



TRANSNET



national ports
authority

REINVENT FOR GROWTH

TRANSNET NATIONAL PORTS AUTHORITY **2023**

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REINVENT
FOR GROWTH





delivering freight reliably
national ports authority

HIGHLIGHTS

Revenue increased by 6,1% to R13,3 billion

(2022: R12,5 billion); Due to improved Cargo Dues and Real Estate Revenue stream improvement

EBITDA recorded a 1% decline Compared to 2021/22FY

A DIFR of 0,75 achieved Against target of 0,47.

BUSINESS OVERVIEW

Transnet National Ports Authority (National Ports Authority)(TNPA), as stipulated in the National Ports Act, No. 12 of 2005 (Ports Act), was established as a landlord port authority entrusted with ensuring the safe, efficient, effective, and economic functioning of the national ports system, which it manages, controls, and administers on behalf of the State. Section 11 of the Ports Act outlines the core functions of the National Ports Authority as follows:

- To plan, provide, maintain, and improve port infrastructure;
- To endorse the use, enhancement, and development of ports and control land use within the ports—possessing the authority to lease port land under conditions that it determines;
- To promote greater representativity and, in particular, to increase participation in port operations for historically disadvantaged individuals;
- To provide or arrange marine-related services i.e., pilotage services, tug assistance, berthing services, dredging and hydrographic services;
- To ensure that adequate, affordable, and efficient port services and facilities are provided, including regulatory oversight over all port activities; and
- To provide aids to navigation to assist the navigation of vessels within port limits and along the coast.

The National Ports Authority holds a strategic position in the nation's transport logistics chain, managing South Africa's eight commercial seaports i.e., Saldanha, Cape Town, Mossel Bay, Port Elizabeth, Ngqura, East London, Durban, and Richards Bay. The ninth port, Port Nolloth, does not handle any commercial cargo and is wholly leased to De Beers Consolidated Diamond Mines. Conceptual plans are being developed to construct a new commercial port in the Northern Cape, primarily earmarked for handling of dry bulk and potential green hydrogen operations. The ports under the control of the National Ports Authority span the South African coastline, measuring approximately 2 800 km. Working within the port industry, the National Ports Authority offers its services to port users, including terminal operators, shipping lines, ships' agents, cargo owners, and the clearing, and forwarding industry. The National Ports Authority functions as both the regulator of all port users and is regulated itself, in that the Ports Regulator of South Africa (Ports Regulator) exercises economic regulation over the division and handles complaints against the National Ports Authority.

Looking to the future with optimism, the National Ports Authority has embarked on a journey of transformation through reinvention. The goal is to evolve into a financially sustainable, least cost smart port system, enabled by an empowered workforce and a seamless value chain, strategically positioned to stimulate economic growth in an environmentally sustainable way. This future vision is bolstered by priority programmes focused on terminal oversight, infrastructure, property, people, systems, supply chain, sustainability, environmental, and cost. These priority programmes are designed to support inter-departmental strategies aiming to optimise performance across the port system, including the KwaZulu-Natal logistics hub and growth strategies for distressed and underperforming ports.

The KZN LH Programme aligns its mandate to both the TNPA and Transnet's strategic intent of establishing the Port of Durban as a modern, deep-water regional container hub and premier automotive hub and adapting the operational focus of the Port of Richards Bay away from coal and towards significantly more profitable chrome and magnetite.

The two programmes within the KZN LH focus on the following commodities: Containers; Automotive; Chrome, Magnetite and Gas. The Container Segment Strategy is designed to foster improved maritime connectivity through the establishment of an internationally competitive hub port system, leveraging partnerships to rejuvenate the port terminal businesses and reform the container rail business. The Container Freight System is a critical component of the National Freight System and directly impacts South Africa's trade competitiveness.

To address and support the Transnet segment strategy, TNPA through the KZN Logistics Hub has conceptualised and developed the KZN Ports Master Plans which are underpinned by the following principles:

- The Port of Durban is positioned as a Container Hub and a premier terminal for the Automotive sector;
- The Port of Richards Bay will specialise in the handling of Dry bulk and Liquid Bulk commodities and also handle Liquefied Natural Gas (LNG) within an expanded liquid bulk precinct in South Dunes; and
- The SA Navy base will be relocated from Salisbury Island in Durban to Naval and Pelican Islands in the Port of Richards with a Satellite Station at the Port of Durban.

WHERE WE OPERATE

- Commercial ports
- Non-commercial port



REGULATORY ENVIRONMENT

The regulatory environment of the TNPA remains very complex, as various pieces of legislation affecting the port have evolved over time. In response to this evolution, the TNPA has introduced mechanisms such as the regulatory universe and compliance monitoring plans. These ensure that no relevant regulatory requirements are overlooked and that compliance risks are effectively managed.

Of particular importance is the National Ports Act, 2005, which remains the central piece of legislation governing the functions and related obligations of the Authority, including the discharge of its oversight responsibilities over all tenants and their activities.

This oversight means a proactive focus by the TNPA on port users. It includes both commercial and regulatory oversight of port users' activities and, in particular, oversight of the efficiency of port terminals, the condition of infrastructure, and compliance with health, safety, and environmental regulations.



OPERATIONAL PERFORMANCE

Strategies within the Transnet segment aim to secure and enhance key industrial supply chains whose performance is critical to the resilience of the South African economy. Key performance indicators (KPIs) focus on commodity categories such as containers and automotive, fuels and gas, coal, manganese, iron ore, and agriculture. There were negative variances for all cargo types except general cargo due to sluggish economic growth. To address this underperformance, the TNPA has taken steps to close the gaps in all sectors.

In particular, a marked and significant decline in the operational efficiency of the terminals was observed in the container terminal sector. In the April 2022 floods, which mainly affected KwaZulu-Natal (KZN), exacerbated the country's precarious economic situation and negatively impacted trade volumes at the Port of Durban. Rising fuel

costs further inflated transport costs, affecting the movement of goods through the ports.

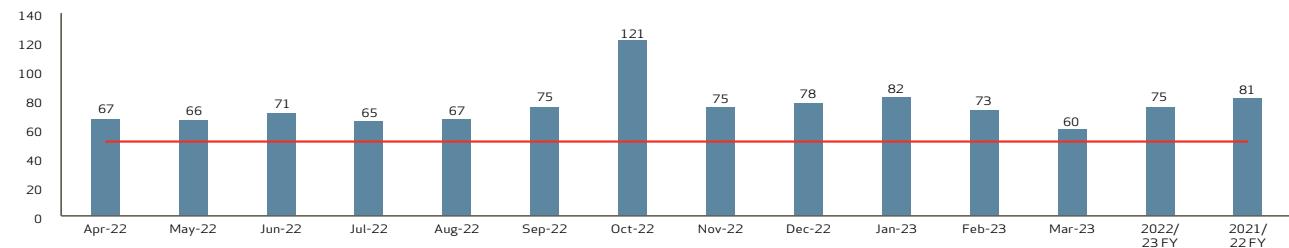
The new TNPA operating model, supported by the introduction of the Terminal Oversight, Infrastructure, Property, People, Supply Chain Management, System, Environment, Strategic Partnerships and Cost (TIPPSS-SEC) programme, was developed to address these inefficiencies across the organisation. TNPA, through the Terminal Efficiencies and Oversight War Rooms, embarked on a benchmarking process, supported by an independent service provider, to assist the Port Authority in identifying best practices for terminal management and port performance. Once the benchmark study is completed, TNPA will be better able to benchmark its practices against global best standards.

Ship turnaround times (hours)

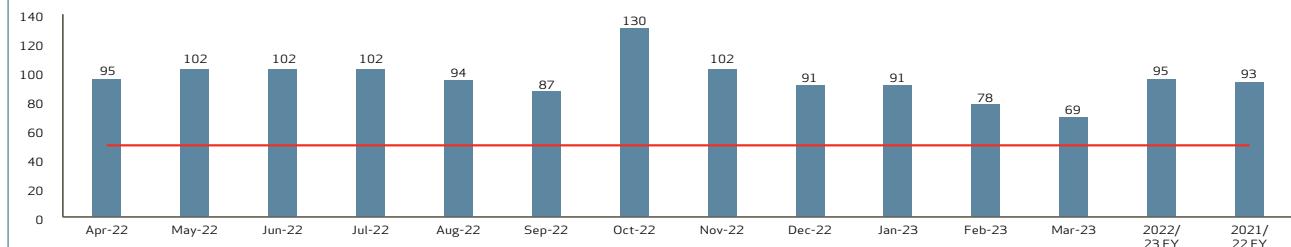
Ship Turnaround Time (STAT) is defined as the duration a vessel takes from the breakwater point on its inbound (arriving leg) to the time that same vessel passes the breakwater point on its outbound journey from the port (excluding weather delays and laytime).

The following graphs focus on the performance of the Durban Container Terminal (DCT Pier 1 and Pier 2), the Cape Town Container Terminal (CTCT), and the Ngqura Container Terminal (NCT).

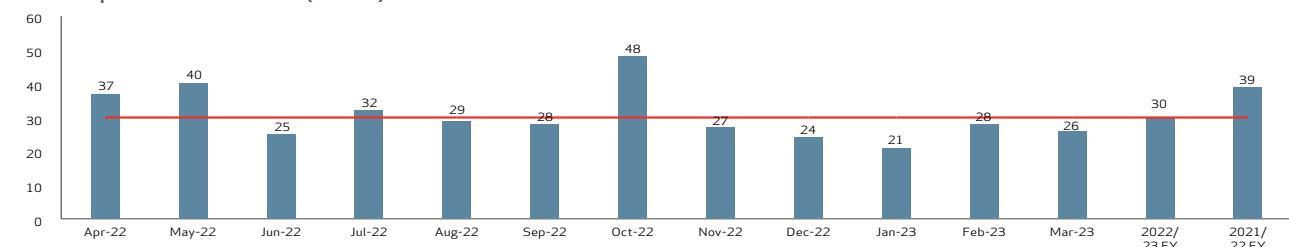
DCT Pier 1: Ship Turnaround Time (Hours)



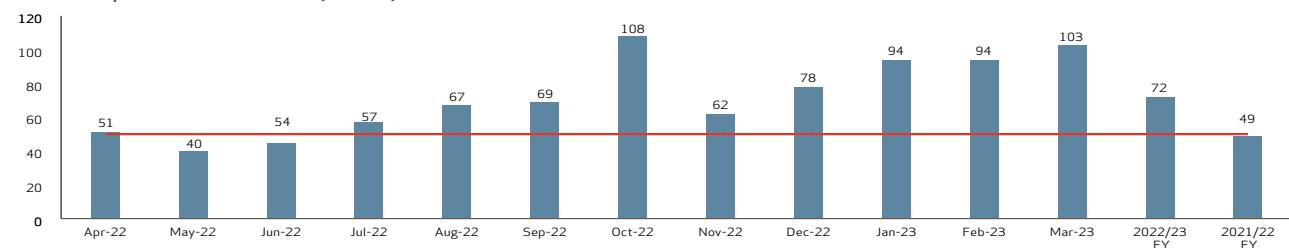
DCT Pier 2- Ship Turnaround Time (Hours)



NCT: Ship Turnaround Time (Hours)



CTCT: Ship Turnaround Time (Hours)



STATs comments:

The performance of DCT Pier 1 and 2 was affected by adverse weather conditions (wind and rain) during October 2022 to January 2023, resulting in slower operating vessels. Equipment reliability issues (straddle carriers, RTGs and cranes), equipment maintenance failures, and vessel service delays also negatively impacted performance. A strike in October 2022 caused further disruptions at various terminals, including CTCT and NCT.

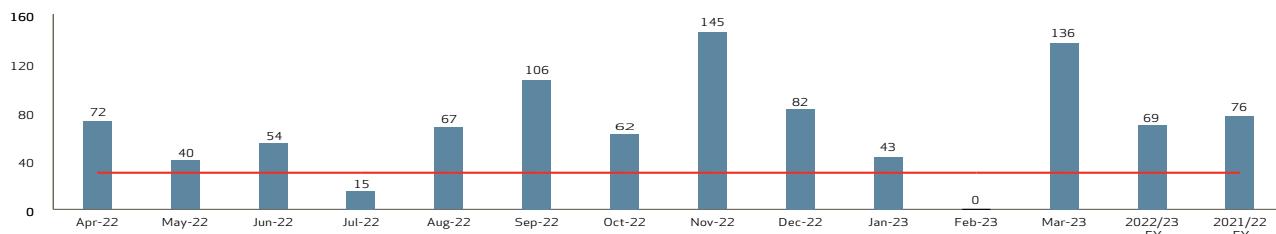
CTCT's performance was affected by bad weather, resulting in slowed cargo operations. The terminal faced breakdowns and maintenance, which meant that not all equipment could be deployed, negatively impacting cargo operations.

NCT performance suffered from adverse weather conditions (wind and vessel movements) and equipment failures (STS and RTG), all of which had a negative impact on operational performance.

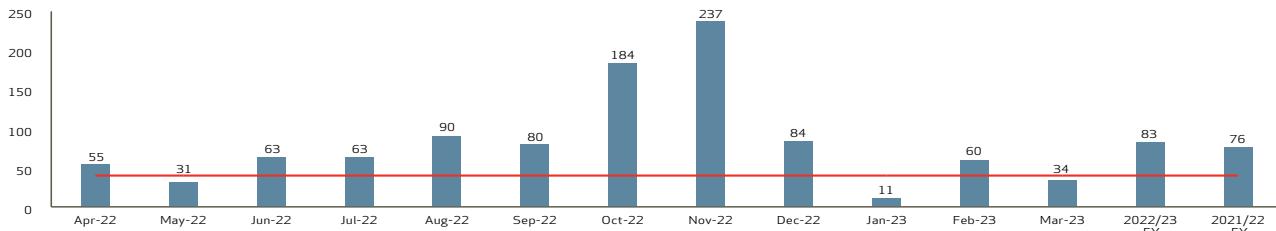
Anchorage waiting time (hours)

This metric is defined as the duration a vessel is waiting at anchorage for services at the port (including weather delays and excluding vessels waiting for orders). The graphs below prioritise the container port performance at DCT Pier 1 and Pier 2, CTCT, and NCT.

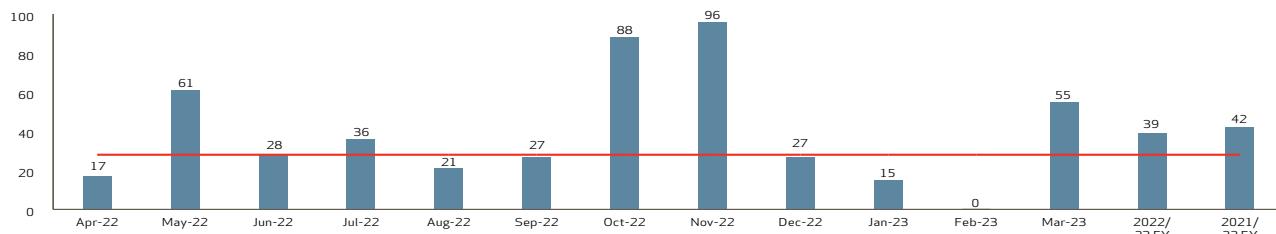
DCT Pier 1: Anchorage Waiting Time (Hours)



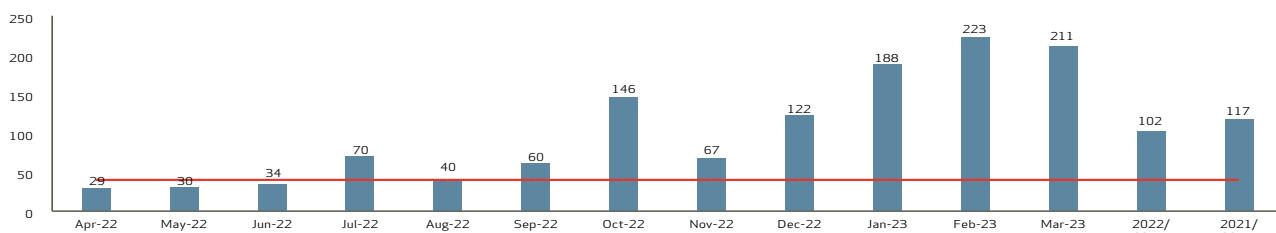
DCT Pier 2: Anchorage Waiting Time (Hours)



NCT: Anchorage Waiting Time (Hours)



CTCT: Anchorage Waiting Time (Hours)



Anchorage waiting time comments:

The performance of anchorages at DCT Pier 1 and Pier 2 has been affected by delays in terminal operations and TNPA problems in berthing and debarking vessels due to issues with craft availability and reliability, resulting in delays to arriving vessels. The October 2022 strike also negatively impacted several terminals, including CTCT and NCT.

CTCT's mooring performance suffered from inclement weather and low productivity due to terminal equipment failures, resulting in extended

mooring times for vessels. NCT faced adverse weather conditions that negatively impacted operational performance and caused delays throughout the system, including vessels at the anchorage.

- Improvement plans (opportunities)
- Enhance the availability and reliability of marine service resources;
- Boost productivity at terminals through the enforcement of improvement initiatives; and
- Increase visibility of the port value chain through system integration.

OPERATIONAL PERFORMANCE CONTINUED

CORE INITIATIVES

The implementation of the TNPA's reimagined operating model requires a fit-for-purpose operating structure that enables the relevant cross-functional teams to ensure the long-term sustainability of the organisation. The organisational structure

recognises that the ports and operations are the drivers of the strategy and need to be adequately resourced, with head office playing a support role to the port system to further promote an integrated and complementary port network.

The operating model is largely influenced by legislative mandate, an integrated strategic framework, the facilitation of a desired end state, and the monitoring of business performance through dashboards. Consequently, TNPA's restructuring is guided by a multi-faceted approach:

- To effectively deliver on TNPA's mission, we need to understand the current challenges within the organisation and their root causes before any significant changes can occur;
- The strategic framework provides direction for TNPA to transition from its current state to a reimagined TNPA;
- The seven focus areas of the TNPA's desired end state act as enablers for the successful implementation of the TNPA's priority programmes: Terminal Oversight, Infrastructure, Property, People, Supply Chain Management, System, Environment, and Cost (TIPPSS-SEC);
- Performance monitoring of the TIPPSS is critical as it enables real-time monitoring so that timely interventions can be made, ultimately leading to an overall improvement in business performance; and
- Developing and implementing port growth strategies to enable ports to fulfil their landlord role, improve performance, diversify revenue streams, and tap into untapped markets.

OVERVIEW OF KPIs

Key performance area and indicator	Unit of measure	2020 Actual	2021 Actual	2022 Actual	2023 Target	2023 Actual	2024 Target
Financial sustainability							
Revenue	R million	12 172	11 558	12 548	13 094	13 392	14 409
EBITDA	R million	7 866	6 701	7 270	7 033	7 518	8 158
Return on Invested Capital	%	7,2	4,3	13,8	4,3	4,9	4,9
Revenue per employee	R million	2,9	2,7	3,3	3,0	3,4	3,4
EBITDA margin	%	64,6	58,0	57,9	53,7	56,1	56,6
Operating profit margin	%	46,7	38,5	37,2	29,1	35,7	34,2
Gearing	%	16,5	10,3	2,7	4,4	(0,7)	(0,7)
Net debt to EBITDA	times	1,2	1,0	0,3	0,4	(0,08)	(0,07)
Return on total average assets - excluding capital work-in-progress (CWIP)	%	7,0	6,4	5,3	4,5	5,2	
Asset turnover-excluding CWIP	times	0,17	0,16	0,17	0,16	0,15	0,15
Cash interest cover	times	6,0	5,8	10,7	10,6	13,2	8,8
Capacity investment							
Capital expenditure	R million	1 598	648	2 061	2 454	1 508	2 475
Operational excellence							
Productivity							
Anchorage waiting time							
Durban Pier 1	average hours	64,0	56,0	76,1	40,0	68,4	40,0
Durban Pier 2	average hours	80,0	83,0	76,5	30,0	81,2	30,0
Cape Town	average hours	49,0	107,0	117,0	40,0	113,0	114,0
Port Elizabeth	average hours	47,0	33,0	34,1	35,0	16,3	35,0
Ngqura	average hours	53,0	56,0	42,0	28,0	45,2	32,0
Richards Bay	average hours	1,0	96,0	-	60,0	-	-
Average ship turnaround time							
Durban Pier 1	container STAT hour	74,0	69,0	81,0	55,0	75,0	55,0
Durban Pier 2	container STAT hour	79,0	90,0	93,0	53,0	93,0	53,0
Cape Town	container STAT hour	37,0	65,0	49,0	50,0	73,0	72,0
Port Elizabeth	container STAT hour	32,2	43,8	35,6	30,0	37,0	41,0
Ngqura	container STAT hour	37,0	32,0	39,0	30,0	30,5	30,0

Key performance area and indicator	Unit of measure	2020 Actual	2021 Actual	2022 Actual	2023 Target	2023 Actual	2024 Target
Dry Bulk							
Coal (RBCT)	hours	148,0	40,0	40,0	48,0	39,0	46,0
Iron Ore (Saldanha)	hours	49,0	51,0	53,6	50,0	58,3	50,0
Manganese (Port Elizabeth)	hours	70,3	75,0	81,9	78,0	100,0	100,0
Berth occupancy							
Durban Pier 1	%	40,0	70,0	86,0	65-75	84,0	65-75
Durban Pier 2	%	53,0	33,0	70,0	65-75	74,0	65-75
Cape Town	%	68,0	59,0	77,0	60-70	69,0	80-90
Port Elizabeth	%	42,5	52,0	50,3	45-55	59,3	45-55
Ngqura	%	37,1	66,0	64,6	70-80	81,1	70-80
Berth utilisation							
Durban Pier 1	%	88,0	91,0	93,0	85-95	92,0	85-95
Durban Pier 2	%	92,0	92,0	93,0	85-95	94,0	85-95
Cape Town	%	90,0	81,0	71,0	70-80	82,0	70-80
Port Elizabeth	%	73,3	83,0	82,0	85-95	85,2	85-95
Ngqura	%	83,7	86,0	87,0	80-90	84,2	80-90
Market segment competitiveness							
Volume and revenue growth							
Containers	000 TEUs	4 538	4 033	4 442	4 310	4 105	4 912
Break-bulk	million tons	4,7	3,7	5,6	3,4	5,8	3,9
Liquid bulk	million kilometres	41,9	41,8	38,1	36,8	35,0	29,5
Dry bulk	million tons	182,6	174,7	173,0	189,1	164,1	201,3
Vehicles	units	776 762	481 149	700 561	737 476	872 741	825 962
Tariffs							
Average tariff increase	%	-6,27	0,32	0,00	0,00	4,80	3,32
Sustainable developmental outcomes							
Human Capital							
Training spend	% of personnel cost	3,0	0,2	0,4	4,5	2,6	4,4
Employee turnover	%	5,0	6,0	10,0	5,0	6,0	5,0
Employee headcount	permanent	4 155	4 239	3 851	4 369	3 884	4 260
Revenue per employee	R million	2,9	2,7	3,3	3,0	3,4	3,4
Risk, safety & health							
Cost of risk	% of revenue	2,85	3,55	3,39	3,20		
DIFR	rate	0,25	0,21	0,62	0,75	0,47	0,75

FINANCIAL PERFORMANCE REVIEW

Saleint features		Year ended 31 march 2023 R million	Year ended 31 march 2022 R million	% change
Revenue	R million	13 392	12 547,8	6,7%
- Containers		3 319,3	3 389,2	(2,1%)
- Break-bulk		150,7	154,5	(2,5%)
- Dry bulk		1 331,8	1 323,4	0,6%
- Liquid bulk		878,4	750,2	17,1%
- Automotive		449,9	342,3	31,4%
- Other		7 261,9	6 588,3	10,2%
Operating expenses	R million	5 874,2	5 278,0	11,3%
- Personnel costs		2 773,7	3 043,0	(8,9%)
- Energy costs		780,4	646,0	20,8%
- Maintenance		569,4	360,0	58,2%
- Materials		96,9	67,0	44,6%
- Other		1 653,8	1 162,0	42,3%
Profit from operations before depreciation, derecognition, amortisation and items listed below (EBITDA)		7 517,8	7 269,8	3,4%
Depreciation, derecognition and amortisation		2 741,5	2 602,0	5,4%
Profit from operations before items listed below		4 776,3	4 667,8	2,3%
Impairments and fair value adjustments		(460,0)	(7 931,3)	(94,2%)
Net finance costs		311,6	778,1	(60,0%)
Profit before taxation		4 924,7	11 821,0	(58,3%)
Total assets (excluding CWIP)	R million	113 930,3	97 275,6	17,1%
Profitability measures				
EBITDA margin *	%	56,10	57,90	(3,1%)
Operating margin **	%	35,70	37,20	(4,0%)
Return on average total assets (excluding CWIP)***	%	5,20	5,35	(2,8%)
Asset turnover (excluding CWIP)****	times	0,15	0,17	(13,9%)
Capital investments ^	R million	1 508	2 061	(26,8%)
Employees				
Number of employees (permanent)	number	3 884	3 851	1,0%
Revenue per employee	R million	3,4	3,3	5,7%

* EBITDA expressed as a percentage of revenue.

** Profit from operations before impairment of assets, fair value adjustments, net finance costs and taxation expressed as a percentage of revenue.

*** Profit from operations before impairment of assets, fair value adjustments, net finance costs and taxation expressed as a percentage of average total assets, excluding capital work-in-progress (CWIP).

**** Revenue divided by average total assets, excluding CWIP.

^ Actual capital expenditure (replacement plus expansion), excluding borrowing costs.

PERFORMANCE COMMENTARY

Financial sustainability

Financial sustainability remains crucial for the success of any organisation. Over the review period, our company's revenue rose by 6,17%, culminating in R13,4 billion (2022: R12,5 billion). This robust performance can be chiefly attributed to an improved performance from Cargo Dues Revenue, which increased by 2,8% to R6,1 billion and an 8,7% weighted Average Volume Growth. Additionally, the Real Estate Revenue saw a rise of 5,5% to R4,6 billion (2022: R4,3 billion)

compared to the previous year. However, net operating expenses also escalated by 17,6% to R5,9 billion (2022: R5,0 billion) due to a surge in Fuel and Maintenance costs. Consequently, EBITDA margin and operating margin decrease to 56,1% (2022: 57,9%) and 35,7% (2022: 37,2%) respectively. The Return on Invested Capital (ROIC) saw a decline to 4,9% (2022: 13,8%), primarily driven by increase in operating expenses to R5,9 billion (2022: R5,3 billion).

Looking ahead

In a bid to sustain financial performance, the TNPA plans to grow volumes and diversify revenue streams throughout 2023/24FY. We also intend to launch a cost control strategy to reduce the cost of conducting business, safeguard revenue streams, and refine the tariff methodology. Along with these, we will roll out a multi-year tariff reform to bolster economic competitiveness and investment. These strategies aim to ensure that the company remains financially robust and continues to flourish in the long term.

Capacity creation and maintenance (Capex)

The TPNA's capital expenditure was 38,5% below budget at R1,5 billion (2022: R2,1 billion). This under-spending can be credited to several factors including an underspend on the tank farm equip

berth B100 in Ngqura, the additional rail facility for the Duine area in Richard Bay project, the procurement of a second grab hopper dredger, and the restoration of four tugboats within marine services.

Looking ahead

For 2023/24FY, TNPA is set to invest R2,48 billion, with an additional R11 billion earmarked for capacity creation, infrastructure maintenance, and modernisation projects over the following four years, through to 2027/28FY.

SUSTAINABLE DEVELOPMENT OUTCOMES

Human capital (employment and transformation)

During the reporting period, there was an increase in the permanent headcount to 3 884 employees, up from 3 851 in 2022. Black employees accounted for 93,4% of the total employee base, an increase from 92,6% in 2022. Female representation maintained a steady growth, accounting for 38,3% of the total employee base, compared to 38% in 2022. The representation of people with disabilities remained constant at 1,8% of the total employee base. The employee turnover rate was recorded at 6%, slightly above the target of 5%. However, the absenteeism index was favourable, recorded at 2,6%, below the target of 3%.

SKILLS DEVELOPMENT

With the introduction of the Graduate Internship Programme, TNPA decided to phase out the Engineers In Training (EIT), Technician In Training (TIT), and Young Professional In Training (YPT) programmes. In their place, the division, in future, will use the Internship programme as the flagship of TNPA's youth programme. During the reporting period, the division mentored 410 young graduates through its Internship programme.



HEALTH AND SAFETY

TNPA safety performance remained positive in FY22/23 as a LTIFR of 0,47 was recorded against a tolerance level of 0,75. This is a 24% improvement from the previous year's LTIFR of 0,62.

TNPA LTIFR remains positive from the Transnet threshold (Actual 0.47 vs 0.75). There were no Level 1 and Level 2 incidents reported. We are committed to improving our safety performance as we strive for zero harm.

The National SHE Competition was resuscitated in the current financial year. We introduced two additional categories namely, the Marine Category focusing on the Man Overboard Emergency Drill and the Environmental Category focusing on environmental stewardship. To encourage safety excellence, promote and maintain a positive health and safety culture in the workplace, we commit to holding the internal SHE competitions on an annual basis. The purpose of the SHE Competition is to equip the SHE Appointees with the necessary skills and practice to respond to emergencies that may arise in the workplace. The core piece of legislation that informs the SHE oversight is the National Ports Act. The National Ports Act prescribes the following (amongst others) with regards to SHE:

- the functions and concomitant obligations of the Authority
- the discharge of the division's oversight obligations in the port industry

This is an emerging key focus area as TNPA is responsible for over 1 000 Port users including Terminal Operators, Tenants and Activity licencees.

PERFORMANCE COMMENTARY CONTINUED

ENVIRONMENTAL STEWARDSHIP

Waste management

Progress was made in the management of the various waste streams, in line with the National Waste Management Act, No. 59 of 2008. Transnet introduced a cross-functional steel contract with several steel recyclers to assist the ports in the efficient management of scrap metal at various locations. The Port of Port Elizabeth successfully recycled 641,54 tons, generating R1 055 327 in revenue, while the Port of Durban collected R13.1 million by recycling 1 434,6 tons of scrap metal. The TNPA Waste Strategy, in line with the National Waste Management Act and the National Waste Strategy, was effectively implemented.

Control and clearance of alien and invasive plants

South Africa is the third most biodiverse country in the world and faces a significant threat from invasive species that threaten its biodiversity. Several ports have embarked on the programme to eradicate invasive alien plants, as mandated by the National Environmental Management: Biodiversity Act, No. 10 of 2004, and its regulations (Alien and Invasive Species Regulations, 2014). Part of the programme entails long-term planning for improved management of alien invasive vegetation. In the Port Elizabeth Harbour, 20,9 hectares were cleared at an estimated cost of R172 500. The Port of Ngqura cleared 30 hectares at an estimated cost of R423 748. The Port of Richards Bay cleared 1 155 hectares at a cost of R302 750. For the 2022/23FY, approximately R898 998 was spent on the removal of approximately 1 235 hectares of alien vegetation across TNPA. TNPA's investment into the management of alien vegetation does not only achieve compliance but it also encourages the regeneration of indigenous vegetation and the protection of groundwater resources.

Management of sensitive habitats

The TNPA has three ports with Gazetted Estuary Management Plans: the Durban Bay Estuary for the Port of Durban, the Richards Bay-Umhlatuze Estuary for the Port of Richards Bay, and the Buffalo River Estuary for the Port of East London. These Estuarine Management Plans provide for management objectives that need to be met by TNPA in collaboration with other government departments, state institutions and municipalities. The Buffalo River Estuarine Management Plan, for example, focuses on ensuring reasonably safe public access to the port and promoting ecological conservation education and awareness. The Port of East London achieved these goals during the financial year by inviting learners from various local schools to commemorate World Maritime Month in September 2022, and Maritime Career Day in February 2023. These events gave students the opportunity to explore the port, interact with various business units, and hear presentations from TNPA, TPT, SAMSA, and Youth in Your Oceans.

SOCIAL ACCOUNTABILITY

Following the United Nations Sustainable Development Goals (SDGs), TNPA has adopted the Community Development Sustainable Development Outcomes Framework as a key pillar of Corporate Social Investment (CSI). This approach enables TNPA to use its social licence to promote socio-economic upliftment in the communities in which it operates. It offers a more integrated and holistic approach to sustainable community development that is in line with the Sustainable Development Goals and South Africa's National Development Plans. During the reporting period, TNPA initiated several CSI activities in its various ports, including, among others:

- Mandela Month: 18 to 29 July 2022 at Cingani High School and Fernwood Park Primary School;
- Surgical Glove Drive: 8 November 2022 at House of Resurrection Haven and Gelvan Park Frail Aged Home;
- Toiletries Gift Packs: 14 December 2022 at Sinethemba Children Care Centre; and
- Manenberg Community Relief: In February 2023, TNPA provided humanitarian relief support in the community through the distribution of food hampers.

Research partnerships

South Africa's coastal water has a significant diversity of marine species, with a high cultural and socioeconomic diversity (South African National Biodiversity Institute, 2010). TNPA has established a research partnership with an internationally recognised centre of aquatic biodiversity, the South African Institute for Aquatic Biodiversity (SAIAB) to look at "Indigenous Marine Innovations for Sustainable Environments and Economies in the Nelson Mandela Bay Ports". SAIAB is situated at Makhanda (Grahamstown) in the Eastern Cape and is a national facility of the National Research Foundation (NRF). It serves as a major scientific resource for knowledge and understanding of biodiversity and the functioning of global significant aquatic ecosystems. The proposed project is specifically analysing the wellbeing of marine micro-organisms (Larvae) at the port in relation to the port development. The marine micro-organisms are a building block of marine biodiversity and are early indicators of the health status of the marine environment in the port. The trial sampling was conducted during October 2022 to February 2023 and the results are being analysed. The monthly sampling for the project commenced in March 2023 and will run until March 2024.

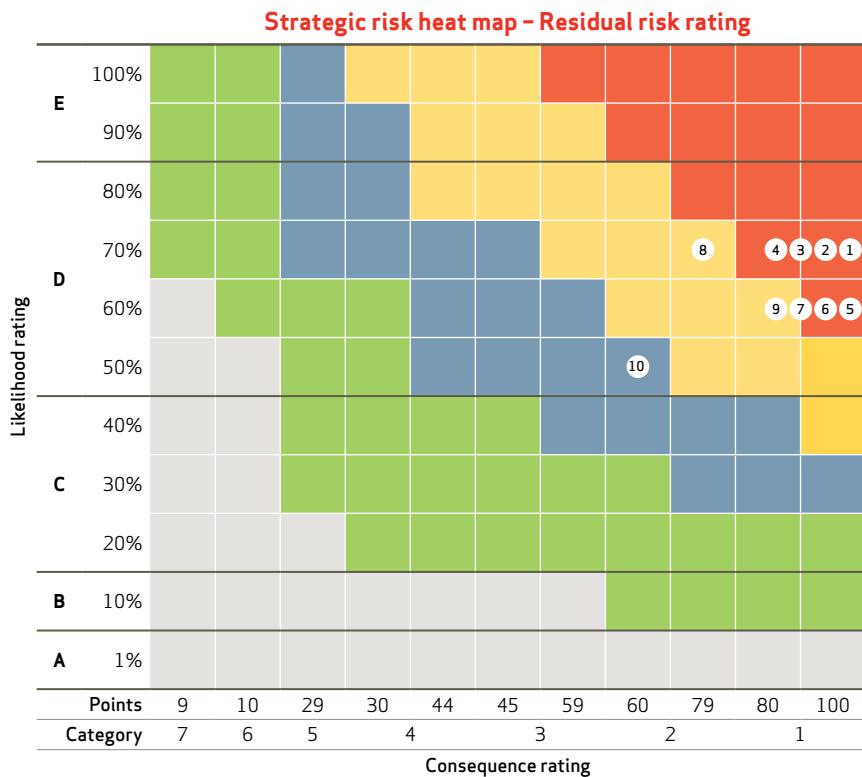


KEY RISKS AND MITIGATING ACTIVITIES

The top risks shown below were identified during the year under review and accompanied by appropriate mitigating plans:

Risk description

1. Failure to deliver Capital Projects on time and within budget
2. Inability to improve efficiencies and oversight in port operations.
3. Effects of climate change impacts
4. High cost of doing business
5. Challenges with introducing new entrants and lack of transformation and diversification
6. Complexities in effectively navigating the regulatory environment
7. Inability to attract and retain critical and scarce skills
8. Ineffective management of safety risk
9. Cyber threat exposure and compromise to information security
10. Security risk



Revised risk ranking 2023/24

Risk Risk description

1. Failure to deliver capital projects on time and within budget.
2. Inability to improve efficiencies and oversight in port operations.
3. Climate Change Impact
4. High cost of doing business.
5. Challenges with Introducing new entrants and industries into the port system.
6. Complexities in effectively navigating the regulatory environment within which TNPA operates.
7. Inability to attract and retain critical and scarce skills to ensure optimal execution of the strategy.
8. Ineffective management of safety risk
9. Exposure to cyber threat and Information Security breaches
10. Security risk

Previous risk ranking 2022/23

Risk Risk description

1. Inability to improve oversight and efficiencies in port operations resulting in an increase in customer complaints.
2. Failure to execute capital projects and approved maintenance on time and within budget thereby resulting in poor asset utilisation.
3. Challenges with introducing new entrants and industries into the port system resulting in a lack of transformation and revenue diversification
4. Inability to attract and retain employees to meet the demands of a future post environment
5. Poor resilience to and delayed recovery from climate change-induced extreme weather events resulting in asset damage and prolonged business interruption.
6. Complexities in effectively navigating the regulatory environment within which the National Ports Authority operates resulting in limitations in commercial autonomy.
7. Inability to realise the full potential of the property portfolio resulting in loss of revenue.
8. Lack of an integrated port management system resulting in the use of ineffective and outdated technology thereby increasing exposure to cyber risk.
9. Ineffective management of safety risk resulting in an increase in the number of safety incidents.
10. Port security challenges leading to an increase in security breaches.

KEY RISKS AND MITIGATING ACTIVITIES CONTINUED



During the reporting period, an additional risk was added to the monitoring system. Below, the possible causes of the risk materialising are identified and appropriate mitigative actions are in place, as detailed below:

Risk description: High cost of doing business which has a negative impact on TNPA financial sustainability.

Possible Causes	Mitigations
<ol style="list-style-type: none"> Overpriced infrastructure, which affects the price charged to the customer. This could comprise of high tender prices and cost pressures/escalation within CAPEX delivery programs CAPEX investment choices with limited/inadequate business case development process (including limited return on investment) Port performance inefficiencies (marine delays as the result of insufficient marine assets, shortage of resources, poor port oversight-turnaround time) Operational Cost inefficiencies and poor market analysis (overpriced suppliers and products procured/supply chain challenges) High utility cost trajectory for Port and Internal users Misaligned differentiated tariff pricing for authority services, thereby reducing competitiveness 	<ol style="list-style-type: none"> Supply Chain reforms Development of CAPEX Budgeting doctrine Recalibration of the capital delivery model (business cases, capital approvals and procurement processes) Organisational review of Infrastructure department skills and capacity. Maximise the utilization of Design and Build Strategy Review of PLP process and National Treasury Infrastructure planning and Appraisal guidelines. Update and implement Marine Fleet Replacement Plan Implementation of Marine Fleet Maintenance Strategy Review and resuscitate the Cadetship Programme for long term Marine Skills development Improvement of Terminal oversight including WEGO Penalty and Incentive cascading and review/ alignment of KPIs Monthly monitoring of Capex and Opex budget Dedicated unit for utilities has been established and is responsible for developing and implementing alternative energy and water supply Establishment of Pricing and Negotiation unit Review of Tariff strategy and rebasing/recalibrating tariffs Implement an Income Generation strategy and pursue Non-Tariff Revenue such as: <ul style="list-style-type: none"> Development and Roll-out of Renewable Energy Programme across the Port System Development and roll-out of Water Desalination Programme

Detailed hereafter, are the top risks identified by the division, and the mitigative actions ascribed to each of the identified risks.

Top Risks	Mitigating Activities
1. Inefficient and prolonged execution of capital expenditure programmes resulting in delays in benefit realisation	<ul style="list-style-type: none"> • Recalibrate the capital delivery model (business cases, capital approvals and procurement) through process review/re-organisation and implement the revised model • Use of Framework Agreements to offset the limited resources and timeous delivery of projects • Organisational review of Infrastructure department skills and capacity • Appointment of the Implementing Agent to assist with the capital delivery, develop systems, processes, and to build capability • Implement National Treasury Infrastructure planning and Appraisal guidelines • Maximise the utilisation of Design and Build Strategy • Supply Chain reforms • Development of Capex Budgeting doctrine • Review of PLP process
2. Ineffective port oversight and poor operational efficiencies resulting in customer dissatisfaction and poor customer ratings	<ul style="list-style-type: none"> • Improvement of Terminal oversight including WEGO Penalty and Incentive cascading and review/ alignment of KPI's • Conduct Benchmark study on Port internal performance and implement the outcomes of the study • Update and implement Marine Fleet Replacement Plan • Implementation of marine Fleet Maintenance Strategy • Review and resuscitate the Cadetship Programme for long-term Marine Skills development • Craft availability monitoring
3. Effects of climate change impacts on port operations, stakeholders, and the natural environmental	<ul style="list-style-type: none"> • Conduct Risk and Vulnerability Assessment studies for ports to quantify risks. • Implementation of Energy management system for TNPA. • Integrate climate change initiative with TNPA strategic desired end state. • Collaborate with Terminal Operators and include them in Climate change clusters. • Working on quantifying greenhouse emission gas for TNPA (Tugs, Boats, helicopters, and dredgers).
4. High cost of doing business which has a negative impact on TNPA financial sustainability	<ul style="list-style-type: none"> • Cost optimisation Programme • Monthly monitoring of Capex and Opex budget • Income Generation strategy and pursuing Non-Tariff Revenue: • Development and roll out of Renewable Energy Programme across the Port System (self-generation) • Development and roll out of Water Desalination Programme (self-generation) • Establishment of Pricing and Negotiation unit.
5. Challenges with introducing new entrants and industries into the port system leading to a lack of transformation and diversification.	<ul style="list-style-type: none"> • Review of Tariff strategy and rebasing/recalibrating tariffs. • Select and issue a number of RFPs that are deliberate and intentional about the TNPA agenda of transformation. • Introduce and emphasise the implementation of the common user doctrine in all concession projects to promote third-party access (previously disadvantaged). • Explore concession projects that are not capital-intensive to promote access and transformation in our ports.
6. Complexities in effectively navigating the regulatory environment within which the National Ports Authority operates resulting in limitations in commercial autonomy	<ul style="list-style-type: none"> • Develop and monitor Compliance Operational Plan for 2023/24FY • Formally engage key stakeholders • Annual TNPA Regulatory Universe risk identification, assessment, and review • Formally appoint Compliance Champions on all functions • Review and Update the following registers: Regulatory Record Retention Requirements; Legislative Requirements for Permits or Licences; Profiles of TNPA Regulators; Statutory Reporting Requirements
7. Inability to attract and retain critical and scarce skills to meet and sustain the demands of the business to ensure optimal execution of the strategy	<ul style="list-style-type: none"> • Develop and implement remuneration dispensation model for all critical and scarce skills for TNPA • Review and implement talent acquisition strategy • Review and refocus talent pipelines to meet the demands of the business model in line with the new strategy • Develop and roll out a robust and extensive induction process for all new employees • Develop and implement guidelines for transparency regarding the total reward

KEY RISKS AND MITIGATING ACTIVITIES CONTINUED

Top Risks	Mitigating Activities
8. Ineffective management of safety risk resulting in an increase in the number of safety incidents	<ul style="list-style-type: none"> • Train Supervisors and Managers on Interactive Behaviour Based Course, to capacitate them to provide conducive safe environment. • Extend the rollout of the Supervisory Safety Behavioural Training across the Port System. • Enhance the 'zero harm' safety culture Programme across the organisation to promote a safety culture. • Identify and execute key deliverables of Transnet safety strategy.
9. Delays with adapting with new technologies may result to cyber threat exposure and compromise to information security	<ul style="list-style-type: none"> • Implement threat intelligence systems to detect and prevent TNPA threats - SIEM (Security Incident and Event Monitoring) • Ensure documentation of BCP and DR standards and procedures • ICT to engage Security department for collaborations on Asset Management • ICT to acquire the appropriate ICT security skills • Collaborate with business to continually ensure business continuity (disaster recovery) e.g., critical BPO's such as Harbour Masters, Finance etc
10. Inadequate access control infrastructure at the ports main gate areas resulting in road congestion and unauthorised access	<p>Improve physical security</p> <ul style="list-style-type: none"> • Optimisation of cargo/vehicle inspection facilities. • Perimeter Fence/gates/booms/CCTV. • Perimeter Illumination (Lighting). • Intelligent (smart) Perimeter protection study (Research and Development). <p>Improve/maintain access control standards</p> <ul style="list-style-type: none"> • Access cards, vetting, escorting, licence scanning, stowaway search, entry/exit monitoring, searching booths, cells etc. • Standardise Access SOPs and procedures • Security training (skills enhancement) <p>Enhance Security Systems Environment</p> <ul style="list-style-type: none"> • Integrated and standardised security systems • Unmanned aerial vehicle (UAV), (Drone Utilisation) • Security system maintenance and repairs • Electronic permit system via IPMS system • Intelligent (smart) Perimeter protection study (Research and Development) <p>Partnerships Leverage partnerships to enhance safety and security of ports</p> <ul style="list-style-type: none"> • Collaborate and optimise partnerships and MOUs: • Develop new MoU's with key security stakeholders. <p>Maintain ISPS accreditation and a regulatory compliant environment</p> <ul style="list-style-type: none"> • ISPS audit / certification • Compliance with security regulatory universe, SOPs, and relevant global protocols
11. Inability to realise the full revenue potential of property portfolio	<ul style="list-style-type: none"> • Automate the lease procurement process to shorten the time it takes to enter leases. • Implementation of a targeted marketing strategy to be in line with Port Development Framework Plans. • Focus on non-port property-related investments such as outdoor advertising, film shoots, TV commercial advertising, and investment in development leases. • Establish project management function to monitor and manage Opex and Capex application processes for repairs and renovations of vacant/dilapidated sites. • Acquire the systems and skills to access market intelligence.

Most material Climate Change risks	Root causes	Impact to operations	Mitigation measures
1. Effects of climate change impacts on port operations, stakeholders, and the natural environmental.	<ul style="list-style-type: none"> • Global increase in Green House Gases (GHG) and lack of mitigation thereof • Lack of robust adaptation strategies for ports • Organisational misalignment on Climate Change issues • Budget constraints • Lack of current policies and legislation for Climate change and poor implementation thereof • Poor planning in terms of Port development 	<ul style="list-style-type: none"> • Weather interrupted port operations • Inclement weather resulting in damages to port infrastructure • Risk of litigation by external parties • Loss of revenue • Drought and shortage of water supply • Reputational fall out • Significant pollution of ports from external sources • Negative impact on marine life • Invasion of alien species due to climate change conditions 	<ul style="list-style-type: none"> • Conduct Risk and Vulnerability Assessment studies for ports to quantify risks. • Implementation of Energy management system for TNPA. • Integrate climate change initiative with TNPA strategic desired end state. • Collaborate with Terminal Operators and include them in Climate change clusters. • Working on quantifying greenhouse emission gas for TNPA (Tugs, Boats, helicopters, and dredgers).

OPPORTUNITIES

The positioning of the TNPA as a globally competitive, integrated port system represents a major opportunity. It enables exploration of opportunities to diversify revenue streams, transform ports to accommodate new generation vessels and reduce the cost of doing business through economies of scale. By unlocking volume growth through a more efficient supply chain and competitive pricing, the TNPA can develop regional hub ports to improve maritime connectivity. Growing port capacity in line with segment strategies and market demand, together with the potential for dredging services and project management capabilities, could pave the way for expansion into Africa, such as the Southern African

Development Community ports and niche dredging in local markets. Enforcing terminal regulatory requirements and terminal operating agreements, as well as forming strategic partnerships, such as public-private collaborations, relationships with government bodies, universities, and international ports, also falls within TNPA's remit. Another area that garners significant focus, is the transformation of the port sector through skills transfer, small business development, growth, and meaningful participation of previously disadvantaged groups. All these objectives are aligned with Transnet's five core areas.

CUSTOMER SERVICE

The goal is to enhance overall customer satisfaction by improving customer engagement. This will be achieved through timely resolution of customer issues, regular customer interactions, effective management of customer complaints, and automation of customer interaction and contact points.

PEOPLE

TNPA aims to foster a people-centric organisation that encourages a high-performance culture through empowered, engaged, and competent employees. To achieve sustainability, TNPA will align its workforce planning with the TNPA operating model, create a high-performing workforce through effective talent management, and actively manage the organisational culture to reflect the values of the organisation. Enhancing the performance of the workforce can be achieved by implementing a recognition and reward systems. Furthermore, systems, processes, and technology to enable effective and efficient service delivery, will be put into place.

ASSET UTILISATION

Enhancing asset utilisation and operational efficiency is a priority for TNPA. The operating division strives to deliver safe, reliable, and fit-for-purpose infrastructure that is adequately maintained—creating a world-class port system. By providing the requisite infrastructure, maintaining and extending the useful life of port infrastructure and marine fleet assets, and by ensuring that promulgated depths are maintained, will deliver effective vessel navigation. The division will continue to work to improve its terminal oversight role.

SAFETY

The TNPA is committed to maintaining and improving safety standards for its employees and preventing asset damage across the port system. This commitment will be upheld through the implementation of initiatives such as a safety culture programme, a fire prevention plan, and the designation of Ports as National Key Points.

COST OPTIMISATION

Creating a cost-efficient and financially prudent business environment for sustainability and growth stimulation, remains a key area of focus for TNPA. The authority aims to improve cost efficiencies by effectively managing the division's operating cost per unit, cost structures, and competitive pricing.

ABBREVIATIONS

CSI	Corporate Social Investment
CTCT	Cape Town Container Terminal
DCT	Durban Container Terminal
EIT	Engineers In Training
GHG	Green House Gases
KPI	Key performance indicators
NCT	Ngqura Container Terminal
ROIC	Return on Invested Capital
STAT	Ship Turnaround Time
TIT	Technician In Training
YPT	Young Professional In Training

Abbreviations not defined (to be checked against complete report)

BCP
BPO
DR
GIT
ICT
IPMS
ISPS
KZN
LTIFR
MOU
PLP
RFP
STS
TIPPSS
TNPA
TPNA
WEGO

