

TRANSNET

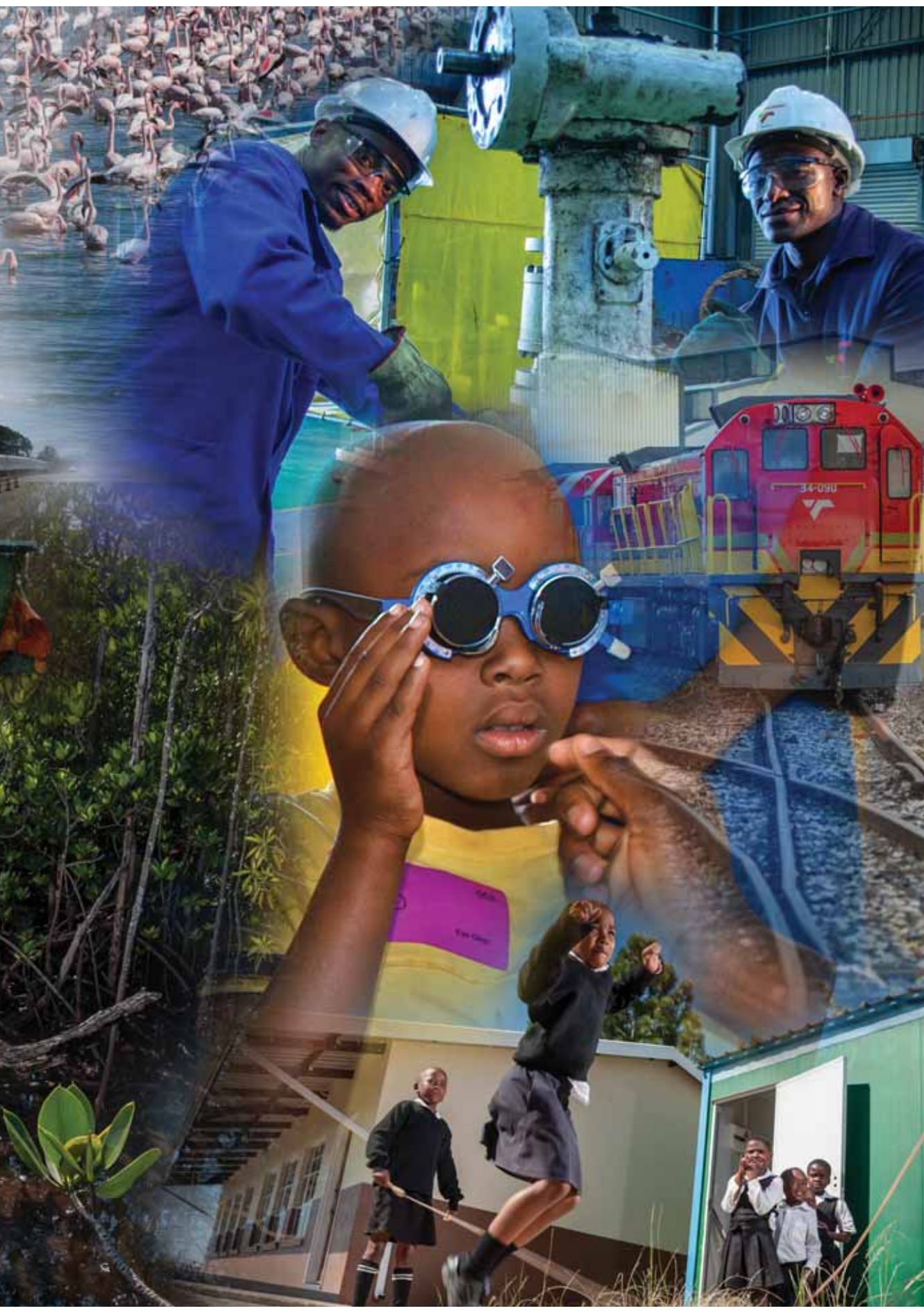


delivering freight reliably



Sustainability Report 2013





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Transnet's reporting for 2013 consists of three volumes



Volume 1

The Integrated Report 2013 is Transnet's primary report to all stakeholders.



Volume 2

The Annual Financial Statements 2013, including the report of the independent auditors, the report of the directors, and the corporate governance report.



Volume 3

The Sustainability Report 2013 documents Transnet's economic, social and environmental dividends.

Transnet's Integrated Report 2013, Annual Financial Statements 2013 and Sustainability Report 2013 (Reports) are available in PDF on www.transnet.net and via this QR code on mobile devices.

Feedback on the Reports is encouraged.



Forward looking information

All references to forward looking information and targets in the 2013 Reports are extracted from the 2013/14 Transnet Corporate Plan approved by the Board of Directors.

Throughout the Reports, readers are referred to places where they can find more detail on particular topics, using these pointers:

IR Refers to volume 1 for further information.

AFS Refers to volume 2 for further information.

SR Refers to volume 3 for further information.



About the Sustainability Report

Transnet SOC Ltd (Transnet or the Company) is committed to creating lasting value for the South African economy, society and the environment, and to communicating this track record in an accessible way.

The Transnet Sustainability Report 2013 (SR 2013) gives our stakeholders information on the sustainability performance of the Company for the period 1 April 2012 to 31 March 2013. This is the Company's first full year of executing the Market Demand Strategy (MDS) and the SR 2013 documents the progress that is being made, through MDS, in building long-term value. The SR 2013 provides insights into how Transnet is going about embedding sustainability into business practice in the years ahead.

Transnet's Sustainability Framework sets out the specific economic, social and environmental dividends that we aim to produce from our business activities. The SR 2013 shows how the Company is delivering sustainable outcomes through our five Operating divisions: Transnet Freight Rail (Freight Rail), Engineering, Transnet National Ports Authority (National Ports Authority), Transnet Port Terminals (Port Terminals) and Transnet Pipelines (Pipelines); and three specialist units: Transnet Property, Transnet Foundation, and Transnet Capital Projects.

The SR 2013 is informed by the King Code of Governance for South Africa, 2009 (King III), the G3 Guidelines of the Global Reporting Initiative (GRI) and the principles of the United Nations Global Compact (UNGC), to which Transnet became a signatory on 6 July 2012. The SR 2013 is consistent with the Integrated Reporting Framework issued for global consultation in 2013 by the International Integrated Reporting Council, of which Transnet is a pilot programme member.

Transnet's stakeholder engagement for 2012/13 was informed by the AA1000 Stakeholder Engagement Standard and adheres to the AccountAbility principles of inclusivity, materiality and responsiveness. Transnet's reporting on carbon emissions applies the standards of the Carbon Disclosure Project (CDP).

The Transnet Board of Directors is satisfied with the progress made in sustainability reporting for the period 1 April 2012 to 31 March 2013. While the Company's combined assurance model applies, external assurance of the SR 2013 itself has not been commissioned.

Commentary on Transnet's MDS focus areas and Sustainability Performance is indicated by these icons:



**CAPITAL
INVESTMENT**



**VOLUME
GROWTH**



**PRODUCTIVITY
AND EFFICIENCY**



**FINANCIAL
STABILITY**



**HUMAN CAPITAL
DEVELOPMENT**



**ECONOMIC
DIVIDENDS**



**SOCIAL
DIVIDENDS**



**ENVIRONMENTAL
DIVIDENDS**



Transnet's application of the UNGC principles is flagged in the SR 2013 by the UNGC icon.

SR Refer to Appendix A for Stakeholder Engagement table.
Refer to Appendix B for UNGC table.
Refer to Appendix C for GRI table.

Board Sustainability Statement

The Transnet Board Remuneration, Social and Ethics Committee (REMSEC) is charged with, amongst other matters, oversight of the Company's moral obligations for its economic, social and natural environment. It advises the Board with regard to responsible corporate citizenship and the ethical relationship between the Company and its stakeholders. In terms of its mandate, REMSEC reviewed the SR 2013 as a reflection of Transnet's sustainability record and initiatives, and the Board duly approved the SR 2013 for publication.

This is not a mundane approval process. Sustainability governance features increasingly beyond the focused discourse of REMSEC, occupying the minds of all Directors as material decisions are made about the Company's strategy, performance and prospects. It was in 2011 that the Board incorporated sustainability into the Transnet vision statement: "demonstrating a concern for sustainability in all we do."

As we ramp up the MDS, we are ever mindful of the added burden of accountability this carries. The Board is therefore determined to ensure that ethics and social responsibility are upheld with increasing levels of vigilance in every aspect of MDS implementation.

In a world hyper-connected by technology, finance and trade, information abounds about the global and local context in which we live and work. Companies know very well, the global risks posed by social inequality, corruption, financial mismanagement, climate change, food shortages, ecosystems depletion and water scarcity. Governments regulate to mitigate such risks. Companies have the ability and responsibility to mitigate such risks in action. This requires Boards to ask tough questions about resource use, behaviour, markets, and about how value is defined and measured. In Transnet, these questions are being asked and answered – and sustainability is taking root. We are encouraged by the leadership role that Transnet is able to play in such challenging circumstances.

In the year under review, Transnet became a signatory to the UNGC. REMSEC now specifically monitors the Company's application of the 10 Principles of the UNGC, a record of which is reflected in the SR 2013. We are confident that management is taking proactive steps to instill these principles into the fabric of Transnet's corporate policies and culture, remaining vigilant to uphold them in daily business practice.

Sustainability reporting is about how a company accounts to stakeholders for the impact it is having, both now and for the future, on the economy, society and the environment. As a State-owned Company (SOC) reporting to the Minister of Public Enterprises, Transnet's mandate runs deeper than sound financial and operational performance. The Company is explicitly required to build a stronger economy, a more equitable society and a protected natural environment. We trust that the SR 2013 demonstrates how Transnet is progressing on this path.



Nunu Njeke

Chairperson: Board Remuneration, Social and Ethics Committee

Executive Sustainability Statement

As we conclude the first year of implementing Transnet's MDS, we are acutely aware of the profound impact of global and social conditions on our business. 2012/13 was characterised by depressed economies, local mining strikes and labour unrest, credit rating downgrades for South Africa, regulatory caps on tariffs, and high cost increases for energy and labour. These trends shape our landscape. We nevertheless pushed ahead with our MDS investment and efficiencies drive, determined to catch up on decades of infrastructure backlog, prepare for an economic upturn, and act as a catalyst for social transformation. These are some of the material sustainability impacts that we aim to achieve in MDS.

As the Group Chief Executive, one of my important roles is to listen carefully to what our stakeholders are saying, to direct my management team to respond appropriately, and to lead execution of the MDS in a way that builds lasting economic, social and environmental value over time.

So the SR 2013 is a good place to reflect on what our stakeholders have been saying in the past year. There are key themes that emerge directly aligned to our MDS focus areas, which shape our sustainability agenda.

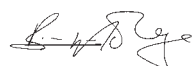
The first theme is about economic stimulus. Our Shareholder, customers, funders, suppliers, Government departments, provinces, municipalities and regulators all look to Transnet to drive investment in freight transport infrastructure as a stimulus to South Africa's economic growth and job creation. There is concern about our ability to execute the scale of planned investment efficiently, effectively and in alignment with Government and private sector investment. MDS is on course for R307,5 billion investment over the next seven years and we are proactively managing the risks involved in a programme of this scale and complexity.

The second theme is about customer service. Our Shareholder, customers, funders and suppliers want us to be more efficient, responsive and commercially agile. Consistent service reliability, day after day, is identified as a prerequisite for major road-to-rail cargo migration that will reduce the cost and environmental impact of doing business. Productivity and efficiency are MDS priorities, being driven throughout the business.

The third theme is about social and environmental impact. Organised labour, employees, communities and suppliers want Transnet to lead the way in skills development, job creation, safety, transparency, honesty, fairness, local black business empowerment, and environmental responsibility. These outcomes reflect our values, they are integral to the way in which MDS is being executed, and we are able to report good progress to date.

In the SR 2013, we have assembled these stakeholder themes and aligned them to our Sustainability Framework dividends. In the execution of the MDS, we are working tirelessly to address them.

The SR 2013 is a record of the many sustainability initiatives underway in Transnet. I am particularly encouraged by progress in the last year on energy management and innovation. The regenerative braking efficiency gains being made by the new locomotive fleets are a good start and we are stepping up our efforts in energy efficiency and carbon reduction.



Brian Molefe
Group Chief Executive

About Transnet

FREIGHT RAIL

20 500km railway including
1 500km heavy haul.

2 255 locomotives,
71 036 wagons in service.

R80,0 billion assets*.

29 489 employees.



ENGINEERING

1 LOCOMOTIVE
BUSINESS

2 COACH
BUSINESS

3 WAGON
BUSINESS

4 WHEEL
BUSINESS

5 ROLLING STOCK
EQUIPMENT
BUSINESS

6 ROTATING
MACHINE
BUSINESS

7 FOUNDRY
BUSINESS

8 AUXILIARY
BUSINESS

9 PORTS
BUSINESS

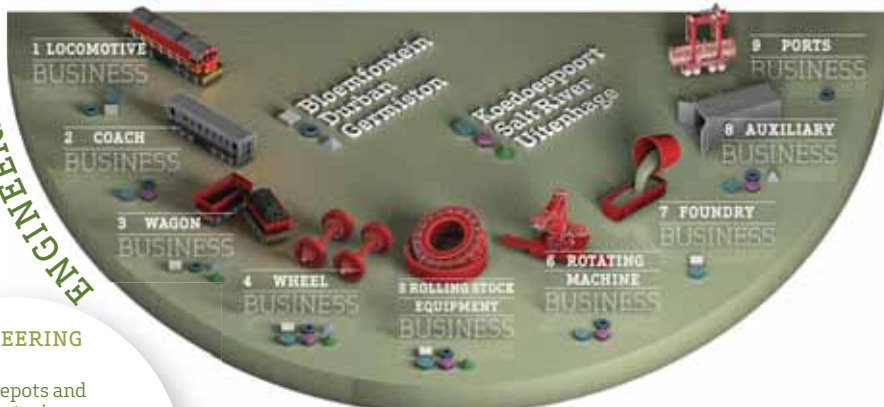
ENGINEERING

132 depots and
7 factories

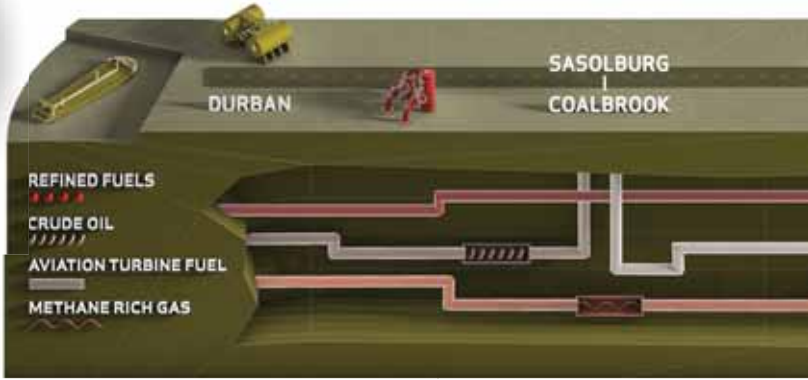
Manufacture and maintenance
of locomotives, wagons,
coaches, port equipment.

R10,8 billion assets*.

12 752 employees.



PIPELINES



* Excludes assets held-for-sale.



NATIONAL PORTS AUTHORITY



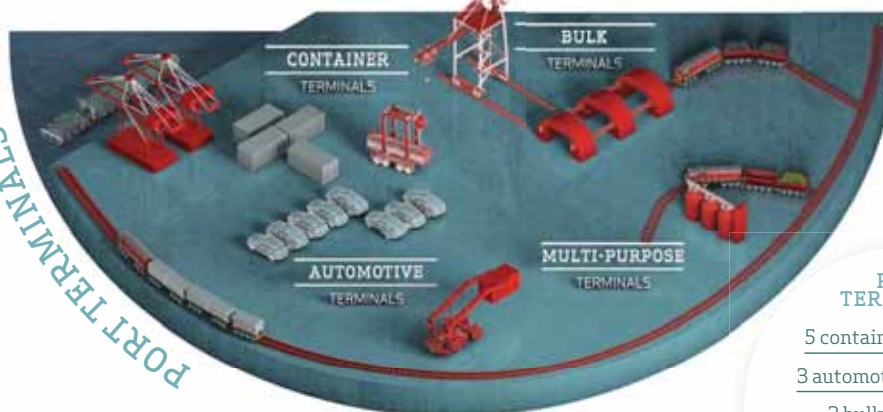
NATIONAL PORTS AUTHORITY

8 commercial ports.

R66,1 billion assets*.

3 584 employees.

PORT TERMINALS



PORT TERMINALS

5 container terminals.

3 automotive terminals.

3 bulk terminals.

5 break-bulk terminals.

R18,4 billion assets*.

6 662 employees.

ALRODE
SECUNDA

ORTIA

TARLTON

PIPELINES

3 800km pipelines transporting refined petroleum, crude oil, jet fuel, and gas.

R28,1 billion assets.

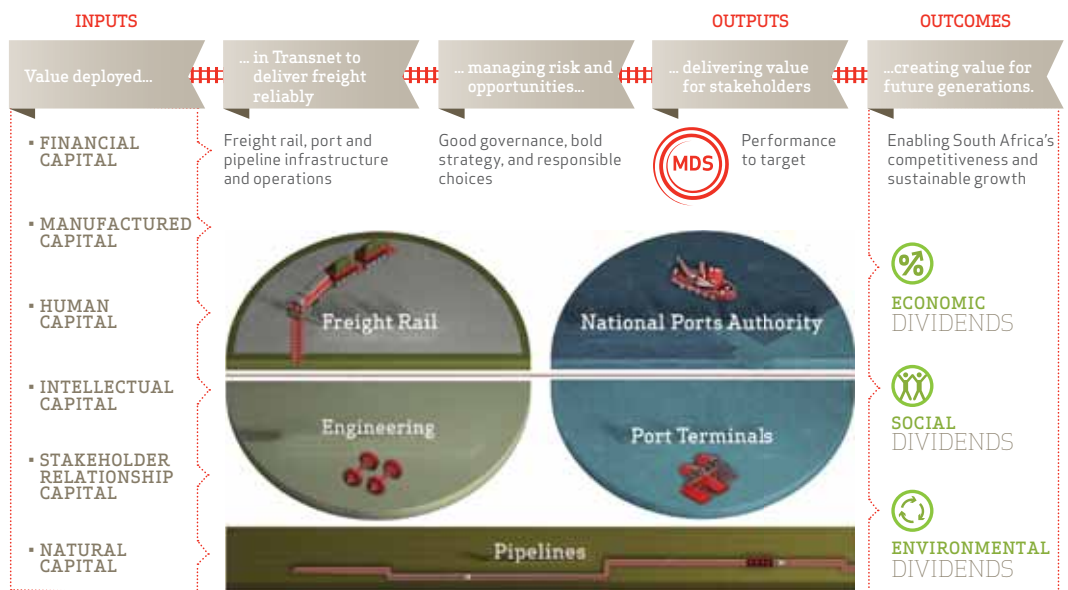
627 employees.

Sustainability in Transnet

Transnet is wholly owned by the Government of the Republic of South Africa and is the custodian of the country's freight railway, ports and pipelines. The Company is responsible for enabling the competitiveness, growth and development of the South African economy by delivering reliable freight transport and handling services that satisfy customer demand.

To fulfil this mandate, Transnet deploys its resources (financial, manufactured, human, intellectual, stakeholder relations and natural) into everyday business activities (expanding, maintaining and operating railways, ports, pipelines) that create value every year (better infrastructure and services for customers; returns for funders; taxes for Government; income for staff, suppliers and contractors; support for communities).

Sustainability focuses on the outcomes of this value chain: What is the economic impact of these activities? Is society better off as a result of our business? Are we preserving or depleting the environment for future generations? These are the questions that sustainability reporting attempts to address.



How Transnet creates value¹

Our Sustainability Framework reflects what Transnet is: a SOC whose financial dividends are re-invested in the business, and whose Shareholder, represented by the Minister of Public Enterprises, mandates us to play a powerful developmental role in the growth and transformation of South Africa. In alignment with the annual Shareholder Compact which Transnet signs with the Minister, we have defined our long-term developmental mandate into specific sets of economic, social and environmental dividends, which together constitute the Transnet Sustainability Framework.

The Sustainability Framework enables us to drive and monitor specific outcomes which constitute the Company's focus for lasting, long-term value creation.

¹ See IR page 8 for further details.

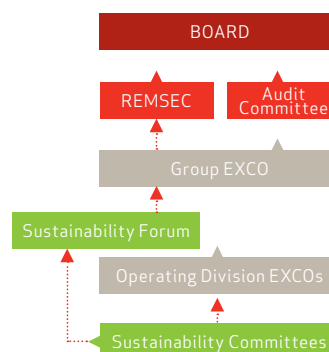
Transnet Sustainability Framework

<h3>ECONOMIC DIVIDENDS</h3> <p>Cost-effective freight logistics infrastructure ahead of demand.</p> <p>Reliable and efficient rail, port and pipeline services.</p> <p>Skilled human resources aligned to infrastructure and services.</p> <p>Local supplier industry development.</p> <p>Job creation.</p> <p>Rural development.</p> <p>Regional integration.</p> <p>A financially stable business, able to raise and service debt, reinvest revenues and pursue agreements with private parties to optimise investment and services.</p>	<h3>SOCIAL DIVIDENDS</h3> <p>Good governance, accountability and transparency.</p> <p>Zero tolerance of fraud and corruption.</p> <p>A representative workforce.</p> <p>Safety.</p> <p>Staff wellness.</p> <p>Broad-based black economic empowerment.</p> <p>Corporate social investment.</p> <p>Community benefits.</p> <p>Proactive stakeholder engagement.</p>	<h3>ENVIRONMENTAL DIVIDENDS</h3> <p>Modal shift from road-to-rail, lowering South Africa's carbon emissions.</p> <p>Energy efficiency.</p> <p>Climate change mitigation.</p> <p>Climate change adaptation.</p> <p>Water use efficiency.</p> <p>Waste management optimisation.</p> <p>Biodiversity enhancement.</p>
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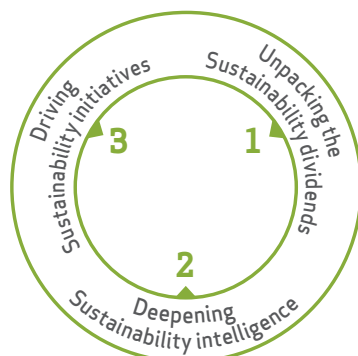
Sustainability Governance

With the adoption of the Sustainability Framework in 2011/12, a Company-wide Sustainability Forum was established comprising representatives from the Operating divisions, Specialist Units and Group functions. The Sustainability Forum meets quarterly and is tasked with developing sustainability Key Performance Indicators (KPIs) for the Corporate Plan; analysing sustainability performance; structuring and providing inputs to the Sustainability Report (SR); recommending the SR to the Group Executive for Board review and approval; facilitating sustainability learning and training; and driving Company-wide sustainability initiatives.

In the year under review, governance of sustainability was further strengthened with the allocation of sustainability responsibilities to Operating Division Executive members and the establishment of Sustainability Committees in the Operating divisions, adding impetus to the sustainability maturity processes which are currently underway within Transnet.



Sustainability Maturity Processes



1	Understanding long-term risks and opportunities.
	Engaging stakeholders.
	Adopting additional policies where needed.
	Defining measures for economic, social and environmental impact.
2	Specifying the data required to measure impact.
	Setting process controls for data measurement, verification and assurance.
	Introducing this data tracking into enterprise risk management and enterprise performance monitoring systems.
3	Targeting high-impact initiatives and building capacity to implement them.
	Including high-impact KPIs in the Corporate Plan.
	Incentivising sustainability performance.

Sustainability Performance Review



Economic



Social



Environmental

Transnet's sustainability performance is reported in the form of economic, social and environmental dividends as reflected in the Sustainability Framework. In the sections that follow, we highlight the material facts and challenges of the Company's sustainability performance in 2012/13, showing how, in the execution of MDS, Transnet is responding to the issues raised by stakeholders and building long-term value for the economy, society and the environment.

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Economic dividends



Transnet is intently focused on being a primary catalyst for economic growth and job creation in South Africa. Our railways, ports and pipelines carry the productivity and consumption activities of the nation from origin to destination, connecting the country to local and international trade. Where Transnet's infrastructure meets demand and our operations are reliable, business output is mobile, on time, and at scale – and our economy grows. It is Transnet's single-minded determination to deliver exceptional economic dividends to society through appropriate infrastructure investment, operational efficiencies, skills development, localisation, job creation, support for rural areas, regional integration, and sound business discipline.

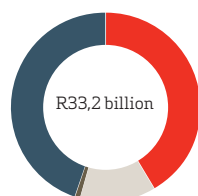
Gross value-add resulting from Transnet capital and operating expenditure 2012/13

Value added is defined as the financial value created by the activities of a business and its employees.

To unlock sustainable value for all stakeholders, the execution of strategy results in value created by the activities of the business and its employees.

IR Refer to Volume 1
Appendix B for
further details.

Value added 2011/12



● Employees	42,2%
● Capital providers	12,8%
● Government	0,6%
● Re-invested	44,4%

Value added 2012/13



● Employees	40,0%
● Capital providers	15,3%
● Government	0,1%
● Re-invested	44,6%



Stakeholders' material economic issues 2012/13

What our stakeholders are saying to us about our impact on the economy	Opportunities to create shared economic value
Customers <ul style="list-style-type: none"> - Improved service levels are acknowledged but greater efficiency and reliability are needed. - Provide further infrastructure to meet demand. - Allocate more capacity for small, black mining companies. - Share investment plans with customers for alignment. - Provide opportunities in rail and ports operations for private participation. - Be price competitive. 	<ul style="list-style-type: none"> - Focus on customer responsiveness, efficiency, productivity. - Extend engagements on capital plans. - Seek aligned investments. - Accelerate private sector participation.
Shareholder <ul style="list-style-type: none"> - Align infrastructure investment with Government plans. - Lower the cost of logistics. - Improve operational efficiencies. - Execute capital plans efficiently. - Achieve modal shift from road-to-rail. - Leverage private sector investment. - Integrate with the region. - Develop local and black suppliers. - Create direct and indirect jobs. 	<ul style="list-style-type: none"> - MDS implementation. - Continued involvement in Presidency's Strategic Infrastructure Projects (SIPs). - Enhancement of Competitive Supplier Development Programme (CSDP). - Pursue regional growth opportunities.
Regulators and policymakers <ul style="list-style-type: none"> - Contain costs and tariff increases. - Utilise assets efficiently. - Allow for competing operators. - Support industrialisation and beneficiation. - Make data available for policymakers. 	<ul style="list-style-type: none"> - Confirm regulatory methodologies. - Resolve policy uncertainties. - Extend engagements on capital plans. - Identify options to improve data accessibility.
Funders <ul style="list-style-type: none"> - Resolve policy and regulatory uncertainties. - Address skills needed for capital plan execution. - Confirm demand and prioritise capital spend. - Preserve financial ratios. - Prepare for electricity supply risk. 	<ul style="list-style-type: none"> - Target resolution of outstanding issues with regulators and policymakers. - Capital portfolio optimisation. - Strict financial discipline. - Energy security planning.
Suppliers <ul style="list-style-type: none"> - Conduct fair and efficient procurement. - Localise procurement. - Empower black business. - Develop local skills. - Support international suppliers to achieve localisation. 	<ul style="list-style-type: none"> - Improve procurement efficiencies. - Enhance CSDP. - Communicate procedures proactively.
Provinces and municipalities <ul style="list-style-type: none"> - Align investments with local plans and priorities. 	<ul style="list-style-type: none"> - Continued SIPs involvement. - Extended consultation on plans. - Localised recruitment wherever possible.
Organised labour <ul style="list-style-type: none"> - Increase wage rates. - Develop skills. - Create more jobs. - Address new unions recognition issues. 	<ul style="list-style-type: none"> - MDS alignment.
Communities <ul style="list-style-type: none"> - Create local jobs and skills, especially for the youth and women. - Consult about local development plans. 	<ul style="list-style-type: none"> - Recruit locally for projects where possible. - Continue graduates-in-training, apprenticeships, bursaries and academy expansion. - Provide for regular local consultation.
Research institutions <ul style="list-style-type: none"> - Research and development (R&D) collaboration. 	<ul style="list-style-type: none"> - Identify opportunities to pioneer new technologies and support R&D.

Cost-effective, efficient and reliable freight logistics infrastructure ahead of demand

Long-term planning informs our investment decisions

Transnet is making steady progress overcoming decades of under-investment and inadequate maintenance of assets while hauling increasing volumes of cargo and ensuring financial stability. Large, strategic investments are required in the network, based on an assumption of long-term demand and usually involving long-term financial recovery periods. Astute planning is therefore required because infrastructure must be provided ahead of demand.

Our approach to capital investment is founded in ongoing analysis of demand for freight transport services per commodity and the related capacity in our railway, ports and pipelines. The Company has a dedicated team of professional staff which manages and develops Transnet's Long-Term Planning Framework (LTPF). It is updated annually and is available to all stakeholders on the Transnet web site.

The LTPF defines the country's port, rail and pipeline infrastructural investment requirement for the next 30 years, based on macro-economic and commodity-specific freight demand forecasting and infrastructure capacity analysis and planning. The LTPF provides the Company with an overall framework in which to optimise planning and development of ports, rail hubs and terminals, rail lines and pipelines. It enables Transnet to weigh up sometimes conflicting demand and supply considerations along with commercial and strategic objectives. Specifically, the LTPF:

- Consolidates various growth forecasts to establish an agreed Transnet demand forecast;
- Establishes the status quo of existing port and rail infrastructure – condition, capacity, utilisation and potential utilisation with operational improvements;
- Identifies development options with preliminary engineering costs and schedules that allow expansion of the network ahead of the forecast demand;
- Develops scenarios for groupings of projects to satisfy various drivers, identifying benefits and facilitating investment decisions;
- Develops key projects through certain feasibility-phase gate-reviews; and
- Produces an overall capital plan which informs annual updates to the Corporate Plan.

Sustainability enhancements are being made to the LTPF to provide planning alignment on energy plans, workforce plans, strategic environmental assessments, and climate change adaptation.

Understanding some complexities about freight rail capacity

- Not all cargo is rail friendly. Cargo density, origin, destination, travel distance and logistics hub loading/unloading and intermodal facilities are determining factors.
- Network capacity is derived not only by rail infrastructure, but also by the availability of locomotives, wagons, train crew, signalling systems, and power supply.
- Railways have a practical 65% capacity utilisation because the other 35% is allocated for routine maintenance, schedule and service interruptions. If high maintenance is required, operational capacity is less than 65%.
- Trains with different speed and stopping profiles and frequencies reduce overall capacity as faster trains must slow down for slower trains. To prevent this, faster trains are usually allocated more than one train slot, reducing network capacity. This is common where freight trains share networks with passenger trains.
- Lines shared between freight and passengers do not accommodate freight trains in commuter peak times.
- Practical limits on the maximum utilisation of available train slots include:
 - Length of freight trains. Most main corridors can accommodate 50 wagon trains or longer, but average train lengths are often less than 50 wagons to satisfy customer logistics needs.
 - Longer trains can reduce total capacity as they are unable to cross at all crossing loops.
 - Most main corridors can handle 20t/axle to 22t/axle but average axle loads are usually less because commodities with a light bulk density cannot be loaded to maximum axle loads within allowable moving gauge limits.
- If a rail corridor has theoretical capacity for 20mtpa but one section of that corridor is limited to 15mtpa, the total capacity is effectively 15mtpa.
- Perfectly balanced traffic flows would maximise infrastructure capacity but this is rarely the case because there is often one-way cargo and wagons return empty.



Capital investment for 2012/13

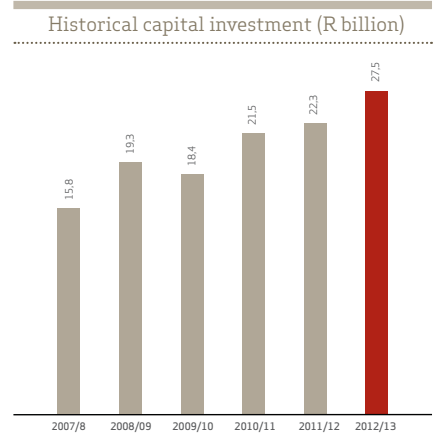


Despite depressed global and local economic conditions, a challenging operating environment characterised by mining strikes, the downgrading of South Africa's credit rating and increasing input costs, the Company continued with the implementation of the MDS.

The year under review saw Transnet's capital investment increase to R27,5 billion, a 23,4% increase from R22,3 billion in 2011/12. Of this, R11,3 billion was invested in the expansion of current infrastructure and equipment while R16,2 billion was invested in maintaining existing capacity.

SR See map on page 14 for location of investments 2012/13.

IR Refer to Volume 1 page 40 for further details of project-specific investments made in 2012/13.

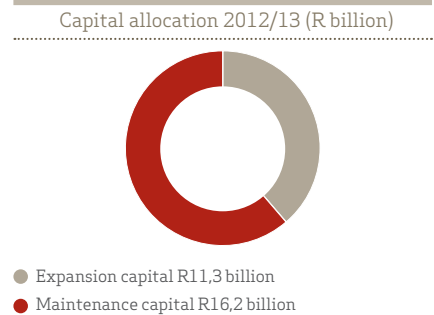


Looking ahead



With the launch of the MDS in 2012, capital investment over the seven year period was estimated at R300,1 billion. Transnet is now in the second year of the MDS and for the next seven years (2013/14 to 2019/20) is estimating a capital spend of R307,5 billion. The following investment priorities have been identified:

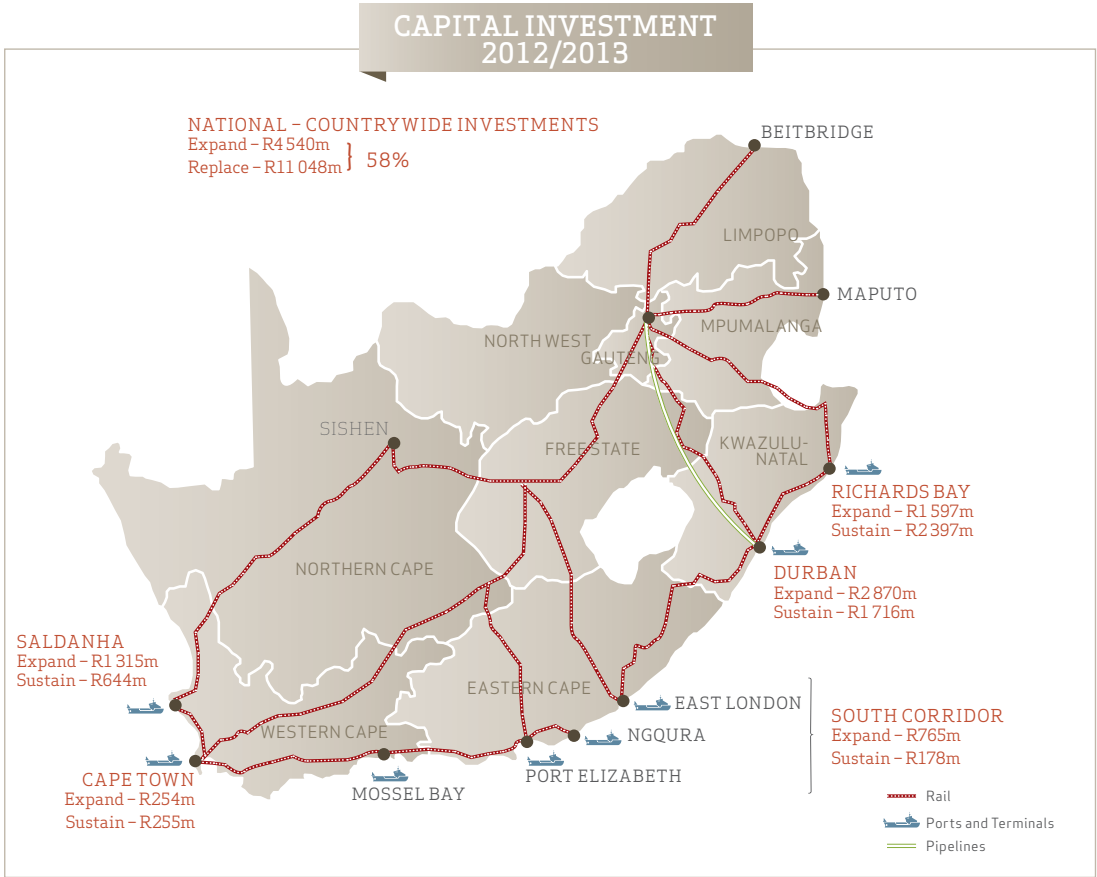
- Acquisition of 1 200 locomotives and 19 400 wagons, for the General Freight Business (GFB) to ramp up capacity to 180,3mtpa.
- R19,0 billion in 16mtpa manganese export capacity to the Port of Ngqura.
- R32,4 billion in the coal line to increase capacity north and south of Ermelo to 97,5mtpa.
- R19,3 billion in the iron ore line to increase capacity to 82,5mtpa.
- R5,1 billion is targeted for coal line upgrades to Waterberg.
- Additional 400 000 TEUs container capacity at Durban Container Terminal (DCT).
- Expansion of Pier 1 into Salisbury Island to create a further 1,1 million TEUs.
- R15,1 billion for the Port of Richards Bay multi-purpose and dry bulk terminals.
- R5,8 billion to extend the breakwater, entrance channel quays and services in East London.
- R4,4 billion at the Port of Saldanha for a liquified petroleum gas terminal and port infrastructure.



Installed infrastructure capacity 2013

- Iron ore 60mtpa.
- Coal export 71mtpa.
- General freight rail 85,2mtpa.
- Ports containers 7,4m TEUs.
- Ports bulk 196mtpa.
- Ports break-bulk 28mtpa.
- Ports auto units 580 000pa.
- Ports liquids 60,7mtpa.
- Pipelines liquids 31,6 blpa.
- Pipeline gas 23mGJpa.

IR Refer to Volume 1 Appendix A for more information.



New locomotive at Koedoespoort



Durban Container Terminal



Pipelines - Durban



Operational performance for 2012/13

We highlight here, the key achievements, challenges and targets in operational performance for each major commodity business sector in Transnet.



General freight business

Freight Rail transported 82,6mt in 2012/13 in the GFB compared to 81,0mt in 2011/12 reflecting a positive growth rate of 2,3%. The lower than expected growth rate is attributed to the economic slowdown, high levels of strike action in the mining sector and softer commodity prices.

During the year under review, R12 962 million was invested in assets to support the planned growth in GFB traffic. The business took delivery of the new 43 Class Diesel locomotives which were deployed to specific corridors as part of the process to standardise locomotive types within corridors. Whilst the new locomotives assisted in the drive for improved efficiency, the increased fleet size coupled with lower than expected volume throughput, led to a decline in locomotive utilisation (measured as Gross Ton Kilometres '000/loco/month). The level of activity per locomotive will improve as the older locomotives are retired from the fleet and volumes increase.

Support from Engineering ensured improved levels of both locomotive and wagon reliability. Initiatives, such as the lean six sigma programme and diagnostic tools development, will assist in ensuring that the general improvement trend is maintained.

IR Refer to Operating divisions' Performance Reports.

General Freight Business		Actual	Actual	Actual
Key performance area	Unit of measure	2010/11	2011/12	2012/13
Freight Rail				
Volumes	million tons	73,7	81,0	82,6
Capital investment*	R million	6 163	9 966	12 962
Locomotive utilisation	GTK '000/loco/month	5 121	5 167	4 973
Wagon turnaround	Days	12,6	11,5	11,3
On-time departures		350	284	280
On-time arrivals	Minutes from schedule	434	357	356
Engineering				
Locomotive availability	% (active fleet)	89,6	90,5	90,8
Locomotive reliability	faults/million km	28,0	25,0	19,6
Wagon availability	% (active fleet)	93,8	94,2	94,1
Wagon reliability	faults/million km	0,79	0,62	0,55

* Excludes capitalised borrowing costs and includes capitalised finance leases.



New Class 43 Diesel locomotive under construction at Koedoespoort

Export coal

Volumes of export coal grew by a modest 2% from 67,7mt in 2011/12 to 69,2mt in 2012/13. This was partly due to labour unrest within the coal mining industry and depressed export coal prices, which led some customers to curtail export volumes.

As part of improving operational efficiency, Freight Rail deployed new 19E locomotives and focused on executing scheduled infrastructure maintenance.

Capital investment and operational improvement initiatives across all aspects of the export channel, are being implemented to support the expected growth in volume throughput to 77mtpa in 2013/14, and ultimately to 97mtpa by 2018/19.

Export coal Key performance area	Unit of measure	Actual 2010/11	Actual 2011/12	Actual 2012/13
Freight Rail				
Volumes	million tons	62,2	67,7	69,2
Capital investments*	R million	2 987	2 914	3 303
Locomotive utilisation	GTK '000/loco/month	13 505	23 845	24 998
Wagon turnaround	Hours	72	66	68
On-time departures		234	209	206
On-time arrivals	Minutes from schedule	468	375	332
Engineering				
Locomotive availability	% (active fleet)	90,2	90,6	89,2
Locomotive reliability	faults/million km	44,0	33,0	30,0
Wagon availability	% (active fleet)	97,6	98,0	97,9
Wagon reliability	faults/million km	0,13	0,18	0,17
National Ports Authority				
Port efficiency-RBCT	tons/STAT hour	2 237	2 377	2 243

* Excludes capitalised borrowing costs and includes capitalised finance leases.

IR Refer to Operating divisions'
Performance Reports.



Coal destined for Richards Bay Coal Terminal

Export iron ore

Whilst export iron ore volume enjoyed a year-on-year growth of 7%, the volume was lower than projected due to industrial action and a Section 54 mine shutdown at a key mining customer (resulting in a loss of approximately 2,5mt).

The continued growth in export iron ore volume throughput is being well managed with acceptable operational performance indicators being evident throughout the corridor.

Export iron ore				
Key performance area	Unit of measure	Actual 2010/11	Actual 2011/12	Actual 2012/13
Freight Rail				
Volumes	million tons	46,2	52,3	55,9
Capital investments*	R million	3 392	1 913	2 011
Locomotive utilisation	GTK '000/loco/month	38 866	43 110	47 530
Wagon turnaround	Days	85	93	94
On-time departures		161	67	73
On-time arrivals	Minutes from schedule	285	133	140
Engineering				
Locomotive availability	% (active fleet)	88,2	90,5	91,7
Locomotive reliability	faults/million km	18,0	14,0	9,6
Wagon availability	% (active fleet)	98,1	98,0	98,3
Wagon reliability	faults/million km	0,01	0,03	0,05
National Ports Authority				
Port efficiency – Saldanha	tons/STAT hour	3 316	3 453	3 609
Anchorage waiting time – Saldanha	average hours	nr	85	30
Port Terminals				
Vessel loading rate (Iron Ore Terminal)	tons/hour	6 959	7 242	7 899

nr Not reported.

* Includes capitalised borrowing costs and excludes capitalised finance leases.

IR Refer to Operating divisions' Performance Reports.



Iron ore stockpiles at Saldanha

Maritime containers (Ports)

The year-on-year growth in container volumes was restricted to only 1,2% due to a slowdown in economic activity (affecting the volume of import and export containers), coupled with a reduction in the volume of transshipment containers due to some route rationalisation within the shipping line industry.

The container terminals have enjoyed a period of sustained investment in new handling equipment to enable the terminals to adequately respond to the trend of shipping lines deploying larger container vessels.

The operational performance indicators in the table below, reflect that improvement has been achieved in most areas. Performance at the Pier 1 container terminal in Durban was below the levels normally achieved due to certain terminal specific issues that impacted employee benefits, which have since been resolved. We continue to implement initiatives to limit the truck congestion in Durban that arises, normally due to the volume of traffic.

Maritime containers (Ports) Key performance area	Unit of measure	Actual 2010/11	Actual 2011/12	Actual 2012/13
National Ports Authority				
Volumes	'000 TEUs	4 081	4 352	4 403
Port efficiency – Durban	TEUs/STAT hour	40	45	53
Port efficiency – Cape Town	TEUs/STAT hour	26	46	44
Port efficiency – Port Elizabeth	TEUs/STAT hour	36	32	31
Port efficiency – Ngqura	TEUs/STAT hour	nr	41	51
Shipping delays-Tugs (Durban)	average minutes	1,3	0,1	nr
Shipping delays-Pilots (Durban)	average minutes	0,5	0,0	nr
Port Terminals				
GCH-DCT Pier 2 (Berths 108 and 205)	number of moves	23	23	28
GCH-DCT Pier 1		26	27	23
GCH-CTCT		25	28	31
GCH-Ngqura		24	30	32
SWH-DCT Pier 2 (Berths 108 and 205)	number of moves	47	42	62
SWH-DCT Pier 1		40	44	43
SWH-CTCT		46	57	55
SWH-PECT		37	38	40
SWH-NCT		40	47	54
TTT Pier 2	minutes	46	44	32
TTT Pier 1		45	43	47
TTT-CTCT		nr	nr	21
TTT-Ngqura		nr	nr	33

nr Not reported.

 Refer to Operating divisions' Performance Reports.



Port of Cape Town

Petroleum (Pipelines)

The total volume of petroleum products declined by 5% from 16,7 billion (bnl) in 2011/12 to 15,9 bnl in 2012/13. The reason for this decline is the economic downturn which lowered demand for fuel and the extended Natref shutdown.

Initiatives to improve performance include the provision of an end-to-end logistical service that can encourage new entrants to the market. Pipelines is making short term use of its operational tankage to assist in overcoming client infrastructure constraints. There is increased focus on improved capacity utilisation when the New Multi-Product Pipeline (NMPP) terminals are introduced.

The NMPP usage improved substantially from a ratio of 27:84 to 51:84 of full capacity since it came on stream in January 2012. The Durban Johannesburg Pipeline (DJP) continues to be utilised until the full completion of the NMPP. Delivery on ordered volumes improved but order delivery times declined and are being closely monitored.

Pipelines Key performance area	Unit of measure	Actual 2010/11	Actual 2011/12	Actual 2012/13
Transnet Pipelines				
Volumes	billion litres	18,0	16,7	15,9
Capital investments*	R million	6 077	4 507	2 799
Capacity utilisation-Refined (DJP)	%	102%	93%	66:82
Capacity utilisation-NMPP	%	nr	40%	51:84
Ordered versus delivered volumes	%	nr	nr	100
Planned vs actual deliveries time	%	nr	nr	77

nr Not reported.

* Excludes capitalised borrowing costs and includes capitalised finance leases.

IR Refer to Operating divisions' Performance Reports.



Pipelines – Alrode

Highlighted here are examples of how Transnet has invested in freight logistics infrastructure and operating systems in 2012/13 to build capacity and improve efficiencies in rail, port and pipeline services.

Locomotives boost capacity

In order to boost capacity and increase operational efficiencies, Transnet’s locomotive renewal programme is aimed at introducing new locomotives to the coal, iron ore, and GFB lines over a five year period (2010 – 2015), as follows:

Year	110 Class 19E – Coal Line Heavy Haul	44 Class 15E – Ore Line Heavy Haul	32 Class 15E – Ore Line Heavy Haul	100 Class 43 Diesels – General Freight	43 Class 43 Diesels – General Freight	95 Electric Locomotives
2010	6					
2011	42	28				
2012	46	16		38		
2013	16		12	62	20	
2014			20		23	3
2015						92
Total	110	44	32	100	43	95

The introduction of new, more powerful and energy efficient 15E and 19E locomotives to the export lines, and the deployment of designated 7E and 10E locomotives to General Freight flows contributed to improvements in locomotive efficiency on the heavy haul lines during 2012/13. At the same time, General Freight took delivery of the Class 43 Diesel locomotives which are being deployed to specific corridors as part of the philosophy of standardising locomotives to corridors. The process is expected to yield positive results in terms of efficiency gains and ultimately an increase in volumes, as evidenced by improved adherence to the Scheduled Railway philosophy in the corridors where these locomotives have been deployed.



Class 19E Coal Line locomotive



Class 15E Ore Line locomotive



Class 43 Diesel locomotive



Electric locomotive



New tandem lift ship-to-shore cranes for Durban

"Today we celebrate a milestone with the delivery of three mega cranes, the largest of their kind deployed at any container terminal in the southern hemisphere. This acquisition will make DCT Pier 2 the first terminal in Africa to operate tandem lift STS cranes which reaffirms our commitment to delivering world class port services in Africa."

- Pru Archary
Acting Chief Executive: Port Terminals
20 November 2012

In an effort to boost efficiency and productivity at South Africa's leading container terminal, Transnet signed an agreement in September 2011 with China-based Shanghai Zhenhua Heavy Industries Co (ZPMC) for the purchase of seven ship-to-shore (STS) cranes for DCT Pier 2.

On 20 November 2012, Port Terminals took delivery of three of the cranes with the remaining four being delivered on 19 February 2013.

These cranes are fully compatible to service the next generation megamax vessels that will be able to dock at DCT's north quay once it is deepened. In addition to the standard twin-lift 20 foot container crane handling operation, the new STS cranes are able to lift 2x40 foot full containers or 4x20 foot containers in tandem during vessel operations across the quay. With its 80t safe working load, this technology is expected to boost port productivity.

The acquisition forms part of targeted interventions to renew Transnet's fleet of ageing port handling equipment across all container terminals. It is aligned to Transnet's commitment under the CSDP in which the recipient of each tender is required to produce a CSDP plan. In this case, the supplier, ZPMC selected emerging port equipment spares and maintenance company, Elgin Marine Services (EMS) as their CSDP partner. In turn, EMS has employed and will mentor and develop 11 newly graduated engineers from previously disadvantaged communities.



New ship-to-shore cranes at Durban Container Terminal

Transnet takes ownership of the old Durban airport

"Today represents the start of an exciting chapter in South Africa's infrastructure development programme and the critical role State-owned Companies, are playing in transforming our economy."

- Malusi Gigaba
Minister of Public Enterprises
6 December 2012



Minister of Public Enterprises Malusi Gigaba and Transnet GCE Brian Molefe

On 6 December 2012, Transnet took ownership of the old Durban International Airport (DIA) site from the Airports Company of South Africa SOC Ltd (ACSA) for the proposed development of a dig-out port.

Speaking at the handover ceremony, the Minister of Public Enterprises said that the occasion marked the start of formal stakeholder engagement with affected communities, in line with Transnet's governance processes and sustainability commitments.

The proposed dig-out port is expected to consist of:

- A 16-berth container terminal for 9,6 million TEUs in container handling capacity;
- An automotive terminal;
- Liquid bulk handling facility by 2050; and
- Road, rail and other port infrastructure.

The development is necessary to provide sufficient port capacity and accommodate larger cargo vessels. South Africa's total container volumes are expected to reach 20 million TEUs per annum by 2040 with Durban projected to handle about 70%.

The development of the dig-out port is not funded in Transnet's current investment plans and various funding options are being explored, including private sector partnerships.

The new port will complement Transnet's container handling capacity at its ports in Durban, Ngqura, Port Elizabeth and Cape Town. The proposed development is aligned to Government's vision to develop the Durban-Free State-Gauteng corridor (SIP2), positioning Durban as a key point in global maritime transport routes.



Artist impression of the proposed Durban dig-out port



Equipment boost for Richards Bay terminal

The Richards Bay terminal has in recent years experienced operational challenges due to ageing equipment. On 16 January 2013 the terminal welcomed the arrival of a R140 million shiploader. With a design capacity of 2 500t per hour, the loader is the latest addition to the equipment replacement programme for the terminal.

The shiploader is designed for better outreach and has a higher draft to accommodate much larger vessels. It is also environmentally friendly. The loader has been custom built to complement the terminal's operational envelope. It was designed in Austria, built in China and its entire procurement was managed by South African engineering company, SANDVIK, which has arranged skills transfer for Port Terminals' operators and technical teams. The machine is scheduled to be operational by April 2013.

In addition to the shiploader, the Richards Bay terminal received another equipment boost on 28 January 2013 with the delivery of 21 new Hyundai 70D-7E forklifts to be used in the terminal's break-bulk operations.

"Over the next seven years, Port Terminals will invest in infrastructure, maintenance and expansion; drive growth and increase our footprint in Africa – offering improved connectivity to existing and new markets."

– Karl Socikwa
Chief Executive: Port Terminals
16 January 2013



Shiploader at Port of Richards Bay

R70 million investment at East London port

The East London multi-purpose terminals celebrated an historical moment on 14 October 2012 when they took delivery of a R70 million new Liebherr mobile crane.

The mobile crane has a lifting capacity of 144 tons, a standard load operation of 77 tons and a spreader load operation of 63 tons. The capacity of the crane will assist in boosting efficiencies and improving vessel turnaround time. The East London terminals received a further addition to their equipment fleet with the arrival of four new forklifts during January 2013. The acquisition resulted in new jobs and training of 10 operators.



Liebherr crane at Port of East London

Freight Rail business units and Lean Six Sigma

To grow volumes and improve customer satisfaction, Freight Rail changed its organisational model in 2012/13 by establishing seven customer-facing business units:

- Coal;
- Iron ore and manganese;
- Containers and automotives;
- Mineral mining and chrome;
- Steel and cement;
- Agriculture and bulk liquids; and
- International.

Freight Rail also established a department focusing on efficiency improvements and began implementation of General Electric's Lean Six Sigma methodology to improve efficiencies and resource utilisation.

Progress on the New Multi-Product Pipeline

"The NMPP is designed to transport bulk petroleum products in an environmentally friendly manner. The pump stations for the NMPP are also equipped with energy efficient technology. The NMPP will enable economic growth for the country by reducing logistics costs and contribute towards lower carbon emissions by reducing the number of fuel tankers on the road."

- Sharla Pillay
Chief Executive: Pipelines
29 November 2012

Transnet successfully completed and began operating the 16-inch network in May 2011 while the 24-inch trunk line between Durban and Gauteng became operational in January 2012. In addition, construction of the three pump stations at Tweni in Durban, Hilltop near Pietermaritzburg, and Mnambithi near Ladysmith are complete. In total, 712km of the pipeline network is complete and commissioned.

On 29 November 2012, Transnet marked the last stage of the construction of the NMPP coastal terminal, TM1 at Island View in the Port of Durban and TM2 in Jameson Park (near Heidelberg, Gauteng). Scheduled for completion in the 2013/14 financial year, the terminals will enable the pipeline to transport two grades of petrol and diesel, and jet fuel. This phase of the project includes:

- Accumulator tanks for the different products at TM1 and TM2;
- Custody transfer metering and providing facility to measure volume of products transported;
- Control room and systems – the nerve centre of the terminal;
- Mainline pumps to pump product into the trunkline and inland network; and
- An effluent treatment facility to manage spillage and contamination within the bunded areas.



Pipelines – Jameson Park

Security management

Crime has impacted on our commitment to deliver freight reliably with the theft of copper, overhead cable theft and goods stolen in transit impacting on our service to customers. These incidents not only impact on Transnet but on the economy – on jobs, the families that rely on those jobs, and the ability to create new jobs. Delayed trains and late or non-delivery of goods aggravate costs and impact on our reputation with customers. As part of the Integrated Security Management Strategy and efforts to combat copper cable theft and other economic crimes, Transnet established a Security Management department in 2012/13 with centralised command and control, and decentralised execution and reporting. The aim is to protect Transnet's customers, employees, assets, income and infrastructure.

2012/13 also saw the founding of the Transnet School of Security from which 815 security officials have graduated to date. Security is based on a hybrid model where proprietary security personnel protect critical installations and outsourced security protect non-critical assets. A task team responsible for responding to security emergencies was also established in 2012/13.

There has been a decrease in the number of copper cable theft incidents reported over the past three years from 2091 in 2010/11, to 1557 in 2011/12, to 1238 in 2012/13. Cost of copper cable theft was R38 million in 2010/11, R20 million in 2011/12, and R21 million in 2012/13.

Cost for theft of equipment in 2012/13 was R8,4 million; and cost of signal, perway and sleepers theft in 2012/13 was R2,6 million.



Transnet security officers patrolling railway lines



Skilled human resources aligned to infrastructure

Workforce planning informs our human capacity development

2012/13

**R846,0 MILLION
SPENT ON SKILLS
DEVELOPMENT**

Transnet recognises that one of its biggest challenges and risks to the successful implementation of the MDS is skilled human capital. Transnet is specifically faced with insufficient capacity in respect of engineering and technical skills. There is continued focus on aligning skilled human resources to infrastructure and services with particular emphasis on sector-specific engineering, technical and artisan skills through building and maintaining established feeder pipelines. Workforce planning therefore remains critical for attracting and retaining talent.

In the SR 2012, Transnet committed to “accelerated skills development”. Transnet’s focus for 2012/13 was on aligning long-term investment (as espoused in the LTPF) and human capital development plans through the development of a Workforce Plan (WFP). The WFP aims to ensure a focused human resource profile that will support business operations through clear prioritisation of job roles, job types and required competencies and skills. The objectives of the WFP are as follows:

- To understand and forecast, in detail, the business needs of each Operating Division in terms of criticality of skills and jobs based on the MDS;
- To identify and specify gaps between the current human resource situation and that required under the MDS; and
- To design and implement strategies to address gaps.

The methodology followed for the WFP is based on a six step approach that entails:

- Skills clustering – establish clusters or groupings of similar skills and experience and determine how long it would take, if possible, for an employee to move from one skill level to another;
- Supply simulation – projections are calculated based on fluctuation parameters such as retirement age, normal attrition rate and early retirement;
- Demand simulation – future human resource needs in response to fluctuations in the operating model of the various Operating divisions or Business Units;
- Gap analysis – identifying gaps and risks;
- Human resource initiatives – an action plan to derive strategies to correct shortages or surpluses as highlighted in the heat map; and
- Anchoring – embedding the process within the corporate planning and budgeting cycle to ensure that human resource needs are addressed.

Transnet’s management employment rate increased by 11,2% from 2012/13 and bargaining unit employees by 5,7%. The employee turnover rate averaged 5,1%.



Students at the School of Ports - Durban



Skills investment for 2012/13

Transnet invested 4,4% of the wage bill (R846,0 million) in skills development during 2012/13 in comparison to 3,9% (R652 million) in 2011/12. A total of 43 582 employees participated in training initiatives against the target of 36 626.



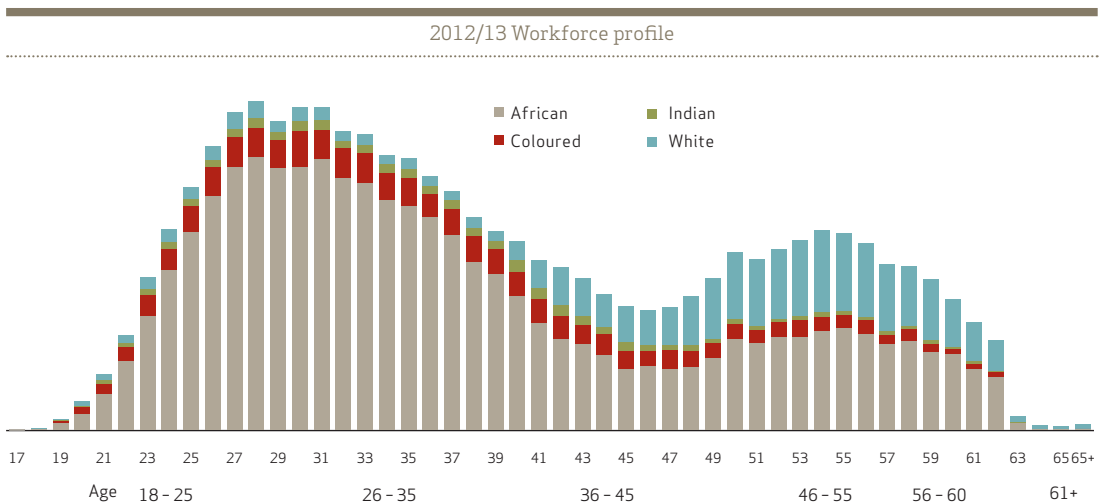
2012/13 saw Transnet achieve its targets for the feeder pipeline and sector-specific skills targets. Transnet achieved its engineering (122) and technicians (315) targets with a total of 466 engineering bursars in the system. The intention is to increase the engineering feeder pipeline intake of new recruits from 120 to 132, and the technician feeder pipeline intake of new recruits from 300 to 330 in 2013/14. In addition to the allocation of bursaries, Transnet provides engineers and technicians with a structured Engineers-in-Training and Technician-in-Training programme after placement, focusing on coaching and mentoring.

Transnet aims to have 2 000 apprentices undergoing training at any given time. 500 new recruits were targeted in 2012/13, with a total of 866 entering the programme. Sector-specific skills development will continue to focus on marine, rail and cargo handling with 2 160 learners taken on in 2012/13. Increased targets are projected at 10% in alignment with employment growth.

Training of 815 protection officers in 2012/13 as part of the School of Security that was established in 2012.

Training achievements 2012/13	Actual 2011/12	Target 2011/12	Actual 2012/13	Target 2012/13	Projection 2013/14
Apprentices new intake	854	500	866	500	1 550
Technicians learners new intake	120	120	315	300	330
Engineer bursars new intake	60	60	122	120	132
New entries sector-specific critical skills	2 340	1 500	2 160	2 167	1 980
Protection officers new intake	na	na	815	800	880
Percentage of training spend (% of payroll)	4,1%	4,0%	4,4%	4,7%	4,6%
Leadership development	1 372	956	4 663	1 562	1 013
All training	62 701	34 300	43 582	36 626	36 960

The current average age of a Transnet employee is 39 years. In comparison to 2011/12 there has been a steady increase in younger employees (25 to 35 age bracket) in order to address the challenge of Transnet's ageing workforce.





Transnet Engineering – Koedoespoort

“We are pleased to be associated with GIBS in its endeavors to build a cadre of business leaders with a long-term vision for a sustainable world. Good governance combined with meaningful stakeholder engagement keeps companies alert to the critical social and environmental responsibilities they carry every day. We trust that the GIBS Transnet Programme in Sustainable Development will stimulate future corporate executives and entrepreneurs to think and act accordingly.”

– Brian Molefe
Group Chief Executive

Leadership development is a priority for Transnet. 4 663 employees attending supervisory and commercial leadership development programmes in 2012/13. As part of leadership development, 20 executives attended the Gordon Institute of Business Science (GIBS) Global Executive Leadership Development programme which entailed three study blocks, a visit to Australia, and focus areas of the MDS.

During 2012/13 Transnet consolidated its School of Ports and School of Port Terminals into the Transnet Maritime School of Excellence. In the year ahead, Transnet will focus on consolidating the remaining five Schools of Excellence into: the Institute of Technical Training, Pipeline and Security (incorporating the former School of Pipelines and School of Security); the School of Rail (incorporating the former School of Rail and the former School of Engineering); and the School of Leadership, Business Training and Commercial (incorporating the former School of Leadership Development). These schools will form part of the Transnet Academy.

Our approach to skills development focuses on an integrated value chain, extending from secondary educational institutions, tertiary institutions, and Transnet Schools of Excellence into workplace programmes thereby ensuring a continuous feeder pipeline of critical skills. During 2012/13, Transnet sponsored 584 Grade 10 – 12 high school learners through its Rail Cadet Scheme.

Transnet continues to afford opportunities for workplace experience through its Graduate-in-Training (GIT) programme. During 2012/13, 119 new GITs participated, and an increase of 10% is anticipated for 2013/14. On average, 60% of GITs are placed within Transnet per annum. During 2012/13, Transnet continued with its Learnership Programmes with 189 unemployed youth in the system.

Sponsorships for tertiary institutions are ongoing with Transnet currently sponsoring the Transnet Centre of Systems Engineering at the University of the Witwatersrand and the Transnet Programme for Sustainable Development at GIBS.



Training at Transnet Engineering – Koedoespoort



School of Engineering: 150 years of excellence

On 15 May 2012, Transnet Engineering's Salt River plant celebrated 150 years in existence, with the unveiling of a commemorative plaque by the Minister of Public Enterprises signifying the oldest railway plant in the southern hemisphere. Salt River Engineering Works has been at the heart of South Africa's rail network since 1862 when the original workshops were built to maintain rolling stock on the Cape's first railway line. The plant is central to the maintenance of the Sishen-Saldanha iron ore export line and the GFB in the Western Cape. It maintains Transnet's seven kilometre-long iron ore trains – the longest in the world. In 2011, the plant completed the construction of the internationally acclaimed Phelophepa II healthcare train. Other flagship products include the Shosholoza Meyl, Metrorail coaches and the Passenger Rail Agency of South Africa's (PRASA) policing coaches. The Salt River coach business refurbishes, upgrades and repairs approximately 100 coaches annually.

Currently, Transnet is preparing the plant for significant growth following the announcement of PRASA's accelerated rolling stock programme aimed at refurbishing approximately 3 860 coaches by 2015.

The Salt River School of Engineering was founded in 1957 with the vision to be a global leader in providing core competencies in the engineering industry. The School has grown from a single classroom to a thriving campus where 176 students, 21 apprentices and 12 university students are enrolled. Training is offered to welders, millwrights, electricians, sheet-metal workers, turner machinists and lifting-machine operators, as well as vehicle builders and wagon fitters. Accident free for 15 years, and with a 95% pass rate, the Salt River campus has been named the best school of engineering in the country. The school is listed with the International Organisation for Standardisation and has maintained a five star grading with the National Occupational Safety Association for the past four years. It is accredited to conduct trade tests in both the electrical and mechanical trades. The school aims to focus on the recruitment of more women students for careers in engineering.

"Salt River's history mirrors that of South Africa, with periods of rapid growth and expansion slowed by economic depressions and political developments, which required it to adapt to new circumstances and finding ways to meet new challenges. And to its credit, it always succeeded, emerging stronger and better equipped to fulfill its obligations."

– Malusi Gigaba
Minister of Public Enterprises
15 May 2012

"With our exciting pipeline of work arising from Transnet, PRASA and external customers, we believe Transnet Engineering is emerging as an employer of choice for young engineering graduates."

– Richard Vallihu
Chief Executive: Transnet Engineering
15 May 2012



Celebrating 150 years of excellence

Transnet School of Security

On 23 July 2012, Transnet’s School of Security was launched marking a shift in the Company’s approach to the protection of people and assets. The School of Security is a response to the challenges of economic crime and the incidents of crime affecting operational staff.

The School of Security plans to train 880 security officials in 2013/14 and grow at 10% per annum. Recruitment is conducted through public process, in line with human resources policies. The minimum entry requirements include matric, a level of physical fitness and no criminal record. A large portion of the recruits are from the Military Skills Development System which is the South African National Defence Force’s entry level programme offering South African youth, a service opportunity for two years. The School of Security is based in Esselen Park, Johannesburg and has 50 trainers with experience in policing, defence and security operations. Students receive practical training in law governing rail, ports, and pipelines as well as securing goods in transit and occupational health and safety. The training takes 10 weeks and graduates receive a National Certificate: General Security Practices (Level 3) and are employed in one of Transnet’s Operating divisions.



Students graduating from School of Security - Esselen Park



Schooling the sea masters

On 14 January 2013, the Maritime School of Excellence (MSoE) was established comprising of a merger between the National Ports Authority School of Ports and Port Terminals School of Port Operations. The School is positioned to provide a focused maritime training offering to the sector and deliver globally competitive and accredited training modules across the maritime value chain. The aim is to make the MSoE a school of choice in South Africa and the sub-Saharan region for maritime excellence.

Courses on offer include: marine pilot, tug master, skipper port operations, vessel traffic service, marine global best practice, operators of lifting equipment, marine engineering officer, and cargo coordinator.

During the marine pilot and tug master training, learners experience the R10 million ship-handling simulator. Equipped with 240 degree outside vision, the simulator accelerates the training of marine pilots and tug masters who previously had to spend many years at sea. With the look and feel of a real bridge on a ship at sea, the simulator is complemented by a global maritime distress and safety system, engine room simulator and a cargo handling simulator.

"The MSoE will give many young South Africans an opportunity to change the course of their lives and equip them with the skills they need to find work within the maritime industry."

- Dr Matthews Katjene
Acting Head: MSoE
14 January 2013



Students at Port Simulator – School of Ports, Durban

Helicopter pilot training

The National Ports Authority launched a national pilot training programme in 2012/13 aimed at recruiting personnel to operate and maintain its port helicopter fleets. 16 trainees have been selected from a pool of about 6 000 candidates. The successful trainees have completed an initial theoretical training at Durban's Virginia Airport and have started their 14-month training programme at the Starlight Africa Aviation Training Academy.



Helicopter pilot at Port of Durban

Transnet taps into CSIR's research and engineering know-how

"For Transnet to play its rightful role in the economy, we have to grow, invest and modernise at an unprecedented rate. Therefore, we need to constantly explore innovations and technological advancements. We have that in abundance at the CSIR, an institution that has developed the expertise over the last couple of decades. With this agreement, we have given ourselves access, not only to decades of the knowledge we need, but to a body of specialised skills that the CSIR has at its disposal."

- Brian Molefe
Group Chief Executive
11 February 2013

"This partnership is an excellent opportunity for the CSIR to provide comprehensive research and development support to a pivotal State-owned Company such as Transnet. Supporting industry is in keeping with our mandate. We are excited to be part of a series of projects that, apart from benefitting the sophistication and modernisation of Transnet's operations, will assist in job creation and growing South Africa's economy."

- Dr Sibisiso Sibisi
CSIR Chief Executive Officer
11 February 2013

On 11 February 2013, Transnet and the Council for Scientific and Industrial Research (CSIR) signed an historic partnership that will allow Transnet to tap into the CSIR's technological innovation and research capabilities. Transnet and the CSIR will identify areas of cooperation and enter into specific arrangements in all areas of Transnet operations.

Transnet and the CSIR have started working on the following:

- Infrastructure, including rail, port and coastal engineering, roads and buildings;
- Rolling stock, including energy efficiency, alternative fuels and energy regeneration;
- Operations – water use, waste management systems, logistics supply chain, greening, climate change, sensor tracking and automation as well as safety and security; and
- Strategic decision support in planning, environmental management and enterprise engineering.

Transnet has previously used the CSIR's services on various specialised projects including:

- Monitoring of the quality of water in all ports;
- Ports maintenance dredging support at the Port of Durban;
- Sea level rises;
- Marine life monitoring at all ports; and
- Waste water monitoring for the DJP fuel pipeline.



Signing ceremony: CSIR CEO Dr Sibisiso Sibisi and Transnet GCE Brian Molefe



Local supplier industry development

Transnet's Supplier Development (SD) Programme contributes directly to South Africa's economic growth and transformation. The aim is to address the negative impacts of the historical lack of investment in infrastructure which saw a significant decline in local industry and a large proportion of the population being unable to participate meaningfully in the economy. By leveraging procurement spend, we aim to increase local content through the development of skills, job creation and technology transfer.

An important component of Transnet's SD programme is the CSDP which focuses on Original Equipment Manufacturers through contractually binding supplier development plans. The total contract value since the inception of the CSDP is R17,1 billion with CSDP obligations concluded with suppliers of R7,2 billion representing 42,0% of total contract value. To date, R4,0 billion or 55,5% (2012: R3,0 billion or 55%) of total supplier development obligations have been executed.

Transnet has progressed significantly in transforming its supplier base towards a Broad-based Black Economic Empowerment (B-BBEE) supplier base. In the SR 2012, Transnet committed to "extend local supplier development, with 70% of spend on B-BBEE suppliers."

Actual B-BBEE spend for 2012/13 amounts to R33,4 billion or 88% (2011/12: R25,8 billion or 80,0% and 2010/11: R19,4 billion or 75,0%) of total measurable procurement spend of R37,9 billion (2011/12: R32,2 billion). In terms of the Department of Trade and Industry (DTI) Codes of Good Practice, Transnet's B-BBEE spend in 2012/13 is as follows:

- Black-owned enterprises – R5,5 billion (2011/12: R4,0 billion);
- Black women-owned enterprises – R2,0 billion (2011/12: R2,2 billion);
- Exempted micro-enterprises – R2,2 billion (2011/12: R 2,2 billion); and
- Qualifying small enterprises – R3,2 billion (2011/12: R2,9 billion).

Black youth-owned enterprises will be tracked from 2013/14.

Transnet awards contract for supply of 95 electric locos

On 22 October 2012, Public Enterprises Minister, Malusi Gigaba announced a consortium led by Chinese manufacturer, CSR Zhuzhou Electric Locomotive (CSR) as the successful bidder for the supply of 95 electric locomotives to be used in Freight Rail's GFB. The parties agreed to produce the majority of locomotives locally.

The consortium and Transnet have agreed on a tight delivery schedule that will see the first batch of locomotives delivered to Freight Rail by December 2013 while the last batch is planned to be delivered in September 2014. The first 10 locomotives will be assembled in CSR's factories in China while the remainder will be in South Africa in line with the agreed supplier development targets of 60,5% of the total value of the contract. In line with the CSDP, localisation, sustainability and skills development had the highest weighting within the supplier development stage of the tender process.

The locomotives are configured to operate under both 3kv DC and 25kv AC power allowing Freight Rail flexibility to deploy them across its GFB. This has significant benefits for efficiency and productivity as it reduces the operating cycle times by saving up to six hours traction type change overs which result from different voltage supplies. Other benefits include:

- The locomotives are more energy efficient as they use less power on Freight Rail's DC drive technology;
- They are capable of regenerating back to the power grid or for own re-use in the AC network;
- Longer maintenance cycles of 90 to 120 days compared to the current 36 to 60 days cuts costs and improved utilisation; and
- Better design improves driver comfort.



Job creation

In 2012/13 Transnet's permanent headcount increased to 64 352 from 61 212 in 2011/12. This comprises 54 726 permanent employees and 9 626 fixed term employees.

Transnet's Macro-Economic Impact Model, 2012 calculates that Transnet has created 24 689 indirect jobs in 2012/13.



Rural development

Through the branch line strategy, Transnet is aiming to increase annual rail volumes for agriculture from the current 5,6mt to 8,8mt by 2019.

The following initiatives were undertaken during 2012/13:

- The branch line between Orkney and Vierfontein was successfully reinstated and opened for traffic;
- Upgrading of the line between Belmont and Douglas to 20 tons/axle from 11 tons/axle commenced;
- The Grahamstown line was successfully reopened;
- The line between Amabele and Mthatha was upgraded; and
- The rebuilding and upgrading of the line between Balfour North and Grootvlei commenced in January 2013.

SR

Refer page 51.

Transnet's corporate social investment (CSI) programme, the Transnet Foundation, has a strong focus on rural areas, making use of the extensive rail network to bring health services to 360 000 patients per annum through Phelophepa health trains. In addition, the Transnet Foundation rural and farm schools sports programme has reached more than 100 000 beneficiaries since inception.

"We believe that the grain industry is one of the areas where Freight Rail can regain its market share and contribute to food security, market expansion and the resuscitation of rural and small towns."

- Mafika Mkwazisi
Board Chairman
3 December 2012



Orkney - Vierfontein branch line

Orkney-Vierfontein branch line revival

2012/13 saw the rural Orkney-Vierfontein railway line handle its first commercial traffic in nine years. The 15,3km railway line is a key connector in Freight Rail's agricultural logistics chain linking the Free State and the North West provinces through the Kroonstad-Bethlehem and Klerksdorp cluster of branch lines. The branch line lay dormant until its revitalisation was given impetus in 2011/12. The project commenced in April 2012 and was completed in mid-October, on time and within budget.

The branch line serves mostly the agricultural industry reducing the distance between Klerksdorp and East London by about 16%, between Durban and Klerksdorp by more than 20%, and between Bothaville and Randfontein by 56%.

The revitalised branch line transports maize from North West to mills in KwaZulu-Natal, and the Durban and East London ports and from the western Free State to mills in Randfontein.

The line will create alternative access to supply Durban when the line between Klerksdorp and Vereeniging becomes unavailable to support the manganese flow and iron ore to Newcastle, Cato Ridge and Durban. It will also serve as an alternative route for passenger trains when either the line between Vereeniging and Klerksdorp, or Orkney and Kimberley becomes unavailable.

In the year under review, Freight Rail moved 70 000t of maize from the Klerksdorp and Coligny areas to Durban for export, while the future tonnage on the reopened line could rise to 150 000t per annum. Domestic maize railed could rise to 80 000t per annum.

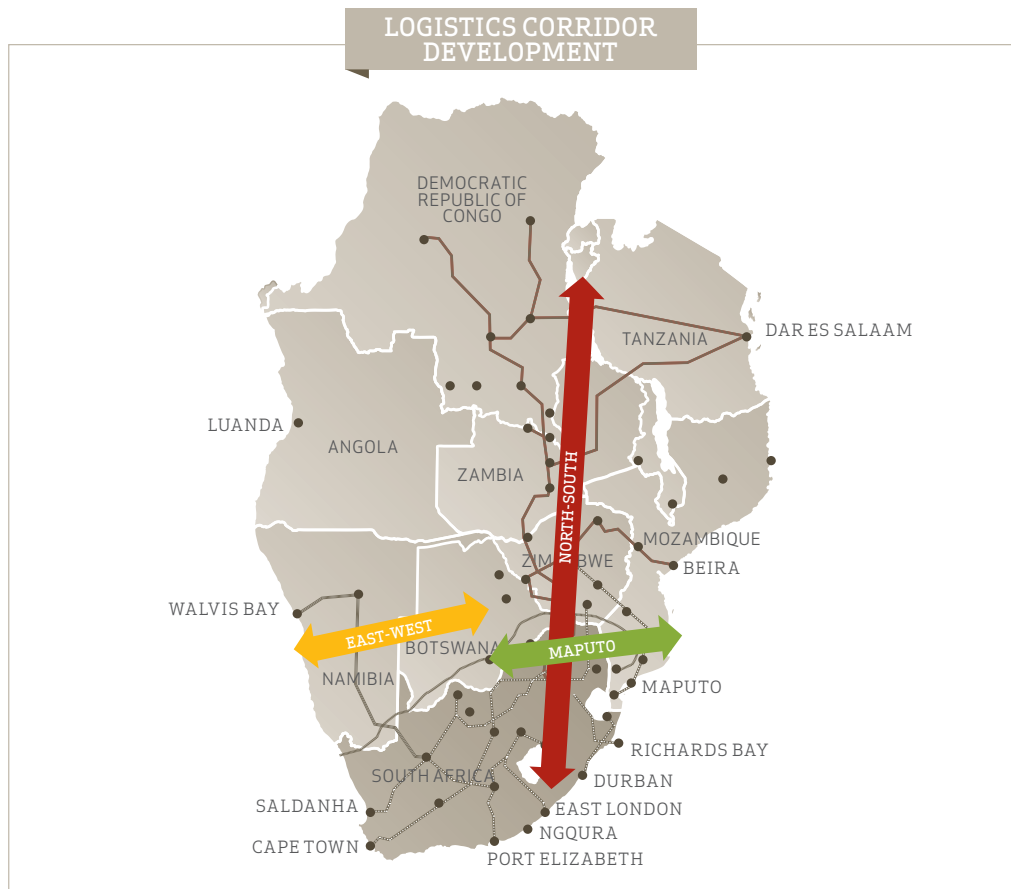


Regional integration

Logistics integration with neighbouring countries is a strategic priority for Transnet. Our future is inextricably linked to connectivity in the region through increased cross border rail volumes, maritime connectivity and opportunities for the manufacture and export of rail rolling stock.

Freight Rail's International Business Unit is based in Johannesburg with satellite offices in Maputo, Gaborone, Lesotho, Bulawayo and Ndola. The primary aim of the unit is to grow cross border volumes and enable regional integration of rail, with particular focus on the following three corridors:

- Maputo Corridor (South Africa, Swaziland and Mozambique);
- East/West Corridor, (South Africa, Namibia, Botswana and Lesotho); and
- North/South Corridor (South Africa, Zimbabwe, Zambia, Democratic Republic of Congo and Tanzania).



A Joint Operating Centre (JOC) has been established in Maputo (Mozambique) and negotiations are underway to establish a JOC in Mahalapye (Botswana) and Bulawayo (Zimbabwe). The main objective of the JOC is to promote alignment between the rail companies that occupy the corridors. The intention is that the rail operators will execute one unified railway system, per corridor, without boundaries between the countries involved.

The JOCs, which will have representatives from each rail company housed in one facility, will achieve the following key strategic objectives:

- Integrated resource planning to promote operational efficiency;
- Real time communication; and
- Effective and rapid deviation management across the different borders.

Freight Rail plans to increase cross border rail volumes from 7,2mtpa to 25,7mtpa over the next seven years.

Transnet Engineering has already achieved success in the manufacture and export of rolling stock to African countries and is developing a product offering specifically designed for this market. Export sales are targeted to increase five-fold to R5 billion per annum by year seven of Transnet's Corporate Plan.

National Ports Authority has begun negotiations with a number of ports both on the East and West coast of Africa with a view to signing port cooperation agreements. The agreements seek to formalise the need to cooperate on the following issues:

- Maritime training;
- Security;
- Advisory and other related services;
- Promotion of port infrastructure, trading opportunities and commercial investments between the regions; and
- Exchange of information and data on port development, terminal operations and cargo flows.

During 2012/13 following a proposal from Transnet, the Port Management Association of Eastern and Southern Africa resolved to develop a regional ports plan which will provide clarity on a number of planning issues for example, which ports will serve as hubs and which ports will play a feeder port role. This will in turn assist in the promotion of a short sea shipping industry that supports regional integration.

Wagon order heralds intra-regional cooperation in Africa

"We will exploit Transnet Engineering's significant capacity and competence with regards to heavy engineering, especially in rail and port equipment manufacturing to drive Africa's industrialisation and therefore economic growth."

- Malusi Gigaba
Minister of Public Enterprises
11 December 2012

On 11 December 2012, the 100th wagon was delivered to Botswana Rail as part of the agreement signed between Transnet Engineering and Botswana Rail in 2012. Under the agreement, Transnet Engineering is manufacturing and delivering specialised wagons to Botswana Rail for the purposes of conveying bulk chemical grade salt from the Sua Pan in Botswana to South Africa. In total, 562 wagons have been ordered. The wagons are being designed, engineered and produced at Transnet's Engineering's Uitenhage plant in the Eastern Cape.

The agreement signifies the diversification of Transnet's engineering business into Africa.



Transnet Engineering's Wheel Business - Koedoespoort



A financially stable business

A financially stable business is critical to achieve the aggressive investment drive of the MDS. Transnet's financial performance over the past year reflects resilience despite macro-economic challenges, enabling the Company to maintain a strong financial position.

- Total assets as at 31 March 2013 amounted to R203,9 billion.
- Cash generated from operations amounted to R22,6 billion (2011/12: R20,6 billion), an increase of 9,6%, evidence of the ability to generate sustainable cash flows.
- The cash interest cover ratio remains strong at 3,7 times (2011/12: 4,2 times). This is above the target of 3,6 times despite an increase in net finance costs resulting from increased borrowings to fund the capital investment programme. It is expected that the cash interest cover ratio will not fall below the target going forward.
- Total funding raised for 2012/13 amounted to R14,6 billion (2011/12: R11,1 billion) despite the uncertain global financial market and the economic growth outlook both locally and internationally. Funding for the year was primarily made up of the following:
 - R8,2 billion from the second Global Medium Term Note (GMTN) issuance;
 - R0,6 billion from the African Development Bank;
 - R2,1 billion of domestic bonds;
 - R1,8 billion from Export Credit Agencies;
 - R1,1 billion of commercial paper issuance; and
 - R0,8 billion from Development Finance Institutions.
- The gearing ratio dropped marginally to 44,6% as at 31 March 2013. This level is still well below the target range of 50% reflecting the significant capacity available to fund future capital expenditure. The gearing ratio is not expected to exceed the target ratio going forward.
- The funding requirement for 2013/14 amounts to R15,6 billion and the Company is confident that it will be able to access the capital markets for the year ahead.

Transnet signed a cooperation agreement with the China Development Bank on 26 March 2013. The parties agreed to explore opportunities for the Chinese bank's

Transnet's US\$1 billion bond

A highlight of 2012/13 for Transnet was the second GMTN bond issuance to US and non-US investors. The issuance was the largest order book ever achieved by a South African corporate which resulted in the lowest ever 10-year US\$ bond coupon (interest) rate of 4,0% by a South African issuer. The bond is the highest amount of money that has ever been raised by Transnet in a single bond issuance without a Government guarantee. At 10 years to maturity, it is also the longest tenure ever issued by Transnet in the international debt capital markets.

Transnet's bond issuance was significantly over subscribed, confirming the confidence of the international financial markets in the South African Government's recently announced infrastructure programme as well as Transnet's strategic direction as outlined in MDS. The bond was competitively priced at 262,5 basis points above the 10-year US Treasuries.

The proceeds from the bond issue will be used to finance the Company's capital investment programme as well as for general corporate purposes.

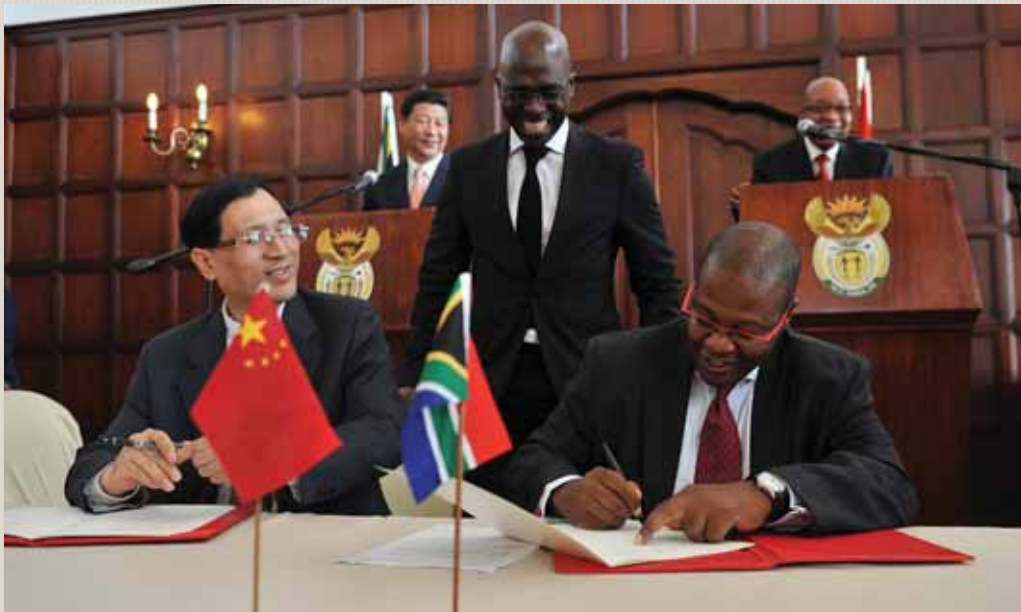
China Development Bank cooperation

collaboration in Transnet's future infrastructure upgrade programmes. All agreements will be concluded in line with Transnet's governance processes including compliance with relevant legislation.

The cooperation includes, but is not limited to, the financing of the construction and upgrade of railway and port infrastructure, localisation of equipment manufacturing; and future collaboration on research and development initiatives, manufacturing, marketing and the construction of cross-border infrastructure.

Commenting on the agreement which was signed at the Union Buildings in Pretoria, Transnet's Group Chief Executive, Brian Molefe said: *"The historic agreement between two State-owned Entities within BRICS (Brazil, Russia, India, China and South Africa) illustrates the opportunities inherent in such diplomatic ties. The agreement will enable us to explore innovative funding options as we pursue our borrowing plan focusing on cost-effective solutions and diversity."*

The agreement was one of the various country-to-country collaboration agreements intended to strengthen economic and trade relations among the different BRICS countries. South African President, Jacob Zuma, his Chinese counterpart, President Xi Jinping, and Minister of Public Enterprises, Malusi Gigaba witnessed the signing of the agreement.



Signing ceremony: China Development Bank CEO Jiang Chaoliang, Minister of Public Enterprises Malusi Gigaba and Transnet GCE Brian Molefe



Private Sector Participation

2012/13 saw the establishment of a Private Sector Participation (PSP) unit in Transnet corporate centre to identify PSP opportunities and develop front analysis, project preparation and obtain approvals to go to market in open tender.

The PSP project portfolio is under development, targeting over R50 billion in PSP aligned to Transnet MDS investment plans. Recommendation will cover PSP prospects in rail, intermodal, port and regional integration.

Feasibility studies for the proposed Durban dig-out port are currently investigating private financing options.



Shunting yard at Germiston



Engineering workshop at Koedoespoort



Tugboat at Port of Durban



Crane movement at Port of Durban



Pipelines at Port of Durban

Social dividends



South African society is profoundly inequitable, borne of a past where access to economic resources and social services were determined by race. Nineteen years into democracy, high levels of poverty and unemployment stubbornly persist, education and healthcare are inadequate, and corruption is pervasive. But South Africa is also a resilient, resourceful and culturally rich society where human potential for excellence is evident every day and where civil society's voice is never silent. This is the society in which Transnet exists, invests and operates. Our railways, ports and pipelines are located in communities, towns and cities. Our people and our customers have families and live in neighbourhoods and villages across the land.

Ever mindful of our social context and what our stakeholders are saying, Transnet's long-term social value creation lies in upholding the highest standards of good governance by being fair, transparent and honest in our dealings with stakeholders; being committed to the transformation of our society through employment equity and black economic empowerment; enabling our employees to achieve their full potential and providing them with safe working conditions; responding with compassion to the needs of communities within which we operate; and building relationships with all stakeholders that creates shared value.

Stakeholders' material social issues 2012/13

What our stakeholders are saying to us about our impact on society	Opportunities to create shared social value
<p>Employees</p> <ul style="list-style-type: none"> - Retain safety focus and education. - Improve supervisory-level management skills. - Entrench dignity and respect. - Recognise and reward exceptional performance. - Continue skills development drive. 	<ul style="list-style-type: none"> - Safety focus vigilance. - Management training. - Embed Culture Charter values. - Enhance talent management system. - Transnet Academy development.
<p>Communities</p> <ul style="list-style-type: none"> - Create local jobs and skills, especially for the youth. - Support education, health, welfare and sports. - Continue safety awareness, especially for railway crossings. 	<ul style="list-style-type: none"> - Recruit for projects locally where possible. - Identify opportunities for youth in GIT programme, apprenticeships, bursaries. - Continuous CSI alignment to needs in local areas of operation. - Empower local organisations with safety campaign knowledge and materials.
<p>Government</p> <ul style="list-style-type: none"> - Community safety awareness. - Enhance employment equity, especially for women and People with Disabilities. - Creation of local jobs and skills. - Optimise social impact of investments and operations. 	<ul style="list-style-type: none"> - Collaboration with provinces and municipalities on community safety. - Identify ways to improve working conditions for women and People with Disabilities. - Proactively identify local job creation and supplier opportunities.
<p>Funders</p> <ul style="list-style-type: none"> - Prevent social unrest and strikes. 	<ul style="list-style-type: none"> - Strengthen relations with organised labour. - Ongoing and executive-level meetings with communities to understand issues of concern.
<p>Organised labour</p> <ul style="list-style-type: none"> - Increase transparency and trust. - Increase wage rates. - Retain safety focus and education. 	<ul style="list-style-type: none"> - Share MDS plans, risks and opportunities. - Identify opportunities to improve operational efficiencies. - Continue focus on safety.
<p>Pensioners</p> <ul style="list-style-type: none"> - Pension benefit increases to Consumer Price Index (CPI). 	<ul style="list-style-type: none"> - Continued engagement by funds to find viable solutions.



Barrier wall constructed between informal settlements and railway line at Bloekombos, Western Cape

AFS Refer to Volume 3 for
Corporate Governance Report.



"Fundamental to us achieving the goals of our MDS is the execution of good corporate governance and fraud risk management."

- Brian Molefe
Group Chief Executive

Transnet was named as one of the top two best run SOCs by the Centre for Corporate Governance at the University of Stellenbosch in October 2012.

"There is a move away from the traditional style of doing business driven by greed and short-term goals. Africa, more than any other continent, needs to show leadership in these areas because perceptions of the continent – for example, of corruption – may affect its ability to attract investment."

- Malusi Gigaba
Minister of Public Enterprises
20 July 2012

Good governance, ethics and zero tolerance of fraud and corruption

Transnet is committed to the highest standards of corporate governance, as espoused in King III, the Companies Act, the Public Finance Management Act (PFMA) and the UNGC. Sound corporate governance principles define and direct the responsibilities of the Board, the Group Executive Committee, prescribed officers and managers. The Company sets objectives, develops plans for achieving them and establishes procedures for monitoring performance. Associated culture, norms and standards are informed by an understanding that governance, strategy, performance, compliance, risk and sustainability are intrinsically linked.

Transnet's Governance Control Framework (GCF) sets the minimum standard of corporate governance controls ensuring that Transnet meets its regulatory requirements and that business decisions are taken within acceptable governance practices. Following the commencement of the Companies Act, 2008 on 1 May 2011, Group Compliance undertook a review of the GCF to ensure that existing controls were compliant with the Companies Act and PFMA. Gaps were identified and the GCF is currently being revised. Transnet's Compliance function's main objective is to ensure that critical legislation impacting on the organisation and related exposures to regulatory requirements are adequately managed in alignment with the Company's strategic business objectives. With the implementation of the MDS, Compliance re-assessed the strategic drivers and identified what compliance risks were eminent. Compliance initiatives are driven at both the Group level where it applies across the organisation and at divisional level where the impact is mostly felt.

Code of Ethics

Transnet is committed to zero tolerance of all forms of fraud and corruption, including extortion and bribery. Transnet's Code of Ethics (the Code) continues to guide a culture of entrenched values and the behaviour of employees to stakeholders, both internal and external. The Code aims to instill a culture of honesty, respect and integrity and overall ethical behaviour in Company representatives engaging with external parties. The Code is reviewed every two years and commits the executive directors and employees to the highest standards of ethical behaviour.

All Transnet employment contracts make reference to the Code. Transnet's service providers, suppliers and trade partners are also subject to the Code. The Code was reviewed in January 2012 for appropriateness. The Company is in the process of compiling a Code of Ethics specifically for the Board.

Conflicts of Interest

To promote transparency, the Declaration of Interests and Related Party Disclosure Policy for Employees was amended in June 2012 in accordance with the Companies Act. The Board has a similar policy. Both policies require the disclosure of personal financial interests, and direct or indirect personal or private business interests (including those of related persons), on an annual basis. In addition, the Company requires all employees to sign confidentiality and “declaration of interest” forms when adjudicating on procurement contracts.

Fraud Risk Management Plan

Transnet manages fraud risk exposure through its Fraud Risk Management Plan (FRMP). As part of its commitments under the UNGC, Transnet recognises that the continuous enhancement of the FRMP in accordance with the Company’s strategic direction ensures that good governance is upheld, employees are kept informed, and effective mechanisms are in place to prevent, detect and report instances of fraud, corruption and other economic crimes. Transnet made a commitment in its SR 2012 to “*accelerated diligence on governance, risk management, and fraud and corruption prevention for MDS implementation*”. As part of this commitment, and with the introduction of the MDS in 2012, there was an inherent requirement to re-align the FRMP to the new business strategy to ensure that any emerging potential fraud or corruption risk exposure, resulting from the execution of the MDS, would be adequately mitigated. Procurement, human capital and enterprise information and management systems are the key focus areas.

Going into 2013/14, the focus is on the implementation of Integrity Pacts and the execution of the Anti-Corruption Compliance Programme.

Integrity Pacts

In the MDS, capital planning and execution, and volumes and customer satisfaction, have been identified as high fraud and/or corruption risk areas due to the procurement and conclusion of long-term contracts associated with these activities. In order to address these potential risks, Transnet compiled Integrity Pacts during 2012/13 which will be entered into between Transnet and any bidder or supplier looking to do business with Transnet. On signing, both Transnet and the bidder or supplier agree to avoid all forms of dishonesty, fraud and corruption including practices that are anti-competitive in nature, negotiations made in bad faith and underpricing by following a system that is fair, transparent and free from any influence/unprejudiced dealings prior to, during and subsequent to the currency of the contract to be entered into. The aim is to:

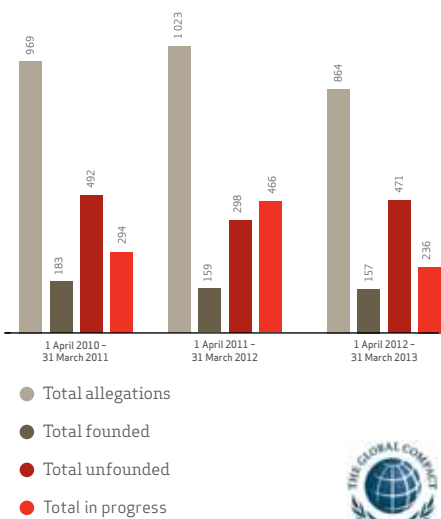
- Enable Transnet to obtain the desired contract at a reasonable and competitive price in conformity to the defined specifications of the works, goods and services; and
- Enable bidders or suppliers to abstain from bribing or participating in any corrupt practice in order to secure the contract.

The Integrity Pacts will be rolled out in significant transactions during 2013/14.

Anti-Corruption Compliance Programme

Embedding a zero tolerance mindset towards corruption is critical to the execution of the MDS. Ongoing reviews of critical processes are undertaken, through which fraud and corruption risks are identified and controls implemented. The first phase of the programme, being the execution of Corruption Risk Assessments, was finalised during 2012/13. The results of these assessments will form the basis for the development and roll out of the remainder of the programme (the development of an Anti-Corruption Policy, an Ethics Climate Assessment and Anti-Corruption Awareness Education) across Transnet in 2013/14.

Tip-Offs Anonymous Hotline Statistics



"Transnet through its employment equity initiatives specifically aims to create an inclusive working environment for all employees embedding the values and principles of equality and diversity in all our activities"

– Nonkululeko Sishi
Group Executive: Human Resources

Ongoing awareness of the Tip-Offs Anonymous Hotline forms an integral part of Transnet's anti-fraud and anti-corruption efforts. The hotline is managed by Transnet Internal Audit and all reported cases are investigated through an established forensics investigation process.

In 2012/13, a total of 864 call reports were received in comparison to 1 023 in 2011/12 and 969 in 2010/11. Of this figure, 157 were founded, 471 were unfounded and 236 are being investigated. The reason for the decrease in allegations can be attributed to improved awareness of the Tip-Offs Anonymous process by Transnet employees, especially in light of the reduction in non-fraud (Human Resources) related allegations reported through the hotline.

A representative workforce

In the SR 2012, Transnet committed to "improved Employment Equity (EE) particularly for women and People with Disabilities", more specifically: increased representation of women to 30% of the Transnet workforce and People with Disabilities to 1,3% of the workforce. In addition, increased representation of African employees to 75%.

With respect to both women and African employees, the representation is below that of the National Employment Action Plan (NEAP) with female employees representing 23,8% of the workforce as compared to the NEAP target of 46,0%; and African employees representing 67,1% of the workforce as compared to the NEAP target of 87,7%. Female representivity, although substantially below the NEAP, has shown a steady and incremental improvement. The challenge remains the attraction and retention of women in a highly operational environment.

Despite not meeting the NEAP targets, Transnet achieved and exceeded its targets for African employees across all occupational levels during 2012/13. However, there is a significant over representation of African male employees at semi-skilled and unskilled levels with representation at 71,2% and 84,0% respectively. This is primarily due to the operational environment of the business.



Tug masters at work – Port of Durban



African employees 2012/13

Occupational level	Actual 2011/12 (Male)	Actual 2012/13 (Male)	Actual 2011/12 (Female)	Actual 2012/13 (Female)
Top management	24	32	22	26
Senior management	155	235	81	104
Professional	1 115	1 364	712	940
Skilled technical	7 540	8 635	3 646	4 496
Semi-skilled	10 817	12 887	2 619	3 636
Unskilled	4 918	3 890	1 061	657
Total	24 569	27 043	8 141	9 859

Female representation is growing steadily with top, senior, professional and skilled technical representation well above 25,0%. Areas for improvement include the semi- and unskilled levels where representation is below 25,0%.

Female employees 2012/13

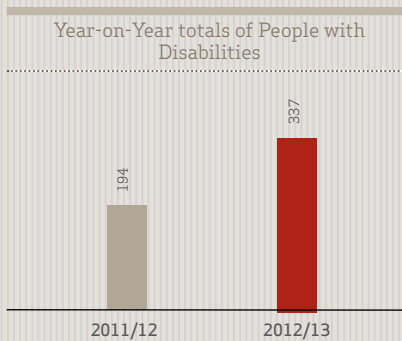
Occupational level	African 2011/12	African 2012/13	Coloured 2011/12	Coloured 2012/13	Indian 2011/12	Indian 2012/13	White 2011/12	White 2012/13
Top management	22	26	2	2	6	7	8	7
Senior management	81	104	21	23	26	32	31	33
Professional	712	940	117	127	118	138	191	190
Skilled technical	3 646	4 496	522	597	183	202	884	900
Semi-skilled	2 619	3 636	340	398	66	76	224	245
Unskilled	1 061	657	91	69	12	2	22	22
Total	8 141	9 859	1 093	1 216	411	457	1 360	1 397

As a signatory to the UNGC, Transnet is committed to upholding the elimination of discrimination in respect of employment and occupation. Representation of People with Disabilities forms a key focus area for Transnet in its transformation agenda where there has been an improvement from 0,8% in 2011/12 to 1,4%, above the target of 1,3% for 2012/13. The increase is mainly due to the targeted recruitment and communication efforts carried out during the year.

The EE Plan for 2013/14 will continue to focus on Transnet's commitment to EE principles namely, the elimination of unfair discrimination and implementation of affirmative action measures to achieve a workforce that reflects the national economically active population of South Africa across all occupational levels. Targets for 2013/14 for Africans, Females and People with Disabilities are:

	Target 2012/13 %	Actual 2012/13 %	Target 2013/14 %
African	75	80,5	76
Females at Group Executive Committee	50	41,7	50
Females at Extended Executive Committee	50	37,3	50
Females below Extended Executive Committee	30	23,8	35
People with Disabilities	1,3	1,4	2,0

Freight Rail champions People with Disabilities



"...people who have disabilities are able to do things as well as, or even better than, able-bodied people..."

- Helen Ndamase
Freight Rail Employee

As part of human capital transformation, Freight Rail has in the past year embarked on a targeted recruitment of People with Disabilities. This resulted in a total of 337 People with Disabilities employed in comparison to the prior year total of 194.

The following initiatives to improve the accessibility of People with Disabilities to office buildings were implemented at Freight Rail during 2012/13:

- Inyanda House Precinct: buildings have ramps to allow wheelchair access;
- Inyanda House 2, Fourth Floor: entrance doors were modified to open automatically once access card is swiped;
- Esselenpark Precinct: ramps constructed to allow wheelchair access on the ground floor. Buildings do not have elevators and so People with Disabilities are currently restricted to the ground floor. This is an area of future improvement.

Challenges to be addressed in 2013/14:

- Inyanda House Precinct: all restrooms for People with Disabilities are located on the ground floor. People with Disabilities friendly restrooms should be available on all floors.
- Inyanda House Precinct: entrance doors need to be automated and the points where access cards are swiped being put in easy reach.

Key objectives for 2013/14 include:

- Increasing the representation of African people at management level;
- Increasing the representation of women (African women in particular) at all levels;
- Increasing the representation of People with Disabilities at all levels; and
- Aligning to NEAP demographics at levels with significant over representation (semi- and unskilled levels).

To meet these EE objectives, specific initiatives for 2013/14 include:

- Developing specific recruitment strategies to attract non-designated and designated groups other than African males into semi- and unskilled levels;
- Embedding the implementation of the integrated approach between EE, skills development, talent and recruitment to ensure the achievement of EE targets for women and People with Disabilities;
- Specific development programmes for women designed to increase representation in senior and mid-management levels;
- Continued facilities improvement for People with Disabilities; and
- Implementing a formal process for the assessment and management of disabilities for existing and new employees.



Safety first

The nature and scope of Transnet's operations necessitates a proactive and concerted effort in maintaining the highest standards of safety through "zero harm." In the SR 2012, Transnet committed to *"heightened safety efforts to achieve zero fatalities."* We always place the safety of colleagues, contractors and members of the public first. Safety is one of the key focus areas of the MDS. Safety performance is measured against industry recognised indicators such as the disabling injury frequency rate (DIFR), fatalities, loss incidents and derailments.

Transnet has experienced a general increase in the DIFR over the past year from 0,65 in 2011/12 to 0,74 in 2012/13. The rate has however, dropped by 44% over the past seven years which is exceptional compared to international standards but not good enough. The number of disabling injuries increased by 16% from 543 in 2011/12 to 629 in 2012/13. This increase is attributed to an incident of food poisoning at Esselen Park on 9 October 2012 which resulted in 66 casualties being reported.

Tragically, the Company reported nine employee fatalities in 2012/13 compared to seven in 2011/12. Three of these fatalities involved criminal activities whereby employees were attacked and fatally injured while on duty. Five of the fatalities were in motor vehicle-related accidents, one of which occurred within Transnet's area of operation. One incident involved an employee who passed away after responding to a rescue emergency.

We remember our colleagues who tragically died at Transnet workplaces during 2012/13:

- Mr Robert Mudau – 24 April 2012
- Ms Nare Mashamaite – 4 June 2012
- Mr Wiseman Olive Mandla Mdladla – 7 July 2012
- Mr Willem Janse van Rensburg – 21 July 2012
- Mr Rudzami Makhanikhe – 1 October 2012
- Mr Augustus Samuel Ngomane – 20 November 2012
- Ms Bongokuhle Patricia Nkosi – 5 December 2012
- Mr Sizwe Dumisani Gule – 7 December 2012
- Mr Simiso Wiseman Sibiya – 6 January 2013

Public fatalities are higher than 2011/12 with 125 public fatalities reported for 2012/13 compared to 100 reported in 2011/12. In a single incident at Hectorspruit on 13 July 2012, 25 people tragically lost their lives as a result of a coal train colliding with a truck carrying 48 farm workers.

Public fatalities due to level crossing incidents account for 23%. Level crossing accidents pose a major challenge to Freight Rail operations. In collaboration with local municipalities, schools, the South African Police Service and other relevant stakeholders, Freight Rail continued with its Level Crossing Awareness Campaign in 2012/13 educating communities, the public and children about the dangers of living close to or next to railway lines. Level crossing accidents for 2012/13 total 81, down from 117 in 2011/12. Trespassers in the rail reserve account for 53%

"The safety of our colleagues is paramount and at the forefront of our desire to ensure a safe, efficient and effective organisation."

- Brian Molefe
Group Chief Executive



Annual Safety Competition Day





Golden Safety Actions in practise

of public fatalities – a challenge that Freight Rail has with the encroachment of informal settlements in the railway reserve, fencing and access control.

In an attempt to prevent such fatalities from occurring in the future, Freight Rail constructed the following security barricades during 2012/13:

- Security wall at Mpilisweni (Gauteng Province) at a cost of approximately R6 million;
- Wall at Bloekombos (Western Cape) at a cost of approximately R3,5 million; and
- Fence at De Doorns (Western Cape) at a cost of approximately R2 million.

There has been a notable increase in the number of loss incidents for 2012/13, a total of 1 417 compared to 1 122 for 2011/12 indicating a deterioration of 26,0%. The total estimated cost of these incidents is R537 million. The severity per incident has increased by 5% compared to the levels of the comparative period.

Running line derailments have declined from 87 in 2011/12 to 85 in 2012/13. Shunting derailments declined year-on-year from 215 to 267.

The Seven Golden Safety Actions

 <i>I will not perform unsafe work and put myself and others in danger</i>	 <i>I take responsibility for myself and my team and I don't blame others</i>
 <i>If I don't understand and if I have a problem, I speak up and say so</i>	 <i>No matter what my level I contribute to improving safety</i>
 <i>I always prepare, check and report unsafe acts and conditions</i>	 <i>I rest well and work safely</i>
 <i>I know the standard operating procedures and safety rules, follow them and don't take shortcuts</i>	

Safety Culture Programme

The Safety Culture Programme is aimed at embedding safe practices and behaviours to promote a safety mindset. The programme is implemented using the competitive framework of a soccer league. Safety Leagues compete for prize money which is used towards morale-boosting facilities such as canteens. Performance is measured on unplanned absenteeism, personal protective equipment usage and breathalyser statistics. In its third year since launch, the Leagues has grown to 86 sites across Transnet with 20 sites in the Golden Safety League, 10 in the Platinum Safety League and each Operating Division running internal Safety Leagues reaching over 30 000 employees. Improvements recorded at League participating sites include:

- Training of supervisors and managers on how to effectively manage absenteeism. This has heightened awareness on how absenteeism impacts operational efficiency and has resulted in a measurable reduction of absenteeism overall.
- All sites participating breathalyse at least once a day on entry, with Platinum Safety Leagues breathalysing more frequently (at minimum on entry and exit).
- Communication focusing on engaging employees has increased, measured through the quality and frequency at which safety symposiums are held.

Transnet holds an Annual Safety Competition Day in April incorporating a practical first-aid competency competition, a fire safety competency competition and the finals of the Transnet occupational health and safety representative competition. The competitions motivate, encourage and reward deserving collective and individual efforts in the field of health and safety. This event also assists in measuring the level of skills and preparedness in the respective fields.



Staff wellness

The wellness of Transnet's employees remains an important aspect of Transnet's Human Resources strategy. During 2012/13 Transnet continued to focus on the following Staff Wellness programmes:

- Absenteeism management;
- Disease management;
- HIV/Aids; and
- Employee assistance.

Absenteeism Management Programme

The unplanned absenteeism rate decreased by 17% in comparison to the same period in 2011/12. The sick absenteeism rate has reduced by 12%. The integration with the Safety Culture Programme has contributed to the overall reduction of absenteeism by raising awareness and providing managers and supervisors with the necessary skills to pro-actively manage absenteeism.

Disease Management Programme

The Disease Management Programme assists Transnet employees who are medically uninsured. If a medically uninsured employee tests positive for HIV, they are able to access anti-retroviral treatment through the programme and it is funded by Transnet. In addition, the programme provides post-exposure prophylaxis where required and treatment for prevention of mother to child transmission.

There was an increase in registrations for the medically uninsured from 97 in 2011/12 to 138 in 2012/13. Registering employees remains a challenge in the case of HIV testing. An HIV/Aids actuarial prevalence study was completed during 2012/13 confirming a 12% prevalence rate, and indicating that Transnet's HIV education and training, as well as access to treatment is proving effective in the fight against HIV/Aids.

Employee Assistance Programme

The Employee Assistance Programme provides the following services:

- Psycho-social counselling services;
- Education and awareness on various wellness related topics;
- Health risk assessments and HIV screening;
- Executive wellness assessments; and
- Safety risk assessments.

The Employee Assistance Programme showed a significant increase in the clinical utilisation rate of 16% compared to 8.4% in 2011/12. Employees access the service for both work and personal problems. The severity of some cases could have posed a risk for Transnet if not addressed. These included potential suicides, homicidal intent, depression as well as safety risks. Substance abuse featured significantly as a continued behavioural risk for mitigation.

Transnet's Disease Management and Employee Assistance Programmes showed a significant increase in the number of employees seeking such assistance during 2012/13, indicating that the emphasis on creating awareness of these programmes during 2011/12 proved effective.



Employee at Koedoespoort



Employees at Saldanha

Transnet Culture Charter

- A safety mindset
- Good communication
- Business focus
- Respect and dignity
- Being empowered to perform our jobs
- Recognition and reward for good work
- Delivering on our promises

Audit work to black-owned firms

Transformation of the accounting and auditing profession was enhanced on 25 March 2013 when Transnet appointed home-grown accounting and professional services firm, SekelaXabiso, to lead its internal audit function for the next five years. SekelaXabiso will have a 40% share of the work, Nkonki Inc 20% and KPMG 40%. Nkonki's share peaks at 35% while SekelaXabiso's will rise to 45% by year five.

On 20 February 2012, Transnet appointed SizweNtsalubaGobodo as external auditors in a deal worth an estimated R450 million over five years.

The two audit contracts take the total value of Transnet audit work performed or lead by local black-owned firms to nearly R2 billion per annum.

The Culture Charter

The Transnet Culture Charter defines a set of behaviours required from all Transnet employees to facilitate the achievement of the organisation's strategic objectives. Since the adoption of the Culture Charter in 2008, employees have annually been given the opportunity to score how well they believe the Company is living the culture behaviours in the workplace. The last scoring took place in November 2011, marking the highest level of employee participation with 28 772 employees scoring, an increase of 12 450 from the previous year. Results of annual scoring are used as a guide for developing initiatives that will best result in behaviours that drive a high performance culture.

In 2012/13, focus was placed on strengthening the implementation of the various Culture Charter interventions by focusing on:

- Strengthening the organisational structure that will be responsible for the management and the delivery of Culture Charter interventions at an Operating Division level;
- Ensuring stakeholder engagement across all levels of the organisation through existing structures and forums to enable and facilitate ownership of the culture behaviours at an Operating Division level; and
- Incorporating and embedding the Culture behaviours into existing Human Resource and business processes.

Broad-based black economic empowerment

Transnet's B-BBEE policy is based on the B-BBEE Act No. 53 of 2003. Objectives include:

- Implementation of the legislation to achieve Government's developmental objectives;
- Ensuring that all aspects of B-BBEE legislation are communicated, properly understood and applied across the Company; and
- Ensuring that Transnet is accredited as required by legislation.

As a SOC, Transnet has been verified using the adjusted scorecard under the Generic Transport Public Sector Scorecard that includes six of the seven elements of the Scorecard (management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development) with no ownership element being measured. Transnet achieved a Level 3 in 2012/13 indicating a progressive performance over the last three years, and further indicating being on track to achieve a Level 1 by 2016/17.

Transnet B-BBEE rating 2012/13

Operating division/ specialist unit	B-BBEE contributor status level			Charter applied
	2010/11	2011/12	2012/13	
Transnet SOC Ltd	5	4	3	Generic Transport Public Sector
Pipelines	6	5	4	
Capital Projects	5	5	4	
Freight Rail	4	3	3	Rail Charter
Transnet Engineering	5	4	3	
Port Terminals	4	4	4	Maritime Charter
National Port Authority	6	6	5	
Transnet Property	8	6	6	Property Charter



Corporate social investment

The Transnet Foundation is Transnet's custodian for CSI, which in 2012/13 spent R132 million (including capital expenditure) on five major programmes: the award-winning Phelophepa healthcare train, container assistance, rural and farm schools sport, education, and employee volunteer initiatives. In addition, the Operating divisions respond proactively to the needs of vulnerable communities surrounding their operations.

The Phelophepa: Train of Hope

Phelophepa is the flagship project of the Transnet Foundation and with the unveiling of Phelophepa II in March 2012, Transnet reaffirmed its commitment to help South Africa achieve the United Nations Millennium Development Goals (MDG) which include reducing child mortality, improving maternal health, and combating HIV/Aids, malaria and other diseases. Phelophepa I made history when it became the first South African CSI initiative to receive the prestigious United Nations Public Service Award for its excellence in public service delivery in June 2011. The train has affectionately become known as the "train of hope" and the "train of miracles".

On average, Phelophepa treats 1 500 patients per week, offering medical services and medication at a very low price. This affordable healthcare is possible through the assistance of student doctors who live on the train, and volunteers. Four out of five South Africans depend on public healthcare but access to hospitals and clinics remains difficult for many people living outside the city centres. Phelophepa bridges this gap in rural communities. With the launch of Phelophepa II, the number of patients being reached has increased to 360 000 per year. Phelophepa services include: dental, optometry, pharmacy, oral and vision screening, HIV counselling, health education and psychological counselling. In addition, the train offers South African and international final-year professional health students practical experience in nursing, dentistry, optometry, psychology and pharmaceuticals.



Phelophepa combines elements of Sotho and Tswana and means "good, clean health."

Phelophepa II was engineered and built at Transnet Engineering's facility in Salt River at a cost of R82 million.

"Coming on the train has opened my eyes to so many different things. Going out into these communities has awakened my spirit of Ubuntu and encouraged me to want to make a difference in the communities."

- Asisipho Petela
Psychology Student

"It helps us to minimise the boundary between us and the rural people."

- Dr Marge Lyell
Eye Doctor



Phelophepa health train visiting Nigel



Collecting medication

"It is our firm belief that the success and sustainability of programmes of this nature depends on strong partnerships between communities, Government departments and local municipalities."

– Nonkululeko Sishi
Transnet Group Executive:
Human Resources



School sport development

Transnet's partner sponsors for Phelophepa are Roche and Colgate-Palmolive South Africa.

In the year ending 2012/13, Phelophepa provided:

- High-end primary quality healthcare at nominal cost compared to public health facilities offering similar services/care;
- Internship opportunities to 820 university medical students; and
- Oral, dental, eye screening and health education to 159 652 primary school learners in quantiles one and three along the Phelophepa route.

Teenage health programme

In 2011/13, the Transnet Foundation introduced a teenage health programme for girls beginning in schools in the North West and Northern Cape provinces. Schools with high girl absentee rates were identified. Girls participating in the programme were provided with toiletries and healthcare products. A total of 3 600 teenage girls were reached during the first year of implementation.

Container assistance

Transnet Foundation's collaboration with the South African Police Service and Provincial Departments of Social Development to address the infrastructure backlogs in under-resourced areas uses recycled and refurbished containers fitted with solar panels. The containers are used as children's homes, police stations, business premises and community centres.

Collaboration with Freight Rail and Transnet Engineering in building these multi-purpose centres in areas experiencing high incidence of cable theft, disruption of rail activities has seen these crimes reduce. The provision of services such as social grants access points and HIV/Aids support services has enhanced relationships between Transnet and the communities. In the year under review, a partnership between the Foundation and the Department of Social Development saw the erection of a R1.1 million multi-purpose centre in Nkomazi, Mpumalanga. This centre was built in response to the need of the community for basic social services, located 60 kilometres from Nkomazi, in Tonga and Shingle.

Since the programme started in 2001, Transnet has invested R27 million and has built 19 satellite police stations and 14 multi-purpose centres.

Rural and farm schools sport development

The Rural and Farm Schools Sport programme provides sport training and infrastructure in rural areas. The programme targets 13 to 17 year olds from the poorest rural areas in the Free State, KwaZulu-Natal, Limpopo, North West, Northern Cape and Eastern Cape. Since its inception in 2001, more than 100 000 learners have benefitted from the programme and approximately 3 000 teachers have been trained and accredited as coaches, umpires and referees.



Education

During 2012/13, Transnet launched the Orphaned Youth Education Development programme within its education portfolio. The programme's initial focus is to recruit orphaned youth from the North West, Mpumalanga and KwaZulu-Natal provinces and to provide them with comprehensive and continuous structured support throughout their school career until tertiary level. A total of ten youth have been recruited (three male and seven female) and are receiving educational support from Transnet. On completion of their schooling, they will be supported at tertiary level, and could eventually be recruited as Transnet employees.



Educating our youth

Employee volunteers

The Employee Volunteer Programme gives Transnet employees the opportunity to volunteer their time in communities in selected villages in which the Company operates. "Volunteers for Villages" commenced in July 2011 and the following villages were selected for a period of three years: Inanda, Durban; Motherwell, Port Elizabeth; and Diepsloot, Johannesburg. The programme matches the broad range of skills and knowledge in Transnet with the broad range of developmental needs of a receiving community in need, whether it is infrastructure development, job creation or skills development. Time spent working in the village counts towards employees' performance appraisals as well as Transnet's B-BBEE score. In addition, the programme aims to increase the scope of Transnet's procurement by developing the business competency of the SMMEs in the benefitting community and growing these businesses to become suppliers for Transnet. In the coming year, plans to include the West Coast in the Western Cape and De Aar in the Northern Cape are being pursued. 1 979 Transnet employees participated in the programme in 2012/13.

In the coming year, the Foundation aims to develop qualitative indicators to measure each programme's impact, strengthen standards for conducting due diligence as well as appoint appropriately skilled personnel to conduct due diligence.

"We have a wealth of skills and knowledge to share, and the Employee Volunteer Programme is an opportunity for Transnet to build a vibrant culture of giving among our colleagues and stakeholders."

- Susie Mabie
Senior Manager:
Transnet Foundation

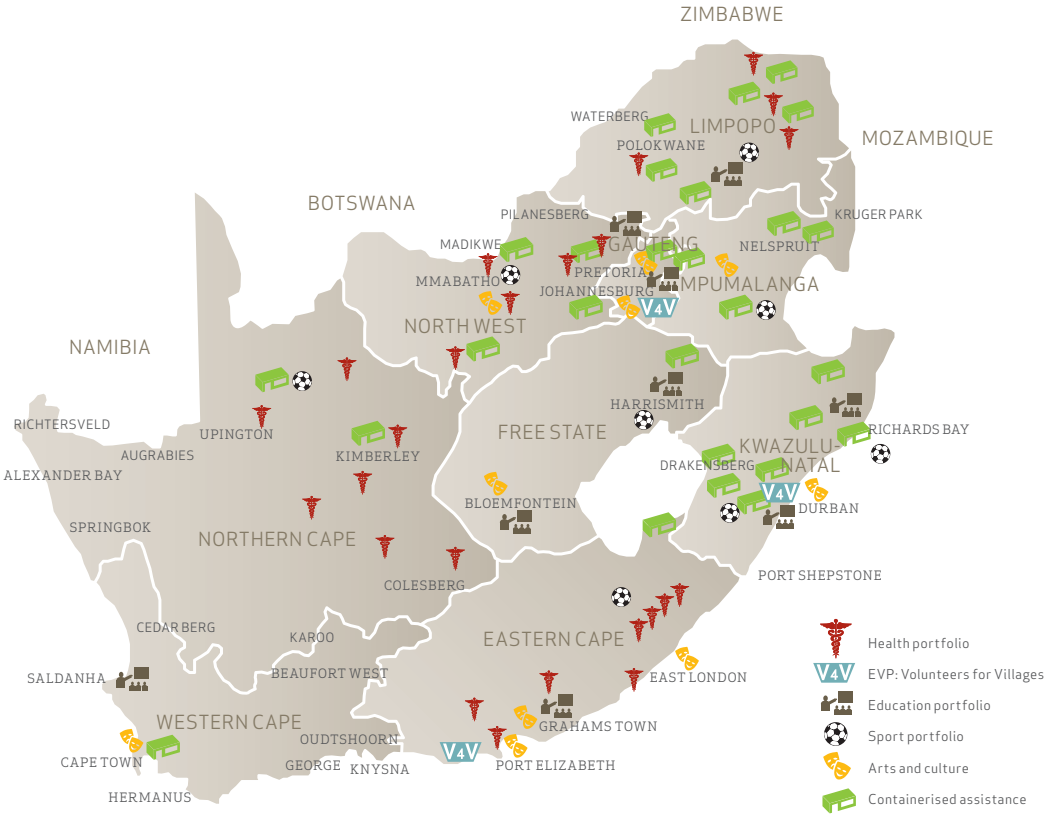


Phelophepa II



The commissioning of Phelophepa II at Salt River Engineering

TRANSNET FOUNDATION'S REACH
ACROSS SOUTH AFRICA 2012/13¹



¹Historically, Phelophepa I visited alternate provinces every second year. With the addition of Phelophepa II, all provinces will be visited on an annual basis.



PHELOPHEPA HEALTHCARE TRAINS STOPS

- Mthatha
- Bityl
- Dutywa (Idutywa)
- Sihota (Kel Bridge)
- Mdantsane (Mt Ruth)
- Dimbaza
- Middledrift
- Alice
- Fort Beaufort
- Hermitage (Addo)
- Swartkops
- Colesberg
- Upington
- Prieska
- De Aar
- Douglas
- Beaconsfield (Kimberley)
- Sishen
- Taung
- Lichtenburg
- Mafikeng
- Heystekrand (SunCity)
- Marikana
- Polokwane (Pietersburg)
- Musina (Messina)
- Makhado (Louis Trichardt)
- Tzaneen

VOLUNTEERS FOR VILLAGES

- Diepsloot (Johannesburg)
- Motherwell NU2 (Port Elizabeth)
- Inanda (Durban)

TEACHER EDUCATION

- Durban South and Matubatuba KZN
- Sekhukhune, Limpopo
- Makana, Eastern Cape
- Motheo, Free State
- Moretele, North West
- Saldanha
- Phuthaditjaba (Qwa-qwa)

SPORT DEVELOPMENT

- Lady Frere, Eastern Cape
- Qwa-qwa, Free State
- Ixopo (Sisonke District), KZN
- Sekhukhune, Limpopo
- Moses Kotane Rural, North West
- Kuruman District, Northern Cape
- Piet Retief and Oshuk Rural areas, Mpumalanga
- National – Transnet football school of excellence
- National – Sport incubator projects

ARTS AND CULTURE

- Johannesburg
- Pretoria
- Port Elizabeth
- Cape Town
- Durban
- Bloemfontein
- Grahamstown
- Emalahleni (Mpumalanga)
- Mafikeng
- East London

CONTAINER ASSISTANCE

Northern Cape

- Kimberley – Roodepan
- Kimberley – Galeshewe
- Mothibistad – Heuningvlei
- Kimberley – Delporthshoop
- Kimberley – Galeshewe

KZN

- Dundee
- Pomeroy
- Durban – CBD and Ndwedwe, Adams mission
- Pietermaritzburg – Impendle
- Empangeni
- Jozini – Ingwavuma
- Melmoth – Ekombe

Eastern Cape

- Kokstad – Ntabankulu
- Kokstad – Dutyini
- Kokstad – Matatielele
- Mthatha – Elliotdale
- Queenstown
- Mthatha – Seymour

Free State

- Vrede
- Mpumalanga
- Malelane – Nkomazi and Malelane
- Ermelo
- Bushbuckridge

Gauteng

- Bronkhorstspuit
- Soshanguve
- Lenasia South
- Cosmo City
- Springs
- Soweto – Braamfischerville
- Diepsloot

North West

- Klerksdorp – Khuma
- Pretoria – Garankuwa
- Rustenburg – Boitekong
- Vryburg – Stella
- Vryburg – Taung
- Mafikeng Magobistad

Limpopo

- Groblersdal – Rakgoadi
- Moutse
- Potgietersrus Bakenburg
- Tinmyne
- Polokwane – Aganang
- Thohoyandou – Muswodi
- Makhado – Madombidzha
- Tzaneen – Mokwakatla
- Jane Furse – Masemola
- Burgersfort – Driekop
- Burgersfort – Tafelkop

Western Cape

- Khayelitsha
- Nyanga
- Worcester – Masakhane

Customer Survey 2012

In October 2012, Transnet conducted its annual survey of top 20 customers across Freight Rail, Transnet Engineering, National Ports Authority, Port Terminals and Pipelines.

The 2012/13 results have shown a significant improvement across all Operating divisions in:

- Infrastructure and capacity;
- Customer relations and communications;
- Strategic business alignment and planning; and
- Knowledge, skills and innovation.

Despite this, operations and service delivery are still not rated by customers as satisfactory.

The survey has highlighted that Transnet needs to strive towards sustained service delivery. The Company will continue to develop short- and long-term performance targets aimed at improving service culture. This resolve is embedded in the MDS.



Employee engagement at Ermelo

Proactive stakeholder engagement

Transnet's wide range of stakeholders are integral to our MDS and sustainability agenda. In 2012/13, Transnet engaged its stakeholders extensively. The Group Chief Executive spent significant time with a variety of customers, Government departments, provinces, municipalities, suppliers, regulators, investors, communities and employees. Within Transnet's management structures, and throughout its operations, engagements are continuous. Every major capital investment project and every significant change to an operating system involves extensive engagement with interested and affected parties – typically Government, customers, suppliers, employees, unions, financiers, media and communities. In the regulated parts of our business, there is interaction with the regulators. In all matters affecting labour, we have structured relationships with recognised trade unions. Infrastructure planning is done in coordination with national, provincial and local Government, other SOC's, long-term customers and other logistics service providers. Relationships with our day-to-day customers receive high levels of constant management attention. Communities in our areas of work are engaged on many issues concerning safety, local economic development, the environment and CSI. With a growing regional interest, we are increasing interaction with embassies and trade missions in Africa. As a SOC, there is structured interaction with our Shareholder on all aspects of the Transnet business.

Transnet's stakeholder engagements for 2012/13 are summarised in the table at Annexure A. The common and most material issues arising from Transnet's engagements with stakeholders in 2013 align directly with the focus areas of the MDS and can be summarised as follows:

- "Provide infrastructure capacity ahead of demand in support of economic growth";
- "Be responsive to customers, improve efficiencies and reliability";
- "Create opportunities for local suppliers, develop skills and create jobs";
- "Recognise and reward employees";
- "Be financially stable"; and
- "Be socially and environmentally responsible."

SR Refer to
Annexure A.



The following risks and opportunities have emerged from stakeholder engagements in 2012/13:

Risks

- Customer responsiveness;
- Relations with organised labour and some communities;
- Shareholder expectations relative to the economic and organisational context;
- Infrastructure investment alignment with both Government, private sector and customers plans;
- Capacity to implement investment plans;
- High community expectations;
- Employee wellness (health and safety) and supervisory level support;
- Policy and regulatory uncertainties;
- Supplier development effectiveness; and
- Environmental issues that impact communities.

Opportunities

- Foster a culture change approach to customer responsiveness;
- Focus on efficiency and productivity;
- Employee and organised labour buy-in to MDS;
- Engagement with policymakers to achieve policy and regulatory certainty;
- CSI in communities at key operational sites;
- Work closely with all spheres of Government and private sector to align infrastructure investments;
- Streamline supplier development systems and deepen localisation; and
- Proactively address environmental concerns.

In the SR 2012, Transnet committed to *"tracking of stakeholder engagements across Transnet"*. We acknowledged that our many stakeholder engagements need to be monitored and analysed in a more systematic way. A Stakeholder Engagement Analysis was therefore conducted across the Company in 2012/13 to determine the quality of our engagements and identify ways to improve. Various best practice models and standards of stakeholder value creation were consulted. The three AA1000 AccountAbility Principles for stakeholder engagements namely, inclusivity, materiality and responsiveness were applied. The analysis revealed that the wide range of stakeholder engagement activities and maturity levels are uneven across the Company.

Looking ahead

The following steps are being taken in 2013/14 to institute a more systematic management approach to stakeholder engagement:

- A Stakeholder Engagement Policy will be adopted to guide, streamline and embed the Company's stakeholder engagement approach.
- A Stakeholder Engagement Process Control Framework will be adopted to assign accountability and record, analyse and report material issues throughout each year.
- Systems enablement will be pursued to incorporate stakeholder engagement monitoring into Enterprise Performance Monitoring and Enterprise Risk Management.
- Quality of relationships assessments will commence in pilot areas.
- Maturity assessments will be undertaken, using sample surveys.
- Risk management and corporate planning will explicitly incorporate stakeholder engagement analysis and response.
- Integrated and sustainability reporting will enhance the application of stakeholder responsiveness.

Environmental dividends



We understand Transnet's environmental context, impact and responsibilities in five key respects:

- Transnet's business is conducted across South Africa's rich ecosystems: in coastal waters, over mountains, rivers, wetlands, semi-deserts, valleys, forests, fynbos and veld. Through these systems, we build infrastructure, operate equipment, and handle large volumes of cargo. Every day, our employees, contractors, suppliers and customers have an impact on the natural environment and depend on it for their livelihoods. Our responsibility is to mitigate this impact and protect our invaluable natural heritage.
- To run our Company, we use electricity, diesel and water, and we generate waste. Electricity, Transnet's primary source of energy, is supplied by South Africa's coal-fired power stations which emit large quantities of greenhouse gases (GHG) into the earth's atmosphere, contributing to global warming. Diesel, imported from oil-extracting countries and manufactured by emissions-intensive processing locally, emits GHG at a high cost to the environment, both in climate change and localised air quality. Our responsibility is to be energy efficient and introduce low-carbon energy sources into the business. We use water but need to quantify and manage what we can save. We comply with waste management regulations but we need to recycle more.
- Owning and operating the 20 500km railway network, provides Transnet with a significant opportunity to reduce the freight transport sector's carbon emissions by moving more cargo off road and onto rail.
- As a bulk freight transporter in a coal-producing country, Transnet moves millions of tons of coal every year to power stations and export facilities, and continues to invest in new railway capacity to meet the relentless demand for coal from growing economies both locally and abroad. We are mindful that this is both a value proposition and a risk as the world seeks alternative forms of cleaner energy to sustainably support growing populations. Our planning takes account of this complexity and seeks to manage the inherent risk.
- As the owner and operator of ports, railways and pipelines, Transnet's infrastructure is vulnerable to erratic and violent weather events, particularly coastal storms and floods, and changing geographic patterns of water availability and scarcity. Our infrastructure planning is being adapted accordingly.



Stakeholders' material environmental issues 2012/13

What our stakeholders are saying to us about our impact on the environment	Opportunities to create shared environmental value
Government <ul style="list-style-type: none"> - Increase modal shift from road-to-rail to reduce carbon emissions, save the roads, reduce logistics costs and improve safety. - Comply with environmental regulations. - Be proactive on climate change mitigation. - Be energy efficient. - Conserve water. - Enhance biodiversity. - Share data to support policymakers. 	<ul style="list-style-type: none"> - Direct alignment with Transnet's road-to-rail market share drive. - Enhanced capacity for environmental management. - Pioneer options being explored to adopt new technologies for carbon mitigation and energy efficiency. - Water audits and plans. - Site-specific biodiversity initiatives. - Improve data availability.
Communities <ul style="list-style-type: none"> - Mitigate the impact of dust, noise and waste where it arises in areas of operation. - Move more cargo on rail. - Protect local ecosystems in areas of operation. 	<ul style="list-style-type: none"> - Innovation and collaboration pursued to manage dust, noise, waste and protect ecosystems.
NGOs <ul style="list-style-type: none"> - Be a leader in climate change mitigation. - Promote biodiversity. - Disclose carbon emissions. - Account for water use. 	<ul style="list-style-type: none"> - Pioneer options for carbon mitigation under investigation. - Partnerships with NGOs on common initiatives and to share best practice. - CDP participation; Water Disclosure Project planned.
Funders <ul style="list-style-type: none"> - Account for environmental impact. 	<ul style="list-style-type: none"> - Sustainability Reporting disclosures improving annually, process controls and assurance being introduced.
Research institutions <ul style="list-style-type: none"> - Make use of technical skills and innovation for research and development into environmentally friendly solutions. 	<ul style="list-style-type: none"> - CSIR and Wits engineering partnerships in place.



Echwebeni Conservation Site at Richards Bay

On 5 July 2012, the Minister of Public Enterprises launched the Climate Change Policy Framework for SOCs with the aim of “optimising the impact of SOCs on the reduction of carbon emissions and development of a green economy.”

Transnet has made the following progress in its work on climate change mitigation in the year under review:

- Modal shift from road-to-rail continues to deliver positive carbon emissions reductions in the transport sector.
- Transnet’s carbon emissions are measured and reported in the CDP for the second year in 2013, with improved accuracy, enabling proactive emissions targeting within the business.
- A carbon calculator has been developed to calculate the carbon emissions benefit of moving specific tonnages of cargo from specific origins to specific destinations in South Africa by rail instead of road. The calculator applies the particular rail tractive power (electric or diesel) of each route to calculate the carbon footprint of tonnage.
- A Company-wide focus on electrical energy efficiency with operations-specific targets and performance monitoring has reduced Transnet’s Scope 2 emissions and increased awareness of energy management.
- A comprehensive Energy Security and Carbon Mitigation Strategy study commenced in 2012/13 to formulate Transnet’s short and long-term plans for energy and carbon across the business. This will be completed in 2013/14.
- Climate change adaptation strategies are being developed as part of Transnet’s LTPF.



TRANSPORT SECTOR

CARBON EMISSION SAVINGS IN

TOP 10 ROAD-TO-RAIL VOLUME GAINS IN

2012/13 AMOUNT TO

206 540tCO₂e

“Our main aim in the next seven years is to capture rail-friendly traffic through the road-to-rail strategy. Depending on volume, significant carbon footprint savings can be achieved.”

– Siyabonga Gama
Chief Executive: Freight Rail

Modal shift from road-to-rail, lowering South Africa’s carbon emissions

Rail transport (whether electric or diesel) is globally known to be three to four times more energy efficient than road transport. The efficiency comparisons are affected by the locomotives’ energy sources, the configuration of trainloads, gradients and other variables. Electric traction is more environmentally friendly than diesel traction. It is widely acknowledged that a modal shift from road-to-rail is the best mechanism to reduce carbon emissions in the transport sector. Rail also offers cleaner, safer, cheaper and reliable freight mobility through improved road safety, reduced road congestion and pollution, and a lower cost of doing business.

Government’s National Climate Change Response White Paper, 2011 identifies a modal shift from road-to-rail as a flagship carbon mitigation programme for South Africa. As the owner and operator of the country’s rail freight network, Transnet has undertaken to demonstrate the carbon emission savings achieved annually through its growing rail market share. With the MDS target to increase rail market share from 23% in 2011/12 to 35% by 2018/19, Freight Rail is making a meaningful environmental contribution in the form of carbon emissions reduction in the South African transport sector.

Carbon calculator examples

Commodity	Volumes		Origin	Destination	Road	Rail	Emissions saved by using rail instead of road
	(t)				(tCO ₂ e)	(tCO ₂ e)	(tCO ₂ e)
Containers	1 000		Durban	Johannesburg	61,01	19,68	41,33
Steel-coil	1 700		Saldanha	Vanderbijlpark	201,66	65,06	136,60
Cement	1 000		Lichtenburg	Johannesburg	17,96	4,62	13,34



In 2012/13, Freight Rail gained market share in a number of commodity groups where there is strong competition with road hauliers. This rail tonnage gain amounts to 'volumes off road'. The carbon emission savings in the top 10 road-to-rail volume gains in 2012/13 amount to 206 540tCO₂e.

Top 10 road-to-rail volume gains 2012/13		
Commodities	Volume gains (t)	Emissions avoided (tCO ₂ e)
Automotive	78 651	3 941
Timber	20 826	1 916
Iron	97 776	8 911
Chemicals	110 123	4 503
Cement	263 106	3 400
Chrome	646 965	30 881
Coal	61 613	24 518
Manganese	625 226	49 007
Magnetite	889 685	46 480
Containers	1 760 271	32 985
Total	4 554 242	206 540

Steel by rail

In October 2012, the Chief Executives of Freight Rail and ArcelorMittal South Africa (AMSA) agreed to transport steel coils via rail from Saldanha to Bijlkor, Vereeniging. The first consignment of 1 700t departed on 28 October 2012 and AMSA subsequently increased its rail consignments to 2 700t.

100 TONS OF CARGO:

DURBAN TO GAUTENG

4,8tCO₂e by road

1,3tCO₂e by rail

Carbon emissions profile 2012/13

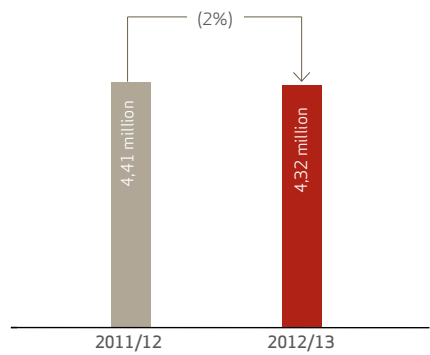
Transnet's emissions for 2012/13 decreased by 2% to 4,32 mtCO₂e in comparison to the 2011/12 adjusted carbon emission baseline. This decrease can be attributed to the successful implementation of energy efficiency initiatives across the Company in the year under review and lower GDP growth affecting volumes.

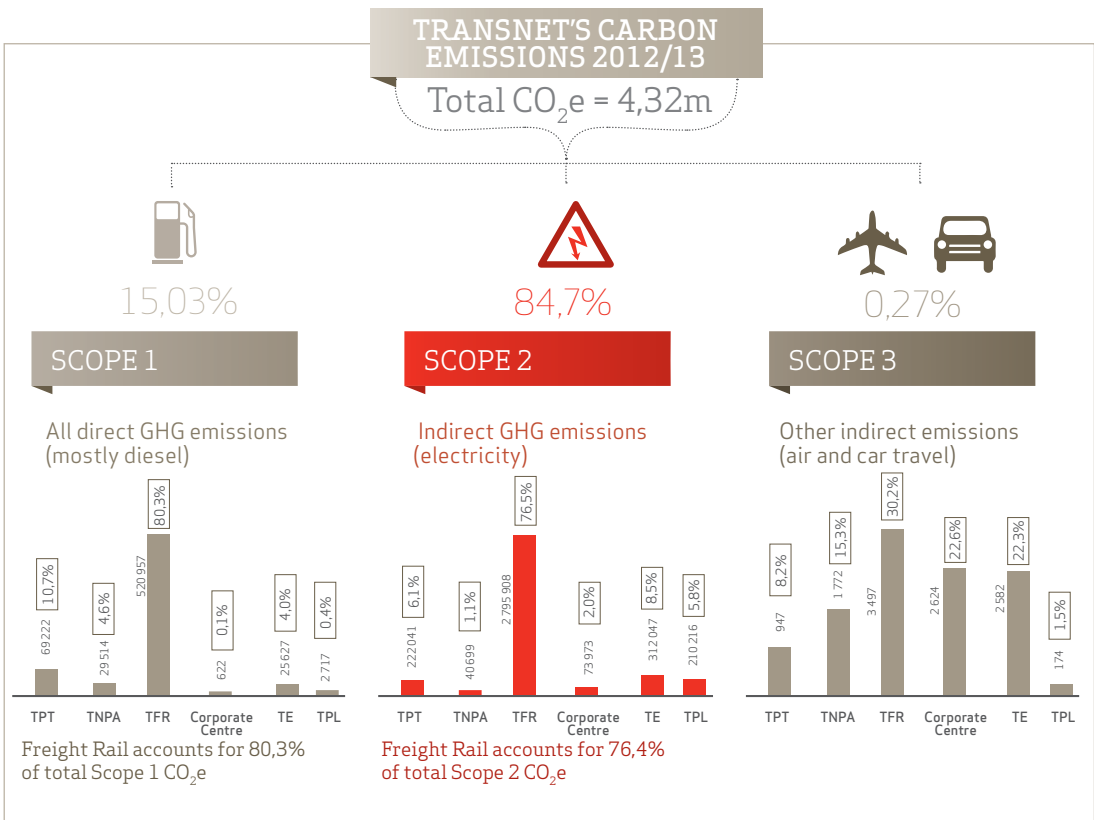
The 2011/12 carbon emissions baseline was raised from 4,31mtCO₂e to 4,41mtCO₂e due to improved accuracy in the measurement of mobile combustion emissions and improved granularity of electricity and Scope 3 data. The methodology for baseline adjustment is as prescribed in the Greenhouse Gas Protocol: Corporate Reporting and Accounting Standard (Revised Edition), March 2004.

Transnet is a voluntary participant in the CDP for a second year. The CDP is an international, not-for-profit organisation providing the only global system for companies to measure, disclose, manage and share information on their carbon emissions.



Transnet GHG emissions (tCO₂e)





Transnet Scope 1 emissions amounted to 648,660tCO₂e, a 4% increase from 2011/12. Scope 1 emissions covers diesel locomotives, vehicles, long-term leased vehicles, onsite combustion of fuels and refrigerants. Freight Rail is responsible for 80% of Scope 1 emissions.

There is a 3% reduction year-on-year in Scope 2 emissions which are generated from purchased electricity. Freight Rail accounts for 76% of Scope 2. The improvement is attributed largely to electrical energy efficiency gains.

Scope 3 covers employee rental cars and air travel, amounting to 11,596tCO₂e, 58% more than 2011/12. This is largely due to increased accuracy of measurement and increased numbers of flights and rentals arising from MDS rollout activity. Recent measures to reduce these costs and Scope 3 emissions through expanded video conferencing will be realised in the year ahead.



Energy efficiency

Transnet is part of Eskom's 49M campaign and signed the Energy Efficiency Leadership Network Pledge on 27 June 2012, committing the Company to continuous energy efficiency improvements through:

- energy efficiency plans and management systems in operations;
- energy efficiency targets;
- reporting on energy efficiency gains; and
- building capacity and skills for energy management.

Transnet's calculated electricity required for implementation of the MDS is between 58% and 66% more than current usage, illustrating the high risk associated with security of supply constraints.



Energy is an increasingly high cost item for Transnet. In 2012/13, energy constituted 16,0% of total operating costs (9,0% on electricity and 7,0% on fuel). These costs are rising annually and it is anticipated that carbon tax will be introduced from 2015, further increasing energy costs.

In the SR 2012, Transnet targeted “energy efficiency improvements of between 3% and 6%”. Efficiency targets were set specifically across the business as follows:

Electricity energy efficiency performance

Targets 2012/13			Performance 2012/13			
Operating division	Measurement	Target	Target	Actual	% deviation from target	Energy efficiency gain
Freight Rail Traction	g tkm/kWh	3%	65,3	64,6	(1%)	2%
Freight Rail Real Estate	kWh	3%	225 636 825	220 288 001	2%	5%
Transnet Property	kWh	5%	100 120 547	67 142 773	32%	37%
Pipelines	ℓkm/kWh	0%	31,7	34,8	10%	10%
Port Terminals	ton/kWh	5%	0,7	0,6	(15%)	(10%)
National Ports Authority	Employee/Wh	4%	0,9	1,1	19%	23%
Transnet Engineering	man-hour/Wh	4%	75,0	102,5	37%	41%

Transnet’s total electricity consumption for 2012/13 was 3 671 072MWh, down 3,4% from 3 798 908MWh in 2011/12, 71% of electricity was used for Freight Rail traction, and the remainder in Transnet’s properties, ports, pipelines and engineering operations.

Transnet’s total fuel consumption for 2012/13 was 236,6 mega litres, which is 2,1% more than the 2011/12 adjusted baseline. The 2011/12 baseline was raised from 227,9 mega litres to 231,7 mega litres due to improved data capturing. 72,0% of this was used by Freight Rail diesel traction; 14% on road vehicles; 10% in other Transnet operations; and 4% for marine diesel.

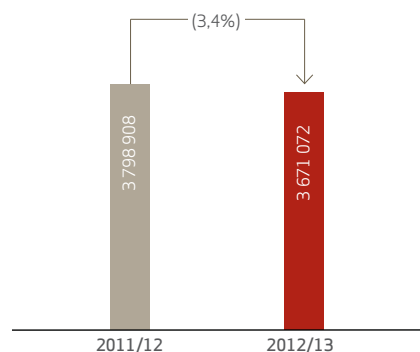
Energy efficiency gains are particularly challenging in tractive power, Transnet’s largest energy consumer. New locomotive technology however, has state-of-the-art regenerative braking capabilities, resulting in material electricity efficiency gains. As the MDS locomotive fleet acquisition programme materialises, Freight Rail will be able to show increasing energy efficiency over time.

The following significant energy efficiency gains for regeneration have been recorded in Freight Rail in 2012/13:

- Class 19E locomotives working on the coal line regenerate 27% of energy consumed on a round trip between Ermelo and Richards Bay. This resulted in 77 149MWh (14%) energy regeneration in 2012/13.
- Class 15E locomotives working on the iron ore line regenerate 28% of energy consumed on a round trip from Sishen to Saldanha. This resulted in 73 990MWh (18%) energy regeneration in 2012/13.

Freight Rail’s regenerated electricity is transmitted back into the Eskom grid if no immediate recipient is available within the traction circuit of the train. Transnet has applied to the National Energy Regulator of South Africa to be awarded an Independent Power Producer licence for wheeling this regenerated electricity

Total electricity consumption 2012/13 (MWh)



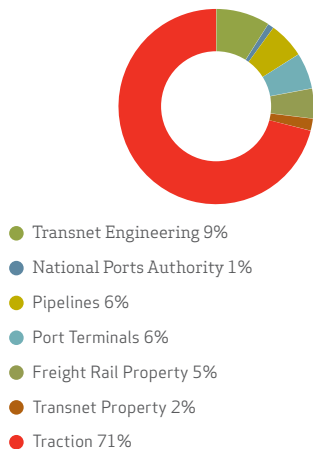
FREIGHT RAIL'S TOTAL REGENERATED ELECTRICITY IN 2012/13 WAS

151 139 MWH.

THIS IS ENOUGH ELECTRICITY TO POWER UP:

- ALEXANDRA TOWNSHIP FOR A YEAR, OR
- FOUR X 50-STOREY OFFICE BUILDINGS FOR A YEAR, OR
- THE 2010 WORLD CUP STADIA NINE TIMES OVER, OR
- TRANSPORT 6,5MT BY RAIL.

Total electricity distribution for 2012/13



back into the grid. Metering equipment is being installed to receive credits for the regenerated energy.

Freight Rail is also investigating on-board metering for real-time energy efficiency monitoring by train drivers and is embarking on energy efficiency driver training.

In Port Terminals, the new container cranes recorded 347 000kWh regenerated electricity in 2012/13. This regenerated electricity is re-used by the cranes themselves, effecting a net electricity saving.

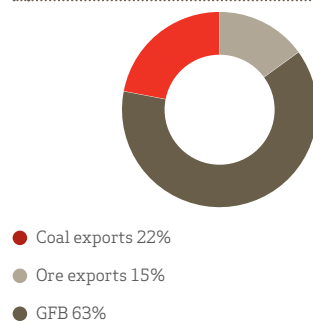
In the rest of Transnet, numerous measures are underway to improve energy efficiency in buildings, factories and ports. These include:

- Lighting and sensors replacement in office facilities;
- Heat pumps installed at Postmasburg Hostel and 101 Loveday Street;
- Hot plate stoves replaced with microwave ovens countrywide;
- Motion detectors installed to control lightning in 1 030 ablutions countrywide;
- Heat pumps for Koedoespruit, Durban and Germiston Transnet Engineering facilities;
- Installations of electricity check and power quality meters; and
- Scheduling of operations, and occupancy sensors for lighting.

Transnet is a member of the Energy Intensive Users Group.

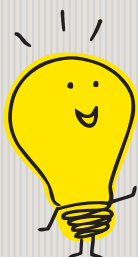
Looking ahead to 2013/14, the following energy efficiency targets are included in Transnet's Shareholder Compact:

Traction electricity distribution 2012/13



Transnet energy efficiency targets 2013/14

	Electricity efficiency measure	Electricity efficiency target 2013/14	Fuels efficiency measure	Fuels efficiency target 2013/14
Freight Rail traction	gtk/kWh	1%	gtk/l	1%
Freight Rail real estate	kWh/m ²	2%		
Transnet Engineering	Man-hour/kWh	4%	man-hour/t	4%
National Ports Authority	Employee/kWh	4%		
Port Terminals	Ton/kWh	2%	ton/l	2%
Pipelines	lkm/kWh	1%		
Property	kWh	5%		



Every Watt Counts campaign

An internal energy efficiency communications campaign "Every Watt Counts" was launched during 2012/13 creating increased awareness among employees about the need and benefits of electricity savings at work and home.



Water use efficiency

In 2011/12 Transnet committed to “water use monitoring” acknowledging that in a water scarce country, we need to utilise water efficiently and effectively throughout our operations.

Port Terminals led the way by initiating a water audit of all port terminals to gain a clearer understanding of the precise course of municipal water services from points of entry to systematic reticulation, as well as the exact points of use. Liaison with National Port Authority resulted in a clearer understanding of water balances, allocation, distribution and use within port terminals’ boundaries. The audit records the status quo of water management in each port terminal and specifies steps for installing water flow meters in 2013/14.

Other Transnet Operating divisions will be conducting water audits in 2013/14.



PORT TERMINALS

TOTAL WATER USE -

1 017 198Kℓ

TOTAL WATER RECYCLED -

98 567Kℓ

Reverse Osmosis Plant – Port of Saldanha

“Reverse osmosis plants provide a guaranteed source of quality portable water since they are not vulnerable in drought situations. The method is proven and reliable and there is access to good local expertise in South Africa.”

– Velile Dube
Terminal Executive

Transnet’s port terminal at Saldanha requires water as mitigation for environmental impact associated with the dust from the iron ore terminal. However, Saldanha is situated in a water scarce area. The terminal is licensed to export 60mtpa of iron ore, to which an estimated 20 000kℓ of water is added per month to reduce the effects of dust on the environment. Port Terminals has constructed a R70 million reverse osmosis plant to limit the demand on municipal water. The new plant provides 36 000kℓ of water per month to wet down the iron ore. It is constructed in modular units, allowing additional modules to be added to meet growing water demand.

Waste management optimisation

Transnet’s operations and processes generate a variety of waste materials as by-products. Transnet is committed to developing sustainable ways to manage and dispose of this waste in full compliance with the law. In the SR 2012, Transnet committed to “waste management, focusing on legacy asbestos clean-up and hydro-carbon clean-up.” The following initiatives were pursued in 2012/13 in line with these commitments.



Asbestos clean-up

One of the most significant contamination challenges Transnet faces is legacy asbestos in some rail operating areas and properties. Asbestos contamination has occurred in two ways: historic spillages during the transportation of asbestos from mines and the historic use of asbestos products in buildings. A register of buildings containing asbestos is maintained by Transnet Property and reviewed annually to ensure that no exposure has occurred creating an obligation in terms of the law.

Freight Rail committed R450 million to cleaning up asbestos spills and contamination by 2015/16. The following actions have been taken, to date:



Wetting down iron ore at the Port of Saldanha

Asbestos Clean-Up Programme Sites

Date	Site	Quantity (kg)	Cost (ZAR)
July 2011	De Aar- Kimberley – Hotazel Line	5 700	246 407,45
September 2011	Kimberley Fields view Station	2 bags not quantified	18 868
September 2011	De Aar north Yard	2 280	109 954,20
December 2011	Postmasburg Yard Control point 36	14 240	249 450,24
January 2012	Kamfersdam Station	19 980	299 226,54
May 2012	Paarden-Island Station	10 000	126 649,12
May 2012	Ariesfontein	16 000	154 469,73
July 2012	Postmasburg Points replacement		148 904,89
November 2012	Lime Acres	360	71 367
November 2012	Lohattha Station	1 620	92 326
November 2012	Sishen lines (1st and 2nd cut)	816 200	5 101 169
November 2012	Beaconsfield	580	63 662,89
Total		886 960	6 079 854

- A project to erect 23 asbestos hazard sign boards at asbestos high risk areas country-wide is underway.
- An asbestos air quality monitoring project is being implemented at 10 of the identified high risk areas to determine asbestos exposure and inform the process of provision of personal protective equipment to employees likely to be affected.
- A review process on the draft Environmental Impact Assessment (EIA) report for the conversion of the De Aar quarry into a hazardous landfill site for the disposal of asbestos waste is currently underway. A public review of the report is scheduled for completion in April 2013, following which the final report will be submitted to the authorities for a decision which is expected in June 2013.
- An ad hoc asbestos clean-up contract is in place that assists with the urgent clean-up of contaminated sites that are frequently encountered by personnel in maintenance and operations sections of the organisation.

To date, 844 tons of asbestos contaminated material has been removed for safe disposal. Currently, clean-up is in progress at Warrenton and Postmasburg stations.

The asbestos roof replacement programme by Freight Rail Real Estate is 65% complete with 100% completion targeted for 2013/14.

In 2011/12, Transnet Engineering committed R107 million over three years, to cleaning up asbestos contamination at its sites, of which R21 million has been spent to date. Past studies commissioned by Transnet Engineering confirmed asbestos pollution at various centres and depots, the most significant being at Koedoespoort where asbestos material is buried as a result of historical activities and illegal dumping. During 2012/13 Transnet Engineering completed a feasibility study for buried asbestos at Koedoespoort. The study entailed soil analysis to identify, investigate and assess the extent and severity of the asbestos contamination within five identified sites within the Koedoespoort area; assessing the ecological impact of the contamination; and making recommendations for remediation.

As part of its Asbestos Management Plan at the Port of Durban (specifically Kings Rest Yard), National Ports Authority completed the clean-up of an additional eight railway lines at a cost of R60,3 million during 2012/13. Total cost of the project over the next seven years amounts to R188 million.



Hydrocarbon clean-up

Freight Rail has identified various railway tracks, staging areas and fuel handling facilities that are contaminated with hydrocarbon pollution from aged locomotives, faulty fuel handling equipment and spillages. To address this, Freight Rail is implementing a country-wide Hydrocarbon Pollution Elimination (HPE) Programme. 71 sites were identified and 38 have been cleaned-up to date. The risk assessment found that some contamination was due to lack of designated staging areas equipped either with drip trays and/or absorbent mats to prevent hydrocarbon pollution. The following actions have taken place to date:

- Erection of signage at staging areas to ensure that train drivers are aware of staging areas in yards. A total of 251 locomotive staging area signs are currently being installed country-wide.
- Installation of locomotives' oil retention tanks - to be retrofitted below engines of GM and GE diesel locomotives to intercept oil leaks so as to prevent and minimise hydrocarbon pollution in operational areas. To date, 570 out of 950 slop tanks have been fitted onto the GM and GE locomotives.
- Placement of absorbent mats at staging areas to prevent recurrence of hydrocarbon pollution and minimise contamination.

Pipeline spillage management

Pipelines reported 0,003% of volumes transported during 2012/13 as spilled. However, approximately 60% of this was recovered. The remediation costs associated with these spillages are listed below.

Cost for spillage remediation 2012/13 (Rm)

Item	Expenditure
1. Magaliesburg	R2 729 441,36
2. Kendal spillage	R568 433,33
3. Coalbrook	R795 784,79
4. Harrismith	R4 878 876,30
5. AVTURE clean up	R1 509 306,57
6. Kleinfontein, Ladysmith	R1 682 713,55



Hazmat team at yard drainage pipe leading into vlel area - Orkney



Pipelines tank farm at Tarlton



Biodiversity enhancement

In 2012/13, Transnet pursued the following biodiversity enhancement initiatives.

Kamfersdam Pan Flamingos



Flamingos at Kamfersdam

The Kamfersdam Pan in Kimberly is a major breeding site for the lesser flamingo. In recent times, there has been a water level rise as a result of the constant runoff and untreated sewage water from Kimberley. These rising water levels threaten the stability of the railway lines in the vicinity of the pan while the breeding ground of the flamingos has been flooded. As part of Freight Rail's commitment to biodiversity enhancement, it is financing the construction of a R74 million pipeline to divert water from Kamfersdam Pan to the Langleg Pan and then on to the Vaal River. This will ensure the lowering of the water level, the protection of the flamingo breeding area, and the protection of the railway line. To date, the laying of the pipeline (including pumps) is complete and is ready to start pumping water to Langleg Pan. The EIA for the water discharge has been approved and it is anticipated that the final outlet to the Vaal River will become operational later in 2013/14.

Protection of Monitor Lizards at Vierfontein-Orkney Railway Line



Monitor lizards' burrows

The reopening of the Vierfontein-Orkney branch line for the transportation of agricultural goods in 2012/13 gave rise to an important biodiversity initiative in Freight Rail. During the rehabilitation of the railway line, rock monitors or monitor lizards were discovered with their burrows being located within railway line servitudes. Arising from Freight Rail's biodiversity impact assessment study, the following recommendations were adopted:

- Train speed restrictions be maintained at affected sections of the railway line to prevent/ minimise disturbance on the habitat of these lizards;
- Track inspection monitoring of the habitats take place on a weekly basis;
- Sites be monitored by Freight Rail's Environmental Manager on a monthly basis to ascertain if any additional measures are needed to ensure that the lizards are not being negatively impacted by rail operations and advise on appropriate interventions; and
- Capture and relocation measures be considered as a last option, if the lizards continue to burrow the rail formation, do not relocate voluntarily or are killed on rail track.



Vierfontein - Orkney branch line



Protection of the Blesbokspruit Wetland

The Blesbokspruit wetland in Gauteng has a Ramsar status for wetland protection and as such, it is protected by international convention/law. The wetland is currently under threat due to rising water levels from storm water run-off, sewage, mines' effluent and the transportation of hazardous commodities through the wetland. These threats also impact on Freight Rail's operations and infrastructure as any flooding of the wetland will cause flooding of the railway line leading to possible derailment. In response, Freight Rail has undertaken a risk assessment to quantify the risks of water encroachment onto the railway line. Water levels tests are conducted on a monthly basis and a speed restriction of 8km/h has been imposed on the affected section of the railway line. In addition, Freight Rail conducts rail stability monitoring on a monthly basis.

Echwebeni Conservation Site

One of the National Port Authority's initiatives is the Echwebeni Site of Conservation Significance (Biodiversity Haven) at the Port of Richards Bay. This area is one of the few remaining areas supporting mature forest types and was identified as an area of conservation significance in 2005. The area is 54 hectares and is home to over 450 creatures, over 140 bird species and three of South Africa's mangrove species. The site developed by the National Ports Authority comprises an educational environmental centre; a two kilometre boardwalk trail through different plant and animal communities; and a bird hide.

In order to protect the natural vegetation at Echwebeni, the National Ports Authority introduced a floating breakwater system, also called pontoons. The system absorbs the energy of the waves and directs the waves to different areas of the shoreline thereby protecting the natural vegetation from the negative impact of the waves crashing against the shore. These pontoons are designed to achieve 70% to 80% wave-reduction efficiency and act as a floating wave breaking structure to protect the environmentally sensitive mangrove area from erosion and the sand from blocking the drainage channel that runs into the mangrove swamp. Each of the 51 concrete pontoons weighs about 60 tons, is 15 metres long, 5 metres wide and 1,5 metres deep.



Pontoons at the Port of Richards Bay

"We feel confident that, in the long term these pontoons will rehabilitate the mangrove ecology and reverse the damage caused by the waves, inevitably enabling the restoration of the natural habitat for plant and animal life."

- Tau Morwe
Chief Executive:
National Ports Authority



Echwebeni Conservation Site - Port of Richards Bay

Appendix A: Stakeholder Engagement 2012/13

This table summarises the key issues raised by our stakeholders in 2012/13 in the course of many engagements throughout the year. It also records Transnet's responsiveness to the stakeholders and their concerns, and identifies the value that the Company hopes to achieve through going improvements to the quality and maturity of these engagements in the years ahead.

Stakeholder group and material issues	Engagement practices	Responsiveness	Value Transnet hopes to achieve
Customers <ul style="list-style-type: none"> Customers are concerned about Transnet's operational efficiency and service reliability; responsiveness to needs; sharing of investment plans for alignment with private investment plans; infrastructure capacity to meet demand; opportunities for participation in investments and operations; competitive pricing; ability to deliver on the capital plan; electricity supply; social unrest and strikes. 	<ul style="list-style-type: none"> Business to business engagements/ breakfast sessions. Customer conferences. Project site visits. Social and networking platforms. Operational meetings. Industry forums. Transnet Annual Report. Customer Satisfaction Surveys. Customer visits. Negotiation meetings. Meetings and partnerships with Chambers of Business. Container Liner Operators Forum. 	<ul style="list-style-type: none"> Operating divisions (OD) engagements to align and review strategies and develop joint action items with customers. Report on past and current business performance. Workshops held to share the demand forecasting methodology and freight distribution (plan to attract more freight from road). Consistent engagement with port customers to ensure better service levels and that the cost of doing business in SA is competitive. All ODs are involved in regular information sessions with customers. Strategic relationship-building initiatives to formulate mutually beneficial strategies with customers. Presented LTPF to National Ports Consultative Committee with focus on rail hinterland connectivity for ports. A technical team and regular planning interface sessions between Transnet and PRASA. Request for Quotation for joint Freight Rail and PRASA development of rail network. 	<ul style="list-style-type: none"> Greater collaboration. High levels of customer satisfaction. Aligned investments.

Stakeholder group and material issues	Engagement practices	Responsiveness	Value Transnet hopes to achieve
Shareholder <ul style="list-style-type: none"> • Expects Transnet to stimulate economic growth and job creation; align infrastructure capital investment plans with Government strategy and plans; lower the cost of logistics; tariffs that contribute to reducing the cost of doing business; modal shift from road-to-rail; leveraging of private sector investment; integration with the region; support of local industries and manufacturing through localisation of suppliers; enhancement of the ability to deliver on the capital plan; adherence to corporate governance, UNGC and to develop a climate change strategy; improved operational efficiencies; and optimisation of social, economic and environmental. 	<ul style="list-style-type: none"> • Regular Bilateral meetings and topic-specific meetings between Department of Public Enterprises (DPE) and Transnet Executive management. • Shareholder Compact engagements. • DPE-Provincial interfaces. • Quarterly reports, Annual reports and Corporate Plan. • SOCs CEOs, Chairman and CFO fora. • Annual General Meeting. • Board engagement with Shareholder Minister, Deputy Minister and the Director-General of DPE. 	<ul style="list-style-type: none"> • Detailed inputs provided to Presidency and DPE on capital planning and projects. • Detailed Shareholder engagement to conclude Shareholder Compact. • Information provided about performance, tariffs, funding plan. • Engagement with National Treasury and Shareholder on NMPP funding and prudence. • Substantial comment to Shareholder highlighting the impact of the ICM Act Amendment Bill on Transnet's port assets. • Requested Shareholder to support Transnet's request for exemption from the PPPFA. • Requested Shareholder to intervene and resolve pending Transnet's servitudes applications to the Department of Mineral Resources. • Engagement on the Department of Transport draft Rail reform policy and Transport regulator proposals. • Engagement on proposed corporatisation of National Ports Authority and Pipelines. 	<ul style="list-style-type: none"> • A well-informed Shareholder representative, able to facilitate resolution of policy matters to create strategic alignment. • A Shareholder representative empowered with information to enable efficient approvals of investment plans. • Insights into performance issues to enable sound target-setting. • Facilitation of collaboration with other spheres of Government and regional integration. • Facilitation of statutory approvals. • Facilitation of information flows in Government.

APPENDIX A: STAKEHOLDER ENGAGEMENT 2012/13 (continued)

Stakeholder group and material issues	Engagement practices	Responsiveness	Value Transnet hopes to achieve
Employees <ul style="list-style-type: none"> Expect fair remuneration; dignity and respect; recognition and reward; skills development; safe working environment; and supervisors with skills 	<ul style="list-style-type: none"> CE's regional employee road shows. CE's briefings. Inhouse broadcasts. Management conference. Special employee events. Bargaining Council. Local EE and Skills forums. Strategic Planning session. Sessions at terminals. Culture surveys and programmes. Employee Wellness programmes. Performance appraisals. Talent reviews. Team-building. 	<ul style="list-style-type: none"> Transnet's remuneration strategy has identified critical skills within business and has entered into collective agreements to ensure that there are competency and growth opportunities that are linked to remuneration. Discussed the role of employees in MDS as well as daily operational issues with employees during engagement sessions. Change management strategy to support MDS implementation. Human capital strategy that includes an extensive human development component. Involved employees in change management, engagement sessions, information sessions and rewards and recognition programme. Training interventions planned to improve management support for supervisors. Extensive, ongoing safety training for employees. 	<ul style="list-style-type: none"> Informed and inspired employees. Customer focused and responsive employees. Engaged and productive workers. Safe working conditions. Employee buy-in to the MDS. Healthy workforce. Prevent notices and penalties from Department of Labour. Prevent occupational injuries and diseases.
Investors, lenders and rating agencies <ul style="list-style-type: none"> Issues raised include: credit ratings; policy and regulatory uncertainties (economic regulation, ICM Bill, corporatisation, rail reform); skills impact on the ability to execute the capital plan; commodity demand forecasts; corporate financial ratios; capital prioritisation; electricity supply risk; labour stability, social unrest and strikes. 	<ul style="list-style-type: none"> Regular investor briefs. Monthly report to National Treasury. Biannual reporting. Roadshows with investors. 	<ul style="list-style-type: none"> Informed investors, lenders and ratings agencies about MDS and incorporated their inputs. Informed National Treasury about the funding plan and responded to the queries raised. Informed the National Treasury about Transnet's funding, cash management and risk management. Regularly updated investors and lenders on policy and regulatory uncertainties, funding plans, commodity demand, corporate financial ratios, labour unrest, electricity supply and skills. 	<ul style="list-style-type: none"> Be transparent and provide information as requested to improve relationships. Continued support for MDS. Confidence in Transnet to continue investment.

Stakeholder group and material issues	Engagement practices	Responsiveness	Value Transnet hopes to achieve
Suppliers <ul style="list-style-type: none"> Expect fair and efficient procurement practices; localisation of procurement; black empowerment; local skills development; more information on how to participate on supplier development programme; and international suppliers expect Transnet to share more about the transformation requirements in potential contracts. 	<ul style="list-style-type: none"> Suppliers summits. Regional workshops. Transnet Acquisition Council. B-BBEE Fora. Meetings with suppliers. 	<ul style="list-style-type: none"> Highlight Transnet's commitment to skills and supplier development to suppliers and communities. Development of a strategy to improve localisation of suppliers. Conducted workshops to engage all major suppliers regionally on the methodology and process of (localisation) and address issues from suppliers. Collaboration on ED initiatives to develop SMMEs. Duty rebates and their impact on local industry. Supplier Education campaign aimed at SMME companies (how to access business opportunities with Transnet). Developed unsolicited vendor database to provide an opportunity for all suppliers to bid for business with Transnet. Monitoring of iSCM performance management to ensure that supply chain performance is meeting customer expectations. Adherence to the contract obligations, improvements to quality management systems and document management. Transnet engaged suppliers on Programmatic procurement of the 1064 locomotives and it held two workshops with suppliers in Richards Bay and Saldanha and five workshops were held in KZN. Transnet shared transformation requirements of localisation and BBEE with potential international suppliers. 	<ul style="list-style-type: none"> B-BBEE scorecard improvement. Facilitation of supplier development. Ensure transparency and integrity of procurement. Supplier Relationship Management. Improved Quality of service and products received from suppliers. Improved performance. Ensure consistency of service rendered. Support and meet the targets of the MDS. Greater collaboration creating an enabling environment for successful execution of the MDS. Strengthening the performance of supplier firms and enabling them to be globally competitive. Corruption prevention.
Organised labour <ul style="list-style-type: none"> Expect transparency and trust; higher wages; skills development; safety; new Unions recognition; upskilling of employees; health and safety of employees. 	<ul style="list-style-type: none"> Transnet's Recognition Agreement provides for each to engage monthly/quarterly at multiple levels (at OD level, Regional/ Business Unit level and at depot level). Transnet has a bargaining council wherein collective bargaining with recognised trade unions is regularly held. Regular meetings with union representative at local, regional and national level. 	<ul style="list-style-type: none"> Transnet's remuneration strategy has identified critical skills within business and has entered into collective agreements to ensure that there are competency and growth opportunities that are linked to remuneration. Transnet engaged with organised labour in the bargaining council. Transnet intends to enter into a multiple year wage agreement with the aim of achieving labour stability. 	<ul style="list-style-type: none"> A multi-year wage agreement will enable management and labour to focus on MDS and other transformational projects. Relational capital as a result of the trust between management and unions.

Stakeholder group and material issues	Engagement practices	Responsiveness	Value Transnet hopes to achieve
Communities <ul style="list-style-type: none"> Expect social and economic benefits such as jobs; social welfare support; youth and women development; and up skilling of community members. Expect consultation on projects; environmental protection and safety of communities. 	<ul style="list-style-type: none"> Funding of CSI projects. Awareness drive. Joint programmes. Consultations with NGOs and communities. Career expos. Servitude Awareness Campaign using local newspapers. Public meeting during environmental impact assessments process. Conference. 	<ul style="list-style-type: none"> GCE community engagements held at various provinces. Renovation of schools, donation of computers, library and school desks. Providing healthcare facilities through Phelophepa. Techno Girl job shadowing programme for girls, Go beyond donations and include transfer of skills, expand Phelophepa Health train, foster stronger relations schools and address security concern, build more containers to reach more schools in rural areas, and look at opportunities for learners in Techno Girl Project post-matric and consider inclusion of boys. Continuing with teacher development programme and established Orphans Support programme to assist children who are orphans with educational funding. Co-funding identified and agreed upon artisan projects (with relevant Government departments). Container assistance programme to build police and community centres using old containers. Employee volunteer programme is running at Diepsloot, Inanda (Motherwell) and plans are afoot to establish two in De Aar and Langa (Cape Town). Community safety education awareness programme. Annual safety improvement plan is executed and adhered to meet expectations. Transnet has agreed to consider outsourcing some of the disused building to the provinces and municipalities where feasible. Engaged with communities on illegal activities along pipelines' servitude and safety markings. Protective plans and implementation commenced to table contamination problems and to address the problems. Proactive biodiversity enhancement initiatives by National Ports Authority, Freight Rail and Pipelines. 	<ul style="list-style-type: none"> Reduction of criminal activities along the railway lines. Promote sustainable socio-economic community projects along the railway lines. To ensure the safety of the infrastructure and the communities located in close proximity of the rail servitude. Understanding of the role the Transnet (Rail, Ports and Pipeline) in SA economic growth. Skills development. To establish long term symbiotic relationships with communities. Building trusted relationships.

Stakeholder group and material issues	Engagement practices	Responsiveness	Value Transnet hopes to achieve
Non-Government Organisations <ul style="list-style-type: none"> • Expects community benefits; climate change mitigation; biodiversity enhancement; and waste and water management. 	<ul style="list-style-type: none"> • Meetings. • Workshops. • Collaborative initiatives. 	<ul style="list-style-type: none"> • Inclusion of NGO sector in business to business meetings, CSI strategy presentation, workshops with communities to understand needs and support where feasible, port festivals and career exhibitions. 	<ul style="list-style-type: none"> • To establish long-term symbiotic relationships with civil society. • Building trusted relationships to address common concerns.
Regulators and policymakers <ul style="list-style-type: none"> • Expect consensus on tariff methodologies; containment of costs and tariff increases; efficient use of assets; competition in rail and port terminals; safety; environmental compliance; climate change mitigation and data availability for policymakers. 	<ul style="list-style-type: none"> • Meetings. • Workshops. • Joint planning sessions. 	<ul style="list-style-type: none"> • Engaged Government on Integrated Coastal Management Amendment Bill. • Engaged Regulators on the tariff methodologies, pricing strategy and tariff applications. • Provided extensive comment to the National Railway Safety Regulator regarding the impact of the Penalty Fee Regulations. • Submitted substantial comments to ICASA highlighting the extensive financial and operational impact to Transnet of the change in frequencies; • Extensive engagements to incorporate inputs by local community into DIA Project roll-out. • Comply with National Ports Act with regard to promulgation requirements of new DIA port. • Specific sustainability planning for DIA to address biodiversity, waste, energy, air and water quality. • An active role in supporting Government's initiatives in regional integration, which is a strategic focus area of MDS (Regional Expansion Strategy: Ghana, Angola, Mozambique, Tanzania and Benin) and Bi-National Commission from country to country. • Engaged the Shareholder and Department of Transport and submitted extensive comments on the draft Rail reform policy and Transport regulator proposals. • Transnet engaged National Treasury and Shareholder on NMPP funding and prudence. • Transnet engaged NERSA to ensure the NMPP costs are prudent. 	<ul style="list-style-type: none"> • Regulatory certainty. • Build consensus and synergise tariff methodology frameworks. • To achieve and exceed the annual improvement targets set by the Regulators. • Alignment of capital investment. • Ensure alignment between capital infrastructure investment and public policy.

APPENDIX A: STAKEHOLDER ENGAGEMENT 2012/13 (continued)

Stakeholder group and material issues	Engagement practices	Responsiveness	Value Transnet hopes to achieve
Provinces and municipalities <ul style="list-style-type: none"> Expect alignment of freight investments with local plans and priorities; and creation of local jobs and skills. Concerned about safety of the communities (Railway crossing accidents) and compliance with environmental laws to address environmental issues. 	<ul style="list-style-type: none"> Strategic Planning Forums. Meetings. Workshops. Joint planning sessions. Roadshows. 	<ul style="list-style-type: none"> Key partnership projects were prioritised for 2013 with stakeholders, including customers and Government. Formal structure established between Transnet and Provinces and Municipalities to cater for sharing of information, joint planning and collaboration. Workshops and engagements convened to share an overview of LTPF. Inputs provided and on-going updates shared on the development of the Port Nolloth, SIP5 Project and branch lines strategy (Northern Cape Provincial Government). Engagements with Tshwane, Ekurhuleni and City of Johannesburg Municipalities on the proposed Gauteng intermodal terminals (Transnet-Gauteng Bilateral). Progress on feasibility study for Port of Ngqura manganese shared at technical and Strategic Planning Forum meetings (Eastern Cape Provincial Government keen to understand socio-economic impact of the manganese project). Shared updates in port development framework and resuscitated the Transnet-City engagement to address local planning areas, access roads, liaison with Customs and shipping lines, and appraisal on Project Mthombo (Eastern Cape Government and Coega Development Corporation). Provided inputs, support and associated studies (feasibility and EIA) to investigate logistics, capacity and location aspects commissioned jointly with provinces and industry (Coal Export Project via the Port of East London). Identified key projects necessary to support port expansion and corresponding back-of-port space (Port of Cape Town Precinct and Surrounds framework). 	<ul style="list-style-type: none"> Alignment of capital investment with Provincial and Local Government objectives. Understanding of MDS. Support and partnership in rolling out infrastructure projects. Raise safety awareness and reduce safety-related incidents and accidents. Ensure that infrastructure delivery is in line with business requirements and consistent with LTPF. Improved relations.



Stakeholder group and material issues	Engagement practices	Responsiveness	Value Transnet hopes to achieve
Pensioners <ul style="list-style-type: none">• Pension benefit increases to CPI.	<ul style="list-style-type: none">• Meetings.• Regular reports.	<ul style="list-style-type: none">• Pension fund has regular meetings with pensioners through appropriate forums.• Pension fund regularly updates its members.	
Research institutions <ul style="list-style-type: none">• Encourage R&D collaboration.	<ul style="list-style-type: none">• Regular meetings.• Workshops.	<ul style="list-style-type: none">• Transnet and CSIR signed a collaboration agreement.• Transnet sponsors Wits engineering centre.	<ul style="list-style-type: none">• Thought leadership.• Innovation.• Pioneering adoption of technologies.

Appendix B: United Nations Global Compact table

Transnet became a signatory to the UNGC on 6 July 2012 committing the Company to the 10 universal principles of the UNGC and reflecting the importance that the Transnet Board and Executive place on good corporate citizenship. Transnet is committed to upholding fundamental human rights, ensuring fair labour practices, working against corruption in all its forms, and protecting the natural environment within which it operates. Further policies are being developed where necessary to confirm and enhance the application of these commitments.

UNGC Principles	Transnet's support of UNGC's Principles
Human Rights	
Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and	Transnet supports the Universal Declaration of Human Rights. Transnet is bound by the Constitution of the Republic of South Africa which contains the Bill of Rights. Through Transnet's Code of Ethics (the Code), respect for human rights is upheld both internally and externally with stakeholders. All employees (as well as suppliers) are bound by the Code and are guided in the integrity of their behaviour towards each other and external stakeholders. Transnet's Culture Charter further entrenches human rights through its focus on dignity and respect.
Principle 2 Make sure that they are not complicit in human rights abuses.	Through Transnet's procurement spend, the Company aims to transform its supplier base with 85% of total measurable procurement spend on B-BBEE for 2012/13. Expenditure on black youth-owned enterprises will be tracked from 2013/14. Transnet is committed to improved employment equity particularly for women and People with Disabilities where the latter has shown a significant improvement from 0,8% in 2011/12 to 1,4% in 2012/13. Through its CSI programme, more specifically the Phelophepa health trains, Transnet is assisting South Africa achieve the Millennium Development Goals (MDGs) of reducing child mortality, improving maternal health, and combating HIV/Aids, malaria and other diseases. Transnet is committed to developing a specific human rights policy during 2013/14.
Labour	
Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Transnet practices freedom of association and recognises the right to collective bargaining as prescribed by the Constitution of the Republic of South Africa and set out specifically in the South African Labour Relations Act, 1995 (Act No. 66 of 1995). Transnet employees' rights to collective bargaining are regulated by the Transnet Recognition Agreement which defines, amongst other issues, union rights; thresholds for union recognition; dispute resolution; shop steward representation, roles and rights; and consultative structures. Transnet has well established practices of collective bargaining in the Transnet Bargaining Council which has its own constitution defining the procedures to be followed for collective bargaining. Transnet conducts centralised wage bargaining on an annual basis for bargaining unit employees. As a member of the International Labour Organisation (ILO), all South African labour legislation is aligned to ILO standards and principles. South African law prohibits forced, compulsory and child labour.
Principle 4 The elimination of all forms of forced and compulsory labour;	Transnet, through its Employment Equity Plan, is committed to employment equity principles namely, the elimination of unfair discrimination and implementation of affirmative action measures to achieve a workforce that reflects the national economically active population of South Africa across all occupational levels. Transnet exceeded its targets for African employees across all occupational levels during 2012/13 while female representation is growing steadily with top, senior, professional and skilled technical representation well above 25,0%.
Principle 5 The effective abolition of child labour; and	Transnet invested a total of 4,4% of the wage bill (R864 million) in the training of employees during 2012/13, up from 3,9% (R652 million) in 2011/12.
Principle 6 The elimination of discrimination in respect of employment and occupation.	Through its staff wellness programmes, Transnet assists employees with health risk assessments and HIV screening; psycho-social counselling services; education and awareness; and safety risk assessments. For medically uninsured employees who test positive for HIV, anti-retroviral treatment is funded by Transnet.



UNGC Principles	Transnet's support of UNGC's Principles
<p>Environment</p> <p>Principle 7 Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8 Undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9 Encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Transnet complies with all environmental regulations prescribed in terms of the National Environmental Management Act, 1998 (Act No. 107 of 1998), including the diligent execution of environmental impact assessments in all capital projects, air quality control, pollution control, waste management and coastal environment management</p> <p>During 2012/13, Transnet made progress with respect to climate change mitigation. In line with Government's National Climate Change Response White Paper, focus on modal shift from road-to-rail delivered carbon emissions savings of 206 540tCO₂e in the top 10 road-to-rail volume gains. A carbon calculator was developed to measure the carbon emissions benefit of moving specific tonnages of cargo from specific origins to destinations in South Africa by rail instead of road. Transnet's carbon emissions decreased by 2% to 4,32mtCO₂e. In addition, a Company-wide focus on electrical energy efficiency with operations-specific targets and performance monitoring reduced Transnet's Scope 2 emissions and increased awareness of energy management. Significant energy efficiency gains of 151 139 MWh were achieved through regenerative braking in new locomotives.</p> <p>Transnet is part of Eskom's 49M campaign and signed the Energy Efficiency Leadership Network Pledge during 2012/13. Transnet is also a member of the Energy Intensive Users Group and the Industry Task Team on Climate Change.</p> <p>Under the National Environmental Management Waste Act, 2008 (Act No. 59 of 2008) Transnet is committed to developing sustainable ways to manage and dispose of waste including asbestos and hydrocarbon clean-ups. Transnet aims to be a leading company for environmental management and compliance through its various biodiversity enhancement initiatives.</p>
<p>Anti-Corruption</p> <p>Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>Transnet supports the UN Convention against Corruption and is committed to the highest standards of corporate governance as espoused in King III, the Companies Act, and the PFMA. Transnet is committed to zero tolerance of all forms of fraud and corruption, including extortion and bribery. This commitment is reflected in the following:</p> <ul style="list-style-type: none"> • Transnet's Code of Ethics aims to instill a culture of honesty and ethical behaviour in Company representatives engaging with external parties. • The Declaration of Interests and Related Party Disclosure Policy for employees and the Board which requires the disclosure of personal financial interests, direct or indirect personal or private business interests on an annual basis. All employees sign confidentiality and "declaration of interest" forms when adjudicating on procurement contracts. • Fraud risk exposure is managed under Transnet's Fraud Risk Management Plan that ensures that effective mechanisms are in place to prevent, detect and report instances of fraud and corruption. • Transnet's Tip-Offs Anonymous Hotline forms an integral part of Transnet's anti-fraud and anti-corruption efforts. The hotline is managed by Internal Audit and all reported cases are investigated through an established forensics investigation process. <p>Looking ahead to 2013/14, the focus is on the implementation of Integrity Pacts and the execution of the Anti-Corruption Programme (which includes the development of an Anti-Corruption Policy, Ethics Climate Assessment and Anti-Corruption Awareness Education).</p>

Appendix C: Global Reporting Initiative table

G3 indicator	Reference in SR 2013, IR 2013, AFS 2013
Standard Disclosures: Profile	
1. Strategy and Analysis	
1.1 Senior decision-makers' statement about the relevance of sustainability to the organisation and its strategy	This is addressed in the Board and Executive Sustainability Statements in the SR.
1.2 Description of key impacts, risks and opportunities	Key impacts, risks and opportunities are identified throughout the SR and IR. Further information on Group-wide risks is available in the IR under Risks and Opportunities, and Top 10 Risks.
2. Organisational Profile	
2.1 Name of the organisation	Transnet SOC Ltd.
2.2 Primary brands, products and/or services	An overview of the Company's primary products and services is provided in the SR and the IR under About Transnet.
2.3 Operational structure of the organisation	An overview of the Company's operating structure is provided in the SR and the IR under About Transnet.
2.4 Location of organisation's headquarters	Johannesburg, South Africa.
2.5 Number of countries where the organisation operates	Transnet's operations are limited to South Africa.
2.6 Nature of ownership and legal form	Transnet SOC Limited operates as a corporate entity (a SOC) with its sole Shareholder, the Government of South Africa (through the Department of Public Enterprises).
2.7 Markets served	An overview of the markets served is provided in the SR and the IR under About Transnet, and in the Operating Divisions' overviews in the IR.
2.8 Scale of the reporting organisation	This information is provided in the SR and IR under About Transnet, and in the Operating Divisions' overviews in the IR.
2.9 Significant changes during the reporting period	No significant changes during the reporting period.
2.10 Awards received in the reporting period	This is addressed in the Operating divisions' Performance Reports.
3. Report Parameters	
3.1 Reporting period	1 April 2012 to 31 March 2013.
3.2 Date of most recent previous report	31 March 2012.
3.3 Reporting cycle	Annual.
3.4 Contact point for questions regarding the report or its contents	The General Manager: Public Policy and Sustainability, Sue Lund: sue.lund@transnet.net
3.5 Process for defining report content	Transnet has followed the process for defining report content as outlined in the GRI Technical Protocol "Guidance on Defining Report Content" and the associated principles of materiality, stakeholder inclusiveness, sustainability context and completeness. Described in more detail under About the SR and About the IR.

	G3 indicator	Reference in SR 2013, IR 2013, AFS 2013
3.6	Boundary of the report	The report covers all areas under which Transnet has operational control, as described in About the SR and About the IR.
3.7	Specific limitations on the scope or boundary of the report	Issues that are currently not reported on, or for which only partial performance measures are available, are identified in relevant sections of this GRI table.
3.8	Basis for reporting on joint ventures and subsidiaries	Transnet has no active joint ventures or subsidiaries in which it has operational control.
3.9	Data measurement techniques	This is addressed in About the SR and About the IR.
3.10	Explanation of the effect of any restatements	No restatements for the reporting period.
3.11	Significant changes from previous reporting periods	No significant changes during the reporting period.
3.12	GRI content index	Transnet GRI table in the SR.
3.13	Assurance	See comments on assurance under About the SR and About the IR.
4. Governance, Commitments and Engagement		
4.1	Governance structure of the organisation	Details on Transnet's governance structure is provided in the IR under the Governance section and under the Corporate Governance Report in the AFS.
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	The Chairperson of the Board of Directors, Mr Mafika Mkwazi is a Non-Executive Director.
4.3	Number and gender of members of the highest governance body that are non-executive members	Details on Transnet's governance structure is provided in the IR under the Governance section and under the Corporate Governance Report in the AFS.
4.4	Mechanisms for shareholders and employees to provide recommendations to the highest governance body	As a SOC, the Government of South Africa as the sole shareholder provides direct recommendations to the Board by way of the Shareholder Compact. See also Stakeholder Engagement section in IR and Stakeholder Engagement table in SR.
4.5	Linkage between compensation and performance	Remuneration aligned to performance is outlined in the IR and further detail is to be found in the Report of the Directors in the AFS.
4.6	Processes for managing conflicts of interest	Managing conflicts of interest is described in the SR and further detail appears in the Corporate Governance Report in the AFS.
4.7	Process for determining qualifications and expertise	Government as the sole shareholder appoints Board members in terms of Transnet's Memorandum of Incorporation.
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance	Mission and Vision statements, codes of conduct and principles relevant to economic, environment and social performance appear throughout the IR and SR.
4.9	Board oversight of CSR policies and risk management	The Board has mandated REMSEC to review and oversee its sustainability performance. In addition, reliance is placed on enterprise risk management and a combined assurance framework as reported in the IR.
4.10	Performance evaluation process	Reported under Shareholder's Compact Performance Review in the IR.

APPENDIX C: GLOBAL REPORTING INITIATIVE TABLE (continued)

G3 indicator		Reference in SR 2013, IR 2013, AFS 2013
4. Governance, Commitments and Engagement (continued)		
4.11	Explanation of how the precautionary approach or principle is addressed by the organisation	Transnet upholds the precautionary principle in that if an action or policy has the potential risk of causing harm to the public or the environment, in the absence of scientific consensus, Transnet will uphold the precautionary principle.
4.12	Externally developed, voluntary economic, environmental and social charters, sets of principles, or other initiatives	Refer to Board Sustainability Statement and the UNGC table in Appendix B of SR.
4.13	Membership in associations	Reported in both the SR and IR.
4.14	List of stakeholder groups engaged by the organisation	Reported in the Stakeholder Engagement table in the SR and Stakeholders' key issues section in IR.
4.15	Basis for identification and selection of stakeholders with whom to engage	Reported in the Stakeholder Engagement table in the SR and Stakeholders' key issues section in IR.
4.16	Approaches to stakeholder engagement	Reported in the Stakeholder Engagement table in the SR and Stakeholders' key issues section in IR.
4.17	Key topics and concerns raised during stakeholder engagement	Reported in the Stakeholder Engagement table in the SR and Stakeholders' key issues section in IR.
Standard Disclosures: Management Approach and Performance Indicators		
Economic		Disclosure on Management Approach: Referenced in Executive Sustainability Statement, Sustainability in Transnet, and in introductory section of Economic Dividends in SR.
Economic Performance		
EC1	Direct economic value – revenues, operating expenses, employee compensation, donation and other community investments, retained earnings, and payments to capital providers and governments	Summary of value-added is provided in the SR with more detailed information in Appendix B of the IR. Also refer to how Transnet creates value in About Transnet in the IR.
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Climate change and the risks and opportunities for Transnet are outlined in the Environmental Dividends section in the SR. Transnet reports in more detail on this indicator as part of the CDP.
EC3	Coverage of Transnet's defined benefit plan obligations	Refer to the Post-retirement Benefit Obligations section in the Director's Report of the AFS.
EC4	Significant financial assistance received from the Government	Transnet does not receive financial assistance from the Government.
Market Presence		
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations	Transnet does not currently report on this performance indicator.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operations	Information on Local Supplier Industry Development appears in both the SR and the IR.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operations indirect economic impacts	Transnet's EE plan commits the Company to achieving a workforce that reflects the national economically active population of South Africa across all occupational levels.
Indirect Economic Impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	The impact of Transnet's infrastructure investment and services provided primarily for public benefit is found and reported on in the CSI section of the SR.
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Summary of value-added is provided in the SR with more detailed information in Appendix B of the IR.



G3 indicator		Reference in SR 2013, IR 2013, AFS 2013
Environmental		Disclosure on Management Approach: Referenced in Executive Sustainability Statement, Sustainability in Transnet, and in introductory section of Environmental Dividends in SR.
Materials		
EN1	Materials used by weight or volume	Transnet does not currently report on this performance indicator.
EN2	Percentage of materials used that are recycled input materials	Transnet does not currently report on this performance indicator.
Energy		
EN3	Direct energy consumption by primary source	Reported in the Environmental Dividends section of the SR, and the Energy Efficiency and Carbon Mitigation section of the IR.
EN4	Indirect energy consumption by primary source	Reported in the Environmental Dividends section of the SR, and the Energy Efficiency and Carbon Mitigation section of the IR.
EN5	Energy saved due to conservation and efficiency improvements	Reported in the Environmental Dividends section of the SR, and the Energy Efficiency and Carbon Mitigation section of the IR.
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result	Reported in the Environmental Dividends section of the SR, and the Energy Efficiency and Carbon Mitigation section of the IR.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Reported in the Environmental Dividends section of the SR, and the Energy Efficiency and Carbon Mitigation section of the IR.
Water		
EN8	Total water withdrawal by source	Currently, one Operating Division namely Port Terminals has completed a water audit for 2012/13. Other Operating Divisions will be conducting water audits in 2013/14.
EN9	Water sources significantly affected by withdrawal of water	Transnet does not currently report on this performance indicator.
EN10	Percentage and total water volume of water recycled and reused	Transnet does not currently report on this performance indicator.
Biodiversity		
EN11	Location and size of land owned, leased or managed in biodiversity-rich habitats	Transnet does not currently report on this performance indicator.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Transnet does not currently report on this performance indicator.
EN13	Habitats protected or restored	Reported in the Biodiversity Enhancement section of the SR and the Carbon Mitigation section of the IR.
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	Transnet's Operating Divisions have environmental management systems in place to prevent and manage impacts on the environment.
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Transnet does not currently report on this performance indicator.

APPENDIX C: GLOBAL REPORTING INITIATIVE TABLE (continued)

G3 indicator	Reference in SR 2013, IR 2013, AFS 2013
Emissions, Effluent and Waste	
EN16 Total direct and indirect greenhouse gas emissions by weight	Reported under Carbon Emissions Profile 2012/13 in SR and Carbon Mitigation section of the IR.
EN17 Other relevant indirect greenhouse gas emissions by weight	Reported under Carbon Emissions Profile 2012/13 in SR and Carbon Mitigation section of the IR.
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	Reported under Carbon Emissions Profile 2012/13 in SR and Carbon Mitigation section of the IR.
EN19 Emissions of ozone-depleting substances by weight	Transnet does not currently report on this performance indicator.
EN20 NO, SO and other significant air emissions by weight and type	Transnet does not currently report on this performance indicator.
EN21 Total water discharge by quality and destination	Transnet does not currently report on this performance indicator.
EN22 Total weight of waste by type and disposal method	Asbestos and hydrocarbon clean-up reported under Waste Management in SR.
EN23 Total number and volume of significant spills	Pipeline spills reported under Waste Management in SR.
EN24 Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Transnet does not currently report on this performance indicator.
EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and run off	Transnet does not currently report on this performance indicator.
Products and Services	
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Reported in the Environmental Dividends section of the SR and the Carbon Mitigation section of the IR.
EN27 Percentage of products sold and their packaging material that are reclaimed by category	Not material to Transnet.
Compliance	
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No significant monetary fines were incurred.
Transport	
EN29 Significant environmental impacts of transporting products and other goods and materials used for Transnet's operations, and transporting members of the workforce	Transnet does not currently report on this performance indicator.
Overall	
EN30 Total environmental protection expenditures and investments by type	Transnet does not currently report on this performance indicator.

G3 indicator		Reference in SR 2013, IR 2013, AFS 2013
Labour Practices and Decent Work		Disclosure on Management Approach: Referenced throughout the sections in the SR and IR pertaining to Skilled Human Resources aligned to Infrastructure, A Representative Workforce, and Safety First.
Employment		
LA1	Total workforce by employment type, employment contract and region, broken down by gender	Transnet's permanent headcount for 2012/13 was 64 352 comprising 54 726 permanent employees and 9 626 fixed term employees. For further detail refer to Skilled Human Resources aligned to Infrastructure, Job Creation, and A Representative Workforce in the SR. Operating Divisions' Performance Reports have detailed Division - specific information.
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region	Refer to 2012/13 Workforce Profile in SR.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant location and major operation	Transnet does not currently report on this performance indicator.
Labour/Management Relations		
LA4	Percentage of employees covered by collective bargaining arrangements	81% of all bargaining unit employees belong to one of Transnet's two recognised trade unions. As part of the Agency Shop Agreement, the remaining 19% of employees pay an agency shop fee which is split between the two recognised trade unions.
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	Transnet does not currently report on this performance indicator.
Occupational Health and Safety		
LA6	Percentage of total workforce represented in formal joint management-worker Health and Safety Committees that help monitor and advise on occupational Health and Safety programmes	Transnet does not currently report on this performance indicator.
LA7	Rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities, by region and by gender	Reported under Safety First and Staff Wellness sections in SR.
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	Reported under Staff Wellness section in SR.
LA9	Health and safety topics covered in formal agreements with trade unions	Regular consultation with trade unions take place, health and safety being a regular topic of these engagements.

APPENDIX C: GLOBAL REPORTING INITIATIVE TABLE (continued)

G3 indicator		Reference in SR 2013, IR 2013, AFS 2013
Training and Education		
LA10	Average hours of training per year per employee by category	Training for 2012/13 is reported under Skills Investment for 2012/13 in the SR.
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing their careers	Details of Transnet's programmes for skills management and lifelong learning are reported under Skilled Human Resources aligned to Infrastructure in the SR.
LA12	Percentage of employees receiving regular performance and career development reviews by gender	Annual performance reviews are completed for all employees that are not part of the bargaining unit together with talent management assessments.
Diversity and Equal Opportunity		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Composition of governance bodies and breakdown of employees by category is reflected in the Corporate Governance Report of the AFS.
Equal Remuneration for Women and Men		
LA14	Ratio of basic salary of men to women by employee category, by significant locations of operation	Transnet does not currently report on this performance indicator.
Human Rights		Reference to Transnet's management approach to Human Rights is to be found in Appendix B: UNGC Table. Having become a signatory to the UNGC on 6 July 2012, Transnet is committed to the 10 universal principles by upholding fundamental human rights, ensuring fair labour practices, working against corruption in all its forms, and protecting the natural environment within which it operates.
Investment and Procurement Activities		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Transnet is committed to developing a specific human rights policy during 2013/14.
HR2	Percentage of significant suppliers and contractors and other business partners that have undergone human rights screening	Transnet's suppliers, contractors and other business partners are bound by the Transnet Code of Ethics that upholds fundamental human rights. For further information see Appendix B: UNGC in SR.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, and percentage of employees that are trained	Transnet does not currently report on this performance indicator. Transnet recognises that there is a need for greater awareness and training on human rights issues.
Non-discrimination		
HR4	Total number of incidents of discrimination and actions taken	Transnet currently does not report on this performance indicator. However, Transnet's EE plan articulates the Company's continued commitment to the elimination of unfair discrimination.

G3 indicator		Reference in SR 2013, IR 2013, AFS 2013
Freedom of Association and Collective Bargaining		
HR5	Operations identified in which the right to exercise freedom of association or collective bargaining may be a significant risk, and actions taken to support these rights	Transnet practices freedom of association and recognises the right to collective bargaining as prescribed in the Constitution of the Republic of South Africa. For further information see Appendix B: UNGC in SR.
Child Labour		
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	South African law prohibits forced, compulsory and child labour.
Forced and Compulsory Labour		
HR7	Operations identified as having significant risk for incidents of forced and compulsory labour, and measures taken to contribute to the elimination of forced and compulsory labour	South African law prohibits forced, compulsory and child labour.
Security Practices		
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Transnet does not currently report on this performance indicator. Transnet recognises that there is a need for greater awareness and training on human rights issues.
Indigenous Rights		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	There have been no incidents involving violation of rights of indigenous people.
Society		
Local Community		
S01	Percentage of operations with implemented local community engagement, impact assessments and development programmes	Local community engagement and development programmes are reported under CSI in the SR. Also refer to Stakeholder Engagement section in IR and SR.
S09	Operations with significant potential or actual negative impacts on local communities	Local community engagement and development programmes are reported under CSI in the SR. Also refer to Stakeholder Engagement section in IR and SR.
S010	Prevention and mitigation methods implemented in operations with significant potential or actual negative impacts on local communities	Local community engagement and development programmes are reported under CSI in the SR. Also refer to Stakeholder Engagement section in IR and SR.

APPENDIX C: GLOBAL REPORTING INITIATIVE TABLE (continued)

G3 indicator		Reference in SR 2013, IR 2013, AFS 2013
Corruption		
S02	Percentage and total number of business units analysed for risks related to corruption	Refer to the Good Governance, Ethics and Zero Tolerance of Fraud and Corruption section, as well as in Appendix B: UNGC table in the SR, and the Corporate Governance section in the AFS.
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures	Refer to the Good Governance, Ethics and Zero Tolerance of Fraud and Corruption section, as well as in Appendix B: UNGC table in the SR, and the Corporate Governance section in the AFS.
S04	Actions taken in response to incidents of corruption	Refer to the Good Governance, Ethics and Zero Tolerance of Fraud and Corruption section, as well as in Appendix B: UNGC table in the SR, and the Corporate Governance section in the AFS.
Public Policy		
S05	Public policy positions and participation in public policy development and lobbying	Reported under Economic Regulation, Legislation and Policy Matters in the IR.
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Transnet does not make financial or in-kind contributions to political parties.
Anti-competitive Behaviour		
S07	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Transnet does not currently report on this performance indicator.
Compliance		
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No significant monetary fines were incurred due to non-compliance. Transnet does not currently report on the total number of non-monetary sanctions for non-compliance.
Product Responsibility		
Customer Health and Safety		
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Transnet does not currently report on this performance indicator.
PR2	Total number of incidents of noncompliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle, by type of outcomes	Transnet does not currently report on this performance indicator.



G3 indicator		Reference in SR 2013, IR 2013, AFS 2013
Product and Service Labelling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Transnet does not currently report on this performance indicator.
PR4	Total number of incidents of noncompliance with regulation and voluntary codes concerning product and service information and labelling, by type of outcomes	Transnet does not currently report on this performance indicator.
Marketing Communications		
PR6	Programmes for adherence to laws, standards and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship	Transnet does not currently report on this performance indicator.
PR7	Total number of incidents of noncompliance with regulation and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Transnet does not currently report on this performance indicator.
Customer Privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Transnet does not currently report on this performance indicator.
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Transnet does not currently report on this performance indicator.

Abbreviations and acronyms

ACSA	Airports Company of South Africa SOC Ltd	km	kilometre
AMSA	ArcelorMittal South Africa	KPI	Key Performance Indicator
B-BBEE	Broad-based Black Economic Empowerment	kWh	kilowatt hour
bnℓ	billion litres	LTPF	Long-Term Planning Framework
BRICS	Brazil, Russia, India, China and South Africa	MDG	Millennium Development Goals
CDP	Carbon Disclosure Project	MDS	Market Demand Strategy
CPI	Consumer Price Index	MSoE	Maritime School of Excellence
CSDP	Competitive Supplier Development Programme	mt	million tons
CSI	Corporate social investment	mtpa	million tons per annum
CSIR	Council for Scientific and Industrial Research	MWh	Megawatt hour
CSR	Zhuzhou Electric Locomotive	NCT	Ngqura Container Terminal
CTCT	Cape Town Container Terminal	NEAP	National Employment Action Plan
DCT	Durban Container Terminal	NMPP	New Multi-Product Pipeline
DIFR	disabling injury frequency rate	nr	not reported
DJP	Durban Johannesburg Pipeline	PECT	Port Elizabeth Container Terminal
DIA	Durban International Airport	PFMA	Public Finance Management Act No. 1 of 1999
DTI	Department of Trade and Industry	PRASA	Passenger Rail of South Africa
EE	Employment Equity	PSP	Private Sector Participation
EIA	Environmental Impact Assessment	R	ZAR
EMS	Elgin Marine Services	RBCT	Richards Bay Coal Terminal
FRMP	Fraud Risk Management Plan	REMSEC	Remuneration, Social and Ethics Committee
GCF	Governance Control Framework	R&D	Research and Development
GCH	moves per gross crane hour	SD	Supplier Development
GFB	General Freight Business	SIP	Strategic Infrastructure Project
GHG	greenhouse gases	SIP2	Durban-Free State-Gauteng corridor
GIBS	Gordon Institute of Business Science	SOC	State-owned Company
GIT	Graduate-in-Training	SR 2013	Sustainability Report 2013
GMTN	Global Medium Term Expenditure	STAT	ship turnaround time
GRI	Global Reporting Initiative	STS	ship-to-shore
GTK	Gross Ton Kilometres	SWH	moves per ship working hour
HPE	Hydrocarbon Pollution Elimination	t	ton
ILO	International Labour Organisation	tCO ₂ e	tons carbon dioxide equivalent
JOC	Joint Operating Centre	TEU	twenty-foot equivalent unit
King III	King Code of Governance for South Africa	TTT	truck turnaround time
Kl	kilolitre	UNGC	United Nations Global Compact
		WFP	Workforce Plan
		ZPMC	Zhenhua Heavy Industries Co

Corporate information

Executive directors:

B Molefe (Group Chief Executive),
A Singh (Group Chief Financial Officer).

Independent non-executive directors:

ME Mkwana (Chairperson), NK Choubey[#], MA Fanucchi, Y Forbes, HD Gazendam, NP Mnxasana*,
N Moola, NR Njeke, IM Sharma, IB Skosana, E Tshabalala, DLJ Tshepe.

[#] Indian national.

* Appointed on 31 January 2013.

The following independent non-executive directors resigned/retired with effect from:

Mr MP Malungani	1 April 2012 (resigned)
Mr MP Moyo	6 July 2012
Ms NBP Gcaba	6 July 2012
Mr BD Mkhwanazi	6 July 2012
Mr TZ Mnyaka	6 July 2012

Group Company Secretary:

Ms ANC Ceba
47th Floor, Carlton Centre,
150 Commissioner Street, Johannesburg, 2001.
PO Box 72501, Parkview, 2122, South Africa.

Auditors

SizweNtsalubaGobodo Inc., 20 Morris Street East, Woodmead, Johannesburg, 2191.

With effect from 1 August 2013, the Company's internal audit function has been outsourced to SekelaXabiso (Pty) Ltd, Nkonki Inc and KPMG Services (Pty) Ltd.

SekelaXabiso (Pty) Ltd has its business address at:

1st Floor Building 22B
The Woodlands Office Park
20 Woodlands Drive
Woodmead
Johannesburg

Nkonki Inc has its business address at:

3 Simba Road
Sunninghill
Johannesburg

KPMG Services (Pty) Ltd has its business address at:

85 Empire Road
Parktown
Johannesburg

Transnet SOC Ltd

47th Floor, Carlton Centre
150 Commissioner Street
Johannesburg
2001

Incorporated in the Republic of South Africa.

Registration number 1990/000900/30.

TRANSNET



delivering freight reliably