

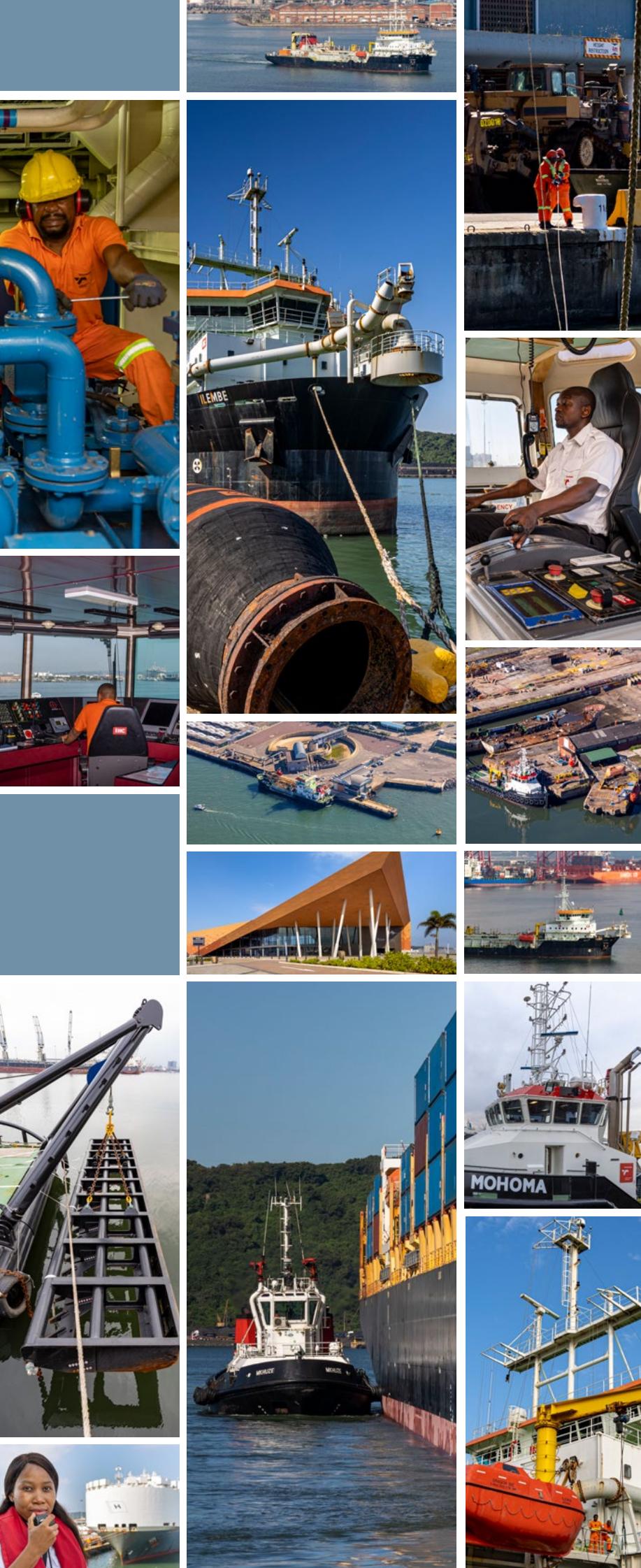
TRANSNET



*national ports  
authority*



TRANSNET NATIONAL PORTS AUTHORITY 2024



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# HIGHLIGHTS

**Revenue rose by 4,8% to R14,0 billion (2023: R13,4 billion) due to improved Cargo Dues and Real Estate revenue stream improvement.**

**EBITDA slightly improved by 2,0% to R7,7 billion (2023: R7,5 billion).**

**Achieved an LTIFR of 0,74 against a target threshold of 0,75.**

# 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:

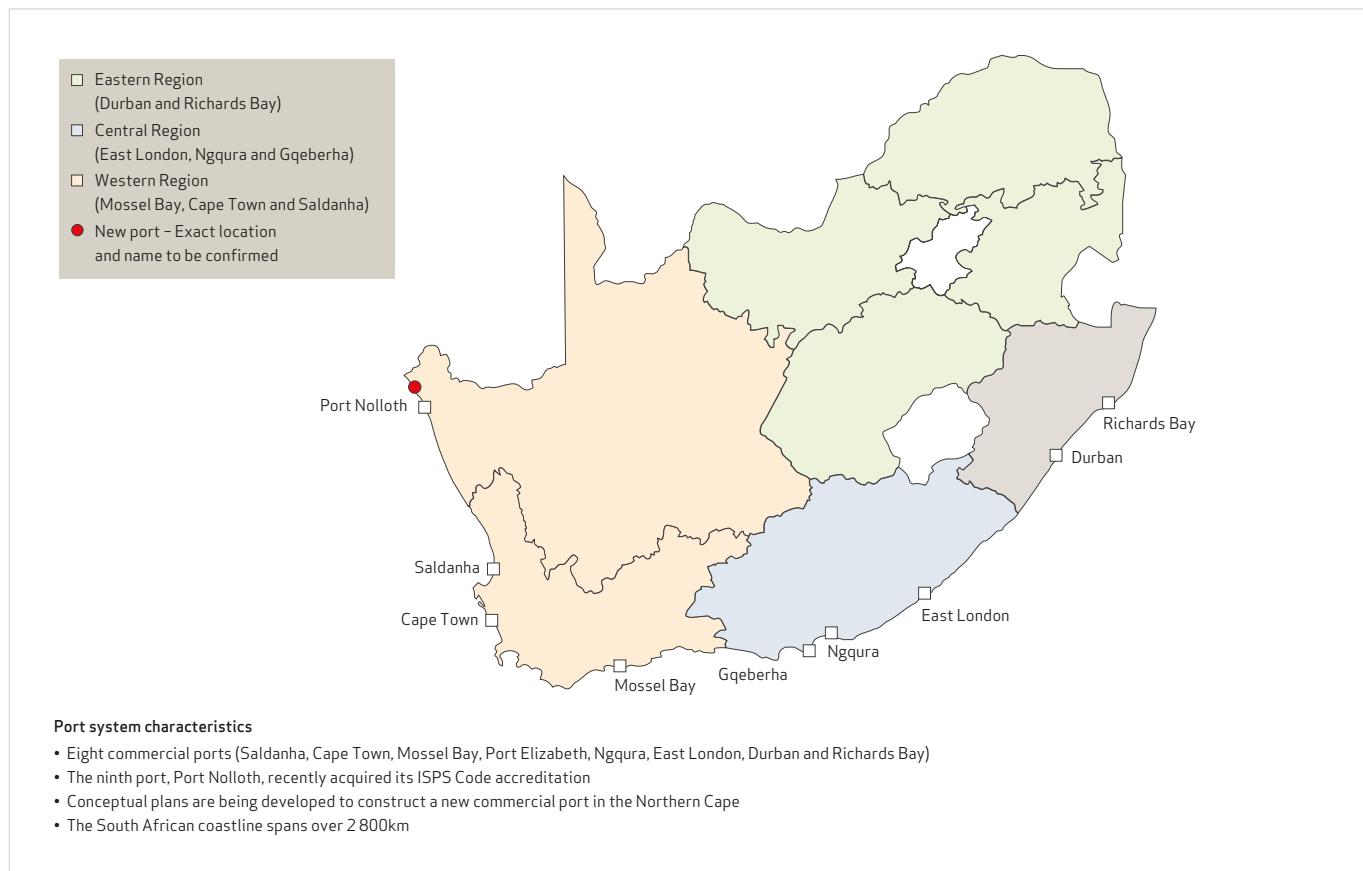
- To plan, provide, maintain, and improve port infrastructure;
- To endorse the use, enhancement, and development of ports, and control land use within the ports – possessing the authority to lease port land under its own determined conditions;
- To promote greater representativity and, in particular, to increase participation 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 routing of vessels within port limits and along the coast.

The National Ports Authority holds a strategic position in South Africa's transport logistics chain, overseeing eight commercial seaports: Saldanha, Cape Town, Mossel Bay, Port Elizabeth, Ngqura, East London, Durban, and Richards Bay. Port Nolloth, the ninth port, is leased to De Beers Consolidated Diamond Mines and does not handle commercial cargo. Plans are underway to develop a new commercial port in the Northern Cape, aimed at handling dry bulk and potential green hydrogen operations.

Spanning approximately 2 800km of the South African coastline, the National Ports Authority serves port users, including terminal operators, shipping lines, ships' agents, cargo owners, and the clearing and forwarding industry. It acts as a regulator for port users and is itself regulated by the Ports Regulator of South Africa (Ports Regulator), which oversees economic regulation and handles complaints against the National Ports Authority.

Looking ahead with optimism, the National Ports Authority is transforming through reinvention. The goal is to create a financially sustainable, low-cost smart port system, supported by an empowered workforce and a seamless value chain, strategically positioned to stimulate economic growth in an environmentally sustainable manner. Priority programmes bolster this vision, focusing on terminal oversight, infrastructure, property, workforce, systems, supply chain, sustainability, environment, and cost. These programmes support inter-departmental strategies to optimise performance across the port system, including the KwaZulu-Natal logistics hub and growth plans for distressed and underperforming ports.

# WHERE WE OPERATE



# REGULATORY ENVIRONMENT

The regulatory environment of the TNPA is complex, with various legislation affecting the port evolving over time. In response, TNPA has introduced mechanisms like the regulatory universe and compliance monitoring plans to ensure all regulatory requirements are met and compliance risks are managed effectively.

The National Ports Act, 2005, is particularly important, governing the Authority's functions and obligations, including its oversight responsibilities over all tenants and their activities. This oversight focuses on port users, involving both commercial and regulatory aspects. It ensures the efficiency of port terminals, the condition of infrastructure, and compliance with health, safety, and environmental regulations.

# OPERATIONAL PERFORMANCE

Strategies within Transnet aim to strengthen key industrial supply chains vital to the resilience of the South African economy. Key performance indicators (KPIs) focus on containers, automotive, fuels, gas, coal, manganese, iron ore, and agriculture. Negative variances were noted in all cargo types except general cargo due to slow economic growth. To address this, the TNPA is working to close the gaps in all sectors.

A significant decline in the operational efficiency of container terminals was observed, exacerbated by adverse weather in KwaZulu-Natal, and the Western and Eastern Cape. TNPA is enhancing its oversight role by implementing mechanisms to improve port

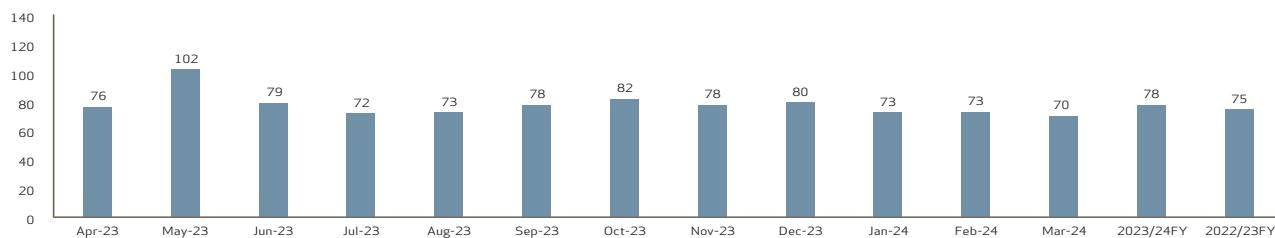
efficiencies to international standards. In June 2023, TNPA concluded a benchmarking study on best practices for terminal management and port performance. The study's outcomes and recommendations were shared with both internal and external stakeholders and formed the basis for target setting for 2023/24FY, concluded in April 2024. TNPA is enhancing its oversight role by implementing mechanisms to improve port efficiencies to international standards. In June 2023, TNPA concluded a benchmarking study on best practices for terminal management and port performance. The study's outcomes and recommendations were shared with both internal and external stakeholders and formed the basis for target setting for 2023/24FY, concluded in April 2024.

## SHIP TURNAROUND TIMES (HOURS)

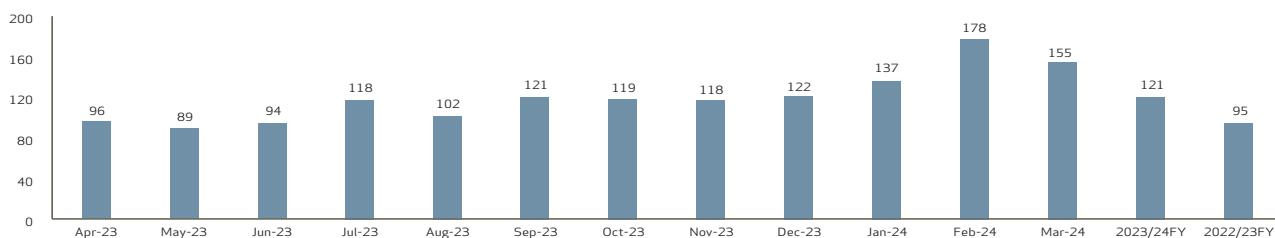
DShip Turnaround Time (STAT) is the duration a vessel takes from the breakwater point on its inbound (arriving leg) to the time that same vessel passes the breakwater point on its outbound journey from the port (excluding weather delays and laytime).

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).

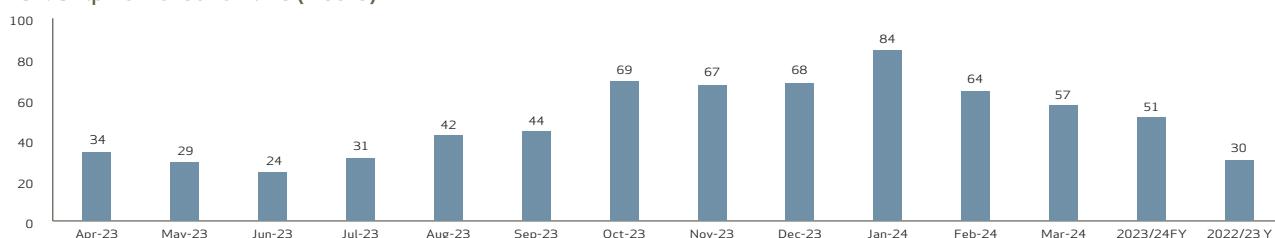
DCT Pier 1: Ship Turnaround Time (Hours)



DCT Pier 2: Ship Turnaround Time (Hours)



NCT: Ship Turnaround Time (Hours)



## OPERATIONAL PERFORMANCE CONTINUED

**CTCT: Ship Turnaround Time (Hours)**



### STATS COMMENTARY

DCT Pier 1 and 2 experienced performance issues due to adverse weather conditions (wind and rain) from October 2022 to January 2023, leading to slower vessel operations. Equipment reliability issues with straddle carriers, RTGs and cranes, along with maintenance failures and vessel service delays further impacted performance. Additionally, an October 2022 strike disrupted operations at various terminals, including CTCT and NCT.

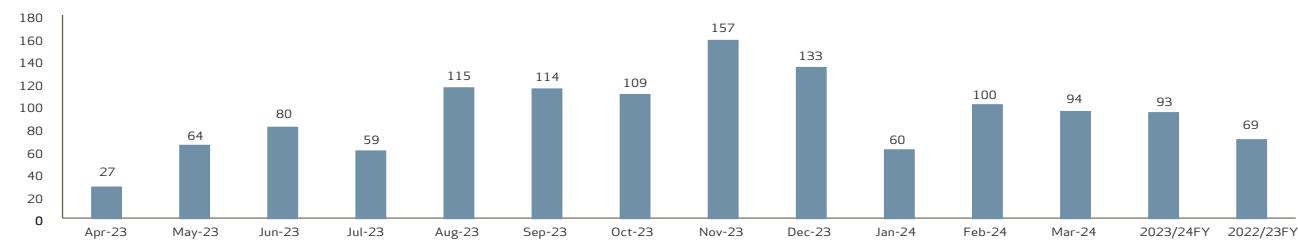
CTCT's performance was hampered by bad weather, slowing cargo operations. Equipment breakdowns and maintenance issues also meant not all equipment could be deployed, negatively affecting cargo handling.

NCT's performance suffered from adverse weather (wind and vessel movements) and equipment failures (STS and RTG), all of which negatively impacted operational efficiency.

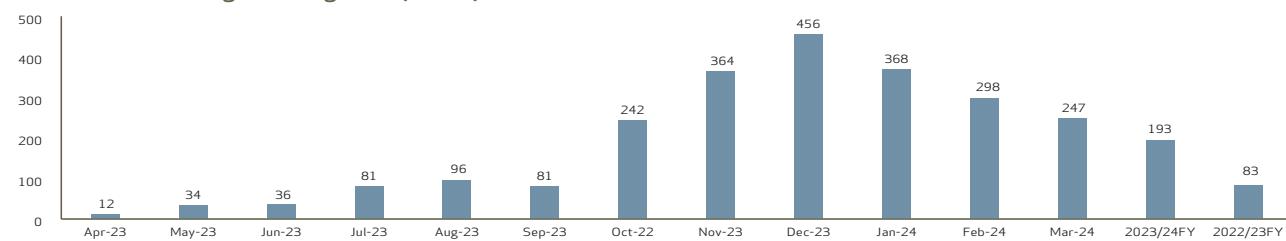
### ANCHORAGE WAITING TIME (HOURS)

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).

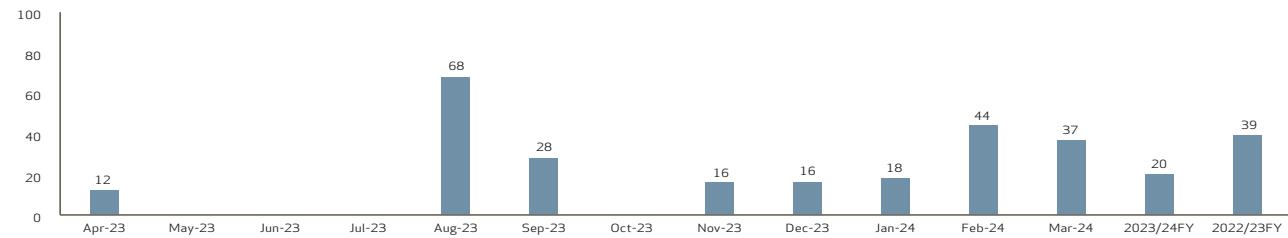
**DCT Pier 1: Anchorage Waiting Time (Hours)**



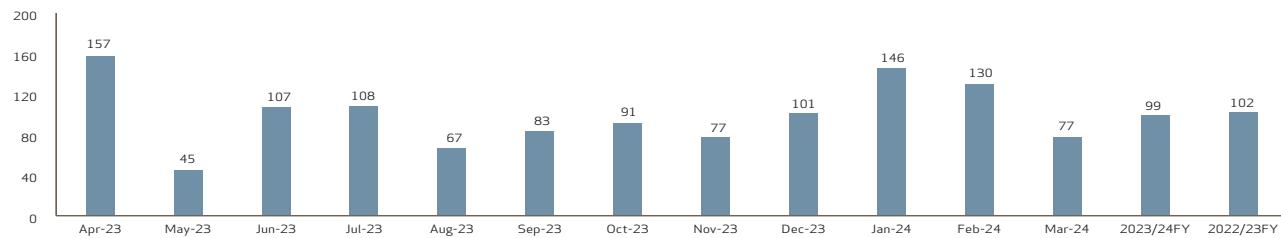
**DCT Pier 2: Anchorage Waiting Time (Hours)**



**NCT: Anchorage Waiting Time (Hours)**



### CTCT: Anchorage Waiting Time (Hours)



### ANCHORAGE WAITING TIME COMMENTARY

DCT Pier 1 and 2 faced performance issues due to inclement weather (wind and rain) in April 2023 and from July 2023 to October 2023. This resulted in slower vessel operations and a build-up of vessels at outer anchorage in October. Equipment reliability issues with straddle carriers, RTGs and cranes, along with maintenance failures and vessel service delays, further impacted performance.

CTCT's mooring performance was affected by bad weather, terminal equipment failures, and vessel ranging while alongside, leading to extended mooring times. NCT also experienced adverse weather, causing delays and negatively impacting operational performance, including vessels at anchorage.

### IMPROVEMENT PLANS

- Enhance the availability and reliability of marine service resources;
- Boost productivity at terminals through the enforcement of improvement initiatives;
- Increase visibility of the port value chain through system integration; and
- Installation of shore-side equipment to reduce vessel movement (such as shore tension).



# CORE INITIATIVES

Implementing TNPA's reimagined operating model requires a fit-for-purpose operating structure that enables cross-functional teams to ensure long-term sustainability. This structure recognises

that the ports and operations drive the strategy and need adequate resources, with head office supporting an integrated and complementary port network.

The operating model is shaped by legislative mandates, an integrated strategic framework, a desired end state, and business performance monitoring through dashboards. TNPA's restructuring follows a multi-faceted approach:

- Understand current challenges and root causes before implementing any significant changes;
- Use the strategic framework to guide TNPA's transition to a reimagined state;
- Focus on seven areas – Terminal Oversight, Infrastructure, Property, People, Supply Chain Management, System, Environment, and Cost (TIPPSS-SEC) – to enable successful implementation of priority programmes;
- Monitor TIPPSS performance in real-time to allow timely interventions and improve overall business performance; and
- Develop and implement port growth strategies to enable ports to fulfil their landlord role, improve performance, diversify revenue streams, and explore untapped markets.

# OVERVIEW OF KPIs

Key performance area and indicator	Unit of measure	2021 Actual	2022 Actual	2023 Actual	2024 Target	2024 Actual	2025 Target
<b>Financial sustainability</b>							
Revenue	R million	11 558	12 548	13 392	<b>14 409</b>	<b>14 042</b>	14 906
EBITDA	R million	6 701	7 513	7 511	<b>8 158</b>	<b>7 662</b>	8 365
Return on Invested Capital	%	4,3	13,8	5,2	<b>4,9</b>	<b>4,6</b>	4,8
Revenue per employee	R million	2,7	3,3	3,4	<b>3,4</b>	<b>3,6</b>	3,6
EBITDA margin	%	58,0	60,1	56,1	<b>56,6</b>	<b>54,6</b>	56,1
Operating profit margin	%	38,5	39,3	35,6	<b>35,6</b>	<b>35,6</b>	33,4
Gearing	%	10,3	2,7	(0,8)	<b>(0,7)</b>	<b>(6,7)</b>	(13,1)
Net debt to EBITDA	times	1,0	0,3	(0,1)	<b>(0,1)</b>	<b>(0,7)</b>	(1,2)
Return on total average assets – excluding CWIP	%	6,4	5,3	5,0	<b>5,3</b>	<b>4,9</b>	
Asset turnover-excluding CWIP	times	0,16	0,17	14%	<b>16%</b>	<b>15%</b>	16%
Cash interest cover	times	5,8	10,7	13,4	<b>(8,6)</b>	<b>871,5</b>	(18,4)
<b>Capacity investment</b>							
Capital expenditure	R million	648	2 061	1 511	<b>2 475</b>	<b>1 746</b>	3 553
<b>Operational productivity</b> (From the 2024/25FY, TNPA will no longer be reporting on the KPI's within this category.)							
<b>Anchorage waiting time</b>							
Durban Pier 1	average hours	56,0	76,1	68,4	<b>24,0</b>	<b>204,8</b>	
Durban Pier 2	average hours	83,0	76,5	81,2	<b>24,0</b>	<b>234,5</b>	
Cape Town	average hours	107,0	117,0	113,0	<b>144,0</b>	<b>80,0</b>	
Port Elizabeth	average hours	33,0	34,1	16,3	<b>24,0</b>	<b>35,6</b>	
Ngqura	average hours	56,0	42,0	45,2	<b>24,0</b>	<b>44,0</b>	
Richards Bay	average hours	96,0	-	-	<b>-</b>	<b>-</b>	

Key performance area and indicator	Unit of measure	2021 Actual	2022 Actual	2023 Actual	2024 Target	2024 Actual	2025 Target
<b>Average ship turnaround time</b>							
Durban Pier 1	container STAT hour	69,0	81,0	75,0	<b>43,0</b>	<b>68,0</b>	
Durban Pier 2	container STAT hour	90,0	93,0	93,0	<b>56,0</b>	<b>152,0</b>	
Cape Town	container STAT hour	65,0	49,0	73,0	<b>57,0</b>	<b>91,0</b>	
Port Elizabeth	container STAT hour	43,8	35,6	37,0	<b>43,0</b>	<b>43,0</b>	
Ngqura	container STAT hour	32,0	39,0	30,5	<b>37,0</b>	<b>61,0</b>	
<b>Dry bulk</b>							
Coal (RBCT)	hours	40,0	40,0	45,0	<b>45,0</b>	<b>39,0</b>	
Iron Ore (Saldanha)	hours	51,0	53,6	60,0	<b>60,0</b>	<b>73,7</b>	
Manganese (Port Elizabeth)	hours	75,0	81,9	100,0	<b>100,0</b>	<b>118,0</b>	
<b>Berth occupancy</b>							
Durban Pier 1	%	70,0	86,0	84,0	<b>65-75</b>	<b>91,0</b>	
Durban Pier 2	%	33,0	70,0	74,0	<b>65-75</b>	<b>92,0</b>	
Cape Town	%	59,0	77,0	69,0	<b>80-90</b>	<b>87,0</b>	
Port Elizabeth	%	52,0	50,3	59,3	<b>55-65</b>	<b>82,0</b>	
Ngqura	%	66,0	64,6	81,1	<b>70-80</b>	<b>83,0</b>	
<b>Berth utilisation</b>							
Durban Pier 1	%	91,0	93,0	92,0	<b>85-95</b>	<b>91,0</b>	
Durban Pier 2	%	92,0	93,0	94,0	<b>85-95</b>	<b>82,0</b>	
Cape Town	%	81,0	71,0	82,0	<b>70-80</b>	<b>87,0</b>	
Port Elizabeth	%	83,0	82,0	85,2	<b>85-95</b>	<b>87,0</b>	
Ngqura	%	86,0	87,0	84,2	<b>80-90</b>	<b>81,0</b>	
<b>Market segment competitiveness</b>							
<b>Volume and revenue growth</b>							
Containers	000 TEUs	4 033	4 442	4 105	<b>4 912</b>	<b>4 261</b>	4 416
Break-bulk	million tons	3,7	5,6	5,8	<b>3,9</b>	<b>5,9</b>	4,6
Liquid bulk	million kilometres	41,8	38,1	35,5	<b>29,5</b>	<b>38,9</b>	34,6
Dry bulk	million tons	174,7	173,0	164,7	<b>201,3</b>	<b>167,3</b>	176,7
Vehicles	units	481 149	700 561	872 521	<b>825 962</b>	<b>771 117</b>	827 600
<b>Tariffs</b>							
Average tariff increase	%	0,32	0,00	4,80	<b>3,32</b>	<b>3,32</b>	0,00
<b>Sustainable developmental outcomes</b>							
<b>Human Capital</b>							
Training spend	% of personnel cost	0,2	0,4	2,6	<b>4,4</b>	<b>3,0</b>	4,6
Employee turnover	%	6,0	10,0	6,0	<b>5,0</b>	<b>6,2</b>	5,0
Employee headcount	permanent	4 239	3 851	3 911	<b>4 260</b>	<b>3 925</b>	4 100
Revenue per employee	R million	3,0	3,5	3,4	<b>3,4</b>	<b>3,6</b>	3,6
<b>Risk, safety and health</b>							
LTIFR	rate	0,21	0,62	0,47	<b>0,74</b>	<b>0,47</b>	0,75

# FINANCIAL PERFORMANCE REVIEW

Salient features		Year ended 31 March 2024 R million	Year ended 31 March 2023 R million	% change
<b>Revenue</b>	R million	<b>14 041,6</b>	13 392,1	4,8
* Containers		<b>3 347,2</b>	3 319,3	0,8
* Break-bulk		<b>160,7</b>	150,7	6,7
* Dry bulk		<b>1 391,9</b>	1 331,8	4,5
* Liquid bulk		<b>1 033,6</b>	878,4	17,7
* Automotive		<b>352,1</b>	449,9	(21,7)
* Other		<b>7 756,1</b>	7 261,9	6,8
<b>Operating expenses</b>	R million	<b>(6 379,7)</b>	(5 881,3)	8,5
* Personnel costs		<b>(3 025,8)</b>	(2 780,8)	8,8
* Energy costs		<b>(888,7)</b>	(780,4)	13,9
* Maintenance		<b>(664,2)</b>	(569,4)	16,6
* Materials		<b>(171,7)</b>	(96,9)	77,1
* Other		<b>(1 629,3)</b>	(1 653,8)	(1,5)
<b>Profit from operations before depreciation, derecognition, amortisation and items listed below (EBITDA)</b>		<b>7 661,9</b>	7 510,7	2,0
Depreciation, derecognition and amortisation		<b>(2 983,5)</b>	(2 741,5)	8,8
<b>Profit from operations before items listed below</b>		<b>4 678,4</b>	4 769,2	(1,9)
Impairments and fair value adjustments		<b>(68,9)</b>	(464,0)	(85,2)
Net finance costs		<b>(102,9)</b>	311,6	(133,0)
<b>Profit before taxation</b>		<b>4 850,1</b>	4 921,6	(1,5)
<b>Total assets (excluding CWIP)</b>	R million	<b>100 694,3</b>	101 107,2	(0,4)
<b>Profitability measures</b>				
EBITDA margin *	%	<b>54,6</b>	56,1	(2,7)
Operating margin **	%	<b>33,3</b>	35,6	(6,4)
Return on average total assets (excluding CWIP)***	%	<b>4,9</b>	5,0	(3,1)
Asset turnover (excluding CWIP)****	times	<b>14,6</b>	14,1	3,6
Capital investments ^	R million	<b>1 746,0</b>	1 551,0	12,6
<b>Employees</b>				
Number of employees (permanent)	number	<b>3 925</b>	3 911	0,4
Revenue per employee	R million	<b>3,6</b>	3,4	4,5

\* 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 CWIP.

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

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

# PERFORMANCE COMMENTARY

## FINANCIAL SUSTAINABILITY

During the review period, revenue increased by 4,8% to R14,0 billion, up from R13,4 billion in 2023. This growth was largely driven by a 2,5% rise in Cargo Dues revenue, totalling R6,3 billion, and a 2,8% weighted average volume growth. Additionally, Real Estate revenue grew by 4,7% to R4,5 billion, compared to R4,3 billion in 2023.

However, net operating expenses climbed by 8,5% to R6,4 billion, up from R5,9 billion in 2023. This increase was primarily attributed to higher labour costs, an uptick in operational activities leading to increased energy consumption, and rising material and maintenance expenses.

As a result, both the EBITDA margin and the operating margin declined to 54,6% (2023: 56,1%) and 33,3% (2023: 35,6%), respectively. Return on Invested Capital (ROIC) also slightly decreased to 4,6%, down from 5,2% in 2023, driven by a reduction in operating profit to R4,6 billion (2023: R4,8 billion).

### Looking ahead

To maintain strong financial performance, TNPA intends to expand volumes and diversify revenue streams in the 2024/25 financial year. A cost control strategy will be introduced to reduce operational expenses, protect revenue sources, and enhance the tariff-setting process. Additionally, a multi-year tariff reform will be executed to improve economic competitiveness and attract investment. These initiatives are designed to strengthen the company's financial resilience and support its long-term growth.

## CAPACITY CREATION AND MAINTENANCE

The TPNA's capital expenditure totalled R1,7 billion (2023: R1,6 billion). The slight increase is due to the accelerated maintenance initiatives mandated by the Recovery Plan.

### Looking ahead

TNPA is set to invest R3,6 billion for the 2024/25FY with an additional R16 billion earmarked for capacity creation, infrastructure maintenance, and modernisation projects over the next four years, through to 2027/28FY.

# SUSTAINABLE DEVELOPMENT OUTCOMES

## EMPLOYMENT AND TRANSFORMATION

During the reporting period, the permanent headcount increased to 3 925 employees, up from 3 911 in 2023. Black employees accounted for 93,4% of the workforce, up from 92,6% in 2023. Female representation maintained a steady growth, reaching 38,3%, compared to 38% in 2023. The representation of people with disabilities remained steady at 1,8%. The employee turnover rate was 6,2%, slightly above the target of 5%.

## SKILLS DEVELOPMENT

The Graduate Internship Programme (GIP), introduced in June 2022, is capped at 400 participants as per the approved target, accommodating replacements and emerging operational requirements. During the 2023/24FY, 53 GIP interns were appointed, either as replacements or based on business requirements. This includes 35 graduates in Industrial Engineering, Operations Management and Mechanical Engineering, appointed to analyse TNPA port operations.

The Engineers In Training (EIT), Technician In Training (TIT), and Young Professional In Training (YPT) programmes only include students absorbed from the full-time bursary scheme. As of March 2024, 15 EITs were participating in the trainee programme.

The Next Generation programme had 12 mentees, with 11 successfully completing it. The Young Leaders programme had 33 participants, with 30 graduates successfully completing it.



## SUSTAINABLE DEVELOPMENT OUTCOMES CONTINUED

### HEALTH AND SAFETY

In the 2023/24FY, TNPA achieved a Lost Time Injury Frequency Rate (LTIFR) of 0,74 slightly below the tolerance level of 0,75, with 35 Lost Time Injuries (LTIs) reported. While this LTIFR is 4% better than the Transnet tolerance level, it is close to the limit.

There has been an increase in LTIs compared to March 2023 when the LTIFR was 0,47 with 22 LTIs. To address this, TNPA has developed an Incident Reduction Plan with targeted interventions to improve the safety performance in underperforming areas.

The Ports of Richards Bay and Lighthouse Navigation Services have maintained a LTIFR of 0. No Level 1 and Level 2 incidents were reported at TNPA for the 2023/24FY.

### ENVIRONMENTAL STEWARDSHIP

To ensure environmental sustainability, TNPA has launched a rapid five-year turnaround plan under the Desired-End State operating model, focusing on environmental and social pillars. The plan targets eight strategic focus areas: legal and compliance, waste management, biodiversity management, air quality, climate change, water management, management of contaminated land, and sediment quality.

In its first year, key milestones included revitalising three air quality monitoring stations in the Ports of Ngqura and Port Elizabeth and establishing a mobile monitoring network in the Port of Mossel Bay. The biodiversity management pillar saw the Port of Ngqura strengthen scientific research partnerships through a study examining the port as a habitat for fish in a coastal ecosystem. This study also aims to investigate the size composition of various fish species and the port's role as a nursery for juvenile fish.

Additionally, the Ports of Mossel Bay and Ngqura commissioned their first Strategic Environmental Assessment projects to support future port planning and development. In compliance with Part 8 of the National Environmental Management: Waste Act 59 of 2009, the Port of Durban received a remediation order for eight sites at Island View, which will be closely monitored through the implementation of the Island View Remediation Strategy.

### CONTROL AND CLEARANCE OF ALIEN AND INVASIVE PLANTS

Ports situated in the Central Region (Ngqura, Port Elizabeth, and East London), have worked with the South African National Biodiversity Institute (SANBI), which has an obligation to conserve South Africa's biodiversity, and to identify, assess, and manage invasive species as required in the National Environmental Management: Biodiversity Act, 10 of 2024. Ongoing monitoring and clearing of alien invasive species are reported for the Ports of East London, Ngqura, Richards Bay, and Durban. Lighthouses and Navigational Systems, a business unit of TNPA, secured a contract for the first time to clear invasive species along the St Blaize Hiking Trail in Mossel Bay, a well-known tourist attraction. In the 2023/24FY, 32 hectares were cleared and 13,57 hectares treated. This initiative promotes compliance, stimulates the regeneration of native vegetation, and protects groundwater resources.

### WASTE MANAGEMENT

The Port of Richards Bay initiated a waste recycling project at a local adult workshop that employs 150 intellectually disabled workers. TNPA's overall recycling statistics for the year were 10 tonnes of paper, 1,62 tonnes of glass, 0,24 tonnes of plastic, approximately 126 waste tyres, and 3 102 tonnes of steel (estimated value R1 517 769,25).

### 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 its Corporate Social Investment (CSI). This approach leverages TNPA's social licence to promote socio-economic upliftment in the communities where it operates, aligning with the SDGs and South Africa's National Development Plans. During the reporting period, TNPA initiated several CSI activities across its various ports, including:

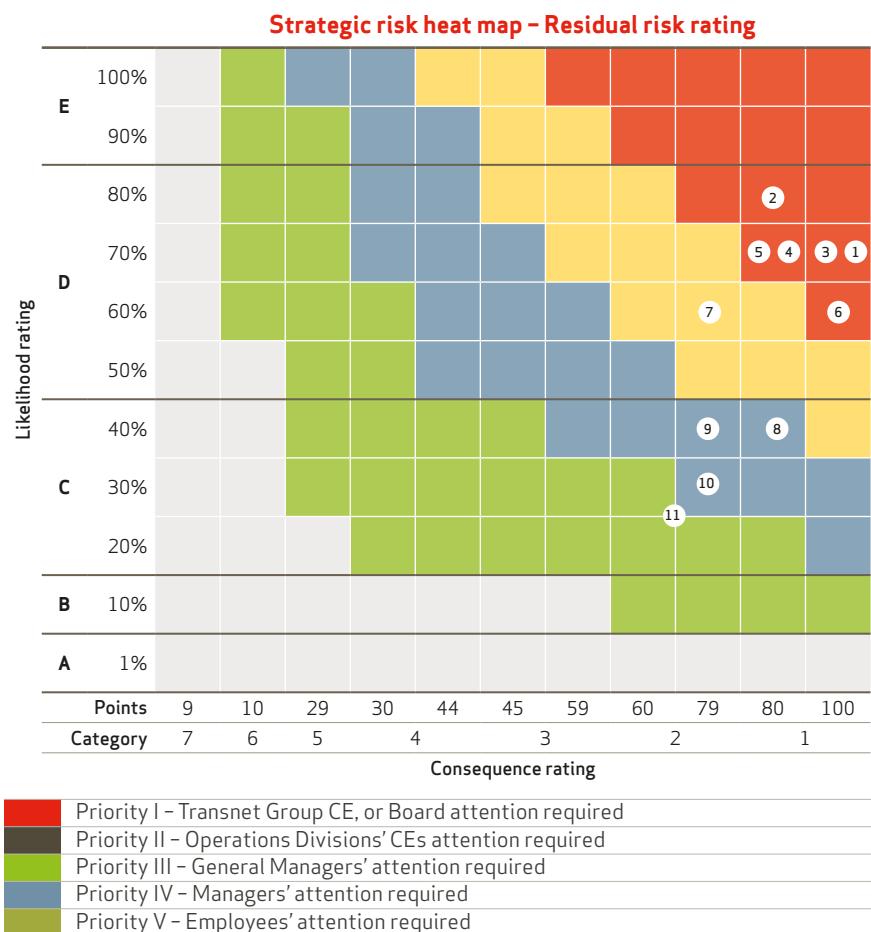
- **Plant Fruit Trees (Arbor Day):** 5 September 2023 at Chatty Clinic, Northern Areas, Port Elizabeth;
- **School Shoes Donation:** Donation of 1 400 pairs of school shoes to learners around the Nelson Mandela Bay and Sarah Baartman District Municipalities;
- **Food Hampers:** 200 food hampers consisting of essential food supplies were donated to the Manenberg People's Centre in Cape Town;
- **Beautiful Gate NGO Donation:** 250 school learners (Grades 10–12) in Cape Town received essential stationary packs, including study guides and toiletries;
- **Ziyazingisa Primary School:** This school in Cape Town received educational support through the sponsorship of necessary furniture such as classroom doors, bookshelves and stationary;
- **Dabane Foundation Handover:** The NMB ports donated five specialised wheelchairs, 30 normal wheelchairs, 20 single beds with mattresses, and linen for 120 single beds, to people living with disabilities around the community of Motherwell, Port Elizabeth;
- **National Sea Rescue Institute:** NMB ports assisted the National Sea Rescue Institute (NSRI) by donating goods to the value of R250 000, with aims to improve NSRI's efforts in providing rescue, education, and life guarding services in South Africa's coastal and inland waters;
- **Nelson Mandela International Day:** In commemoration of Nelson Mandela Day, 11 NPOs and two primary schools in seven port cities have benefited from the establishment of food gardens and the donation of food parcels, with a remarkable 16 860 seedlings planted and over 4 000 food items donated on 18 July 2023;
- **Calculator Handover:** On 26 April 2023, Phambili Senior Secondary School in Lusikisiki received a donation of 120 Casio scientific calculators;
- **Isithembiso Multi-Purpose Organisation:** Located at Ncerha Village in East London, Isithembiso Multi-Purpose Organisation received R140 000 worth of gardening equipment that will assist all 45 farmers affiliated with the organisation in growing their gardening business in generating revenue; and
- **Mzamowethu Public School:** Located in the informal settlement in East London, this school received a donation of 100 school desks on 13 June 2023.

# KEY RISKS AND MITIGATING ACTIVITIES

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

## TOP STRATEGIC RISKS 2023/24FY

Risk Name	Risk rating
1. Complexities in effectively navigating the regulatory environment	I
2. Effects of climate change on port operations, stakeholders and the natural environment	I
3. Unreliability and breakdown of infrastructure/assets	I
4. Inability to improve efficiencies and oversight in port operations	I
5. Insufficient capital funding for the execution of TNPA mega projects and segment strategies	I
6. Failure to deliver Capital Projects on time and within budget	I
7. Inability to attract and retain critical and scarce skills	II
8. Challenges with introducing new entrants and industries into the port system	III
9. Inadequate management of security risks	III
10. Cyber threat exposure and compromise to information security	III
11. Ineffective management of safety risk	III



## KEY RISKS AND MITIGATING ACTIVITIES CONTINUED

<ul style="list-style-type: none"> <li>Complexities in effectively navigating the regulatory environment within which the National Port Authority operates, resulting in the division being constrained from achieving its desired-end state and strategic objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Integrate legislative requirements with business processes and performance targets to ensure that the business operates within legal boundaries and reduce the potential for legal liabilities, penalties, and fines.</li> <li>Nominate subject matter compliance champions from across all functions to foster collaboration with the compliance function and fortify the organisational culture of compliance.</li> <li>Regularly and proactively engage regulatory authorities on legislative reforms to enhance readiness for implementation and mitigate potential unintended consequences.</li> <li>Proactively implement a compliance communication strategy to strengthen the internal understanding and appreciation of the National Port Authority's compliance imperatives.</li> </ul>
<ul style="list-style-type: none"> <li>Effects of climate change on port operations, stakeholders and the natural environment resulting in disruptions to port operations and damage to infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Conduct risk and vulnerability assessment studies for ports to quantify risks.</li> <li>Develop an integrated long-term greenhouse gas emission reduction strategy to inform the implementation of the greenhouse gas emission reduction plan.</li> <li>Implement ISO 50001: Energy Management Systems to ensure improvement in energy efficiency, reduce operating costs and minimise environmental impacts.</li> <li>Implement ISO 22301: Business Continuity Management System to ensure that business operations continue in the event of disruptions, to ensure value protection and build business resilience.</li> <li>Reconfigure climate change clusters to include terminal operators and other port users to foster accountability and improve effectiveness.</li> <li>Implement renewable energy and desalination strategies to reduce environmental impacts.</li> </ul>
<ul style="list-style-type: none"> <li>Unreliability and breakdown of infrastructure/assets due to lack of maintenance, resulting in inefficiencies and high cost of doing business</li> </ul>	<ul style="list-style-type: none"> <li>Align maintenance budget allocation to industry best practices to optimise resource allocation and ensure efficient maintenance.</li> <li>Appoint highly skilled and experienced maintenance planners to contribute significantly to the successful and efficient maintenance of infrastructure and equipment.</li> <li>Implement ISO 55001: Asset Management System to drive standardisation of asset lifecycle management which in turn will positively impact the average lifespan of assets.</li> <li>Conclude a five-year framework contract for Original Equipment Manufacturers spare parts for marine and aviation fleet to ensure improved procurement turnaround time.</li> <li>Replace ageing marine and aviation fleet to enhance reliability and reduce maintenance costs.</li> <li>Implement effective preventative maintenance strategy to reduce downtime and ensure reliability of infrastructure and equipment.</li> </ul>
<ul style="list-style-type: none"> <li>Inability to improve efficiencies and oversight in port operations resulting in customer dissatisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Develop and implement the Terminal Oversight Management Framework to enforce compliance with Terminal Operators Performance Standards and Licence Conditions.</li> <li>Implement the recommendations of the Port Performance Benchmarking Study to set performance standards in line with global best-practice.</li> <li>Enforce the Penalty and Incentive directive that aims to address continuous non-performance of underperforming terminal operators.</li> <li>Replace ageing marine and aviation fleet to enhance reliability and improve operational efficiencies.</li> <li>Improve fleet availability to above 85% by implementing a fleet maintenance strategy to improve port performance and customer satisfaction.</li> </ul>
<ul style="list-style-type: none"> <li>Insufficient capital funding due to limited reserves and access to debt, resulting in failure to implement the National Ports Authority's mega projects and segment strategies</li> </ul>	<ul style="list-style-type: none"> <li>Develop the National Ports Authority capital funding strategy and model to find suitable funding for the projects.</li> <li>Prioritise projects aligning to capital limitations by executing programmes in tranches to deliver the most value.</li> <li>Develop a capital recovery model to ensure possible self-funding of future projects.</li> </ul>

<ul style="list-style-type: none"> <li>Failure to deliver capital projects on time and within budget, resulting in delays in benefit realisation and claw backs by the Ports Regulator</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure reforms: <ul style="list-style-type: none"> <li>Establish an annual business case pipeline spanning five years and take into consideration changing business requirements to ensure timely delivery of projects.</li> <li>Establish an Engineering, Procurement and Construction Management (EPCM) capability to implement mega projects across all the National Ports Authority's regions.</li> <li>Establish an independent dispute resolution board to resolve contractual-related challenges.</li> <li>Source specialised and experienced project directors and ensure continuous professional development through mentoring, coaching, and certification programmes, for efficient and effective project delivery.</li> </ul> </li> <li>Supply chain reforms: <ul style="list-style-type: none"> <li>Recruit competent supply chain resources with built environment experience to improve supply chain efficiencies.</li> <li>Introduce a demand planning methodology to inform core operational processes, financial planning, and ensure effective supply chain processes.</li> <li>Review and revise the supply chain delegation of authority of the Divisional Bid Adjudication Committee for approach to market and award to reduce bureaucracy and improve turnaround times.</li> <li>Early involvement of supply chain management in the capital development process to improve turnaround times.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Inability to attract and retain critical and scarce skills to meet and sustain the demands of the business and to ensure the optimal execution of the strategy</li> </ul>	<ul style="list-style-type: none"> <li>Develop and implement a remuneration dispensation model with emphasis on critical and scarce skills to support the attraction, retention, and performance of workforce.</li> <li>Implement strategic workforce planning for prioritisation and projection of scarce and critical skills for effective management of demand and supply.</li> <li>Review and refocus talent pipelines to meet the various skill streams as per the National Ports Authority's Operating Model.</li> <li>Implement a comprehensive induction process for new employees, focusing on integration and performance.</li> </ul>
<ul style="list-style-type: none"> <li>Challenges with introducing new entrants and industries into the port system that lead to a lack of transformation and diversification</li> </ul>	<ul style="list-style-type: none"> <li>Issue Request for Proposals (RFPs) that are deliberate and intentional about the National Ports Authority's agenda of transformation.</li> <li>Introduce and emphasise the implementation of the common-user doctrine in all concession projects to promote third-party access.</li> <li>Consider projects that are not capital intensive to promote access and transformation in South Africa's ports.</li> <li>Implement a targeted procurement strategy using the annual procurement plan as a basis to ensure transformation targets are achieved.</li> <li>Request the Transnet Board of Directors to engage relevant Government departments on legislative changes required to enable Transnet to achieve empowerment and transformation objectives.</li> <li>Allocate SD resources for ongoing monitoring and evaluation of transformation requirements throughout the lifecycle of contracts.</li> <li>Adopt a policy framework to address historical, indefinite, and long-term leases to enable the participation of previously disadvantaged individuals and SMMEs in the port sector.</li> </ul>
<ul style="list-style-type: none"> <li>Inadequate management of security risks due to lack of security infrastructure and unauthorised access to port premises, resulting in an increase in the number of security incidents</li> </ul>	<ul style="list-style-type: none"> <li>Security initiatives: <ul style="list-style-type: none"> <li>Improve the ports' ability to detect and respond to security threats by enhancing security and threat detection.</li> <li>Improve security perimeter infrastructure to prevent unauthorised access, stowaway incidents and to mitigate trespassing.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Ineffective management of safety risks due to non-compliance with standard operating procedures, and risky operational environment resulting in an increase in the number of safety incidents</li> </ul>	<ul style="list-style-type: none"> <li>Safety initiatives: <ul style="list-style-type: none"> <li>Adhere to health and safety regulatory requirements to prevent or reduce work-related accidents and occupational diseases.</li> <li>Improve safety performance by developing and implementing the Zero Harm Safety Culture Programme.</li> </ul> </li> </ul>

## KEY RISKS AND MITIGATING ACTIVITIES CONTINUED

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|--|---|
| <ul style="list-style-type: none"><li>• Delays in adapting to new technologies that may result in cyberthreat exposure and could compromise information security</li></ul> | <ul style="list-style-type: none"><li>• Collaborate with Transnet Group Security to mitigate security risk.</li><li>• Conduct annual review of business continuity plans and disaster recovery standards and procedures for server environments to minimise downtime related to Information and Communications Technology (ICT).</li><li>• Conduct quarterly disaster recovery simulations and backup restore tests to identify gaps in disaster recovery processes.</li><li>• Develop and implement the ICT Asset Management Strategy to ensure the timely replacement of obsolete and outdated ICT equipment and software.</li><li>• Implement ICT operations best practices in accordance with control objectives for information and related technologies and Transnet standards and policies to ensure effective ICT governance.</li><li>• Source appropriate ICT security skills to manage and mitigate cybersecurity risks.</li><li>• Provide ICT security and Transnet standard/policy awareness to empower employees with the knowledge to recognise, report, and prevent security incidents.</li><li>• Implement ISO 20000-1: ICT Service Management System to ensure compliance with international standard for IT service management.</li></ul> |
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# OPPORTUNITIES

Positioning TNPA as a globally competitive, integrated port system presents significant opportunities. This strategic approach allows for revenue diversification, the adaptation of ports to accommodate new generation vessels, and reduced business costs through economies of scale. By enhancing supply chain efficiency and competitive pricing, TNPA aims to develop regional hub ports to improve maritime connectivity.

Expanding port capacity in line with segment strategies and market demand, along with offering dredging services and project management capabilities, could facilitate TNPA's expansion into Africa, particularly within the Southern African Development Community ports and niche local dredging markets. Ensuring compliance with terminal regulatory requirements, upholding terminal operating agreements, and forming strategic partnerships – such as public-private collaborations, alliances with government bodies, universities, and international ports – are also key priorities.

Transforming the port sector through skills transfer, small business development, growth, and promoting the participation of previously disadvantaged groups, remains a significant focus. These objectives align with Transnet's five core areas, driving sustainable growth and competitiveness.

## 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 will be achieved by implementing recognition and reward systems, and by the enhancement of processes, systems, and technology, to enable effective and efficient service delivery.



## 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. This involves maintaining and extending the useful life of port infrastructure and marine fleet assets, as well as ensuring that promulgated depths are maintained for effective vessel navigation. The division will also continue to enhance its terminal oversight role.

## SAFETY

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 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 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.

# ACRONYMS

AEL	Atmospheric Emission Licence
CSI	Corporate Social Investment
DFFE	Department of Forestry, Fisheries and the Environment
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EPMO	Enterprise Project Management Office
EXCO	Executive Committee
GO	General Overhaul
IoT	Internet of Things
KPI	Key Performance Indicators
MOP	Major Operations Programmes
OEM	Original Equipment Manufacturer
PAEL	Provisional Atmospheric Emission Licence
R&D	Research and Development
RM	Rotating Machine
ROS	Rail Operations Services
RSR	Rail Safety Regulator
SCM	Supply Chain Management
SHE	Safety, Health and Environment
TE	Transnet Engineering
TFR	Transnet Freight Rail
TNPA	Transnet National Ports Authority
TPT	Transnet Port Terminals
WUL	Water Use Licence

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