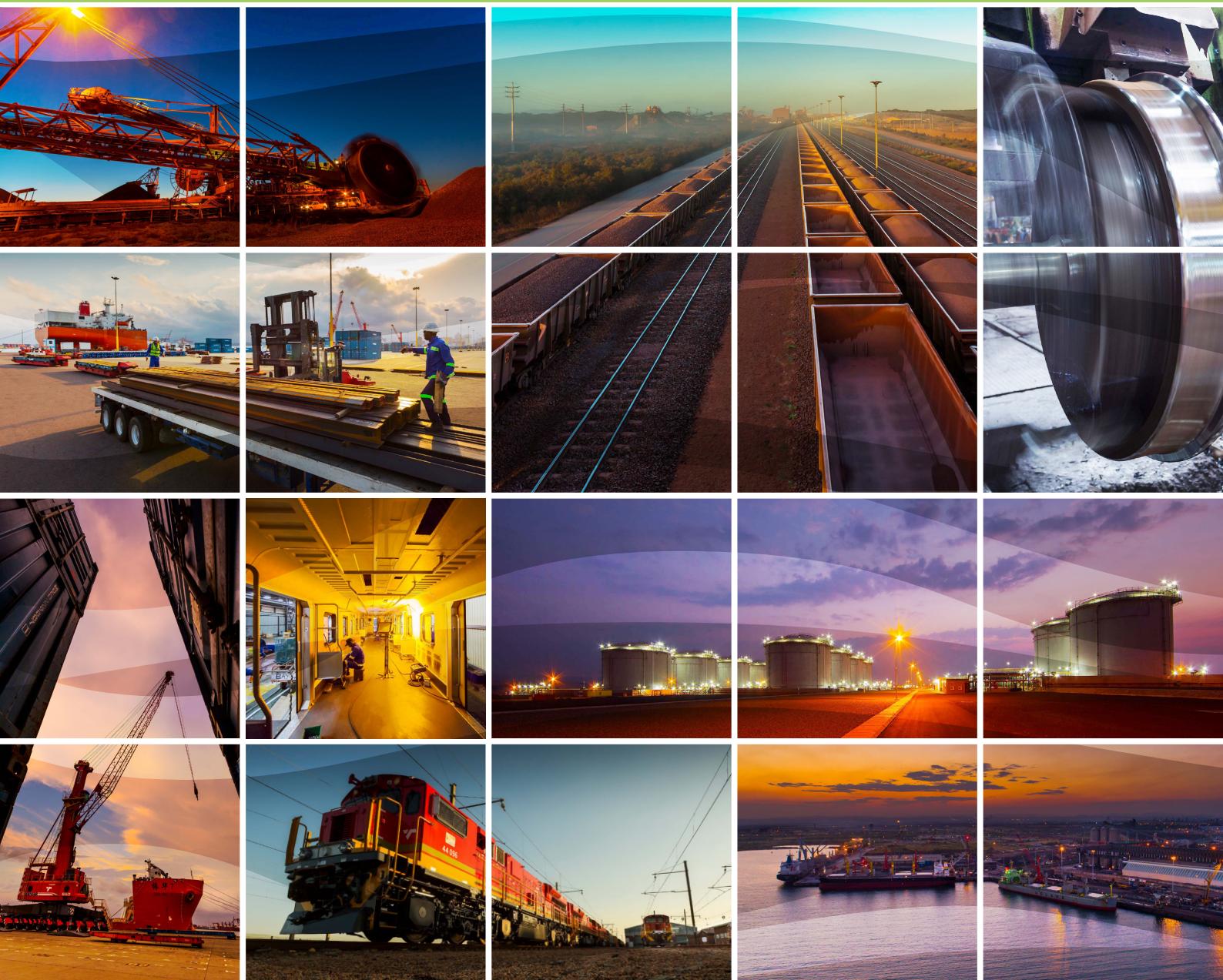




STAKEHOLDER ENGAGEMENT REPORT 2022





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Our approach to stakeholder engagement

Transnet aims to forge mutual and beneficial relationships through our stakeholder engagements. These engagements are also key to building a positive and respected reputation. It is, therefore, essential for Transnet to maintain constructive and mutually rewarding relationships with various stakeholder groups.

Transnet regularly engages with various stakeholders to maintain or improve relations and to strengthen the Company's brand visibility. These engagements intend to keep stakeholders informed of the business's strategic direction and plans.

In our quest to improve our relational capital, we align as best as possible, with the principles and practices of the King IV Code on Corporate Governance for South Africa to be stakeholder inclusive, and to consider the legitimate and reasonable needs, expectations, and interests of our material stakeholders. We continue to improve the quality of our stakeholder relationships and are guided by the Stakeholder Engagement Policy and Stakeholder Engagement and Management Procedure in our stakeholder engagements.

We are proud to report that our intention to embed a truly inclusive stakeholder engagement culture in the business is gaining traction and is beginning to yield positive results. We are guided by the following reporting and codified framework in establishing a systematic approach to managing stakeholder engagement practices across the Company:

- King IV Code;
- The Integrated Reporting Framework of the Value Reporting Foundation¹;
- Global Reporting Initiative G4 Guidelines; and
- The AA1000 Stakeholder Engagement Standard.

We continue to refine and streamline the Company's assurance efforts to enable the Board of Directors, its Board Committees, and Transnet Management to strengthen the maturity level of the Company's stakeholder engagement processes, as well as to improve Transnet's ability to provide expedient and appropriate responses to material issues raised by stakeholders.

¹ The International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) officially merged to form the Value Reporting Foundation. On 3 November 2021 at the COP26 climate conference the IFRS Foundation Trustees announced the consolidation of the Value Reporting Foundation (VRF) and the Climate Disclosure Standards Board (CDSB) into the IFRS Foundation.

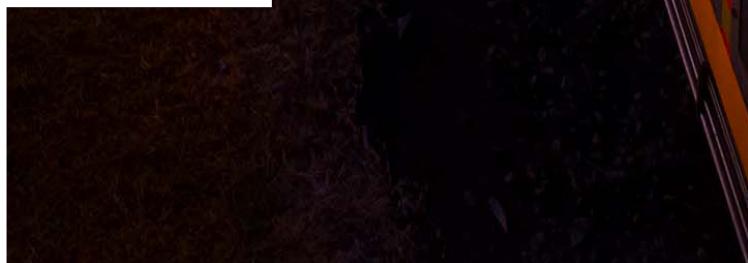
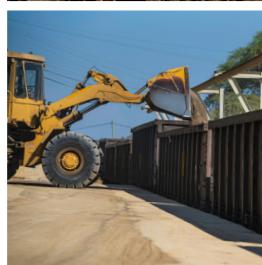
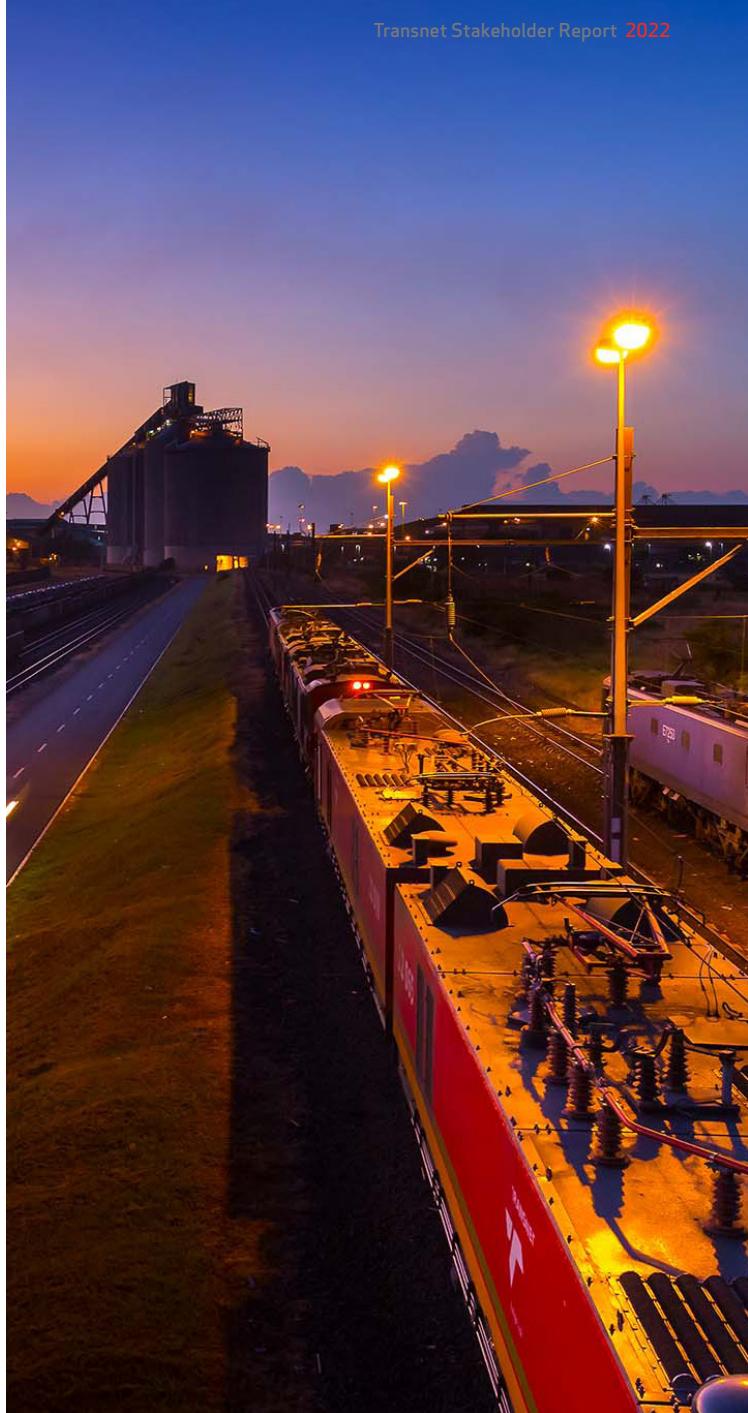
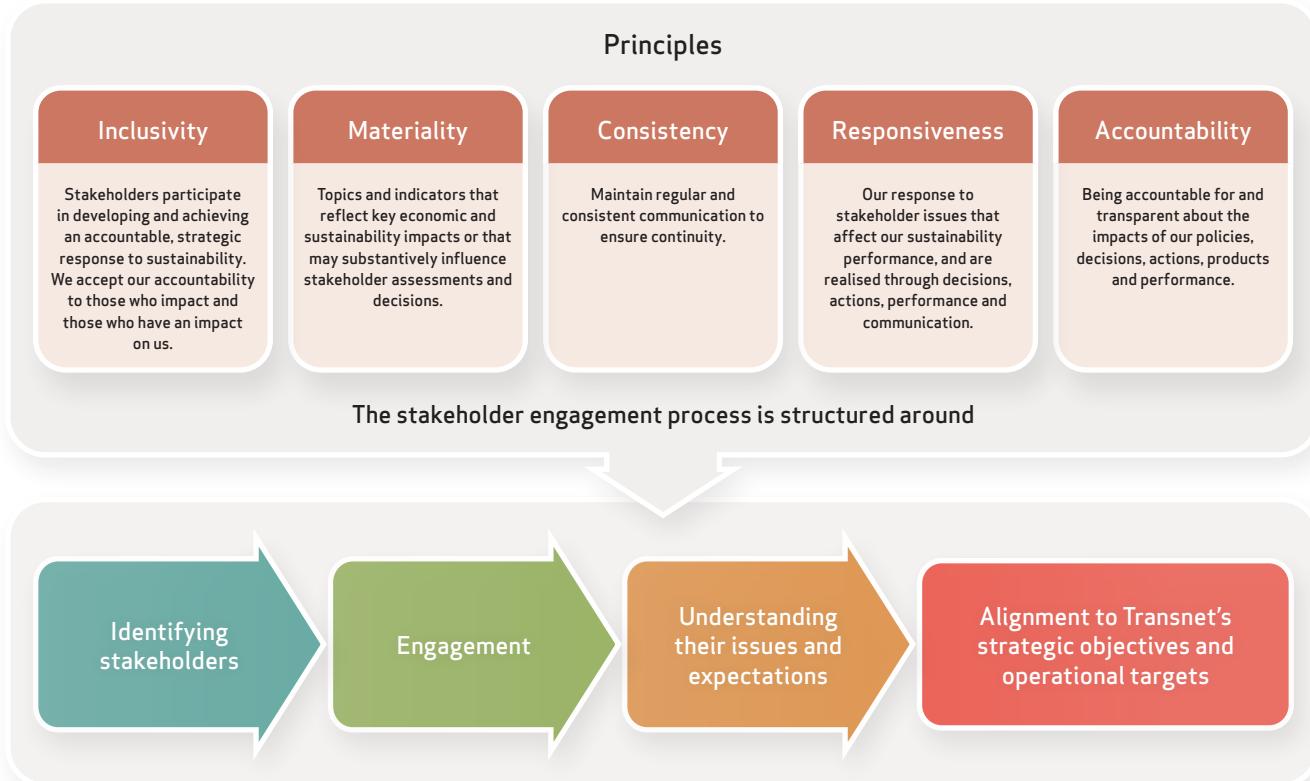


Figure 1: Transnet's stakeholder engagement principles



Measuring our progress

In 2021, the Company identified stakeholder engagement as a strategic risk area for Transnet. Accordingly, our stakeholder engagement approach and processes were reviewed to ensure our progress could be measurable, with appropriate targets and indicators that would reflect not only our collective progress, but our evolving aspirations to adequately mitigate stakeholder-related risks such as reputational risk, third-party relationship risk, and stakeholder risks related to the impacts of poor customer service and performance. Some of the mitigation measures were subsequently subjected to an internal audit review to determine their adequacy in strengthening our management of external relationships. Additionally, we have identified the need for a more collaborative response to stakeholder management across our six Operating Divisions to ensure a more equitable risk management approach. We embarked on a '5-initiative' journey to improve our stakeholder management risk profile:

- Establishing the Group Stakeholder Engagement Forum:** The Forum meets quarterly to gain a consolidated view of stakeholder issues and provide strategic direction and guidance. The Forum is led at Group level and provides an accountability platform for reporting any pertinent risk pressure points. As a second line of assurance for our Operating Divisions, the platform also provides an opportunity for collaborative resolutions of stakeholder issues and associated risk mitigation activities. The Forum's proceedings are guided by Terms of Reference, which govern the participation in, and outcomes of, each meeting.

- Establishing Regional Stakeholder Engagement Forums:** Monthly Stakeholder Engagement Forums have been established in nine regions and consist of representatives from the six Operating Divisions. The regional forums comprise of the following:
 - Gauteng Regional Forum;
 - Western Cape Regional Forum;
 - Free State Regional Forum;
 - Mpumalanga Regional Forum;
 - Northern Cape Forum;
 - Northwest Regional Forum;
 - KwaZulu-Natal Regional Forum;
 - Limpopo Regional Forum; and
 - Eastern Cape Regional Forum.

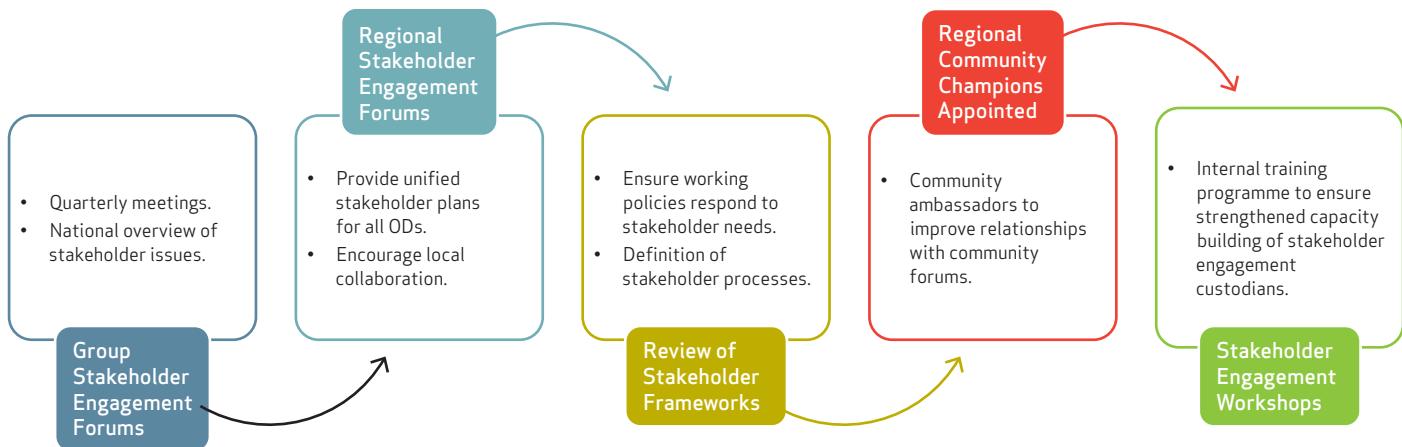
The regional forums aim to break down the historical silo-approach to managing stakeholder issues in the Group, especially where Operating Divisions share common stakeholders within a region. A marked benefit of the regional forums is the building of more cohesive teams of colleagues from the six Operating Divisions, each of whom is active in one or more of Transnet's communities or operational corridors. The teams are supported by the Transnet Foundation and Enterprise and Supplier Development departments. Lessons learnt can be applied to other regions. The regional forums report to Transnet's Group Stakeholder Engagement and Reporting function. As with the Group Forum, the regional forums are governed by the same Terms of Reference.

3. Reviewing the Stakeholder Engagement Framework: Our Stakeholder Engagement Framework has been reviewed for efficacy and appropriateness. The review process enabled all members to familiarise themselves with the framework and tools available to drive more cohesive and accountable stakeholder engagement across the Group. The framework included the Stakeholder Engagement Policy and Stakeholder Engagement Procedure, which are both due for review in 2022, and are expected to be approved by the Board in the current financial year. To improve the quality of stakeholder engagement processes and responses, the suggested inputs include, *inter alia*, a Stakeholder Category Owner (SCO) to ensure greater accountability and responsibility in the engagement of a particular category of stakeholders (e.g., customers or communities). The SCO appoints the responsible Stakeholder Relationship Owners (SROs) to manage regular engagements with a specific category of stakeholders. Going forward, this approach will minimise the challenges of blurred or unclear responsibilities, while clarifying the delegation of authority.

4. Establishing Community Champions in regions: Regional Forums will, going forward, identify other departments besides Corporate Affairs to be members of this Forum, and members willing to be Community Champions will be encouraged to act as Community Champions (CCs) and to be brand ambassadors in their respective communities. The appointment of 'Champions' will be formalised by outlining their scope of work, reporting lines, and performance criteria. Group Corporate Affairs has begun the process of engaging with regional leadership to identify Champions who will, in turn, form part of the Regional Engagement Forum where they can escalate pertinent issues to the Forum leadership. Further, the Group Stakeholder Engagement & Reporting function will formalise the appointment of the Community Champions and will create workshops to assist the CCs to better understand their roles as well as the process of escalating issues in their communities.

5. Building Capacity Workshops relating to our Stakeholder Engagement Approach: The internal training programme will cover stakeholder engagement protocols, values, ethics, service skills, and the means to respond proactively to community issues in line with the relevant process controls, which continue to be developed.

Figure 2: Stakeholder Management Risk Mitigation Roadmap

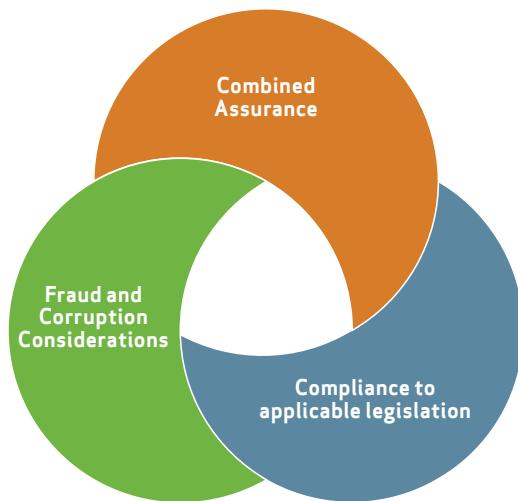


The 2021 – 22 External Relationship Management Audit Process

An audit review was performed on material reporting outcomes of Group Corporate Affairs as the Coordinating department and the Transnet Corporate Centre (TCC) as well as the six Operating Divisions to determine the maturity level of their compliance with the relevant frameworks governing Transnet's stakeholder engagement process. The Audit engagement assessed the adequacy and effectiveness of existing controls relating to the Company's stakeholder relationship management process, specifically with respect to the governance of stakeholder engagement, associated risk management, and business processes, as encoded by the principles and practices of the various frameworks. The engagement covered processes and activities that were carried out from 1 April 2021 to 30 November 2021. The scope of the audit review considered the quality of the Group's combined assurance methodology, fraud, corruption considerations, and compliance with applicable legislation. The governance aspects integrate to provide a holistic approach to our stakeholder engagement management and resulting processes.

The audit review confirmed that our framework and processes are in place, but not yet operating at a level that enables us to be strategic and streamlined in our stakeholder engagements. This said, the audit was performed only a few months after new improvement measures were introduced into the business. Accordingly, we look forward to a secondary review towards the latter part of the current year when we will conduct a self-control assessment to assess the maturity of each of our Operating Divisions' Stakeholder Relationship Management approaches and processes. With more meaningful data available to us, we will have a better understanding

Figure 3: Scope of Audit Review



of how to further improve adherence to the various frameworks together with more effective monitoring measures.

Below is a summary of the Audit outcomes for the Group and each Operating Divisions. The tables present individual results for the adequacy and effectiveness of each Operating Division's mitigating controls, as well as the overall ratings for 'governance', 'risk management' and the 'outline of key business processes'.

1. Transnet Corporate Centre (TCC)

No.	Control assessment details	Governance	Risk management	Business process outline
Transnet Corporate Centre (TCC)				
1	Control adequacy assessment	9	2	13
	Adequate	6	2	13
	Partially adequate	3	0	0
	Inadequate	0	0	0
Overall adequacy rating		Partially adequate	Adequate	Adequate
2	Control effectiveness assessment	6	2	13
	Effective	6	1	8
	Partially effective	0	1	5
	Ineffective	0	0	0
Overall effectiveness rating		Effective	Partially adequate	Partially adequate
Overall rating per category		Requires improvement	Requires improvement	Requires improvement
Overall rating		Requires improvement		

2. Transnet Engineering

No.	Control assessment details	Governance	Risk management	Business process outline
Transnet Corporate Centre (TE)				
1	Control adequacy assessment	9	2	13
	Adequate	8	2	13
	Partially adequate	1	0	0
	Inadequate	0	0	0
Overall adequacy rating		Partially adequate	Adequate	Adequate
2	Control effectiveness assessment	8	2	13
	Effective	7	2	11
	Partially effective	0	0	2
	Ineffective	1	0	0
Overall effectiveness rating		Partially effective	Effective	Partially effective
Overall rating per category		Requires Improvement	Satisfactory	Requires Improvement
Overall rating		Requires Improvement		

3. Transnet Freight Rail

No.	Control assessment details	Governance	Risk management	Business process outline
Transnet Corporate Centre (TFR)				
1	Control adequacy assessment	9	2	13
	Adequate	9	2	13
	Partially adequate	0	0	0
	Inadequate	0	0	0
Overall adequacy rating		Adequate	Adequate	Adequate
2	Control effectiveness assessment	9	2	13
	Effective	9	2	11
	Partially effective	1	0	2
	Ineffective	0	0	0
Overall effectiveness rating		Partially effective	Effective	Partially effective
Overall rating per category		Requires Improvement	Satisfactory	Requires Improvement
Overall rating		Requires Improvement		

4. Transnet National Ports Authority

No.	Control assessment details	Governance	Risk management	Business process outline
Transnet Corporate Centre (TPA)				
1	Control adequacy assessment	9	2	13
	Adequate	9	2	13
	Partially adequate	0	0	0
	Inadequate	0	0	0
Overall adequacy rating		Adequate	Adequate	Adequate
2	Control effectiveness assessment	8	2	13
	Effective	8	2	12
	Partially effective	1	0	1
	Ineffective	0	0	0
Overall effectiveness rating		Partially effective	Effective	Partially effective
Overall rating per category		Requires Improvement	Satisfactory	Requires Improvement
Overall rating		Requires Improvement		

5. Transnet Property

No.	Control assessment details	Governance	Risk management	Business process outline
Transnet Corporate Centre (TFR)				
1	Control adequacy assessment	9	2	13
	Adequate	9	2	13
	Partially adequate	0	0	0
	Inadequate	0	0	0
Overall adequacy rating		Adequate	Adequate	Adequate
2	Control effectiveness assessment	9	2	13
	Effective	8	2	11
	Partially effective	1	0	2
	Ineffective	0	0	0
Overall effectiveness rating		Partially effective	Effective	Partially effective
Overall rating per category		Requires Improvement	Satisfactory	Requires Improvement
Overall rating		Requires Improvement		

6. Transnet Pipeline

No.	Control assessment details	Governance	Risk management	Business process outline
Transnet Corporate Centre (TFR)				
1	Control adequacy assessment	9	2	13
	Adequate	8	2	13
	Partially adequate	1	0	0
	Inadequate	0	0	0
Overall adequacy rating		Partially adequate	Adequate	Adequate
2	Control effectiveness assessment	8	2	13
	Effective	7	2	11
	Partially effective	1	0	2
	Ineffective	0	0	0
Overall effectiveness rating		Effective	Effective	Partially adequate
Overall rating per category		Requires Improvement	Satisfactory	Requires Improvement
Overall rating		Requires Improvement		

7. Transnet Port Terminal

No.	Control assessment details	Governance	Risk management	Business process outline
Transnet Corporate Centre (TFR)				
1	Control adequacy assessment	9	2	13
	Adequate	8	2	13
	Partially adequate	1	0	0
	Inadequate	0	0	0
Overall adequacy rating		Partially adequate	Adequate	Adequate
2	Control effectiveness assessment	8	2	13
	Effective	7	2	13
	Partially effective	1	0	1
	Ineffective	0	0	0
Overall effectiveness rating		Effective	Effective	Effective
Overall rating per category		Requires Improvement	Satisfactory	Requires Improvement
Overall rating		Requires Improvement		

Remaining agile amidst challenges

The past two years have been a period of unprecedented volatility for Transnet. The disruption caused by the COVID-19 pandemic compounded the challenges that Transnet faces at an operational and financial level, as well as the effects of events which have been detailed in the much-publicised reports into state capture.

As a result, the capacity challenges which emerged for many of the large industrial supply chains which Transnet services have worsened over time. Capacity constraints for the main export commodities such as coal, as well as for the import and export of containers and vehicles, represent a constraint to the required domestic economic recovery, and these gaps must be speedily closed.

Transnet's growth and renewal strategy

As a State-Owned Company, we have both the privilege and duty to support South Africa's economic growth. As such, our new Growth and Renewal Strategy targets the growth of our large industrial sectors by partnering to improve supply-chain integration in the key commodity sectors that make up 80% of Transnet's revenue. The supply-chains of these mega industries pump the lifeblood of the country's economy. The benefits of the new strategy are far-reaching: in addition to making our commodity sectors more market competitive, and therein making South Africa more trade-competitive in the region and globally. An intended outcome of the strategy is the enablement of various economic development interventions that will support Small Medium and Micro Enterprises (SMMEs).

Further, as global logistics trends, methodologies and technologies evolve, Transnet too must adapt to change. Accordingly, we have embarked on an organisational turn-around process to create the foundation for our future growth and self-sustainability, which is fully clarified in the Integrated Report. Transnet's Growth and Renewal strategy adopts a new approach to driving South Africa's trade competitiveness, using a segmented approach to identify inherent opportunities for growth and renewal within the key commodity segments which account for 80% of the Company's revenue. These segments were traditionally grouped into two broad portfolios:

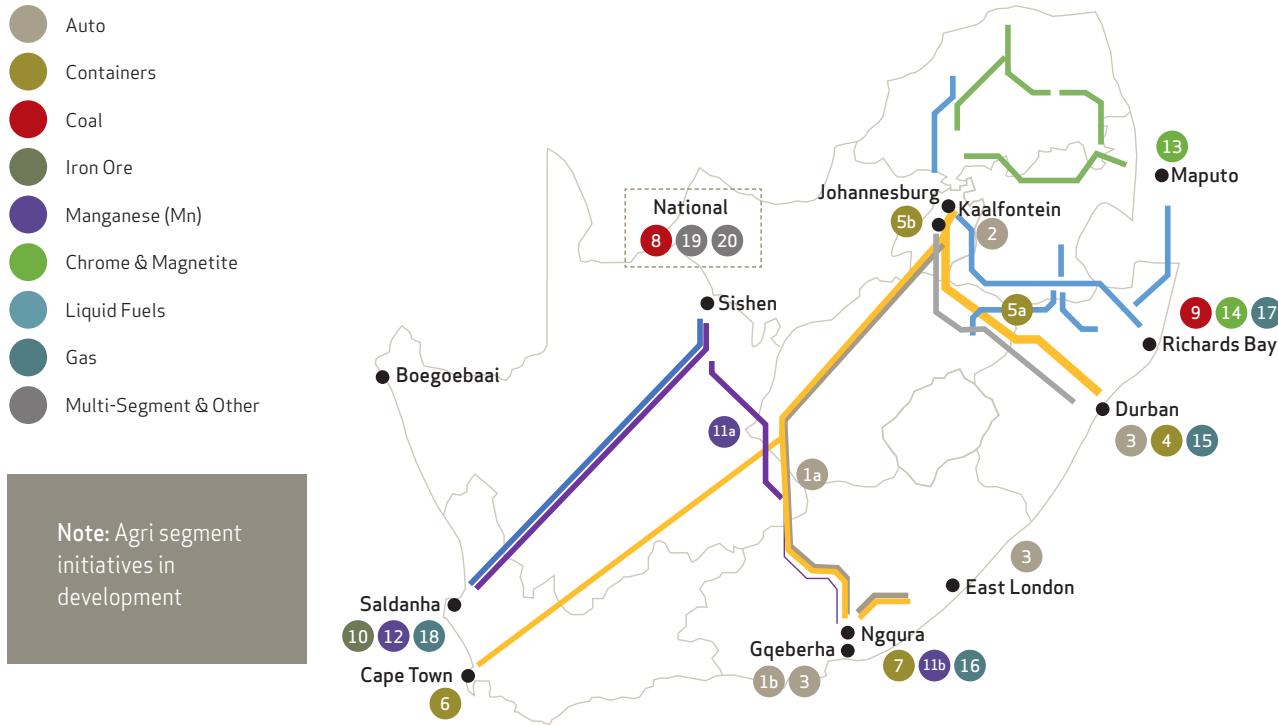
1. Bulk commodities, where Transnet has built a significant competitive advantage; and
2. Industrial sectors where Transnet's performance has become less competitive in recent years, requiring significant value-chain optimisation.

A segment approach for the business

The new strategy will focus on the following strategic outcomes:

- Restore the rail and port asset base and improve asset utilisation to deliver on revenue commitments;
- Steer Transnet's investments towards growth in high-margin flows, such as bulk mining commodities, automotive, containers, fuel and gas, and agriculture segments; and
- Accelerate targeted initiatives and transactions that are critical to grow the balance sheet.



Figure 4: Transnet segment strategy**Figure 5: Segment strategic focus**

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

1 a&b	High-Capacity Corridor for Automotive Volumes via SouthCor & Gqeberha
2	Kaalfontein Terminal Auto Supply Chain Integration
3	Auto Export Capacity & Value-Added Services at Ports of Durban, Gqeberha & East London
4	Reposition Port of Durban as an International Container Hub, incl.: <ul style="list-style-type: none"> Point Container Terminal Durban Container Terminal Pier 2 Various Master Plan Led Projects
5 a&b	Rail Revitalisation of the Container Corridor, incl.: <ul style="list-style-type: none"> Rail Open Access Operating Model New Gauteng Hub Terminal/s City Deep Container Terminal
6	Cape Town Container Terminal Landside Capacity Expansion
7	International Transshipment Hub Development at the Port of Ngqura
8	Partnership Based Eskom Coal Logistics Solution
9	Consolidated and Sustainable Export Coal Network

10	Iron Ore Export Capacity Expansion via Port of Saldanha
11 a&b	Ngqura Manganese Corridor expansion (rail & new bulk export terminal)
12	Port of Saldanha Manganese Export Capacity Expansion
13	Strengthening the Secondary Export Channel via the Port of Maputo
14	Expansion of Bulk Export Capacity via the Port of Richards Bay
15	Develop a Transnet Fuel Import Terminal at the Port of Durban
16	Develop an LNG Terminal & Facilities at the Port of Ngqura
17	Develop an LNG Terminal & Facilities at the Port of Richards Bay
18	Develop an LNG Terminal & Facilities at the Port of Saldanha
19	Rail Operating Model: Third Party Access
20	Various Wagon Sales to Private Operators

Additional strategic considerations

The Branch Line Concession Programme

In 2020, Transnet leadership approved the adjusted approach to Branch Lines. The approach requires that the management of the concession of branch lines be managed at Corridor level. This approach also follows Transnet's decision to award a concession

programme for third parties to access Transnet's freight rail network. These concessions intend to leverage the private sector in the provision of both infrastructure and operations where required.

Freight Rail has developed an enabling pricing model to support the resuscitation of Branch Lines, to migrate general freight from road to rail and, to enable general freight growth by feeding Branch Lines' volumes onto the Freight Rail's main lines.

The Branch Lines proposals will be tested in the open market to select the best proposal. Accordingly, private sector partners will have to invest in the maintenance and upgrade of the perway, locomotives, and wagons. Transnet will define the revenue sharing model between Freight Rail and Branch Line Operating Companies.

The Treasury Request for Deviation on Geographical Designated Procurement

Transnet previously secured permission from the National Treasury to set aside procurement opportunities for local SMMEs trading within areas where we have operations. National Treasury granted approval in writing; however, the approval only referred to Transnet Freight Rail without any implementation guide. In 2021, Transnet reverted to National Treasury to include other Operating Divisions and to provide implementation guidelines for a dispensation to deviate and confine selected contracts to benefit local communities residing along the railway lines for a period of five years at an estimated value. National Treasury did not approve the latest request. Subsequently, the Regulations of the PPPFA were regarded as invalid and all SOCs must deal with preferences in their own policies.

Transnet is considering the Procurement Policy to accommodate geographical set-asides as we always seek to do over the years and in line with the Constitutional court judgement on the Afribusiness vs the Minister of Finance case. Transnet is also consulting legal experts to ensure that this area is not legally challenged in future.

Strategic repositioning of Transnet

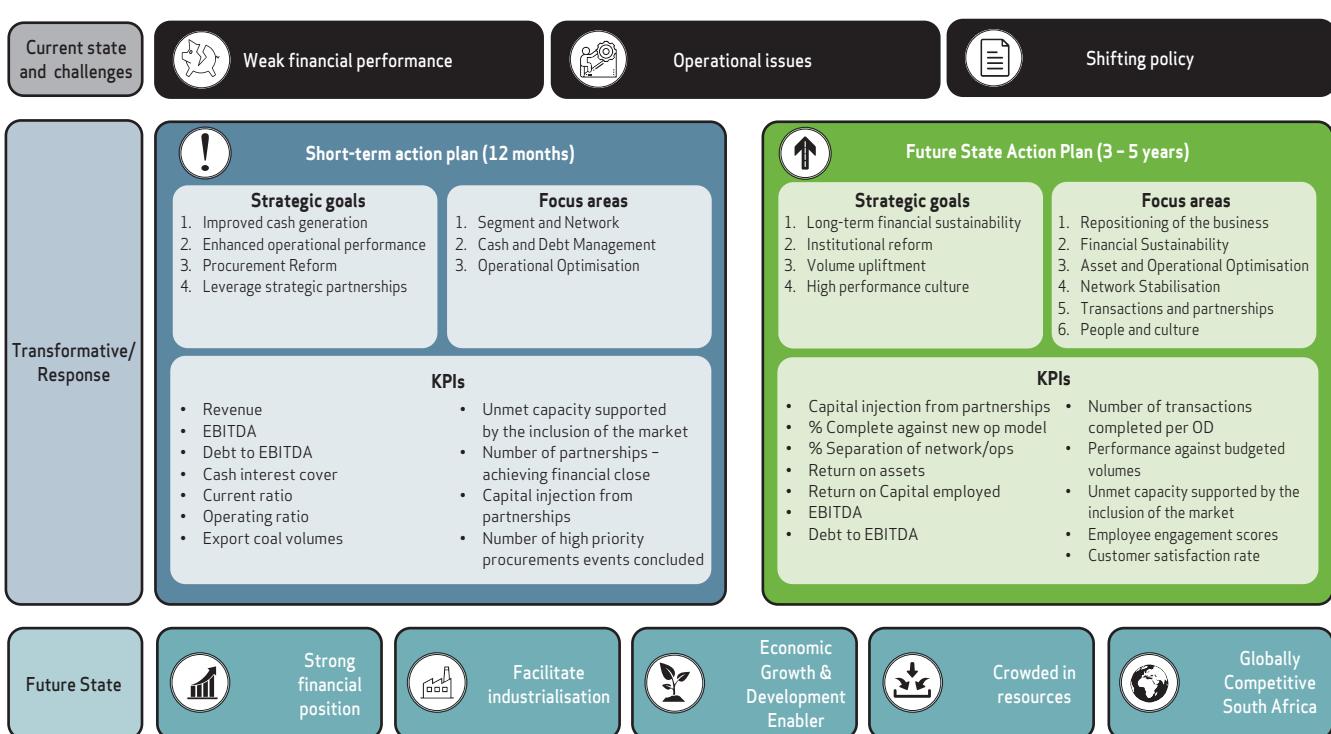
Transnet will commercially separate the network and non-network businesses and enable third-party access to network infrastructure. The Network business portfolio will account for the rail network, port network, and the pipeline business, while the Operations business portfolio will account for rail operations, port terminals, property, and engineering operations. This delineation allows the

various operations business units to appropriately position themselves within their respective market segments.

Transnet will optimise the portfolio and exit operations or leverage partnerships across parts of the portfolio where it is inefficient, where the cost to serve the market is uneconomical, and it has become a market constraint. In this instance, a concerted effort will be made towards crowding in capital, skills, technology, and know-how. This will have a positive impact on Transnet's financial sustainability, as well as introduce positive externalities on the South African economy. Focus will be placed on inviting the market to participate, with a view of 'selling slots' or 'access rights' to the networks where spare capacity exists. In this regard, Transnet's future state will ensure better utilisation of available network infrastructure and a more competitive and efficient logistics system, thereby supporting the national agenda of enabling a globally competitive economy.

The engineering portfolio will be expanded beyond rolling stock to include the port equipment business. Transnet will explore possible partnerships for the engineering portfolio with the objective of securing capital, skills, technology, and access to markets and customers in the long term. The reform programme for the freight system must be seen in the context of recommendations made in the National Infrastructure Plan (NIP).

In respect of the freight system, the NIP envisages that "by 2030, we will have a freight system comprised of globally competitive supply chains for all industries and sectors that will enable industrial diversification and trade growth. We will have addressed several strategic challenges confronting the freight system by improving cross-border trade corridors, shifting long-distance freight from road to rail and improving maritime connectivity. In this way, we will reduce the cost and carbon intensity of supply chains, while also increasing supply chain speed and reliability." Below is a turnaround roadmap to accelerate transformation.



Addressing salient stakeholder issues

Figure 6: Transnet's Stakeholder Universe



Our commitment to our Stakeholders

As a people-focused organisation, we strive to communicate with stakeholders regularly. Our core values guide us in our interactions with stakeholders. To meet and improve on our stakeholder commitments, we continue to strive for:

- A safe and healthy working environment;
- Clear communication, the right tools, training, appropriate recognition, rewards, and the right to be treated with dignity and respect;
- An organisational culture that views change as an opportunity to improve quality in all we do;
- Customer-centric business interactions and reliable service offerings;
- Fair and equitable tender processes;
- Accountability and excellence in everything we do;
- Support for communities where we operate;
- Collaborative relationships with policymakers and regulators;
- Demonstrable sensitivity to and care for the environment; and
- Superior returns to our investors, as a reliable and credible borrower which, albeit state-owned, issues debt on the strength of our financial position.

Part of our commitment to stakeholders is established through our engagements over the past year. We have demonstrated this people-focused approach through a variety of initiatives involving our leadership and through the Transnet Foundation. This represents an opportunity for us to tell the stories of how far this stakeholder commitment goes, highlighting some of the impact of our engagements with stakeholders in the past year.

During International Fraud Awareness Month in November 2021, Transnet participated in a campaign aimed at educating our stakeholders, particularly communities, on the scamming syndicates relating to Jobs and Tenders disguising themselves as Transnet. Often these individuals/syndicates act as employees of Transnet and issue out jobs or tenders on channels not officially authorised or used by Transnet such as email, SMS, or social media platforms to lure people to pay money to access fake jobs and procurement opportunities. Part of the Transnet campaign was to include a storyline on the popular TV soap opera "Skeem Saam" broadcast on national television on weekdays at 18:30. It was important for us to use everyday stories to drive the importance of care and vigilance against fraud especially in a way that would capture a wide audience which is why we chose this television programme which draws a large audience across the country.

The key message that Transnet shared through the storyline were:

- The official channels through which Transnet advertises our jobs and tenders;

- How stakeholders can verify the legitimacy of the job vacancies available;
- The tell-tale signs of potential scams and how to avoid them; and
- Where to report such scams.

The storyline was incorporated by identifying characters who were either looking for job opportunities or tenders. In the story, one of the characters saw a post on social media and, as is normally the case, people shared the job post with families and friends in the hopes of working for Transnet. The syndicate worked in both Gauteng and Limpopo and scammed those characters in the show. They further extended a tender scam to one of the potential victims by promising that individual a "tender" since they did not get the "advertised job". All of this came at a personal financial cost to the applicants in the storyline. The main message was that Transnet does not require job applicants to pay to get jobs or other opportunities within Transnet. A spokesperson from Forensics at Transnet was also interviewed at the end of the campaign to sum up the storyline.

Transnet shows gratitude to all the dedicated employees who have put in every effort to support the changes in strategy, the development of new, more sustainable approaches to doing business, and maintaining agility through the unpredictable challenges of a pandemic and resulting recovery. This has shown a great resilience and determined willingness to create a sustainable turnaround given the challenges of the past two years. Internal stakeholders are vital to ensuring that our commitment to external stakeholders is upheld to its highest standard. From Employee Volunteers who have given their time to supporting community initiatives to drive socio-economic development, to every employee who has given their capacity to ensure the progress and efficiency of our operations across all six operating divisions. This agility and resilience continues to be the inspiration that keeps Transnet moving forward.

In support of the external stakeholder management process, the Transnet Group Chief Executive (GCE), Portia Derby, has supported several initiatives in the past year to engage a variety of stakeholders. Outside of media engagements, parliamentary oversights, and engagements with customers, she has been driving important messages on how Transnet supports the inclusion of women, the development of youth within Transnet, and the placement of Transnet as an industry thought leader. Representing especially important socio-economic concerns for South Africa focusing on the inclusion of women and the representation and employment of youth, the GCE addressed the Kearney Panel held on International Women's Day in March 2022. She also made an address on Women's Month to young engineers with the South African Institute of Electrical Engineers (SAIEE) Presidents Invitational Lecture in August 2021.

Transnet SOC Ltd @follow_transnet · Nov 12, 2021
Be vigilant and don't become a victim of job scams.
Please report any suspicious activities to the Transnet Anti-fraud line:
0800 003 056
#TransnetScamAlert

OFFICIAL Skeem Saam 10 @SkeemSaam3 · Nov 12, 2021
Tonight on #SkeemSaam
Melita ignores all the warning signs about the job scam.
@Official_SABC1



TRANSNET OFFICIAL Skeem Saam 10 @SkeemSaam3
Tonight on #SkeemSaam

Maureen falls for a scammer with the perfect business opportunity. **#TransnetScamAlert**

@Official_SABC1 @follow_transnet

Figure 6: Transnet Group Chief Executive remarks from the past year's engagements

“ Transnet understands the importance of realising business value through the assurance of representation of all South Africans in the business ”

We have taken great strides to make changes at the management level but also in the recruitment and enablement of women in operational functions previously occupied by men.

Considering this, inclusion requires enablement for it to truly succeed and be sustainable; and that begins with how we ensure language inclusion is taken seriously across Transnet.

Language inclusivity diminishes bias especially in the westernised ideals of intelligence that can exclude people from participating meaningfully in the success of the business and advancing their careers.

On representation at Transnet

[Kearney International Women's Day Panel Interview, March 2022]

On opportunities to engage youth and young professionals

[At South African Institute of Electrical Engineers (SAIEE) Presidents Invitational Lecture, August 2021]

“ Transnet has really exciting design capabilities and we are more than interested to connect with our universities to offer opportunities for vacation work for young engineers in design. ”

“ I think the more, as South Africans, we understand the opportunities that are available, and in this instance, through Transnet; the more significantly we can provide the possibility for active engagement in the economy. ”

The Phelophepa Trains have been operating for the past 28 years and have been an opportunity for Transnet to give back to communities where we operate through the provision of primary healthcare services. The Phelophepa project, operating through Transnet Foundation, now operates two trains providing services including eye care, pharmacy services, psychology, family planning, and Covid-19 vaccinations, amongst other services. Some of the past year's highlights for the Phelophepa are highlighted below.

Figure 7: Phelophepa Trains Impact in 2021/2022

344 360

patients serviced over 33 weeks of operations including eye care, pharmacy, psychology and family planning services.

Healthcare services

4600

temporary jobs created in communities where the train has made stops.

Job Creation

28 300

people vaccinated against Covid-19 since August 2021 when vaccination drives started through the Phelophepa and TransVaco trains.

R7 000 000

in total wages paid through the work opportunities created.

**Given the challenges of COVID-19,
Transnet expanded its commitment to
community healthcare by extending
the reach of the Phelophapa I and II
Healthcare Trains into all nine provinces.**



Stakeholder issues impacting our strategy and operations

Governance and leadership matters

Concerned/interested Stakeholders	Matters raised
 Shareholder Minister	<ul style="list-style-type: none"> • Governance and leadership issues
 Investors, Ratings Agencies and Financial institutions	<ul style="list-style-type: none"> • Concerns around governance

Transnet's responses

- **Accountability:** Transnet has implemented various initiatives to improve corporate governance and is committed to keeping the Shareholder updated on all legal and regulatory matters that may impact Transnet's reputation and brand, as well as providing timeous reporting on the financial and operational sustainability of the Company.
- **Corporate governance:** initiatives include strengthening the internal control environment by continuously issuing amendments to the Delegation of Authority Framework as required, providing additional PFMA related training for all levels of management, and the launch of the e-Tender portal to prevent any mishandling of tender submission.
- **Fraud prevention:** Consequence management, through legal action if required, has been strengthened to prevent fraudulent activities.

Improving compliance with legal and other requirements

Concerned/interested Stakeholders	Matters raised
 Shareholder Minister	<ul style="list-style-type: none"> • Performance against Shareholder Compact
 Investors, Ratings Agencies and Financial institutions	<ul style="list-style-type: none"> • Covenant breaches and credit rating downgrades
 Board of Directors	<ul style="list-style-type: none"> • Approval and monitoring of Shareholder Compact
 Customers	<ul style="list-style-type: none"> • Terms and conditions of long-term contracts with Coal exporters

Transnet's responses

- **Shareholder Compact:** Transnet is focusing the Shareholder's Compact on initiatives that are central to the organisation's structural reform and continues to provide the Shareholder and other interested stakeholders with updates on Compact performance, operational performance, financial performance, capital expenditure performance, and regulatory matter. Regular Board and committee meetings, as prescribed, interrogate matters within their respective mandates.
- **Covenant breaches:** All funding partners have been engaged with regard to present and possible covenant breaches on loans due to credit rating downgrades. Although the negotiations are still ongoing, Transnet is confident that funding partners will consider waivers for the affected loans owing to long-standing business relationships.
- **Coal contracts:** Transnet, through Freight Rail, has commenced discussions on the terms of long-term contracts with Coal Exporters.

Addressing and responding to concerns

Concerned/interested Stakeholders	Matters raised
 Customers	<ul style="list-style-type: none"> Impact of congestion and poor operations on agricultural sector
 Employees	<ul style="list-style-type: none"> Request to receive information in their mother tongue languages
 General public	<ul style="list-style-type: none"> Request to detour NMPP in certain residential areas

Transnet's responses

- Mother tongue:** Group Corporate Affairs performed a Language Preference survey to gauge employees' languages preferences for receiving information, and preferred languages for communicating with the Company.
- Agriculture:** as a strategically important sector to the economy, the Agricultural sector has been prioritised by Transnet as part of the new Growth and Renewal Strategy. Short-term interventions are underway to resolve the immediate operational challenges faced by agricultural exporters, while medium- to long-term capacity expansion plans are receiving attention. Transnet Port Terminals (TPT) continues to work with customers and the industry to ensure that the ports adequately support the timeous export of agricultural products to international markets.
- NMPP:** The Kaydale Residents Forum has requested that the Multi-product pipeline be detoured to avoid their area, alleging that the process of servitude acquisition had been conducted without engaging the relevant and/or affected land (ervens) owners. According to records, after the granting of Environmental Authorisation (EA) in 2008, servitude agreements were signed between BCCL Developers (PTY) Ltd. and landowners in the same year. These were subsequently registered in 2011. With continued adherence to the servitude conditions, the pipeline poses a minimal risk to communities.

Ethics and Corruption

Concerned/interested Stakeholders	Matters raised
 Investors, Ratings Agencies and Financial institutions	<ul style="list-style-type: none"> State Capture
 Government	<ul style="list-style-type: none"> SCOPA and State Capture

Transnet's responses

- From the Shareholder:** It is the view of both the Minister and DPE management that the new Transnet management team have performed well in repositioning Transnet and in providing transparent insight into the Company's financial standing and its operational issues.
- SCOPA:** Full co-operation with the Commission was monitored through weekly meetings with the Commission investigators who were hosted at the Transnet premises. Transnet appointed a firm of attorneys to represent the Company during the investigations. The Company continues to provide the Commission with all requested information in conducting the investigations.
- 'State Capture':** With regard to 'State capture' and the 1,064 locomotives-legal action, Transnet and the SIU jointly launched a substantive application in the High Court to review and set aside the locomotive supply agreements which had been concluded with four original equipment manufacturers (OEMs): China South Rail, China North Rail, Bombardier Transport and General Electric. The relief sought against each OEM is specific but includes the set aside of the contracts, and for the court to award a just and equitable remedy, which will include Transnet retaining the locomotives in its possession and receiving compensation for overpayments.

Employment and Skills development

Concerned/interested Stakeholders	Matters raised
 Communities	<ul style="list-style-type: none"> Employment of locals particularly Youth Employment of foreign nationals by Service Providers
Transnet's responses	<ul style="list-style-type: none"> Employment opportunities: Transnet is committed to advertising positions with a greater geographic focus so that local community stakeholders can get information on vacancies or other opportunities closer to their communities. Transnet will also embark on Career Expos in rural and disadvantaged communities to inform as many people as possible about future opportunities. Foreign labour: Transnet has initiated an investigation into the appointment of foreign nationals by service providers (e.g truck drivers, cleaners). Accordingly, findings and recommendation on resolving significant issues will be presented to All Truck Drivers Foundation South Africa (ATDFSA) and other concerned stakeholders in due course.

Improving health and safety

Concerned/interested Stakeholders	Matters raised
 Board of Directors  Employees  Communities  Management  Media	<ul style="list-style-type: none"> Health and Safety of Employees Mental health issues related to Stress induced through COVID-19 Safety next to railway lines Low employee vaccination uptake, and declaration Fires on the Blue Train; at R-Bay and Durban Container Terminal (DCT)
Transnet's responses	<ul style="list-style-type: none"> Hazards: Group Safety, in collaboration with Group Corporate Affairs, created a hotline and WhatsApp line, which were shared Transnet-wide for quick reporting of incidents and safety hazards. Mental health: As part of Transnet's efforts to assist staff to manage stress and anxiety related to the COVID-19 pandemic, Transnet introduced the 'Kimi Screening Stress Tool' to assist staff in dealing with stress. Group Occupational Health and Wellness, in collaboration with Group Corporate Affairs, also hosted a series of webinars to educate employees about the importance of good nutrition as an important factor in staying well in the face of COVID-19. Vaccination: The "Take a Shot for SA" campaign to inform and encourage employees to get vaccinated, as well as the Ambassadors programme and Vaccination Drive Week ahead of the festive season, were initiatives by Group Corporate Affairs and Occupational Health and Wellness. Key objectives were to debunk COVID-19 vaccine misinformation, to gather employees' views about the vaccine, and create awareness of the vaccine and its benefits. Community safety: Regular awareness raising sessions are taking place and pamphlets are being distributed within communities, schools, and churches, particularly in the vicinity of level crossings. Fires: Following a Blue Train coach catching fire, management took the decision to temporarily suspend operations in 2021/22 as a precautionary measure, while the train underwent thorough technical assessments. The fire occurred while the train was in for repairs at Transnet's Engineering facility in Koedoespoort. Further fires at Durban Container Terminal (DCT), Pier 2, were investigated where Transnet was working with Shipping Agents, Customs (SARS) and other relevant authorities on the matter. Port regulations require that each consignment be declared in terms of the International Maritime Dangerous Goods (IMDG) Codes, denoting them as either general or dangerous goods.

Improving collaboration and integration

Concerned/interested Stakeholders	Matters raised
 Shareholder Minister	<ul style="list-style-type: none"> • Collaboration with PRASA
 Customers	<ul style="list-style-type: none"> • Efficiencies at Port of Cape Town
 Media	<ul style="list-style-type: none"> • Congestion at the Port of Durban

Transnet's responses

- **Durban port capacity:** To improve overall Port efficiency and address congestion challenges within the Port of Durban, National Ports Authority (TNPA) is currently optimising port upgrade plans. The old ACSA airport site is also earmarked as a priority development site for Back-of-Port operations and a truck staging site. The Automotive cluster is set to receive a boost and will benefit from additional access to land. It is proposed that Dube Trade Port participate in the management of port upgrades in order to benefit from access to the IDZ at Gqeberha. Port of Cape Town is also a focal point for TNPA's optimisation plans.
- **Road to rail:** The volume shift from road to rail is closely tracked and significant achievements have been recorded, such as 26 000 truckloads having been moved from the roads on the Cape corridor.

Financial sustainability and cost containment

Concerned/interested Stakeholders	Matters raised
 Investors, Ratings Agencies and Financial institutions	<ul style="list-style-type: none"> • Liquidity and funding, and financial market instruments • Cash interest cover and audit qualification covenant breaches
 Media	<ul style="list-style-type: none"> • NPA investment in ports over the next 5 years
 Organised Labour unions	<ul style="list-style-type: none"> • Voluntary Severance Packages (VSPs)

Transnet's responses

- **Cost containment and Voluntary Severance Packages (VSPs):** Transnet has engaged with Labour on VSPs. The VSP process aimed to cut the Company's operational costs by R3,2 billion, which could be diverted to other running costs such as capital investments. Transnet employees were offered financial guidance and financial planning sessions in this regard.
- **Liquidity:** Transnet continues to engage rating agencies to share the latest cash flow projections as an indication of the current and short-term liquidity position. Any strategic interventions that are proposed or implemented by Transnet are shared with the rating agencies to improve their confidence in Transnet's ability to remediate its liquidity position. Transnet is seeking to remedy liquidity issues raised with other long-term funding.
- **Investment:** TNPA intends to invest heavily into the ports in the next five years. The Group Chief Executive held a Media Briefing alongside the Minister of the Department of Public Enterprises, Mr Pravin Gordhan, and the President of South Africa, Hon Cyril Ramaphosa, on the planned port expansions and developments around the ports of South Africa over the next five years. These investments have an estimated value of over R100 billion.

Clarity on Transnet's overall strategy

Concerned/interested Stakeholders	Matters raised
 Investors, Ratings Agencies and Financial institutions	<ul style="list-style-type: none"> • Transnet's new strategy
 Board of Directors	<ul style="list-style-type: none"> • Development, approval, and monitoring of Strategy
 Government	<ul style="list-style-type: none"> • Transnet's Hub Port Strategy and justification for expansion, and volumes
 Organised Labour unions	<ul style="list-style-type: none"> • Private Sector Partnerships (PSPs)
 Regulators	<ul style="list-style-type: none"> • Enabling Third Party Access and participation on TFR Rail Network

Transnet's responses

- **Transnet's strategy:** With Transnet embarking on the new Growth and Renewal Strategy, roadshows were successfully conducted with potential investors who expressed interest in participating.
- **Hub port:** Transnet's Hub Port Strategy and the Durban Hub Port development seek to create an integrated hub port system, which will increase the attractiveness and capacity of South African Ports.
- **Private sector partnerships (PSPs):** PSP offerings include branch line opportunities, and various ports. To address concerns relating to PSPs, Transnet has engaged with Heads of Employee Relations (ER) and all Labour Representatives to discuss the nature and participation scopes of intended PSPs. The Board of Directors also committed to biannual 'deep dive' sessions to review strategic projects as part of the development, approval, implementation, and monitoring of the PSP-based Growth and Renewal Strategy.
- **Third-party access:** Transnet's intended Rail reform will provide a platform from which to leverage partnerships for growth. Further, to adhere to the Department of Transport's requirement to open rail branch lines, Transnet has begun engaging the Railway Safety Regulator and processes are underway to enable Third Party Access and participation on the Freight Rail Network. Third-Party Access arrangements and slot pricing are being developed.

Clarity on the operating model

Concerned/interested Stakeholders	Matters raised
 Board of Directors	<ul style="list-style-type: none"> • Corporatisation of NPA
 Government	<ul style="list-style-type: none"> • Subsidisation of the entity by the Transnet National Ports Authority
 Regulators	<ul style="list-style-type: none"> • Corporatisation of NPA

Transnet's responses

- **Transnet National Ports Authority:** The decision to corporatize the NPA as an independent subsidiary of Transnet seeks to eliminate financial reporting issues and the subsidisation of the entity by the NPA. The NPA will now have its own subsidiary Board. Stock Exchange News Service (SENS) announcements regarding the subsidiarisation of NPA have been issued, with lenders, rating agencies, and investors all having been engaged on the matter.

Competitive pricing

Concerned/interested Stakeholders	Matters raised
 Customers	<ul style="list-style-type: none"> Fair and equitable Railway Safety Permit Fees Methodology
 Regulators	<ul style="list-style-type: none"> Competition Commission Investigations

Transnet's responses

- Competition commission:** Transnet continues to engage the Competition Commission on current investigations and has made an offer on a "no-liability basis" to the Constitutional Court. The Transnet team is receiving training on Competition matters.
- Rail safety permit fees methodology:** Transnet has engaged the Shareholder Ministry on business matters of a strategic nature such as the development of an appropriate, fair and equitable Railway Safety Permit Fees Methodology. The Railway Safety Regulator (RSR) and its business advisory firm, Deloitte, have contributed to the discussion.

Transnet Property

Concerned/interested Stakeholders	Matters raised
 Employees	<ul style="list-style-type: none"> Relocation of Corporate Centre from Waterfall to Carlton Centre
 Government	<ul style="list-style-type: none"> Competing land-uses by Air Force and Navy
 Management	<ul style="list-style-type: none"> Reluctance of employees to return to site after COVID-19
 Media	<ul style="list-style-type: none"> Richards Bay land claim

Transnet's responses

- Durban:** The South African Air Force currently occupies a base on land which historically belonged to ACSA, which has now been earmarked for development. Planning is underway for the Air Force to move to the Dube Trade Port in the foreseeable future.
- Head office:** Transnet's Corporate Centre has relocated from the centralised Waterfall Estate to Carlton Centre, Nzazm, Isando and 138 Eloff Street from 01 October 2021.
- COVID-19:** With employees reluctant to return to work sites after the announcement of COVID-19 Alert Level-1, Group Corporate Affairs produced a "return to site" video message which was shared company-wide as well as a weekly "return to site" message that was transmitted by SMS and other media.
- R-bay land claim:** Transnet completed the Richards Bay Land Claim processes with the people of uMhlathuze. This was a landmark agreement that will allow for the progress of the Port Expansion plans.

Environmental stewardship

Concerned/interested Stakeholders	Matters raised
 Regulators	<ul style="list-style-type: none"> Pipeline spillages resulting in water and land pollution

Transnet's responses

- Environmental impacts:** Transnet is collaborating with a dedicated team to prevent incidents of theft and to ensure that perpetrators are charged and prosecuted where incidents have occurred. This team includes members of the Hawks, SAPS Crime Intelligence, State Security Agency, the National Prosecuting Authority (NPA), local SAPS services, and Community Policing Forums (CPFs). The Department of Forestry, Fisheries and Enviro (DFFE) has also been engaged in the frequent spillage incidents from Transnet Pipeline, which result in water and land pollution.

Security Management

Concerned/interested Stakeholders	Matters raised
 Customers	<ul style="list-style-type: none"> Impact of theft and vandalism on rail service
 Government	<ul style="list-style-type: none"> Cyber attacks Security breaches on the Pipeline, vandalism
 Communities	<ul style="list-style-type: none"> Theft and vandalism affecting service provision to communities

Transnet's responses

- Cyber security:** Transnet employed cyber security experts to assist with incident analysis, and to upgrade the legacy systems and anti-virus software to more resilient solutions. A security-awareness campaign has been rolled out to all staff, and various cyber security mitigation plans have subsequently been implemented.
- Theft and vandalism:** Transnet experienced an unprecedented spate of theft and acts of vandalism on its infrastructure over the past two years. This has elevated customer concerns about erratic and unpredictable rail service offerings as a result of cable theft. Cable theft and other security incidents pose a security risk to the safe and reliable transport of customers' cargo across the rail network. Transnet engages communities to gather intelligence that could lead to arrests and prosecution of perpetrators. Transnet has also campaigned to inform communities of the risks associated with tampering with pipelines, which could cause fires, environmental pollution and even death. Transnet is committed to environmental protection and the safety of communities near its operations.

SD and ESD opportunities

Concerned/interested Stakeholders	Matters raised
 Communities	<ul style="list-style-type: none"> SMEs and local business forums demand for participation or inclusion in the Supply Chain
 Suppliers and service providers	<ul style="list-style-type: none"> Complaints regarding limited local business initiatives

Transnet's responses

- Opportunities for all:** Transnet has engaged community stakeholders to inform and train interested stakeholders on the required documentation and processes to follow for successful bidding. Transnet has prioritised supplier development by training suppliers on the new procurement system and online portal, as well as guiding them on how to do business with Transnet in general. A number of Supplier Engagement workshops were organized; however, some sessions had to be cancelled due to elevated COVID-19 risks at public gatherings. Workshops were arranged in various locations to inform potential SMMEs of Transnet's procurement guidelines and vendor requirements.

Procurement

Concerned/interested Stakeholders	Matters raised
 Shareholder Minister	<ul style="list-style-type: none"> • 2021 AFS qualified audit opinion
 Board of Directors	<ul style="list-style-type: none"> • Preferential point system
 Government	<ul style="list-style-type: none"> • Procurement Challenges, under-expenditure
 Communities	<ul style="list-style-type: none"> • Localisation of procurement spending for specific works
 Media	<ul style="list-style-type: none"> • Preferential Point system • Localisation of procurement spend
 Regulators	<ul style="list-style-type: none"> • AFS qualified audit opinion
 Suppliers and service providers	<ul style="list-style-type: none"> • Challenges in the procurement of 'local content'

Transnet's responses

- **Annual Financial Statements (AFS):** Transnet implemented a remedial plan to address the matters leading to a 2021 AFS qualified audit opinion. The plan includes additional disclosures of PFMA-related matters in the annual financial statements. Management continues to monitor and report on all existing and potential PFMA violations.
- **Preferential points system:** The Board of Directors resolved to continue applying the 80/20 and 90/10 preference point system provided for in section 2(1) of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) – in order to promote preferential procurement in its processes, demonstrating the company's continued commitment to transformation and empowerment. The Board has determined monetary thresholds for the application of the 80/20 and 90/10 preference point systems that will continue to provide certainty to bidders and Transnet's procurement processes until new Preferential Procurement Regulations are promulgated or the Constitutional Court judgment is clarified. This approach aligns with the Constitutional Court ruling that the policies of organs of state should take charge of driving transformation and preference in procurement to give effect to section 217(2) of the Constitution.
- **Optimised procurement:** Transnet is implementing initiatives to reduce non-compliance to procurement principles and to ensure that Transnet remains competitive, with a more strategic approach to the appointment of its service providers.
- **Localisation of spend:** Transnet has applied to the Department of Trade, Industry and Competition (DoTIC) to provide clarity on matters regarding the localisation of procurement spend, as some suppliers hold the view that business opportunities are given to people outside their area and that there are very limited local business development initiatives.
- **Local content:** Transnet remains fully committed to transformation and the full participation of historically disadvantaged individuals in the economy and the operations of Transnet and other State- Owned Companies. The Company encourages the localisation of production. As such, procurement targets for Local content relating to the procurement of the port's equipment have led to certain challenges, as these goods had to be manufactured in South Africa. Transnet is presently in talks with the Department of Trade, Industry and Competition (DTIC), the DPE and National Treasury (NT) to address this matter.

Conclusion

Transnet will continue to improve on the Stakeholder Engagement processes in the 2023 financial year, focusing on the implementation of initiatives that adequately address salient issues outlined in this report.

Key focus areas for the year ahead include:

- Performing a multi-stakeholder perception survey and, accordingly, to help in enhancement of the quality of our stakeholders' relations;
- Assessing the performance of the Regional Stakeholder Engagement Forums and implementing improvements where appropriate; and
- Developing Operating Division-specific engagement plans, and ensure KPIs incorporate improvement areas, to enable are included to help in monitoring progress on managing the 2022 year's Audit findings.

Acronyms and abbreviations

CBO	Community-based organisation
CSI	Corporate social investment
DMTN	Domestic Medium Term Note
DPE	Department of Public Enterprises
ESD	Enterprise and Supplier Development
GCE	Group Chief Executive
KPI	Key performance indicator
M&E	Monitoring and evaluation
MoU	Memorandum of Understanding
mtpa	million tons per annum
NPO	Non-profit organisation
NGO	Non-government organisation
OD	Operating Division
PFMA	Public Finance Management Act, No 1 of 1999
SRMM	Stakeholder relationship management maturity
SOC	State-owned Company
TCC	Transnet Corporate Centre
TE	Transnet Engineering
TFR	Transnet Freight Rail
TNPA	Transnet National Ports Authority
TP	Transnet Properties
TPL	Transnet Pipelines
TPT	Transnet Port Terminals
WSDP	Whole School Development Programme

Corporate information

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