Russia and Ukraine have posed challenges but also presented opportunities. The EU's energy supply has been under pressure as a large portion of its coal and gas is sourced from Russia. This has opened a unique window for South Africa to step in and accelerate coal exports to European markets faced with a coal supply deficit due to sanctions on Russia. Exxaro Resources and other major coal mines in South Africa have seen a surge in requests from European countries looking to secure supply contracts given the current climate.

From a Transnet perspective, the coal export value chain has faced significant strain over the historic medium term. The Transnet export terminal at the PoRB has been constrained due to a series of fires damaging coal export conveyors. The rail channel, vital for the efficient transport of coal, has also been heavily affected by vandalism, theft of overhead cabling, and a shortage of locomotives due to a stalemate with the CRCC, along with other tactical and operational challenges.

Despite these challenges, Transnet remains committed to maximising opportunities and overcoming obstacles within the coal segment. The ongoing evolution of the energy landscape indeed presents a complex, but exciting path ahead.

Opportunities identified

Transnet identifies several key opportunities within the coal segment:

- Joint security initiatives: Partnering with industry stakeholders to safeguard assets, mitigate risks, and ensure smooth, uninterrupted transportation of coal.
- Reducing cycle times of limited rolling stock: This could increase capacity for coal transportation and enhance operational efficiency.
- Improving asset utilisation: Optimising the use of available assets to drive productivity and throughput, maximising the value generated from resources.
- Restoration of rail channels: Refurbishing and enhancing rail infrastructure to handle higher volumes of coal, facilitating more efficient transportation.
- Development of intermodal logistics: Exploring the integration of various modes of logistics systems to provide an end-to-end solution for moving coal.

By capitalising on these opportunities, Transnet aims to strengthen its position in the coal industry, contribute to South Africa's economic growth, and better meet the demands of customers and the broader industry.

Priorities for 2023/24FY

- Continued collaboration with industry to improve security along the export rail channel
- Increased use of inland consolidated loading sites to reduce cycle times and increase wagon payload
- Investigation of a shared investment scheme for customers to contribute to a centrally managed 'Infrastructure Fund' expressly for work required to reinstate the coal channel to nameplate design
- Explore consolidation hubs to increase rail flows

Anticipated outcomes

- Outcomes relate mostly to consolidation of activities, efficiency improvements and improved asset utilisation in a bid to increase export volumes
- Funding from customers will see increased maintenance activities to restore network to nameplate operations

Key segmental risks directing Transnet's strategic responses

- With waning investment appeal for coal as a commodity sector globally, sources of funding from conventional investment houses to sustain and improve the existing export channel to the PoRB may not materialise
- The ongoing lack of after-sales support and spares on locomotives may further reduce reliability of current fleet
- The change in global supply dynamics and/or slower transition to renewable energy sources may lead to a spike in export coal demand from South Africa, resulting in missed opportunities on the export channel

Transnet's strategic responses

- Structure financing transactions with coal exporters to secure joint capital resources to sustain operations and improve performance
- Test the market for alternate Loco OEMs to re-engineer/modify the CRRC locomotives to return them to service
- Validate customer commitments to verify if expansion is ultimately viable and sustainable via joint investment schemes with customers

CHROME AND MAGNETITE SEGMENT

Segmental context

The chrome and magnetite segments form a crucial part of the global mining landscape. A landscape in which South Africa is a key roleplayer. Notably, the world's chrome resources are geographically concentrated, with a staggering 95% residing in Kazakhstan and southern Africa. South Africa's significance is underlined by the fact that it led the global production of chrome in 2021, producing 18 million metric tons out of a global mine production volume of 41 million metric tons.

Looking ahead, post-COVID-19 predictions anticipate a growth in the global chrome and ferrochrome export markets, at a rate of approximately 6% per annum over the next five years (through to 2027). This trend indicates a promising future for South Africa's chrome industry, given our dominant position in production. Demand for Magnetite, primarily used in steel-making, is predicted to peak at 15 million metric tons per annum (mtpa), demonstrating a compound annual growth rate (CAGR) of 5%. The global magnetite market shows promising prospects, particularly within the iron and steel industries, as well as in the medication sector. Major growth drivers include the increasing demand for high-grade iron ore, the surge in steel production in China, rapid industrialisation, and an expansion in building and infrastructure development.

South Africa's export channels for chrome and ferrochrome include Maputo, Durban, and Richards Bay, with the majority being exported via the PoRB. Meanwhile, magnetite exports are shared between the ports of Maputo and Richards Bay.

In terms of operations, Transnet and CFM–Mozambique's national railway operator–currently collaborate to provide export services for chrome and magnetite mined in South Africa. This is achieved using the port of Maputo as a key export route. It is worth noting that, much like the coal channel, the chrome and magnetite channels have also experienced challenges. Such challenges have arisen, particularly in the form of locomotive reliability issues. This has been driven by the non-availability of OEM spares, as well as high incidents of theft and vandalism-areas that we are actively working to address.

Opportunities identified

Transnet identifies several strategic opportunities in the chrome and magnetite segments:

- Strengthening cooperation with CFM: Joint efforts to fortify the Maputo Link can enhance export capacity and operational efficiency.
- Responding to increasing demand: Operational improvements at the PoRB aim to capture more of the chrome and magnetite market.
- Forming partnerships with the private sector: Partnerships could provide funding for operational interventions needed to sustain business operations and expand the value chain.
- Establishing a chrome mega terminal at the PoRB: This project could significantly increase export capacity, enhance operational efficiency, and meet growing global demand for chrome and magnetite.

Priorities for 2023/24FY

- Collaboration with CFM – to include the cooperation of the respective national governments and customs authorities as well as sharing of networks
- Completion of the business turnaround plan at Port Terminals and marshalling yards in the PoRB to improve terminal operations' performance
- Approved strategy and roadmap for the partnership with the private sector to increase terminal throughput

Anticipated outcomes

- Shared utilisation of rail networks; rolling stock and streamlined customs process to improve regional integration; asset utilisation and export volumes
- Increased export volumes through involvement of private sector for increased productivity and capital investments at Richards Bay

Key segmental risks directing Transnet's strategic responses

- Border crossing controls may not be optimised preventing seamless movement between SA and Mozambique
- Freight Rail may not be adequately equipped to sustain and expand operations to feed the Transnet-operated terminals in the PoRB

Transnet's strategic responses

- Continuous engagements with CFM to reduce delays at border controls and realisation of benefits of shared networks and rolling stock
- Structure financing transactions together with customers to acquire the necessary capital especially for the rolling stock requirements for increased volumes
- Test the market for alternative Loco OEMs to re-engineer/modify the CRRC locomotives to return them to service

IRON ORE SEGMENT

Segmental context

The iron ore mining and export industry is a significant contributor to South Africa's economic landscape, representing approximately 1,57% of the nation's GDP and providing employment to 22 976 direct employees. The sector has enjoyed a period of remarkable prosperity, fuelled by a sustained period of exceptionally high commodity prices.

China, a key player in the global iron ore industry, accounts for approximately 70% of the worldwide share of iron ore imports. This offers substantial market opportunities for South African exporters. It must be noted, however, that these opportunities might be somewhat limited in duration. This is because, in the short to medium term, China is seeking alternative supply sources (particularly in Africa). This shift could impact the demand for South African iron ore. For this reason, South African exporters have a constrained time-frame to capitalise on current supply side gaps.

Opportunities identified

Transnet perceives significant growth opportunities in the iron ore segment:

- China's demand: Despite the time-limited nature of the opportunity, China's market remains a crucial area for South African iron ore exports.
- Refining operational efficiencies: Transnet aims to enhance the operating model of its world-class heavy haul export system sustainably.
- Collaboration with the private sector: Partnerships can support asset maintenance, restore operations to design capacity, develop new assets for future expansions, and improve operational efficiencies.
- Support for emerging miners: Collaboration can also enable infrastructure development to support emerging miners in the sector.

By leveraging these opportunities, Transnet envisages substantial growth in the iron ore sector.

Priorities for 2023/24FY

- Increase rail and port asset maintenance in the Sishen-Saldanha corridor to reduce operational disruptions
- Collaborate with industry to fund and execute interventions aimed at recovering to installed capacity
- Assess the permanency of severe weather events as well as locust outbreaks
- Commence with the necessary feasibility studies to sustain and grow the iron ore rail corridor to 67mtpa:
  - Mainline rail and yard expansions
  - Expansion of the bulk terminal in Saldanha
  - Development of a new bulk berth in Saldanha

Anticipated outcomes

- Reinstate installed capacity to meet contractual volume commitments
- Reduce Transnet capital burden while increasing private sector partnerships to sustain the channel
- Restore the condition of infrastructure assets and improve operational performance to deliver on contracted volumes while improving overall customer satisfaction
- Modernise current assets and invest in new assets to grow and transform the sector
- Increase volumes and revenue
- Retain South Africa's cost curve trade competitiveness in this sector

Key segmental risks directing Transnet's strategic responses

- SA iron ore production will steadily decline by avg. of -1,2% from 2023 to 2031 with a declining proportion of higher value lump ore
- The possible depletion of reserves together with reduced quality of iron ore introduce uncertainty regarding life of mines and associated sustainability of medium- to long-term production output
- Substantial investments to increase production capacity for exports combined with the volatile, negative price outlook will influence viability of investments
- Deteriorating port and rail asset condition is increasing operational disruptions and volume losses eroding current export capacity
- Capacity beyond 60mtpa is dependent on amending the existing air emissions licence for higher volumes

Transnet's strategic responses

- Close monitoring of market conditions and commodity price movements to stay ahead of the curve on projected market volatilities and changes that could influence expansion tranches
- Develop investment and operational risk-sharing models through PSP and attractive long-term commercial contracting methodologies in various element of the export value chain
- Conduct a technical asset condition assessment to prioritise maintenance spend in rail network and rolling stock and port handling equipment
- Elevate and support collaborative stewardship structures between Transnet and the industry to optimise operational performance and asset utilisation and asset condition management in the channel

MANGANESE (MN) ORE

Segmental context

The manganese sector is a key contributor to South Africa's economy, representing approximately 5% of the nation's mining output and playing a crucial role in exports. In 2019, the sales from this sector totalled R45 032 billion, underlining its importance. South Africa is rich in manganese resources, boasting the world's largest *in situ* reserves of manganese ore.

The nation's strategic positioning as a leading exporter of medium-high-grade ores is evident, with its global production market share increasing from 24% in 2012 to 36% in 2021. South Africa exported a substantial 21,5 million tonnes of manganese ore in 2021, with around 75% of this quantity transported by rail.

Despite the success in the iron ore sector, which accounted for approximately 1,57% of South Africa's GDP and employed 22 976 direct employees, it is important to note the unique opportunity that the manganese sector presents. The iron ore sector has indeed seen significant benefits from an extended period of very high commodity prices, with China being a major market accounting for roughly 70% of global iron ore imports. However, South African exporters face a limited window to take advantage of short-to medium-term supply side 'gaps', as China seeks alternative supply sources, primarily in Africa.

In contrast, the manganese sector offers more stable growth prospects. Transnet remains committed to its dual channel export strategy to increase port and rail capacity to 22 million tonnes per annum, with the aim of migrating volumes from road to rail and supporting industry growth. Validated demand for manganese export capacity has been confirmed at 28 million tonnes per annum by 2025/26. To bridge the demand and capacity shortfall beyond 22 million tonnes per annum, a new deep-water port in Boegoebaai will be developed.

Furthermore, Transnet is keen to support new players in the manganese mining sector. Following the successful onboarding of new entrants producing approximately 2 million tonnes per annum in 2022/23, a minimum of 30% of new capacity will be set aside for emerging mines. This strategic approach affirms Transnet's commitment to fostering growth and inclusion within South Africa's manganese sector.

Opportunities identified

Transnet has identified various numerous growth opportunities within the manganese ore sector:

- Dual channel export strategy: Transnet is introducing this strategy to initially boost export capacity to 22 million tons per annum, supporting the manganese industry and capitalising on high commodity prices.
- China's market: Although the opportunity is time-limited, China, accounting for roughly 70% of the global share of iron ore imports, remains a vital market.
- Partnerships with the private sector: Crucial to developing the necessary terminal and rail capacity for the successful execution of the dual channel export strategy.
- Access for emerging miners: Transnet aims to facilitate access to export capacity for new entrants, fostering industry inclusivity and growth.

These strategic actions reflect Transnet's commitment to strengthen South Africa's manganese sector and promote broader participation.

Priorities for 2023/24FY

- Targeted investment in rail network; rolling stock and port equipment maintenance to optimise manganese exports via current channels
- Award the EPC turkey contract to develop a new 16mtpa manganese export terminal in Ngqura
- Commence with first tranche of the rail capacity expansion in the Cape Corridor to deliver early capacity benefits
- Approach the market to appoint service providers for the rail upgrades in the Cape and Ore Corridors
- Secure funding for the respective port and rail expansions

Anticipated outcomes

- Meet and exceed annually contracted volumes
- Increase capacity to meet current contracted demand
- Increase capacity to meet demand growth to 22mtpa
- Migrate volumes from road to rail
- Increase customer service satisfaction
- Increase contribution to the fiscus
- Reduce burden on Transnet's balance sheet
- Share risk with private sector where market appropriate
- Increase capacity for emerging miners to further transform the industry

Key segmental risks directing Transnet's strategic responses

- Deteriorating operational performance due to asset condition and asset utilisation.
- Increasing commodity price volatility together with increasing demand volatility leads to lower demand and a consequential investment risk and stranded assets.
- New capacity results in market oversupply from SA mines leading to a price collapse impacting viability of emerging mines.
- Cost of expansion could impact customer margins with most domestic producers not being able to absorb tariff increases required to recover investment costs.
- Increasing environmental compliance could increase the cost of the solutions.
- Non-aligned rail and port expansions result in a capacity/demand mismatch delaying volume uptake.
- Inability to raise funding for expansion initiatives.

Transnet's strategic responses

- Prioritise increased maintenance of the rail network and rolling stock and port handling equipment to improve operational performance
- Close monitoring of the market conditions, commodity price movements and cost curve adjustments to ensure Transnet adapts its activities and investments accordingly
- Value engineering of capital investments for expansion initiatives to reduce the Rand per ton cost
- Adherence to the Manganese Export Capacity Allocation (MECA) principles to govern capacity allocation with capacity secured to onboard emerging miners
- Maintain integrated planning and programme execution/oversight structures to ensure continuous alignment regarding port and rail project milestones
- Conduct a Strategic Health and Environmental Study for the handling of both iron ore and manganese in the channel to provide a framework for expansion of capacity in the channel based on more sustainable technical solutions
- Utilise innovative partnership-based funding models with the private sector to secure funding for investments in rail infrastructure and rolling stock, inland loading terminals, and port terminals prior to construction

ENERGY SEGMENT

The energy segment is a consolidation of prior liquid fuels and natural gas segments, developing strategies for the optimisation of Transnet's installed assets while exploring Transnet's role in the broader economy for natural gas. Planning is underway to inform the development of branching strategies such as the green hydrogen strategy.

Segmental context

The past 15 years have seen a significant shift in South Africa's domestic downstream refined product market, transitioning from a net export market to a net import market. The domestic refinery capacity has experienced a notable decrease, dropping from approximately 65% in 2019 to 35% in 2022. Consequently, more than 60% of domestic fuel needs are now met by refined product imports.

Gauteng, a major economic hub, accounts for 35% of domestic liquid fuel demand, highlighting the critical role of this region in the energy segment. The diminishing refinery capacity underpins the urgent need for investment in upgrading South Africa's existing refineries or establishing new ones, a crucial step to secure fuel supply.

A key priority in the sector is ensuring better access for historically disadvantaged individuals to competitive fuel import and storage facilities. This focus aligns with broader societal objectives of inclusivity and economic empowerment. Looking ahead, the transport demand for liquid fuels may slow down after 2031, this is according to a Fitch Report on Liquids and Gas in South Africa 2022. This potential decrease may occur as increased efficiencies, gas, and electric vehicles gain market share. Notably, natural gas is the fastest-growing alternative, predicted to reach 7% of the transport market by 2035, growing at a rate of 6,8% per annum.

The transition to cleaner fuels brings with it high-cost implications due to the required conversion of existing refineries to meet clean fuel specifications. A potential game-changer for the sector is the proposed USD 10 billion, 300 000 barrel per day crude oil refinery. Expected to come online by 2028, this would be the largest regional refinery, servicing both domestic and regional demand. This development could lead to the retirement of existing refining capacity, increasing the dependency on imported finished products.

Changes are required to the current fuel distribution infrastructure, and potentially, a new pipeline may need to be established to connect to the new multi-product pipeline (NMPP) or directly to Gauteng. A transition from road to rail is being targeted for non-Gauteng inland markets and for fuel supply to neighbouring countries. This shift aims to optimise fuel transport, capitalising on the rail's inherent efficiency and capacity.

Opportunities identified

Transnet's strategy in the energy sector provides several opportunities:

- Lease renewals at the Island View Precinct in Durban: This strategic location, with direct links to fuel pipelines and nearby oil facilities, could enhance Transnet's role in the energy infrastructure network.
- Efficient use of NMPP installed assets: Improving efficiency, reliability, and cost incentives for the market to utilise these assets can optimise existing infrastructure and enhance fuel supply reliability.
- Development of a fuel import terminal and accumulation facility at the port of Durban: Wider access to the facility strengthens Transnet's position in the energy supply chain, accommodates increasing demand for refined product imports, and secures a larger role in the country's energy sector.

Priorities for 2023/24FY

- Progress the liquid fuels segment strategy to secure supply to the inland region, ensure optimal asset utilisation and secure access to market for new entrants through TFIT.
- Increase independent operator participation – and participation of historically disadvantaged companies – in Transnet's Island View Precinct is a priority as a significant developmental outcome.
- Continue to develop a parallel solution revolving around the phased development of a Transnet fuel import and accumulation facility in partnership with a consortium of industry players.
- Reactivating the Tarlton Export Facility to be able to export approximately 600 million litres of refined fuels to neighbouring countries such as Botswana and Lesotho.

Anticipated outcomes

- Short term: A multi-pronged approach to growing market share in the current assets Transnet operates – mainly NMPP – and the targeted augmentation and optimal use of Transnet's current asset base.
- Long term: The inevitable transformation of the sector and Transnet's environmental stewardship role as SOC in the sector through enabling a shift towards repurposing of existing pipeline and associated infrastructure towards a broader and cleaner energy portfolio.
- Improved operational efficiencies and risk mitigation for supply security in developing the Island View Precinct accumulation facility as well as a fuel import facility to accommodate new entrants into the market.
- Development of a sustainable energy portfolio in support of the decarbonisation transformation agenda of the South African Government.

Key segmental risks directing Transnet's strategic responses

- Due to the vandalism and fuel theft on the Durban to Johannesburg (NMPP) pipeline, the major customers may not be keen to enter long-term, volume-related contracts, resulting in further pipeline volumes being lost to road transport which further increases road traffic incidents and the national carbon footprint.
- An anticipated decrease in volume of Liquid Fuels demand post 2030 due to competing energy technologies, alternative green energies leading to long-term decrease in volumes.
- New entrants into the import market do not have the financial capacity and stability to co-invest in additional import capacity and associated infrastructure.
- If the existing pipeline network and associated infrastructure cannot be re-purposed for long-term sustainability within a green energy portfolio, Transnet may need to commence with a strategy to dis-invest from the pipeline business to limit long-term financial exposure.

Transnet's strategic responses

- Various market-appropriate interventions and leading-practice monitoring technology have been adopted to monitor and manage vandalism on the pipelines.
- Leverage the tariff to the maximum to incentivise the use of the pipeline over road transport.
- Apply for concessions to the pipeline tariff to drive the de-carbonisation initiative.
- Engage Government to intervene by providing financial support to previously disadvantaged organisations wishing to participate as *bona fide* partners in the value chain.
- Prioritise and expedite new value-chain opportunities to grow the import market within Transnet's operations and ensure appropriate competencies and infrastructure tools and assets to support new tasks in the value chain.
- Expedite research and development studies to repurpose the existing pipeline network and associated infrastructure given our knowledge of the competing energy technologies and international trends.

GAS SEGMENT

Segmental context

Transnet's strategy in the gas segment is influenced by the evolving global outlook for gas markets. Despite an uncertain macro-environment, this outlook remains positive. This is largely attributable to the accelerating energy transition towards cleaner fuels, including gas and renewables. By 2040, natural gas demand is projected to grow by approximately 1,5% per annum, and it is anticipated to constitute 25% of the global energy mix.

In South Africa, gas currently only constitutes only 3% of the energy mix. Until recently, the domestic gas industry has been dominated by Sasol and PetroSA. Sasol is responsible for the production of natural gas from the Temane/Pande fields. The gas is processed at the Central Processing unit (CPF) and transmitted through the ROMPCO pipeline to Maputo and Secunda. Sasol also transports 18 million Gigajoules per annum of methane-rich gas from Secunda to KwaZulu-Natal. This is achieved using the Lily pipeline.

It is anticipated that the Temane/Pande fields will begin declining by 2024. PetroSA have also communicated a significant reduction in gas reserves. In 2019/20FY, Sasol approached the market for the sale of its gas infrastructure assets, including its share in the ROMPCO pipeline and all of its transmission and distribution assets in South Africa–serving industrial gas users in Mpumalanga, Gauteng, KwaZulu-Natal, and Free State provinces. At the same time, the International Group of Liquefied Natural Gas Importers (GIIGNL) indicated that global gas supply was rapidly increasing.

LNG trade is anticipated to grow at a rate of over 4% per annum over the next decade. This context presents an opportunity for a strategic shift in the gas segment to accommodate and capitalise on these market trends.

Opportunities identified

Transnet's gas segment provides several growth and development opportunities:

- **Engagement with the industry on the renewal of LNG imports:** This includes the development of infrastructure for LNG terminals, LNG road-rail loading, and gas transmission pipelines at key ports like Ngqura, Richards Bay, and Saldanha Bay.
- **Active participation in LNG terminal and pipeline projects:** Transnet Business Development and Transnet Pipelines are involved in these projects at the ports of Richards Bay and Ngqura, facilitating both physical and virtual pipelines.
- **Development of a green port in the Northern Cape:** This supports the production and export of green hydrogen and its by-products, such as Green Ammonia and Green Methanol, aligning with the global transition towards cleaner energy sources.

Priorities for 2023/24FY

- Completion of pre-feasibility study for the RB-NGN LNG terminal and gas connection from terminal to Lily pipeline and Eskom's 3000MW site at the RB-IDZ.
- Review of Gas Strategy to ensure optimal asset utilisation and cost optimisation.
- Ensure Pipelines' is capacitated with resources with competencies in the gas sector.
- Thorough and in-depth market analysis to ensure Transnet is fully abreast of gas market volatilities and able to respond appropriately.

Anticipated outcomes

- Establishment of a gas department in the Pipelines OD, in anticipation of Pipelines' involvement in delivering gas initiatives.
- A new gas-oriented business within Pipelines will ensure diversified income streams for Transnet.

Key segmental risks directing Transnet's strategic responses

- Natural Gas Networks: Gas Demand is dispersed all around South Africa while the gas supply infrastructure is limited to certain parts of the country (certain parts of MP, GP, KZN and FS). The gas pipeline infrastructure development will therefore take long to implement and be expensive.

Transnet's strategic responses

- Develop a domestic LNG terminal Infrastructure at the three key ports (port of Ngqura, Richards Bay and Saldanha Bay) as a critical contribution to South Africa's economic development.
- Create a virtual pipeline infrastructure to enable the supply of gas to areas far from the pipeline, which will help accelerate gas market development in South Africa.

OVERVIEW

Transnet is actively embracing its Reinvention Strategy, injecting a fresh wave of transformation and innovation to boost sustainability and stimulate business growth. The strategy prioritises key segments and harnesses the power of private sector partnerships as significant drivers of this corporate turnaround.

Through the strategy, we envision a competitive freight system that serves as the engine of competitive supply chains. We acknowledge, however, the constraints our balance sheet currently faces, as operational and financial performances persist below our desired benchmarks. These circumstances call for a thoughtful approach in identifying and prioritising capital investments, balancing trade-offs, and exploring alternative funding sources–including strategic partnerships.

As a result, our Capital Investment Plan has been streamlined, placing a greater emphasis on affordable and sustainable levels with a stronger focus on core maintenance initiatives. Our objective is to entice suitable private sector and industry partners to spearhead key expansion projects and programmes within our priority commodity segments across the value chain–from rail and ports to pipelines.

At Transnet, our own investment is poised to not only supplement private sector investment, but also to elevate the total investment in the freight system to unprecedented heights.

DELIVERING ON THE MANDATE

In fulfilling its mandate to lower the cost of doing business, secure supply chains, and catalyse economic growth, Transnet has crafted a strategy of reinvention, focusing on a shift from optimising transport modes to enhancing industry supply chains. This radical reimagining of our approach is what primarily shapes our planning cycle for the 2023/24FY. Our strategic lens now concentrates on the critical commodity segments and supply chains that we support, rather than the modes of transport we employ.

As part of this approach, we are working to maximise rail utilisation by accelerating the shift from road to rail, further entrenching rail's role in national transportation. This strategic move not only enhances the efficiency of our operations but also encourages more sustainable transport solutions.

At the heart of our strategy is a commitment to integrating South Africa with the broader region and the global economy. This involves streamlining our services, upgrading our capabilities, and enhancing our international connections to facilitate smoother and more efficient cross-border trade.

We are determined to maximise our socio-economic impact by creating opportunities for Black-owned businesses in our market delivery operations. This strategy embodies our commitment to fostering diversity, promoting inclusivity, and contributing to broader social development.

Our capital investment planning strategy is built around two primary pillars: 'fixing the core' and 'partnerships for growth'. In 'fixing the core', we aim to revitalise our operations by focusing on our five key strategic areas: customer service, people, asset utilisation, safety, and cost optimisation. This initiative targets priority segments and networks to address concerns over supply security and restore the original capacity of existing infrastructure and channels.

'Partnerships for growth' is our pledge to forge strategic alliances that align with our objectives. We recognise the pivotal role Transnet plays in the formation of gross fixed capital, underpinned by strategic partnerships with the private sector.

Key requirements have been identified for long-term growth, including a modal shift from road to rail, a low-carbon energy-efficient freight system, the creation of an international hub port, increased maritime connectivity, and a high-performing core transport network. We also aim to establish a robust infrastructure funding model to ensure capacity precedes demand, develop targeted skills strategies, coordinate investment across an international network, and link supplier development plans to long-term infrastructure investment plans.

With this bold strategy, Transnet is poised to redefine the dynamics of freight and logistics in South Africa, delivering extraordinary value to our customers, stakeholders, and the broader society.

CAPITAL OVERVIEW

OPERATING DIVISIONS

With an eye towards revitalisation, Transnet plans to invest a significant R122,7 billion in capital expenditures over the next five years. A substantial majority of this investment, R99,3 billion (or 80,9%), will be dedicated to sustaining capital.

In preparing for this five-year planning cycle, key budget principles have been employed. Among these is the need to realise segment strategies and to incorporate private sector partnership opportunities. This approach aims to alleviate the funding requirement. Although there is a divergence between the primarily sustaining capital-focused Capital Investment Plan (which emphasises maintenance and reinvestment), and the segment strategies (which primarily seek expansion and transformation), both are integral and are addressed in the budget.

While the R122,7 billion capital investment will primarily be funded from Transnet's balance sheet, the Company is persistently seeking potential private sector partnership opportunities and exploring alternative funding options. This is necessitated by the current constraints on Transnet's balance sheet. It is expected that at least R84 billion will be raised for the implementation of key expansionary projects. Off-balance sheet projects include:

- Ngqura Manganese Export Terminal;
- LNG terminal in Richards Bay;
- Project Ukuvuselela;
- Boegoebaai port;
- Bulk Chrome Terminal; and
- Leasing company for rolling stock.

Transnet is reinventing its operational approach, marking a shift in strategy that embraces private sector collaboration while effectively leveraging its own assets for sustained growth and transformation.

The envisaged investment per OD over the next five years is tabled below:

R million	Budget 2023/24	Projections				Total five years
		2024/25	2025/26	2026/27	2027/28	
Freight Rail	12 334	16 468	20 223	19 250	16 633	84 908
Transnet Engineering	148	–	–	–	–	148
National Ports Authority	2 475	2 518	2 599	2 942	2 855	13 389
Port Terminals	2 412	2 109	3 109	3 345	2 673	13 648
Pipelines	830	2 055	2 630	1 853	390	7 758
Property	569	519	269	270	–	1 627
Corporate Centre	429	372	194	119	116	1 230
Total	**19 197**	**24 041**	**29 024**	**27 779**	**22 667**	**122 708**

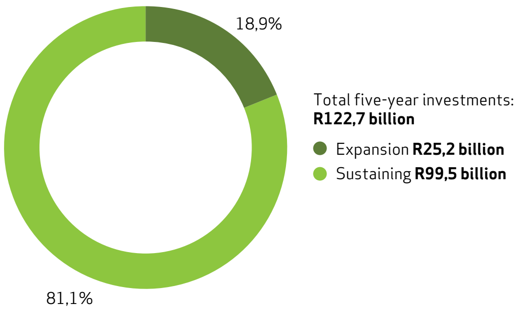
Transnet has devised a comprehensive five-year investment strategy that balances business growth with responsible stewardship of its existing operations. This is part of a reimagined approach to nurturing the Company's sustained prosperity and relevance in an ever-evolving global marketplace.

A total of R23,2 billion, representing 18,9% of our five-year investment plan, is earmarked for expansion capital.

This allocation is illustrated in the diagram below, highlighting our commitment to business growth and revenue diversification. In this plan, the pursuit of new volumes or revenue justifies R22,3 billion of the investment, while R0,9 billion is allocated towards diversifying revenue streams.

Transnet's commitment to preserving existing operations is underscored by the allocation of R99,5 billion (or 81,1%) of the total five-year investment, towards sustaining existing volumes.

Five-year expansion versus sustaining capital investment (%)



This sustaining capital does more than just maintain our assets; it is also assigned for asset replacement to preserve volumes. Our commitment to comprehensive maintenance is discussed in the maintenance section of this report. Transnet remains steadfast in its approach to a reinvented Company, balancing business growth with our commitment to excellence in the management of our existing operations.

Asset type (sustaining)

Transnet manages its assets using an enterprise asset lifecycle methodology, ensuring systematic depreciation over their useful lives. In 2015, a benchmark study was undertaken to evaluate and ultimately extend the useful life of our core operational assets. As a result, the current annual depreciation levels on these core assets, whether at the asset or component level, are now commensurate with our level of reinvestment in sustaining capital.

A significant portion of our investment in sustaining capital is a response to a considerable backlog in infrastructure and rolling stock, as well as planned mid-life and cyclical maintenance. As demonstrated in the table, a substantial share of the R99,5 billion, specifically R56,7 billion (or 57%), will be devoted to permanent ways, locomotives, and wagons.

Through this strategy, Transnet continues to revamp its approach to asset management, ensuring a balance between maintaining existing infrastructure and preparing for future expansion and growth.

R million	Rail	Ports	Other	Total
Permanent ways	23 291	–	69	23 360
Locomotives	14 707	–	–	14 707
Wagons	18 685	–	–	18 685
Port facilities	–	15 978	–	15 978
Floating craft	–	2 708	–	2 708
Land, buildings and structures	1 033	1 927	2 142	5 102
Pipeline networks	–	–	3 780	3 780
Intangible assets and other	–	–	669	669
Machinery and equipment	9 420	2 161	2 938	14 519
Total	**67 136**	**22 774**	**9 598**	**99 508**

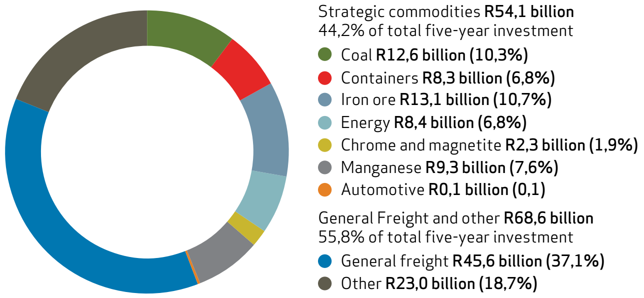
Key strategic commodities

Transnet is revitalising its strategy by allocating R54,1 billion (44,2%) of its five-year capital investment totalling R122,7 billion to projects supporting its strategic commodity segments. The distribution of these funds reflects our commitment to diversifying and strengthening these key sectors. These include coal, which will receive 10,3%, iron ore at 10,7%, containers and energy both at 6,8%, manganese with 7,6%, chrome and magnetite at 1,9%, and automotive with 0,1%.

The remaining R68,6 billion (55,8%) of our investment is dedicated to projects that bolster general freight and other non-strategic segment commodities. By strategically reinvesting in these critical sectors, Transnet is reaffirming its commitment to driving growth, innovation, and sustainability throughout all its operations.

Five-year capital investment by commodity segment (%)

Total five-year investments: **R122,7 billion**



General freight business

General freight business forms a substantial part of our rejuvenation strategy, accounting for R45,6 billion (37,1%) of our total five-year capital investment. This Division is geared towards renewing our infrastructure and expanding our capacity with R7,6 billion allocated for locomotives and wagons, and R29,3 billion for capitalised operating expenditures on rail infrastructure, locomotives, and wagons. The remaining R8,7 billion will be predominantly invested in signalling and telecommunication equipment, as well as additional sustaining capital on permanent ways and locomotives.

We apply the term 'capitalised operating expenditure' to reference maintenance costs that Transnet can and is permitted to capitalise and amortise over time, particularly when the maintenance activity offers a substantial and long-term benefit. Adhering to the International Financial Reporting Standards (IFRS) adopted by Transnet, our policy allows asset refurbishment with a lasting benefit of three to 95 years to be capitalised. Given the size of the investment, ensuring capitalised operating expenditure is appropriately allocated is crucial, leading us to draft and approve a maintenance policy through Transnet's Governance Committees. The key principles of this policy are further discussed in the maintenance strategy section.

The general freight business environment opens a multitude of avenues for Transnet to address the Government's objectives. These objectives include preserving road infrastructure through a road to rail migration, stimulating economic activity through growth in the commodities sector by creating the necessary logistics capacity, and fostering job creation through localisation.

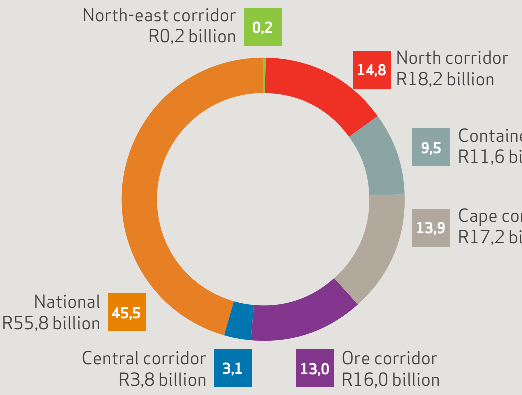
The following table reflects the five-year capital investment for the general freight business:

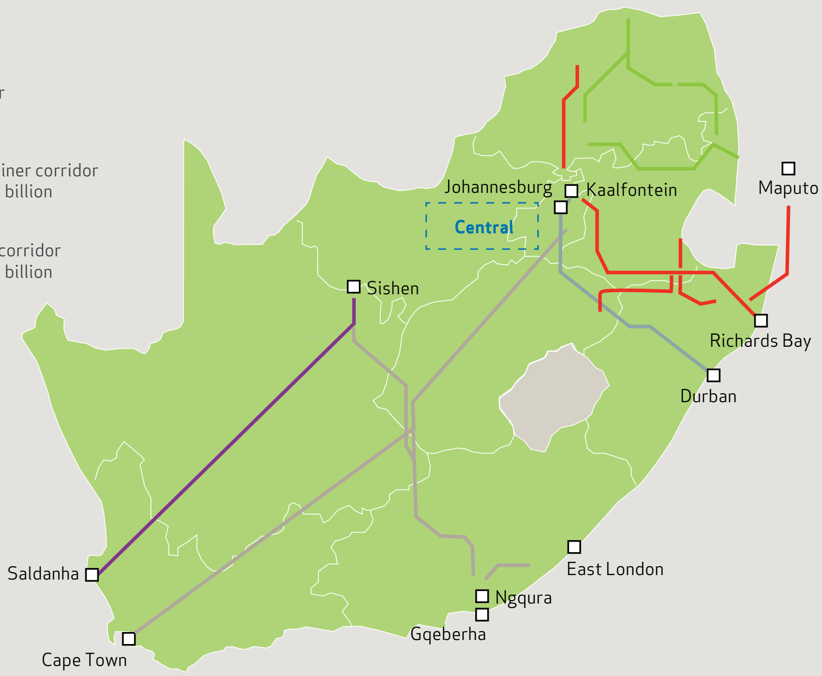
R million	Budget 2023/24	Projections 2024/25	2025/26	2026/27	2027/28	Total five years
Acquisition of 1 064 new locomotives	1 261	1 523	2 041	434	–	5 259
– Expansion	1 261	1 523	2 041	434	–	5 259
– Sustaining	–	–	–	–	–	–
Wagon new builds and renewals	650	1 159	169	187	189	2 354
– Expansion	426	1 000	–	–	–	1 426
– Sustaining	224	159	169	187	189	928
Capitalised operating expenditure	5 416	5 227	5 899	6 238	6 504	29 284
Capitalised operating expenditure – Infrastructure	1 371	1 600	2 303	2 442	2 588	10 304
Capitalised operating expenditure – Locomotives	2 597	2 092	1 969	2 071	2 088	10 817
Capitalised operating expenditure – Wagons	1448	1 535	1 627	1 725	1 828	8 163
Other	319	1 507	2 097	2 505	2 244	8 672
– Expansion	9	77	–	–	–	86
– Sustaining	310	1 430	2 097	2 505	2 244	8 586
Total	**7 646**	**9 416**	**10 206**	**9 364**	**8 937**	**45 569**

Five-year capital investment by corridor

Transnet is stepping into a new phase of rejuvenation, with a significant portion of our planned R122,7 billion investment over the next five years (R66,9 billion or 54,5%) being allocated towards the six major corridors of our operations, as demonstrated in the subsequent diagram. The remaining portion (R55,8 billion or 45,5%) will be designated for country-wide, national investments.

Total five-year investment: **R122,7 billion**





The North Corridor:
This corridor is set to receive R18,2 billion (14,8% of the five-year capital investment). The main focus will be on projects supporting coal (67%), chrome and magnetite (13%), and energy (1,1%).

The Ore Corridor:
This corridor will be facilitated by R16,0 billion (13,0% of the five-year capital investment), with primary attention placed on projects supporting iron ore (81%) and manganese (6%).

The Container Corridor:
This corridor is earmarked for R11,6 billion (9,5% of the five-year capital investment), focusing predominantly on projects supporting containers (44%), energy (31%), and automotive (1%).

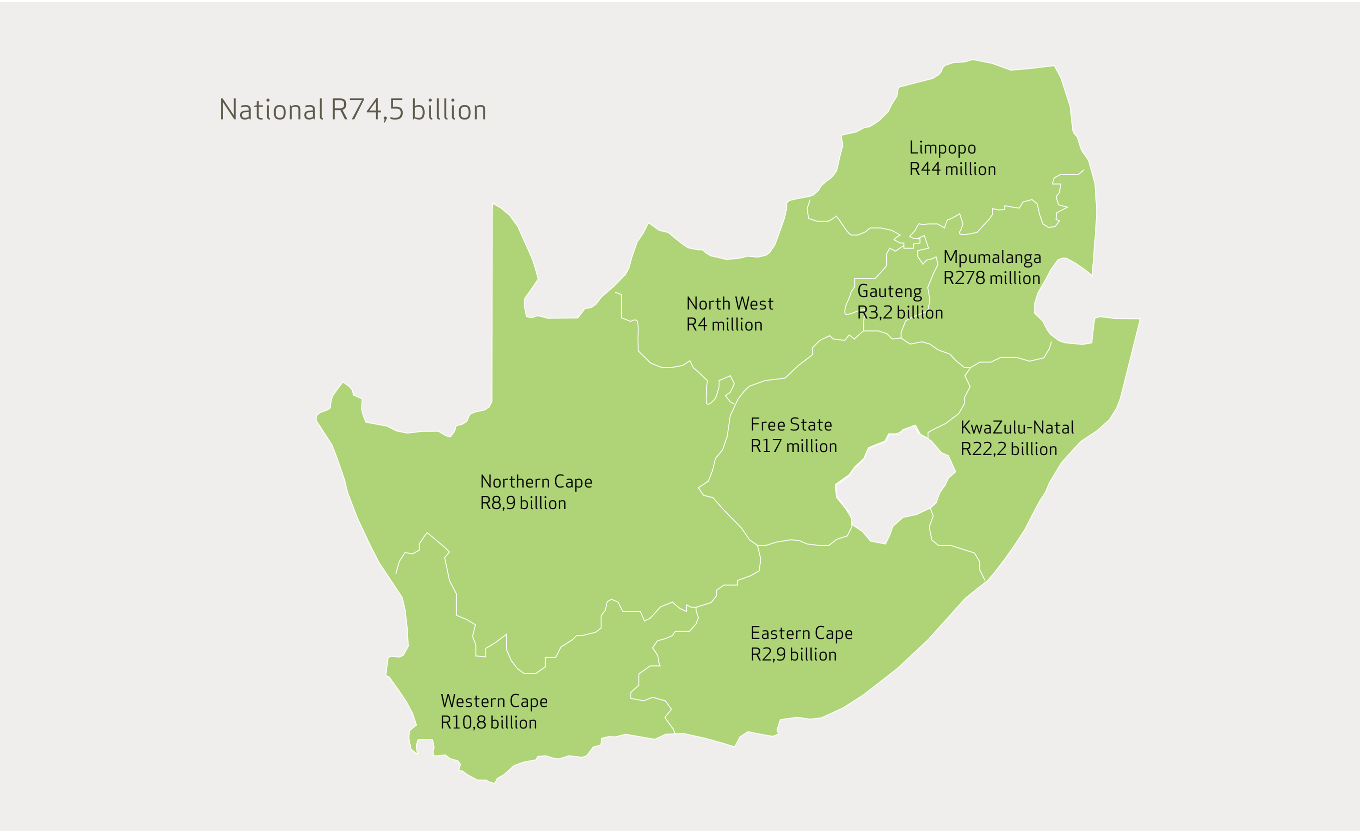
The Cape Corridor:
This corridor will benefit from R17,1 billion (13,9% of the five-year capital investment), concentrating mainly on projects that support manganese (49%), containers (19,2%), and energy (0,6%). A minimal portion of the Cape Corridor investment, only 0,1%, pertains to automotive.

Five-year capital investment per province

Transnet supports regional and municipal development through deliberate, focused formal engagements and the alignment of development plans. The following table reflects the five-year capital investment per province:

Province	R million	%
National	74 459	60,7
KwaZulu-Natal	22 167	18,1
Western Cape	10 764	8,8
Eastern Cape	2 862	2,3
Gauteng	3 227	2,6
Mpumalanga	278	0,2
Northern Cape	8 886	7,2
Limpopo	44	0,1
Free State	17	0,0
North West	4	0,0
Total	**122 708**	**100,0**

This capital investment per province is further illustrated in the following diagram:



Five-year capital investment by OD by key segment

Strategic commodity R million	Programme	Freight Rail	National Ports Authority	Port Terminals	Pipelines	Other	Total five years
Automotive			–	102	–	–	**102**
	East London – Car terminal fire protection (sustaining)	–	–	23	–	–	**23**
	CCTV for Durban Car Terminal (sustaining)	–	–	21	–	–	**21**
	Durban Car Terminal (expansion)	–	–	20	–	–	**20**
	Durban Car Terminal minor works (sustaining)	–	–	9	–	–	**9**
	Other (expansion)	–	–	1	–	–	**1**
	Other (sustaining)	–	–	28	–	–	**28**
Chrome and magnetite		93	–	2 254	–	–	**2 347**
	Richards Bay third tippler (sustaining)	–	–	560	–	–	**560**
	Richards Bay upgrading of fire systems Phase 3 (sustaining)	–	–	335	–	–	**335**
	Richards Bay stacker replacement (sustaining)	–	–	247	–	–	**247**
	Richards Bay general purpose loader 801 (sustaining)	–	–	225	–	–	**225**
	Richards Bay replacement of ship loader (sustaining)	–	–	225	–	–	**225**
	Richards Bay P-Gallery structural and mechanical (expansion)	–	–	120	–	–	**120**
	Pienaarspoort station bypass line: FEL 4/ bankable (expansion)	60	–	–	–	–	**60**
	Other (expansion)	3	–	141	–	–	**144**
	Other (sustaining)	30	–	401	–	–	**431**
Containers		32	2 357	5 945	–	–	**8 334**
	Development of Durban Container Terminal (expansion)	–	168	–	–	–	**168**
	Durban Container Terminal berth deepening (expansion)	–	1 713	–	–	–	**1 713**
	Cape Town container expansion phase 2B (expansion)	–	312	131	–	–	**443**
	Replace 27 rubber-tyred gantries (sustaining)	–	–	867	–	–	**867**
	East London (sustaining)	–	–	84	–	–	**84**
	Port Elizabeth (sustaining)	–	164	631	–	–	**795**
	Ngqura other (sustaining)	–	–	121	–	–	**121**
	Other (expansion)	–	–	2 231	–	–	**2 231**
	Other (sustaining)	32	–	1 880	–	–	**1 912**
Coal		12 475	40	98	–	–	**12 613**
	Copex – Infrastructure	4 427	–	–	–	–	**4 427**
	Copex – Wagons	3 706	–	–	–	–	**3 706**
	Copex – Locomotives	1 020	–	–	–	–	**1 020**
	Wagon fleet renewal and optimisation	846	–	–	–	–	**846**
	Export coal line (81mtpa) (expansion)	1 371	–	–	–	–	**1 371**
	Export coal line (81mtpa) (sustaining)	–	–	–	–	–	**–**
	Waterberg (expansion)	300	–	–	–	–	**300**
	Other (expansion)	183	–	–	–	–	**183**
	Other (sustaining)	622	40	98	–	–	**760**

Strategic commodity R million	Programme	Freight Rail	National Ports Authority	Port Terminals	Pipelines	Other	Total five years
Iron ore		11 112	89	1 888	–	–	**13 089**
	Copex – Infrastructure	3 125	–	–	–	–	**3 125**
	Copex – Wagons	5 043	–	–	–	–	**5 043**
	Copex – Locomotives	889	–	–	–	–	**889**
	Saldanha third tippler (sustaining)	47	76	796	–	–	**919**
	Demand-driven – Wagons	–	–	–	–	–	**–**
	Trans-Africa Locomotives (sustaining)	714	–	–	–	–	**714**
	Other (expansion)	765	–	–	–	–	**765**
	Other (sustaining)	529	13	1 092	–	–	**1 634**
Manganese		8 657	33	608	–	–	**9 298**
	Manganese 12mt (expansion)	5 644	7	25	–	–	**5 676**
	Manganese 12mt (sustaining)	226	–	–	–	–	**226**
	Demand-driven manganese wagons (expansion)	–	–	–	–	–	**2 676**
	Other (expansion)	–	–	135	–	–	**135**
	Other (sustaining)	111	26	448	–	–	**585**
Energy		–	775	–	7 610	–	**8 385**
	Fire upgrade (sustaining)	–	–	–	441	–	**441**
	Transnet Fuel Import Terminal (expansion)	–	–	–	631	–	**631**
	MPP Phase 1 (expansion)	–	–	–	523	–	**523**
	MPP Phase 1 (sustaining)	–	–	–	2 369	–	**2 369**
	MPP PL5 and PL6 (sustaining)	–	–	–	781	–	**781**
	Security upgrade (sustaining)	–	–	–	827	–	**827**
	Ngqura Tank Farm (expansion)	–	64	–	–	–	**64**
	Other (expansion)	–	160	–	–	–	**160**
	Other (sustaining)	–	551	–	2 038	–	**2 589**
General freight business		45 571	–	–	–	–	**45 571**
	Copex – Infrastructure	10 304	–	–	–	–	**10 304**
	Copex – Wagons	8 162	–	–	–	–	**8 162**
	Copex – Locomotives	10 818	–	–	–	–	**10 818**
	1 064 (expansion)	5 259	–	–	–	–	**5 259**
	1 064 (sustaining)	–	–	–	–	–	**–**
	New wagon builds and renewals (expansion)	–	–	–	–	–	**1 427**
	New wagon builds and renewals (sustaining)	–	–	–	–	–	**928**
	Other (expansion)	86	–	–	–	–	**86**
	Other (sustaining)	8 587	–	–	–	–	**8 587**
Other commodities		6 968	10 095	2 753	148	3 005	**22 969**
	Operation Phakisa (expansion)	–	–	–	–	–	**–**
	Operation Phakisa (sustaining)	–	1 413	–	–	–	**1 413**
	Boegoebaai (expansion)	–	–	–	–	–	**–**
	South African Navy satellite station (sustaining)	–	–	–	–	–	
	Additional berthing capacity for Multi-purpose Terminal – berths 709 to 711 (expansion)	–	–	–	–	–	
	Two replacement tugs (sustaining)	–	884	–	–	–	**884**
	Ngqura other (expansion)	–	–	–	–	–	**–**
	Ngqura other (sustaining)	–	82	–	–	–	**82**
	East London (sustaining)	–	776	51	–	–	**827**
	Port Elizabeth (expansion)	–	7	–	–	–	**7**
	Port Elizabeth (sustaining)	–	188	–	–	–	**188**
	Other (expansion)	–	310	162	–	11	**483**
	Other (sustaining)	6 968	6 435	2 540	148	2 994	**19 085**
Total		**84 908**	**13 389**	**13 648**	**7 758**	**3 005**	**122 708**

TRANSNET'S MAINTENANCE STRATEGIES

Overview of the Transnet Asset Maintenance Policy and Guidelines

Transnet's ongoing investment in assets and infrastructure aims to bolster the economy and provide top-tier logistical services, supporting the country's growth. Transnet does, however, recognise that historic investments have not always delivered the expected benefits. To optimise asset returns and facilitate continued improvement, we understand the need for meticulous planning around asset lifecycles and robust asset management principles.

Our asset care approach ensures assets are ready for operational and maintenance activities, ensuring that OEM specifications and standards are upheld. Our comprehensive strategy promotes safe and efficient asset operation, fostering an asset care mindset among all employees.

Our asset maintenance policy aligns with Transnet's mission, mandate, and values, aiming to synchronise asset management, utilisation, and maintenance strategies.

Key principles include:

- Long-term asset requirement planning.
- Asset management plan formulation.
- Rolling asset refurbishment and maintenance plan development.
- Asset lifecycle management principle adoption during asset acquisition.
- Securing long-term agreements with OEMs.

Transnet prioritises local component use in new asset procurement and follows a preventative maintenance strategy to maintain OEM-designed targets while minimising outages and failures. We emphasise effective asset maintenance planning and execution, including predictive maintenance and reliability-centred maintenance strategies. The aim is to drive a transformative maintenance strategy over the next two years, with ODs given the responsibility to implement this policy and tailor it to their operations.

Freight Rail maintenance strategy

The majority of the maintenance capital will be invested into revitalising our Freight Rail. In response to market pressures, Freight Rail is reorientating its delivery of planned rolling stock to meet capacity requirements more accurately. By prioritising the allocation of our available maintenance budget against the most profitable flows, we ensure that our most important assets – the export coal and iron ore businesses – are fully supported. This approach necessitates a careful balancing act to avoid the negative impacts of shortfalls in general freight corridors.

Rolling stock maintenance strategy

In our efforts to maximise efficiency, Transnet utilises a condition-based maintenance strategy for the coal and iron ore lines and plans to introduce a similar approach to general freight. This innovative shift from scheduled preventative maintenance to condition- and utilisation-based maintenance for wagons hinges on regular monitoring of wagon conditions. Any signs of excessive damage or wear to the wagon's body, wheels or other components triggers a maintenance intervention, thus maximising efficiency, and safety.

With our limited budget, we recognise that some profitable flows remain unfunded, and this could risk the parking of unsafe wagons. In response, we are exploring private ownership of wagons as a potential solution.

Transnet conducts scheduled maintenance on its locomotive fleet, with cycles based on work performed and ton kilometres. With new technology and locomotives, we can extend these maintenance intervals to up to 90 days. Our predictive, preventative, and condition-based approaches continue to evolve, and the establishment of condition monitoring equipment is currently underway.

Rolling stock initiatives

Return to service of long-standing locomotives

We currently have 315 locomotives out of service resulting from a variety of reasons, including a lack of material and parts supply from some OEMs. Our strategy for bringing these locomotives back into service involves confining work to respective OEMs where no legal issues exist. In cases where OEMs are currently suspended, we are seeking alternatives in the market.

Maintenance framework agreements

Negotiations are in progress with various OEMs to provide maintenance support in the form of MRSAs. These agreements cover aspects such as material and spare parts provision, technical support and training, special tools and test equipment, and guarantees on fleet technical reliability. The anticipated benefits of these agreements include improved fleet availability and reliability, shorter spare parts delivery times, technical skills transfer to Freight Rail, increased revenue, access to OEM intellectual property, and improved asset repair times.

Rail network maintenance strategy

The rail network unit is dedicated to delivering a cost-effective, reliable, and safe network with a sharp focus on performance efficiency to spur sustainable volume growth. Achieving this involves reducing failure rates and response times and minimising temporary speed restrictions across the network.

Our rail network investment profile is condition-based, focusing on essential infrastructure components. We adhere to a robust maintenance standard that ensures periodic inspections, component and system renewals, and preventative maintenance to preserve the asset lifecycle. This approach secures our commitment to providing an efficient, reliable, and safe rail network.

The following table reflects some of Freight Rail's key maintenance initiatives:

Maintenance initiatives	Description
• People optimisation, productivity and skills development	• A Freight Rail Engineering Development unit has been developed to create and enhance the capability of engineering employees in the Rail Network, Technology Management and Capital Programme departments and to further ensure proper development of engineering skills within Transnet • The programme will address engineers, technicians, artisans and sector-specific trainee needs for the business • The Engineering Development unit will create capacity and ensure optimal maintenance and availability of the rail network through competent employees, and create capacity and ensure optimal technology/system development and offer Freight Rail engineering personnel an opportunity to develop a career within the organisation as well as attract young engineering graduates who align themselves with the Transnet Culture Charter
• The approval of a long-term purchasing strategy for strategic materials and components was obtained (addressing shortage of spares and components for shutdowns and normal maintenance) • Infrastructure maintenance to improve the condition of the network • Freight Rail to prioritise funding for network maintenance • The provision of rail trains and wagons for delivery of maintenance material for the corridors • Maintenance tools, equipment and rail-bound transport vehicles (via cars)	• Freight Rail will finalise the procurement of materials and services for infrastructure maintenance: • Ballast and aggregate material – five years – Sleepers – five years – Fastening system – two years – Turnouts and turnout components – two years – Rails – 15 years – Earthmoving equipment – three years – On-track machines – seven years – Signalling material – three years – Overhead traction equipment components – three years – Substation (replacement and components) – three years – Train radios and telemeters – three years – Concrete and steel mast poles – three years – Rationalisation and rehabilitation of vandalised relay rooms using the hybrid signalling system • This procurement initiative will provide spares and components to complete shutdown maintenance and normal maintenance for all key infrastructure components mentioned above • Funding will be prioritised to adhere to network renewal cycles and maintenance of safety standards to improve network condition by increasing capacity and resources for network renewal • Freight Rail will provide funding for the maintenance of rail trains and wagons for the successful delivery of maintenance material to corridors • Freight Rail will pursue projects to provide maintenance tools, equipment and rail trains
• Accounting separation	• Freight Rail has commenced the process of separating financial accounts to ensure the transparency that is required to enable third-party access on the rail network and will continue engaging stakeholders • This will enable new funding models for maintenance of infrastructure in the future between customers and Freight Rail's network

Port Terminals maintenance strategy

Port Terminals currently owns, maintains, and operates a large fleet of cargo handling equipment distributed across its terminals. To ensure that it is able to continue offering a reliable and predictable cargo handling service to its customers, the equipment maintenance strategy employed is predictive and preventative in nature – focusing on maintaining a high level of equipment reliability. This is supported by an equipment fleet replacement and refurbishment plan which aligns to Port Terminals' multi-year capital budget. Given that the Division is also responsible for the maintenance of infrastructure inside its terminal boundaries, there is a particular focus on predictive and condition-based maintenance of terminal infrastructure in alignment with the Transnet Asset Maintenance Policy.

Port Terminals' maintenance strategy for the next five years includes:

- The creation of an overarching programme to improve maintenance of key equipment and enhance the utilisation of equipment. This maintenance programme involves a combination of bolstering Port Terminals' capacity to execute equipment projects coupled with a partnership with TE's maintenance capability to support Port Terminals in managing and undertaking key maintenance and refurbishment activities on essential port terminal equipment; and
- Enhancing Port Terminals' capacity for capital project development and execution by securing outsourced contracts for the provision of engineering and project management resources to supplement internal capacity to enable the timeous execution of capital projects with a focus on enabling the replacement of critical capital equipment e.g. tipplers and cranes required for efficient operations.

Port Terminals' engineering discipline continues to focus on:

- The continued use and further entrenchment of the SAP system to track and monitor plant maintenance and material management modules to support the maintenance strategy at each terminal;
- A review of manning levels to ensure that adequate resources are in place with the right skills. This includes:
  - Maintenance reporting for terminals and the implementation of the reliability terminal management structure linked to the asset lifecycle management focus at Corporate Centre;
- The conclusion of long-term contracts with OEMs and original parts manufacturers for the supply of selected major specialised equipment, stockholding of key parts and support in the maintenance and refurbishment of major equipment to support reliable terminal performance;
- The establishment of critical spares/component float levels to be held at Port Terminals' stores to support a cost-effective and reliable maintenance strategy;
- The introduction of 'smart' technology on key maintenance interventions; and
- The ongoing use and further entrenchment of quality assurance at all critical maintenance paths to improve conformance to maintenance standards.

In terms of key capital projects, key focus areas for Port Terminals will be:

- The implementation of semi-automation at the Cape Town Container Terminal and the DCT Pier 1 to improve productivity and efficiencies (semi-automation has the secondary benefit of reducing equipment damage and lower maintenance costs);
- The completion of the Saldanha Iron Ore Export Terminal Tippler 3 and Associated Infrastructure Project to replace Tippler 1 and enable mid-life refurbishment on Tippler 2;
- The completion of rebuilding damaged infrastructure in the PoRB to restore operations and improve efficiencies;
- The ongoing development of the 16mtpa Ngqura Manganese Export Terminal to enable the closure of the Port Elizabeth Manganese Export Terminal and the rehabilitation of the site; and
- The replacement and refurbishment of port equipment in line with Port Terminals' Fleet Plan.

The following table reflects some of Port Terminals' key maintenance initiatives:

Maintenance initiatives	Description
Condition monitoring	• Intensify condition monitoring activities (predictive maintenance) at all key ports
Service and spares contracts	• Effectively utilise the OEMs and original parts manufacturers frame-list contracts in the execution of planned maintenance activities and equipment reliability improvement initiatives
SAP optimisation	• SAP enhancements • Integration of the SAP Document Management module with the SAP Planned Maintenance and Materials Management modules in collaboration with Transnet Engineering
Semi-automation at key container terminals	• Improve productivity and efficiencies • Improve safety standards • Reduce equipment damage and maintenance costs
Equipment mid-life refurbishments	• Container handling equipment • Bulk handling equipment
Equipment replacements	• Regional container sector business cases, ship-to-shore and rubber-tyred gantry cranes, straddle carrier, port haulers and trailers • Long-term OEM collaboration for all container and break-bulk equipment

National Ports Authority maintenance strategy

To improve asset utilisation and operational efficiency through the delivery of safe, reliable, and fit-for-purpose infrastructure that is adequately maintained, the National Ports Authority Maintenance Strategy for the next five years focuses on:

- Adopting asset management and asset lifecycle costing principles;
- Complying with systems and standards such as the quality management system (ISO 9001), asset management standards (ISO 55000) and asset management systems (ISO 50001);
- Implementing technology-based remote monitoring systems which include the introduction of camera and drone technologies for asset inspections and maintenance;
- Improving terminal oversight and monitoring;
- Using capital funds to refurbish assets that have reached the end of their lifespan;
- Moving from a focus on maintenance management to maintenance execution;
- Procuring multi-year contracts for plant, equipment, materials, and specialist service providers; and
- Providing multi-year contracts for labour to supplement a labour shortfall in cases where larger maintenance projects are undertaken.

The proposed maintenance strategy is meant to revive undermaintained and dysfunctional port infrastructure to an acceptable operating condition and to ensure good housekeeping in ports. This will contribute towards having:

- A well-functioning port infrastructure system;
- An improved asset condition rating and the extension of the remaining useful life of assets;
- Better asset utilisation; and
- Improved customer service delivery and satisfaction.

The National Ports Authority has a substantial fleet of marine and aviation craft. The fleet comprises harbour tugs, workboats, launches, pilot boats, floating cranes, helicopters and dredging craft. Many of these craft are late in their design life and in need of upgrades, refits and, in some cases, replacement. All these vessels or floating craft are constructed and equipped with all requirements of the construction regulations in accordance with the Merchant Shipping Act, No 57 of 1951.

The following table reflects some of the National Ports Authority's key maintenance initiatives:

Maintenance initiatives	Description
SAP Plant Maintenance training	• Train Marine Technical Officers/Managers/Chief Marine Engineering Officer/Tugmasters on SAP Plant Maintenance • SAP enhancements • Integration of the SAP Document Management module with the SAP Planned Maintenance and Materials Management modules
Fleet maintenance contract/s	• Multiple OEMs to ensure spares availability and perform critical services on major equipment on board marine craft to improve reliability/availability
Mid-life on workboats	• Use capital funds to extend the lifespan of assets that have reached or are near the end of their lifespan
Dry-docking of tugs	• All ports to utilise the East London dry-docking facilities to improve utilisation of their dry-docking facility and reduce or eliminate dry-dock waiting periods
Fuel monitoring system	• Installation of technology on board marine craft to monitor real-time fuel consumption and give early warning signals on irregular operations/conditions
Craft condition assessment	• Optimise and maintain physical condition of assets which will assist in budgeting and decision-making
Marine compliance inspection	• Compliance inspections will provide safe ship working practices and ensure comfortable working environments

Pipelines maintenance strategy

Pipelines employs world-class maintenance standards to ensure high asset availability, reliability and a reduction in maintenance costs, supported by an SAP-based preventative-, predictive- and condition-based maintenance strategy. Short-, medium- and long-term maintenance plans are developed and loaded on the SAP Planned Maintenance module per individual equipment group/type. The plan is informed by statutory, regulatory, OEM and applicable code/standard requirements. In addition, best practices and Pipelines' historical requirements are included. Approved maintenance budgets and organisational structures are in place to support the maintenance plan.

An infrastructure asset lifecycle management strategy is in place to ensure the availability of reliable and excellent condition infrastructure and equipment assets to support pipeline capacity, approved strategies, and capacity ahead of demand. Capital budgets are in place in Pipelines' ten-year Capital Investment Plan to support the Asset Lifecycle Maintenance strategy.

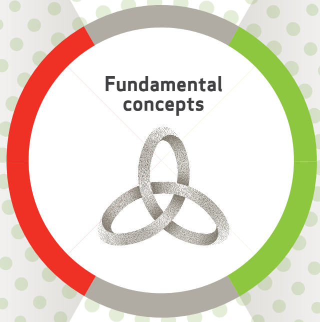
The following table reflects some of Pipelines' key maintenance initiatives:

Maintenance initiatives	Description
Infrastructure lifecycle management	• Reduce failure and downtime rate on the inland pipeline network by replacing the obsolete system with the new process control system in line with international standards • Replace end of lifecycle hardware equipment with updated equipment to ensure continued operations and operational efficiency – Crude Pipeline Variable Speed Drive and MPP24" obsolete PCS 7 version 8 to PCS 7 version 9 control system upgrade
Optimise pipeline availability	• MPP24" upgrade of cathodic protection system
Conduct timely preventative and statutory maintenance	• Refractionator statutory maintenance
Improve maintenance efficiency	• Implement quality assurance on all assets to ensure consistency and conformance to maintenance standards • Review SAP maintenance configuration and maintenance standards to ensure alignment with the current and future maintenance strategy • Introduce predictive maintenance technologies to improve maintenance efficiency and productivity

Investment governance and assurance

Transnet's investment Governance is an organisational framework that enables effective and transparent capital investment decision-making. This ensures that the projects and programmes are aligned to deliver on Transnet's strategic objectives and are progressed through their respective lifecycles. Investment decisions for projects and programmes are based on risk, quality, viability, sustainability and portfolio fit to create maximum strategic value. Transnet's Investment Committees, underpinned by the Delegation of Authority Framework and Terms of Reference, are used to enable and support effective decision-making.

Investment Committee benefits



Effective challenge
Robust 'principle-based' questions that aid decision-making

Increased comfort
Ensures specific project/programme risks will not escalate and grow into enterprise risks affecting the entire organisation

Increased effectiveness
Assists and supports the Board in executing its governance responsibilities more effectively

Improved clarity
Ensures clearly defined roles, responsibilities, accountabilities, information flows and guidelines to implement projects and programmes

Greater visibility
Defines clear lines of sight into management's decision-making, risk management, processes as well as progress against what has been approved

Improved coordination
Addresses the complexity inherent in the governance of multiple programmes and projects across the organisation which require co-ordinated action

In addition to the Group Investment Committee and the OD Investment Committees, Transnet has further strengthened its capital governance environment through the establishment of the Capital Assurance Forum that reports to the Group Combined Assurance Forum. The Capital Assurance Forum was established to ensure the implementation of a clearly articulated Combined Capital Assurance Work Plan informed by capital risk analysis. This plan streamlines and optimises the collective assurance efforts across three lines of assurance within the capital sphere of Transnet. The Capital Assurance Forum has representation from both Group Capital and ODs' assurance functions as well as execution role players at OD level.

A comprehensive Capital Governance and Assurance Policy was developed and approved in 2021 to provide the overarching principles that all self-funded or debt-funded capital investments should comply with. This resulted in several older related policies being retired towards the end of 2022.

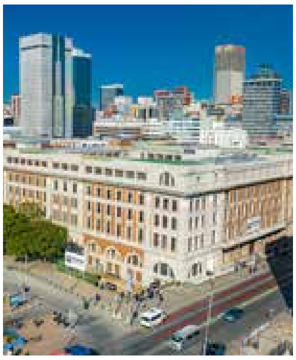
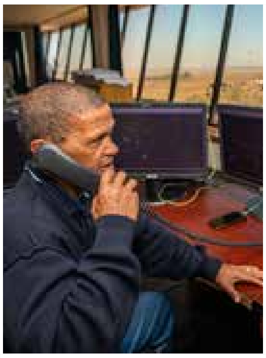
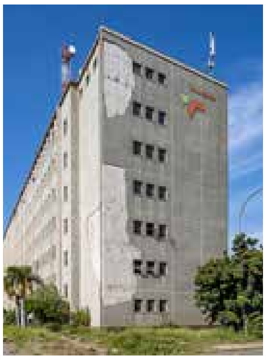
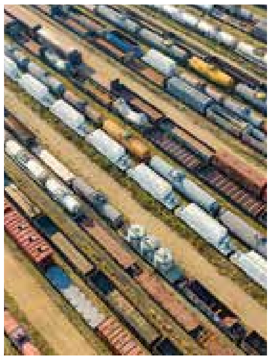
The policy has established a capital value chain for Transnet. The value chain is a segmented approach to ensure that capital investment proposals and decisions are aligned to the Company's mandate and strategy. It involves a series of activities that ensure that capital outputs create value for Transnet's customers and other key stakeholders. As depicted in the following diagram, it consists of the following five elements:

- Strategy and portfolio alignment
- Capital development
- Business case evaluation and assurance
- Capital execution
- Benefits realisation

Capital Governance and assurance landscape

Capital Governance and Assurance Policy

Capital Governance and Assurance Framework

01	02	03	04	05
STRATEGY AND PORTFOLIO ALIGNMENT	CAPITAL DEVELOPMENT	BUSINESS CASE EVALUATION AND ASSURANCE	CAPITAL EXECUTION	BENEFITS REALISATION
• Portfolio planning • Portfolio scoring and ranking • Portfolio balancing • Corporate Plan update • Portfolio management • Portfolio and strategy evaluation	• Project classification • Sponsor appointment • Solution development (including concept and pre-feasibility study) • Gate review	• Business case compilation • Business case assurance review • Business case support and approval • Issue capital approval number	• Feasibility studies • Bankable feasibility studies • Gate reviews • Asset construction (execution) • Commissioning and handover (close-out)	• Feasibility studies • Bankable feasibility studies • Gate reviews • Asset construction (execution) • Commissioning and handover (close-out)

Elements of the capital value chain

Several standard operating procedures have been developed to enable clear and effective capital investment processes throughout the lifecycle. The Group Capital Risk, Governance and Systems function is the custodian of the Capital Governance universe and policy.

In accordance with the policy, framework and manuals, a Group Capital Assurance and Technical Assurance function has been established and provides assurance on key projects and programmes that require approval at Group and/or Board level in terms of the Delegation of Authority Framework. The assurance functions include:

- Gate reviews as a means of reviewing compliance with the approved programme/project methodology, alignment with set objectives, viability of the proposed investment and making recommendations on proceeding to the next phase. Gate reviews occur at the end of a programme/project phase and assess overall completeness, quality and governance of the submission for capital investment decision-making;
- Business case validations that serve to give assurance to relevant Transnet approval committees that the investment business case developed is comprehensive and aligned to the Company strategy.

The business case validation process is an independent assessment of the capital investment/business case which looks at:

- Strategic alignment;
- Commercial viability;
- Financial viability and intended benefits;
- Risk management and the project management plan;
- Execution and operational readiness; and
- Procurement planning and other relevant facets that pertain to the business case document.

- Interim reviews that assess actual performance (overall health) of a project/programme and the project's continued relevance and viability in relation to business case baseline objectives. Interim reviews also assist in controlling and escalating unacceptable deviations to decision-makers;
- Post-implementation/benefit realisation reviews that are conducted on a project/programme to evaluate whether objectives were met, to determine how effectively the project/programme was run, whether intended benefits were achieved and to capture learning points for future improvements;
- Asset care that is activity conducted on existing infrastructure to provide the business with an independent assessment on the state of its infrastructure assets;
- Shutdown assurance that is an activity that allows for an independent view on business performance during shutdown activities, which evaluates the effectiveness of the shutdown activities from a cost, schedule, and quality point of view. It provides feedback to business units on their effectiveness during shutdown activities;
- Technical oversight that provides the business with an independent technical assessment on capital expenditure, capitalised operating expenditure and engineering activities related to maintenance; and
- Technical assurance that provides the business with an independent technical assessment on projects at any given stage from development through to execution.

ABRIDGED GOVERNANCE

INTRODUCTION

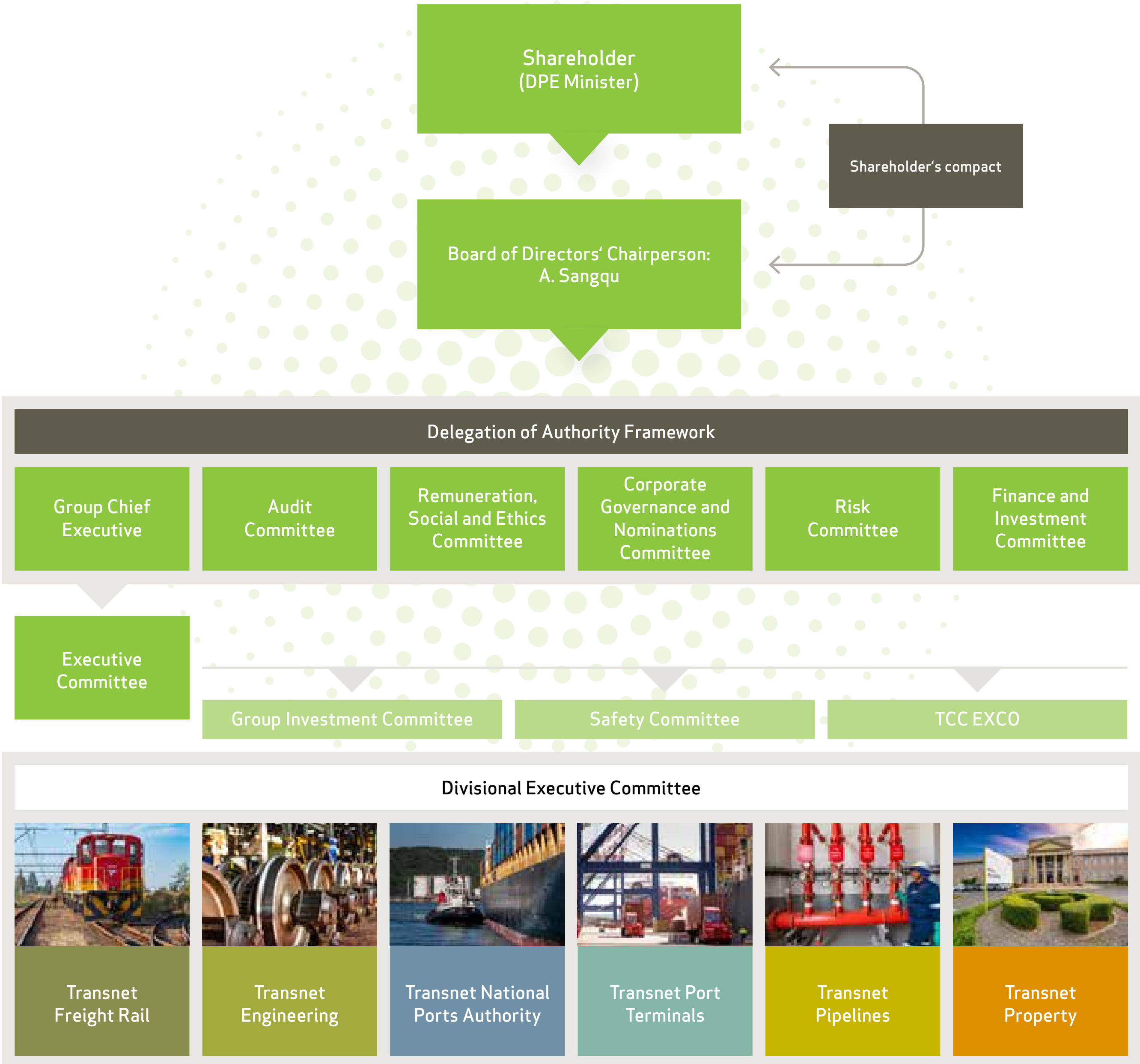
KING IV. P1,3 and 12

The Board of Directors ("The Board") of Transnet SOC Ltd ("The Company") as the Accounting Authority, reports to the Minister of Public Enterprises, who also serves as the Executive Authority and Shareholder Representative of the Company. The government as the Shareholder is represented in accordance with the provisions of the Public Finance Management Act, No. 1 of 1999, as amended ("PFMA"), and the Companies Act, No. 71 of 2008, as amended, ("The Companies Act").

The Board plays an oversight role over the execution of the Company's strategy and monitors delivery of operational, commercial, and statutory objectives. In executing the above, the Board ensures the Company's long-term financial, socio-economic, and environmental sustainability while balancing the interests of stakeholders.

The Company annually enters into a Shareholder's Compact with the Shareholder Representative, where it records key performance measures and indicators. The Board oversees and monitors the performance of the Company against the agreed targets and ensures that adequate processes are in place for budget planning and allocation to advance the mandate of the Company. The Board approves the Annual Corporate Plan which ensures implementation of the Company's key strategic plans and effective utilisation of resources.

The Company is the Shareholder of two wholly owned subsidiaries, namely Transnet International Holdings SOC Ltd, incorporated on 29 August 2017 and Transnet National Ports Authority SOC Ltd, which is currently being considered for subsidiarisation in line with National Ports Act, No 12 of 2005.



THE GOVERNANCE FRAMEWORK

KING IV. P1 and 13

Governance is underpinned by effective leadership, oversight and management accountability based on a sound ethical foundation. In this regard, the Board sets the tone for ethical leadership which forms the foundation for good corporate governance. Sound governance principles and processes define and steer the responsibilities of the Board and actively promote a sustained governance culture throughout the Company.

The Board continuously strives to ensure adherence to good governance principles when executing the Company's mandate in line with approved strategy while being cognisant of the Company's risk appetite. The Board ensures the recommended corrective actions appropriately address identified challenges when overseeing the implementation of the Company's strategy.

APPOINTMENT OF DIRECTORS

KING IV. P1, 7 and 8

The Memorandum of Incorporation ("MOI") is the Company's constitutive document aligned to relevant legislative requirements and constitutes the foundation on which the Company is managed and governed. The Company, through the Shareholder Minister, complies with the prescribed requirements in the Companies Act and the MOI for the Board's composition, appointment and remuneration. The Corporate Governance and Nominations Committee ("CorpGov") is responsible for the succession planning of the Board (based on the related skills requirements and skills matrix) for recommendation to the Shareholder Minister. The Non-executive Directors are appointed to the Board by the Shareholder Minister on a three-year term for a maximum of three terms. These appointments are confirmed at the Annual General Meeting. The Board currently comprises 10 Non-executive Directors and two Executive Directors.

The non-executive directors are:

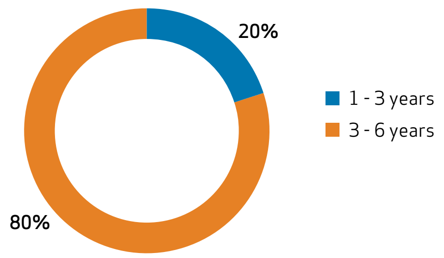
- Mr Andile Sangqu (Chairperson)
- Ms Refilwe Buthelezi
- Mr Martin Debel
- Mr Busisa Jiya
- Ms Lebogang Letsoalo
- Dr Popo Molefe
- Prof Fholisani Mufamadi
- Mr Dipak Patel
- Ms Boitumelo Sedupane
- Ms Mosadiwamaretlwa Zambane

Executive Directors are:

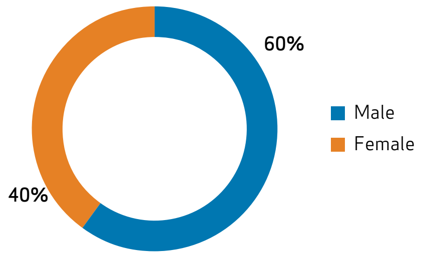
- Ms Portia Penelope Joy Derby (Group Chief Executive)
- Ms Nonkululeko Dlamini (Group Chief Financial Officer)

Non-executive Director's demographics

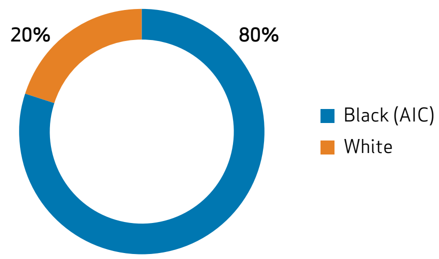
Length of tenure



Gender representation



Race representation



2022 BOARD EVALUATION SCORE OUT OF 5: 4.25

PRESCRIBED OFFICERS

The Company's Executive Committee members are designated as prescribed officers (see Group Executive Committee members for brief profiles set out on pages 11 to 13). The Exco members serve as the Executive Authority within their respective functional areas and ODs and are responsible for implementing the Company's strategy as approved by the Board. They exercise general executive control over, and management of, the whole, or significant portion, of the business and activities of the Company as defined by the Companies Act and its regulations. The appointment of prescribed officers is elevated to the Board of Directors for consideration, with the assistance of the remuneration, social, and ethics committee. The disclosure on the remuneration of prescribed officers is set out on page 119 of the Integrated Report as required in terms of the disclosure requirements.

CORE RESPONSIBILITIES OF THE BOARD

KING IV. P6

The Board of Directors serves as the Company's focal point and guardian of corporate governance. The core responsibilities of the Board include:

- Providing effective leadership based on ethical considerations and principles;
- Ensuring that the Company's ethics are managed effectively and building an ethical culture across the business;
- Being responsible for the governance of risk management;
- Ensuring that there is an effective risk-based internal audit;
- Ensuring the integrity of the Company's Annual Integrated Report;
- Acting in the best interests of the Company by ensuring that individual directors:
  - Adhere to legal standards of conduct in accordance with the Companies Act, King IV Report on Corporate Governance for South Africa, 2016 ("KING IV") principles ; and
  - Disclose actual or potential conflicts of interest to the Board and deal with them appropriately.

The Board is satisfied that the Non-executive Directors of the Company are independent, in accordance with Principle 7 of the King IV Report and that it has delivered on its mandate and fulfilled its fiduciary responsibilities for the year under review.

SPECIFIC CORPORATE GOVERNANCE REQUIREMENTS

The PFMA

The PFMA designates the Board as the Company's Accounting Authority and further outlines their fiduciary duties and responsibilities. The Company is classified as a major business entity and is listed under Schedule 2 of the PFMA. The Board ensures that the Company adheres to the requirements of the PFMA, including for the assessment of risk, the annual budget submissions, and the conclusion of the annual Shareholder's Compact. In addition, the Board also ensures that the Company adheres to all procedures for quarterly reporting to the Executive Authority through the submission of quarterly reports as prescribed in the PFMA.

The Companies Act

The Company is governed in terms of the Companies Act and accordingly reports on the extent of its compliance with the Companies Act as part of the Directors Report in the Company's Annual Financial Statements (AFS). To this end, the Company strives to finalise its Annual Financial Statements in accordance with the International Financial Reporting Standards (IRFS), and within the set timelines to ensure that all critical stakeholders have timely access to those audited Annual Financial Statements.

The PFMA, Companies Act and Protection of Personal Information Act, No. 4 of 2013 (POPIA)

The Company is required to manage and align its information, data, and records management practices with the requirements of these legislations.

King IV Report

The Company has adopted the principles espoused in the King IV Report, in conjunction with the regulatory provisions, to achieve the overarching outcomes of sound governance, namely an ethical culture, good performance, effective control as well as transparent operational and social legitimacy. As part of our annual reporting, the Company produces a Governance Report that outlines in detail its application of King IV recommended principles.

CORPORATE GOVERNANCE INSTRUMENTS OF CONTROL

The MOI

In addition to setting out the rights, duties and responsibilities of the Shareholder, Board and Management, the MOI outlines matters that are reserved for the various role players' decision. The MOI was reviewed and amended during the year under review to enhance corporate governance practices and is subject to consideration by the Shareholder Minister.

Delegation of Authority (DOA) Policy and Framework

The Company's devolution of powers is entailed in a Board approved DOA Policy and the Framework. The DOA Framework, an annexure to the Policy, outlines Board-reserved matters, matters delegated to Board committees, the Group Chief Executive and Prescribed Officers. The DOA Framework is reviewed annually and as and when required for adequacy, relevance, and business purposes and requirements.

The Board and its committee charters

The Charters assist the Board and its Committees to deliver and uphold effective governance. It defines, amongst others, the roles and responsibilities, composition and standard protocols of the Board and its Committees. The Charters are regularly reviewed to ensure alignment with the Company's governance instruments of control, regulatory requirements, as well as changing business needs.

Board-approved Policies and Procedures

The Company has Board approved policies and procedures, which provide guidance on day-to-day operations and decision making, ensure compliance with relevant legislation, management of potential conflicts of interest and streamline internal processes.

TRANSNET BOARD AND COMMITTEE MEETINGS

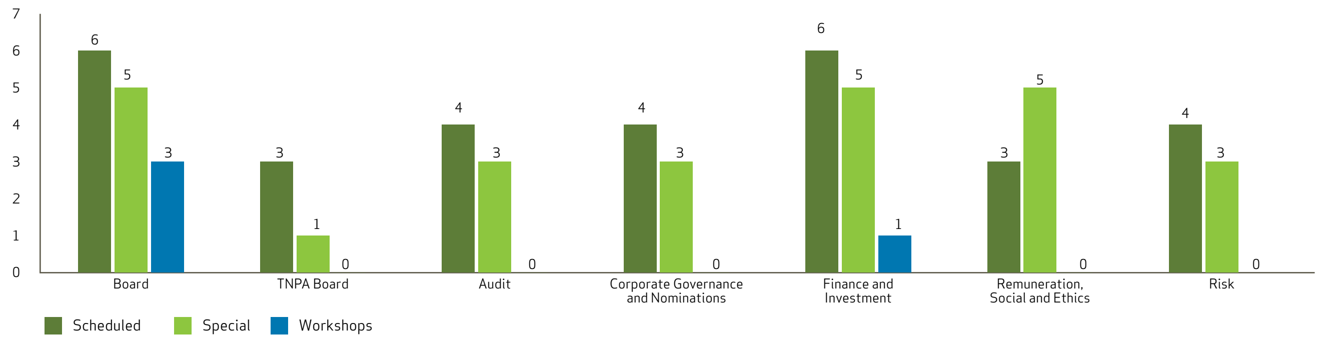
KING IV. P1, 2, 6, 12 and 13

Board/ Committee	Board	Interim TNPA board	Audit committee	Corporate governance and nominations committee	Finance and investment committee	Remuneration, social and ethics committee	Risk committee
Number of meetings held	**11**	**4**	**7**	**7**	**11**	**8**	**7**
Dr P.S Molefe *(Chairperson)*	9	–	–	6	–	–	–
Ms PPJ Derby	9	–	–	–	–	–	–
Ms NS Dlamini	10	–	–	–	–	–	–
Ms UN Fikelepi	8	–	–	7	–	3	7
Ms ME Letlape	10	–	7	–	11	7	–
Ms DC Matshoga	7	2	–	7	–	–	7
Prof FS Mufamadi	5	3	–	1	–	8	–
Mr AP Ramabulana	10	–	5	–	11	–	0
Ms GT Ramphaka*	8	–	5	–	–	–	4
Mr LL Von Zeuner#	7	4	5	–	9	–	3

** Ms Gratitude Ramphaka resigned as a non-executive director, effective 6 December 2022*

 # Mr Louis Von Zeuner resigned as a non-executive director effective 23 February 2023

Board and Committee Meetings for the 2022/23FY



BOARD AND COMMITTEES: KEY CHALLENGES AND FOCUS AREAS

The Board of Directors

KING IV. P 1, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15 and 16

The Board's primary mandate is to ensure the sustainable and successful continuation of business activities by providing strategic direction to the Company. The Board is supported by board committees comprising two statutory committees and three non-statutory committees supported by the Executive Committee.

Key challenges facing the Board

a. Filling of Board vacancies remains a major concern, following the passing of one director and the resignation of five Non-executive Directors. The existing vacancies have created a gap in terms of the requisite skills, competencies, diversity in the board and its committees, including the Audit Committee, amongst others;

b. Alignment of performance targets due to circumstances beyond the control of the Company, e.g., theft, vandalism, security of supply and irregular and unlawful contracts entered during the State Capture period;

c. Poor financial performance and financial ratios at risk;

d. Operational turnaround, particularly at Transnet Freight Rail (TFR) and Transnet Engineering (TE);

e. Security: theft on the pipeline causing spillages and environmental hazards; and

f. Disasters leading to safety concerns i.e. fires, strikes, floods etc.

Focus areas for the 2023/24FY

a. Ensure continuous sound governance processes;

b. Strengthen the internal control environment;

c. Improve financial and operational performance and turnaround (increasing volumes);

d. Post COVID-19 Business Recovery (Financial (revenue generation and maintaining key financial ratios), People, Operations (increasing volumes);

e. Drive Joint Investment and External Partner Selection transactions;

f. Update Business continuity plans and processes;

g. Rationalise Company policies; and

h. Improve safety performance.

Audit Committee

KING IV. P8

The Audit Committee is a statutory committee that provides oversight over the financial reporting process, internal controls and compliance with regulatory requirements. It comprises independent Non-executive Directors duly elected and appointed by the Shareholder at the Annual General Meeting in line with legislative requirements.

Key challenges facing the Committee

a. Addressing challenges to resolve PFMA matters that in the past gave rise to qualified audits;

b. Preparing the business to deal with debt maturities and refinancing by identifying key short- and medium-term actions;

c. Engaging stakeholders to collaborate on addressing the operational challenges impacting revenue and cash flows;

d. Capacitation of Internal audit function and external audit not placing reliance on work of internal audit;

e. Improving the control environment to the desired level;

f. Dealing with legacy issues of Procurement/Supply Chain Management (SCM) and Information Technology (IT) amid transformation of the functions;

g. Irregular expenditure and non-compliance with PFMA/ Procurement requirements;

h. The limited skills in corporate finance and procurement within the committee;

i. Consequence management for Irregular Expenditure (External Audit Report); and

j. Audit findings in Transnet Property.

Focus areas for the 2023/24FY

a. Support management in the next phase of the bond issuing process to assist the restructuring of the balance sheet of Transnet;

b. Oversee operational performance improvement to contribute to improved liquidity and lower gearing levels;

c. Oversee the turnaround of Internal Audit that will also assist in improving the control environment;

d. Oversee the continuation of the process to reduce irregular expenditure and implement preventative measures in this regard;

e. Improve the quality of management information to detect areas of underperformance timeously;

f. Provide financial control oversight as Transnet roll out its strategy and in particular PSP initiatives;

g. Improve financial management and reporting linked to Environment, Social and Governance (ESG) matters;

h. Continue engaging the funding community and keep them informed of the progress with the turnaround strategy of Transnet;

i. Review and ensure the correct implementation of the accounting and finance related policies;

j. Ensure compliance with all regulatory and Johannesburg Stock Exchange (JSE) requirements;

k. Oversee the activities that will ensure that Transnet's financial management and governance are at the required level; and

l. Oversee turnaround plans to enhance revenue of the under-performing ODs.

Corporate Governance and Nominations Committee

KING IV. P6 and 8

The Committee provides governance support to the Board and its committees and develops and maintains the Company's Corporate Governance Policies, Frameworks and processes and ensures that the Board's composition enables it to fulfil the obligations of the Board's mandate.

Key challenges facing the Committee

a. Board vacancies that create skills and capacity gaps;

b. Non optimal Board and Committees;

c. Board evaluation frequency as required by DPE;

d. The frequency of special meetings and round robin resolutions;

e. Challenges for the Board to implement succession planning in respect of Non-executive Directors and Executive Directors because the power of appointment resides under the Executive Authority and the Cabinet.

f. Better alignment and streamlining of governance instruments;

g. Streamlining of governance processes to increase efficiencies;

h. Improved scheduling of Director Development initiatives;

i. Improved ICT and operational governance;

j. Ensuring Compliance with governance best practices, applicable laws and governance instruments.

Finance and Investment Committee

KING IV. P6 and 8

The Finance and Investment Committee advances and maintains the Company's financial and investment policies and processes to ensure its financial sustainability in decision making while aligning to best practices and regulatory requirements. The committee considers strategic growth investments and partnerships and recommends divestments where appropriate through approved procurement strategies.

Key challenges facing the Committee

a. Operational Improvements to ensure delivery of required tonnages;
b. Development of Cogent Strategies and their implementation;
c. TFR/TE congruence and coexistence;
d. Procurement transformation while reorganising the procurement function to meet business requirements;
e. Delays in collection of debts owed to Transnet;
f. Capital investment remains a challenge;
g. Prioritise efforts to ensure optimum investments;
h. Turning performance of the business is a major challenge; and
i. An under-resourced board and thus, an overstretched committee.

Focus areas for the 2023/24FY

a. Financial sustainability post;
b. Revenue growth and diversification;
c. Securing funding for capital projects;
d. Monitor recovery plans for TFR to address Locomotive, Infrastructure, Operational and Security Challenges;
e. Enable TE to play a more meaningful role in the Transnet landscape and portfolio.
f. Quantifying gains from the Shared Services Project.
g. Quantifying gains from the Procurement Transformation.
h. Delivery of maximum tonnages to improve revenue and financial performance;
i. Monitor and Evaluate Strategies implemented;
j. Introduce changes to improve business processes;
k. Codify lessons learnt from improvements strategies implemented;
l. Reposition Transnet Property Division to improve asset management;
m. Oversee the successful implementation of major projects and funding initiatives that will contribute to the financial sustainability of Company; and
n. Improve collaboration efforts with industry and key stakeholders.

Remuneration, Social and Ethics Committee

KING IV. P6 and 8

The Committee is also a statutory committee that provides support to the Board as prescribed and advises the Board regarding responsible corporate citizenship and ethical leadership and conduct across the Company considering matters related to ESG. It ensures that all human capital matters from cradle to grave are attended to including all aspects of safety. The committee ensures that competitive reward strategies are in place to facilitate the recruitment, motivation and retention of high-performing employees in support of corporate objectives and performance. The committee also considers matters related to the restructuring of Transnet and approves the succession planning for extended executive committee members, save for Executive Directors.

Key challenges facing the Committee

a. Remuneration philosophy remains an issue;
b. Employee and public safety and related fatalities incidences; The safety function has subsequently been elevated to create focus across the business and engagement initiatives on public safety with employees and communities improved; and
c. Effect consequence management measures in accordance with the PFMA.

Focus areas for the 2022/23FY

a. Finalise the remuneration policy in accordance with the DPE remuneration guidelines;
b. Monitor the implementation of initiatives on PFMA compliance.
c. Improve ESG related initiatives;
d. Develop a Company-wide safety project; and
e. Focused implementation of Ethics Management Programme.

Risk Committee

KING IV. P6 and 8

The Risk Committee provides risk management support to the Board and oversees the development, assessment and review of risk policies and all risk management related matters including the integrity of the risk control processes, systems and insurance. The committee assesses any significant risk control failings or weaknesses and their potential impact and ensures that appropriate action is taken to remedy such risks including reducing opportunities for fraud and other operational losses. The committee ensures effective communication with internal and external auditors, the Audit Committee, the Board, management and regulators on risk management.

Key challenges facing the Committee (what they were, responses and continuing challenges)

a. Reputation/customer related risks not always being properly managed;
b. Funding and capital investment related risks contributing to key financial ratios being at risk;
c. Risks related to locomotives maintenance and the impact on the tonnages and revenue.
d. A more effective insurance strategy and responsive business continuity initiatives are required;
e. The lack of integration between TE and TFR affecting operations and business performance;
f. High legal costs with limited traction in cases;
g. Improved ICT governance environment;
h. Infrastructure security (cable and fuel theft); and
i. Safety especially public safety risks.

Focus areas for the 2023/24FY

a. ICT governance-related risk management;
b. Security and safety-related risk management;
c. Capital investment and funding-related risks impacting key ratios
d. Improved insurance renewal strategies;
e. Load shedding risk and preparedness by ODs;
f. Locomotive maintenance-related risks and maintenance plan;
g. Improved integration between TE and TFR; and
h. Adequacy of business continuity plans.

REMUNERATION REPORT

PURPOSE

The purpose of this submission to the Remuneration, Social and Ethics Committee (RemSEC) is to inform the Committee of the contents that will be included in the Remuneration Report for Transnet (SOC) Ltd for the financial reporting period 1 April 2022 to 31 March 2023.

The report will be finalised once the financial statements for the period under review have been completed and audited, whereafter RemSEC will be requested to recommend the report to the Board for final approval.

BACKGROUND

This report aims to provide an overview of:

Transnet Remuneration and link to Strategic Intent

Remuneration is recognised as an important method for reinforcing corporate culture, promoting the right behaviours and supporting the achievement of the organisation's strategic objectives. Transnet strives toward the effective design of the remuneration strategy to enhance employee value proposition and brand awareness.

The strategic intent of a good Remuneration framework is to:

- Compensate employees in line with seniority and job level in the organisation;
- Attract and retain talented individuals;
- Reward superior performance;
- Guarantee that remuneration policies and practices are equitable and fair;
- Ensure that remuneration is market related;
- Promote excellence through fit-for-purpose incentive schemes;
- Encourage and reward behaviours that align to the Transnet values;
- Manage and facilitate the performance of employees through a results-driven approach;
- Ensure fit-for-purpose differentiation in remuneration practices to cater for uniqueness in employment category, environment and circumstances; and
- Safeguard the financial position of Transnet through cost control and affordability.

Pillars of the Transnet Remuneration Strategy

The Transnet Remuneration Strategy is informed by and includes the following elements:

- Guaranteed pay;
- Variable pay, with fit-for-purpose short- and long-term incentive schemes;
- Recognition schemes;
- Job evaluation and job-sizing which inform pay scales;
- Internal and external remuneration benchmarking;
- Variation and Collective Agreements with the recognised labour unions;
- External market movements and economic conditions that feed into the annual salary increase process;
- Alignment with remuneration guide as published by the DPE;
- Other benefits, inclusive of leave, retirement fund, medical aid, funeral fund and housing allowance;
- Reliable system (SAP HCM) to manage all reward and benefit related processes; and
- The South African relevant labour legislation impacting on remuneration and benefits.

Remuneration elements linked to employee categories

KING IV. P6 and 8

The tables below depict the various remuneration elements linked to the different employment categories across Transnet.

Reward element	Management category	First-line management, specialists, technicians	Junior employees
Guaranteed pay	• Total cost to company (TCC), inclusive of medical aid, pension fund and UIF contributions • Annual salary increases based on mandate from RemSEC • 13th cheque can be structured as part of the package • Option to structure travel allowance if frequent business travel is conducted	• Cost-to-company package, inclusive of pension fund and UIF contributions, but excludes medical subsidy • 13th cheque is structured as part of the package • Negotiated increases, partially based on individual performance	• Basic salary • Service bonus (13th cheque) • Increases negotiated
Other benefits	• Personal protection based on a threat and risk assessment	• Medical subsidy if employee is the principal member of a recognised medical scheme • Funeral benefit	• Employer portion of pension fund contributions, inclusive of risk and administration expenses • Housing allowance • Medical subsidy if employee is a member of a recognised medical aid • Funeral benefit • Rail Travel Concessions
Circumstantial allowances		• Overtime • Standby allowance • Night shift allowance • Call-out allowance	• Overtime • Standby allowance • Night shift allowance • Call-out allowance
Tools of trade	• Cellular phone • Computer	• Cellular phone (if job requirement) • Computer (if job requirement)	• Cellular phone (if job requirement) • Computer (if job requirement)

Reward element	Management category	First-line management, specialists and technicians Junior employees
Short-Term Incentive (STI) Scheme	• Support and reinforce the desired behaviour to ensure the delivery and performance against the financial, non-financial, operational and strategic metrics that have been agreed, and to reward employees when these targets have been achieved and/or exceeded • Management – payment made on an annual basis	• Support and reinforce the desired behaviour to ensure reward for achievement of business objectives • Unique fit-for-purpose schemes designed for different ODs • Increased line of sight • Payments made monthly/quarterly
Long-Term Incentive (LTI) Scheme	• Suspended until approval of DPE Remuneration Guidelines	• Not applicable
Recognition Programme	• All eligible employees • Promote and reward behaviours aligned with Transnet values • Support a culture where success is celebrated, and employees feel valued for their contributions to the business	

Review of Remuneration

Remuneration increases occur under the following circumstances:

- Annual remuneration increases
- In the event of a promotion
- When there is a need to make a counter offer to an employee
- On an *ad hoc* case by case basis, informed by business requirements and talent retention

The mandate request for annual increases for the management category employees takes into account factors such as:

- Retention, cost of replacement and time to make business impact
- The national economic and business outlook
- External market predictions and history of market movements and increases granted
- National and internal staff turnover rates
- External parity, market benchmarks based on market median
- Internal parity
- Company affordability
- Increases for employees in the management category were differentiated based on grade level and ranged between 5% and 6%. The increases were implemented with effect from 1 April 2022.

The annual increases for bargaining unit employees are based on wage negotiations with the recognised labour unions.

Transnet entered into a three-year wage agreement in 2022 which will expire in March 2025. In terms of the conditions of the agreement, bargaining unit employees were entitled to an increase of 6.0%, effective 1 April 2022.

Annual salary increase mandates are approved by:

- The Shareholder Minister for Executive Directors and Prescribed Officers;
- The Remuneration, Social and Ethics Committee for employees in the management category; and
- The Remuneration, Social and Ethics Committee for bargaining unit employees, and then negotiated in the Transnet Bargaining Council.

INCENTIVE SCHEMES

Short-Term Incentive for Management Category Employees

Transnet reviewed the short-term incentive scheme with the aim of introducing a turnaround scheme for the management category to facilitate the achievement of financial and operational targets.

The revised Transnet Turnaround Incentive Scheme for management employees was designed to drive the achievement of business targets whilst also ensuring alignment with the DPE Remuneration Guide. The Scheme was implemented with effect from 1 April 2022.

Long-Term Incentive Scheme

Transnet does not currently have a long-term incentive scheme in place.

The long-term incentive scheme will be developed in the new financial period.

Productivity Incentive for Bargaining Unit

Transnet implemented bespoke productivity incentive schemes for the bargaining unit employees in the respective ODs, effective 1 April 2022. Transnet Port Terminals was excluded as they have already implemented a bespoke productivity scheme for the bargaining unit employees in the previous financial period.

For the period under review, Transnet Port Terminals and Transnet National Ports Authority made incentive payments to the bargaining unit employees.

The Productivity Incentive Schemes for Bargaining Unit are self-funded and based on actual achievement and exceeding of OD specific productivity targets.

Fee structure for non-executive directors

The Shareholder Representative appoints non-executive directors for a three-year term. However, the Memorandum of Incorporation requires that the non-executive directors be submitted for re-election for each of the three years at the Company's AGM. Among the issues considered by the Shareholder Representative prior to re-election is the individual non-executive director's performance.

The Shareholder Representative approves the fees payable to non-executive directors. The non-executive directors are paid an annual retainer as well as an additional fee for committee membership.

Fees paid to non-executive directors are differentiated based on their appointments to the various Board committees.

Transnet is in continuous discussion with the DPE to ensure compliance with the DPE's Remuneration Guide in the development of the remuneration policy.

Summary of the non-executive directors' fees

The table below depicts the Directors' fees for the Financial Year 2022/23.

Member	Total 2023 R'000	Total 2022 R'000
PS Molefe (Chairperson)	1 329	1 329
LL Von Zeuner*	840	917
DC Matshoga	604	599
UN Fikelepi	729	699
GT Ramphaka#	475	699
FS Mufamadi	699	699
AP Ramabulana	612	599
ME Letlape	798	798
Total	**6 086**	**6 339**

* *Mr Von Zeuner terminated on 23 February 2023*

\# *Ms Ramphaka terminated on 6 December 2022*

Remuneration of Executive Directors and Prescribed Officers

Leadership plays a critical role in achieving the Company's mission to deliver outstanding sustainable value to stakeholders.

The successful execution of the Transnet Strategy requires persistent effort and the executive leadership's energy to ensure high performance as well as a sustainable and profitable long-term growth path.

Transnet is striving to be an employer of choice. The attraction and retention of high-calibre individuals to Transnet is posing to be a massive obstacle given the history around the state capture and the hesitation of these talented individuals to be associated with the Company.

As part of the Transnet Strategy, the Company designed a reward philosophy for executive management to drive the implementation of the strategy while ensuring that key role players are retained in the Company. This is also aligned with the DPE's Remuneration Guide.

Transnet is committed to encouraging diversity in the workplace and in society. It practises equal opportunity in all recruitments and promotions and aims to increase employment opportunities within South Africa. As an organisation, Transnet is also committed to promoting the equality of all South Africans.

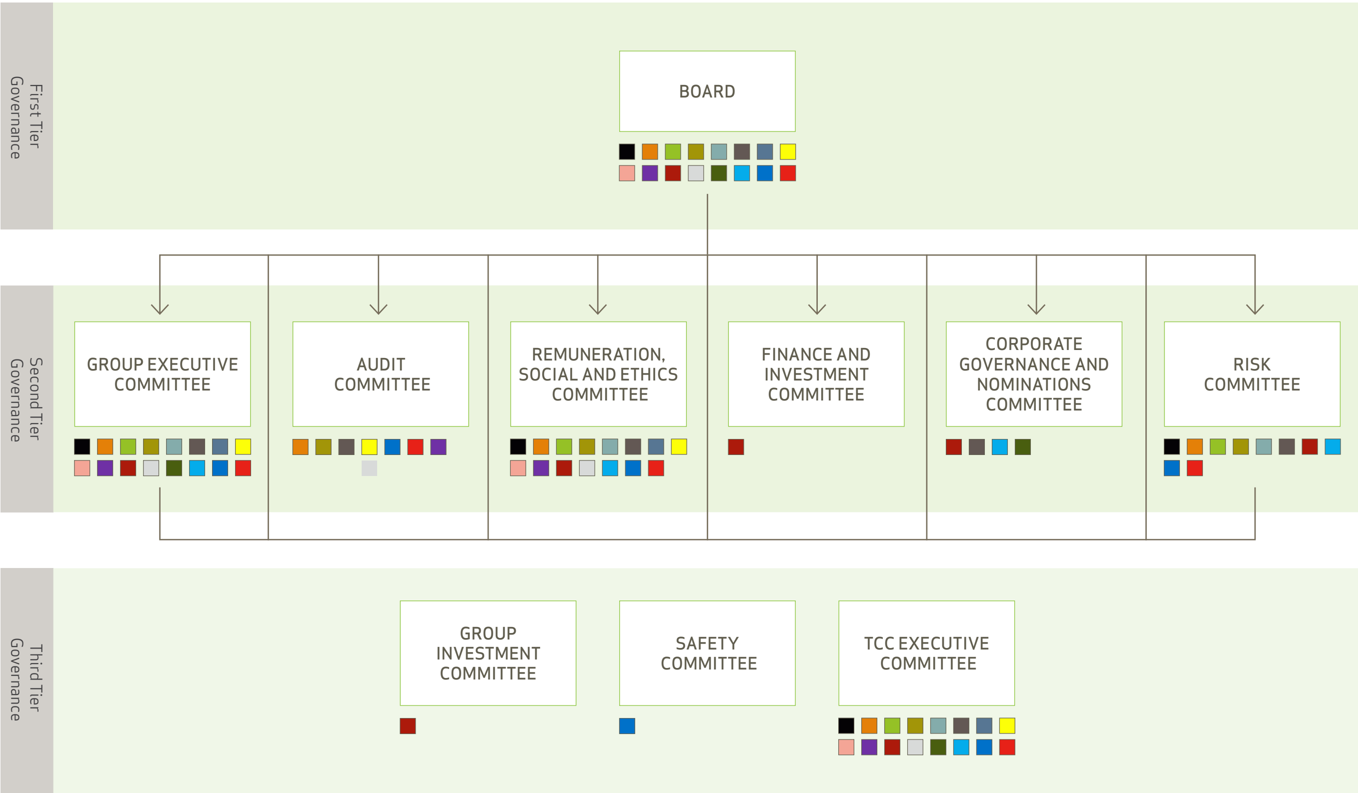
Guaranteed pay of the Transnet Group Executive Team

The table below depicts the fees of the Executive Directors and Prescribed Officers for the Financial Year 2022/23.

Member	Total 2022 R'000	Salary R'000	Retirement benefit fund contribution R'000	UIF contribution R'000	Other Payments	Total 2023 R'000
PPJ Derby[1]	8 500	7 784	714	2	–	8 500
M Phillips	4 200	3 919	279	2	–	4 200
K Ngema[2,3]	4 956	–	–	–	–	–
P Munyai	4 127	4 174	324	2	–	4 500
BL Kgomo[6]	1 314	–	–	–	–	–
V Nemukula	3 900	4 120	378	2	–	4 500
N Dlamini[1]	5 800	5 798	–	2	–	5 800
A Shaw	5 100	4 670	428	2	–	5 100
S Coetzee	5 400	5 398	–	2	–	5 400
B Kani	4 100	3 803	295	2	–	4 100
S Mzimela	6 100	6 098	–	2	–	6 100
R Mills	4 320	4 646	452	2	–	5 100
V Dube[2]	7 498	–	–	–	–	–
M Silinga	5 900	5 375	523	2	–	5 900
K Phahlamohlaka	4 600	4 267	331	2	–	4 600
X Ntshingila[3]	2 315	–	–	–	–	–
T Siyaya[2,3]	3 020	–	–	–	–	–
IK Matsheka[3,4]	2 399	4 731	367	2	–	5 100
S Khan[4]	358	3 937	361	2	–	4 300
DJ Mdaki[3,4]	2 221	4 646	452	2	–	5 100
HS Chetty[5]	–	4 066	432	2	–	4 500
A Pillay[5]	–	3 911	304	2	–	4 217
Total	**86 128**	**81 343**	**5 640**	**34**	**–**	**87 017**

1 *Group executives who are members of the Board of directors.*
2 *Includes voluntary severance package benefit.*
3 *Acted as Exco member in the prior financial year.*
4 *Appointed as Exco member during the previous financial year.*
5 *Appointed as Exco member during the current financial year.*
6 *Mr BL Kgomo passed away in July 2021.*

CORPORATE GOVERNANCE OF ESG



Environment		Social		Governance	
Energy management	1	Remuneration and benefits	7	Assurance of ESG Matters	12
Climate change	2	Community Development	8	Ethics and Anti-corruption	13
Environmental compliance	3	Stakeholder Engagement	9	Collective bargaining	14
Biodiversity and land management	4	Transformation	10	Document data and records management	15
Water stewardship	5	Health, Safety and Wellness	11	Cyber security and data privacy	16
Contaminated and waste management	6				

ESG GOVERNANCE AND OVERSIGHT

ESG governance is an essential part of our corporate governance framework and is integral to fulfilling Transnet's mandate, executing our strategy, meeting our responsibilities to our clients, and delivering value to our stakeholders.

As the primary custodian, our Board embraces its fiduciary duty to monitor and direct the implementation of our ESG commitments. This involves shaping the Company's strategy, harmonising stakeholder interests, and advancing towards long-term economic, social, and environmental sustainability.

The Board delegates ESG-related responsibilities to several committees through the Delegation of Authority (DOA) Framework and committee charters. These charters delineate the terms of reference for the Board and its committees, fulfilled through annual work plans, strategic meetings, intermittent strategy workshops, and operational site visits.

Transnet's commitment to ESG governance is reflected in its adherence to the King IV principles and its decade-long status as a signatory to the United Nations Global Compact (UNGC), which have propelled the continuous improvement of our ESG governance practices.

Our comprehensive ESG governance structure incorporates several committees, each assigned to oversee different facets of our ESG performance. Central to this structure, the Remuneration, Social and Ethics Committee (REMSEC) provides guidance and oversight on ESG matters.

To further bolster our governance, we've instituted various policies and procedures, such as the Code of Ethics, to guide our decision-making processes. This ensures that we operate sustainably, manage risks effectively, and seize potential opportunities responsibly.

GROUP SECURITY: PHYSICAL SECURITY, ANTI-CORRUPTION INVESTIGATIONS, FRAUD RISK MANAGEMENT AND VETTING

Security integration

Effectively combatting crime on the Transnet requires a coordinated effort among the various stakeholders. Despite the many challenges, data shows that overall security performance improved by 4% in 2022/23FY against reduction targets, primarily due to a decrease in cable thefts at TFR. Security performance in other Divisions has deteriorated compared to 2021/22FY. The total number of recorded incidents for the year was 9 183 (2021/22FY: 10 652), exceeding our target of 8 780 by 403 incidents.

Physical security

Transnet has been extensively challenged in regard to criminal activity - especially in terms of theft, vandalism, and corruption. This leads to revenue loss and increased security costs. The theft and vandalism of essential infrastructure is identified as a key illicit market in South Africa, exacerbated by the socio-economic and political landscape. Transnet plans to counter these issues through the Critical Infrastructure Protection Act, aligned to the Criminal Matters Amendment Act 18 of 2015.

Despite the challenges, Transnet's total security performance in the 2022/23FY has improved by 4%. This is primarily due to a decrease in cable theft incidents within TFR. An approval for Transnet security officers to be granted Peace Officer status will lead to improved security response and increased law enforcement.

Key opportunities to bolster security include:

- The temporary **six-month ban on scrap metal export** by the dtic, which aims to result in a significant reduction in theft and vandalism;
- Transnet Security's **multi-dimensional approach** to engaging strategic stakeholders with a view to resolve current security challenges;
- Collaboration with other SOEs for the establishment of the **Economic Sabotage of Critical Infrastructure (ESCI) Forum** to jointly address theft and vandalism of essential infrastructure;
- Physical Security's objective to reduce incidents and their impact through data analytics, embedding security governance, risk management practices into operations, and **leveraging strategic stakeholder relationships;** and
- The roll-out of the **Physical Security Fusion Centre** and an in-house security incident capturing application to enhance oversight and agility of security operations.

By leveraging these opportunities, Transnet aims to strengthen its security and mitigate risks, contributing to business continuity and bolstering customer relationships

Fraud risk management

Transnet's Fraud Risk Management (FRM) function identifies and monitors fraud risks that could impact operations and value delivery.

Notable steps in Transnet's approach include:

- Formulating the FRM Plan (FRMP) in compliance with NT Regulation 29.1.1 and the PFMA's mandate for all SOCs to establish a **fraud prevention strategy**;
- Initiating robust development of fraud prevention and **detection programmes** as part of the FRMP.
- Conducting a comprehensive **fraud risk assessment** to proactively address vulnerabilities to fraud;
- Achieving a **76% completion rate** against the three-year approved FRMP in 2022/23FY, despite resource constraints; and
- Undertaking **phase two of lifestyle audits** on 5 300 employees to assess income consistency (a secure e-platform was developed for confidential data collection and cross-referencing).

Key learnings encompass the importance of continued improvement, flexibility, and leveraging technology and data analytics for enhanced fraud detection.

Looking ahead, Transnet plans to execute a comprehensive risk assessment across the organisation and update the FRMP to further reduce fraud and corruption, thereby ensuring operational integrity and sustainability.

Security vetting unit

Security vetting is crucial at Transnet, ensuring employees, applicants, and service providers uphold the highest integrity and security competence. Our vetting aligns with the 1996 Minimum Information Security Standards (MISS), acting as a key risk management tool to prevent potential reputational and financial damage from data breaches.

Key steps and achievements include:

- Establishing the **Security Vetting Unit** under the 1994 National Strategic Intelligence Act, section 5A;
- Formalising a **MoU with the State Security Agency** in November 2022 to vet Transnet service providers and identified personnel;
- Gaining **Board approval for the Security Screening and Vetting Policy** in December 2022, which governs the vetting process; and
- Initiating a review of our Information classification framework to establish a **Transnet-specific information classification system** – enhancing data security and MISS compliance.

In the coming financial year, we will boost the Security Vetting Fieldwork Unit and implement a prioritisation model, with quarterly progress monitoring. These measures will strengthen our security vetting capabilities, shield Transnet from future security risks, and enhance organisational integrity.

Cyber and data security

Cybersecurity is vital to Transnet, especially as we advance our digital reinvention and protect business operations. We comply with the National Institute of Standards and Technology cybersecurity framework and the Board prioritises cybersecurity.

In response to a ransomware cyberattack in 2022/23FY, we've enhanced our cybersecurity with measures including:

- **Vulnerability assessments** and **penetration testing**;
- **Due diligence** before engaging with third-party service providers;
- **Multi-factor authentication** for remote access;
- Deploying **security information** and **event management** solutions;
- Implementing **endpoint detection** and response solutions; and
- Regular **awareness campaigns** to educate employees on cybersecurity risks.

We have implemented a Brand Exploitation Protection tool (BEP) to proactively address scam websites posing as Transnet. This tool helps us remove fraudulent sites offering jobs, tenders, and other services, effectively safeguarding unsuspecting individuals.

Brand exploitation attempts	2022/23FY	2021/22FY
Total attempts	**310**	1 625
Suspicious	**265**	1 619
Live attacks (in progress)	**2**	0
Taken down	**43**	6

For the year under review, there have been no significant cybersecurity-related incidents. Transnet continues to proactively monitor cybersecurity activities against users, systems, and data. In most cases, Transnet's systems proactively identify incidents and scams as they occur. These incidents are labelled as "founded" only if confirmed to be genuine, while those determined to be false or unreal are labelled as "unfounded."

Incidents of e-mail scams	2022/23FY	2021/22FY
Investigations in progress	**159 876**	261 630
Reported incidents unfounded	**51 233**	240 454
Reported incidents founded	**108 643**	21 176

Information security and privacy

Transnet has developed and implemented a policy framework to govern data privacy and information security across all its ODs. Additionally, a series of technical controls have been deployed to secure all electronic records and data stored within Transnet systems and applications. Independent assurance providers regularly perform tests on the adequacy and effectiveness of these controls.

In 2022/23FY, Transnet received no complaints from external parties regarding data leaks, loss of customer data, or thefts. This can be attributed to the effectiveness of the awareness campaigns that Transnet runs through regular alerts and awareness initiatives on its social media accounts. The BEP service also appears to be effective in proactively identifying and eliminating potential abuse of the Transnet brand.

Security Integration

The Group Security team provides a second line of assurance for Transnet ODs, and is guided by various security-related policies and legislation. Ongoing efforts seek to reduce the number of security incidents, being informed by data. Looking ahead, Transnet will continue to leverage collaborations with stakeholders, and roll out a Physical Security Fusion Centre. An in-house application will be used to capture security data, ultimately improving oversight and agility of security operations through accurately informed decision making.

Corruption and fraud investigations

Transnet maintains a **zero-tolerance** approach to **fraud and corruption.** Our Code of Ethics sets behavioural standards for employees and service providers, and all allegations of criminal or irregular conduct are thoroughly investigated.

Key highlights of our approach include:

- **Centralisation of Investigations:** Fraud and corruption allegations are centralised within Transnet Group Security and are investigated through various sources including the Transnet Fraud Hotline and direct referrals.
- **Preliminary Investigations:** Allegations undergo preliminary investigation to determine their validity, after which they are assessed by a governance committee. This committee decides if further investigation is necessary, utilising internal or external resources based on the complexity of the matter;
- **Policy Updates:** Our Anti-Fraud and Corruption Policy, which helps develop and implement controls to prevent and detect fraud and corruption, and our Whistle-Blowing Policy, which encourages employees to report misconduct without fear of retaliation, were both recently reviewed and updated;
- **Prioritisation of High-Impact Cases:** We prioritise cases with significant financial or reputational impacts to ensure timely action and prevent further loss or damage to Transnet.
- **Engagement with Law Enforcement Agencies:** To enable efficient external criminal and civil investigations, we regularly engage with agencies such as the Special Investigating Unit (SIU), Directorate for Priority Crime Investigations (DPCI), and National Prosecuting Authority (NPA); and
- **Data Analysis and Mining:** For the 2023/24FY, the Transnet investigations department will focus on enhancing its data analysis and mining activities for fraud prevention and detection. This approach involves proactive data analysis of trends and patterns and risk identification across multiple data sets.

These efforts have led to a significant reduction in work-in-progress investigations, reflecting the effectiveness of our fraud and corruption prevention measures.

OD	(A) 22/23	(B) 22/23	(C) 21/22	(D) 22/23	(E) 21/22	(F) 22/23	(G) 21/22
Total Across Transnet	83	195	322	111	140	21	68
Transnet Corporate Centre (TCC)	14	11	54	12	17	1	10
Transnet Engineering (TE)	7	21	19	11	13	4	9
Transnet Freight Rail (TFR)	39	86	127	39	71	9	34
Transnet National Ports Authority (TNPA)	7	20	33	12	13	2	4
Transnet Pipelines (TPL)	1	9	15	7	2	2	4
Transnet Port Terminals (TPT)	12	36	67	29	22	2	6
Transnet Property (TP)	3	12	7	1	2	1	1

(A) Reported incidents closed after a Preliminary Investigation

(B)+(C) Investigations in Progress

(D)+(E) Reported Incidents Unfounded

(F)+(G) Reported incidents Founded

Legislative compliance

We assure up-to-date compliance for high-value tender processes, governed by our Transnet DOA Framework. Efficient and effective contract management is central to our operational excellence, guided by our SCM Contract Management Procedure Manual and Procurement Procedure Manual.

Our SCM policy, backed by an independent complaint handling system, promotes transparency and accountability in our dealings. We adhere to a stringent set of laws, codes, rules, and standards. These include, but are not limited to:

- Section 217(1) of the Constitution and section 51(1)(a)(iii) of the PFMA;
- Promotion of Administrative Justice Act, No 3 of 2000, which was issued in terms of section 33 of the Constitution;
- The Construction Industry Development Board Act, No 38 of 2000 (CIDB Act), and the associated regulations;
- The Promotion of Access to Information Act, No 2 of 2000 (PAIA); and
- The Preferential Procurement Policy Framework Act, No 5 of 2000 (PPPFA), and its accompanying regulations.

Transnet also adheres to instruction notes issued by the NT, which further regulate our procurement processes. Our dedication to good governance is unwavering, and we continually strive to uphold the highest standards in all our operations.

GOVERNANCE RISK AND COMPLIANCE

BACKGROUND

Transnet aims to maintain an effective internal control environment sustainably in line with the strategic and operational requirements; with an objective of eliminating internal control deficiencies. The external auditors assessed our internal control environment as "concerning" in the previous financial year (2021/22FY). This assessment, together with the strategic initiatives for the 2023 financial year (2022/23FY) as set out in the corporate plan, was the starting point for assessing the internal control in the year under review. Our present leadership's priority is still fostering sound and good corporate governance as well as protecting and enhancing the best interests of the entity. Management has put in the work required to embed, measure, and monitor Transnet's control environment to achieve the required improvements. Transnet designs and implements its risk-based systems of internal control in line with the Internal Control Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). In ensuring that the key objectives are achieved, five internal control components required by COSO have been put in place and integrated throughout the organisation.

The internal control components have been integrated with the requirements of the Public Finance Management Act, No 1 of 1999 (as amended) (PFMA). The PFMA section 51(1)(a)(i) requires the Transnet accounting authority (Board of Directors) to have and maintain effective, efficient, and transparent systems of financial and risk management and internal control.

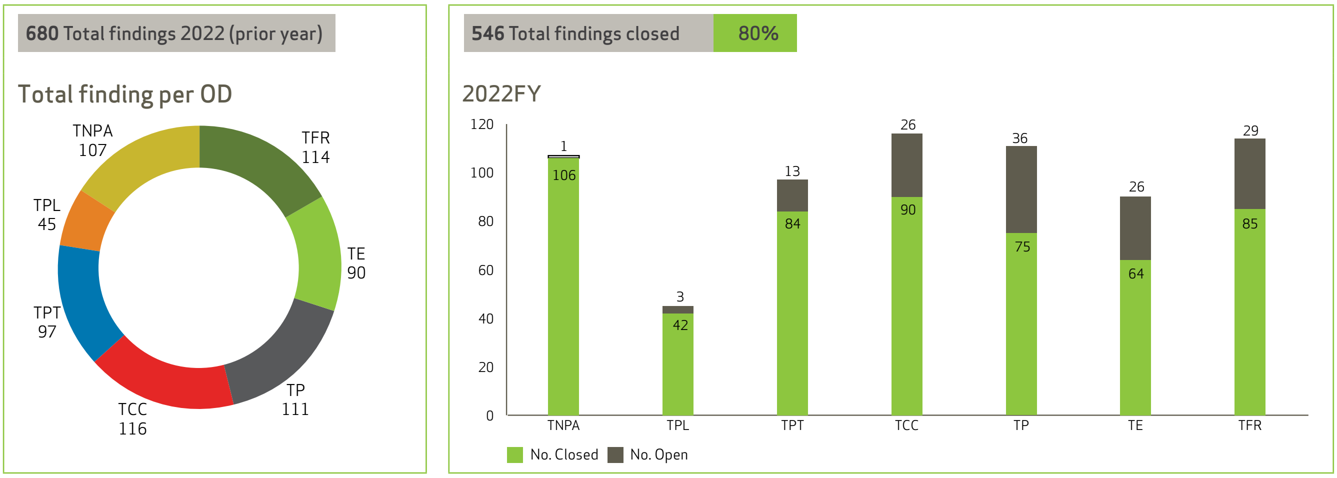
The five components of the internal control have been integrated as follows:

- **Internal control environment** – Management's attitude towards internal controls and the tone set by the Board with regards to the company's cultural environment and corporate values;
- **Risk assessment** – Process used to identify, analyse and manage the potential risks that could hinder or prevent Transnet from achieving its objectives, with the key focus on putting measures in place to minimise identified risks from materialising;
- **Internal control activities** – Focusing on the adequacy and implementation of policies, techniques, mechanisms and procedures that help ensure management directives are carried out including the timely implementation of the PFMA Remedial Plan;
- **Information and communication** – Ensuring that the internal control environment, risk assessment and internal control activities are communicated with the necessary internal and external stakeholders, including the provision of both operational and financial data in a relevant, reliable and timely manner; and
- **Monitoring activities** – Reviewing whether internal controls are adequately designed, properly executed and are effective at any given point in time. The process also includes developing ongoing monitoring and evaluating tools to ensure that effective controls exist and are functioning properly. The monitoring of the effectiveness of internal control has been strengthened and includes close collaboration with key stakeholders within the combined assurance community.

CURRENT STATE

Internal annual assessment of the company's internal control environment revealed that we have made some strides in the year under review. However, there is still room for improvement as depicted in Figure 1.

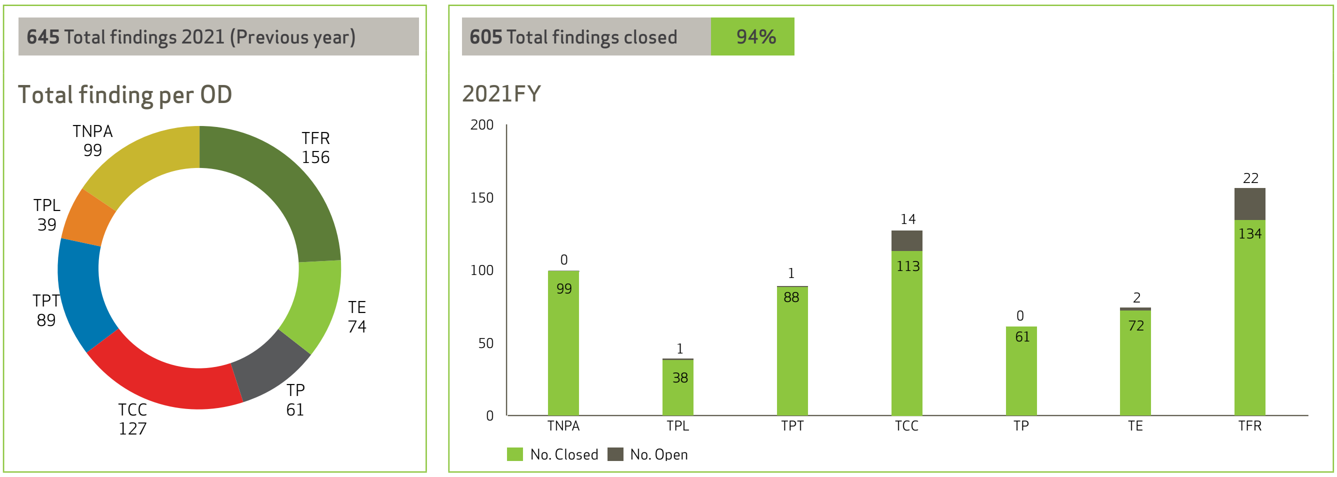
Figure 1: Prior year's external audit findings



Transnet had closed 80% of the FY2021/22 external audit findings as at 31 March 2023, as shown in Figure 1 above. Transnet, through its detailed audit action plans, continues to monitor the findings raised by the auditors as well as the remediation taken to address these findings.

To track the internal audit findings, Transnet through an accelerated development solution workshop that is held between Transnet Internal Audit (TIA), internal control heads and issue owners, discuss open findings in an endeavour to ensure timely and appropriate remediation of identified control gaps. Accordingly, TIA during the 2022/23FY, performed entity-level controls review and identified some areas of improvement which the company has already started resolving through the internal control unit.

Figure 2: Previous year's external audit findings



Transnet had closed 94% of the 2020/21FY external audit findings as at 31 March 2023, as shown in Figure 2 below. The rest of the findings should be closed by the end of 2023/24FY.

KEY ACHIEVEMENTS

Transnet aims to constantly manage risks and achieve business, quality, and strategic objectives. The Group Internal Control unit is now fully capacitated with, highly skilled and experienced team members who have vast SOE experience. Group Internal Control Steering Committee meetings have been resuscitated and are ongoing.

To improve the control environment, Transnet has put more focus on:

- Improving the controls over daily and monthly processing and reconciling transactions over the financial controls.
- TIA performing regular Financial Controls reviews to ensure that the relevant controls are being applied consistently at an operating divisions (ODs) level.
- A Finance Technical Committee meeting is held quarterly between Group Finance Reporting, Treasury, Tax department and all ODs.
- An audit risk register is compiled and monitored as part of the monthly technical meetings.

CONTROL PLAN SUSTAINABILITY

Some of the initiatives noted for implementation in the 2023/24 FY:

- Rolling out employee COSO training and its implementation to ensure a sustainable control environment is maintained.
- Ensuring all ODs perform control self-assessments by the end of the 2023/24 FY. A lot of work has gone into reviewing the status quo, updating control frameworks as well as upgrading and ensuring the internal control reporting tool is functional.

To address the matter around proper record keeping, Transnet has embarked on a document management solution which aims at developing a records management system that will take into consideration the legislation and regulation requirements for the retention of records.

We believe that the Company's strength, improvement, and growth will come through continuous effort, dedication, and determination by ensuring that the internal control environment attains sustainable and highest levels of maturity.

PFMA COMPLIANCE

Sections 51 and 55 of the PFMA impose certain obligations on the Company relating to the prevention, identification and reporting of fruitless and wasteful expenditure; irregular expenditure; expenditure that does not comply with operational policies; losses through criminal conduct; and the collection of all revenue. Irregular expenditure is defined as expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation. The scope is therefore very broad as it includes all transgressions of any statute or internal policy and procedure regardless of whether the breaches were deliberate or accidental, or they happened unknowingly or in good faith. The fact that value (an asset or service) was received for the expenditure incurred is not relevant, as the requirement is to report the related non-compliance. Irregular expenditure should be clearly distinguished from fruitless and wasteful expenditure.

Fruitless and wasteful expenses are defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised. Losses through criminal conduct include losses where Transnet employees were party to the criminal acts committed. Details of irregular expenditure, fruitless and wasteful expenditure, and losses through criminal conduct are presented in the pages that follow.

On 31 March 2022, National Treasury granted Transnet an exemption from the specified provisions of the PFMA and the National Treasury Instruction No 2 of 2019/2020. The exemption afforded Transnet an opportunity to deal with legacy challenges mainly in the SCM environment by focusing on the implementation of internal control measures that ensured accurate and complete reporting of irregular and fruitless and wasteful expenditure (IFWE). It has also allowed Transnet to report its IFWE in the Integrated Report (IR) instead of the Annual Financial Statements (AFS) effective from the financial years ended 31 March 2022 up to 31 March 2024.

Agreed Upon Procedures(AUPs):

In the 2021/22 FY Transnet and AGSA, with the support of the National Treasury, agreed that AUPs would be performed by the AGSA on the reportable items disclosed in the integrated report. In the current year PFMA reportable items were subjected to limited procedures agreed upon between Transnet and the AGSA in the prior year. The total PFMA reportable items disclosed in this integrated report were confirmed by the auditors and include audit adjustments from the compliance audit.

The PFMA reportable items disclosed in this integrated report were supposed to have been subjected to the agreed-upon procedures (AUP) by the Auditor-General of South Africa (AGSA) as they have done in 2021/22FY.

The AGSA in its 2021/22 FY audit report stated under:

"Other matters"

"...Exemption of Transnet from disclosing irregular, fruitless and wasteful expenditure in the annual financial statements... the Minister of Finance per section 92 of the PFMA granted exemption to Transnet from complying with [certain] sections of the PFMA for a period of three years ending 31 March 2024. The effect of this exemption is that irregular, fruitless and wasteful expenditure is no longer included as part of the annual financial statements...

In **"Other reports"** *"An agreed-upon procedures engagement was performed relating to an exemption granted by the Minister of Finance to Transnet which permits the disclosure of irregular, fruitless and wasteful expenditure in the integrated report. ..."*

During May 2023 AGSA indicated the change in approach of IFWE from AUP to a full audit of IFWE. Auditing standards [ISA 210:16] require where the terms of the audit engagement have been changed, the auditor and management shall agree on and record the new terms of the engagement in an engagement letter or a suitable form of written agreement. This was not done by the auditors.

This change did not consider the exemption conditions and would not have allowed Transnet time and space to implement additional controls as per the exemption requirements.

In accordance with 'other information' auditors assessed PFMA reportable item disclosed herein and confirmed alignment with the information disclosed. This information included compliance (SCM) audit adjustments which were subjected to assurance procedures in terms of the auditing standards. As Transnet is still exempted from disclosing IFWE in the AFS, PFMA does not require annual reports (Transnet's integrated report) to be audited and such audit could be viewed as defeating and defying the purpose of the exemption.

PFMA REPORTABLE ITEMS FOR THE YEAR ENDED 31 MARCH 2023

1. Irregular expenditure

(a) Details of current and previous year irregular expenditure (confirmed and under assessment)

	2023 R mil	2022 R mil
Irregular expenditure confirmed *	**2 268**	1 117
• Non-compliance to Basic Conditions of Employment Act	**109**	136
• Non-compliance to National Treasury requirements	**1 323**	620
• Non-compliance to the Preferential Procurement Policy Framework Act	**764**	355
• Other **(N1)**	**72**	6
Irregular expenditure under assessment **(N2)**	**953**	294
Total	**3 221**	1 411

* **FY2023** *IE confirmed includes* ***new IE of R556 mil*** *(FY2022: R1 117 mil, restated) due to repeat non-compliance with various SCM prescripts. This represents a* ***50,2% reduction*** *in new IE.*

N1: *Other matters include:*

- *Services rendered/ goods received (mainly during the KZN floods, in April 2022) prior going through procurement processes and issuing purchase orders;*
- *Services/ Goods procured through expired contracts; and*
- *Contraventions of other applicable legislation, which resulted in irregular expenditure.*

N2: *Most of the potential irregular expenditure is due to a purchase of generators by TNPA in terms of a single source confinement whose regularity is still under investigations by TIA. Confirmation of the regularity will be done once the issues raised by TIA have been finalised.*

Prior year adjustments

Movement in Comparative figures for Confirmed and under assessment IE

	Confirmed IE R mil	IE under assessment R mil	Total IE R mil
Comparative as previously reported	1 140	32	1 172
Changes due to further verifications	(23)	-	(23)
Transferred to Confirmed		(32)	(32)
Potential IE identified in current year		294	294
Restated comparative	1 117	294	1 411

Reconciliation of 'Opening balance' of Confirmed IE to the 'Closing balance' (amounts in R'm)

	R mil
Restated 'opening balance' of confirmed IE	1 117
New IE due to repeat non-compliance (identified by Transnet internal reviews)	556
Additional IE on multi-year contracts	595
Closing balance of Confirmed IE	2 268

(b) Details of current and previous year irregular expenditure (under determination and investigation)

	2023 R mil	2022 R mil
Irregular expenditure under determination	**1 422**	773
Irregular expenditure under investigation	**-**	-

Note: *There were no condonations, write-offs and recoveries of irregular expenditure that were processed in the current and previous financial years.*

(c) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

Disciplinary steps taken	2023 R mil	2022 R mil
Counselling	**-**	15
Training	**-**	1
Verbal warnings	**30**	62
Written warnings	**18**	4
In progress **(N3)**	**862**	259
Not started **(N4)**	**1 358**	776
Total	**2 268**	1 117

N3: *Cases in progress include cases where line management or the Employee Relations (ER) function is in the process of disciplining the employee(s) responsible.*

N4: *Cases that are not started relate to matters that ER has received from line management/PFMA champions but has not started with the disciplinary process as well as those matters in relation to which determination tests have not yet been concluded.*

2. Fruitless and Wasteful Expenditure

(a) Details of current and previous year fruitless and wasteful expenditure (confirmed and under assessment)

	2023 R mil	2022 R mil
Fruitless and wasteful expenditure confirmed	**16**	12
• Poor management oversight	**–**	4
• Redundant assets and stock	**10**	–
• Fines and penalties	**4**	2
• Other **(N5)**	**2**	6
Fruitless and wasteful expenditure under assessment	**9**	27
Total	**25**	39

N5: *The nature of these transactions relates to losses suffered due to certain inadequate internal controls in place.*

	Confirmed FWE	FWE under assessment	Total FWE
Comparative as previously reported	3	183	186
Changes (increases) due to further verifications	–	27	27
Transferred to Confirmed			
Potential IE identified in the current year	9	–	9
Potential FWE that did not materialise **(N6)**	–	(183)	(183)
Restated comparative	12	27	39

N6: *These items relate to matters that were previously identified as potential fruitless and wasteful expenditure but which upon further assessment were confirmed to not be meeting the definition of fruitless and wasteful expenditure.*

(b) Details of current and previous year fruitless and wasteful expenditure (under determination and investigation)

	2023 R mil	2022 R mil
Fruitless and wasteful expenditure under determination	**10**	3
Fruitless and wasteful expenditure under investigation	**–**	–

(c) Details of current and previous year disciplinary or criminal steps taken as a result of losses and fruitless and wasteful expenditure

Disciplinary steps taken	2023 R mil	2022 R mil
Written warnings	**5**	–
In progress	**4**	4
Not started	**7**	8
Total	**16**	12

Note: *There were no write-offs or recoveries of previously written off fruitless and wasteful expenditure.*

3. Details of material losses through criminal conduct

(a) Details of current and previous year Material Losses through criminal conduct

	2023 R mil	2022 R mil
Material losses through criminal conduct	**1**	5
Theft **(N7)**	**1**	5
Written off	**–**	–
Recovered	**–**	(1)
Total	**1**	4

N7: *Material losses through criminal conduct relates to criminal matters for which Transnet opened a case with the South African Police Service. These include, in the main, theft of heavy-duty copper cable.*

IMPLEMENTATION AND THE MONITORING OF THE PFMA REMEDIAL PLAN

The remedial plan contains the six critical work streams that were identified to sustainably address the PFMA transgressions and was enhanced to include an audit readiness plan and will continue to be enhanced in 2023/24 FY as the implementation progresses.

A notable progress was made in the 2022/23FY PFMA remedial plan when compared to the prior years. The 2022/23FY remedial plan was tabled at the October 2022 Audit Committee and continues to be monitored bi-weekly through the PFMA steering committee chaired jointly by the Group Chief Financial Officer (GCFO) and the Group Chief Procurement Officer (GCPO). Progress is reported monthly to the Group Executive Committee (EXCO) and quarterly through the audit committee. The work streams as per the Remedial Plan include:

1. **Supply chain governance**: Overhauling the internal control environment and improving the delegation of authority to ensure that delegations are at appropriate levels and are aligned to legislative requirements;
2. **Procurement Operations**: Optimising supply chain processes;
3. **Contract management**: Implementing effective standard operating procedures;
4. **People Management**: Continuous training of employees on PFMA requirements, revised supply chain internal control system as well as consequence management;
5. **Systems**: Automating supply chain management processes; and
6. **PFMA Reporting**: Improving reporting capabilities.

SUPPLY CHAIN MANAGEMENT STREAMS - GOVERNANCE, PROCUREMENT OPERATIONS, CONTRACT MANAGEMENT & AUTOMATING SCM PROCESSES

The Transnet Supply Chain Management (SCM) function has embarked on a journey of transformation, in a bid to achieve its strategic imperative of delivering sustainable value by building an **innovative** and **digitised SCM function**. The SCM transformation aims to enable customer-centricity, and providing a strategic advantage by increasing **efficiency** and **effectiveness**, in amongst others:

- standardised demand management;
- focused category management;
- improved supplier relationship management; and
- embedded contract management.

The SCM function is committed to delivering on its stakeholders' expectations in an efficient, predictable, and compliant manner, whilst enabling continued business growth and local transformation. In this endeavour, the function is geared towards playing a significant role in achieving Transnet's mandate of reducing the cost of logistics in South Africa (SA), whilst transforming the lives of ordinary South Africans through amongst others:

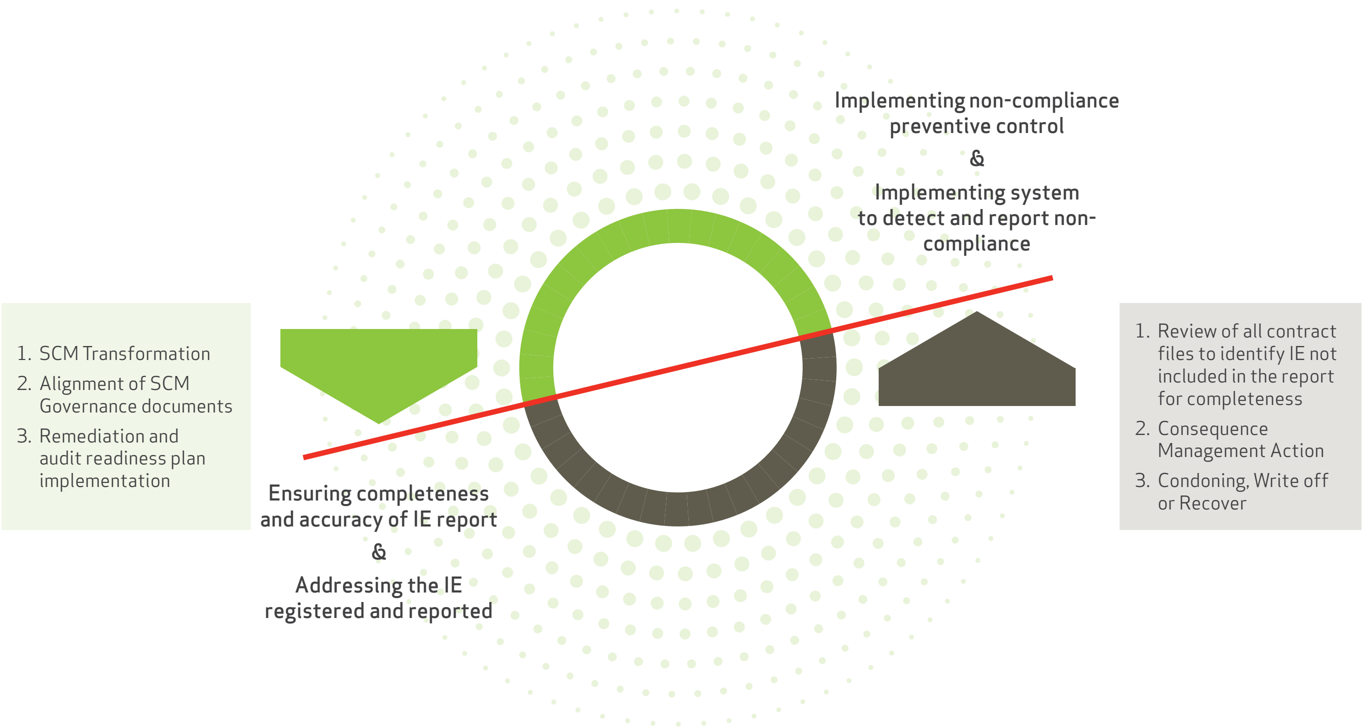
- Buying directly from original equipment manufacturers (OEMs), thereby eliminating non-value adding agents;
- Developing small medium and micro enterprise (SMME's) through the Enterprise and Supplier Development (ESD) Policy to be local agents of original equipment manufacturers (OEM's) or Original Parts Manufacturers (OPM's);
- Placing long-term enabling master service agreements for strategic commodities with value delivery objectives, including maintenance spares;
- Deploying category management to strategies across all strategic supply;
- Actively managing contracts to ensure that value for money is achieved; and
- Subscribing to and advocating for ethical procurement in our approach.

Some of the critical success factors of achieving this strategic imperative include creating an environment and atmosphere that supports significant change in SCM policy, operating model, governance, and systems, as well as quick implementation of initiatives designed to drive change. The exemption granted to Transnet by the National Treasury (NT) from disclosing the particulars required by section 55(2)(b)(i) (ii) and (iii) of the Public Finance Management Act (PFMA), in its annual financial statements (AFS) for a period of three years, starting from 2021/22FY to 2023/24 financial years, remains critical in initiating and implementing these key activities. Visible achievements have already been realised in the procurement space within a relatively short period of time.

In the short to medium term, there are real accomplishments that can be directly linked to several initiatives driven by Group procurement during the period of exemption. The main objectives of these initiatives are to ensure significant increase in efficiency within the control environment, reduction of audit findings, building internal capacity and capability, and ensuring that the benefits are sustainable beyond the exemption period, i.e., financial year 2025 and beyond.

Achievement of these objectives (through the above initiatives) has enabled the SCM function to pro-actively deal with deep-seated root-causes of audit findings for the current year and one year comparative (2021/22FY). This has allowed the organisation to not only focus on historical non-compliance issues which dated as far back as 2010/11 FY, but to also be innovative and holistic in its approach.
This approach led to strengthening of non-compliance preventative and detective controls as depicted in figure 3 below

Figure 3: Improving the SCM Control Environment



The diagram in figure 3 aims to demonstrate the balance achieved between initiatives implemented to address the historic IE (upward arrow) and implementing sustainable controls aimed at preventing and or detecting non-compliances in the supply chain environment on an ongoing basis.

Some of the key initiatives embarked on from the 2021/22FY to date to drive SCM Transformation and alignment of SCM Governance architecture include:

(a) SCM Governance: Alignment of the SCM Policy with public procurement prescripts

1	**SCM Policy & Other Supporting Documents**	• The **SCM Policy and Delegation of Authority has been comprehensively revised** to ensure ease of compliance, agility and to further enhance the control environment. • Procurement Manuals have been revised and aligned with these and other relevant policies.
2	**Transnet Preferential Procurement Policy**	• Transnet developed and implemented a **preferential procurement policy**, that purposefully drives Transformation through the advancement of B-BBEE, women owned companies, youth and people living with disabilities, local content and production, localisation and supplier development objectives in Transnet's procurement processes in accordance with the provisions of the law.
3	**Revised Bid Committee Structures**	• Strengthening of Bid Specification, Evaluation and Adjudication Committee system • Revision and strengthening of Bid Committees **Terms of References** and standardisation of reporting. • Procurement decision making strengthened through support of the relevant lines of defence assurance. • Training of bid committee members.
4	**SCM Complaints Procedure**	• SCM Complaints and Allegations Management Policy has been approved and under implementation. • This Policy, Procure and system will enable participants in Transnet's procurement process a platform to report any complaint and/or allegation of abuse of the Transnet SCM system. • It will also enable Transnet to deal with **complaints from aggrieved bidders in Transnet's procurement processes to enhance the transparency and integrity** of Transnet's procurement processes.
		3 LINES OF DEFENCE COMBINED ASSURANCE MODEL

In the 2021/22 FY the National Treasury (NT) issued PFMA Instruction Note 03 of 2021/22 FY, focusing on Enhancing Compliance, Transparency and Accountability in Supply Chain Management which had a direct impact on the procurement activities such as the manner in which procurement by other means and contract variations should be dealt with by organs of state, issuing of competitive bids, bid committee systems as well as reporting obligations to NT and AGSA within prescribed period after the finalisation of each transaction on procurement by other means and contract variation. Furthermore, the Preferential Procurement Regulations (PPR) of 2017 issued in terms of the Preferential Procurement Policy Framework Act (PPPFA) were declared invalid by the Constitutional Court. The National Treasury subsequently issued the PPR 2022, which brought significant changes in the public procurement space. As a result, Transnet was compelled to undertake the following activities to ensure it fully complies with these changes, whilst improving efficiency and effectiveness of its SCM function:

i. Revision of the Transnet SCM Policy;
ii. Development of a new Transnet Preferential Procurement Policy (TPPP);
iii. Revision of the Procurement Manuals;
iv. Updated all affected procurement templates; and
v. Training of relevant Transnet employees.

Transnet was able to comply with the majority of the new compliance requirements. However, there were certain provisions of the new SCM Instruction Note 03 of 2021/2022, i.e., Enhancing Compliance, Transparency and Accountability in Supply Chain Management such as the reporting to NT and AGSA within 14 days after the finalisation of each procurement by other means event, submission of monthly report to AGSA and NT on contract variations, not to invite price quotations or bids if no or insufficient provision is made in the budget amongst others proved to be impractical for Transnet to comply without compromising its business performance and/or serious negative impact on commercial viability. In response to this compliance challenge, Transnet wrote to NT requesting departures in terms of Section 79 of the PFMA, which provides that *"National Treasury may on good ground approve a departure from treasury regulation or instruction or any condition imposed in terms of this Act and must promptly inform the AGSA in writing when it does so"*. Transnet still awaits a response to its departure requests from NT.

(b) Automation of the Procurement Process

5	**E-tender Submission Platform**	• This is a system that focuses on the **electronic submission of tenders** by prospective bidders and forms part of the bigger programme to automate and transform Transnet's procurement processes. • It serves to ensure standardisation in the issue and receipt of bids and to enhance controls in the security of documents and procurement processes. It also guards against potential irregularities pertaining to the physical handling of tender submissions. • The submission platform has been **rolled out and implemented** across the organisation.
6	**Procurement Process Automation**	• This **long-term initiative** focuses on **digitally enabling the standardised procurement processes** across Transnet, improved procurement efficiency, **reduced legislative and internal policy non-compliance** and improved communication, collaboration, visibility, tracking and reporting of critical parameters. • Business rules will be embedded in the system to ensure controls are applied uniformly across all Operating Divisions. • **Document security will be ensured** by having all procurement documentation located in a secure system.
7	**Reverse Auctions**	• Transnet is pursuing the implementation of reverse auctions in procurement processes through a system, with bidders that have complied with mandatory and functional requirements. This will enable Transnet to implement a **more competitive bidding process to drive down costs.**
		MARKET ANALYSIS, PRICE BENCHMARKING & NEGOTIATION

Digitisation initiatives in the above table focuses on the end-to-end automation of the procurement value chain. The process aims to upgrade all outdated systems, procuring adequate PFMA reporting tools and ultimately digitisation of the control environment thus, improving PFMA controls. In the current year, focus was directed towards the continuous improvement of an **e-Tender system** that is designed for **issuing and receiving of tenders electronically**. The e-Tender system has been hailed as a gamechanger by automating the Transnet procurement process within the legislative framework. The system automates the issuing of Requests for proposals (RFPs) and the receipt of tender submissions across all the Operating divisions (OD's). Furthermore, in the procure to pay landscape, actions to achieve improvements through process automation in support to reduction of PFMA violations have been implemented.

Transnet has taken a staggered approach in implementing the digitisation program and prioritises automation of specific activities in the procurement value chain as the SCM transformation journey continues.

(c) Other key SCM initiatives

8	Demand Planning and Management	• Transnet is progressively **enhancing the quality of its Annual Procurement Plans** to ensure demand is managed more effectively. • Demand Planning is improving with a **link to the budgeting process**.
9	Supplier Relationship Management	• Supplier Relationship Management implementation commenced with **socialisation and training sessions which have been completed**. • **Commodity segmentation** has been completed. • **Supplier Engagement Plans and performance tracking & management** are in the process of being implemented.
10	Contract Management Policy & Framework	• Transnet revised its **Contract Management Policy**. • A **Contract Management Framework** has been **implemented**. • Stringent and effective Contract Management processes and controls are implemented and subjected to reviews to test effectiveness of controls.
11	Enterprise Supplier Development (ESD)	• Transnet has implemented an **ESD Policy to provide a framework** for all ESD initiatives at Transnet. • Transnet has entered into an agreement with a service provider to ensure **opportunities for local manufacturing capability** are identified and pursued. • Transnet has also entered into an agreement with the **National Empowerment Fund to provide financial and non-financial support as well as improve access** to Transnet opportunities for suppliers.

The diagram above provides a high-level status of implementation of these improvement initiatives, and the following activities were undertaken to build capacity:

i. Revising the SCM Competency Framework which aims to ensure a standardised approach to SCM skills in the organisation; specifically approved functional competencies and qualifications needed for SCM rules;

ii. Revising the integrated SCM Structure and filling critical vacant positions, which includes General Manager: Group SCM Governance, whose main responsibility is to lead SCM improvement initiatives that are aimed at ensuring compliance with SCM legislation and support in the creation of compliance culture within the SCM community; and

iii. Training of SCM officials, as well as bid committee members and end-user on Transnet SCM Policy, procedures and governance structure and processes.

Capacity constraints and behavioural issues were identified as one of the sources of several challenges in the procurement space that resulted in non-compliance across different areas. Therefore, it was imperative to ensure procurement stream is fully capacitated with officials that are highly skilled and that bring a good balance of private and public sector experience.

Consequence Management

Employee Relations (ER) and the Loss Control division collaborated on a PFMA consequence management and process improvements project which culminated in a company-wide PFMA online training initiative. This was further augmented by the development of a Standard Operating Procedure (SOP) and Sanctions Guideline manual to address PFMA violations and non-compliance with internal policies and procedures in a standardised manner.

Through this initiative, the aim was to ensure that:

- Mechanisms are in place to ensure employees are adequately capacitated
- Employees are continuously trained and are made aware of the requisite processes.
- Standardised procedures are in place which will serve as directions for Line Managers in respect of addressing consequence management in PFMA related cases.
- Governance is strengthened and mandatory processes are clearly set out.
- All employees comply with the Transnet Disciplinary Codes and Procedures.

In this regard substantial progress was made in respect of the PFMA dashboard which will assist in aligning consequence management to the ER processes.

PFMA REPORTING STREAM

In the pre-exemption past, Transnet had been getting a qualified opinion based on the lack of Completeness of the disclosure of irregular expenditure. Upon receiving the exemption, Transnet embarked on the following initiatives to improve the reporting of irregular and fruitless and wasteful expenditure (IFWE):

i. Monthly reviews of IFWE were performed by the Operating Divisions and further verification and consolidation of IFWE were performed by the Group Loss Control unit;

ii. Use of data analytics tools to analyse expenditure for selection and testing of same to identify any irregularities;

iii. Monthly reviews and reconciliation of FY2021/2022 confirmed and potential IFWE to ensure that the opening balances are updated for accuracy and completeness;

iv. A PFMA Directive (SOP for the PFMA Compliance and Reporting Framework) was issued to all ODs to standardise monthly identification, reporting and monitoring of IFWE;

v. Reviews of quarterly reports on IFWE and assured by Transnet Internal Audit before submission to the NT as per the requirements of the exemption conditions; and

vi. Bi-monthly monitoring of the implementation of the PFMA remedial plan by the Group Chief Financial Officer and the Group Chief Procurement Officer through the PFMA steering Committee meetings where OD CFOs and CPOs provide updates on the implementation of the remedial plan in the respective ODs.

The above initiatives have assisted Transnet to ensure that there were no material findings on the completeness of the disclosure of IFWE in the integrated report.

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

KING IV. P8

"We stand firm in our quest to not only recover, but to reinvent Transnet. We are at a juncture where resilience and reinvention are fundamental for the future success of the Company."

Ms Nonkululeko Dlamini

INTRODUCTION

Transnet navigated an extremely difficult operating environment in the 2022/23 reporting period, as the numbers demonstrate. The challenges, most evident in our largest operating division – Transnet Freight Rail (TFR) – mean the Company reported rather sluggish results as at 31 March 2023. The marginal increase in Revenue of 0,6% to R68,9 billion year-on-year, was dampened by a 2,0% increase in operational costs. However, this cost increase must be within the context of a high inflationary economic environment. Consequently, the EBITDA is 2,1% down to R23,0 billion and a loss for the year of R5,7 billion.

Rail volumes dropped by 13,6% as a combination of reduced locomotive availability, crippling cable theft and backlogs in infrastructure maintenance took its toll. Container volumes meanwhile, experienced a 2,3% decline. Encouragingly, other parts of the business performed relatively well, with automotive and break-bulk volumes improving significantly by +21,0% and petroleum volumes increasing by 1,0% when compared to the prior reporting year. Despite the challenges, the financial perspective of the business yielded some notable strides including:

(i) an unmodified audit opinion for the second consecutive year;
(ii) a successful issuance of USD 1 billion Global Medium-Term funding;
(iii) improved gearing percentage;
(iv) reduced irregular expenditur; and
(v) a revised rating from Moody's and affirmation from S&P of a BB-rating.

The USD1 billion five-year bond that was issued was the first international bond issuance in over a decade and it was oversubscribed on the international market by 2,9 times.

The Group invested R13,9 billion in capital expenditure for the reporting year. Capital investment for the year comprised of R1,0 billion (2022: R1,9 billion) invested in the expansion of infrastructure, equipment and R12,9 billion (2022: R11,3 billion) invested to maintain capacity in the rail, pipelines and ports divisions.

Looking ahead, the Company remains focused on improving performance and committed to navigating the current operational challenges.

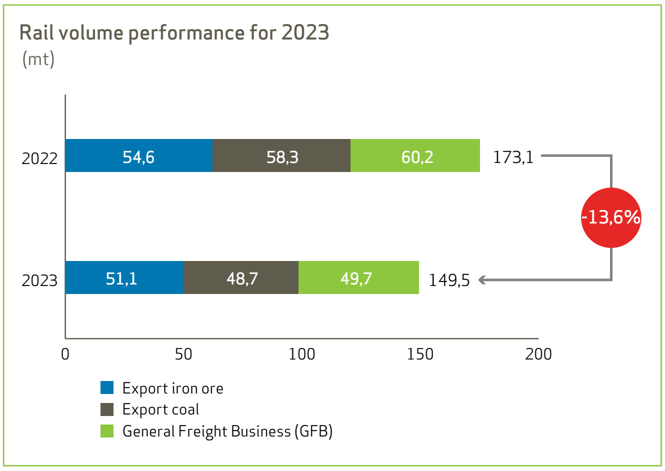
OPERATING DIVISION FINANCIAL PERFORMANCE OVERVIEW

Transnet Freight Rail (Freight Rail)

Revenue decreased by 7,9% from R37,8 billion to R34,8 billion. The average Rand/ton increased from R211,35 in the prior year to R228,64 in the current year. Total tonnages railed were 149,5 mt, a 13,6% decline from the 173,1mt tonnages railed in the prior year due to operational challenges including locomotive availability challenges. Other operational challenges included the floods in KZN, Eskom power supply disruptions, the industrial strike in October 2022 and acts of vandalism and cable theft . Freight Rail is working on the implementation of sustainable solutions to address these persistent issues.

Despite efforts to contain costs through austerity measures implemented during the year, operating costs increased by 5,9% to R28,1 billion (2022: R26,5 billion). Staff costs decreased by 9,2% to R12,4 billion (2022: R13,6 billion), due to the impact of the voluntary severance package process implemented in the prior year. Energy costs increased by 2,3% to R6,0 billion (2022: R5,9 billion), resulting from higher diesel prices, partially offset by the decrease in electricity costs in line with power outages and load shedding. Other operating expenses increased due to the clean-up costs relating to the floods in KZN.

This resulted in EBITDA declining by 40,5% to R6,7 billion (2022: R11,3 billion).



Transnet Engineering (Engineering)

Revenue decreased by 9,6% to R8,0 billion (2022: R8,9 billion) due mainly to reduced volumes from its main customer, Freight Rail. External revenue also decreased from R459 million to R210 million due to decreased demand from potential customers in a constrained global economic environment affecting both cross border and domestic external revenue.

Net operating expenses decreased by 3,4% to R 10,0 billion (2022: R10,4 billion) in line with lower activity and in spite of inflation.

Despite all efforts in containing net operating expenses, Transnet Engineering incurred an EBITDA loss of R2,0 billion (2022: R1,5 billion loss) a 33,8% increase from the prior year.

Transnet National Ports Authority (National Ports Authority)

Revenue increased by 6,7% to R13,4 billion (2022: R12,5 billion), due to improved cargo dues and real estate revenue streams.

Net operating expenses rose by 16,8% to R5,9 billion (2022: R5,0 billion) due to increased fuel, maintenance and other overhead costs.

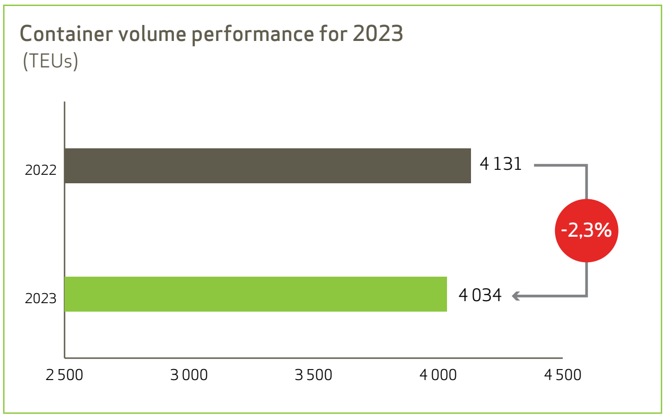
EBITDA therefore declined slightly to R7 512 million from R7 514 million in the prior year.

Transnet Port Terminals (Port Terminals)

Revenue increased by 15,8% to R16,8 billion (2022: 14,5 billion). The positive revenue performance was largely driven by strong volumes in the break-bulk and automotive sectors due to a slow but steady economic recovery to pre-COVID-19 levels. Container volumes however recorded a 2,3% decline to 4 034 million TEUs (2022: 4 131 million TEUs).

Net operating expenses increased by 5,9% to R10,9 billion (2022: R10,3 billion). This increase is attributable to higher fuel costs, higher repairs and maintenance costs in line with equipment age and other overhead costs. There were savings achieved in personnel costs due to a reduction in employee numbers and voluntary severance package (VSP) payments made in the 2022 financial year.

The resultant impact on Port Terminals' EBITDA is an increase of 40,1% to R5,9 billion (2022: R4,2 billion).

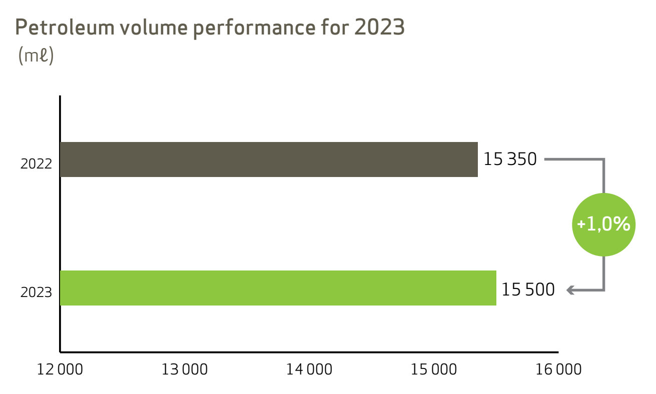


Transnet Pipelines (Pipelines)

Revenue increased by 9,8% to R5,8 billion (2022: R5,3 billion). The total petroleum volumes transported increased by 1,0% to 15,5 billion litres (2022: 15,35 billion litres) which evidences a stabilisation in the market, post the COVID-19 disruption.

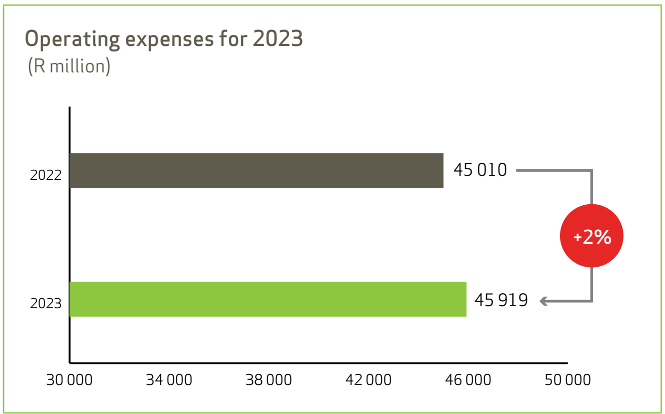
Net operating expenses decreased by 40,1% to R0,9 billion (2022: R1,6 billion). The decrease is largely due to an environmental provision reversal of R882 million (2022: R402 million reversal) as a result of its reassessment per the approved risk-based methodology.

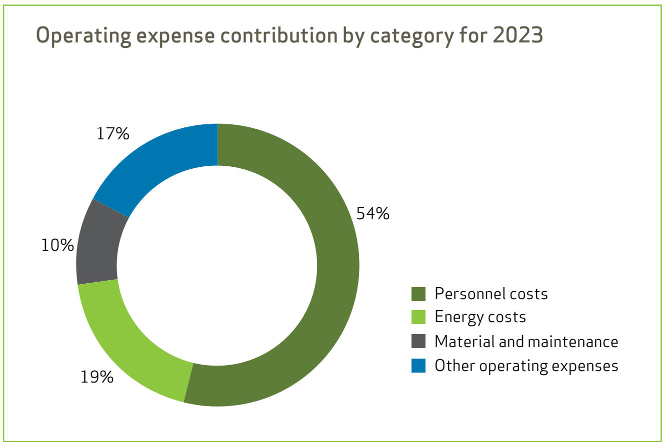
Consequently, EBITDA increased by 30,8% to R4,9 billion (2022: R3,7 billion).



Net operating expenses

A marginal increase of 2,0% for net operating expenses is due to the increased energy costs. Transnet has had to also increase its security costs due to the ongoing acts of infrastructure damage, fuel theft and other criminal activities that have had and continue to have adverse consequences on operational efficiency and ultimately, profitability. The VSP uptake has led to a 4% reduction in the personnel costs to net operating expense ratio which is currently 54% (2022: 58%). Transnet will continue to implement cost-reduction initiatives throughout the business without compromising any of its operations.





EBITDA

EBITDA has declined by 2,1% to R23,0 billion (2022: R23,5 billion). The 2,1% increase in net operating expenses has offset the 0,6% gain in revenue. This has caused a slight erosion to the current year's EBITDA margin which is 33,3% compared to 34,3% in the prior year.

Depreciation and amortisation

In line with the increase in capital expenditure and the revaluation gains recognised, the depreciation and amortisation charge has seen a 8,4% escalation from the prior year. Assets are depreciated on the cost and revalued carrying amounts, per the accounting policy.

There has been significant increase in the impairment of non-financial assets due to devaluation of some of the rolling stock and rail network infrastructure.

Fair value adjustments

The fair value gains recognised are primarily attributable to investment property and derivative financial instruments. The valuation of Transnet's investment properties at 31 March 2023 was carried out by independent external valuers, and conforms to the Property Valuers Profession Act, No. 47 of 2000. A full valuation was performed on one third of the investment property portfolio and a desktop valuation was undertaken on the remainder of the property portfolio.

The fair value was derived by capitalising the normalised net annual income at market derived capitalisation rates, which are adjusted where appropriate, to reflect the risk profile of each individual property. The capitalisation rate is calculated by dividing the net annual return from rental by the purchase price or market value of a property. The significant unobservable inputs applied are the capitalisation rates which range from 8,5% – 13,0% and the net rental/m^2 which ranges from R5,00 – R25,00/m^2 for normal land and R25,00 – R150,00/m^2 for specialised land at the ports, and from R25,00 – R50,00 for improvements depending on the area and location. The fair value of investment property is sensitive to the capitalisation rates, which is a measure of the perceived risk associated with the stability of the income stream produced by the property. The higher the capitalisation rate, the higher the perceived risk and the lower the fair value; and conversely lower capitalisation rate.

Factors that affect the capitalisation rates include the expected return on the property, the income growth rate, lease duration, property type, location, and the replacement cost of the property, among others. However due to the increased cost of borrowing, the property sector has suffered a decrease in demand which has led to a lower fair value gain recognised as compared to the year ended 31 March 2022.

Net Finance Costs

In line with the numerous increases in the repo rate and credit rating downgrade, net finance costs have increased by 13,7% from R10,6 billion in 2022 to R12,0 billion in the current year. This was expected, based on the current economic climate that is plagued by high rates of inflation.

It is important to note that Transnet still retains its lender confidence as the Company has worked tirelessly to improve its liquidity. This is in line with the recommendations of the S&P and Moody's that had flagged liquidity issues that have and may continue to affect the group. The increase in finance costs has been offset by the 47,6% increase in finance income. The Board approved a targeted range of fixed interest rates that may be managed to enable management to utilise interest rate yields thus, none of the floating rate foreign liabilities were swopped for a fixed interest rate.

Taxation

The income statement tax credit of R 1,6 billion (2022: R441 million tax charge) is primarily due to the net loss before tax of R7,3 billion in the current year. The deferred tax charge has increased mainly due to the revaluation gains recognised in the financial year which was offset by an increased deferred tax asset primarily attributable to the estimated tax loss. The effective tax rate for the group is 22,5% (2022: 8,0%).

Net loss movement from March 2022 to March 2023

The group has reported a net loss of R5,7 billion as compared to the net profit after tax of R5,0 billion in 2022. The 0,6% increase in revenue for the year was offset by increases in expenditure. Aside from this, the theft of fuel and destruction of rail infrastructure has necessitated more stringent security measures. This naturally comes at a cost. In the prior year, the group had reported a significant increase in the fair value of investment properties as these properties were historically undervalued.

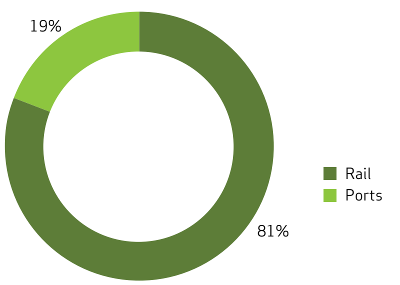
Transnet will continue to seek to minimise costs and maximise revenues to the extent that its operational performance is not compromised. The continued support and co-operation from our customers and other stakeholders will continue to be held in high regard as we navigate through this treacherous global and local economic environment.

Capital expenditure

The group plays an essential role in supporting the South Africa's economic growth by facilitating imports and exports which constitute the trade inflows and outflows of the country by key global businesses through its operating divisions (ODs). Ongoing capital investment is necessary to maintain and expand the asset base.

R13,9 billion (2022: R13,2 billion) in capital expenditure for the year comprised of R1,0 billion (2022: R1,9 billion) invested between the expansion of infrastructure and equipment and the remaining R12,9 billion (2022: R11,3 billion) invested to maintain capacity in the rail, pipelines and ports divisions.

Capital investment by operating segment



Transnet has a budget of R122,7 billion intended to be spent on capital expenditure over the next five years. The capital investment will be funded by a combination of the following:

- Operational cash inflows;
- Balance sheet liabilities; and
- Private sector partnerships.

The group capital investment plan is primarily focussed on sustaining the existing asset base as opposed to expanding it. This is in accordance with the increasing need to repair and maintain the rail network, rolling stock, port infrastructure and properties. Accordingly, R99,5 billion will be spent on sustaining capital and R23,5 billion spent on investing in capital over the next five years.

Transnet has been overwhelmed by the positive response of the market in seeking the partnership of the private sector in some of the projects that will ease the strain on the group balance sheet.

Some of these projects include the following:

- Ngqura Manganese Export Terminal;
- LNG Terminal in Richards Bay;
- Project Ukuvuselela;
- Boegoebaai port;
- Bulk Chrome Terminal; and
- Leasing company for rolling stock.

Funding perspective

As at 31 March 2023, the group's total borrowings amounted to R130,1 billion (2022: R128,8 billion), an increase of R1,3 billion compared to the prior year. The increase is due to adverse foreign exchange movements that have been offset by increased derivative financial assets as the foreign loans are fully hedged. Transnet has successfully issued a USD1 billion five-year bond at a coupon of 8,5%, under the GMTN programme, in its first international bond issue in over a decade. This has contributed to the increase in total borrowings from R128,8 billion to R130,1 billion.

The Funding Plans of Transnet were challenged given the global geopolitical developments, currency volatility, higher inflation and increasing interest rates. This resulted in investor risk aversion and reduced funding activity.

Transnet has issued 5 837 000 000 ordinary shares for R1 each to its only equity shareholder, the South African government. The cash injection will be utilised in the funding of the group's capital investment locomotives restoration programmes.

The group continues to be cash generative and well positioned to service its debt obligations. The gearing level improved to 43,6% (2022: 45,5%), mainly due to a combination of equity injection, cash preservation initiatives and asset revaluation adjustments implemented during the year. The current year's gearing is well within debt covenant requirements. However, the cash interest cover (CIC) has declined to 2,1 times. Debt covenants in some of the loan agreements require that the CIC be 2,5 times and above.

In April 2023, Transnet submitted waiver requests to impacted lenders requesting that they waive their contractual rights as triggered by the event of default. All the required waivers from affected lenders relating to the CIC loan covenant breach have been received.

The gearing level is expected to remain within the target over the medium term. An important aspect of Transnet's Funding Strategy is to enter into longer-term funding agreements to match the tenor of the funding with the useful lives of its asset base. The group has continued with the implementation of cash preservation measures to safeguard financial performance and cash flows over and above the plan. To be able to do so, capital expenditure is limited to 80% of the cash available to the group.

Credit ratings

On 6 February 2023 Moody's revised the outlook on Transnet's ratings to stable from negative. The Corporate Family Ratings (long-term local and foreign currency) of Ba3, the National Scale Rating (NSR) senior unsecured MTN programme of A2.za, NSR short-term rating of P-1.za and the Baseline Credit Assessment of b2 were all affirmed at current levels.

This change in the ratings outlook was informed by the successful issuance of USD 1 billion in the highly liquid international markets and access thereof given the absence of Transnet as an issuer in over a decade.

Going concern assessment

Management performed a going concern assessment as at 31 March 2023. The assessment included a review of the financial performance and projections, current economic factors, funding considerations, solvency and liquidity considerations, counterparty risk, contingent liabilities, and post balance sheet events. Despite the devastating impact of load shedding on the group's operations, coupled with the theft of fuel, continuous acts of vandalism and damage to infrastructure, Transnet is satisfied that it will remain a going concern for the foreseeable future. Additional measures have been put in place to mitigate the impact of the events above on the group's financial position and performance in the short-term.

PFMA COMPLIANCE

Key focus on the exemption and its benefits

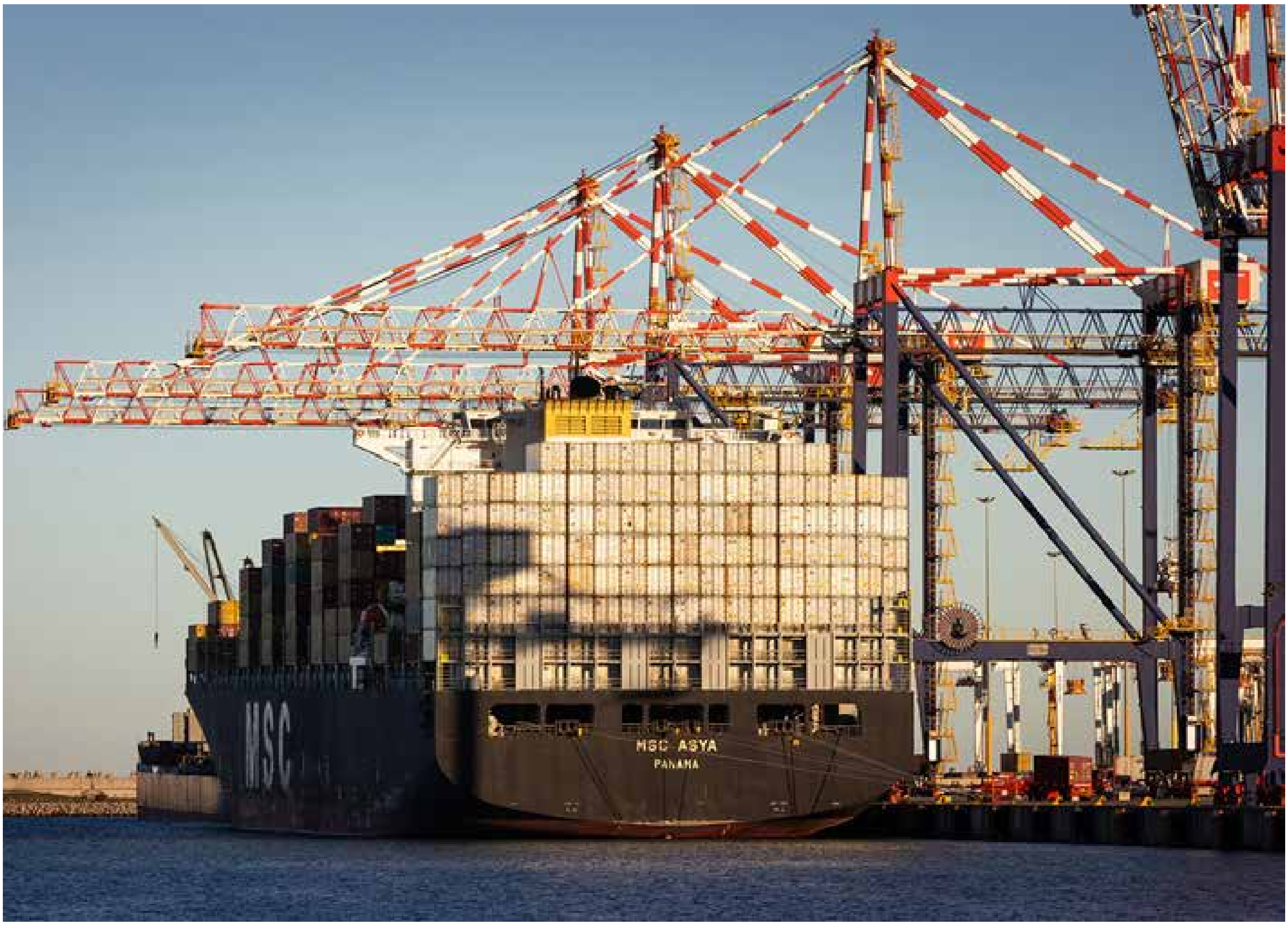
National Treasury granted Transnet an exemption from complying with section 55(2)(b)(i)(ii) and (iii) of the PFMA on 31 March 2022. The exemption is applicable for three financial years starting in 2021/22FY and ending 2023/24FY.

The exemption has enabled Transnet to disclose PFMA non-compliance in the integrated report. It further required the disclosure of potential and confirmed, current as well as one year prior's comparative amounts for irregular, fruitless and wasteful expenditure (IFWE) for the duration of the exemption.

Some of the key benefits of the exemption to note include:

(i) Allowing Transnet time and space to design and implement effective controls to identity, measure, and report on IFWE.
(ii) Providing the Supply Chain Management (SCM) Team time to focus mainly on building the SCM internal control environment and strengthening the controls.
(iii) Enabling the entity to pro-actively deal with the deep-seated root-causes of repeat adverse audit findings.
(iv) Removing focus from the historical irregular expenditure that may date as far back as 2011 financial year.

As such, the exemption has allowed Transnet to embark on game-changing initiatives. The majority of these initiatives will be implemented within the remainder of the exemption period as well as for testing of effectiveness of these initiatives and related controls– all of which are critical to the achievement of our strategic goals.



The details of the PFMA compliance environment and improvements made are included in the compliance section of this report.

Enhancing Transnet's control environment

Transnet disclosed R2 284 million of PFMA reportable items in its 2023 year AFS, which included R2 268 million of irregular expenditure and R16 million of fruitless and wasteful expenditure. These amounts were inclusive of prior year's restated opening balances.

> "I wish to thank the National Treasury for granting Transnet the three-year PFMA exemption, thereby affording Transnet the opportunity to address our legacy challenges. As part of our long-term initiatives, the procurement environment is undergoing a significant reform and transformation that will enable improved PFMA compliance going forward."

APPRECIATION

My gratitude is extended to our lenders, investors, and stakeholders for their enduring confidence in Transnet's future. I am especially grateful to our shareholder ministry (the Department of Public Enterprises) and the National Treasury for their continued support in the Company.

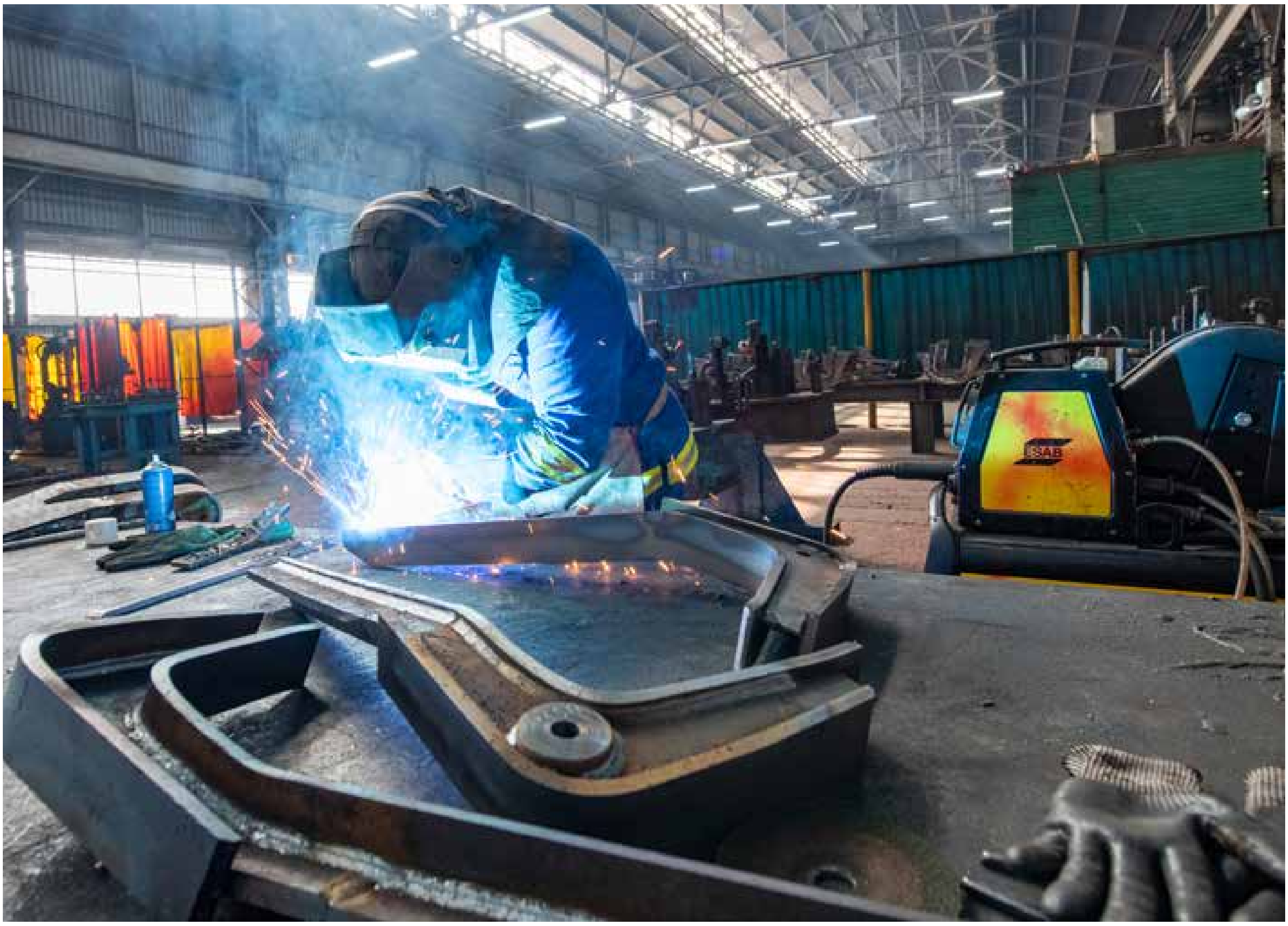
The support of our stakeholders remains integral to our success, and that Transnet remains steadfast in its commitment to accountability, ethical leadership, and responsible corporate citizenship.

AUDIT OPINION

The Auditor-General of South Africa, the Company's independent statutory external auditor, has expressed an unmodified audit opinion on the annual financial statements for the year ended 31 March 2023.

Outlook

Transnet endeavours to maintain and improve its operational and financial sustainability for the foreseeable future. In order to accomplish this, our operational strategy is continuously reviewed and amended to align with our medium to long-term strategic goals. The Reinvention Strategy is the latest initiative that seeks to reposition Transnet as an efficient and reliable logistics partner within the sector. Transnet continues to be customer-focussed and



seeks to continue its favourable long-standing relationships with its customers and trade partners by decentralising operations and working towards crafting a more segmented approach driven by revenue streams, by offering to collaborate with the private sector through the private sector participation (PSP) initiative.

In the short to medium term, Transnet seeks to:

- Regain profitability;
- Continue to improve liquidity through cash preservation and enhanced revenue collection measures;
- Improve performance in the key financial ratios;
- Maintain investment priorities closely aligned with Government's infrastructure programme;
- Leverage private sector capital and other resources to revitalise and grow our port and rail logistics solutions to strengthen our value proposition to other potential partners and investors;
- Invest in more efficient logistics solutions to grow our mining and industrial commodity;
- Closely monitor debt levels without exposing the group to liquidity and solvency risks;
- Maintain an optimal level of working capital;
- Sustain financial returns and to broaden socio-economic value;
- Ensure regulatory compliance, accountable business practices, ethical leadership, and responsible corporate citizenship in accordance with the King IV principles and recommendations; and
- Continue to detect and prevent PFMA violations due to irregular, fruitless and wasteful expenditure by strengthening our internal control environment.

It has become imperative that the group implements innovative methods of conducting business to be able to regain profitability in the next financial year and to retain a profitable status over the long term. Transnet is an active participant in the economic growth of the country and its long-term success is vital to the economy of South Africa to aid economic growth per the Shareholder's Compact that is reviewed and renewed during each financial year.

N. S. Dlamini

Ms Nonkululeko Dlamini
Chief Financial Officer

OPERATING DIVISIONS' REVIEW

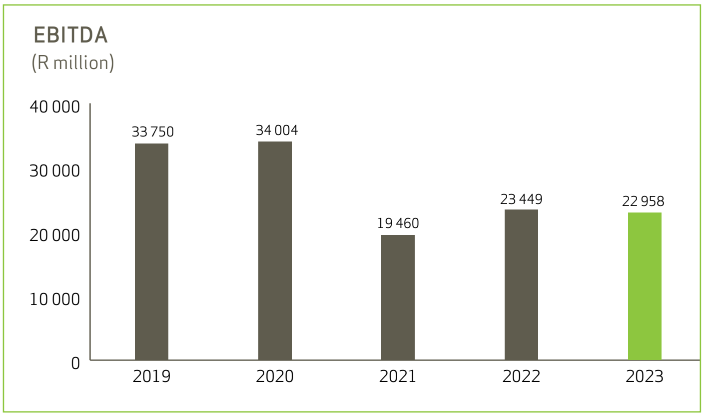
Division	Year	Revenue (R million)	EBITDA (R million)	Operational expenditure (R million)	ROTA/ROIC (%)	Capex (R million)
Freight Rail	2022	37 812	11 298	26 514	1,0	10 037
	2023	○ ↓ **34 810**	○ ↓ **6 722**	↓ **28 088**	○ ↓ **(2,5)**	↑ **11 288**
Engineering	2022	8 901	(1 497)	10 398	(14,0)	99
	2023	○ ↓ **8 045**	○ ↓ **(2 003)**	↑ **10 048**	○ ↓ **(14,3)**	↓ **11**
National Ports Authority	2022	12 548	7 514	5 034	5,4	1 185
	2023	🎯 ↑ **13 392**	🎯 ↓ **7 512**	↓ **5 880**	○ ↓ **5,2**	↑ **1 551**
Port Terminals	2022	14 535	4 206	10 329	11	1 548
	2023	🎯 ↑ **16 826**	🎯 ↑ **5 892**	↓ **10 934**	🎯 ↑ **18**	↓ **1 037**
Pipelines	2022	5 283	3 719	1 564	6,8	330
	2023	🎯 ↑ **5 800**	🎯 ↑ **4 863**	↑ **937**	🎯 ↑ **9,9**	↓ **32**
Property	2022	937	(825)	825	3,8	70
	2023	○ ↑ **2 242**	○ ↓ **(302)**	↓ **2 544**	○ ↓ **(2,2)**	↑ **92**

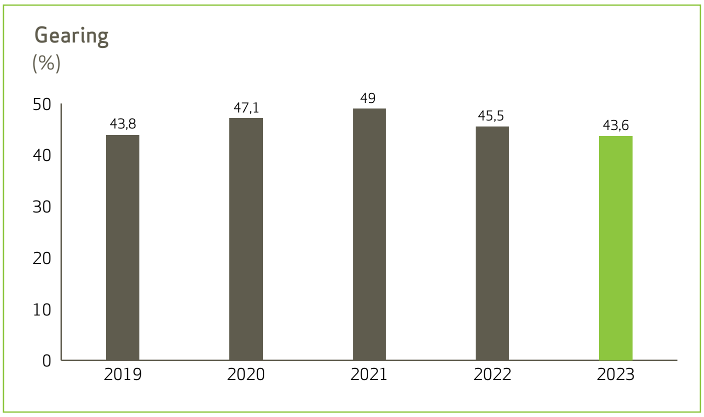
KING IV. P15

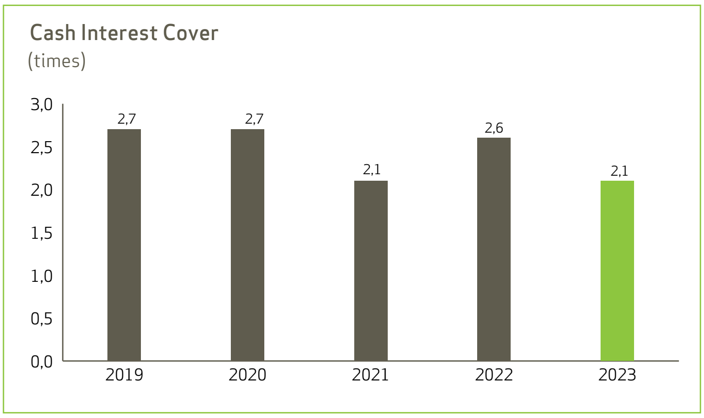
Performance key

- ↑ Improvement on prior year performance
- ↓ Decline compared to prior year performance
- 🎯 Target achieved
- = Equivalent performance to prior year
- ○ Target not achieved

FIVE-YEAR REVIEW: KEY PERFORMANCE INDICATORS







INCOME STATEMENTS

for the year ended 31 March 2023

	GROUP 2023 R million	GROUP 2022 R million
Revenue	68 877	68 459
Net operating expenses excluding depreciation, derecognition and amortisation	(45 919)	(45 010)
Profit from operations before depreciation, derecognition, amortisation and items listed below	22 958	23 449
Depreciation, derecognition and amortisation	(16 098)	(14 847)
Profit from operations before the items listed below	6 860	8 602
Reversal of impairment/(impairment) of financial assets	885	(415)
Impairment and devaluation of non-financial assets	(4 492)	(2 119)
Dividends received	–	–
Post-retirement benefit obligation expense	(157)	(190)
Fair value adjustments	1 566	10 175
Income/(loss) from associates and joint ventures	14	(6)
Profit from operations before net finance costs	4 676	16 047
Finance costs	(12 187)	(10 684)
Finance income	186	126
(Loss)/profit before tax	(7 325)	5 489
Tax	1 649	(441)
(Loss)/profit for the year	(5 676)	5 048

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2023

	GROUP 2023 R million	GROUP 2022 R million
(Loss)/profit for the year	(5 676)	5 048
Other comprehensive income		
Net items that will not be reclassified subsequently to profit or loss	3 386	10 916
Items that will not be reclassified subsequently to profit or loss	4 521	13 715
– Profit on revaluation	4 508	13 632
– Actuarial gain on post-retirement benefit obligations	13	83
Tax relating to components that will not be reclassified subsequently to profit or loss*	(1 135)	(2 799)
Net items that may be reclassified subsequently to profit or loss	396	(7)
Items that may be reclassified subsequently to profit or loss	544	3
– Profit/(loss) on cash flow hedges	537	(5)
– Gain on revaluation	7	8
Tax relating to components that may be reclassified subsequently to profit or loss	(148)	(10)
Other comprehensive income for the year, net of tax	3 782	10 909
Total comprehensive income for the year	(1 894)	15 957

HEADLINE EARNINGS

for the year ended 31 March 2023

	GROUP	
	2023 R million	2022 R million
(Loss)/profit for the year attributable to equity holder	(5 676)	5 048
Loss on disposal of property, plant and equipment	82	137
Loss on disposal of intangible assets	4	–
Fair value adjustments on investment properties	(1 054)	(9 814)
Impairment of non-financial assets	4 492	2 119
Headline earnings before tax effects	(2 152)	(2 510)
Tax Effects		
Loss on disposal of property, plant and equipment	(22)	(37)
Loss on disposal of intangible assets	(1)	–
Fair value adjustments on investment properties	228	2 120
Impairment of non-financial assets	(1 206)	(572)
Headline earnings	(3 153)	(999)

CONDENSED STATEMENT OF FINANCIAL POSITION

at 31 March 2023

	GROUP	
	2023 R million	2022 R million
Non-current assets	336 912	332 636
Current assets	27 142	22 882
Total assets	364 054	355 518
Capital and reserves	147 721	143 778
Non-current liabilities	137 927	152 951
Current liabilities	78 406	58 789
Total equity and liabilities	364 054	355 518

SEGMENT INFORMATION for the year ended 31 March 2023

	Freight Rail		Engineering		National Ports Authority	
	31 March 2023 R million	31 March 2022 R million	31 March 2023 R million	31 March 2022 R million	31 March 2023 R million	31 March 2022 R million
External revenue	34 284	37 093	210	459	11 033	10 288
Internal revenue	526	719	7 835	8 442	2 359	2 260
Total revenue	34 810	37 812	8 045	8 901	13 392	12 548
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	6 722	11 298	(2 003)	(1 497)	7 512	7 514
Total assets	173 380	174 770	16 437	17 939	101 761	97 276
Total liabilities	133 211	124 901	15 431	15 444	25 935	26 978
Capital expenditure	11 288	10 037	11	99	1 551	1 185
Cash generated from operations after working capital changes	12 479	14 690	(3 942)	(2 125)	6 687	9 399
EBITDA Margin (%)	19,3%	29,9%	(24,9%)	(16,8%)	56,1%	59,9%
Number of employees	22 995	23 465	8 126	8 442	3 911	3 883

STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	GROUP	
	2023 R million	2022 R million
Cash flows from operating activities	22 196	17 534
Cash generated from operations	21 816	25 601
Changes in working capital	3 535	3 457
Cash generated from operations after working capital changes	25 351	29 058
Finance costs	(10 963)	(9 980)
Finance income	186	126
Tax paid	–	(13)
Settlement of post-retirement benefit obligations	(122)	(120)
Derivatives settled and raised	7 744	(1 537)
Cash flows utilised in investing activities	(15 705)	(13 115)
Investment to maintain operations	(13 536)	(10 096)
Investment to expand operations	(2 169)	(3 019)
Cash flows from/(utilised in) financing activities	3 113	(1 651)
Borrowings raised	50 273	18 411
Borrowings repaid	(52 997)	(20 062)
Ordinary share issuance	5 837	
Net increase in cash and cash equivalents	9 604	2 768
Cash and cash equivalents at the beginning of the year	3 936	1 168
Total cash and cash equivalents at the end of the year	13 540	3 936

Port Terminals		Pipelines		Total for reportable segments		All other Segments		Total	
31 March 2023 R million	31 March 2022 R million	**31 March 2023 R million**	31 March 2022 R million	**31 March 2023 R million**	31 March 2022 R million	**31 March 2023 R million**	31 March 2022 R million	**31 March 2023 R million**	31 March 2022 R million
16 826	14 535	5 795	5 278	68 148	67 653	729	806	68 877	68 459
–	–	5	5	10 725	11 426	4 964	212	–	–
16 826	14 535	5 800	5 283	78 873	79 079	5 693	1 018	68 877	68 459
5 892	4 206	4 863	3 719	22 986	25 240	(28)	(1 791)	22 958	23 449
29 939	24 175	42 090	41 551	367 897	355 711	17 323	16 077	368 017	355 211
7 655	5 845	17 527	19 778	200 916	192 946	29 594	30 962	217 491	211 740
1 037	1 548	32	330	13 919	13 199	(48)	41	13 871	13 240
6 212	5 301	3 773	3 886	25 209	31 151	142	(2 093)	25 351	29 058
35,0%	28,9%	83,8%	70,4%	29,1%	31,9%	n/a	n/a	33,3%	34,3%
7 690	7 596	648	612	43 370	43 998	2 267	2 088	45 637	46 086

REINVENT
FOR GROWTH

OUR APPROACH TO ESG

SUSTAINABLE DEVELOPMENT

Our approach to sustainable development is a holistic one. As such, this section of the report must be viewed together with the Governance section. Supporting sustainable growth across Transnet, the communities that we serve and impact, and the South African economy, ranks highly on our radar. We strive to uphold the highest standards of governance and to be an environmentally and socially responsible corporate citizen.

OUR APPROACH TO ESG

At Transnet, our forward-thinking approach to ESG matters is underpinned by our commitment to creating value for our stakeholders. Our pursuit of financial success is tempered with responsible governance and unwavering dedication to environmental stewardship, as well as the proactive enrichment of our stakeholders' welfare. We have shaped this ethos into nine sustainable development outcomes (SDO), which serve as guiding principles in our pursuit of sustainable economic, environmental, and societal value creation. These SDOs also align seamlessly with South Africa's NDP and the United Nations' Sustainable Development Goals (SDGs). We use these strategic markers to assess our performance, track our progress, and to propel the Company towards our aspirational targets.

Our sustainable development outcomes	Link to SDGs	Value created
Employment by creating measurable direct, indirect, or induced employment	5 Gender Equality; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities; 11 Sustainable Cities and Communities	Our employment practices, underpinned by the Diversity, Equity, Inclusion, and Belonging Strategy and Plan, are considered exemplary in South Africa, and we have been invited to share our experiences with various companies and to present at numerous conferences. We were also featured in the April 2023 issue of Affiniti Magazine.
Transformation through internal employment equity and influencing the application of Black Economic Empowerment by suppliers	5 Gender Equality; 10 Reduced Inequalities	
Occupational Health, Wellness and Safety by undertaking activities that improve the physical and mental health, well-being, and safety of Transnet employees and the communities within which we operate	1 No Poverty; 3 Good Health and Well-Being; 4 Quality Education; 11 Sustainable Cities and Communities	SANAS has re-accredited the Company as an Occupational Hygiene Approved Inspection Authority. The Lost Time Injury Frequency Rate (LTIFR) improved, public fatalities significantly reduced, and a three-year Railway Safety Permit was obtained. the Transnet Academy updated safety training initiatives in February 2023, with over 2 500 employees since being trained.
Skills development by improving human capabilities and building the productive capacity of people inside and outside the Company	4 Quality Education; 8 Decent Work and Economic Growth; 17 Partnerships for the Goals	Transnet's skills development initiatives include new tech training, e-learning platforms, Transnet Academy's expansion, and collaborations with universities and technical colleges. In 2022/23FY, Transnet exceeded its targets, training 830 individuals and investing R735 million.
Investment leveraged through activities that facilitate private sector investment in freight logistics system	8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities; 11 Sustainable Cities and Communities; 17 Partnerships for the Goals	Transnet fosters socio-economic progress by investing in infrastructure and fostering private sector partnerships in South Africa's freight logistics. This approach benefits communities, reduces business costs, creates jobs, and enhances ports, pipelines, and rail capacity. Our collaboration with the Departments of Transport and Forests, Fisheries and Environment through the Operation Phakisa initiative boosts South Africa's coastal economy, substantially contributing to the GDP. Transnet's NPA section 56 projects strive to advance an efficient South African ports industry.
Community-driven results by investing in activities that measurably improve the economic, social, cultural, and environmental well-being of the communities in which we operate	1 No Poverty; 2 No Hunger; 3 Good Health and Well-Being; 4 Quality Education; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities; 11 Sustainable Cities and Communities; 17 Partnerships for the Goals	The Transnet Foundation focuses on improving health, education, and socio-economic infrastructure in underprivileged South African communities. Notable contributions include delivering primary healthcare to 448 329 patients, job creation, distributing 8 000 sanitary packs to girls, and creating 77 community food gardens. The Foundation's education efforts offer bursaries and psychological support to academically gifted orphans and vulnerable youngsters. The SAFA/Transnet Football School of Excellence, fosters academic and football skills in up to 120 boys annually.
Industrial capability building by pursuing activities that promote industrial development and improve competitiveness.	3 Good Health and Well-Being; 9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities; 11 Sustainable Cities and Communities; 17 Partnerships for the Goals	The research and development (R&D) department has pioneered the Control Tower, Transnet's Internet of Things (IoT) platform for data management, the Port Hauler, the Locomotive Condition Monitoring System (LCMS) to modernise older locomotives, the Train Control Management System (TCMS), and the Standard Gauge Wagon Bogie. These innovations aim to increase operational efficiency, These innovations aim to increase operational efficiency, modernise legacy systems, and expand market potential.
Regional integration by promoting activities that stimulate better connectivity of freight logistics on the African continent	8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 17 Partnerships for the Goals	Transnet bolstered regional integration via its freight and logistics capabilities, enhancing intra-Africa trade. Achievements included TE export revenue surpassing budget by 335%, and solid TNPA Africa and TPT Africa revenue performances, reflecting strategic collaborations. Transnet aims to amplify infrastructure and value exchange efforts to maximise Africa Continental Free Trade Agreement potential in FY2023/24.
Environmental responsibility by promoting activities that protect, preserve, and enhance the capacity of the natural environment to meet the resource needs of present and future generations	6 Clean Water and Sanitation; 7 Affordable and Clean Energy; 12 Responsible Consumption and Production; 13 Climate Action; 14 Life Below Water; 15 Life on Land	Transnet is developing and executing responses to climate-related risks in order to achieve resilience in three areas: reduction of GHG emissions, adaptation, and just transition. In doing so, we create value for our business and our stakeholders.

OUR ESG FRAMEWORK

We have established a comprehensive ESG framework which is focused on identifying and effectively managing ESG-related risks and opportunities. This framework is designed to ensure that Transnet's operations, products, and services are not just profitable, but also sustainable and responsible, thereby creating long-term value for all stakeholders.

COMMITMENTS	ENVIRONMENTAL	SOCIAL	GOVERNANCE
	Minimizing our ecological impact and responsibly addressing the climate crisis through reducing our carbon footprint and ensuring operations are climate resilient.	Fostering safe workspaces, meaningful stakeholder engagement and timely grievance redressal, and socially responsible procurement.	Stringent governance protocols to maintain an anti-corruption stance, intensifying our cyber security defenses to protect operational integrity and ensure the confidentiality of organisational data.
FRAMEWORKS, STANDARDS & GUIDELINES	CDP (Disclosure Insight Action); IFRS International Financial Reporting Standards; ISSB; JSE Sustainability Disclosure Guidance; SASB; Sustainable Development Goals; TCFD Task Force on Climate-Related Financial Disclosures; ISO 14001; ISO 45001; ISO 9001		
MATERIAL TOPICS	• Water Management • Biodiversity and land use • Air Quality Management • Waste Management • Energy mix • Climate Response – GHG Emissions – Climate Adaptation • Just transition	• Safety, Occupational Health and Wellness • Stakeholder Expectations and Grievances – Collective Bargaining – Community Engagement – Employee Retention & Development – Diversity and Inclusion • Sustainable Procurement & SCM	• Ethics and Compliance – Cybersecurity – Anti-corruption – Legal compliance • Management of significant ESG incidents • Corridor Encroachment & Security – Pipelines & Railway – Physical Security & Security Integration • Board Composition
NDP 2030 ALIGNMENT	• Environmental sustainability and resilience	• Economy and employment • Improving education, training, and innovation • Healthcare for all • Inclusive rural economy • Building safer communities • Building a capable and developmental state • Economic infrastructure • Inclusive rural economy • Transforming human settlements • Health care for all • Social protection	• South Africa in the region and the world • Economic infrastructure • Fighting corruption
SDG & SDO ALIGNMENT	SDG 6, 7, 12, 13, 14, 15 **1. Environmental Stewardship**	SDG 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 16, 17 **2. Community Development** **3. Investment Leveraged** **4. Employment** **5. Transformation** **6. Safety, Occupational Health, & Wellness** **7. Industrial Capability Building** **8. Skills Development**	SDG 8, 11, 16, 17 **9. Regional Integration**

ALIGNMENT TO REPORTING FRAMEWORKS

Our ESG disclosure is primarily shaped by the guidelines set forth by:

- The Sustainability Accounting Standards Board (SASB);
- The International Sustainability Standards Board (ISSB); and
- The draft Sustainability Disclosure Standards from the IFRS.

Transnet's approach to ESG considers and aligns with:

- The United Nations' SDGs;
- The Johannesburg Stock Exchange (JSE) Sustainability Disclosure Guidance;
- The Task Force on Climate-related Financial Disclosures (TCFD); and
- The Climate Disclosure Standards Board's guidelines.

We have chosen to use the JSE Sustainability disclosure guidance and the Global Reporting Initiative methodology for materiality assessment, enabling us to identify the Group's ESG risks of greatest significance to our stakeholders.

CORPORATE STRATEGY AND ESG AMBITIONS NEXUS

At the heart of Transnet's journey towards excellence is our Reinvention Strategy, devised to strengthen competitive value chains in key commodity sectors. The strategy outlines how Transnet will work collaboratively with partners to boost port volumes and revenue, optimise transport and handling services, and how it will renew rail, port, and pipeline network infrastructure.

This strategy inherently promotes initiatives with significant ESG impact, driving job creation, skills development, technological innovation, ESD, infrastructure capacity improvement and strategic investment outcomes, thus benefiting South Africa's evolving economy.

By taking a strategic role in enabling South Africa's economy while working towards achieving our Group's SDOs, we generate enterprise value in the following ways:

1. As a **facilitator of industrialisation,** we stimulate the creation and sustainability of a transformative workforce. We aim to create job opportunities and contribute to economic growth and development. Achieving this through the growth of industries dependent on logistics and trade.
2. As a **trade facilitator,** we contribute to mineral and agricultural wealth within the country–stimulating economic growth and development. Our relationships with service providers and clients help us to influence the environmental impact of our clients' activities, products, and services.
3. As an **enabler of industry growth and development,** we contribute to the construction and transformation of our economy. An efficient logistics system positively impacts market entrants for existing and adjacent industries.
4. Through **crowding in private sector** capital, our strategic partnerships with the private sector drive gross fixed capital formation, contributing to economic growth, development and expanding our global reach through international trade.
5. In our quest to **ensure global competitiveness,** we aim to maintain an efficient logistics system that reduces the overall logistics costs within the country. This approach boosts the global competitiveness of South African products, stimulating economic growth, employment, and development.

DRIVERS OF THE REINVENTION STRATEGY

Transnet's Growth and Reinvention Strategy is driven by various factors that are shown below. These drivers positively contribute to the value created for our stakeholders and promote the sustainable development outcomes.

Drivers of Transnet's Reinvention Strategy	Sustainable Development Outcomes (SDOs)	Value Created
Ensure Global Competitiveness	Creating employment	Economic stimulation
Facilitate Industrialisation	Transformation	Caring about our people
Leader in Sustainability	Investment leveraged	Transformation workforce
Enable Industrial Growth and Development	Environmental Stewardship	Environmental longevity
Crowd in Private Sector Capital	Workplace health and safety	Expanding our global reach
Trade Facilitator	Industrial capability building	
	Skills development	
	Community Development and involvement	
	Regional integration	

MATERIALITY ASSESSMENT METHODOLOGY

Our approach to determining ESG materiality remains. Recognising the ever-changing landscape in which we operate (shaped by shifts in industrial laws, climate variations, stakeholder expectations, and economic stability), we adapt our assessment methodology to stay contemporary and responsive to emerging ESG priorities. The variables that shape our operating landscape have the potential to directly or indirectly, acutely or chronically, present significant risks that could erode organisational value and impact our ability to meet our ESG targets.

The approach to preliminary ESG materiality investigations is shown below.

PRELIMINARY ESG MATERIALITY INVESTIGATIONS	• We considered concerns raised by stakeholders (throughout our value chain), including local communities. Stakeholder activities that negatively affect our business, were also assessed. • We have invested resources to research ESG themes, benchmarking against peers disclosures, reviewing last year's material themes, and expanding on the identified themes. • We have broadly assessed and analysed ESG reporting trends and reporting best practices.
SCANNING AND ANALYSIS	• The initial materiality ranking process was conducted through internal forums and *ad-hoc* meetings. • In this phase, we considered the relevance of ERM and reporting frameworks.
MATERIALITY ASSESSMENT AND PRIORITISATION	• Following initial investigations and analysis, we prioritise ESG risks based on their financial materiality and impact. • We prioritise risk topics based on their implications towards stakeholders decision-making. • The identified risks were then ordered by priority, as determined through enterprise risk management heat map.

SUSTAINABLE DEVELOPMENT OUTCOMES DISCLOSURES

Our SDO performance, while categorised under distinct ESG matters, represents a web of interconnection. Recognising this synergy helps us appreciate the comprehensive scope of Transnet's commitment to creating value and realising our desired outcomes. We maintain a steady eye on ESG risks, embedding mitigation strategies throughout our business operations.

Centred in our mission is our unyielding focus on people. People are the lifeblood of economic growth and, as such, our mandate is to facilitate business development in South Africa by ensuring efficient and cost-effective port, rail, and pipeline infrastructure. Social issues are prioritised to support the creation of a more inclusive society and stable economic environment in which business can thrive.

Our commitment to human prosperity dovetails seamlessly with our dedication to environmental sustainability. By championing energy efficiency, promoting modal shift, planning our infrastructure responsibly, optimising resources, embracing green technologies, and building resilience against climate change, we contribute to the collective pursuit of a sustainable future.

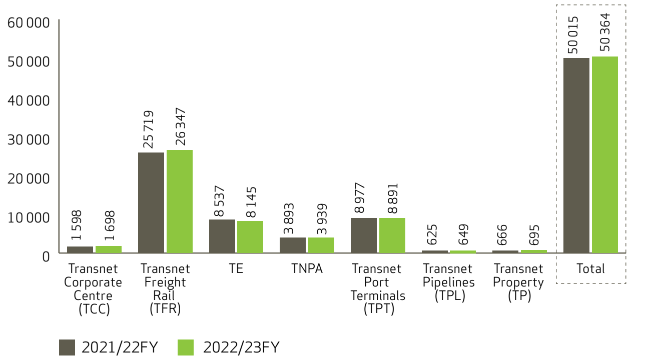
EMPLOYMENT

EMPLOYEE HEADCOUNT

At Transnet, we are committed to creating employment and providing opportunities for a diverse workforce. The Company has proudly sustained a stable employment rate. We promote age diversity and place keen focus on employee retention. Our efforts to maintain healthy employee relations and to ensure fair remuneration underscores our dedication to the workforce.

Both Transnet's SDOs and the NDP underscore job creation and economic growth as paramount objectives for South Africa. As part of this shared vision, Transnet prioritises strategic workforce planning and talent management to attract, retain, and nurture top-quality employees while fostering sustainable job opportunities. In a testament to these efforts, we managed to increase our employee headcount from 50 015 to 50 364 in 2023, filling positions that had previously been on hold due to the restructuring process.

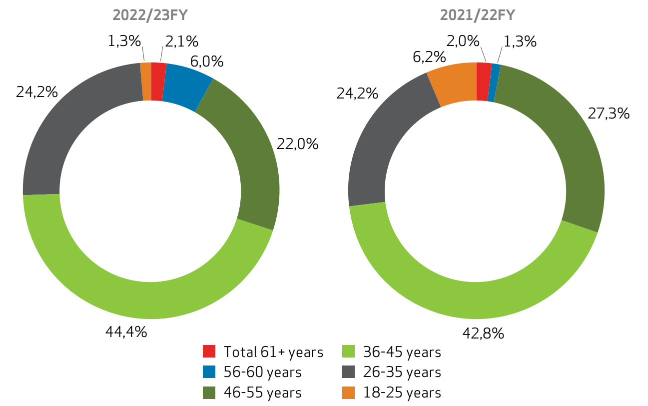
Headcount by Division



Employees by age distribution

The age distribution of Transnet's workforce reveals a higher percentage of employees in the 36-45 age group, with a corresponding decrease in the 46-55 age group. We also observe a slight increase in the 26-35 age group, while the 18-25 age group remains stable. With most new hires falling within the 36-45 and 26-35 age groups, our strategy targets a fine balance of experience and growth potential. As we move forward, Transnet will continue to invest in the development and retention of employees, particularly those within the 36-45 age group, who are poised to mentor and guide the younger talent.

Age distribution



Employee retention

Transnet boasts a stable employee turnover rate of between 3,6% and 3,9%, indicating the success of our focus on employee retention. Competitive remuneration, engagement programmes, and career development opportunities help us attract and retain top talent.

The highest turnover rates are noted in the 56-60 and 61+ age groups, likely due to retirement or early retirement options. The lowest turnover rate is seen in the 36-45 age group, suggesting stability within this demographic. Regarding racial groups, the turnover rates do not differ significantly. It is noted, however, that White employees show the highest turnover rate and Black employees the lowest.

Employee rate by age

	Age group 36-45	Age group 56-60	Age group 61+
Headcount	16 350	3 660	2 200
Staff turnover	410	340	121
Percentage change	2,5%	9,3%	5,5%

Employee rate by race

Turnover rate shown as %

	Black	Coloured	Indian	White
headcount				
Turnover rate Percentage change	3,6%	3,9%	4,1%	4,5%

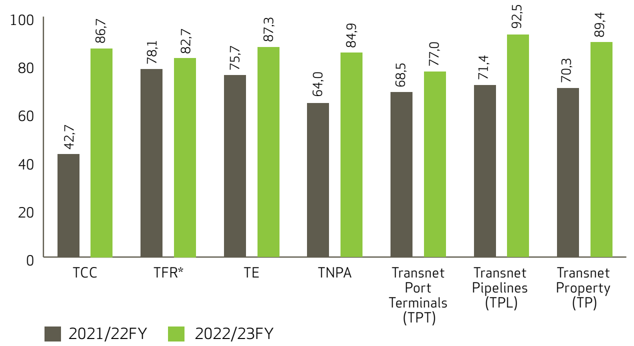
EMPLOYEE RELATIONS, UNIONS, AND COLLECTIVE BARGAINING

At Transnet, we recognise the crucial role that unions and collective bargaining play in fostering an equitable and collaborative workplace. Our commitment to these principles is reflected in our Recognition Agreement with two acknowledged unions, SATAWU and UNTU.

Analysis of union membership across Transnet's Divisions shows a steady increase over the years, with 86,73% of employees now registered as union members (up from 42,7% in 2022). This upswing underscores the emphasis we place on collective bargaining and workers' rights. Notably, there has been a significant uptick in union membership at the TCC, with steady growth also noted at TE and TNPA.

As we persist in promoting freedom of association and collective bargaining. We reaffirm our commitment to responsible labour practices that contribute to Transnet's ongoing success and sustainability. By fostering positive relationships with labour organisations and respecting our employees' rights, we aim to uphold operational stability, maximise profitability, and ensure a fair and collaborative work environment for all.

Freedom of association and collective bargaining (% of workforce)



During the 2022/23FY, Transnet recorded two disputes with unions. The first was the Transnet-wide wage dispute that resulted in a major work stoppage involving 21,250 workers over a period of eleven days. The disputes occurred during wage negotiations, with unions wanting Transnet to grant higher wage increases.

The strike caused significant damage to the South African economy, with costs accumulating as high as R7 billion in logistics costs, and preventing the movement of R65,3 billion worth of goods.

The strike also had a ripple effect on businesses that relied on Transnet's services. The wage negotiations were settled by the conclusion of a three (3) year wage agreement which ensures labour stability for an extended period. Over the next three years the focus of Transnet's relationship with organised labour will be on enhancing dialogue, reviewing consultative structures further strengthening our relationship with our labour stakeholders.

The second dispute emanated from opposition to the introduction of a fourth shift, which resulted in an illegal work stoppage involving 94 workers at TPT. Although consequence management was effected in relation to the employees involved in the illegal stoppage, more emphasis has been placed on engaging with employees on the rationale for the introduction of another shift.

We have identified a need to enhance our engagements with the unions and improve our collective bargaining processes. This response to the strike action is intended to prevent similar incidents from occurring in future, and will be carefully monitored.

Major work stoppages 2022/23FY

Total number of disputes between Transnet and unions (organised labour)

Two organised labour disputes

Incident 1

- 21 250 workers were involved in the work stoppage
- The stoppage lasted for eleven days
- The reason for the work stoppage was the disagreement on the wage increment
- Steps taken to resolve dispute was that both parties settled on a disclosed percentage increase

Total number of major work stoppages (because of disputes)

Two major work stoppages

Incident 2

- 94 workers were involved in the work stoppage
- The stoppage lasted for seven days
- The reason for the work stoppage was the rejection shift pattern proposed by management
- Disciplinary action was taken to resolve dispute and the necessary action was taken by management

TRANSFORMATION

At Transnet, our commitment to workforce transformation, representation, gender equality, and employment equity, fosters an environment rich in diversity and inclusivity. We believe that we are making good progress towards enhancing the representation of African and Coloured employees, and towards improving accessibility for employees with disabilities.

EMPLOYMENT EQUITY

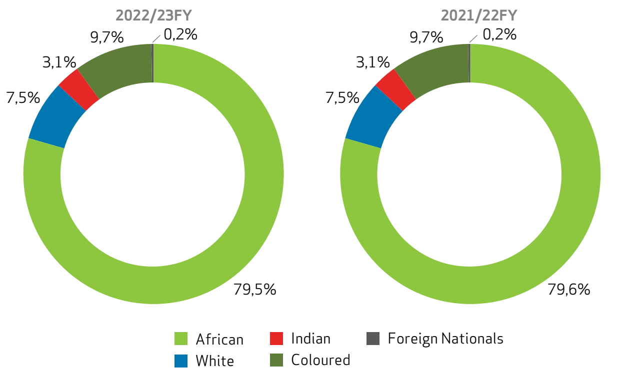
Adhering to South African legislation, including the Employment Equity Act, No. 55 of 1998, the Skills Development Act, No. 97 of 1998, and the B-BBEE Act, No. 53 of 2003, Transnet remains devoted to promoting equality, diversity, inclusion, and transformation. As part of the Transnet Reinvention Strategy, our aim is to establish a workforce that reflects South Africa's rich demographic tapestry. By aligning with government directives, we strive to offset past injustices and contribute positively to the achievement of SDGs. Our commitment to continuous transformation and inclusive growth is reflected in our progress monitoring and reporting.

The Transnet Employment, Diversity, Inclusivity, and Transformation (EDIT) forums champion diversity and inclusion across a range of areas including female leadership and development, inclusivity for people with disabilities, LGBTQI[1] programmes, youth development, and male empowerment. Our primary goal is the promotion of sustained, inclusive, and sustainable economic growth, offering everyone the opportunity for full, productive employment, and decent work. Looking ahead, we are eager to build on this progress, creating a more inclusive and diverse Transnet.

Key measures of success	2022/23FY	2021/22FY
Black Employees (headcount)	46 488	45 812
Black Employees (%) (actual)	92,3%	91,6%
Black Employees (%) (target)	91,0%	88,5%
Female Employees (headcount)	16 108	15 785
Female Employees (%) (actual)	32,0%	31,6%
Female Employees (%) (target)	39,0%	35,0%
People with Disabilities (headcount)	1 119	1 140
People with Disabilities (%) (actual)	2,2%	2,3%
People with Disabilities (%) (target)	2,5%	2,0%
Youth (headcount)	12 808	14 295
Youth (%) (actual)	25,4%	28,6%
Youth (%) (target)	32,5%	32,5%

In the past year, a slight increase in the representation of African and Coloured employees has been noted. This indicates that good progress has been made in achieving our goal of greater diversity in our workforce. We still have a way to go, however, to meet the required diversity levels as legislatively mandated.

Employee equity performance (%)

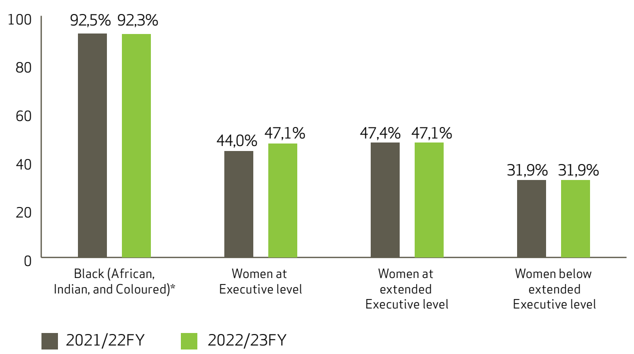


EDIT performance across leadership categories

While we have maintained an above-target achievement for representation of Black employees in designated leadership categories, we have observed a minor decrease during the 2022/23FY (compared to 2021/22FY). The slight decline is attributed to normal attrition rates and ongoing recruitment efforts and processes at the time of reporting.

We have seen a slight decrease in female representation across leadership levels in 2022/23FY (compared to 2021/22FY). This underscores the need to enhance our efforts in gender diversity and inclusion. In response to the identified need, we are reviewing our policies and considering measures like gender quotas and targets to bolster female representation in leadership positions.

Gender and equity performance in leadership categories[1]



[1] *Including contract employees (permanent headcount 2022/23: 50 364).*
* *Black employees' target: 91%*

The above depicts the gender equality performance across designated leadership categories within Transnet. Figures include contract employees (permanent headcount of 50 364). The target set for Black employees is 91%.

[1] LGBTQI is an umbrella term for lesbian, gay, bisexual, transgender, queer people, and intersex (asexual).

To accelerate our EDIT journey, the following is being implemented:

- A robust and achievable Employment Equity (EE) Plan that will deliver the required cultural change and diversity of thought has been developed. This includes targeted recruitment and retention measures, learning and development programmes, plans for a supportive work environment and more accessible workplaces.
- Our leaders have committed to support and resource our PWD and Women's strategies and programmes so that we achieve the Company targets set
- The EDIT objectives and metrics have been socialized with everyone and we will be rolling out diversity training and awareness campaigns to ensure that there is regular and consistent messaging and advocacy so the diversity, equity and inclusivity is embedded in everything we do.

Gender performance across operational categories

Data suggests a gender imbalance in Transnet's operational categories, with male representation outweighing female–especially in labour-intensive roles. A higher representation of women in skilled and professional roles compared to semi-skilled and unskilled roles is, however, noted.

There could be various factors behind this disparity. Physical demands of certain roles may deter women. Currently, female representation stands at 35%, falling short of the 39% target.

Transnet recognises these challenges and is committed to creating a more balanced and inclusive workforce. To accelerate our EDIT journey, the following is being implemented:

- A robust and achievable Employment Equity (EE) Plan that will deliver the required cultural change and diversity of thought has been developed. This includes targeted recruitment and retention measures, learning and development programmes, plans for a supportive work environment and more accessible workplaces.
- Our leaders have committed to support and resource our PWD and Women's strategies and programmes so that we achieve the Company targets set
- The EDIT objectives and metrics have been socialized with everyone and we will be rolling out diversity training and awareness campaigns to ensure that there is regular and consistent messaging and advocacy so the diversity, equity and inclusivity (DEI) is embedded in everything we do.

Gender and equity performance across designated operational categories

		2022/23FY	2021/22FY
Target per Designated Group:	Black	**91,0%**	88,5%
	Female	**39,0%**	35,0%
	People with disabilities	**2,5%**	2,0%
	Youth (18-35)	**32,5%**	30,0%
Top Management	Black	**92,3%**	88,1%
	Female representation	**47,4%**	47,4%
	People with disabilities	**1,5%**	1,0%
Senior Management	Black	**89,6%**	88,2%
	Female representation	**38,8%**	36,7%
	People with disabilities	**0,9%**	1,5%
Professional[1]	Black	**90,9%**	89,7%
	Female representation	**40,4%**	39,4%
	People with disabilities	**1,5%**	2,0%
Skilled[2]	Black	**87,6%**	86,8%
	Female representation	**36,2%**	35,8%
	People with disabilities	**3,7%**	2,0%
Semi-skilled[3]	Black	**96,2%**	95,9%
	Female representation	**28,2%**	27,9%
	People with disabilities	**1,3%**	1,0%
Unskilled[4]	Black	**99,4%**	99,5%
	Female representation	**21,5%**	20,5%
	People with disabilities	**0,7%**	0,5%

[1] *Qualified and experienced specialists and mid-management*
[2] *Technical and academically qualified workers, junior management, supervisors, foremen, and superintendents*
[3] *Discretionary decision-making*
[4] *Defined decision-making*

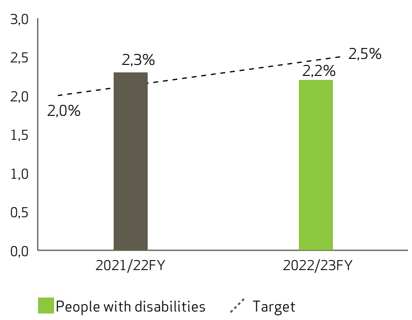
Inclusivity

Transnet is unwaveringly committed to forging a safe, healthy, and inclusive workspace for its employees. We acknowledge the significance of inclusivity and have undertaken measures to ensure our facilities are accessible to people with disabilities, wherever possible. To this end, the Transnet Property Division has set up a multidisciplinary task team. This team, with expertise drawn from ICT, property, fleet management, and people management, is diligently working on refurbishing offices, mess halls, and ablution facilities.

Our commitment to inclusivity is reflected in our defined representation targets for people with disabilities, set at 2% for 2021/22FY and raised to 2,5% for 2022/23FY. While we are proud to have surpassed our target for 2021/22FY, we fell short of our aspiration for 2022/23FY by a slight 0,3%.

We are committed to enacting positive change, and the establishment of the task team is an encouraging step towards this goal. We remain steadfast in our pursuit of a more inclusive workspace that truly meets the needs of employees–fostering a culture of equality and respect.

Employees with disabilities



SAFETY, OCCUPATIONAL HEALTH, AND WELLNESS

Transnet prioritises the health, safety, and well-being of its workforce, implementing an array of comprehensive safety measures, occupational health provisions, and wellness services. These include a 24/7 Employee Assistance Programme (EAP) and a suite of Company-sponsored initiatives designed to create a supportive and responsive work environment. All these services adhere to best practice standards, underpinning our dedication to maintaining a healthy and safe work environment in compliance with relevant laws and regulations.

Both management and employees are encouraged to actively contribute to safety management programmes. We are steadfast in our pursuit of a 'Zero Harm' vision and our commitment to fostering a robust safety culture, founded on a 'Just' safety culture approach.

Our partnership with numerous health and wellness service providers facilitates tailored initiatives that aid our employees in maintaining productivity, physical energy, and mental focus, particularly in response to external stressors.

PROGRESS ON OCCUPATIONAL HEALTH AND WELLNESS OBJECTIVES

In the 2022/23FY, Transnet achieved several key objectives. Notably, we attained re-accreditation as an Approved Inspection Authority (AIA) for Occupational Hygiene by the South African National Accreditation System (SANAS), alongside the necessary registration for practice from the Department of Employment and Labour. This accreditation sets the stage for the roll-out of comprehensive Occupational Hygiene Management programmes across Transnet's operational areas and business premises.

Transnet has achieved several targets in 2022/23FY. These are shown hereafter.

- ✓ Re-accreditation as an AIA for Occupational Hygiene by SANAS
- ✓ Implementation of Occupational Hygiene surveys across Transnet operational areas and business premises
- ✓ Implementation of ISO: 45001 benchmarked, risk-based, strategic Safety Management Plan (The Ten-Point Plan)
- ✓ Conclusion of Occupational Health Services Quality Assurance Audits with zero findings
- ✓ Implementing Sprint 1 of the Employee Health Management System (EHMS)
- ✓ Conclusion of the Health and Safety Representatives agreement with recognised Labour Unions for workplace safety programmes

Transnet has successfully reintegrated its workforce, reverting to a state of near normality following the COVID-19 pandemic. We continue to vigilantly monitor and remedy the persistence and effects of COVID-19 in accordance with the Hazardous Biological Agents Regulations and the Code of Practice: Managing Exposure to SARS-COV-2 in the Workplace, 2022.

We remain committed to employee well-being, a reflection of Transnet's dedication to fostering a resilient and adaptable workforce–supported by a healthy working environment.

Occupational health and wellness performance metrics

Health and wellness performance	2022/23FY	2021/22FY
Unplanned absenteeism rate (%) (actual)	**2,68%**	3,96%
Unplanned absenteeism rate (%) (target)	**3,76%**	3,04%
Total cost of unplanned absence (R million)	**R427,7**	R786,6
Sick absenteeism rate (%) (actual)	**2,10%**	3,37%
Sick absenteeism rate (%) (target)	**3,20%**	2,47%
Total cost of sick leave (R million)	**R350,3**	R672,3
EAP: Face-to-face (number)	**5 039**	6 357
EAP: Telephonic	**3 232**	3 399
Wellness awareness sessions for employees	**93**	114
Hours allocated to health and education training engagements	**300**	300
Annual/Periodic Medicals performed (actual)	**34 181**	35 463
Annual/Periodic Medicals (target)	**44 836**	35 671

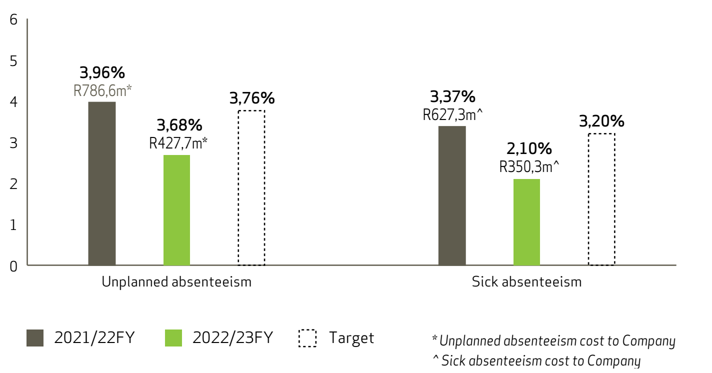
Occupational injuries, diseases and COID reporting [4]

- Transnet maintained its good standing with the Compensation Fund for workplace injuries and diseases and secured a Letter of Good Standing;
- A total of 29 occupational diseases, with 28 notifiable conditions, reported to the Compensation Fund (CF);
- Most reported cases were related to noise-induced hearing loss (NIHL);
- In FY2022/23FY, Transnet registered 704 injuries and 28 occupational diseases including NIHL with the CF; and
- Of the injury claims, 72% were accepted by the CF. The remaining claims are under consideration by the CF at the time of this report.

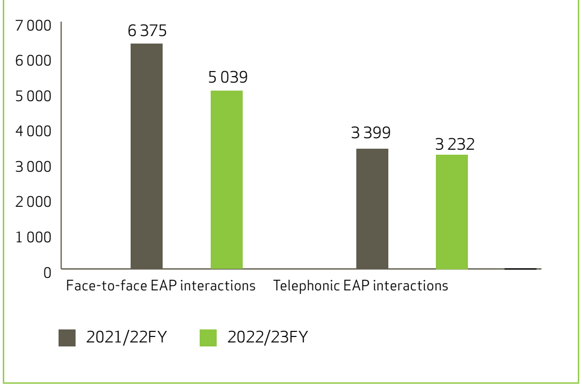
[4] *Compensation for Occupational Injuries and Diseases (COID) refers to the reporting and claiming process related to occupational injuries and diseases with the CF. It is a government-established entity that provides compensation to employees who are injured or contract diseases during their work.*

Key themes and trends in Transnet health and wellness performance

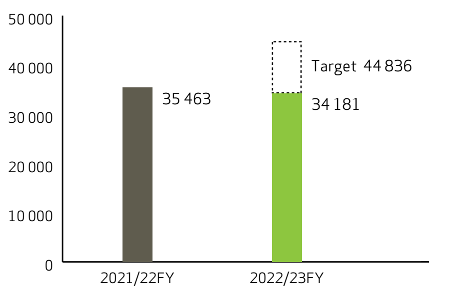
Absenteeism



EAP utilisation

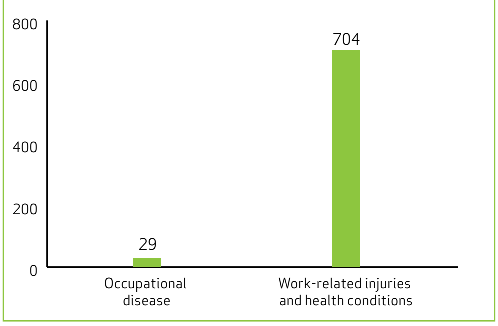


Annual and periodic medical assessments



The following cases were reported during the period under review.

Occupational diseases and work-related injuries

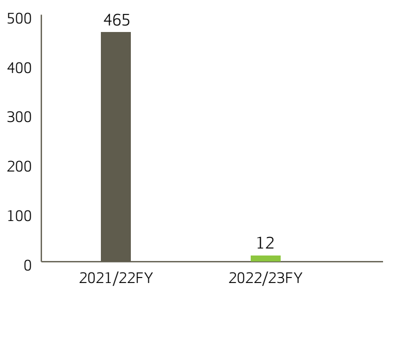


Employee wellness matters

As can be expected in an ever-evolving landscape, the primary wellness matters reported via the EAP have shifted in line with macro- and micro-environmental changes.

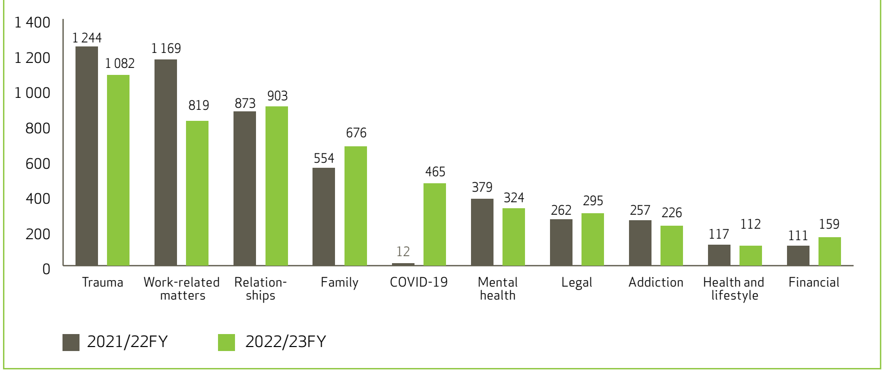
Matters pertaining to COVID-19 have sharply declined.

COVID-19



The following matters have remained in the top EAP reporting categories.

Top EAP reporting categories



We persist in providing our employees with access to appropriate occupational health and wellness services. This includes preventive and curative measures, health surveillance, and health promotion programmes. We also offer support for mental health concerns and promote a healthy work-life balance to ensure a safe and productive work environment.

PROGRESS ON SAFETY TARGETS

The data analysis conducted up to 2022/23FY indicates that Transnet has made positive strides in certain safety areas, such as decreasing the number of public fatalities. Despite the positive strides made, we remain cognisant of our shortcomings and continue to strive towards enhancing all areas of safety. We continue to monitor and find innovative means of decreasing employee fatalities and railway safety incidents.

Lost time injury frequency rate (LTIFR) and lost time injuries (LTIs)

The LTIFR rate for 2022/23FY has shown improvement and remains below the tolerance level. This improvement extends to the LTIs and represents our commitment and adherence to safety practice.

Safety performance	2022/23FY	2021/22FY
LTIs	**417**	441
LTIFR (tolerance of 0,75)	**0,66**	0,69

LTIFR figures per OD	2022/23FY	2021/22FY
Freight Rail		
Lost Time Injuries	**254**	267
LTIFR	**0,74**	0,74
Engineering		
Lost Time Injuries	**79**	64
LTIFR	**0,85**	0,70
Port Terminals		
Lost Time Injuries	**49**	84
LTIFR	**0,43**	0,70
National Ports Authority		
Lost Time Injuries	**22**	29
LTIFR	**0,47**	0,62
Pipelines		
LTIs	**8**	2
LTIFR	**0,69**	0,18
TCC		
LTIs	**3**	0
LTIFR	**0,19**	0,00
Transnet Property		
LTIs	**2**	1
LTIFR	**0,28**	0,18
Group		
Lost Time Injuries	**417**	441
LTIFR	**0,66**	0,69

Employee fatalities

Regrettably, we mourned the loss of seven employees during the 2022/23FY (up from three in 2021/22FY). Following rigorous Board of Inquiry investigations, addressing the root causes has become a key aspect of our Safety Management Plan.

We persistently aim to improve safety by prioritising regular training and education for our employees and contractors, covering a broad spectrum of safety topics such as hazard identification, safe work practices, emergency response, and personal protective equipment use.

Adopting a continuous learning approach, we ensure our workforce is armed with necessary knowledge and skills to preserve a safe working environment. Collaborating with the Transnet Academy, we have reviewed our safety training curriculum, setting the groundwork for basic safety training in the upcoming year, to bolster safety competencies throughout the Company.

Public fatalities

Across Transnet, we have witnessed a substantial decrease in public fatalities, reducing by 36% from 126 fatalities in 2021/22FY to 81 in FY2022/23. This improvement stems from our concerted efforts to enhance safety measures and awareness.

Our ODs actively lead various safety campaigns, particularly in high-risk areas such as level crossings and schools, further engaging with local councillors and communities for a wider reach of our safety messages.

To broaden our safety initiatives, we have secured partnerships with key stakeholders.

- Media houses;
- ESKOM;
- Local government authorities; and
- The RSR.

These collaborations have facilitated amplified awareness and communication campaigns.

In an ongoing approach to care for our environment, we continue to implement alien vegetation control along the TFR servitude. This has the unintended benefit of also enhancing visibility and safety on our railway lines.

Public fatalities typically encompass level crossing incidents, electrocution during attempted cable theft, bodies discovered on railway lines, and suicides. We steadfastly commit to reducing these fatalities through persistent stakeholder engagement, targeted programmes like alien vegetation clearing, and safety awareness campaigns such as the TFR Level Crossing Safety Awareness Campaigns.

Railway safety and public fatalities	2022/23FY	2021/22FY
Level crossing accidents resulting in fatalities	**4**	11
Public fatalities	**81**	126
Percentage change in public fatalities from PY	**(36%)**	(30,5%)

Railway safety

In a notable achievement for Transnet, we successfully obtained our three-year Railway Safety Permit, valid from 29 August 2022 to 31 August 2025. We promptly addressed the two initial special conditions, ensuring no outstanding issues. This marks a pivotal moment, confirming the adequacy of our Integrated Management System (TIMS) and our compliance levels. Despite this success, we acknowledge areas for improvement in TIMS effectiveness and application to bolster railway safety concerning incidents and non-compliance. In line with the National Railway Safety Regulator Act, 2002 (Act No. 16 of 2002), we continue to submit our Annual Safety Improvement Plans to the RSR and pay the annual Safety Permit Fee as set by the Minister of Transport to maintain our permit.

Safety management system

At Transnet, the health, safety, and well-being of our employees, contractors, and the public are paramount. In our commitment to safety, we have incorporated safety considerations into various business functions, including procurement, people management, and product development. This ensures a comprehensive and coherent approach to safety management. In 2022/23FY, we have established a robust safety management system in alignment with TIMS and international standards, such as ISO 45001, reinforcing our dedication to safety and operational excellence.

Our Safety Ten-Point Plan serves as a transformative bridge towards Transnet safety excellence. It embodies our vision for a highly evolved, effective approach to safety. This plan introduces six foundational principles to underpin Transnet safety excellence:

- No injuries;
- No repeat incidents;
- A just culture;
- Compliance to the safety requisite regulatory regime;
- Standardisation of procedures, policies, processes; and
- Measurable, visible safety performance.

The following ten safety pillars seek to reset our approach, bringing safety back-to-basics through:

1. Leadership mobilisation;
2. Operational safety;
3. Workplace safety;
4. Safety visibility;
5. Occurrence and emergency management;
6. Public safety;
7. Cardinal safety rules;
8. Personal protective equipment (PPE);
9. Training and awareness; and
10. Reinforcements.

Our plan seeks to instil a pervasive safety culture across the Company, reinforcing our vision for safety excellence. In a bid to mobilise leadership and ensure accountability, we have realigned the Group Safety EXCO mandate with ISO 45001–the gold standard in safety practices. The plan clarifies the distinct roles and responsibilities between the Group and ODs.

The system employs hazard identification, risk assessment, and targeted mitigation strategies to address workplace hazards and mitigate risks.

To strengthen our compliance with section 17(1) of the Occupational, Health and Safety Act, we have sanctioned a Health and Safety Representative agreement. This has been concluded in partnership with organised and recognised Labour Unions via the Transnet Bargaining Council. This is ready for deployment across the organisation.

Through these combined measures, we are redefining safety at Transnet, promoting a secure and proactive work environment. This in turn supports the various objectives of Transnet, so that we may continue to deliver value to our stakeholders and support positive economic growth.

SKILLS DEVELOPMENT

At Transnet, we recognise that skills development is essential for driving operational efficiency, fostering inclusive growth, and maintaining the long-term sustainability of our organisation. This year, we have continued to invest in our workforce and broader community to ensure we have the right skills at the right time. Our commitment to skills development is guided by the Skills Development Act, No 97 of 1998; the Sector Education and Training Authority (SETA); and the National Skills Development Strategy.

Transnet understands that South Africa needs a workforce that is skilled and capable to support an inclusive growth path. We continue to provide occupational programmes in needed areas to expand the availability of intermediate-level skills in specific sectors.

New technology training programmes

At Transnet, we are preparing the workforce for the future through new technology training programmes. These programmes delivered in partnership with the Transnet Academy and other training providers, ensure our employees are equipped to adapt to the rapidly evolving technology landscape.

Transnet readies its workforce for the future with new technology training programs. The Transnet Academy has procured a state-of-the-art Learning Management Solution (LMS), Blackboard, from OneConnect to manage our Learning and Development Value chain. This suite of training programs prepares our employees for the fast-changing technology environment.

E-Learning platforms

Our commitment to e-learning platforms has enabled employees to remotely access training materials and resources, providing for a flexible and efficient learning experience.

Transnet Academy footprint

With 16 primary and 21 satellite faculties, the Transnet Academy has a wide geographic reach, with the main faculty at Esselen Park supporting the regions.

Partnerships with universities and technical colleges

Through our partnerships with universities and technical colleges such as **University of Pretoria, WITS and UCT** we continue to invest into the development of a skilled workforce. Transnet provides financial assistance to deserving students pursuing tertiary education in fields related to the Company's operations, such as engineering, logistics, and information technology in order to help maintain a talent pipeline for Transnet and offer students the opportunity to further their career prospects.

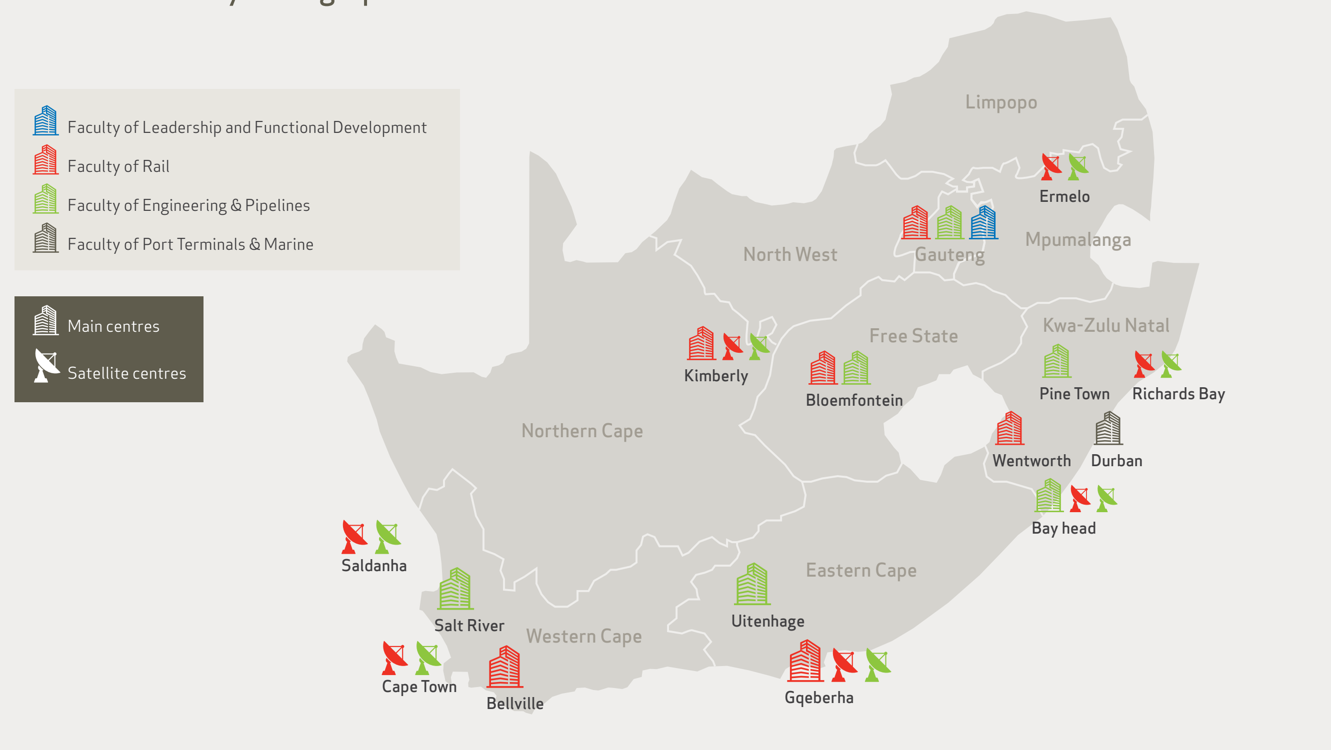
Young professionals-in-training (YPT) programme

Our YPT programme has continued to provide opportunities for work experience, on-the-job training, mentoring, and coaching, supporting the development of young professionals and addressing the challenge of youth unemployment with a total 728 new YPTs in FY2022/23.

The 2022/23FY skills development performance in brief:

- Provided training to 830 trainees (2022: 1 229), surpassing the annual target of 778 (2022: 1 105)
- Spent R735 million on skills development (2022: R655 million)
- Achieved 22,10 B-BBEE skills development points (2022: 22,11), which assisted the Company to reach a Level 2 status.

Transnet Academy's Geographic Presence



KEY PERFORMANCE MEASURES

Programmes	KPI	2022/23FY Performance	2022/23FY Target	2022/23FY Input (R million)	2021/22FY Performance	2021/22FY Annual target	2021/22FY Input (R million)
Skills development programme performance							
Training spend	% of training spend	**2,5%**	**2,5%**	**735**	2,1%	2,5%	R655
Apprentice programme							
Description: A work-based learning under the supervision and guidance of a skilled, qualified artisan with an employer. Faculty of Engineering – oversees this pipeline							
Apprentice programme	Number of new trainees	**200**	**200**	**29**	200	200	15
	Number of artisans who completed training	**176**	**200**		45	N/A	
Technicians-in-Training							
Description: Individuals who have successfully completed a National Diploma in Engineering studies at a university of technology, undergoing an 18-month structured development programme.							
Technicians-in-Training	Number of new trainees	**45**	**18**	**63**	111	100	83
Engineers-in-Training							
Description: Graduates who have completed an Engineering degree at a university, undergoing a two-year structured development programme.							
Engineers-in-Training	Number of graduates	**54**	**18**	**84**	321	250	93
YPT							
Description: Young graduates in non-technical fields receiving workplace experience and skills.							
YPT	Number of graduates	**728**	**750**	**105**	341	150	40
Technical learner							
Description: Individuals who are participating in a practical technical learnership (P1, P2), work-integrated learning to obtain a qualification, who have been awarded a stipend from Transnet.							
Technical learner	Number of new technician learners	**202**	**200**	**17**	203	200	18
	Number of technician learners completed	**2**			141		
Engineering bursars							
Description: Individuals who are registered for a four-year BEng/ BSc Eng. degree to which a full-time bursary has been awarded; and other bursaries.							
Engineering bursars	Number of new bursars	**50**	**50**	**68**	42	50	***

Programmes	KPI	2022/23FY Performance	2022/23FY Target	2022/23FY Input (R million)	2021/22FY Performance	2021/22FY Annual target	2021/22FY Input (R million)
Non-technical bursars							
Description: Individuals who are registered for a non-technical degree.							
Non-technical bursars	Number of bursars in the system	**nil**		**nil**	**311**		***
Other bursars							
Description: These trainees include non-technical bursars and National Diploma technical bursars across ODs, i.e., Engineering, Freight Rail, Pipelines and Ports.							
Other bursaries	Number of other bursars	**nil**	**nil**	**nil**	60	40	*** the three sets of bursars combined 31
Learnership development							
Description: Individuals who are participating in a practical learnership in call centres, professional driving, health and safety, POS, and youth unemployment.							
Learnership development	Number of youths enrolled in the programme	**3**	**10**	**1**	49	20	2
Marine Cadet							
Description: Individuals who are participating in a practical learnership in the marine field.							
Marine cadet	Number of marine cadets trained	**nil**	**nil**	**nil**	153	150	7
Sector-specific training							
Description: Number of trainees who completed training in the following fields: Engineering / Rail / Pipelines / Port							
Sector-specific training	Engineering Rail Pipelines Port	**1 220**	**1 160**	**31**	1 229	1 105	14

Our commitment extends beyond the confines of our Company. We strive to nurture human capabilities and amplify the productive capacity of individuals, with a particular focus on youths. By offering opportunities for skills development, we equip the youth with the necessary tools to join the mainstream economy.

INVESTMENT LEVERAGED

As we continue to invest in infrastructure development, we are not only growing and benefiting our organisation, but also contributing to broader socio-economic advancements, further enriching the communities we serve. In doing so, we aim to reduce the cost of doing business, promote inclusive growth, and create jobs, while also expanding the available finance pool, mitigating risks, and increasing capacity and efficiencies in the ports, pipelines, and rail environments. We view investment as a driver of innovation, resilience, and social and environmental progress, creating shared value of our stakeholders.

PRIVATE SECTOR

We are embracing private sector participation, collaborating with the private sector to enhance our assets and operations. By fostering these partnerships, we aim to:

- Gain market access;
- Expand the pool of funding available to us
- Reduce the cost of doing business
- Fostering a culture of implementing innovative solutions that seek to create shared value for our stakeholders.
- Increase capacity and operating efficiency within our ports, pipelines and rail networks

These partnerships represent large-scale investments in economic infrastructure designed to support the country's socio-economic imperatives, such as job creation, rural development, and supply chain growth.

The partnerships present opportunity to:

- Increase capacity and efficiencies;
- Lower logistics costs; and
- Remove barriers to private investment and operations.

We have recently approached the market to increase PSP in various projects, such as an operational lease on the container corridor, the Richards Bay LNG Terminal, and the establishment of a leasing company for rolling stock and port terminal equipment.

OPERATION PHAKISA

In collaboration with the DoT and the DFFE, Transnet is committed to unlocking the economic potential of South Africa's coastline under the Operation Phakisa initiative which promotes investments in the maritime sector. Transnet, through TNPA as an implementing agent for some of the Operation Phakisa projects, has committed **R4,7 billion** towards this initiative. Through the project, we aim to contribute up to R177 billion to the country's GDP by the end of 2033. As the custodian of South Africa's port infrastructure, Transnet is well positioned to facilitate and encourage private investment in the maritime sector–promoting economic growth and development. To date, TNPA has spent approximately R1,04 billion on the existing ship repair facilities. Significant infrastructure and equipment upgrades have also been concluded in Cape Town, Durban, and East London. The remaining packages are in the various stages of execution where the final project will be concluded in 2025/26FY.

NATIONAL PORTS ACT SECTION 56 PROJECTS

The section 56 mechanism, a commercial transaction instrument employed by TNPA under the National Ports Act, actively promotes the development of an effective and productive South African ports industry through concession agreements (section 56 agreements). These projects involve engaging private sector investors for various infrastructure projects, including ship repair, boat building, and offshore oil and gas activities. To date, we have concluded six active Terminal Operator agreements.

Western Cape (Port of Saldanha)

- **Green ship recycling:** Green Ship Recycling is earmarked for Saldanha.
- **Mossgas Jetty:** Following the completion of the liquidation process for the previous occupant, the port has opened the site to the market in 2022. However, the process is not yet complete due to ongoing negotiations with the Saldanha Bay Industrial Development Zone (SBIDZ). In parallel, the SBIDZ has been commissioned to conduct a Marine Environmental Impact Assessment on behalf of TNPA to confirm the findings of the economic study. This assessment is expected to be completed in June 2024.
- **Offshore Supply Base (OSSB) agreement:** The agreement was signed in 2018, where the TNPA and Saldehco are in the process of fulfilling the suspensive conditions, to be fulfilled by February 2024.

Eastern Cape (Port of East London)

- **Heavy Fuel Oils:** Originally this project was due to be launched in 2019 and the tender evaluation was due to take place shortly after. However, the RFP has only now been issued to the six bidders who responded to an Expression of Interest (EOI). The deadline for submission of the RFP has been set for 20 June 2023.

Kwa-Zulu Natal (Port of Durban and PoRB)

- **DCT Berth 205:** TNPA is currently in the process of reviewing options for the berth. We anticipate conducting a pre-feasibility study in 2023/24FY and finalising designs in 2024/25FY. The project is currently in the feasibility phase.
- **Port of Durban:** Island View (IV) Strategy: The Transnet Board has granted a three-year extension to the expired leases, which will come into effect in September 2022. At the same time, we are updating the IV strategy, which will consolidate the leases. This will pave the way for the commencement of the section 56 process once all internal approvals have been obtained.
- **Port of Durban Lot 100 Liquid fuels facility:** Originally this project was due to go to market in 2019, but there were some delays. However, we have successfully revived the project and issued the RFP in December 2022. The RFP is currently open for submissions, with a closing date set for July 2023.
- **Richards Bay floating dock project:** The EOI issued in 2022 did not generate positive market responses, leading to the cancellation of the project.

COMMUNITY DEVELOPMENT

The Transnet Foundation (Foundation) continuously strives to be a good corporate citizen that contributes to development in communities across South Africa. We execute CSI initiatives on behalf of Transnet as the CSI arm of the Company through the portfolios of the Transnet Foundation, viz; Health, Education; Employee Volunteerism; Sport and Socio-Economic Infrastructure Development (SEID). Our community development agenda aligns to national mandates espoused in the NDP as well as in the SDGs. Our community investment programmes are underpinned by our commitment to uplifting, empowering, and bringing about sustained meaningful change in impoverished communities.

Continued development challenges being faced by many communities across South Africa are escalating as the effects of the aftermath of the country's economic downturn continues. South Africa continues to experience challenges in food security, access to education, slow economic development, and healthcare. In addition, unprecedented flooding and adverse weather phenomena are causing catastrophic disasters in communities. The Transnet Foundation is committed to responding to the needs of communities in an effective and impactful way. We remain people-centred and focused on areas of health, education, livelihoods, capacity building and grant-making. These focus areas receive continued support from our employees who are willing to lend a helping hand through employee volunteerism initiatives.

The Foundation remains firmly committed to enriching the lives and livelihoods of communities as it pursues a new strategic direction. The Foundation's focus will deepen to include women and children, vulnerable groups and the upliftment of community structures and organisations to sustain social development. The current economic climate also requires that the focus on funding allocation for projects is more prudent to deepen CSI impact and manage budget constraints. Much of the new strategic direction of the Foundation will be focused on partnership building and external collaboration for more effective programme implementation. Despite budget limitations, the Foundation will strive to ensure that all projects implemented respond equitably to community needs across Transnet's communities.

The Foundation's key objectives include:

- Improving communities' access to quality healthcare to enable them to live full and productive lives;
- Enabling educators and learners at schools to improve academic outcomes providing South African youth with access to meaningful economic opportunity;
- Providing care and support for vulnerable communities and groups to prevent gender-based violence (GBV) and strengthen community well-being;
- Enabling communities to achieve socio-economic transformation by providing them with capacity-building opportunities to sustain whole community development and improve livelihoods; and
- Harnessing the diverse and broad skills and experience of Transnet's workforce to develop communities through employee volunteerism initiatives.

THE 2023 COMMUNITY DEVELOPMENT PERFORMANCE IN BRIEF

Notable material outcomes have been realised across the Company's CSI portfolio, with significant and sustainable progress made in various key areas. We continue to make a positive impact on the communities impacted by our operation (and beyond), demonstrating Transnet's commitment to responsible corporate citizenship and enhancing the lives of South Africa's residents.

Healthcare

In a bid to uplift the way healthcare is delivered to rural communities across South Africa, our innovative Phelophepa Healthcare Trains I and II have provided comprehensive primary healthcare to an impressive 448 329 patients across 68 communities. In this dynamic health service, we have contributed to the ongoing fight against COVID-19, administering vaccines to around 1 180 citizens.

In 2023, Transnet invested approximately **R69,9 million** in primary healthcare services, reaching an estimated **448 329 patients** along the rail corridor – a significant increase from 378 218 in the previous year, including COVID-19 testing.

Job creation is vital to our operations. Through our Phelophepa I and II initiatives, we **created over 4 800 temporary jobs** and invested close to **R7,75 million** in **employment opportunities**, especially in communities affected by unemployment.

Committed to **supporting young learners,** we provided **8 000 sanitary packs** (comprising toiletries such as soap, toothpaste, toothbrushes, and anti-perspirant) via the Transnet Teenage and Youth Health and Development Programme. We distributed **9 500 hygiene packs** to impoverished learners and care homes that aid victims of violence.

We donated **4 500 care packs**, which included sanitary towels, hairbrushes, washcloths, and vanity kitbags, to **anti-GBV shelters** through strategic partnerships.

Focus was also centred on health education and food security.

Trained over 6 562 community members in basic healthcare

Established approximately 77 community food gardens in each community visited by the Phelophepa trains.

Our eye health services saw us dispense almost 29 000 pairs of spectacles to patients in need, significantly improving their quality of life. The 'Shoes on Feet' campaign, made possible through collaboration between Transnet and its partners, allowed us to provide 4 500 pairs of shoes to learners, instilling confidence and boosting school attendance.

Beneficiaries reached by Transnet's Phelophepa I and II Healthcare Trains

Phelophepa I and II Healthcare Trains		2022/23FY*	2021/22FY
Investment in the Phelophepa I and II Healthcare Trains	R'm	**69,58**	113,74
Total patients provided with comprehensive healthcare services		**444 329**	378 218
Patients receiving medication through the on-Board pharmacies		**35 418**	34 791
Patients receiving health clinic services		**152 386**	144 007
Patients receiving dental clinic services		**149 775**	93 829
Patients receiving eye clinic services		**24 576**	38 341
Patients receiving counselling		**69 612**	35 687
Individuals assisted through outreach		**334 569**	229 422
Volunteers trained on preventative healthcare at Edu-clinics		**6 562**	6 583
COVID-19 community screening and testing.		**Nil**	Nil**

* *The Phelophepa results are still being verified through an internal verification as results are consolidated manually from records and data.*

** *As per COVID-19 regulations, COVID-19 testing was discontinued.*

Teenage health programmes

Transnet's teenage health programmes aim to provide youth with health and psycho-social programmes in schools.

Teenage and youth health and development programme beneficiaries

Beneficiaries and spend on teenage healthcare		2022/23FY	2021/22FY
Number of adolescents receiving integrated basket of health and developmental services (including food hampers to alleviate COVID-19 distress faced by learners and their families)		**9 500**	16 500
Teenage health spending	R'm	**3,9**	114,3

* *Nil saving was due to use of mainly donations.*

Education development

The Transnet Foundation's education portfolio is thoughtfully designed to empower the next generation of leaders. We provide bursaries and psycho-social support to impoverished beneficiaries. The funding includes academic enrichment programmes, accommodation, and stipends towards living expenses. The programme targets academically gifted orphans and vulnerable youth, aptly defined as those who demonstrate, or have the potential to demonstrate, outstanding intellectual aptitude and academic ability.

The 2022/23FY saw 23 students assisted through this programme. At year-end, three had graduated from their various tertiary institutions.

Performance of Transnet's Education Programme in 2023

Education initiatives		2022/23FY	2021/22FY
Investment in the education of orphaned and vulnerable youths programme.	R'm	**3,8**	2,9
Orphan and vulnerable youth supported		**23**	31

Employee Volunteering (EV)

Transnet's EV programme is a manifestation of our commitment to social impact and civic responsibility. We are driven by the belief that our employees, with their unique skills and abilities, can make significant contributions to society, thereby extending our CSI mandate and boosting developmental outcomes.

Our EV programme is designed to boost the capacity of civil society organisations and meet the developmental needs of local communities. By offering skills transfer and providing labour, we help offset operational costs for these organisations and stimulate sustainable community development.

The material outcome of the EV programme includes:

- Creating shared value between Transnet and the communities we serve;
- Harnessing the power of our employee skills and human capital;
- Nurturing sustainable communities through direct skills transfers; and
- Strengthening Transnet's standing as an exemplary corporate citizen.

The COVID-19 pandemic affected the number of employee volunteers. The portfolio was cognisant of the health and safety of employees and consequently limited their exposure to ensure their safety and well-being.

The 2022/23FY EV performance at a glance

2022/23 EV programmes and impacts (get additional projects from Shamona)

Initiative: Food security	**Total value: R5 901 780** **Glencoe: R2 743 388** **Warrenton: R3 158 392**
Location: **Glencoe and Warrenton**	Transnet identified food insecurity, hunger, and poverty as key challenges in communities where we operate. This is important as it could lead to heightened crime and high levels of anti-social behaviour.
A business case has been developed and two food farms (one in Warrenton and one in Glencoe) are being set up. This is set to address socio-economic needs for food security and its impact on the local community. Both sites are identified as Transnet hotspots. The intervention aims to create a sustainable social solution through the provision of food, as well as a sustainable economic solution through the marketing of produce from the food farms. In Glencoe, a total of 150 households will be targeted. These are all tenants of Transnet properties. In Warrenton, a total of 50 households will be targeted.	

Initiative: Transnet Super 8 Rugby Tournament	**Value: R1 089 000**
Location: Saldanha Bay	Transnet partnered with the Saldanha Bay Municipality to build the Saldanha Sports Stadium. The Saldanha Rugby Club requested Transnet to recognise the social and economic potential of rugby in Saldanha Bay by establishing a legacy project for the partnership.
Investment in the Saldanha Super 8 Rugby Tournament as a legacy project of the Stadium partnership. The tournament takes place over the Easter weekend and has an economic impact on the hospitality and retail sectors in the region through an increase in revenue generated during the tournament period. Staff volunteer at the tournament, which gives them a great sense of pride to be actively involved in one of the biggest events in Saldanha Bay. A strategic partnership is in place with Saldanha Rugby Club.	
Initiative: Technical and hostel rehabilitation	**Value: R1 421 602**
Location: **Modimolle, Limpopo Province**	The Susan Strydom Technical School, located in Modimolle, aligns with Transnet and the National Development Plan in that it provides technical and artisan training for young learners. Investing in learners with disabilities aligns with the objectives of the Shareholder through the focus on people living with disabilities. The Foundation responded positively to the request from the Mayor of Modimolle town to provide assistance that will address the dire state of neglect at the School for learners with disabilities.
Employees from Polokwane and Modimolle volunteered to rehabilitate the School Hostel and to completely refurbish of the woodwork, welding and electrical workshops. Modern technical equipment was provided and installed at each of the three workshops. This brought the school up to standard with the latest machinery, thus providing the learners with a conducive environment and affording them the opportunity for a future career as an artisan and the skills to lead an independent adult life. The rehabilitation of the boy's hostel resulted in a dignified living environment for the learners.	

Initiative: Rehabilitation of the Waterval Boven Pedestrian Bridge	**Value: Phase one: R451 206** **Phase two: R517 144**
Location: **Waterval Boven, Mpumalanga Province**	Waterval Boven's community disruptions, mainly caused by blocked railways, hampered TFR operations. Local community stakeholders identified a lack of CSI activities and an unsafe pedestrian bridge, linking the community to the FET College, as key issues. The Portfolio's two-phase intervention included training five local youth in welding and entrepreneurship (Phase one), who, with employee volunteers, rehabilitated the pedestrian bridge and replaced its handrails (Phase two).
The impact of the intervention was establishing trust between the Company and the local community as well as strengthening the stakeholder relations with the Emakhazeni Local Municipality.	

Socio-Economic and Infrastructure Development (SEID)

The development of high quality, sustainable and resilient infrastructure, as called for in SDG 9, is one of the core features of Transnet's SEID portfolio. We are committed to providing infrastructure for social, health, safety and entrepreneurial programmes to contribute to resilient communities in which we operate. Priority is given to rural and historically disadvantaged areas. Accordingly, we have established functional and community-operated support centres to facilitate community engagement and provide a wide range of social services to beneficiary communities. We aim to expand our services to identify local businesses that can be supported through the Transnet enterprise and supplier development (ESD).

SEID Initiatives

SEID		2022/23FY	2021/22FY
People benefiting from SEID initiatives along our servitudes		**28 000**	20 000
Investment in the SEID programme	R'm	**R6,15**	R1,14
SMMEs established		**15**	Nil
SMME members trained		**75**	Nil
Food distribution programme beneficiaries		**3 000**	Nil
Adult Basic Education and Training beneficiaries		**Nil**	Nil

Note: Performance of certain KPIs were impacted by budget deficits and COVID-19 restrictions

Sports portfolio initiatives: SAFA/Transnet school of excellence

The SAFA/Transnet Football School of Excellence has operated for over 20 years. It is one of Transnet's CSI programmes and focuses on the academic and football development of a maximum of 120 boys aged 13 to 19 each year. The students are recruited through a national talent search programme that is conducted annually in all nine provinces of South Africa. Transnet invested a total of R16 898 202,60 in the school for the 2022/23FY.

Ther Grade 12 class of 2022/23 saw a pass rate of 83,33%, of which eight students graduated with a Bachelor's degree pass, five achieved diploma pass, and two achieved a pass qualifying for higher certification.

Performance in critical subjects resulted in a distribution of Mathematics (70%), Science (80%), and Accounting (76%). Students also excelled on the football field, with five students being signed up by professional clubs.

INDUSTRIAL CAPABILITY BUILDING

SCM is central to achieving Transnet's transformation goals. We believe that promoting socio-economic progress should extend beyond philanthropy to also support wealth creation for historically disadvantaged individuals (HDI). Our Broad-Based Black Economic Empowerment (B-BBEE) function drives business and supplier development in collaboration with our business stakeholders. This includes identifying suppliers for development projects to improve performance targets and explore potential partnership opportunities. This function further supports procurement initiatives that are in line with Transnet's ESD strategy.

Broad-based Black economic empowerment

At Transnet, we uphold a strong commitment to B-BBEE objectives. We have made significant improvements in directing procurement spend towards B-BBEE compliant entities, black-owned, black women-owned, and black youth-owned businesses. By maintaining this focus, we have consistently achieved a B-BBEE Certification Level of 2, reflecting our dedication to transformation and empowerment initiatives.

B-BBEE PROCUREMENT SPEND

Transnet's B-BBEE spend as a percentage of the Total Measured Procurement Spend (TMPS) has shown a consistent upward trend from 99,77% in 2021/22FY to 112,55% in 2022/23FY.

Procurement spend	2022/23FY	2021/22FY
Overall Procurement Spend (R billion)	**R30,19**	R29,15
Total measured procurement spend (TMPS)	**R26,82**	R29,22
B-BBEE as % of TMPS	**112,55%**	99,77%

Black-owned businesses

Transnet has consistently exceeded its original target of 40% of TMPS directed towards black-owned businesses, achieving 54,8% in 2022/23FY (2021/22FY: 42,98%).

Black women-owned spend

Transnet has notably exceeded its target for spend on black women-owned businesses as a percentage of TMPS. In 2022/23FY, this percentage rose to 33,56% (2021/22FY: 25,38%), significantly surpassing the 12% target.

Black youth-owned spend

In 2022/23FY, Transnet significantly exceeded its target for spend directed at black youth-owned businesses. The target was set at 1% of TMPS, but the actual spend reached 7,64% of TMPS, amounting to R2,05 billion. This represents a substantial increase from 2021/22FY, when the spend on black youth-owned businesses was 6,29% of TMPS, equating to R1,83 billion. This progress underscores Transnet's commitment to empowering black youth-owned businesses and fostering economic inclusivity.

Exempted micro enterprises (EME) spend

In 2022/23FY, Transnet's spend directed at EMEs was more than double the set target. The actual spend reached 17,56% of TMPS, amounting to R4,71 billion, against a target of 15% TMPS (2021/22FY: 17,61% and R5,14 billion).

Qualifying small enterprises (QSE) spend

In 2022/23FY, Transnet's spend directed at QSEs was slightly below the set target. The target was 15% of TMPS, but the actual spend reached 13,12% of TMPS, amounting to R3,52 billion. Despite falling short of the target, this still represents an increase both in percentage and actual spend from 2021/22FY, when the spend on QSEs was 9,98% of TMPS, amounting to R2,91 billion.

Black people living with disabilities (PWD) spend

In 2022/23FY, Transnet's spend directed at Black PWD fell short of the set target. The target was 1% of TMPS, but the actual spend reached only 0,17% of TMPS, amounting to R0,28 million. This is a decrease from 2021/22FY, when the spend on Black PWD was 0,34% of TMPS, amounting to R98,1 million, surpassing the target of 0,1% for that year.

B-BBEE certification level

Transnet has consistently maintained a B-BBEE Certification Level 2, which indicates strong performance in achieving B-BBEE objectives.

B-BBEE spend	2022/23FY	2021/22FY
B-BBEE		
Target (%)	**60,00%**	60,00%
% of TMPS	**102,49%**	99,77%
Spend (R billion)	**R30,19**	R29,15
Black-owned		
Target (%)	**40,00%**	40,00%
% of TMPS	**54,80%**	42,98%
Spend (R billion)	**R14,70**	R12,55
Black women-owned		
Target (%)	**12,00%**	12,00%
% of TMPS	**33,56%**	25,38%
Spend (R billion)	**R9,00**	R7,41
Black youth-owned		
Target (%)	**1,00%**	1,00%
% of TMPS	**7,64%**	6,29%
Spend (R billion)	**R2,05**	R1,83
EME		
Target (%)	**9%**	7,00%
% of TMPS	**17,56%**	17,61%
Spend (R billion)	**R4,32**	R5,14
QSE		
Target (%)	**15,00%**	15,00%
% of TMPS	**13,12%**	9,98%
Spend (R billion)	**R3,52**	R2,91
Black PWD		
Target (%)	**1,00%**	0,10%
% of TMPS	**0,17%**	0,34%
Spend (R million)	**R45,0**	R98,81
B-BBEE status level		
Certification Level (actual)	**2**	2
Certification Level (target)	**2**	2

ESD

Our ESD initiatives play a crucial role in promoting the growth and sustainability of SMMEs, thereby fostering a more inclusive economy in South Africa.

Over the past few years, we have made significant strides in implementing our ESD objectives. However, in 2022/23FY, we observed a decrease in ESD spend to R407 million, down from R445 million in 2021/22FY. This fluctuation in spending can be attributed to various factors, such as the broader economic environment and project-specific requirements.

Despite these fluctuations, we have consistently achieved the full 15 points available for Code 600 Enterprise Development. Our ESD Hubs have served as valuable resources for SMMEs, providing essential services such as company registration, procurement training, and Central Supplier Database registration. Walk-ins and services provided at ESD Hubs in 2022/23FY, rose to 362 from 320 in 2021/22FY.

Local content spending has also seen a decrease over the years, with only R1.4 billion achieved in 2022/23FY. Despite this, we remain committed to prioritising local content and supplier development to support South African industries and create jobs.

As part of Transnet's Reinvention Strategy, we will focus on promoting skills development, increasing procurement from Black-owned businesses and suppliers, and strengthening partnerships with industry stakeholders. By doing so, we aim to drive sustainable growth, contribute to South Africa's developmental priorities, and foster an inclusive economy.

ESD HUBS (5 HUBS NATIONALLY)	2022/23FY	2021/22FY
Walk-ins at ESD hubs	**362**	340
Males	**178**	153
Females	**184**	187
Youth (male and female)	**197**	207
Services provided to walk-ins at ESD Hubs	**303**	368
CIPC-related services	**75**	187
Central Supplier Database (CSD) registration	**149**	52
Training on public procurement	**79**	129

Innovation through research and development

Transnet is dedicated to investing in R&D to drive business performance, growth, and competitiveness. We aim to develop innovative products and expand the scope of Transnet's manufacturing business.

Our focus is on leveraging technology trends in the rail environment that will enable Transnet to become more customer-centric and sustainable into the future.

These trends include:

- user connected systems; big data;
- machine learning;
- IoT to improve operational/maintenance efficiency and provide a better-connected customer experience; and
- signalling systems to improve safety and optimise operations; and locally produced port technologies to reduce Transnet's reliance on international OEMs for equipment and services.

We are also exploring alternative and sustainable energy solutions to decrease operational costs and achieve Transnet's carbon reduction objectives.

Research and development performance in brief

Research and development	2022/23FY R million	2021/22FY R million
Total spend on R&D CAPEX projects (actual spend on R&D)	**75 896**	98 282
Investment in R&D (targeted spend)	**76 966**	106 135

Our R&D efforts have led to the development of several key products. These include the Control Tower, Transnet's own IoT platform for data management in the cloud, and the LCMS that can operate reliably in the harsh African railway environment. We have also developed Transnet's own TCMS, which is in use on the Trans Africa fleet of locomotives, and our own Standard Gauge Wagon Bogie, which is well positioned for the potential transition to standard gauge.

RESEARCH AND DEVELOPMENT

Control Tower, Transnet's own IoT platform – Ingestion, processing, reporting, storage, and management of data in the cloud. This provides data-as-a-service to Transnet's customers

Transnet's own **Port Hauler** that can be used in various ports across the globe. The Port Hauler is currently undergoing in-service testing.

The **LCMS** that can reliably operate in the harsh African railway environment. The LCMS can be retrofitted to older locomotives that do not have dedicated condition monitoring and communication capabilities. This brings the capabilities of older locomotives on par with newer locomotives in terms of how we operate and maintain them.

Transnet's own **TCMS**, which is in use on the Trans Africa fleet of locomotives. The TCMS is an onboard system that controls and monitors the various systems on the train.

Transnet's own **Standard Gauge Wagon Bogie** which is well positioned for the potential transition to standard gauge as laid out in the long-term strategic plan in the white paper on the published in May 2022. This marks the transition to heavier loads and thus increasing the amount of freight that can be moved. It also unlocks the opportunity for the sale of products and services to external markets that are using standard gauge.

In addition to these developments, we are conducting ongoing research into cutting-edge initiatives with the aim of creating patents. These initiatives include the prevention of main line derailments caused by cracked wheels, power conversion systems for accurate motor control, alternative energy technologies for rolling stock and port applications, and the use of advanced technology for security, access control, and condition monitoring. We are also investigating opportunities for the implementation of standard gauge railway products and monitoring of telecommunication towers.

At Transnet, we strive to implement and continually improve the processes that guide the successful maturation of technologies from ideation to operational readiness. We use an innovative review process linked to the maturity of the technology, otherwise known as a readiness level. This ensures that our investments advance Transnet's required outcomes.

REGIONAL INTEGRATION

Regional integration remains crucial for economic diversification, job creation, and ensuring food and energy security. Despite infrastructural gaps and slower-than-anticipated infrastructure development, Transnet continues to leverage its extensive freight transport and logistics capabilities to support the development of major transport corridors in Africa, thereby boosting intra-Africa trade.

In 2022/23FY, despite the easing of COVID-19 regulations, our regional integration activities faced significant challenges with a total revenue variance of (19%) from our target. TFR cross-border revenue and over-border freight volumes significantly underperformed with variances of (34%) and (36%) respectively. This may be attributed to Africa's substantial infrastructure gaps, limited public spending on transportation infrastructure, and the reduced value exchange between markets and suppliers.

In contrast, our TE export revenue significantly exceeded our budget by 335%, demonstrating the potential of our strategic initiatives amid global disruptions. Our TNPA Africa revenue and TPT Africa revenue also outperformed expectations with variances of 89% and 2% respectively, underscoring the effectiveness of our collaborations with neighbouring rail operators and maritime partners.

Our geographic expansion strategy did not yield the expected dividends, notably with GABCON dividends showing a 100% variance from the budget. This highlights the need for us to double our efforts in enhancing alliances and improving operations across regional freight corridors.

Our cross-border operations were primarily focused on Benin, Botswana, DRC, Zambia, and Zimbabwe during 2021/22FY. Looking forward into 2023/24FY, we will intensify efforts to fast-track infrastructure development, enhance value exchange between markets and suppliers, and maximise the opportunities offered by the Africa Continental Free Trade Agreement.

The 2022/23FY regional performance in brief

Regional revenue	2022/23FY	2021/22FY
TFR cross-border revenue		
Actual (R million)	**2 090**	2 162
Budget (R million)	**3 168**	2 534
Variance (%)	**(34%)**	(15%)
TE export revenue		
Actual (R million)	**106**	260
Budget (R million)	**24**	182
Variance (%)	**335%**	42%
TNPA Africa revenue (trans-shipments)		
Actual (R million)	**64**	53
Budget (R million)	**33**	37
Variance (%)	**89%**	45%
TPT Africa revenue (transshipments)		
Actual (R million)	**148**	143
Budget (R million)	**146**	176
Variance (%)	**2%**	(19%)
Total regional revenue		
Actual (R million)	**2 303**	2 620
Budget (R million)	**2 823**	2 931
Variance (%)	**(18%)**	(11%)

Regional revenue	2022/23FY	2021/22FY
Geographic expansion		
Zimbabwe		
Actual (R million)	**–**	58
Budget (R million)		82
Variance (%)		(29%)
Benin (Benisa 1)		
Actual (R million)	**–**	–
Budget (R million)		(632)
Variance (%)		–
Zambia		
Actual (R million)	**–**	28
Budget (R million)		37
Variance (%)		(21%)
Gabcon (dividends)		
Actual (R million)	**–**	5
Budget (R million)	**7**	–
Variance (%)	**(100%)**	–
Total geographic expansion		
Actual (R million)	**–**	92
Budget (R million)	**–**	118
Variance (%)		(23%)
Total revenue		
Actual (R million)	**2 303**	2 712
Budget (R million)	**2 830**	3 050
Variance (%)	**(19%)**	(11,0%)
Africa volumes		
Freight Rail – over-border freight (mt)		
Actual (R million)	**7**	8
Budget (R million)	**11**	10
Variance (%)	**(36%)**	(15,3%)
Trans-shipments ('000 TEUs)		
Actual (extrapolated) (R million)	**6**	0,19
Budget (R million)	**10**	0,18
Variance (%)	**(32%)**	8,7%

ENVIRONMENTAL STEWARDSHIP

We are committed to protecting and enhancing environmental assets, natural resources and continuously minimising our impact on the environment by providing cleaner, more sustainable logistics services through our environmental stewardship. As South Africa's framework environmental legislation, the National Environmental Management Act, No. 107 of 1998 (NEMA), and its environmental management principles guide Transnet's approach to stewardship. This is supported through the specific environmental management Acts (SEM Acts), associated environmental regulations, international standards, and best practice guidelines, together with our internal policies and frameworks.

Combatting climate change, water management, biodiversity enhancement and land-use management, prevention of pollution, environmental incidents management and environmental legal compliance are some of the material outcomes that Transnet aims to achieve and therefore remain the focus of our environmental stewardship initiatives.

ENVIRONMENTAL COMPLIANCE AND PERMITTING

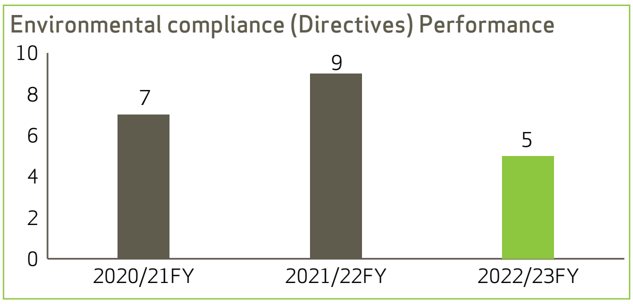
Each of our ODs is required to consider its specific risks and implement a compliance risk management framework, setting out the internal controls to detect and prevent environmental impacts. Further, Transnet must comply with, *inter alia*, the NEMA, SEM Acts and National Water Act 36 of 1998 (NWA). Our ODs and their business areas are required to fully report all significant environmental incidents and non-compliance or contraventions with applicable environmental legislation.

In 2022/23FY, we received R5 million in fine pursuant to regulatory requirements, which we are still engaging the authority on. Our efforts extend beyond compliance to our licences and permits. We ensure that the non-compliances are prevented, addressed and corrective measures put in place to prevent recurrence.

Given the extent of our operational footprint which covers all nine provinces as well as the evolving conditions and obligations of the progressive national legislative and regulatory framework for environmental management, our activities trigger numerous environmental legislative and regulatory requirements.

Non-compliance with legislations and regulations including environmental licence and/or permits could result into the withdrawal of operational licences, stoppage of operations, civil cases, legal fines, penalties, and prosecution. This risk has material reputational and financial implications to our organization. There is an opportunity to extensively invest on pollution control equipment and dust suppression systems to manage exceedances of dust in areas where we handle dry bulk commodities.

As illustrated on the figure below, our environmental compliance and permitting performance in the 2022/23FY included a total number of five (5) non-compliance notices and directives recorded. This number indicates a decrease compared to the previous financial year which can be attributable to improved second line assurance programme to proactively prevent reoccurrences. We have responded positively to all non-compliances with critical internal controls already under implementation to address issues raised and most importantly prevent recurrence. We will work with the regulators to close out all current non-compliances issued to the organisation. The main areas of concern for the issued non-compliances relate to control of pollution in some of our operations and contravention of the Waste Tyre Regulations in most of our ports. All directives are being addressed through implementation of controls in areas of concern. The R5 million in fines in 2022/23FY was incurred for commencing with activities that require Environmental Authorisation from the DFFE.



We manage our material environmental compliance risks through the implementation of the environmental risk management framework which includes development of legal and compliance registers appropriate mitigation measures and controls and monitoring of controls effectiveness thereafter. Some of the risks are identified through the appraisal of regulatory universe where the requirements of priority legislations are identified for implementation. We have established the bilateral engagement forums with relevant environmental regulators to mutually manage environmental compliance breaches before escalating to directives and fines. Looking into the future, our environmental breaches will significantly reduce owing to our researched measures to avert non-compliances. Our improved second line assurance programme will continue to enhance the effective management of potential breaches.

Significant incidents

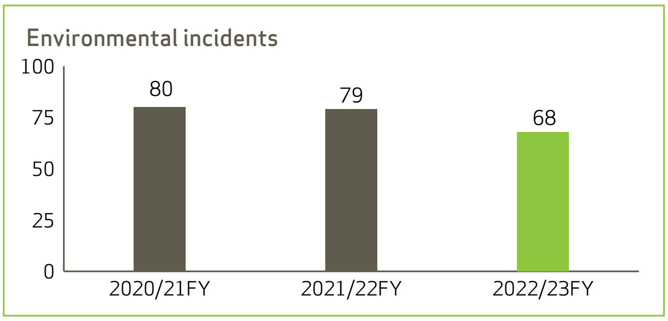
NEMA stipulates that landowners and development proponents are responsible for taking the required steps to control, remedy and/or rehabilitate areas where pollution has occurred, which may cause harm to the environment, human life, and property.

Over the past three years, we experienced several incidence occurrences across our operations, most predominantly at the pipeline OD. In 2022/23FY, 68 significant incidents were recorded opposed to 79 recorded in 2021/22FY. The table below details the types of incidents that materialised during FY2022/2023, the receiving environments and the Company's responses. The table also depicts the reportable incidents trends over three years.

Our risks on significance incidences include deviation from environmental duty of care in terms of section 28 of NEMA and associated SEM Acts resulting in further legal and financial implications (fines, penalties, prosecutions, operational interruptions, etc.). Consequently, our contamination footprint is also expanded and therefore increasing our environmental liabilities. Damage to strategic infrastructure and interruption of production activities (floods due to climate change, etc.).

Opportunities exist to extensively invest on pipeline monitoring and policing initiatives to protect our infrastructure from fuel oil theft and consequential spillages. In support of SDG 17,there is an opportunity for strategic partnership with law enforcement agencies to find lasting solutions to curb theft incidents. Investment in security technologies to proactively detect potential thefts of our product and assets/infrastructure.

In 2022/23FY there was a total of 68 NEMA section 30 incidents, as depicted on the figure below. Transnet Pipelines recorded 48 of the incidents due to third-party tampering with the pipelines; attempted theft and product theft. Transnet Freight Rail experienced a total of 30 incidents and they included spillage of diesel, coal, and transformer oil, train derailment, theft and vandalism of our infrastructure.



In response to significant incidents, we have activated the Emergency Spill Response contracts to contain and recover the product from any spillages. Incidents were investigated, and root cause analysis undertaken per the incident as per occurrence management procedure. We have risk assessed the sites that were contaminated, and risk ranked them accordingly for prioritisation of implementation of rehabilitation and remediation measures. Security measures were implemented to prevent recurrence of the incidents. All incidents were reported to environmental authorities, namely DFFE, DWS, Provinces, Environmental organisations, and affected municipalities as per Section 30 of NEMA and Section 20 of the NWA, where required – Since the unprecedented attack on our pipeline infrastructure (2019/20FY) leading to spillage, we have made progress in remediating most of the sites.

To date in the 2022/23FY 197 sites have undergone risk assessments to determine appropriate remedial actions to be implemented:

- 132 sites were remediated
- 48 sites not remediated
- 17 sites under persistent monitoring and management – cumulative from 2019/2020FY

With our extensive operations' protection measures, we anticipate a significant decline in theft induced spillage incidents which will ultimately reduce our contamination footprint, environmental liability, and related remediation/rehabilitation costs.

Air quality management

Atmospheric pollution control in our operations is of paramount importance, it is informed by international standards and South Africa's National, Provincial and Local environmental legislation. Several Transnet business activities trigger the need to obtain Atmospheric Emissions Licences (AELs) as per the requirements of National Environmental Management: Air Quality Act, No. 39 of 2004 (NEM AQA). Transnet operations involve few activities, products and services that require licensing under the Act: These include but not limited to the storage and handling of petroleum products, foundry operations, storage, handling and transportation of iron ore, manganese, coal, *inter alia*, other commodities. Operating without a licence is an offence in terms of the Act and attract a fine or penalty or both.

Our AELs trigger the need to monitor and implement necessary internal control measures to ensure that the ambient air quality pollutants from our operations remain within the legal thresholds. As such, we have air quality monitoring programmes as per the requirements of our AELs that continually measure emissions from our operations. The data is made available, as required, to the authorities and other stakeholders through our established stakeholder engagement forums/platforms.

In terms of risks associated with Air Quality Management, we face a number of risks such as the following:

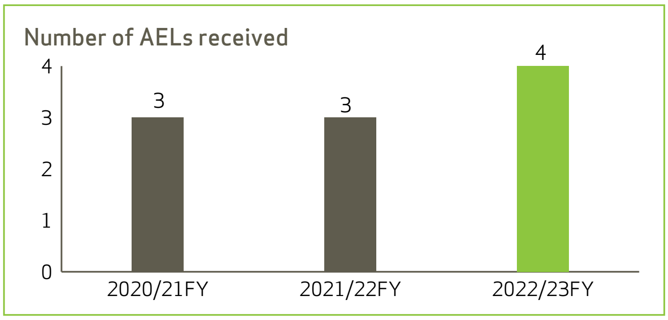
- The regulator's rejection of Transnet's legal application of production capacity expansion linked with the AELs.
- Loss of operational licence, and thus impact on business continuity.
- Not achieving production quotas resulting to the erosion of Company's financial value.
- Environmental remediation/rehabilitation costs.
- Environmental fines and/or penalties, including Executive imprisonment
- Community class action claims.
- Community and civil unrest; and Loss of key customer contracts.

In order to address air quality issues, we are partnering with research (public and/or private) institutions, we seek to develop solutions that will enable better management and control of air emissions across our operations.

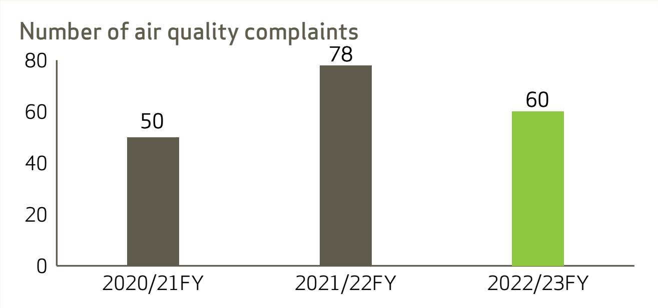
In terms of our air quality management performance, a total of five AELs were applied for and outcome noted as follows:

- TFR **three** received;
- TE **one** received;
- TPL **one** outstanding.

AEL is outstanding for TPL in the Rustenburg municipality. Engagements with the Air Quality Officer are ongoing and an outcome is soon expected to be forthcoming.



We have received 60 air quality-related complaints mostly from various stakeholders located in close proximity to our operations, while as part of our commitment to ensuring appropriate mitigation and adherence to the air quality standards, we remain legally complaint to the Air Emissions Licence. Existing emissions mitigation inclusive of tippler sprayers, dust extraction systems, wetting sprays on the conveyor belts and water cannons continue to be utilised to effectively manage emissions as part of the EAL conditions in the Saldanha terminals. In addition to complaints in Saldanha, we have seen an increase in the PoRB attributable to increased demand for SA coal due to the war in Ukraine and this has resulted in additional cargo being received through road resulting in cargo spillage on the roads, which could also be the result of the dust noticed around the city.



To address air quality issues, we have developed Dust Management Strategies and Standard Operating Procedures for all our ports and terminals where critical commodities are handled, namely – coal, chrome and magnetite, manganese, and iron ore. For the Port of Saldana measures underway include the implementation of the Top ten (10) key initiatives as contained in the AEL, and most of the initiatives completed, these include – haul road cleaning, block chutes and ore overflow, sludge handling, fitting all scrappers or rollers to center belt, vehicle wash areas or bays, etc. Transnet has commissioned a Strategic Environmental Assessment study with a specific focus on health impact assessment related to mine dust covering both the Port and Railway line or Iron corridor operations.

Furthermore, Transnet is a key stakeholder on numerous research studies looking at sources of dust emission and implications of dust on health within the greater Saldanha community. Emission Management initiative for the Port of Saldanha is at an advanced stage, and it is aimed obtaining a skill and experienced service provider to provide a total dust management solution for the Port of Saldanha. Lastly, but not least we maintain ongoing operational activities contained in the dust management strategy and Standard Operating Procedures, such as: Continuous suppression of dust on road surfaces within the port using a water tanker, spillages retrieved and recovered back into stockpiles, industrial sweeping on all road surfaces, cargo in transit to be always covered, customers are requested to tarp their stockpiles within the terminal confines. Finally, we are investigating the use of wind barriers in the form of netting. Our atmospheric emissions' impact will continue to reduce as we continue to implement our response measures. Our investment on innovative research and latest technology particularly regarding dust management to continually improve this material issue and will provide long-term solution.

Water management

We manage our water use activities with an understanding that South Africa is a water stressed country. In line with this context, we strive to use water efficiently by continuously reducing water-related impacts within both our internal and external operational value chain. Our long-term sustainability approach is premised on the positive development of our host communities and the protection of surrounding ecosystems. We continue to adopt a risk-based approach to drive water stewardship programmes and to investigate innovative approaches to water demand and conservation management and thus remain a key stakeholder in the National Water Conservation and Demand Strategy initiative led by the DWS.

The risks associated with water presents physical, financial, regulatory and reputational risks. Some of the risks that we face include: climate change induced precipitation variabilities resulting into drought has a potential to affect water availability at some of our operations, including some statutory dust suppression activities; inefficient water use habits have the potential to affect our climate change adaptation; increased water tariffs at our operations due to water scarcity in SA; water restrictions in some of the areas we operate thereby impacting on our operations and poor water resource governance and usage in our operations could result to water deprived communities revolting against our operations.

We seek to invest on water recycling technologies such as reverse osmosis plants and lime softening water treatment plants. Currently, our water recycling initiatives include the reverse osmosis plain in the Port of Saldanha and water treatment plants where such water is reused for other purposes in our operational areas. We have plans in motion to establish sea water desalination plants. The treated water will be used in our operations and be shared with local communities. We continue to implement water initiatives to reduce our water withdrawals from various sources. We participated in the Carbon Disclosure Project (CDP) to ensure transparency with investors as well as to improve water management systems internally and we received a 'C' score (2021/22FY: 'B'). The C score achieved in 2022/23FY indicates that we are aware and have knowledge of impacts on, and of, water issues in our organisation. We have also identified focus areas in order to improve our score for the 2024 reporting year. The flagship desalination water treatment plant projects at our ports will offset our water reliance and withdrawals from the municipal supply networks.

Waste management

We strive to reduce waste generation patterns across our operations, as espoused in SDG 12 and the National Waste Management Strategy 2020. Our current waste management priorities are centred around addressing historical contamination, the recovery of waste, recycling, and reusing waste materials, and most importantly, the avoidance and minimisation of waste where possible. By its very nature, Transnet is highly industrialised company and generates volumes of waste materials of different types and classifications.

If we fail to manage our waste we may contravene waste compliance obligations and face legal risks such as: fines and penalties due to failure to comply with statutory asbestos phase out timeline; incorrect waste storage and management triggering a threshold for a waste management license resulting in authorities issuing non-compliance notices with the National Environmental Management Waste Act, 59 of 2008 (NEM WA) and causing pollution, illegal waste dumping activities resulting to accumulation of remedial and rehabilitation costs, including fines and penalties and absence of effective waste (e.g., metal, copper, compactable waste, etc.) recycling and recovery programmes resulting to financial value loss. Our opportunities in waste management, include investment on innovative waste avoidance, recycling, re-use, and recovery ideas. Any opportunity to involve and uplift local communities through waste economisation programme is to be prioritised.

Asbestos removed from historical contamination:

- 2022/23FY 13,24 tons
- 2021/22FY 30,42 tons

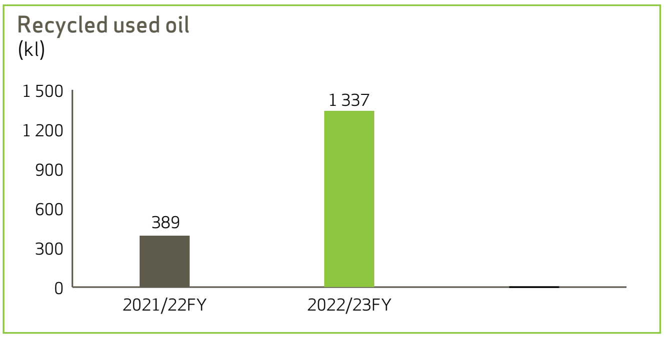
Recycled general waste:

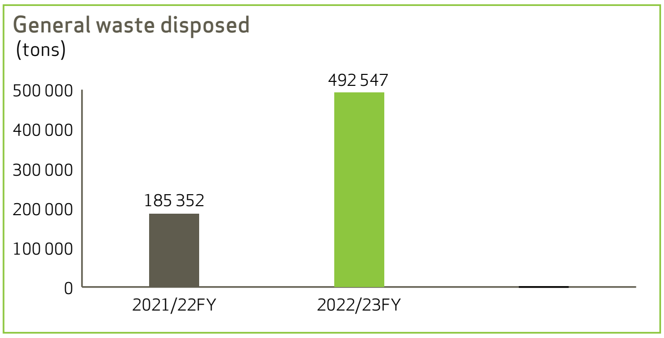
- 2022/23FY 535,01 tons
- 2021/22FY 18 927,82 tons

Remediation orders:

- 2022/23FY 1
- 2021/22FY 0

The reduction in recycling general waste was a result of the decline in recycling initiatives at the organisation from 2021/22 to 2022/23FY.





In the 2022/23FY there was an increase in general waste disposed, this was due to reduced recycling initiatives throughout the organisation.

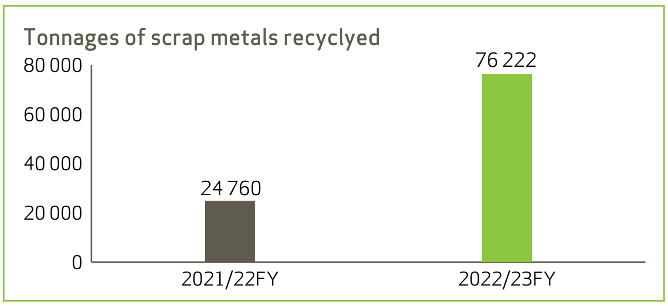
In terms of hazardous waste disposed: In 2022/23FY it was unfortunate that there was an increase in tons of hazardous waste disposed. The waste increased to 441 367 tons as opposed to 15 351tons from the 2021/22FY. The increase in hazardous waste disposed was due to waste streams contamination, waste that could have been recycled ended up disposed with hazardous waste.

In terms of Scrap metals recycled at Transnet, we are committed to sustainable business with double materiality-business that benefit the organisation and the environment. As an organisation, we are committed to diverting waste from landfills through recycling of metals and steel which contributes to the reduction of greenhouse gas emissions and conserve valuable natural resources.

Scrap metals recycled: 90% increase

- 2022/23FY 76 222,75
- 2021/23FY 24 760,10

The increase in scrap metal recycling is due to scraping and retiring of some of our assets that have steel. Our scrap metal is mainly generated at TNPA, TFR, TE and TPT. Through selling scrap metals that were once stockpiled as waste, we have effectively transformed a liability into valuable asset.



We continuously improve strategies to manage historical contamination within our operational areas. In alignment with the requirements of Part 8 of the National Environmental Management: Waste Act, No. 59 of 2008 (NEM WA) and other applicable legislative requirements, we assess and carefully manage the risks of contamination to human health and the environment. Contaminated sites are assessed and monitored continuously and remediated as per the issued remediation orders to manage potential impacts. In line with the concept of circular economy, we aim to broaden our waste economisation programme to add more company value.

Biodiversity management

Our operational activities transverse and interact with several ecological systems in South Africa, and therefore potentially impacting these ecosystems' biological diversity. The 2021 UN Biodiversity Conference of Parties (COP 15) Part 1 emphasised the need for action to put biodiversity on a path to recovery by 2030. To strengthen our response towards biodiversity value preservation, we plan to participate and align to the requirements of the Taskforce on Nature-related Financial Disclosures (TNFD) once finalised.

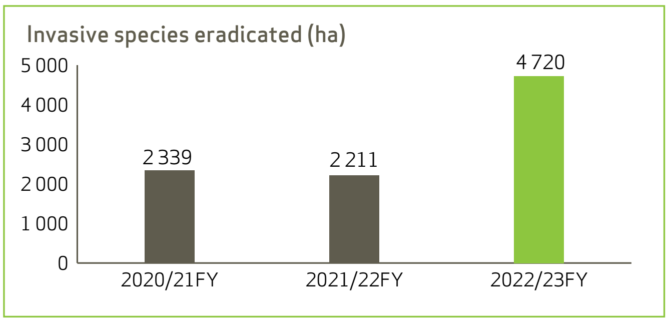
Transnet developed and submitted Invasive Species Monitoring, Control and Eradication Plan(s) for land under its control, (hereafter termed AIS Control Plans). These plans cover all Listed Invasive Species in terms of Section 70(1) of the National Environmental Management: Biodiversity Act, 2004 (Act No. 10 of 2004) (NEMBA) and must meet the requirements of the associated regulations (Alien and Invasive Species Regulations, 2014). We are currently implementing these plans in four of our ODs and in 2023 we have eradicated a total of 4719,70ha. Failure to manage biodiversity triggers financial and legal risks such as fines due to failure to implement alien invasive species eradication/control programme as committed in the eradication plan submitted to the DFFE. This may result into administrative fines being imposed on us, and it could also increase our liability footprint in respect to Alien Invasive Species (AIS).Absence of biological diversity monitoring and protective programmes across our land resulting into deforestation and an increase in our carbon footprint. This will significantly affect our net-zero ambitions. Failure to anticipate and address nature-related risks and impacts may impact on business continuity and affect our capital funding strategy.

Opportunities in biodiversity management include:

- Leasing out redundant land with contractual conditions to eradicate weeds; and
- Running indigenous tree planting campaigns to promote biodiversity preservation (simultaneously advancing the carbon sequestration project.

By improving the biodiversity-offset initiatives, we support:

- Growth and Reinvention at Transnet;
- The Infrastructure development programme;
- The capital funding strategy; and
- Concessionary funding for biodiversity initiatives.



- Alien and invasive species eradicated coverage area: 4 719,70ha in 2022/23FY and 2 211ha for 2021/22FY indicating more than 50% improvement.
- Two (2) ODs contributed to this KPIs as per the AIS control Plans:
- TFR: 1 309,1ha
- TNPA: 3 410,6ha

We are investigating partnerships with biodiversity groups, key international and national stakeholders in the sector to optimise our biodiversity approach, preservation initiatives and reduce our negative impacts on biodiversity. We continue to eradicate the AIS in accordance with our eradication plans. Our institutional biodiversity management knowledge is bound to increase, considering our proactive approach to align with TNFD.

OUR POSITION ON CLIMATE CHANGE

Climate change is the defining challenge of this generation and continues to rise up the corporate agenda, companies are expected to lead in meeting net-zero commitments. Our climate change response approach seeks to align with global efforts to reduce effects of climate change and attain climate resilience based on climate science. Our approach also aligns with the SDG goal 13 and the national development plan which spells out the need to transition to a green economy. As such the three elements–mitigation, adaptation, and just transition–serves as the foundation of our response plan in the following manner:

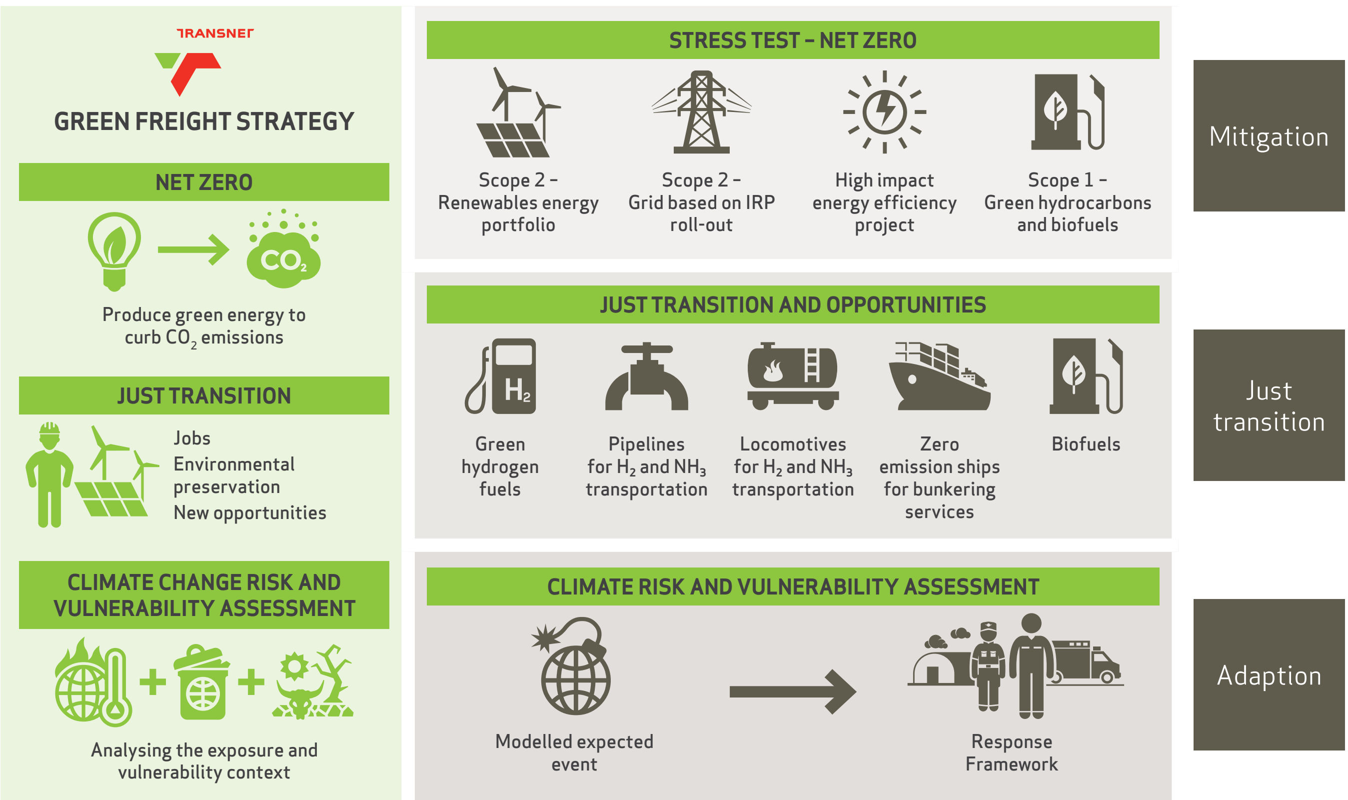
- Our mitigation plan comprises of the, energy and carbon management, road to rail modal shift, net-zero 2040 commitment and green hydrogen strategy.
- Our adaptation approach entails an assessment of risks, impacts and vulnerabilities to current and planned operations, property, and infrastructure. The development of the risk and vulnerability framework is at an advance and will be completed in 2023.
- To address the effects of the low-carbon transition on our business operations, our employees, the areas in which we operate, as well as our suppliers and customers, we are developing a just transition roadmap to be completed in 2023. To comprehend the transition's effects, address the risks, and take advantage of any opportunities that may arise, these crucial stakeholders will be consulted.

We have aligned our strategy to science-based net-zero commitments–work is being carried out on the development of renewable energy sources; these include both ours as well as the Independent Power Producers' (IPPs) renewable energy sources, green hydrogen roadmap and energy efficiency initiatives. We have set a 2040 net-zero target that commits to decarbonisation to occur at a time that is consistent with, or sooner than, the one prescribed by climate change science, i.e., around the middle of the century.

The 2040 target is in line with the greenhouse gas (GHG) reduction pathways that seek to keep the increase in the global temperature to below 1,5°C from pre-industrial levels. Further, we are undertaking more work to ensure that our target is amenable with SBTi Corporate net-zero Standards. As one of the major SOCs, Transnet understands that through its decarbonisation efforts it will contribute to the targets set out in the SA's National Determined Contributions (NDCs).

We comply with statutory reporting requirements by annually disclosing our carbon emissions on DFEE's South Africa's Greenhouse Gas Emissions Reporting (SAGERS) System and by submitting our emissions figures to SARS as per the Carbon Tax Act.

Additionally, we participate in the Carbon Disclosure Project (CDP) to ensure transparency with stakeholders as well as to improve GHG emissions management systems internally. For the year 2022 we received a B- score in CDP disclosures for climate change, B- is in the Management band. This is the same as the Africa regional average of B-, and lower than the rail transport sector average of B.



Additionally, we are currently reviewing our climate response plan to align with the Climate Change Bill, and to enhance our adaptive capacity and tolerance for climate-related risks looking into current and future projected levels of climate variabilities. We completed awareness training on Climate Change Bill for relevant key stakeholders across Transnet including our Group Executive Committee to ensure that everyone is in alignment with the National Adaptation Objectives and the Climate Change Bill, as well as how these will affect the organisation and the ongoing projects being carried out in accordance with the Bill. Moreover, a framework to enable effective assessment of risks and vulnerability exposures throughout the organisation is being developed. Early warning systems for safety of people, assets, and infrastructure with interface to customers and other Transnet operations, are being implemented and these will be reviewed to enhance resilience and adaptability.

Climate change: resilience

The effects of climate change are now a reality. Regular occurrences of disruptive and destructive natural disasters are destroying homes and businesses at record-breaking rates and Climate change vulnerability of our infrastructure was accentuated during the catastrophic KZN floods of April 2022.

Climate Change Impact

Increased frequency of floods due to climate change threatens Transnet's coastal infrastructure, necessitating urgent adaptation of design and operational principles. Transnet is investing in research for innovative adaptive measures to climate change risks and developing a framework for effective risk and vulnerability assessment. Early warning systems are being implemented to protect people, assets, and infrastructure. Despite the financial burden, these actions align with dynamic materiality.

GHG emission

Transnet's energy-intensive operations, relying on fuel and electricity, contribute to both direct and indirect GHG emissions (Scopes 1 and 2) and Scope 3 emissions (covering additional indirect emissions across the value chain). An ongoing focus on improving this, has resulted in improved energy efficiency, which reduces overall emissions. We place great importance on compliance with regulatory requirements, transparent reporting (including the Carbon Disclosure Project), and alignment with science-based net-zero commitments by 2040. During the reporting period, Transnet continued its work on renewable energy development, a green hydrogen strategy, and energy efficiency initiatives - progressing the status on each.

Road to rail modal shift

The Department of Transport's Green Transport Strategy advocates a shift from road, to rail transport. This aims to reduce GHG emissions. Risks, however, include unreliable electricity supply that creates reliance on diesel trains (leading to higher emissions) and increased truck usage due to high coal demand. Despite these challenges, road to rail has resulted in significant carbon emissions savings from 2014/15 to 2022/23FY.

Transnet continues to align its efforts with the Green Transport Strategy, aiming to achieve net-zero emissions by 2040.

Responsible governance

In managing our environmental impact, we remain committed to adhering to all legislative requirements, and we closely adhere to (among others) the following:

- TCFD recommendations;
- Carbon Tax Act

Transnet also adheres to reporting requirements by:

- Disclosing carbon emissions on SAGERS System (annually);
- Submitting emissions figures to SARS.

Carbon Emissions Saved: From 2014/15 to 2022/23FY, the shift from road to rail transport resulted in a total saving of 3,2 million ton of CO_2 equivalent ($mtCO_2e$) in the transportation sector.

Annual Savings: In 2022/23FY alone, 80,490 tonnes of CO_2 equivalent (tCO_2e) were saved due to a shift of 3,75 million tonnes of cargo from road to rail.

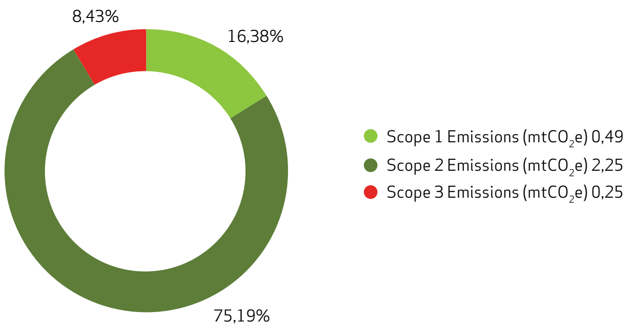
Equivalent Truckloads: This cargo shift in 2022/23FY is equivalent to removing approximately 110 000 truckloads from the roads.

Commitments: Transnet aligns with the Green Transport Strategy and aims for science-based net-zero carbon emissions by 2040.

Carbon emission categorisation

Our Scope 2 or **indirect emissions** which is emissions specific to the use of grid electricity, contributes 75,19% to our overall carbon emissions and indicates a high dependency on the grid. In contrast, **Scope 1** or **direct emissions,** accounts for 16,38% of carbon emissions, however, it is anticipated that there will be an increase of scope 1 emissions in 2023/2024 FY as a result of the load shedding risk mitigation actions and conductor theft on the rail network leading to rail network de-electrification and increased usage of back-up generators, which means more use of diesel. This will be mitigated in the coming years as we intensify our use of clean energy sources currently undergoing development and market engagements.

Group emissions split



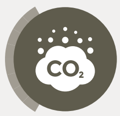
Overall emissions for Transnet for 2022/23FY is 2,986 $mtCO_2e$

TRANSNET

Overall emissions for Transnet for FY22/23 is 2,986 lowercase $mtCO_2e$

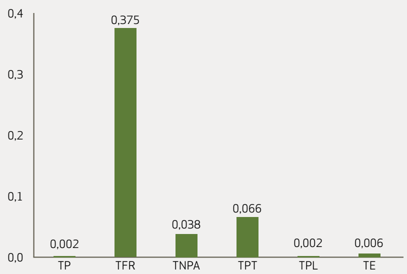
Scope 1 – Direct Emissions from fuel usage accounts for 16,38% of the overall CO_2 emissions

Scope 2 – Indirect emissions from electrical usage accounts for 75,19% of the total CO_2 emissions

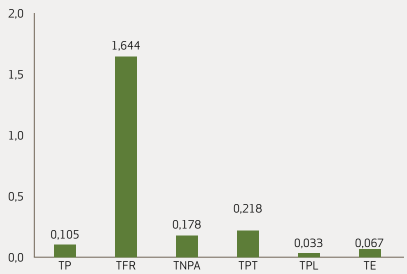


Scope 3 – Indirect emissions: Category 6 – Business Travel, relating to flights and vehicle accounts for 0,18% while Category 3 – Transmission and Distribution losses accounts for 8,43% of the overall CO_2 emissions

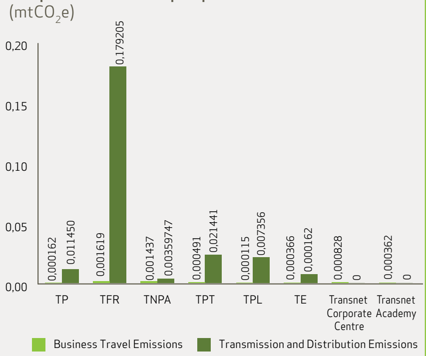
Scope 1 emissions split per OD ($mtCO_2e$)



Scope 2 emissions split per OD ($mtCO_2e$)



Scope 3 emissions split per OD ($mtCO_2e$)

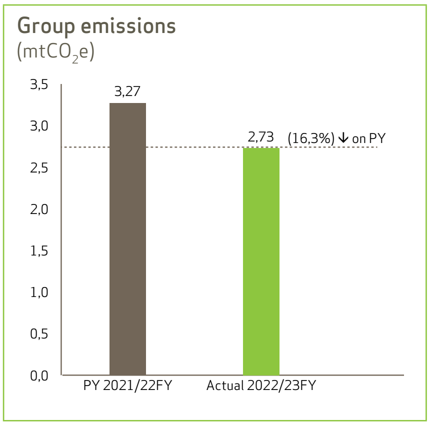


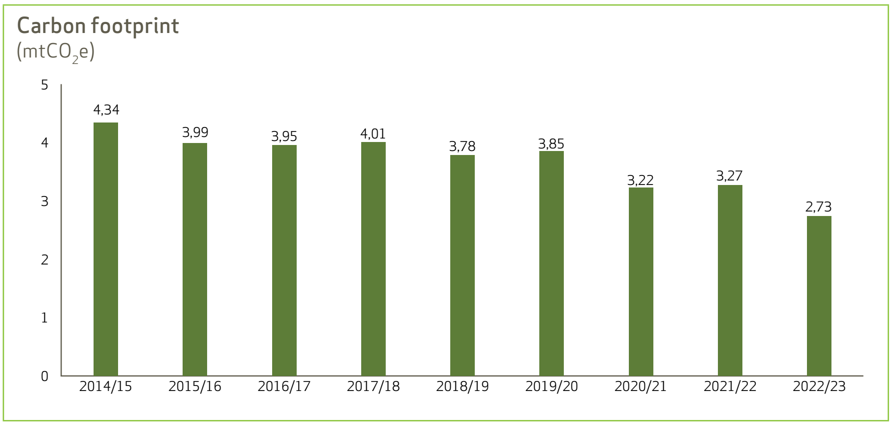
Emissions Distribution	Renewables Engagement	Future Strategy
Freight Rail is responsible for over 76,6% of Transnet's Scope 1 emissions and 73,2% of Scope 2 emissions, with ports' operations (TPT and TNPA) being the next significant contributor	Both TFR and TNPA initiated market engagements in 2022/23FY to assess the viability and readiness for supplying Transnet with renewable energy	These market engagements will persist, aiming to procure renewables and, in doing so, decrease Transnet's carbon footprint

Carbon footprint

Transnet's total carbon emissions for the 2023 fiscal year was recorded at 2.73 $mtCO_2e$ compared to the 3.27 $mtCO_2e$ emitted in the previous year. This is a 16.3% reduction in carbon emissions for Transnet and is associated to the 11.38% overall decrease in energy consumption reported in 2022/23FY.

Transnet carbon footprint



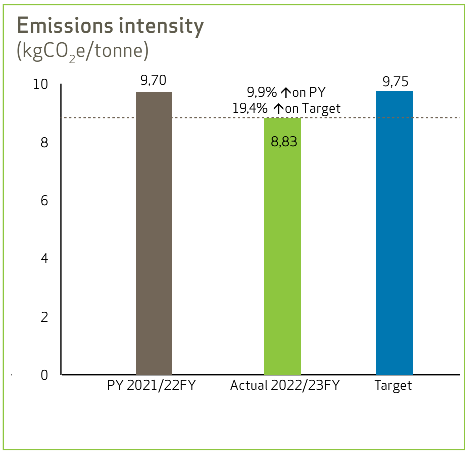


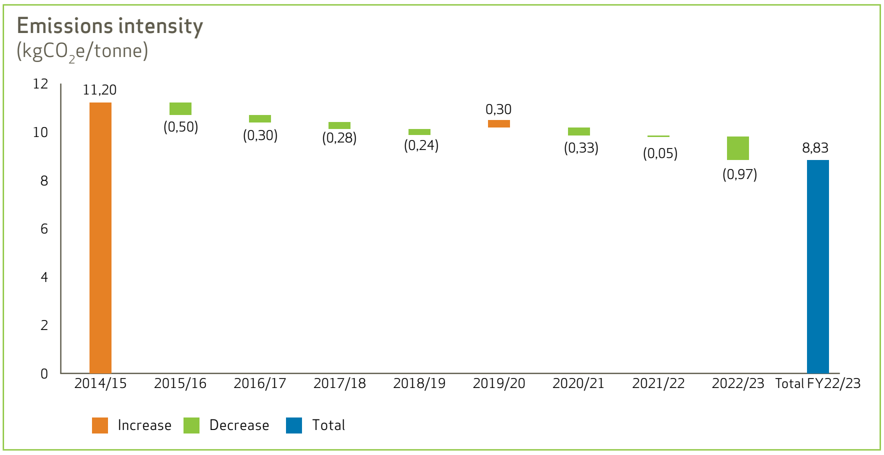
The trend in carbon emissions for Transnet over the last eight years has shown a steady decline, with emissions in 2014/15 being reported at 4,34 $mtCO_2e$ which have been reduced to 2.73 $mtCO_2e$ in 2022/23FY.

Carbon emission intensity

Transnet's carbon emissions intensity recorded is 8,83 $kgCO_2e$/tonne as compared to 9,80 $kgCO_2e$/tonne in the previous year. This is an improvement of 9,89% on the previous year and translates to a 9,4% performance increase overall against the Corporate Plan target of 9,75 $kgCO_2e$/tonne for FY 23/24.

Transnet Emissions Intensity





The emissions intensity has improved from 11,2 $kgCO_2e$/tonne in 2014/15 to 8,83 $kgCO_2e$/tonne in 2022/23, a difference of 2,13 $kgCO_2e$ / tonne, and is directly linked to a reduction in energy consumption.

Energy management

We seek to continually improve and align to national and international frameworks and policies. In line with energy mix, we align to SDG 7: Affordable and clean energy. Furthermore, we align with the Integrated Resource Plan which encourages diversified energy mix that reduces reliance on a single or a few primary energy sources. We seek to diversify our energy mix through alternative energy sources and renewable energy. We rely on Eskom and municipalities for electricity and Diesel Supplies for fuel. Electricity constitutes 52% of energy needs while fuel accounts for 48%. We are thus exposed to energy insecurity as the electricity grid is undergoing capacity constrains leading to frequent rotational load shedding, additionally high energy costs resulting from high electricity and fuel costs escalations. We currently only operate two small scale solar PV plants (112kW) at TPL in Pinetown and 100kW in the Port of Cape Town.

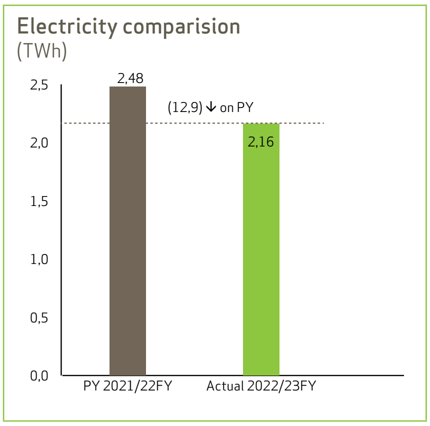
In January 2023 Eskom, the South African Power Utility issued a generation recovery plan indicating that whilst it works on improving its energy availability factor performance, rotational load shedding will be implemented for the next three years to 2025. This exposes the business to continuity uncertainties. Regular load shedding by Eskom has triggered an Increase in opportunity crimes such as theft and vandalisms along our rail network resulting into greater dependence on diesel powered locomotives, and higher GHG emissions.

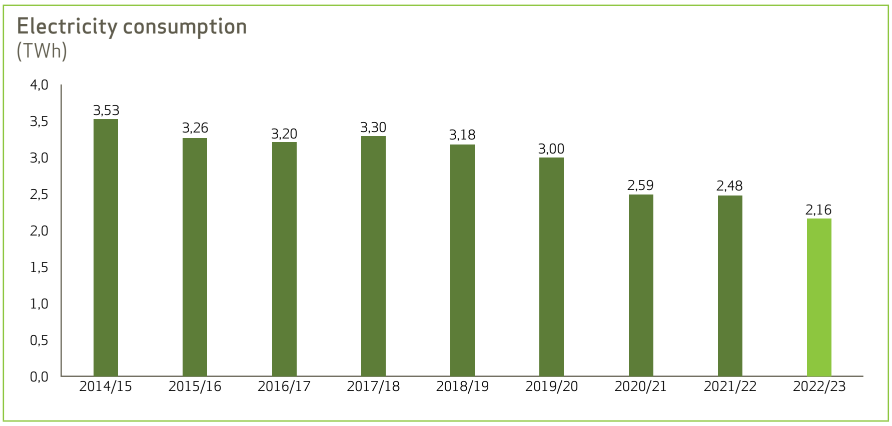
Opportunities exist to invest in more renewable energy sources such as the solar PV plants. We are currently developing the Green Hydrogen Strategy as we plan to diversify to Green Hydrogen as an alternative energy source. We are diversifying to renewable energy; we currently have a two small scale solar PV plants of 112kW in Pinetown and 100kW in the port of Cape Town and we plan to diversity and upscale the uptake of renewable energy.

Energy management - electricity consumption

A total of 2159GWh of electricity consumption has been recorded for this reporting period, which is 52,2% of Transnet's energy needs from Eskom and municipalities.

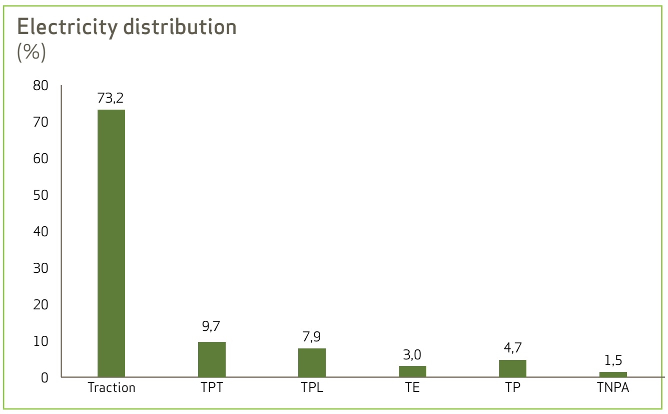
Current electricity consumption	Annual comparison	Long-term trend
Transnet's total electricity consumption decreased by 12,9% from 2479GWh in the FY2021/22 to 2159GWh in FY2022/23	Electricity consumption has been steadily decreasing since FY2014/15. Electricity consumption has decreased by 38,8% from 3,53TWh in 2014/15 to 2,16TWh in FY2022/23	Since 2014/15FY, Transnet's electricity consumption has steadily decreased. There was a substantial 38% reduction from 3,53TWh in 2014/15FY to 2,17TWh in 2022/23FY





A total of 73,2% of electricity was used for Freight Rail traction and the remainder on Transnet's properties, ports, pipelines, and engineering operations.

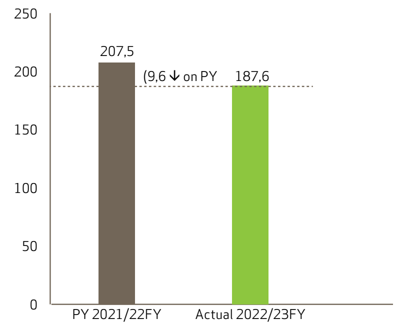
Electricity consumption per OD



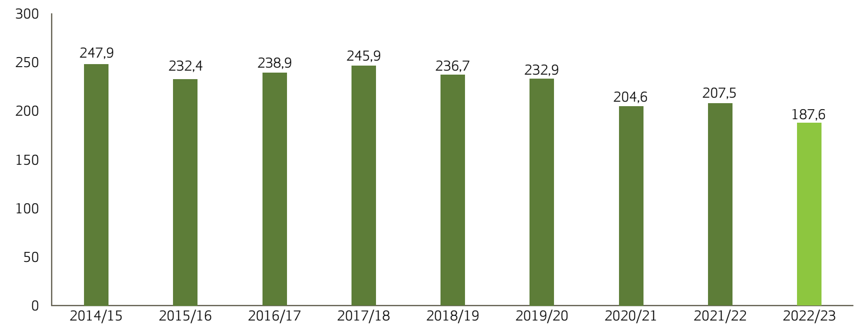
Fuel consumption

A total of 187,6 megalitres (ML) of diesel consumption has been recorded, accounting for 47,8% of the total energy consumption. Transnet's total fuel consumption decreased by 9,6% from 207,5ML last year to 187,6ML. Fuel consumption has been on a downwards trend since 2014/15FY. It has decreased from 247,9ML in 2014/15FY to 187,6ML in 2022/23FY. This is a 24,3% reduction in fuel consumption. De-electrification, cable theft and electrical infrastructure vandalism result in more fuel consumption in overall energy percentage leading to higher direct emission.

Fuel comparision
(ML)



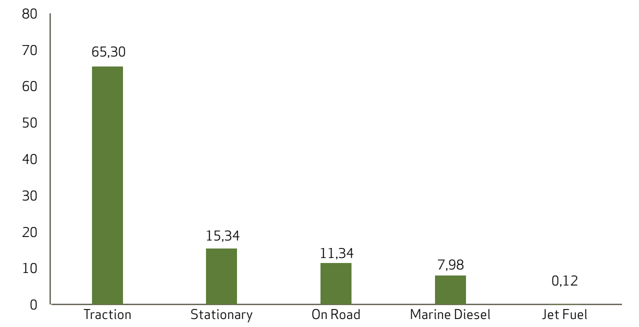
Fuel consumption
(ML)



Energy management - diesel consumption

In total, 65,3% of the total fuel consumption was used for Freight Rail diesel traction, 15,34% on home-based fuel, 11,3% on-road vehicles, 7,9% on marine diesel and 0,1% on jet fuel.

Fuel distribution
(%)

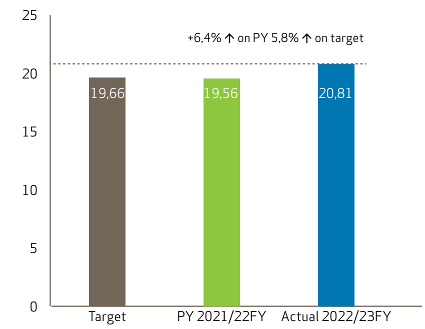


Energy efficiency

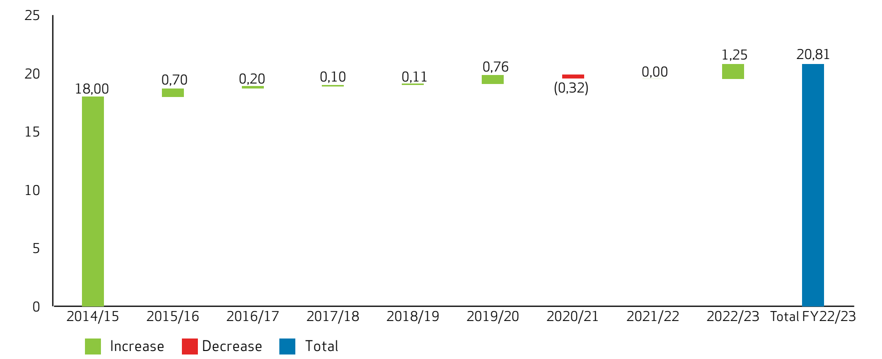
Transnet's total energy efficiency recorded at 20,81 tonnes/GJ compared to 19,56 tonnes/GJ in the previous year. This is an improvement of 6,4% over the previous year and 5,8% above the Corporate Plan target. Energy intensity has been improving since 2014/15. It was at 18 tonnes/GJ in 2014/15 and currently is at 20.81 tonnes/GJ in 2022/23. Transnet has over the years implemented energy efficiency initiatives in its operational regime as well as on new equipment, this has resulted in improvements as observed overtime. These initiatives are as follows:

- Lighting retrofits and replacements;
- Power Factor Correction (PFC) Analysis and Correction;
- Small scale renewable energy plants; and
- Energy Awareness Campaigns.

Energy efficiency
(tonne/GJ)



Energy efficiency
(tonne/GJ)



JUST TRANSITION

South Africa is a signatory to the United Nations Framework Convention on Climate Change and to the Paris Agreement. As an energy and emissions intensive middle-income developing country, it recognises the need for it to contribute its fair share to the global effort to move towards net-zero carbon emissions by 2050, considering the principle of common but differentiated responsibilities and the need for recognition of its capabilities and national circumstances.

We commit unequivocally to supporting South Africa's commitment to find ways to transition to a net-zero emission economy by 2050,

We have made our target more ambitious as we seek to transition to a net-zero by 2040. The transition to low-carbon environment is necessary to offset the effects of climate change. The measures to lessen the threat of stranded assets, lost jobs, and abandoned cities or communities are at the heart of the transition.

Our Just Transition Plan is anchored on prioritisation of people and communities, with more effort to collaborate with private sector partners approach as envisioned in the Transnet's Reinvention Strategy, to develop strategies and business plans that will help alleviate environmental impacts, support impacted people, transform the business operations, and pave the way for a new clean energy future for Transnet.

Transporting and managing a variety of commodities, whose demand and usage are threatened by efforts to reduce emissions before half a century as stipulated by the Paris Agreement 2015, exposes Transnet to transition risks. Potential revenue loss from decreased thermal coal exports as well as the anticipated fall in volumes for transportation petroleum products through our pipeline. This may result in job losses, assets being stranded, exposing our stakeholders and communities to these risks. Hope is never lost as they are opportunities for creation of new jobs due to reliance on renewable energy (RE) sources investment and achieving net-zero ambitions as we invest on renewable energy sources.

In support of SDG 17, there is an opportunity to partner with South African Photovoltaics Industry Association (SAPVIA) and international organisations to train our engineers in renewable skills. Fast-tracking upscaling and reskilling internal staff on renewable skills and ensure that installation, repair, and maintenance of RE technologies is done internally. Diversifying Transnet Engineering to manufacture Solar PVs and explore opportunities in RE. Furthermore, in terms of skills, there is an opportunity to create bursary scheme to fund students to pursue renewables specialty courses. The Just transition roadmap is under development. We have currently developed the Green Hydrogen Strategy as we plan to diversify to Green Hydrogen as an alternative energy source. We are diversifying to RE; we currently have two small scale solar PV plant of 112kW in Pinetown.

The development of Transnet's unique 'Just Transition' pathways which set out clear objectives, actions, decisions to be taken, outputs and results, baselines and targets, and monitoring tools.

ABBREVIATIONS AND ACRONYMS

AEL	Atmospheric Emissions Licences
AFS	Annual Financial Statements
AIA	Approved Inspection Authority
AIS	Alien Invasive Species
BEM	Behaviour Engineering Model
BEP	Brand Exploitation Protection
BR	Botswana Rail
CBD	Central business district
CDP	Carbon Disclosure Project
CF	Compensation Fund
COID	Compensation for Occupational Injuries and Diseases
COIDA	Compensation for Occupational Injuries and Diseases Act
CSD	Central Supplier Database
CSI	Corporate social investment
DFFE	Department of Forests, Fisheries and Environment
DOA	Delegation of Authority
DoT	Department of Transport
EAP	Employee Assistance Programme
ECD	Early childhood development
EDIT	Employment, Diversity, Inclusivity, and Transformation
EME	Exempted micro enterprises
EOI	Expression of Interest
EU	European Union
EV	EMPLOYEE VOLUNTEERING
FRM	Fraud Risk Management
FRMP	Fraud Risk Management Plan
GBV	Gender-based violence
HLC	Healthy Living Consulting
IoT	Internet of Things
ISSB	International Sustainability Standards Board
JSE	Johannesburg Stock Exchange
KPI	Key performance indicators
KRI	Key risk indicators
LCMS	Locomotive Condition Monitoring System
LTI	Lost time injuries
LTIFR	Lost time injury frequency rate
LNG	Liquefied Natural Gas
MISS	Minimum Information Security Standards
NGO	Non-Governmental Organisations
NIHL	Noise-induced hearing loss
NMBM	Nelson Mandela Bay Municipality
NMPP	New multi-product pipeline
NPO	Non-Profit Organisations
NRP	National rail policy
OHSA	Occupational, Health and Safety Act
PMBOK	Project Management Body of Knowledge
PMI	Project Management Institute
PPA	Procurement Process Automation
PWD	People living with disabilities
QCTO	Quality Council for Trades and Occupations
QSE	Qualifying small enterprises
R&D	Research and development
RBM	Richard's Bay Minerals
RE	Renewable energy
REMSEC	Remuneration, Social and Ethics Committee
RFI	Request for information
RIMF	Risk and Integrity Management Framework
SADC	South African Development Community
SAGERS	South Africa's Greenhouse Gas Emissions Reporting
SANAS	South African National Accreditation System
SAPS	South African Police Service
SAPVIA	South African Photovoltaics Industry Association
SAYEC	South African Youth Economic Council
SBIDZ	Saldanha Bay Industrial Development Zone
SCM	Supply Chain Management
SDG	Sustainable Development Goals
SDO	Sustainable Development Outcomes
SEA	Strategic Environmental Assessment
SEID	Socio-Economic Infrastructure Development
SEM	Specific environmental management
SETA	Sector Education and Training Authority
SIEM	Security information and event management
SIU	Special investigation unit
SMME	Small, micro, and medium enterprise
SRO	Stakeholder relationship owners
SSA	State Security Agency
TCC	Transnet Corporate Centre
TCFD	Task Force on Climate-related Financial Disclosures
TCMS	Train Control Management System
TE	Transnet Engineering
TEU	Twenty-foot equivalent units
TFR	Transnet Freight Rail
TIA	Transnet Internal Audit
TMPS	Total Measured Procurement Spend
TNFD	Taskforce on Nature-related Financial Disclosures
TPT	Transnet's Port Terminal
UNGC	United Nations Global Compact
VVP	Virtual Volunteering Platform
YPT	Young professionals-in-training
ZCCI	Zululand Chamber of Commerce and Industry

These abbreviations have been found in an existing table or list:

AGSA	Auditor-General of South Africa
APDP	Automotive Production and Development Programme
CAGR	Compound annual growth rate
DCT	Durban Container Terminal
DPE	Department of public enterprise
ERM	Enterprise Risk Management
ERRP	Economic Reconstruction and Recovery Plan
ESD	Enterprise and supplier development
ESG	Environmental, social and governance
GDP	Gross domestic product
IFRS	International Financial Reporting Standards
IREC	Interim Rail Economic Regulatory Capacity
IRMP	Integrated Risk Management Plan
ITO	International Terminal Operator
LSP	Logistics service providers
MBA	Masters in Business Administration
MBL	Masters in Business Leadership
MECA	Manganese Export Capacity Allocation
MRSA	Maintenance and Reliability Support Agreements
NDP	National Development Plan
NT	National Treasury
OD	Operating Divisions
OELP	Oxford Executive Leadership Programme
OEM	Original Equipment Manufacturer
PFMA	Public Financial Management Act
PoRB	Port of Richards Bay
PSP	Private sector participation
RFP	Request for Proposal
RSR	Railway Safety Regulator
SME	Small- and medium-sized enterprises
SOC	State-owned company
SOE	State-Owned Enterprises
SSI	Statement of Strategic Intent
TFIT	Transnet Fuel Import Terminal
TNPA	Transnet National Ports Authority

GLOSSARY OF TERMS

Asset turnover (times)
Revenue divided by total assets (total assets excluding capital work in progress).

Cash interest cover (times)
Cash generated from operations after working capital changes, divided by net finance costs (net finance costs include finance costs, finance income and capitalised borrowing costs from the cash flow statement).

Debt (for gearing calculation)
Long-term borrowings, short-term borrowings, employee benefits, derivative financial liabilities plus overdraft, less other short-term investments, less derivative financial assets and less cash and cash equivalents.

EBITDA
Profit/(loss) from operations before depreciation, derecognition, amortisation, impairment of assets, dividend received, post-retirement benefit obligation (costs)/income, fair value adjustments, income/(loss) from associates and net finance costs.

EBITDA margin
EBITDA expressed as a percentage of revenue.

Equity
Issued capital and reserves.

Gearing
Debt expressed as a percentage of the sum of debt and Shareholder's equity.

Headline earnings
As defined in Circular 2/2013, issued by the South African Institute of Chartered Accountants, all items of a capital nature are separated from earnings (by headline earnings).

Operating profit
Profit/(loss) from operations after depreciation, derecognition and amortisation but before impairment of assets, dividends received, post-retirement benefit obligation (expense)/income, fair value adjustments, income/(loss) from associates and net finance costs.

Operating profit margin
Operating profit expressed as a percentage of revenue.

Return on total average assets
Operating profit expressed as a percentage of total average assets (total average assets exclude capital work in progress).

Total assets
Non-current and current assets.

Total average assets
Total assets, where average is equal to the total assets at the beginning of the reporting year, plus total assets at the end of the reporting year, divided by two.

Total debt
Non-current and current liabilities.

CORPORATE INFORMATION

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EXECUTIVE DIRECTORS

Ms PPJ Derby
(Group Chief Executive)
Ms NS Dlamini
(Group Chief Financial Officer)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr A Sangqu (Chairperson)
Ms R Buthelezi
Mr M Debel
Mr B Jiya
Ms L Letsoalo
Dr PS Molefe
Prof FS Mufamadi
Mr D Patel
Ms B Sedupane
Ms MP Zambane

Ms GT Ramphaka resigned in December 2022.

Mr LL Von Zeuner resigned in February 2023.

Mr AP Ramabulana, Ms UN Fikelepi, Ms ME Letlape, and Ms DC Matshoga retired by rotation in July 2023.

The new Transnet Board was appointed/re-appointed (2 members) in July 2023.

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