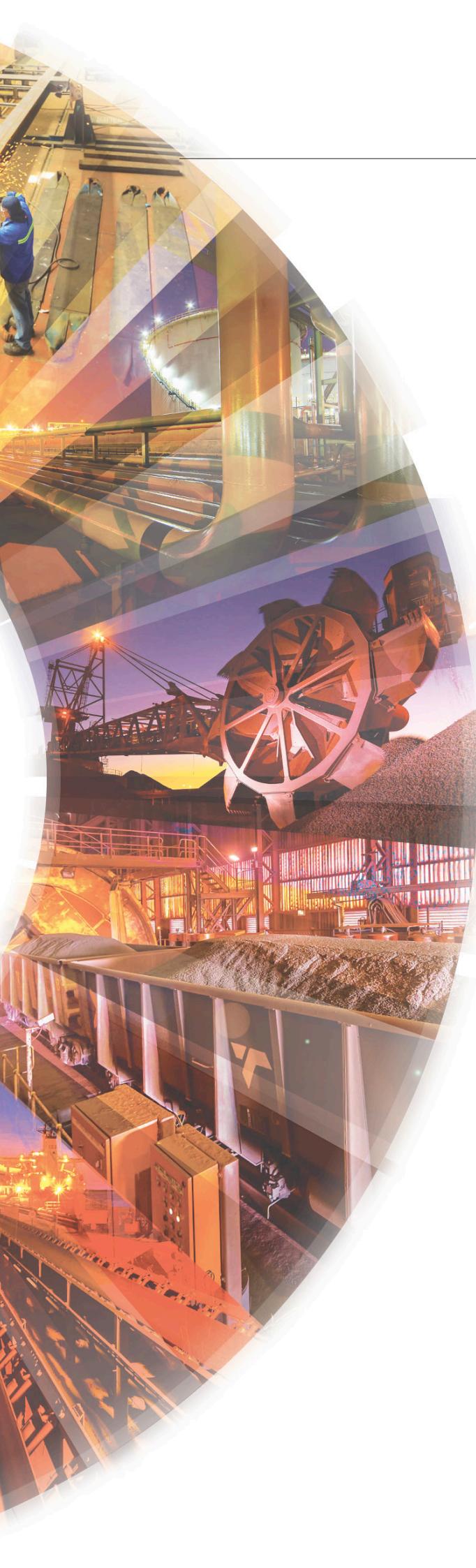




Stakeholder
Engagement
Report
2021





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Executive summary

Transnet SOC Ltd (Transnet), a State-owned Company (SOC) with the Department of Public Enterprises (DPE) as the Shareholder representative on behalf of Government, is mandated to:

- Assist in lowering the cost of doing business in South Africa;
- Enable economic growth; and
- Ensure security of supply by providing appropriate port rail and pipeline infrastructure.

In the past year, South Africa's macroeconomic environment has been characterised by fundamental structural shifts as a result of the COVID-19 pandemic. The decline in global trade, plunging oil prices and unstable financial markets presented a moment for the collective reimagining of the global economy and Transnet operations. It was within this context that Transnet had to develop a forward-looking strategic plan, which supports its position as an enabler of economic growth by improving South Africa's manufacturing competitiveness.

Stakeholder relations within the Company are informed by the King IV Report on corporate Governance 2016, the International Integrated Reporting Framework issued by the International Integrated Reporting Council, the Global Reporting Initiative, the AA1000 Stakeholder Engagement Standard, and the UN Global Compact legislation and best practices. The 2021 Stakeholder Engagement Report encompasses the Transnet Group and its Operating Divisions (ODs).

In the year under review, Transnet conducted a research to better understand the challenges in communities where it operates, which have been identified as hotspot areas as a result of increased volatility and unrest over the past year. The purpose of the research was to examine the challenges in these communities, and to review whether Transnet's interventions could be better tailored to ensure they are aligned and responsive to the most pressing needs in these communities. The study was conducted in the following areas: Witbank, Ogies, Ba-Phalaborwa, Warrenton, Saldanha Bay and Richards Bay. The main findings were:

- Lack of prompt feedback to communities after engagement;
- Lack of focused local economic development;
- Skills development gaps (especially for youth and disabled people); and
- Lack of inter-OD engagement and communication.

In the same period, a study was commissioned by the DPE to look at the impact of corporate social investment (CSI) projects on the beneficiaries and determine whether SOCs were getting a social return on investment. The study was done in three of the SOCs in the DPE portfolio, namely: Transnet, Eskom and SAFCOL. For Transnet, this study highlighted the lack of monitoring and evaluation of CSI projects undertaken by the Transnet Foundation to assess the social return on investment.

The company engages with internal and external stakeholders that include the Shareholder Minister, Board of Directors, the Government, employees and management, organised labour unions, communities, suppliers, investors, credit rating agencies, regulators, customers, the media and the general public.

Through the Foundation, the Company has made an immense contribution to distressed communities during the COVID-19 pandemic, ranging from a donation of personal protective equipment to Chris Hani Baragwanath Hospital in Soweto (Africa's largest hospital) to expanding services on the Phelophepa Healthcare Trains to include COVID-19 testing and vaccinations.

The reality of the COVID-19 pandemic has been challenging to everyone across the world. As a result, operations have been disrupted, and everyone has had to adapt to the new reality that the pandemic has imposed on our lives and business processes. In response to the pandemic, Transnet has revised its engagement plans and devised new ways of engaging with key stakeholders in order to adhere to the restrictions on gatherings and movement. The report is limited to stakeholders that have been engaged during the national lockdown and focuses on high-level engagements with key stakeholders and the management of issues they raised.

The effectiveness of relations with our stakeholders is critical to our operations, and we measure our stakeholder relationship management maturity (SRMM) every three years. The SRMM helps with the management processes, practices and improvement plans needed to engage stakeholders effectively. The previous years' gains made in the SRMM levels were eroded over a period. The biggest regression was from Port Terminals, which in FY2016/17 was a level 5, and in FY2019/20 scored a level 2.

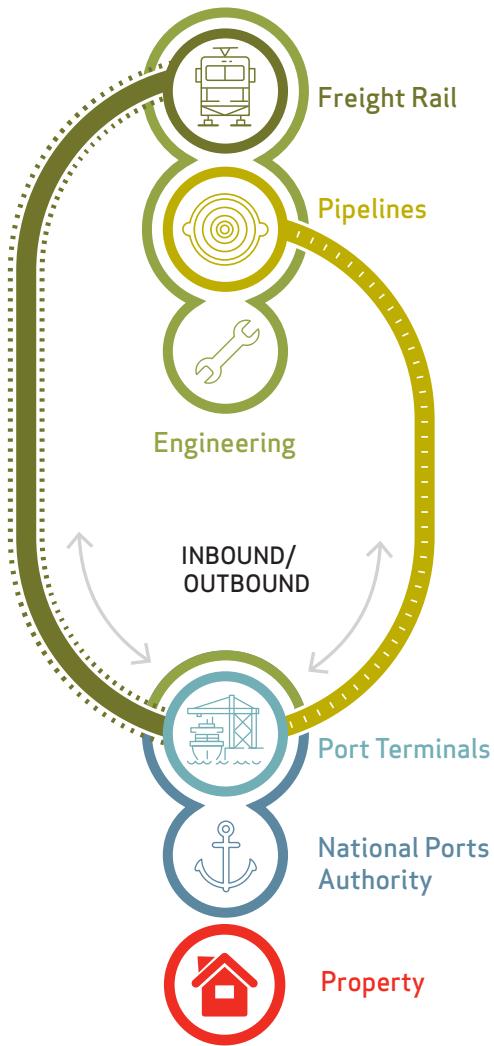
In response, the Company has established a Group Stakeholder Engagement Forum, which comprises representatives from the Group and ODs, as well as six regional stakeholder engagement forums. The regional forums are established in line with Transnet's corridor approach. These forums aim to ensure consistency in stakeholder engagements across the business.

This report will highlight how Transnet is repositioning its stakeholder engagement portfolio for renewal, so that it is able to respond with agility to challenges and continue to proactively engage with critical stakeholders.

Overview of the Stakeholder Engagement Report

Transnet is the largest freight logistics company in the region, and is custodian of ports, rail and pipelines infrastructure through its ODs:

Figure 1: Transnet Operating Divisions



Developments in national policy, stakeholder sentiment, declining operational performance and a constrained balance sheet have all contributed to the reimaging of Transnet operations and how critical infrastructure will be delivered in future. Transnet needs to be responsive to the calls of the broader industry and cannot, off the strength of our balance sheet alone, make the infrastructure investments necessary to grow the freight system.

Our Corporate Plan and associated strategy are reflective of the current environment and provide a sense of direction to our operations and for the various industries that we serve. To respond accordingly to the current challenges, we have adopted a new approach to renew the business, anchored on eight major commodities, which include:

- Iron ore
- Manganese
- Coal
- Chrome and magnetite
- Automotive
- Containers
- Liquid fuel
- Natural Gas

Our new strategy is aimed at repositioning Transnet to be able to capture growth opportunities through new partnerships and collaboration, and the optimum use of our assets for broader economic development. Policy alignment is a key requirement for implementing the strategy. In response to the government policy directive, we will partner with the private sector, including our customers and competitors, to help us unlock growth opportunities.

We acknowledge that the success of our operations relies on robust and beneficial relationships with our stakeholders. Transnet defines the stakeholder as an individual or organisation that is directly or indirectly affected by the Company's activities, and includes those that may have an interest in the Company or an ability to influence business outcomes either positively or negatively.

Transnet strives to manage ways that best meet both the reasonable needs and expectations of our stakeholders, as well as our business objectives. We are dedicated to:

- Constructive engagements with our stakeholders to understand their issues and concerns;
- Managing and responding timeously to stakeholders' issues and concerns;
- Integrating stakeholder input into business plans and processes to create alignment and a shared vision; and
- Using stakeholder input in decision-making for our mutual benefit.

The Company has developed policies, frameworks and controls that guide engagements with our stakeholders. The Stakeholder Engagement and Management Procedure provides a systematic approach to stakeholder engagement practices and processes across Transnet to maximise value for both stakeholders and the Company. This approach entails:

Figure 2: Transnet's stakeholder engagement principles

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

The stakeholder engagement process is structured around

Figure 3: Stakeholder Engagement Process



Business case

Community needs assessment study

Transnet has heightened its resolve to strengthen engagements with the communities where it operates. In September 2020, the Company appointed Tshikululu Social Investments (Tshikululu) to conduct a six-month community needs assessment in identified hotspot communities, namely Richards Bay (KwaZulu-Natal), Witbank and Ogies (Mpumalanga), Saldanha Bay (Western Cape), Warrenton (Northern Cape) and Ba-Phalaborwa (Limpopo).

The study was prompted by the surging number of community protests and sporadic acts of unrest that aimed to disturb the Company's operations. The objective of the study was to identify elements that the Company can leverage to strengthen its community development in these areas. The study focused on strengths, assets, needs and challenges in the community to develop positive stakeholder relations and constructive solutions.

Tshikululu's scope of work included the provision of the following services:

- To assess community needs in the identified communities
- To review Transnet's community-focused documents, including the community improvement plan, community investment plan and stability plan to assess their efficacy and propose any relevant improvements
- To engage stakeholders in target communities to better understand their needs
- To provide clear, action-focused recommendations based on community assessments to inform the design of purpose-led interventions and community-driven solutions

The outcomes of the study provide an overview of the community assessments conducted, with specific highlights on the desktop and on-site research outcomes. These ultimately formed the foundation to guide the recommendations as detailed in the report. Tshikululu considered the applicability of the research methods for each community, and the limitations and implications for the community assessment.

A list of the stakeholders that were engaged was included as part of the reflection on the methodology's effectiveness to glean valuable information and feedback from all stakeholders and communities. Further, the report provided a summary of the analysis of research findings and action-focused recommendations for appropriate measures to strengthen Transnet's community activities and improve community relations. The recommendations were focused on the critical needs, gaps and potential assets in the communities, as well as community experiences and perceptions of Transnet's community activities.

The research methodology included stakeholder mapping as a starting point on how to select appropriate and relevant stakeholders. The map was informed by engagements with Transnet's employees and by the available documentation.

In addition, the study employed the following data collection methods:

Table 1: Data collection methodology for the community assessments conducted by Tshikululu

Element	Detail
Desktop research	Desktop research included a review of accessible online information such as integrated development plans, municipal performance plans, community development plans, etc. This process included reviewing community demographics, employment and unemployment statistics, and available social, municipal and other services.
One-on-one interviews	One-on-one interviews were held with police officials, business forum members, youth, non-profit organisations (NPO) and community-based organisations (CBOs).
Document review	Tshikululu reviewed Transnet internal documents to gain a better understanding of the current community engagement plans and community gaps.
Focus group discussions (FGDs) and key informant interviews	FGDs were held with Transnet employees (employees who live in the hotspot communities), Transnet officials (employees in strategic positions relating to community development and CSI, traffic officers, NGOs, CBOs and business forums).

As part of the methodology, Tshikululu considered the applicability of the research methods for each community, and limitations and implications for the community assessment. Thereafter, reports were compiled for each community to include community profiles, research findings, recommendations and relevant case studies drawn from the research process. The key findings and recommendations are summarised below:

Table 2: Challenges facing the communities as outlined in the community needs assessment study

Community	Challenges
Witbank and Ogies	<ul style="list-style-type: none"> Exploitation of the community's assets and resources is not benefiting the community economically, and this is causing increasing tensions. Youth employment is a high priority, especially given that the community has a reasonable amount of matriculants who pursue higher education, but many do not find employment opportunities in eMalahleni and relocate out of the province for work. Air quality from local mining and industrial activity is causing increasing harm to community health, especially where vulnerability to tuberculosis is so prevalent.
Richards Bay	<ul style="list-style-type: none"> Youth employment is a high priority, and the local economy has been struggling to build momentum and see real growth. HIV/Aids and tuberculosis are prevalent in this community and are becoming an increasing concern, with infections increasing consistently since 2018.
Saldanha Bay	<ul style="list-style-type: none"> There are heightened levels of poverty due to large employers closing down with no alternatives for employment, and community members do not have transferrable skills enabling them to be employable elsewhere. Access to basic services is a challenge, especially housing and public transport to support mobility into town where opportunities for employment and access to information lie. A decrease in learner retention rates is an increasing challenge
Warrenton	<ul style="list-style-type: none"> High levels of unemployment (at 53.9%) are a particular risk for this community and have been rising since 2015. Infrastructure that provides access to quality water and sanitation is a problem. There are significant challenges in growing the agricultural economy to support future economic development without the support of mining activity.
Phalaborwa	<ul style="list-style-type: none"> There is exploitation of the community's assets and resources – land used for tourist attractions is not benefiting the community economically, and this is causing increasing tensions. Infrastructure that provides access to water and sanitation is a problem. Decaying infrastructure results in the disruption of services. Air quality from local mining and industrial activity is causing increasing harm to community health, especially where vulnerability to HIV/Aids and tuberculosis are prevalent.



An important highlight of the recommendations provided by Tshikululu was focusing on local economic development which was identified as a critical challenge across all the assessed communities. Successfully scaling and integrating SMMEs into Transnet's commercial supply chain will require careful coordination. Tshikululu recommended that Transnet considers the following framework to ensure a sustainable structure to develop local business in a way that allows them to participate equitably in economic opportunities.

Enterprise development	Supplier development	Preferential procurement
<ul style="list-style-type: none"> Build phase – Implement business development and capacity-building initiatives for incubated business that align with Transnet's procurement needs Provide hands-on business support to ensure that upskilling and capacity-building needs are identified and met in beneficiary SMMEs through on-the-ground training and upskilling, specifically in areas where capacity is an impediment to business growth Provide bespoke interventions – Conduct periodic gap analysis to understand issues unique to specific businesses and provide bespoke interventions Leverage business infrastructure – To maximise the value of support services provided in Enterprise and Supplier Development (ESD) initiatives, for example, by delivering training, mentorship and coaching, skills and business development support 	<ul style="list-style-type: none"> Growth phase – Ensure accelerated development for post-incubation SMMEs partnered with supplier development contracting and funding Strengthen, monitoring and evaluation (M&E) – Based on the engagements, M&E is not deliberate and there is an opportunity to strengthen M&E to allow Transnet to maximise its preferential procurement and minimise non-conformance of SMMEs by identifying compliance and skills gaps and to develop plans to address these 	<ul style="list-style-type: none"> Scale phase – Link ESD efforts to support future preferential procurement needs Alignment – Maximising investment value by continuously improving the alignment of ESD outcomes to procurement objectives and investing in businesses closely aligned with core operations across Transnet's ODs Spend maps – Evaluate supplier contract spend on ESD beneficiaries to determine the effectiveness of ESD initiatives, providing a basis for identifying opportunities and risks, the foundation for increased investment or cost-reduction initiatives, thus improving the value received from economic development investments

Local economic development	
<h4>Supplier development</h4> <ul style="list-style-type: none"> Structure – Ensure improved compliance controls are in place, including simplified requirements, regulations and policies to promote participation Opportunity – Provide targeted and focused support to small businesses to facilitate enterprise growth, supplier readiness profitability and competitiveness of suppliers at a local level 	<h4>Small business development</h4> <ul style="list-style-type: none"> Structure – Ensure systems are in place to develop an entrepreneurship ecosystem around Transnet's work: <ul style="list-style-type: none"> Support and procure from local businesses Empower new entrants to the local economy Opportunity – Align of all Transnet initiatives across ODs to ensure delivery on impact and sustainable outcomes that can better focus on inclusive (removing barriers of entry) enterprise development
<h4>Procurement</h4> <ul style="list-style-type: none"> Structure – Ensure policies and systems are in place to promote localised supply chain Opportunity – Ensure localisation of procurement framework by providing targeted small business development and skills development support to assist small business to participate in more procurement opportunities 	<h4>Sustainable development</h4> <ul style="list-style-type: none"> Structure – Promote collaboration and partnerships with respective industry suppliers to develop innovative solutions Opportunity – Create entrepreneurial opportunities by supporting artisans through preferential procurement and running an incubation programme to ensure sustainability of business ventures

COVID-19 considerations
<ul style="list-style-type: none"> Ensure that the selection criteria are specifically geared to small businesses affected by the COVID-19 pandemic within the hotspot communities Develop a strategic plan to fill capabilities gaps where they exist in these businesses Develop progressive criteria that will determine when to support suitable exits and have clear guidelines for keeping a small business sustainable beyond interventions Ease contractual paperwork over a set period as interventions occur to reduce administrative burden Include progress monitoring and measurement throughout interventions to ensure responsible exit Apply agile governance to remove red tape around small business suppliers as they recover from COVID-19 challenges

Source: McKinsey

In addition, the implementation of a community development and CSI strategy would require the effective management and execution of the strategy, in line with the Transnet Foundation and other relevant Transnet stakeholders. Each component of the strategy – community development, capacity development, employment creation, and education and skills development – would require extensive hands-on management. The suggested structure is reflected below:

Figure 4: Proposed socio-economic development framework

Strategy focus area	Scope of work		
Small business development	Centralised strategic focus	Grant management and governance	Financial management
Community development			Programme management
Capacity development			
Employment creation			
Education and skills development		Stakeholder management	Administration
Alignment of CSI across ODs			Monitoring and evaluation
Infrastructure development			

Based on the identified community challenges, the key principles for developing a localised community development and CSI strategy were expanded as follows:

- Strategic focus areas which would comprise a **geographic focus**, where investments would benefit Transnet host communities, and a **thematic focus**, which would be based on Transnet's strategy and available budget.
- Core activities, such as a **grant-making programme** to provide grants to selected NGOs in the thematic and geographic focus areas and **targeted programmes** to strategically partner with local NPOs and CBOs.
- Measuring progress through purposeful **goals**: The strategy should be defined by goals, such as seeking to build thriving communities with better health, education and levels of employment, with a view to making long-lasting positive contributions in the lives of people in host communities.
- Measurement: An overall **theory of change** should be developed to illustrate how programme activities would contribute to these goals. Change over time will be measured in relation to baselines for specific relevant indicators.

Study on the impact of SOC CSI programmes

The Department of Public Enterprises (DPE) is the shareholder representative for Government and is mandated by the Executive to oversee several SOCs that operate in core sectors of the economy. The DPE is the primary interface between Government and the SOCs concerned, and in addition to oversight it provides input to the formulation of policy, legislation and regulation.

The DPE undertook a study on all SOCs under its stable, and appointed Azile Resources to conduct an impact assessment on CSI projects undertaken by SOCs. The study focused on SAFCOL, Eskom and Transnet to determine the extent of their CSI programmes, and whether they provided a quantifiable return. The study commenced on 28 October 2020 and was concluded on 28 March 2021.

The study was commissioned to determine:

- To what extent the SOC CSI programmes contributed to positive changes in the lives of beneficiaries;
- Whether there has been any negative impact that can be attributed to the CSI intervention;
- Whether beneficiaries can identify the changes that resulted from the intervention;
- Whether there are any trends that the intervention has influenced; and
- Whether the programme is providing value for money.

The findings of the study broadly covered two aspects: community development as well as monitoring and evaluation. The study validated Transnet's strong CSI position. The Company allocates up to 3% of net profit after tax; and of this budget, less than 20% goes into administration. The modest budget channelled into administration costs means that the bulk of the budget benefits the intended beneficiaries. The study emphasised strong brand links for Transnet, as the CSI initiatives are delivered within the Foundation. This helps to enhance Transnet's reputation as a caring corporate citizen. The table below outlines the findings:

Table 3: The findings of the community needs challenges

Community development findings	M&E Findings
<ul style="list-style-type: none"> • CSI projects to include focus on disabled people • SOCs to focus on providing real assessment on return on social investments • SOCs to establish sustainable programmes where possible • SOCs to explore collaboration with other private and public entities to enable the attainment of outcomes 	<ul style="list-style-type: none"> • SOCs should do M&E of their CSI programmes using baseline information • SOCs to keep data on CSI programmes for at least 10 years • SOCs to develop an impact assessment framework with core indicators to be measured • SOCs to strengthen the M&E of projects

This study indicated that Transnet has well-planned and executed CSI programmes which provide extensive benefit to communities. The assessment emphasised the importance of CSI programmes to advance the goals of stakeholder engagements. Therefore, it becomes critical to monitor and evaluate CSI programmes on a continuous basis to measure their impact.

Transnet's response to DPE study

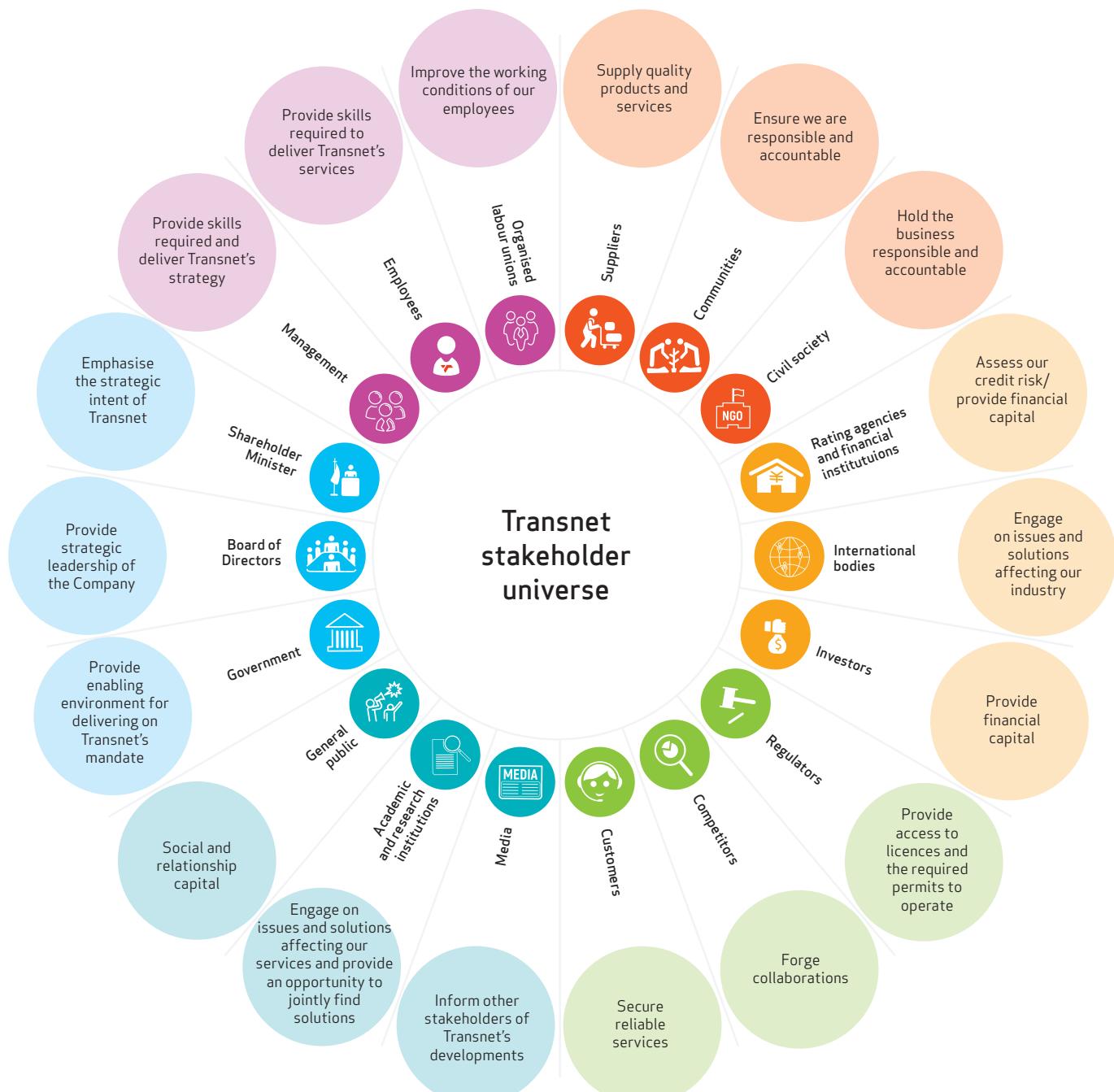
To ensure timeous and accurate reporting, Transnet will put in place internal systems and processes, based on the Foundation's context and environment, for any future project information and data collection.

- Transnet will ensure that the indicators in the Corporate Plan and Shareholder's Compact reports are standardised for enhanced programme monitoring, and that both quantitative and qualitative evidence is recorded to enrich the programme performance monitoring processes.
- Transnet will include strategic collaboration to achieve and maximise the outcomes as a key performance indicator (KPI) in the sustainability targets.

Our stakeholders

Transnet operates within a complex landscape involving multiple internal and external stakeholders, both internal and external, with varying needs and expectations, who are engaged through various platforms. However, this report is limited to stakeholders that have been engaged during the different levels of the national COVID-19 lockdown. Mapping relevant stakeholders is vital to the process to improve continuous engagement. These stakeholders are categorised in the diagram below:

Figure 5: Our 2021 stakeholder universe



Addressing key stakeholder concerns during 2021

Table 4: Key issues arising from our 2020/21 multistakeholder engagement process

Shareholder Minister – Department of Public Enterprises (DPE)	
Engagement frequency and vehicles of communication:	
<ul style="list-style-type: none"> Frequency: As and when required, weekly, monthly, quarterly and annually Vehicles: Meetings, telecoms, emails, site visits, quarterly review sessions, ad hoc sessions, project briefs, letters, memorandum of understanding (MoUs) 	
Key engagements in 2021	Key issues/areas of interest
<ul style="list-style-type: none"> Negotiations and agreement on the 2020/21 Shareholder's Compact Unlocking private sector investment so that consumers can benefit from lower prices and higher quality services brought by expanded competition Enhancing dynamism and competitiveness to improve the efficiency of Transnet With the decline in the volumes moved on rail, greater emphasis was put on the KwaZulu-Natal corridor where the DPE requires more visibility Monthly, bilateral and quarterly meetings to update the DPE on Transnet's performance against the targets in the Shareholder's Compact Reporting on results for FY2020/21 	<ul style="list-style-type: none"> Performance against the Shareholder's Compact Financial and operational sustainability Mitigating actions implemented to improve performance Concerns with respect to the effectiveness of mitigating actions Governance and leadership issues Strategic focus areas for FY2020/21 based on the Statement of Strategic Intent Inclusion of strategic initiatives relating to the structural alignment of the Company
Reasons for engaging with the Department of Public Enterprises	Our strategic responses
<ul style="list-style-type: none"> Provide updates on the Shareholder's Compact performance, operations performance, financial performance, capital expenditure performance, and regulatory matters Discuss and agree on the Shareholder's Compact framework, as well as key performance areas and KPIs Report on the Company's performance against the Shareholder's Compact and share the strategic direction and goals of the Company Address regulatory matters that could have an impact on our reputation 	<ul style="list-style-type: none"> We have started a process to track the Shareholder's Compact KPIs at the various subcommittees of the Board to continuously monitor and evaluate performance Our review of the Shareholder's Compact methodology focuses on strategic KPIs and aligning the Shareholder's Compact to the Statement of Strategic Intent Transnet is implementing measures to focus the Shareholder's Compact on initiatives that are central to the structural reform of the organisation We will strengthen KPIs to balance the focus so that it is more inclusive and reflective of Transnet's overall outcomes



Board of Directors



Engagement frequency and vehicles of communication:

- **Frequency:** Weekly, monthly, quarterly and ad hoc
- **Vehicles:** WhatsApp, scheduled and special meetings, written resolutions, telephone calls, emails

Key engagements in 2021

- Annual Board meeting to discuss and approve the financial year's Corporate Plan
- Strategic Board workshops focusing on strategic planning and reviewing the Corporate Plan, as well as the strategy which incorporates a capital programme and budgets
- Engagement on lifestyle audits of Transnet employees
- Biannual deep dive sessions to extensively review specific topics and strategic projects for adequacy and completeness
- Regular Board and committee meetings as prescribed to interrogate matters within their respective mandates

Key issues/areas of interest

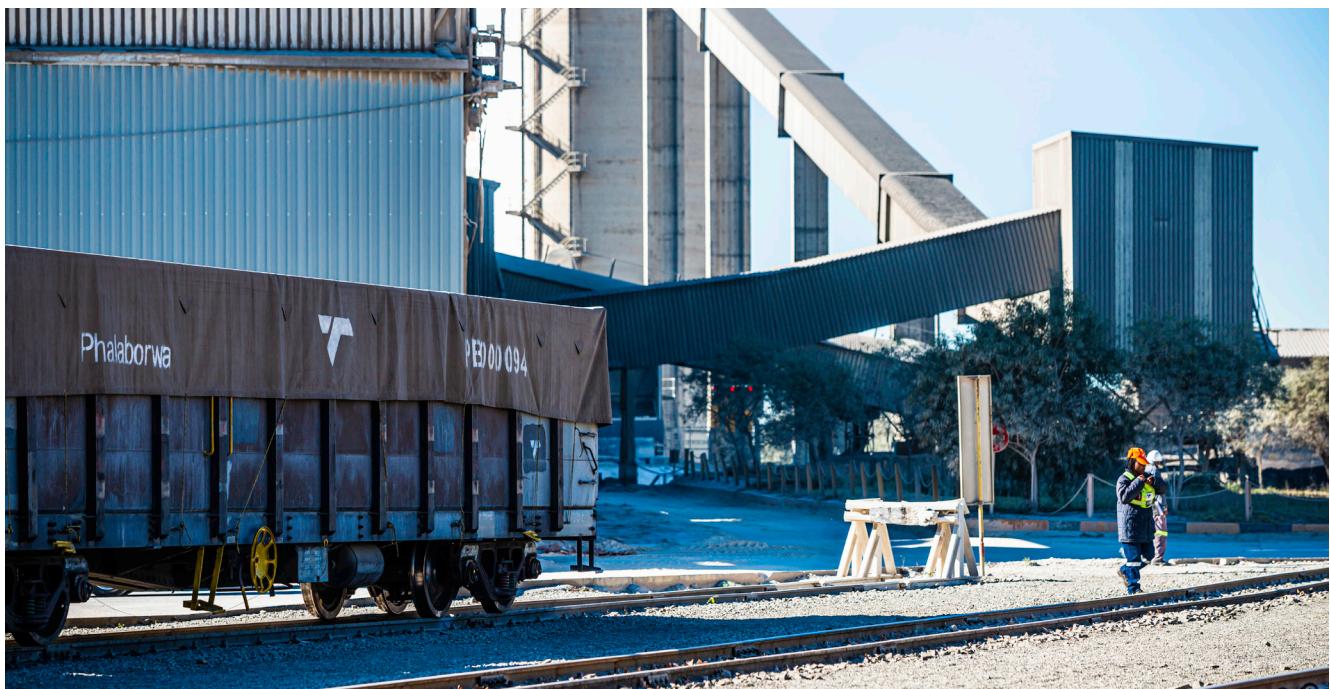
- Approval of the Shareholder's Compact
- Approval of the Company's annual financial statements and integrated report
- Annual approval of the Strategy, Corporate Plan, and KPIs
- Review of the organisation's performance
- To deliver on the Company's respective mandates
- Accountability
- Vacancies on the Exco
- Governance and corruption issues within the Company
- Resolution as the Board to participate in the Company's lifestyle audit process

Reasons for engaging with the Board of Directors

- Discuss the organisation's strategy and advance the objectives thereof
- Discuss the organisation's overall performance
- Develop the Annual Work Plans and mandates of the Board and its committees
- Feedback on process of lifestyle audits as part of the Company's efforts to ensure high standards of ethics and integrity

Our strategic responses

- The Board has started engaging and addressing stakeholders on the new changes in the organisation's leadership
- The Board has prioritised information-sharing on employee and operational matters
- The Board has approved negotiations on the new productivity incentive schemes for bargaining unit employees, with the support of the labour union
- Appointed a new Group Chief Executive (GCE) and Executive team to stabilise the organisation and provide strategic direction
- The Board has supported management with respect to safety and occupational awareness and campaigns on the COVID-19 pandemic
- The Board has issued precautionary suspension letters to executives implicated in reports related to various acts of malfeasance and corruption



Government



Engagement frequency and vehicles of communication:

- Frequency:** As and when required, weekly, monthly, quarterly, and annually
- Vehicles:** Meetings, telecons, emails, site visits, quarterly review sessions, ad hoc sessions, project briefs, letters, MoUs

Key engagements in 2021

- Engagements to align the national health consultation dialogues with provincial level Social Development, Health and Education departments. This is to socialise the implementation of the integrated school health policy, draft the sanitary dignity framework, and redefine roles and responsibilities for collaboration purposes
- Discussions with the national, municipal and regional governance and compliance portfolios on the Transnet projects
- Discussions with the Department of Basic Education on the implementation of the Whole School Development Programme (WSDP) for FY2020/21
- Discussions with the Department of Basic Education on a proposal to establish sports development tournaments for FY2020/21
- Engaged on finance-related measures and Public Finance Management Act (PFMA) guidelines and alignment
- Engagement with Ekurhuleni municipality and other relevant stakeholders (such as local business forums) regarding the refurbishment of the Springs Community Centre
- Engagement with the Department of Social Development regarding the implementation of gender-based violence programmes in areas around Thokoza Community Centre
- Engagement with municipalities regarding lease agreements for the development of community centres
- Supported the Saldanha Bay Development Zone in areas of health, education, gender-based violence and early childhood development (ECD) services
- Discussed the implementation of the WSDP and sports programmes for FY2020/21 with the Department of Basic Education
- Developing collaboration agreements with NPOs to advance initiatives in certain developmental focus areas, e.g. gender-based violence

Key issues/areas of interest

- Job opportunities for local communities
- Capital project compliance in terms of the Preferential Procurement Policy Framework Act (PPPFA), PFMA and Treasury regulations
- Licensing, compliance, environmental authorisation and issues
- Undertaking social needs analysis in communities and schools to identify beneficiaries
- Leveraging partnerships and resources to deepen the impacts on community services
- Engagements on community health and safety awareness and workshops
- Awareness on the FY2020/21 plans and commitment for WSDP
- Business opportunities worth pursuing in different regions
- Infrastructure development challenges and issues experienced across the organisation
- Establishment of sports development across all nine provinces, and the rollout of the teachers' development programme

Reasons for engaging with Government

- Discussions on project prioritisation and collaborations with other government entities and the private sector to advance regional integration
- Address challenges and obstacles experienced within infrastructure development
- Raising awareness with government departments on collaborative opportunities worth pursuing in Africa
- Collaborate with government institutions to advance an integrated approach to socio-economic development
- Seeking support and approval on the plans to implement the newly revised community development programmes
- Engaging on policy positions and development
- Discussions on governance and leadership issues
- Discussions on procurement processes

Our strategic responses

- We have prioritised our engagement and collaboration with government to the Africa steering committees and within Transnet International Holdings (TIH)
- We have engaged with government institutions through regular workshops to reinforce our relationship
- We have partnerships with healthcare service providers to advance our contributions to communities and schools
- We have expanded the footprint of our WSDP and sports programmes into all nine provinces to offer opportunities to schools and pupils across the country
- We have regular engagements to ensure seamless compliance and regulatory alignment with all promulgated legislation

Employees and management



Engagement frequency and vehicles of communication:

- Frequency:** Periodically, monthly and ad hoc
- Vehicles:** Face to face, campaigns, emails, newsletters, letters, roadshows, workshops, surveys

Key engagements in 2021

- Earlier this year, Transnet announced the relocation of TNPA's head office from Johannesburg to the Port of Ngqura. The relocation is part of the Company's ongoing cost-saving initiatives
- Cable theft continues to have a negative impact on Transnet's operations. To curb the attacks on infrastructure, the Company has collaborated with law enforcement agencies, which has resulted in the arrests of several suspects, including some employees
- The GCE held several sessions across the organisation with employees to discuss and understand issues that are affecting productivity and employee morale
- Awareness campaigns on bullying in the workplace, safety and, occupational health and national and international commemoration days
- Our senior management teams continue to share knowledge and mentor young professional graduates
- As part of Transnet's efforts to improve its operations, the Divisions have R2 billion to replace ageing equipment
- Through integrated demand planning with farmers, TFR plans to move 550 000 tons of export grain, a 133% increase from 235 826 tons in the previous season
- The 550 000 tons is equivalent to approximately 16 100 trucks off the road
- Group Exco took a resolution that all disbursements of sponsorships and donations be transferred to the Transnet Foundation, since this will align with other corporate social investments in the Transnet Foundation

Key issues/areas of interest

- Employee morale and under utilisation of resources
- Job security
- Employees reminded to remain vigilant and continue to adhere to COVID-19 protocols (i.e. washing of hands/sanitising, wearing a mask, maintaining a safe physical distance, and staying at home if unwell)
- Develop and executing of the Transnet Value Chain Training Programme that will be the flagship of the Transnet Academy, and the basis of training for all Transnet employees
- Operational and infrastructure issues affecting productivity
- Human resources and labour-related matters, such as uniform application of HR procedures and lack of consequence management
- Leadership instability
- Safety and occupational health concerns
- Bullying and intimidation in the workplace
- The COVID-19 pandemic and the national lockdown
- Communicating TNPA corporatisation
- Compliance with the Debt Listings Requirements

Reasons for engaging with employees and management

- Briefings on operational and strategic issues that have an impact on productivity as well as other developments within the organisation
- Sharing the organisation's overall performance
- Raising awareness on issues that could affect employee safety, health and wellness (such as COVID-19) and other HR-related matters, and undertaking campaigns (such as anti-bullying)
- Commemorate events of importance to our employees, organisation, and stakeholders both nationally and internationally
- Solicit new ideas/pain points from employees

Our strategic responses

- We are relocating employees to areas where projects are to fully absorb underutilised employees
- We have initiated a process to create an integrated People Management team
- We have established programmes and an anonymous hotline to give employees a platform to report bullying and intimidation at the workplace to proactively implement the harassment and intimidation policies
- We have finalised the new organisational structure and are filling vacant top management positions
- We have identified a Transnet-wide project team to focus on COVID-19 awareness and communication
- We have collaborated with external healthcare service providers to provide case management, medical advice, counselling, education and awareness support in order to contain the spread of COVID-19
- We have ensured that our 24-hour Employee Assistance Programme is always available to assist employees with telephonic counselling to manage any form of mental, physical and emotional wellness challenges caused by COVID-19
- We have partnered with institutions of higher learning to advance the GCE's talent nurturing programmes to provide opportunities for our employees' career growth paths
- We have distributed SENS announcements regarding TNPA corporatisation, and engaged lenders, rating agencies and investors on the matter



Organised labour unions

Engagement frequency and vehicles of communication:

- **Frequency:** As and when required, monthly, quarterly
- **Vehicles:** Meetings, emails, letters

Key engagements in 2021

- Monitoring and evaluating Transnet's Employment Equity Plan from 2020/21
- Negotiations with the South African Transport and Allied Union (SATAWU) and the United National Transport Union (UNTU) on behalf of bargaining unit employees under the Transnet Bargaining Council were undertaken and concluded
- Consultations regarding the S19 Analysis and the new Transnet Employment Equity Plan from 2020/21 to 2022/23
- Drafted terms of reference for NEEF and diversity forums
- Held quarterly national employment equity forums
- Held quarterly OD employment equity forums

Key issues/areas of interest

- Forums must be representative of the constituencies as per legislation
- Transnet must abide by the Employment Equity Plan and targets
- Lack of ownership and accountability on matters relating to employees
- Lack of consequence management

Reasons for engaging with organised labour unions

- Discuss policy matters that have the potential to impact employees
- Engage on legislated requirements
- Discuss matters relating to employee benefits
- Discuss matters relating to working conditions
- Discuss all other issues and concerns relating to bargaining council employees
- Build inclusive and participatory culture

Our strategic responses

- Workforce transformation is a national and company imperative, and we have therefore developed a transformation strategy that will form part of the strategic objectives contained in the Corporate Plan
- We continue to engage organised labour unions through the national employment equity forums
- We have approved the conclusion of the negotiations on the new productivity incentive schemes for bargaining unit employees, with the support of the labour unions





Communities

Engagement frequency and vehicles of communication:

- **Frequency:** As and when required, monthly, quarterly, annually
- **Vehicles:** Meetings, telecons, emails, site visits, career exhibitions, breakfast sessions, roundtable discussions, workshops, MoUs

Key engagements in 2021

- Community awareness on upcoming projects to create job opportunities
- In FY2020/21, Transnet contributed about R47.5 million to initiatives in communities across the country impacted by COVID-19
- Transnet deployed the Phelophepa I and II Healthcare Trains to assist the provincial health departments in KwaZulu-Natal and the Eastern Cape with the fight against the COVID-19 pandemic
- In addition to the screening and testing of the COVID-19 virus, the trains continued to provide primary healthcare services to communities that live along the Company's railway network
- Engagements with business forum leaders to outline the organisation's vision
- Discussions with community members near our operations on available business opportunities
- Creating awareness about career prospects and exhibitions across the country
- Public participation for various projects
- Engagements on community unrests
- Addressed community development issues raised by Matatiele Social Services Cooperative

Reasons for engaging with communities

- Engage communities on upcoming projects to acquire a social licence to operate within the area
- Build relationships with organised business forums and provide updates on potential business opportunities
- Raise awareness on community development programmes that aim to advance job opportunities
- Provide information on careers and bursary opportunities available at Transnet for youth and learners
- Provide feedback on pressing, developing issues raised in communities

Key issues/areas of interest

- Job opportunities for communities near our operations
- Small business development opportunities for local businesses
- WSDP for both teachers and learners (education and sports)
- Development of community infrastructure through ESD and CSI programme

Our strategic responses

- We have embarked on a process to prioritise budgets for supplier development initiatives, and the setting of monthly targets for the monitoring and evaluation process
- We have explored options to address ongoing business-related matters to improve our community engagement with stakeholders
- We have facilitated career exhibitions to raise awareness on bursaries and career opportunities available within the organisation to empower the youth
- We engage with communities on upcoming projects that will provide jobs and business opportunities for locals
- We hold sessions with communities near our operations to address pertinent issues
- As part of our efforts to contain and minimise the spread of COVID-19, Transnet has designated some of its properties across Gauteng, KwaZulu-Natal and the Free State provinces to be used as temporary shelters for the homeless and as quarantine sites



Suppliers

Engagement frequency and vehicles of communication:

- **Frequency:** Ad hoc
- **Vehicles:** Meetings, telecons, tender briefing sessions, letters, emails, panel discussions

Key engagements in 2021

- Due diligence site visits
- Coal volume deliveries were also affected by a planned supply chain-wide maintenance shutdown, which was immediately followed by disruptions related to the damages caused by excessive rains following the Eloise cyclone
- The heavy-haul line, including the iron ore and the manganese channel, experienced unusual disruptions to its operations due to several wash-away incidents
- Hosted various supplier development workshops in various areas
- Ad hoc email requests to various Group Strategic Sourcing (GSS) contracted suppliers, e.g. issuing of non-conformance letters to suppliers who have not complied with their supplier development contractual commitments
- Responses to Promotion of Access to Information Act, and Promotion of Administrative Justice Act requests for bid information (including pricing)

Reasons for engaging with suppliers

- Undertake tender briefings
- Negotiate contracts and conditions thereof
- Contract management (including performance management)
- Resolve operational matters
- Communicate procurement status and outcomes

Key issues/areas of interest

- Ombudsman complaints for Executive Search Request for Proposal for unfair process; Ombudsman found no substance in the complaint and ruled in favour of Transnet
- Alleged tender irregularities for the refined bulk fuel tender
- Lack of access to ESD initiatives
- Suppliers hold the view that business opportunities are given to people outside their area and that there are very limited local business development initiatives, such as skills development, by Transnet
- Various investment initiatives on socio-economic infrastructure development. Procurement – identify possible opportunities from expiring contracts and to share the list with stakeholders
- Workshops to be arranged by Transnet to educate potential SMMEs on procurement guidelines and requirements
- Transnet will standardise its tender process and ensure opportunities are shared by all

Our strategic responses

- The procurement process followed by GSS fully complied with the principles of the Constitution and PFMA of using a procurement system that is fair, equitable, transparent, competitive and cost effective
- Refined bulk fuel tender is under forensic investigation due to alleged tender irregularities
- Launched a Transnet Supplier Summit, incorporating both existing small and medium suppliers and emerging and potential customers, as a platform to interact and gain first-hand experience on the challenges and ease of doing business with Transnet
- Prioritising enterprise and supplier development as a key lever to display our genuine commitment to addressing the economic transformation challenges and building a strong and responsible local sourcing supply chain





Investors and credit rating agencies

Engagement frequency and vehicles of communication:

- Frequency:** Continuous, as and when required
- Vehicles:** Letters, meetings, emails, telecoms, virtual platforms

Key engagements in 2021

- 2021 AFS qualified audit opinion and related waiver negotiations
- S&P and Moody's ratings actions and related waiver negotiations
- Corporate interest cover (CIC) covenant breach and related waiver negotiations
- Update on state capture and 1 064 locomotives legal action
- Transnet's new strategy
- Operational and financial performance
- Corporatisation of TNPA

Reasons for engaging with investors and credit rating agencies

- To inform investors about our strategy, governance, capex plans, funding needs, and credit information
- To explain the causes of the 2020 AFS qualified audit opinion and negotiate the waivers for the subject covenants – where applicable
- To present the governance remedial plan
- To request the covenant waivers as a result of the ratings downgrades and CIC covenant breach during the financial year
- To update the investors on operational and financial performance given the impact of COVID-19
- To negotiate new funding
- To provide credit information – as may be requested from time to time
- To demonstrate the impact of TNPA corporatisation to lenders
- To deliberate the S&P and Moody's ratings actions
- To conduct the bi-annual management rating review meetings
- To provide updates on Transnet's liquidity position
- To provide credit information – such as governance update and operational and financial performance, as requested from time to time
- To show the impact of TNPA corporatisation on Transnet

Key issues/areas of interest

- Credit rating downgrades and related covenant breaches
- Liquidity and funding, and financial market instruments
- Governance issues
- CIC and audit qualification covenant breaches
- 2020 AFS qualified audit opinion
- Rationale for rating actions
- Update on state capture and 1 064 locomotives legal action
- Transnet's new strategy

Our strategic responses

- We have raised long-term funding to address rating agencies' liquidity concerns
- We are implementing a remedial plan to address matters leading to qualified audit opinions
- We have conducted a roadshow to take our investors through the new strategy, key risk areas, and operational and financial performance
- We responded to ad hoc credit-related questions from lenders and investors
- We have also started with carving out PFMA-related audit qualifications on all new loans
- We have distributed SENS announcements regarding TNPA corporatisation, and engaged lenders, rating agencies and investors on the matter
- We crafted a remedial plan to address matters leading to a qualified audit opinion
- We continue to engage with rating agencies to share Transnet's latest strategy and liquidity update (including cash flow projections) in the COVID-19 environment
- We are currently updating the DMTN Programme documents to reflect the latest Debt Listings Requirements
- We are continuously monitoring the Debt Listings Requirements



Regulators



Engagement frequency and vehicles of communication:

- Frequency:** Ad hoc, periodically, quarterly, annually
- Vehicles:** Meetings, emails, letters

Key engagements in 2021

- Engaged the Rail Safety Regulator to seek approval of a three-year valid Railway Safety Permit
- Transnet lodged a formal complaint with the National Energy Regulator of South Africa (Nersa), which at its core serves to protect the public interest and prevent discriminatory pricing in the transportation of crude oil currently imposed by a historical agreement between Transnet, Sasol and Total
- Quarterly meetings were held with the Department of Environment, Forestry and Fisheries and the Department of Human Settlements, Water and Sanitation to discuss pending permits and licences, as well as compliance with existing authorisations
- Engagements on tariff applications across ODs
- Engagements on the application for amendment on the NMPP project construction licence and assets acquisition, and the gas transmission for 2020 to 2023

Reasons for engaging with regulators

- Discussions and alignment on compliance issues, input, and comments into the development of regulatory approaches and tariff methodologies
- Negotiate the permit fees as well as penalties on contravention notices issued against the organisation
- Discussions on the proposed transport policies, compliance, railway permits, and tariff methodologies and approaches
- Track progress and status of Transnet Environmental impact assessment applications that have been lodged with the Department of Environment, Forestry and Fisheries
- Track progress and status of Transnet's water use licence and general authorisation applications that have been lodged with the Department of Human Settlements, Water and Sanitation
- Ensure compliance with regulatory requirements

Key issues/areas of interest

- Compliance with conditions of Special Permits
- Prioritisation of prohibition notices issued by the Regulator
- Compliance with Record of Decision and tariff methodologies
- Compliance with legal and other requirements, including permit and licence conditions

Our strategic responses

- We have received the closure of the two special conditions attached to our Railway Safety Permit, namely Human Factors Management, and the PRASA/Transnet Safety Interface Management Agreement
- We have started to use the Transnet Regulator Engagement Protocol to guide the engagements we have with stakeholders to align with regulations
- We have collaborated with government entities to advance partnership on railway safety to improve initiatives across the organisation
- We have embarked on a process to develop the legislated Safety Permit application process for a period of three years
- We are engaging stakeholders to discuss the conditions for the Reasons for Decision and Record of Decision tariff methodologies



Customers



Engagement frequency and vehicles of communication:

- Frequency:** Monthly, biannually, annually, ad hoc
- Vehicles:** Meetings, telecons, emails, letters, workshops, events, surveys

Key engagements in 2021

General

- Engaged with customers across industries to build and improve relations and service offerings
- Addressed the traffic congestion and provided updates on measures to address and reduce congestion at the Port of Durban

Coal and mineral mining industry

- Export coal forum with Richards Bay Coal Terminal, and export iron ore channel meetings with Sishen-based miners

Manganese and iron ore industry

- Key updates on short-, medium- and long-term strategy and capacity growth initiatives
- Structured engagements including:
 - Monthly performance review meetings on Transnet's operational performance and to address any customer-related issues/areas of concern
 - Annual Demand Validation sessions to assess and determine customers' long-term volume and production planning
 - Monthly industry channel oversight meetings where industry-wide issues and areas of concern are addressed, and overall performance reviewed
 - Quarterly steering committee meetings where strategic customer engagements led by chief business development officer and OD Executives and customer executives

Container and Auto industry

- Scheduled structured engagements with automotive industry and shipping line bodies, i.e. NAAMSA, NAACAM and SAASOA to collaborate on supply chain best practices that enable South Africa to be competitive on a global platform
- Engaged potential FMCG customers (e.g. DSV - Shoprite and Pepkor Group) to unlock opportunities for integration of rail services
- Engaged with customers to build and improve relations and service offerings
- Participated in national events as a platform to facilitate engagements with stakeholders
- Regular engagements with Department of Trade Industry and Competition, DPE, and provincial governments (i.e. Gauteng and Eastern Cape) to facilitate growth in these regions for auto and container volume growth projections

Key issues/areas of interest

General

- Customer concerns with project pricing and service offerings
- Building and improving relationships with stakeholders
- Competitive pricing
- Convert business inquiries into freight solutions across all ODs
- Reduce the cost of logistics
- Customer service
- Regional economic growth
- Road-to-rail migration
- Overall rail performance remains an issue, with the cited shortages of locomotives, wagons and crews. This has had a significant impact on volume delivery and has put contract volumes at take/pay risks
- The enablement of new entrants remains a significant challenge due to capacity constraints

Coal and mineral mining industry

- Customer concerns with erratic and unpredictable rail service
- Major concerns with theft of cables and general security of customers' cargo across the rail network

Manganese and iron ore industry

- Customers currently feel left out and were not consulted regarding long-term plans and strategy for the manganese business
- Capacity constraints remain a key challenge for the manganese industry. To date, there are several manganese producers who qualify but do not have access to rail and port capacity due to capacity constraints, thus relying on roads to service their markets. Currently available capacity does not support other mine business plans, such as Kalagadi whose business plan was based on 2,4 mtpa, but they have only been allocated 1,2 mtpa (million tonnes per annum). Generally, no manganese producer is currently allocated their full production's worth of export capacity
- The Kamfers Dam incident remains a challenge for the manganese industry. Significant volumes were lost as a result of this disruption
- Extended iron ore commodity price boom
- Reliability of key rail and port infrastructure
- Iron ore and manganese segment strategy

Container and auto industry

- Poor rail service has led to a decline in automotive and container rail market share
- Improvement of rail service levels will unlock volume growth opportunities in the FMCG time-sensitive industries



Customers (continued)

Reasons for engaging with customers

- To build and improve relations and understand gaps in the service offerings
- To provide regular updates on our organisational performance, and progress updates on customers' issues and concerns
- Engage to encourage information sharing with business and industry leaders to understand how the organisation can improve
- To obtain feedback on perceived service quality through the Customer Satisfaction Survey
- To participate in sector events, such as the African Mining Indaba, to connect with current and potential customers
- Engage with customers through customer breakfast sessions to demonstrate commitment to gauging and responding to their needs and concerns
- Industry forums with all customers from the major commodities to identify and pursue new business opportunities with distinctive value propositions per market segment

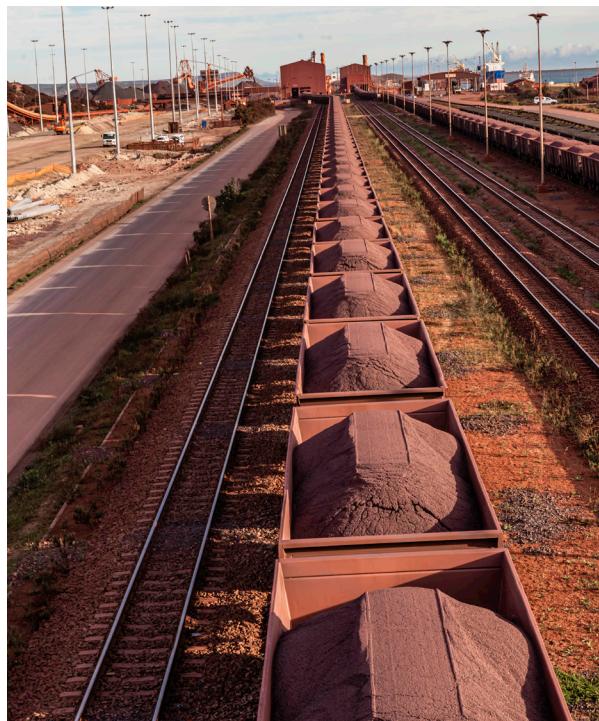
Our strategic responses

General

- We continue to enforce a one-touch point approach for customer relationships to eliminate the frustration of having to engage at different levels for with customers
- We are focusing on integrated initiatives to increase volume growth by providing customer-centric, end-to-end freight solutions with improved service delivery to current and new customers
- We are exploring new business opportunities that will reduce the costs of doing business, migrate traffic from road to rail, and increase economic growth in the southern African region
- The Customer Nerve Centre serves as a centralised touchpoint that will facilitate the understanding, internal alignment, drive, and ownership required to fulfil customers' desires and resolve issues timeously
- We continue to conduct customer engagements such as industry meetings, commodity steering committees, and site visits to identify customer needs for service execution
- We continue to pursue cross-border opportunities emanating from engagements with our African counterparts

Manganese and iron ore industry

- We continue to engage customers with updates on the Kamfers Dam project
- Two new entrants are currently being engaged, with a view to bring them on board within the export manganese business. Capacity has been identified and ring-fenced for these producers. Due diligence processes are currently underway to finalise and conclude this process
- We continue to work closely with the Minerals Council of South Africa to create socio-economic value for iron ore and manganese exporters to support emerging mines as part of the developmental mandate, including Transnet's ultimate undertaking to environmental stewardship by successfully implementing all environmental projects linked to the 60 mt air emissions licence in the Port of Saldanha



Media



Engagement frequency and vehicles of communication

- Frequency:** Ad hoc
- Vehicles:** Media updates, media briefings, publications (One magazine), press releases, holding statements, interviews

Key engagements in 2021

- Transnet Phelophepa train visit in different regions
- Reefer train to ease congestion at Cape Town Container Terminal
- Transnet investigates methods to prevent damage caused by severe weather patterns
- Transnet prioritises capacity improvement on the coal line
- Fight against cable theft continues to yield results
- Transnet approaches Nersa on historical neutrality deal
- Transnet closes in on cable theft as seven suspects are arrested
- Transnet launches a review application on 1 064 locomotives
- President Cyril Ramaphosa visits the Port of Durban
- Opinion piece on the Durban Port master plans
- Transnet wage negotiations with labour
- Durban Container Terminal receives 10 straddle carriers
- Container terminals get a system upgrade to improve efficiency
- Transnet doubles up capacity for export grain farmers
- Update on wage negotiations
- Media statement by Transnet and McKinsey
- Richards Bay Port master plans
- Joint statement by Transnet and Coega Development Corporation collaboration on key projects
- TNPA corporatisation announcement and the Presidential visit to the Port of Cape Town
- Cape Town Multipurpose Terminal receives straddle carriers
- Transnet continues to implement interventions to curb cable theft
- Holding statement on update on wage negotiations
- Opinion piece on cable theft
- Transnet identifies source of IT challenges; prioritises time-sensitive export-bound cargo for shipping
- Significant progress made on work to restore IT systems
- Transnet's declaration of force majeure for Port Terminals

Key issues/areas of interest

- Update on the Durban berth deepening project following suspension of the contract
- Access to information
- Transnet's response to strike actions
- Encouraging foreign direct investment in South Africa, thereby enabling Transnet to access globally competitive technology
- Continued attacks on Transnet infrastructure such as railway and pipelines (cable and fuel theft)
- Continued train derailments
- Erection of shack on Transnet properties
- The corporatisation of TNPA
- Recent strike action in KwaZulu-Natal and Gauteng
- The cyberattack on Transnet's IT system

Reasons for engaging with media

- Foster and build relationships with the media
- Updates on financial performance
- Updates on large-scale acquisitions or disposals
- Capital expenditure
- Sharing CSI initiatives
- Labour relations (strikes, wage agreements, etc.)
- Communication of major crises
- Communicate cross-divisional issue
- Governance issues (Board-related issues and appointment of new GCE and other executives)

Our strategic responses

- We launched two mass media campaigns supporting our frontline workers during lockdown and encouraging the nation to register for the COVID-19 vaccination
- We have developed a brand strategy and creative that will launch a 360-degree media campaign repositioning Transnet as a key role player and enabler of the South African and regional economy
- We are implementing the recommendations of the Zondo Commission, Fundudzi Report, MNS, and Werksmans' report related to acts of malfeasance and corruption
- We are intensifying collaboration with OD communication teams to ensure consistency in messaging
- We are reactivating Transnet's visibility through Parliamentary committees, business chambers and operational visits by the President



General public

Engagement frequency and vehicles of communication:

- **Frequency:** Ad hoc and annually
- **Vehicles:** Media updates, media briefings, annual reports, mass and social media platforms, exhibitions

Key engagements in 2021

- Half-year results announcement
- Investing in African Mining Indaba
- Monthly forums between Transnet SOC and South African Local Government Association (SALGA)
- Interaction with the Road Traffic Management Corporation (RTMC)

Key issues/areas of interest

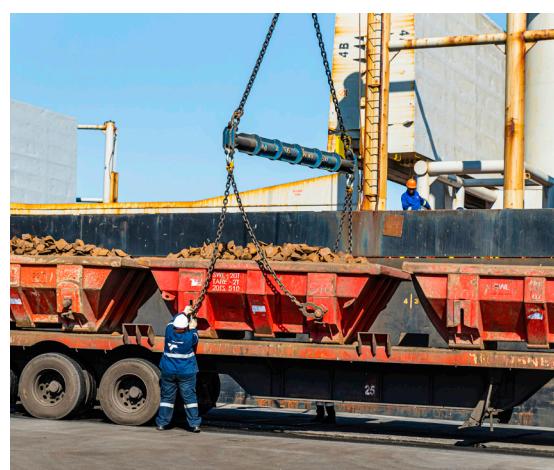
- Update on the progress of the Durban berth deepening project following suspension of the contract
- Tender and job scams
- Access to information
- Transnet's response to strike actions
- Bursaries
- Impact of the looting on the Transnet business
- Impact of the continued attacks on Transnet infrastructure such as railway and pipelines (cable and fuel theft)
- Impact on continued train derailments
- Erection of shack on Transnet properties
- The corporatisation of TNPA
- Recent strike action in KwaZulu-Natal and Gauteng
- The recent cyberattack on Transnet
- Level crossing incidents
- Level crossing road traffic management initiatives
- Community safety
- Emergency and disaster management

Reasons for engaging with the general public

- Reputation management
- Updates on financial performance
- Updates on large-scale acquisitions or disposals
- Sharing CSI initiatives
- Labour relations (strikes, wage agreements etc.)
- Communication of major crises
- Engagement on governance issues (Board-related issues and appointment of new GCE and other executives)
- Transnet cares about its community
- Community safety - not just about our employees but also our community safety
- Community buy-in and support
- Co-ordination for the emergency and disaster management e.g. transport of dangerous goods/hazardous materials
- Protecting our rail reserves and pipelines

Our strategic responses

- Implementing the recommendation of the Fundudzi Report, MNS, and Werksmans' report related to acts of malfeasance
- Developing awareness campaigns to create visibility of the brand.
- The continued attacks on the Company's infrastructure have a negative financial impact on the Company's revenue
- The Company spending a vast amount of money to clean up fuel spillages from attempted theft incidents, and the Company's security fees have also increased
- The Transnet Academy established to integrate all ODs' schools into one to strengthen the impact on both employees and communities
- Level crossing working group
- Partnership agreements
- Develop awareness campaigns, training needs analysis
- Expert working groups with multi stakeholders after the Beirut disaster
- Awareness campaigns



Measuring stakeholder relationship management

It is important to ensure that we continually measure our stakeholder relationship management (SRMM), which informs the appropriate management processes, practices and improvement plans needed to engage stakeholders effectively. As indicated in Figure 6 below, the SRMM results of the three periods – 2013/14, 2016/17 and 2019/20 – illustrate whether the Company is maturing or regressing.

These SRMM outcomes should prepare the Company to address gaps in the management of stakeholder relations. Effort is needed to move ODs that are slacking in stakeholder engagements activities to improve future SRMM measurements. Below is the three-year period analysis of Transnet's performance in SRMM measurement.

Figure 6: Stakeholder relationship management maturity levels



In comparison to the 2016 scores, the average result across Transnet over a three-year period is at Level 2.

- TFR has shown regression from Level 4 in 2016 to Level 2 in 2019
- TE seems be consistent in maintaining Level 3
- TNPA has shown regression, moving from Level 3 to Level 2
- TPT once showed maturity, operating at Level 5, but has regressed to Level 2
- TPL has not been assessed in 2019, but it needs to be assisted to improve its score; targeted initiatives are needed to move TPL to a better level
- TCC has not been measured before and its first measurement has indicated the performance to be at Level 3
- TP remained at Level 1 over the period under review, which indicates that no improvement has been achieved, new leadership has been appointed and the expectation is to move TP to at least Level 2

Table 5: Comparison between 2013 and 2016 SRMM assessment results per Operating Division

Operating Division	2013/14	2016/17	2019/20
Transnet Freight Rail (TFR)	2	4	2
Transnet Engineering Rail (TE)	1	3	3
Transnet National Ports Authority (TNPA)	2	3	2
Transnet Port Terminal (TPT)	1	5	2
Transnet Pipelines (TPL)	1	2	—
Transnet Property (TP)	1	1	1
Transnet Corporate Centre (TCC)	—	—	3

There are a number of reasons why some of the scores have not been consistent. One of the reasons has been that different measuring tools have been used in each period. The second reason is that in 2019/20, there was a bigger pool of respondents, some with little knowledge and exposure to stakeholder engagement activities. Particular attention will be given to ODs that have not shown any growth over several years. Now that we as an organisation understand our shortcomings, we will implement targeted initiatives to ensure that the maturity levels improve throughout the organisation. In the 2022 report we will conduct a survey and expect the organisation to have improved its maturity to a higher level.

Establishment of stakeholder engagement forums

Given the critical nature of effective stakeholder engagement in the context of our business, and taking into account the relatively low levels of maturity as assessed in the 2020 Stakeholder Engagement Report, Corporate Affairs has considered using the insights and learnings of the combined assurance approach to improve the current maturity level of stakeholder engagements across the business.

Transnet has since established a Group Stakeholder Engagement Forum, which meets quarterly to strengthen the quality of engagements. The Forum has established supporting regional structures that meet monthly to coordinate community forums in corridors. The regional structures aim to integrate divisional support in engaging community stakeholders.

The Group Stakeholder Engagement Forum will:

- Integrate resources, planning and efforts for community investment programmes
- Ensure that community engagements creates shared value and generate benefits for both communities and Transnet
- Benchmark and share best practices
- Compile stakeholder engagement reports with an implementation plan
- Integrate the stakeholder management approach across the Company
- Spearhead the stakeholder engagements and guide interventions for communities
- Monitor and track the implementation of community investment programmes and the extent of their impacts on communities and Transnet

The regional stakeholder engagement forums are formed as regional structures that are aligned to the different corridors and ports to enable the coordination and reporting of engagements in those areas. Each forum will support the Managing Executive, Port Manager or Terminal Manager in that region. The structure will lead the coordination and reporting of regional engagement activity, and will engage communities directly, instead of each OD planning its engagement targeting the same community. This will allow the business to speak with the same voice and stretch limited resources to impact more communities.

Transnet intends to build the capacity of the regional forums by coordinating a series of workshops that focus on strengthening our stakeholder engagements.

Monitoring and evaluation

The DPE study has amplified the need for Transnet to strengthen its monitoring and evaluation of all community development programmes. There are several structured and unstructured evaluation practices and methodologies that are being used to engage communities and beneficiaries of social and community development programmes, and to relate the outcomes achieved to the Board and Executive Management.

Transparency and accountability have become an invaluable requirement given the pressures of the COVID-19 pandemic. There is also an increased need to ensure good governance and sustainable practices that develop local communities. As a result, it has become crucial to measure the impact and return on investment of social development programmes.

One of the greatest benefits of monitoring and evaluation is helping organisations to provide critical evidence for all their actions and decisions to valued stakeholders. Monitoring is viewed as a process that provides information and ensures the use of such information by management to assess project effects. Evaluation is a process that critically examines a programme and involves collecting and analysing information about a programme's activities, characteristics and outcomes.

According to the World Health Organisation (WHO), monitoring and evaluation provide:

- Information on the objective of an intervention, how well it is performing, and whether it is achieving its aims and objectives
- Guidance on future intervention activities

Transnet is committed to adopting sustainable practices towards building a M&E structure around stakeholder engagement practices. This is to become more deliberate in ensuring that we understand the extent of our impact, whether in CSI programmes through the Transnet Foundation or our communications strategy and supplier relations. Placing enough measures in our daily operations helps us to build a greater understanding of our stakeholder universe and how to improve relations and ensure full participation within our ecosystem. This intention will be communicated through our stakeholders and our measures will be implemented and improved upon through the SRMM.

Conclusion

Transnet continues to strengthen its efforts in improving its relational capital with its stakeholders. These efforts are aimed at repositioning stakeholder engagement and management in the Company as a critical tool that helps to properly serve and meet our stakeholders' needs, with the sole intention of improving our relations with our partners.

The new Transnet Strategy has provided a refreshed approach on how we will leverage on each segment to improve our proposition or offering to key stakeholders. An important aspect of the refreshed approach is implementing M&E structures which will help to enhance the stakeholder management capacity and flow of impact within each structure of our stakeholder relationships. We will continue to monitor the implementation of the Stakeholder Improvement Plan in FY2021/2022 and report on the progress thereof in FY2022/23 report, which will also provide focus on the following:

- The implementation of initiatives that adequately respond to the 2021 salient issues
- Stakeholder engagement information used for strategic purposes such as to inform risk assessments and strategy
- The quality of our stakeholder relationships and multistakeholder perception survey
- The performance of the regional stakeholder engagement forums
- The development of OD-specific engagement plans, universes and KPIs
- The stakeholder engagement conferences and the appointment of stakeholder owners and their key performance areas

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



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