

TRANSNET



delivering freight reliably



2014

SUSTAINABILITY REPORT

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Forward-looking information

All references to forward-looking information and targets in the 2014 reports are extracted from the 2014/15 Transnet Corporate Plan approved by the Board of Directors.



Transnet's Integrated Report 2014, Annual Financial Statements 2014 and Sustainability Report 2014 are available in PDF on www.transnet.net and via this QR code on mobile devices.

Follow us on:



Transnet's reporting for 2014 consists of three reports



Volume 1

The Integrated Report 2014 is the Company's primary report to all stakeholders.



Volume 2

The Annual Financial Statements 2014 including reports of the independent auditor's, directors and the corporate governance report.



Volume 3

The Sustainability Report 2014 documents Transnet's economic, social and environmental dividends.

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

Commentary on the Market Demand Strategy focus areas and sustainability outcomes are indicated by these icons:



CAPITAL INVESTMENT



VOLUME GROWTH



PRODUCTIVITY AND EFFICIENCY



FINANCIAL SUSTAINABILITY



HUMAN CAPITAL



ECONOMIC DIVIDENDS



SOCIAL DIVIDENDS



ENVIRONMENTAL DIVIDENDS



TRANSNET'S APPLICATION OF THE UNGC PRINCIPLES IS FLAGGED IN THE SR 2014 BY THE UNGC ICON.



Our sustainability context

Transnet SOC Ltd (Transnet or the Company) is a State-owned Company (SOC) which has a strong developmental mandate to support economic growth and job creation in South Africa. We have a Sustainability Framework that defines our long-term developmental focus into economic, social and environmental dividends. Our performance report back for the year under review is structured in terms of these dividends, and for ease of navigation, we show where readers can obtain the relevant information in the Sustainability Report 2014 (SR 2014).

Transnet's sustainability maturity process reflects the wider business context in which we operate and the dividends are evaluated to respond to changes in this context. We are alert to the global systemic and inter-connected risks that arise from rapid economic, environmental, geopolitical, societal and technological shifts taking place around the world. Unprecedented access to data on such trends is encouraging integrated thinking about the role that large companies play in shaping a sustainable future.

Since adopting our Sustainability Framework in Transnet, we are systematically instituting policies, measurement methods, process controls, data systems, targets, reporting and assurance throughout the Company to embed sustainability into infrastructure planning, project management, operations, supply chain management and risk management. We will update our Sustainability Framework as this work matures.

Transnet is an active participant in a number of industry initiatives that advance sustainability leadership in South African business practice. Transnet is a signatory of the United Nations Global Compact (UNGC) and is represented on the UNGC's Local Network Advisory Committee. Transnet is a member of the National Business Initiative; the Integrated Reporting Committee; the Energy Intensive Users Group; the Energy Efficiency Leadership Network (EELN); the Industry Task Team on Climate Change; the Network for Business Sustainability-SA; and the National Biodiversity and Business Network. Transnet sponsors the Transnet Programme in Sustainable Development at the Gordon Institute of Business Science, and is a sponsor to the local programme of the Cambridge Institute for Sustainability Leadership.

[SR]
Refer to Appendix B
for UNGC table



ECONOMIC DIVIDENDS

Cost-effective freight logistics infrastructure ahead of demand. [\(page 31\)](#)

Reliable and efficient rail, port and pipeline services. [\(page 34\)](#)

Skilled human resources aligned to infrastructure and services. [\(page 45\)](#)

Local supplier industry development. [\(page 49\)](#)

Job creation. [\(page 45\)](#)

Rural development. [\(page 63\)](#)

Regional integration. [\(page 5\)](#)

A financially stable business, able to raise and service debt, reinvest revenues and pursue agreements with private parties to optimise investment and services. [\(page 31\)](#)



SOCIAL DIVIDENDS

Good governance, accountability and transparency. [\(page 17\)](#)

Zero tolerance of fraud and corruption. [\(page 18\)](#)

A representative workforce. [\(page 55\)](#)

Safety. [\(page 59\)](#)

Staff wellness. [\(page 62\)](#)

Broad-based black economic empowerment. [\(page 55\)](#)

Corporate social investment. [\(page 63\)](#)

Community benefits. [\(page 63\)](#)

Proactive stakeholder engagement. [\(page 21\)](#)



ENVIRONMENTAL DIVIDENDS

Modal shift from road-to-rail, lowering South Africa's carbon emissions. [\(page 71\)](#)

Energy efficiency. [\(page 67\)](#)

Climate change mitigation. [\(page 67\)](#)

Climate change adaptation. [\(page 72\)](#)

Water use efficiency. [\(page 72\)](#)

Waste management optimisation. [\(page 73\)](#)

Biodiversity enhancement. [\(page 74\)](#)

BOARD STATEMENT AND APPROVAL



The Remuneration, Social and Ethics Committee (REMSEC) reviewed the SR 2014 and the external assurance statement as a reflection of Transnet's sustainability performance and initiatives, and the Board has duly approved this report for publication.

As the Board Committee charged with, amongst other matters, oversight of the Company's moral obligations for its economic, social and natural environment, REMSEC is satisfied that Transnet is making progress in embedding sustainability into business practice. We continue to uphold the UNGC's 10 universal principles on human rights, labour, the environment and anti-corruption.

Sustainability is a maturing process in the Company and over the last three years of reporting, the emphasis has shifted from environmental compliance to sustainability at the core of our business strategy. For this we are proud and we remain committed to promoting sustainable growth through long-term economic, social and environmental value creation.

Looking ahead, our strategic focus areas for 2014/15 include:

- Maturing sustainability management across Transnet through policies, measurement methodologies, target-setting, process controls, data systems intelligence, reporting and assurance.

- Measuring economic, social and environmental dividends (outcomes) for the Shareholder's Compact from 2015/16.
- Incorporating sustainability value-drivers into long-term infrastructure planning, capital investment decisions, the supply chain and enterprise risk management.
- Driving specific Company-wide sustainability initiatives, continuing the focus on energy management and innovation while increasing visibility on water management.

We trust that the past year's sustainability performance reflected in the SR 2014 will further encourage our valued stakeholders to continue working with Transnet as we progress on our sustainability journey.

A handwritten signature in black ink, appearing to be 'Nunu Njeke', written over a light blue grid background.

Nunu Njeke

Chairperson: Remuneration, Social and Ethics Committee



As we look back on the second year of implementing our Market Demand Strategy (MDS), we are acutely aware of the profound responsibility we carry to be stewards of economic growth, social development and the natural environment. Notable sustainability achievements have been made by Transnet in the last year, particularly in long-term network capacity expansion, acquisitions of new locomotives and port equipment, procurement from local suppliers, skills development, safety and energy management.

Transnet's mandate to its stakeholders runs deeper than sound financial and operational performance. We are required to build a stronger economy and a more equitable society while protecting our natural environment. The Company therefore holds itself accountable, not only to Government as Shareholder; but to lenders who help finance our business; to customers who depend on our services every day; and to society at large.

'Promoting sustainable growth' is one of the strategic focus areas of our Shareholder's Compact with the Shareholder Minister represented by the Minister of Public Enterprises, and forms the cornerstone of the MDS. Our Sustainability Framework enables us to drive and monitor outcomes, which are our focus for long-term value creation. By integrating sustainability value drivers into our strategy, operations and performance measures, we are confident that Transnet will not only deliver long-term benefits for South Africa and the region, but will be more resilient as a company to global and local risks.

I am proud to report that since 2011, Transnet has made progress in embedding sustainability into core business. We included 'sustainability in all we do' in the Company's vision statement; incorporated Social and Ethics oversight functions

into the Board's mandate; adopted a Sustainability Framework; established a Company-wide Sustainability Forum; assigned sustainability responsibilities to a Group Executive member and to General Managers across the business; set up a research and development team; drove new Company-wide initiatives in energy and carbon management, social impact measurement, and stakeholder engagement; signed up to the UNGC; and adopted Integrated Reporting (IR), Global Reporting Initiative (GRI), AccountAbility (AA) 1000 and Carbon Disclosure Project (CDP) reporting standards.

Transnet's SR 2014 provides our stakeholders with information on the material sustainability initiatives that are underway in Transnet and reflects our sustainability performance of the past year. We also highlight our sustainability commitments ahead. Importantly, the SR 2014 includes assurance by external assurance providers on key sustainability indicators.

Transnet continues to embed sustainability into the culture and day-to-day decision-making of all aspects of business practice. This is being pursued throughout our Corporate Centre functions, Operating Divisions and Specialist Units.

I am grateful to the Board of Directors, under the Chairpersonship of Mafika Mkwana, for the steadfast sustainability leadership which is provided to the Group Executive Committee. As a SOC, explicitly committed to the developmental needs of South Africa, we continue to drive execution of the MDS in a way that builds lasting economic, social and environmental value.

Brian Molefe
Group Chief Executive

Reporting philosophy and approach

The SR2014 provides our stakeholders with a view of Transnet's sustainability performance for the financial year 1 April 2013 to 31 March 2014. The SR 2014 describes how we deliver sustainable outcomes through our five Operating Divisions: Transnet Freight Rail (Freight Rail), Transnet Engineering (Engineering), Transnet National Ports Authority (National Ports Authority), Transnet Port Terminals (Port Terminals) and Transnet Pipelines (Pipelines); as well as in the Transnet Corporate Centre and three Specialist Units: Transnet Foundation, Transnet Capital Projects and Transnet Property.

The SR 2014 builds on Transnet's report of 31 March 2013. There have been no significant changes in scope or aspect boundaries during the reporting period. Where any restatements or changes in measurement methods have taken place, these are described in the relevant report section.

The boundary of this report is largely the Transnet legal entity. There are instances where reporting extends to other entities or groups of entities outside of Transnet. This is disclosed for the relevant material aspects in the report. For more detail refer to the aspect boundary matrix at Appendix E.

As part of our maturing sustainability pathway, Transnet has engaged an external sustainability assurance provider to provide assurance on specific indicators (read more at Appendix A).

Reporting frameworks

To date, Transnet's sustainability reporting has been informed by the GRI G3 guidelines. GRI G4 was published in May 2013. This year, Transnet has decided to apply the new GRI G4 guidelines for Core reporting as far as possible in order to begin to align our future reporting standards to global best practice. The SR 2014 contains Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines (refer Appendix C for a list of standard disclosures and their location in the report).

Our sustainability reporting is also responsive to a number of other globally accepted frameworks, including the UNGC (read more at Appendix A) to which we have been a signatory for the last two years; the CDP which informs our reporting on carbon emissions; and the AA 1000 Stakeholder Engagement Standard.

Suite and interaction between reports

Transnet undertakes its annual reporting across three reports: the Integrated Report (IR 2014), the Annual Financial Statements (AFS 2014) and the SR 2014.

The SR 2014 and the IR 2014 were prepared using the GRI G4 and International Integrated Reporting Council's (IIRC's) Integrated Reporting Framework v1.0 respectively. Both reporting standards use the principle of 'materiality' to inform report content. We note that GRI G4 and the Integrated Reporting Framework are not fully aligned with regard to materiality. Developments in reporting standards will be monitored to enhance our reporting over time.

The SR 2014 complements the IR 2014 by providing more detail disclosures on Transnet's sustainability performance. Certain topics, such as the approach and outcomes from stakeholder engagement, are disclosed in more detail in the SR 2014. Throughout the suite of reports, we provide reference to where further detail can be obtained.

The SR 2014, including the GRI Content Index, is available on Transnet's website as a downloadable document on www.transnet.net

Transnet welcomes feedback on the SR 2014 to ensure that we continue to disclose information that is pertinent. For queries or suggestions contact the General Manager: Public Policy and Sustainability: Sue.Lund@transnet.net.

Who we are

Transnet is a SOC of the Government of the Republic of South Africa and the custodian of the country's freight railway, ports and pipelines. Transnet's primary business is freight logistics services.

In line with Government's New Growth Path (NGP) and the National Development Plan (NDP), SOCs are required to contribute to economic growth through the provision of world-class infrastructure and technologies; expansion of economic infrastructure; job creation and skills development; as well as industrial capacity building through a strategic approach to procurement and operations.

Transnet has a responsibility to unlock economic, social and environmental value through executing its mandate whilst building a commercially viable business enterprise.

Transnet's mandate, vision and mission reflect the Minister of Public Enterprises' objectives:

Mandate

To assist in lowering the cost of doing business in South Africa, enabling economic growth and ensuring security

of supply through providing appropriate port, rail and pipeline infrastructure in a cost-effective and efficient manner, within acceptable benchmarks.

Vision

To meet customer demand for reliable freight transport and handling through:

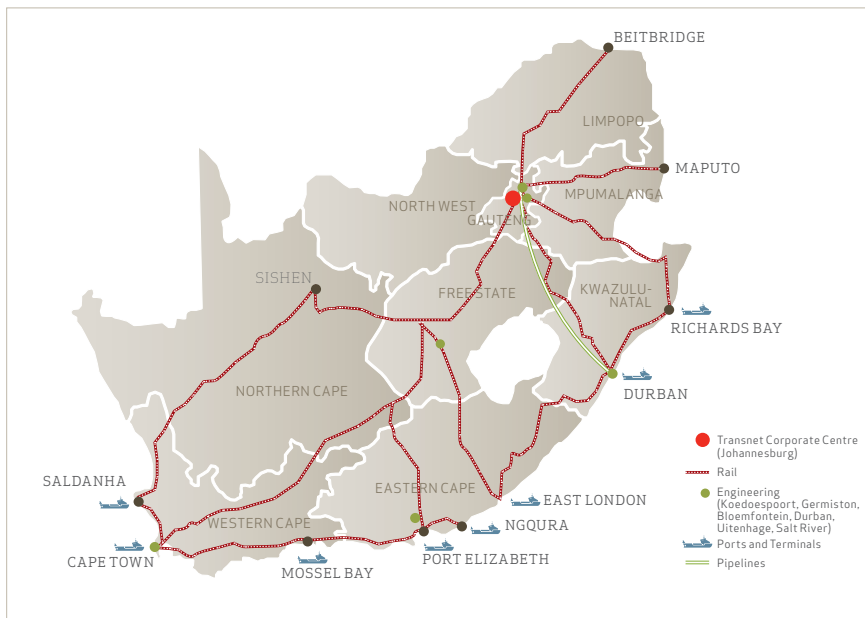
- Fully integrating and maximising the use of its unique set of assets;
- Continuously driving cost efficiency; and
- Demonstrating a concern for sustainability in all we do.

Mission

To enable the competitiveness, growth and development of the South African economy by delivering reliable freight transport and handling services that satisfy customer demand.

Where we operate and what we do

Transnet has a coordinating Corporate Centre located in Johannesburg, South Africa and five Operating Divisions with operations spread across the Republic of South Africa. In future, Transnet plans to expand operations further into the African continent. Currently, Transnet has four satellite offices in the region.



Geographic location of the Transnet Corporate Centre and Operating Divisions

ABOUT TRANSNET (continued)



Freight Rail, the largest of the five Operating Divisions, operates 20 500km of rail network across South Africa which transports bulk, break-bulk and containerised freight. The Freight Rail network and rail services provide strategic links between mines, production hubs, distribution centres and ports; and connects with the cross-border railways of the region. Shifting rail-friendly freight off roads and onto rail reduces logistics costs, impacts positively on the road network and has many indirect benefits for the country including a reduction in transport sector carbon emissions.

Engineering provides maintenance and refurbishment services of rolling stock and specialised equipment to Freight Rail, National Ports Authority, Port Terminals and Pipelines and is integral to Transnet achieving optimal use of equipment in conducting its core business.

South African ports owned by the National Ports Authority facilitate 98% of South Africa's global trade and service the shipping feeder network connecting the west and east coasts of Africa. Approximately 31% of South Africa's Gross Domestic Product (GDP) is derived from exports and around 33% of GDP is derived from imports¹.

Port Terminals operates all of South Africa's container and automotive port terminals and some bulk and break-bulk terminals.

Pipelines transports fuel from coastal refineries and crude oil imports to the inland market. Transnet has installed a New Multi-Product Pipeline (NMPP) enabling an increase in volume throughput to meet forecast market demand.

¹ South African Reserve Bank national income and production accounts of South Africa: Summary of GDP, expenditure and national disposable income, Quarterly Bulletin, March 2014.



Transnet employs a total of 54 671 employees.

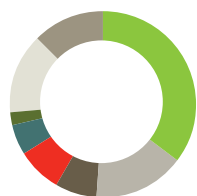
Transnet's customers are principally large mining, shipping, manufacturing, agricultural, industrial, retail and energy contributors to the South African economy.

Transnet's services are both outbound (South African businesses moving products to markets) and inbound (bringing products to South African markets). The commodities transported in the most significant volumes are: mining exports, General freight² and petroleum products³. The sectors that Transnet provides services to include:

- Mining;
- Iron and steel;
- Cement;
- Agriculture;

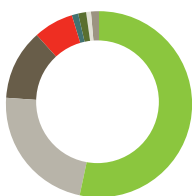
- Automotive;
- Industrial and agri-chemicals;
- Wood and wood products;
- Petrochemicals;
- Shipping;
- Retail; and
- Intermediaries.

The way in which Transnet sources and utilises assets, people and skills, finances and natural resources, carries significant responsibility. This is because the quality and sustainability of Transnet's infrastructure and services impacts the short-, medium- and long-term prospects of thousands of companies, tens of thousands of employees, investors, all spheres of Government, and communities across the country.



REVENUE PER COMMODITY (R BILLION)

General freight	19 619
Export coal	8 909
Bulk	4 171
Export iron ore	4 961
Piped products	2 862
Break-bulk	1 141
Maritime containers	7 924
Other	7 019



HEADCOUNT (EMPLOYEES)

Freight Rail	29 225
Engineering	12 428
Port Terminals	6 624
National Ports Authority	3 823
Pipelines	621
Capital Projects	720
Property	555
Group services	675



RAIL VOLUMES (MT)

General Freight Business	87,9
Export Coal	68,2
Export Iron Ore	54,3

R56,6BN

Total revenue

54 671

Total headcount

210,4MT

Total rail volumes

4,6M TEUs

Total container volumes

16,6BL

Total petroleum volumes

² General freight includes: containerised cargo, local manganese, minerals, local coal, local iron ore, chrome and ferrochrome, agricultural products, iron and steel, fertilisers, cement, fast-moving consumer goods, bulk liquids, wood and wood products, industrial chemicals, intermediate products and automotive products.

³ Petroleum products includes: crude oil, refined petroleum products, aviation turbine fuel and methane-rich gas products.

Our support processes

Transnet's core business of freight logistics services (performed by the Freight Rail, National Ports Authority, Port Terminals and Pipelines Operating Divisions) is underpinned by the support process provided by Engineering, Transnet Corporate Centre and the Specialist Units. These support processes respond to risks and opportunities and focus on achieving the Company's targeted outcomes. (Refer to Transnet's business model on page 10).

Engineering provides a pivotal support process in maintenance, repair, upgrade and manufacturing services; the greatest focus being support to Freight Rail, but support is also provided to the other Operating Divisions. Engineering also houses the Company's Research and Development (R&D) unit to capture opportunities for technology innovation.

Transnet's Corporate Centre provides the following support processes:

- Office of the Group Chief Executive;
- Treasury, financial management and control;
- Strategy, planning and sustainability;
- Commercial, economic regulation and private sector participation;
- Human resources;
- Risk management;
- Legal and compliance;
- Planning and sustainability;
- Results monitoring;
- Enterprise information management;
- Security; and
- Internal audit.

Transnet's Specialist Units are tasked with the following supporting roles:

- Transnet Capital Projects executes large infrastructure capacity expansion projects on behalf of, and with input from, the Operating Divisions.
- Transnet Property manages Transnet's non-core property portfolio comprising commercial and residential properties (approximately 13% of the total Transnet property portfolio).
- Transnet Foundation implements the Company's corporate social investment projects.

Our supply chain

Transnet's supply chain has an extensive reach into the manufacturing and services sectors of South Africa and draws on international sources where required. Our service to customers is linked to the quality of these suppliers and their products, and our product choices in turn affect the environment in which we operate. Furthermore, we recognise the important role that Transnet's purchasing power plays in the local economy.

In line with the material issues identified for our 2014 sustainability performance review, we highlight here two key features of our supply chain: Procurement practice and Energy suppliers.

Procurement practice

To effect our strategic objectives and achieve wider economic, social and environmental value, Transnet recognises that procurement practice must go beyond sourcing inventory and logistics. It must be supported by an outcomes strategy, with internal policy and governance measures to drive success. To this end, Transnet's Supplier Development Plan (SDP) 2012 – 2015 is being executed. As procurement systems have matured, increasing focus has been placed on holistic and integrated Supply Chain Management (iSCM), with our sphere of influence extending through the upstream supply chain to Enterprise Development (ED). Our Enterprise and Supplier Development is thus increasingly supporting small, medium and micro-enterprises (SMMEs) with a focus on education and awareness, innovation and technology advancement, the roll-out of ED Hubs, and support for industrialisation and entrepreneurship.

The adoption of the Platinum Standard in the Supply Chain model aims to transform Transnet's procurement to an end-to-end management function, encompassing demand management, sourcing, supplier development, inventory, logistics, contract development and management as well as disposal. Transnet also recognises that

its procurement strategy is integral to the growth of a green economy in South Africa, in which the adoption and development of efficient and resilient technologies, along with increasing use of rail for freight transport, will lower business costs and stimulate economic activity.

Transnet's manufactured capital inputs, specifically infrastructure and equipment requirements, are large-scale and technologically and intellectually intensive. Our approach to sourcing in this context is to pursue suppliers both locally and globally, complementary to our in-house manufacturing capabilities.

Guided by the SDP and managed through rigorous procurement procedures, we enter into contracts with Original Equipment Manufacturers (OEMs) with specific targets for local skills development, local job creation, local content purchasing and localisation of assembly and fabrication. These are achieved in collaboration between the OEMs and Engineering, whose factories and depots are strategically located across South Africa to service the critical freight rail and ports sites.

Transnet's objective is to increase South African industrialisation and entrepreneurship through localisation, technology transfer, skills development, job creation and local supplier development. As we implement our SDP, procurement lead-times are improving and market interaction is benefiting. In time, Transnet aims to become an OEM.

Energy suppliers

Energy is a strategic risk to our business in respect of supply, pricing and carbon emissions. Our railway, ports and pipelines operations are particularly vulnerable to business interruption caused by power outages, rising energy costs and uncertainty about electricity supply to meet demand. We are also mindful of the environmental costs of greenhouse gas (GHG) emissions from our energy use.

In South Africa, the SOC Eskom is the primary supplier of electricity. Eskom is however, operating under severely constrained generating capacity while new plants are being built. It generates approximately 82% of its supply at emissions-intensive coal-fired power stations and relies on diesel turbines for power-generation back-up. Regulated electricity prices have risen approximately 60,9% over the last three years, and Government is set to introduce carbon pricing in the form of a carbon tax from 2016, which will further raise energy prices. Although Transnet consumes approximately 1,3% of Eskom's total annual electricity sales, Transnet is one of Eskom's top 20 largest single electricity users. At the same time, Eskom is a key Transnet customer, receiving some of its coal deliveries to power stations by rail.

Diesel is a critical input to Transnet operations, due to the use of diesel locomotives in the fleet and, to a lesser extent, diesel fuelled mobile and stationary handling equipment in the ports and other operational sites. Transnet is sensitive to volatile diesel prices, the associated foreign exchange risk and carbon pricing, but fuel supply is not currently identified as a critical constraint. To ensure sufficient fuel supplies to the approximately 53 traction diesel fuel depots across the rail networks, diesel is managed as a critical input and contracts are in place to ensure supply.

In 2013, Transnet adopted an Energy Security and Carbon Mitigation strategy to address its energy risks over the short, medium and long term. This is further elaborated on under 'Sustainability Performance Review: Energy' (read more about this on page 67).

HOW TRANSNET CREATES VALUE

INPUTS

Value deployed in 2014

FINANCIAL CAPITAL

- Share Capital R12,7 billion
- Long- and short-term borrowings R90,4 billion
- Cash generated from operations R24,0 billion

MANUFACTURED CAPITAL

- Property, plant and equipment R207,3 billion
- Investment property R8,6 billion

HUMAN CAPITAL

- 54 671 permanent headcount
- Training spend R621 million

INTELLECTUAL CAPITAL

- Custodian of the country's freight railway, ports and pipelines, infrastructure and technologies
- R100 million invested in R&D

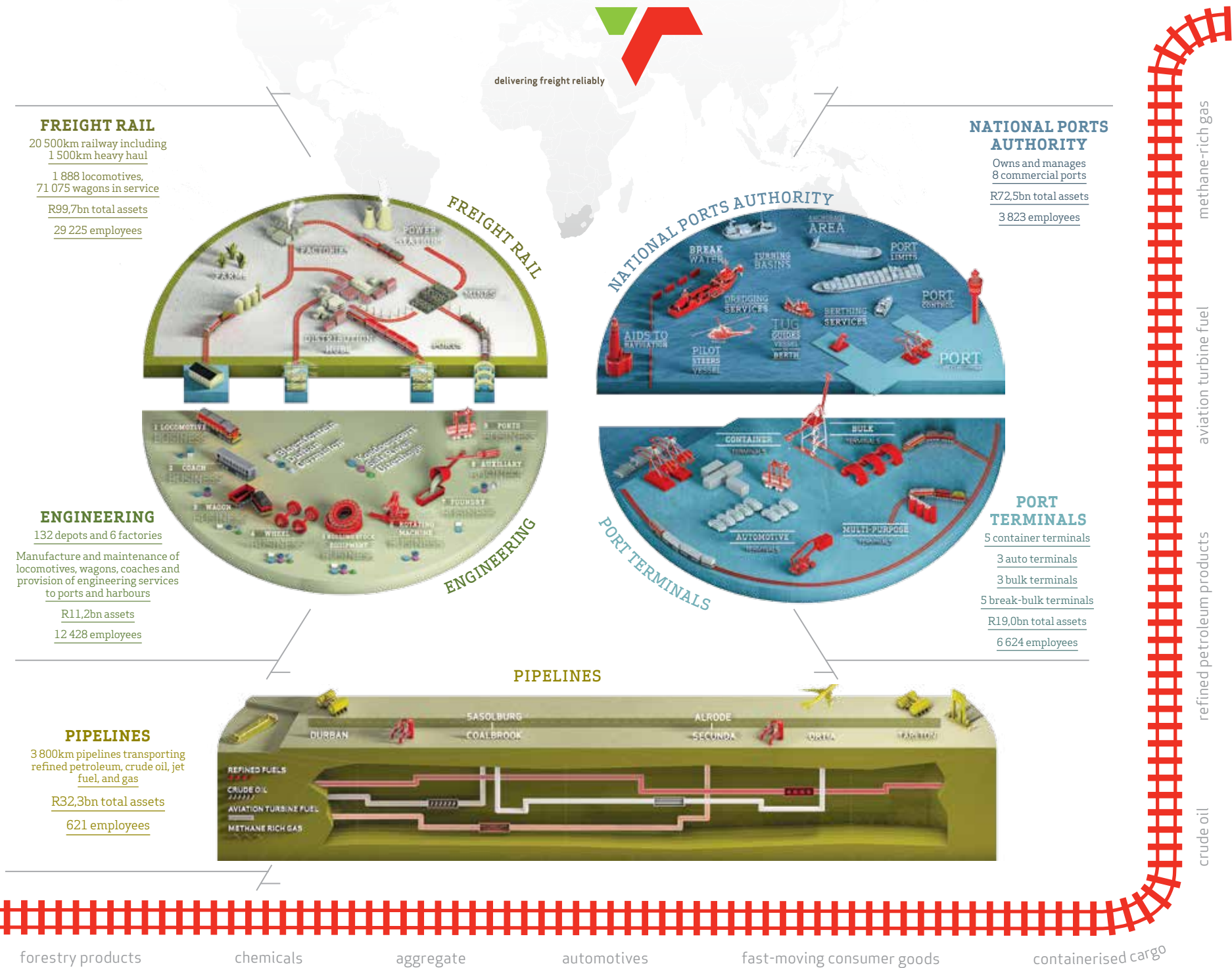
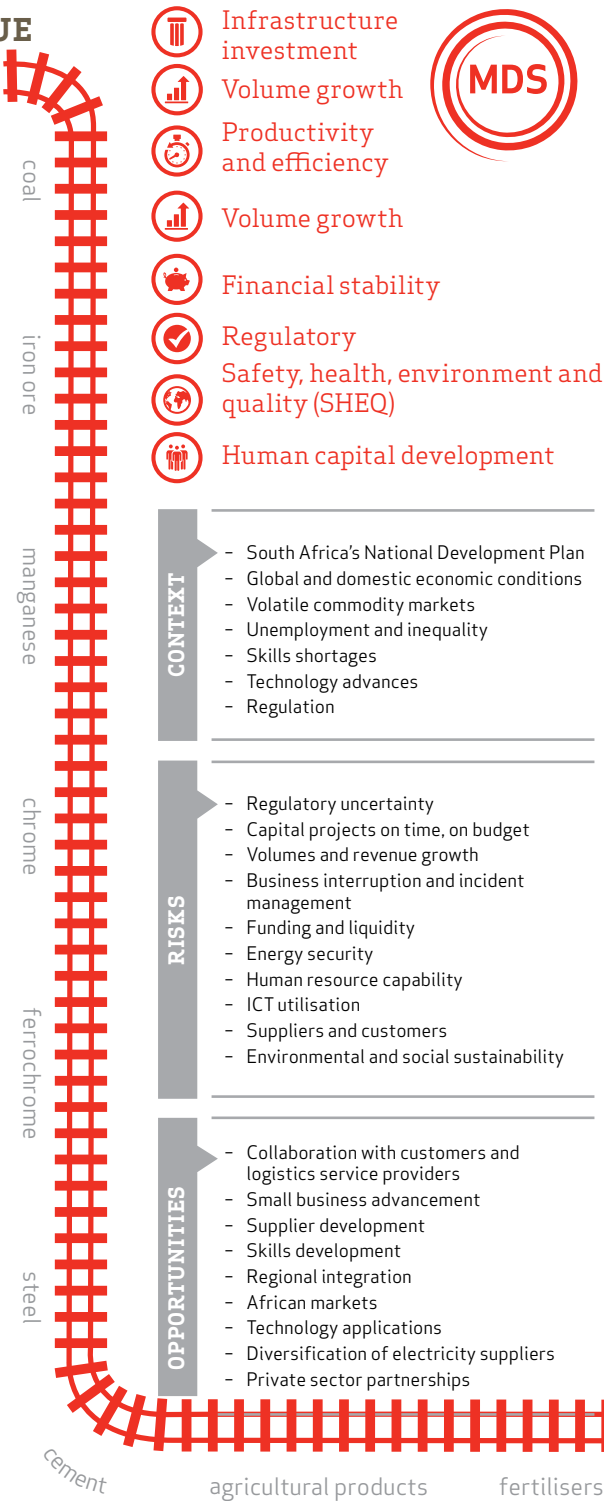
SOCIAL AND RELATIONSHIP CAPITAL

- Customers
- Government and regulators
- Employees
- Funders
- Suppliers
- Organised labour
- Communities
- Pensioners

NATURAL CAPITAL

Consumed:

- 3,6TWh coal-fired electricity
- 256 million litres diesel
- Water, air, ecosystems





2014

GROUP HIGHLIGHTS

Transnet has persisted in the execution of its counter-cyclical investment strategy of R312,2 billion over seven years. Despite continued economic volatility and regulatory uncertainty in 2014, the Company reports strong financial performance, purchase of new equipment, rail market share growth in general freight, skills investment, an improved safety record, black-economic empowerment and local supplier development through procurement spend, and energy efficiency gains.



- Revenue increased by 12,8% to **R56,6 billion.**
- EBITDA increased by 12,3% to **R23,6 billion.**
- Cash generated from operations after working capital changes increased by 11,6% to **R25,3 billion.**
- Gearing at **45,9%** and cash interest cover at 3,7 times, well within targets.



Capital investment increased by 15,6% to **R31,8 billion.**

- **R13,3 billion** invested in expanding infrastructure and equipment.
- **R18,5 billion** invested to maintain capacity.
- **R50 billion**, 1 064 locomotive contract signed, **R4,9 billion** invested in current period.



- **Rail:** Freight volumes increased by 1,3% to **210,4mt.**

- **Ports:** TEU volumes increased by 5,4% to **4,64 million TEUs.**

- **Pipelines:** Petroleum product volumes increased by 4,4% to **16,6 billion litres.**



- **R621 million** invested in skills development (3% of payroll).
- **3 340 apprentices** and **483 engineering** bursars in the talent pool.



- **R40,9 billion** gross value added
- **R44,0%** reinvested.
- **14,4%** to lenders.
- **41,6%** to employees.

Recognised B-BBEE spend of **R38,8 billion** or **94,4%** of total measured procurement spend.

R10,9 billion supplier development contracted.



- **DIFR** performance of **0,69** - better than the target of 0,75.
- **R174 million** spent on Corporate social investment across South Africa.



- Total electricity **consumption reduced 0,2%.**
- Electricity regenerated by new locomotives: **176 185MWh** for the year.
- Traction energy efficiency **improved 2,4%.**
- Road-to-rail gains reduced transport sector carbon emissions by **835 670tCO₂e.**

OPERATING DIVISIONS HIGHLIGHTS

Transnet Operating divisions' steady results indicate resilience in the face of economic slowdown, labour unrest, inclement weather conditions, customer and own operational challenges, regulatory uncertainty, electricity outages and depressed commodity prices. Opportunities were seized by Freight Rail for volume growth in the container and automotive sectors, while Engineering increased revenue by pursuing new over-border markets. Sluggish Port and Pipeline volumes reflect the slow pace of economic activity.

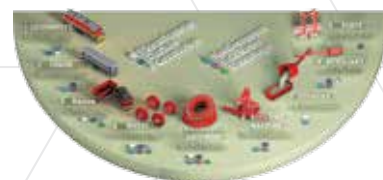


FREIGHT RAIL

R34,4bn - Revenue
R25,1bn - Capital investment
1,3% - Volume growth to 210,4mt
9,7% - ROTA
0,82 - DIFR

ENGINEERING

R13,4bn - Revenue
R1,0bn - Capital investment
6,4% - ROTA
0,61 - DIFR

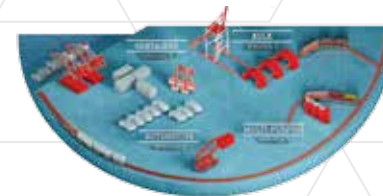


NATIONAL PORTS AUTHORITY

R9,9bn - Revenue
R1,2bn - Capital investment
4 641 (000 TEUs) - Total container volumes
8,0% - ROTA
0,17 - DIFR

PORT TERMINALS

R8,5bn - Revenue
R1,7bn - Capital investment
4 503 (000 TEUs) - Total container volumes
5,4% - ROTA
0,53 - DIFR



PIPELINES

R3,1bn - Revenue
R3,4bn - Capital investment
16,6bl - Total volume of petroleum products
8,6% - ROTA
0,39 - DIFR

ABOUT TRANSNET

(continued)

Conditions under which we operate

Transnet's mandate to balance commercial and developmental objectives requires both prudent planning and bold action, particularly in volatile global and local economic conditions. Transnet's infrastructure and services are intended to benefit South Africa as a whole, facilitating economic activity.

While the Company is State-owned, we receive no financial transfers from the South African Government's revenue funds. We raise debt on the capital markets without Government guarantees. Transnet pays corporate tax under the same laws applicable to private and listed companies in South Africa. This year saw no significant changes in the way Transnet is owned, structured or functions.

Tariffs charged by Transnet's National Ports Authority and Pipelines Operating Divisions are determined by independent economic regulators, the Ports Regulator and the National Energy Regulator of South Africa (NERSA). The Company operates in compliance with over 400 regulations established through statute.

The MDS provides the strategic direction for the Company and entails deploying significant planned capital, in the short- and medium-term, to expand the country's freight railway, ports and pipeline infrastructure and improve operational effectiveness of the freight logistics system.

There is clear recognition by the Shareholder, Board and management that logistics productivity and reliability are determining factors shaping South Africa's ability to compete in global trade. Transnet must therefore find ways to invest counter-cyclically – through the peaks and troughs of economic cycles – in order to both stimulate and support periods of higher growth.

Advancing the strategic objective of further integrating South Africa into the region and the rest of the continent and improving country competitiveness, many initiatives are underway to build Transnet's organisational capability and to embed a high-performance culture. Transnet has a robust business model and business practices and harnesses its capitals to realise value for stakeholders. (Read more about this on page 10).

Critical challenges are recognised and are being addressed. External challenges include: regulatory uncertainty, particularly in respect of regulated tariff determination; sluggish economic growth, both global and domestic, which impacts freight volumes and revenues; volatile commodity markets; skills constraints; and energy vulnerability. Internal challenges include: operational efficiencies and customer satisfaction; skills constraints; efficiency of capital execution; and information systems enablement. (Read more about this on page 10).

New ship-to-shore
cranes at Cape
Town Container
Terminal





Governance and assurance

Governance in the context of sustainability at Transnet

With the adoption of the Sustainability Framework in 2011/12, a Company-wide Sustainability Forum was established comprising representatives from the Operating Divisions, Corporate Centre functions and Specialist Units. 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 Committee for REMSEC review and approval; facilitating sustainability learning and training; and driving Company-wide sustainability initiatives. The Sustainability Forum is underpinned by Sustainability Committees in the Operating Divisions, adding impetus to the sustainability maturity processes which are currently underway within Transnet.

The Sustainability Forum reports to the Group Executive Committee, which reports in turn to REMSEC. REMSEC advises the Board of Directors, as the highest governance body, on those issues pertaining to responsible corporate citizenship and sustainability. It oversees the Company's legal and moral obligations for its economic, social and natural environment, including the objectives and standards of the Company's conduct and activities.

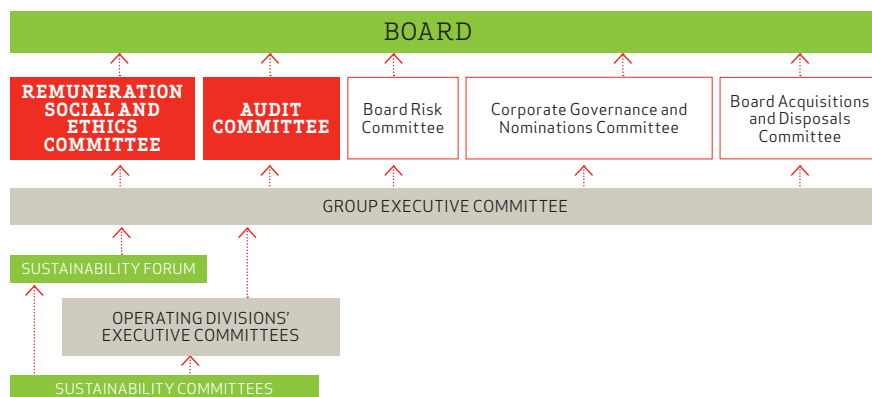
Other committees within the Transnet governance structure, whose responsibilities impact upon economic, social and environmental matters include:

The Audit Committee is constituted as a statutory committee and is charged with reviewing and assessing the integrity and effectiveness of the accounting, financial, compliance and other control systems. The committee reviews financial information to ensure that it provides a balanced view and engages with external assurance providers to provide assurance on the information, including sustainability. The committee also reviews the expertise, resources and experience of the Company's finance function and discloses the results in the Integrated Report (IR). It recommends the Company Fraud Risk Management Plan (FRMP) to the Board of Directors for approval after consultation with the Board Risk Committee.

The Board Risk Committee reviews the adequacy and effectiveness of the Company's risk management function. It considers the Enterprise Risk Management (ERM) Framework and ensures that market risk, operational risk, environmental, health and safety risks amongst others are formally reviewed on an annual basis. It recommends the Company's Risk Appetite Statement to the Board of Directors.

The Corporate Governance and Nominations Committee ensures that all the committees of the Board are properly resourced to enable them to fulfil their mandates. The committee nominates potential committee members for consideration by the Board of Directors and appointment by the Minister of Public Enterprises.

The Board Acquisitions and Disposals Committee ensures that procurement and provisioning policies are fair, equitable, transparent and cost-effective.



Sustainability governance

ABOUT TRANSNET

(continued)

The committee approves tenders and contracts up to the maximum of the investment decision. It monitors trends in supplier development spend and progress on plans including support of the Government's economic policies, Competitive Supplier Development Programme (CSDP), local supplier development, preferential procurement and ED.

Assurance for sustainability indicators

2014 marks the first year that Transnet has included an external assurance statement on certain information reported in the SR. SizweNtsalubaGobodo (SNG) was appointed on 20 February 2012 as Transnet's external assurance providers through an open tender process. The assurance statement by SNG (refer to Appendix A) provides assurance over specified key performance indicators.

[AFS]
Refers to
page 4



Financial information included in this report has been extracted from the AFS audited by SNG, which includes an unmodified audit opinion on page 4 of the AFS.

Ethics and integrity

Transnet's Code of Ethics (the Code) allows for a culture of entrenched values, principles, standards and norms that guide the behaviour of Transnet employees. The Code aims to instil a culture of honesty, respect and integrity and overall ethical behaviour in employees in their engagements with both internal and external stakeholders. The Code commits the executive directors and employees to the highest standards of ethical behaviour and all Transnet employment contracts make reference to the Code. Transnet's service providers, suppliers and trade partners are also subject to the Code. The Group Company Secretary is responsible for the development, review and implementation of the Code. The Code was reviewed in 2013 to extend the scope to independent non-executive directors. It is due for review again in 2015. Aspects of the Code are included in fraud and corruption awareness training; and the Code is available and accessible to all Transnet employees on the Company's intranet.

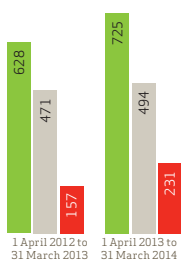
In addition to the Code, Transnet concludes Integrity Pacts with all bidders and suppliers. Integrity Pacts have replaced Transnet's Supplier Code of Conduct. Each party agrees to avoid all forms of dishonesty, fraud and corruption including

practices that are anti-competitive in nature, negotiations made in bad faith and under-pricing 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
- Stop bidders and suppliers from bribing or participating in any corrupt practice in order to secure a contract.

There is a Tip-Offs Anonymous Hotline for reporting concerns about unethical or unlawful behaviour. The hotline is managed by Internal Audit and all reported cases are investigated through an established forensics investigation process. Cases reported are managed through an automated case management tool and allocated to the relevant Operating Division for investigation. Operating Divisions' Fraud Working Groups are mandated to monitor the investigation of allegations reported. The hotline is available 24 hours a day, seven days a week and the call centre agents are able to converse in all 11, official South African languages. Details of the hotline are communicated to all employees through various awareness and education mechanisms such as annual fraud and awareness education, information cards, tender documents, invoices and other marketing material. Transnet employees are protected from victimisation by the Transnet Whistle Blowing Policy in so far as reporting is undertaken in line with the Protected Disclosures Act.

Looking ahead to 2014/15, the development of an Ethics Compliance Programme is prioritised. An Ethics Climate Survey is currently underway in the Company, of which phase one and two have been completed and results are being reported to the relevant management and Board Committees. The results of this survey will be instrumental in developing the programme. In addition, an Anti-Corruption Policy is currently being taken through the Labour Forum for consultation, thereafter it will go through the Transnet approval process. In excess of 4 500 employees were trained during the rollout of the Anti-Fraud, Corruption and Ethics Awareness training during 2013/14.



**TIP-OFFS ANONYMOUS
HOTLINE STATISTICS
2013/14**

■ Total allegations
■ Total unfounded
■ Total founded



Material issues determination process

Transnet defines materiality for its reporting as: issues⁴ that substantively affect Transnet's ability to create and sustain value over the short, medium and long term.

Transnet's material issues were determined through a structured process of identifying relevant issues and prioritising those that are material, using a number of sources, including:

- The Statement of Strategic Intent issued to Transnet by the Minister of Public Enterprises and the annual Compact that Transnet signs with the Minister;
- Transnet's Sustainability Framework;
- Transnet's ERM process and top 10 strategic risks;
- The business environment within which Transnet operates; and
- Transnet's stakeholder engagements.

This was complemented by a review of Transnet's coverage in the external media. The material issues were reviewed in a materiality workshop of senior management. This process has informed both the SR and IR content as well as reporting boundaries (refer Appendix E for the boundary matrix).

It should be noted that GRI G4 requires that sustainability reporters define the 'material aspects' influencing their organisation. As far as possible, we have therefore matched the dividends in our Sustainability Framework with GRI G4 'material aspects'. We also used our Sustainability Framework as part of the process to determine 'material issues' as required for Integrated Reporting. Appendix D illustrates the correlation between Transnet's Sustainability Framework, 'material aspects' and 'material issues'. Some issues not determined as 'material' are reported for completeness against the Transnet Sustainability Framework.

Statement of Strategic Intent and Shareholder's Compact

The Statement of Strategic Intent issued by the Shareholder, represented by the

Minister of Public Enterprises outlines five objectives for Transnet:

- Reduce the cost of logistics as a percentage of transportable GDP;
- Effect and accelerate modal shift by maximising the role of rail in the national transport task;
- Leverage the private sector in the provision of both infrastructure and operations where required;
- Integrate South Africa with the region and the rest of the continent; and
- Optimise the social and economic impact of all interventions undertaken by the Company in the achievement of these objectives.

The annual Compact that Transnet signs with the Shareholder sets out specific annual targets to achieve the strategic outcomes required. These targets are set every year to inform Transnet's annual Corporate Plan.

Transnet Sustainability Framework

Transnet's Sustainability Framework is aligned to the Minister's Statement of Strategic Intent and the Shareholder's Compact to ensure that Transnet accounts for long-term economic, social and environmental outcomes.

Enterprise Risk Management

The issues that affect Transnet's ability to create value in the short, medium and long term can be grouped into three categories:

- Operational risks or opportunities which are managed daily through implementing policies and process controls;
- Strategic risks or opportunities which could significantly affect Transnet's ability to implement its strategy, but could be mitigated if they are understood and proactively addressed; and
- Systemic or global risks or opportunities which affect nations and companies globally; some of which could be mitigated by localised efforts or through collective or multilateral actions.

Transnet's strategic risk profile is generated from the Transnet ERM Strategy Framework, based on ISO 31000:2009.

⁴ With the multitude of terms used in the IR Framework and GRI G4 guidelines guiding Transnet's reporting, Transnet uses the word 'issue' to refer to matters, topics, and aspects. Not all 'issues' will necessarily be 'material issues'. Transnet's material issues, as disclosed in the IR 2014, are included in the SR 2014 on page 27 and reflected in the performance review (page 29). See also Appendix D.

MATERIAL ISSUES

(continued)

A strategic risk profile is generated for each Operating Division, and updated regularly for emerging risks. The output from risk assessments is held in risk registers and risk treatment plans that are stored in the risk information management system. Risks are allocated to specific risk owners for monitoring and review. The risk treatment actions are allocated to task owners to track and monitor completion thereof.

The results of the risk assessment reviews are presented to Operating Divisions or Specialist Unit's Risk Management Committees and to the Transnet Risk Management Committee.

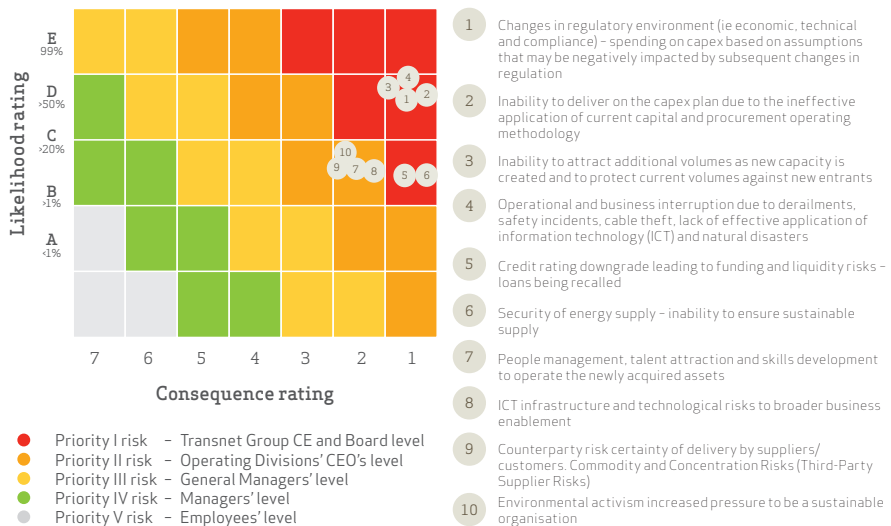
Key Risk Indicators are developed for all significant and strategic risks. The potential exposure is determined in Rand value for all significant risks. The process

involves relevant stakeholders and is collaborative.

Priority I risks requires management to take action to reduce residual risk or to tolerate the exposure at current residual levels, with authorisation by the Group Chief Executive and the Board of Directors. Priority II risks requires management to take action to reduce residual risk or manage risk reduction through the business plan.

The Board of Directors has delegated the quality, integrity and reliability of the Group's risk management to the Board Risk Committee.

The key medium-term issues derived from the ERM analysis, which support the material issues disclosed in the next section, are as follows:



Strategic residual risks heat map

Business environment

Slow rates of global and local economic growth, volatile commodity markets, widening social inequality, structural unemployment, technology advances, skills shortages, and the demand for natural resources characterise the business environment within which Transnet operates. These factors have a direct impact on Transnet's customers, funders, employees and suppliers. The freight systems' ability to effectively respond to these trends is integral to Transnet's

business sustainability. The MDS recognises this, positioning the Company to meet demand, pursue developmental outcomes, and build a sustainable enterprise.

South Africa's NDP, endorsed by Government in 2012, aims to eliminate poverty and reduce inequality by 2030. The long-term structural reforms outlined in the NDP are complemented by the nearer-term goals set out in the NGP; regular updates to the Industrial Development Plan; and the work of the

Presidential Infrastructure Coordinating Commission (PICC). The NDP's focus areas are: the economy and employment; economic infrastructure; transition to a low-carbon economy; South Africa in the region and the world; human settlements; education, training and innovation; healthcare; social protection; safe communities; a capable state; fighting corruption and enhancing accountability; and transforming society and unifying the country.

These NDP focus areas constitute Government's framework of policy and planning priorities. They are all relevant to the scope of Transnet's mandate, highlighting the complex socio-economic challenges within which the Company operates.

Public sector investment in economic infrastructure is a key component of South Africa's economic growth path. The share of the public sector in overall fixed investment rose from under 30% of GDP in 1994 to 38% in 2013, while SOCs, especially Transnet and Eskom, accounted for approximately half of all public investment in 2013⁵. South Africa's economic infrastructure nevertheless still lags demand and much more is required to stimulate the levels of growth which are needed to create and sustain employment and to reduce poverty and inequality.

The key issues derived from this business environment, which support Transnet's material issues outlined later in this section, are as follows:

- Infrastructure provision ahead of demand;
- Asset utilisation;
- Skills in project management and operations;
- Operations service reliability and performance, including safety;
- Supply chain exposures; and
- Revenues required to support investment.

Stakeholder engagements

Our stakeholders are those individuals or groups of individuals or organisations where we have a legal, financial or operational responsibility; those who are

directly affected by Transnet's operations; and those who are likely to directly influence Transnet's performance.

Transnet is streamlining business processes to improve shared value creation through stakeholder engagement. In 2013, we concluded a stakeholder engagement analysis to determine the quality of engagements and to identify ways to improve. A number of improvement areas were identified in respect of our policy, process controls and reporting, and the following steps were taken in 2013/14 to institute a more systematic management approach to stakeholder engagement:

- A maturity assessment of stakeholder engagements has been concluded, identifying the need to standardise systems.
- A stakeholder engagement policy has been developed to guide, streamline and embed the Company's stakeholder engagement approach based on values of reciprocity, dignity and respect.
- A process control framework is in development to facilitate policy implementation through auditable processes.
- A stakeholder engagement module is being established within a sustainability data system to record and monitor engagements.
- Quality assessments of stakeholder relationships have been conducted in pilot areas of the business.

The Board of Directors has overall responsibility for stakeholder engagement and day-to-day engagements are largely decentralised in the Operating Divisions. The Board of Directors has delegated authority to the Group Chief Executive who reports to the Board of Directors on all material stakeholder issues, and take responsibility for incorporating these into business strategy and risk management. Transnet identifies, prioritises and maps its material stakeholders based on:

- The effect each stakeholder has on Transnet's ability to successfully implement strategies and achieve its objectives; and
- The effect of Transnet's activities, products and services on stakeholders.



⁵ The Presidency, Republic of South Africa, 2014: Twenty Year Review South Africa. <<http://www.thepresidency-dpme.gov.za/news/Pages/20-Year-Review.aspx>>.

MATERIAL ISSUES

(continued)

We have summarised below the way in which we engage with each identified stakeholder group, their expectations, key concerns and our response. These stakeholder concerns have been identified through the Operating Divisions and Corporate functions day-to-day interactions with their key stakeholders.

Customers

Our customers expect a reliable, efficient and price competitive service which keeps up with their demand. We engage with our customers through regular business meetings; annual customer conferences; monthly service level agreements; and through our social and networking platforms as and when required. Our customers' key concerns and how we have responded to these are described below:

Customer concerns	Our response
Shortage of skills and execution capacity required to meet customer demand.	We share long-term plans and formulate mutually beneficial strategies with customers. This enables us to build execution capacity. We have extensive skills development programmes for our staff.
Inefficient services.	We closely monitor service level agreements, and our productivity ratios to improve management and efficiency.
Poor customer service.	We engage with our customers on a regular basis to obtain performance feedback. We conduct customer satisfaction surveys, and are implementing many of the recommendations.
Property maintenance and onerous historic leases.	We have improved the commercialisation of leases and the maintenance of our properties.
Potential customers (emerging miners) are concerned that they cannot easily access our infrastructure for their business activities.	We are finding mechanisms to ensure that emerging miners have access to our infrastructure.

Employees

Our employees expect that they will be fairly remunerated, provided opportunities to develop and improve their skills, be treated with dignity and respect and have access to safe working conditions. We engage with our employees through regular meetings, roadshows and team-building sessions; as well as through annual management conferences and strategic planning sessions. Employees' key concerns and how we have responded to them are described below:

Employee concerns	Our response
Being treated with dignity and respect, irrespective of level of occupation.	We have developed a Dignity and Respect Programme, and are in the process of developing an Anti-Bullying Policy. We have aligned our Operating Division Recognition Awards with the Group Chief Executive Performance Excellence Recognition Programme. These reward virtuous behaviours and instil a culture of high performance.
Access to a safe working environment, which doesn't impose on the health of employees.	We rolled out our Safety Culture Programme in all Operating Divisions through our safety leagues. Safety awareness was also heightened through our Safety Culture Programme.
The availability of the wellness programmes.	We improved awareness about employee health and wellness through a communication campaign.
Employees want to know more about their expected role and contribution to the MDS.	We implemented a change management strategy which outlines employees' expected role and contribution in the implementation of the MDS.

Shareholder Representative – Ministry of Public Enterprises

Our Shareholder Representative expects Transnet to stimulate economic growth and job creation, align infrastructure capital investment plans with Government plans, perform in line with the Shareholder's Compact, lower the cost of doing business and optimise economic, social and environmental impacts. We engage with our Shareholder through scheduled meetings between the Minister and the Board Chairman, quarterly bilateral meetings between the Department of Public Enterprises (DPE) and Transnet's Executive Management, through quarterly reports to the DPE; and through our annual Corporate Plan. The Shareholder's key concerns and our responses are described below:

Shareholder concerns	Our response
Possible negative impact of some policies which affect Transnet's operating environment (eg National Ports Act, Integrated Coastal Management Act Amendment Bill, Preferential Procurement Policy Framework Act (PPPFA), Rail Reform, Infrastructure Development Bill and Safety Permit Fees).	<p>We have developed joint policy positions with the Shareholder to address policy and regulatory risks.</p> <p>We are working with the Shareholder to engage with the relevant departments.</p>
Transnet's productivity and ability to deliver on the capital investment plan on target.	We have established and enhanced the Group Capital Integration (GCI) function within Group Finance as well as the Group Results Management Office (RMO) function which are aimed at better management of the Capital Investment Plan and Transnet's ability to implement and achieve the MDS.
Lack of information about business opportunities for SMMEs.	<p>We opened a SMME Hub for ED in the Carlton Centre and additional hubs will be rolled out in all the provinces in the future.</p> <p>We report on the SDP on a quarterly basis, and proactively participate in the Shareholder's visits to the communities sharing business opportunities for SMMEs.</p>
The impact of global economic conditions on business performance.	We provide quarterly briefings to the DPE highlighting our performance and broader economic outlook and the actions we consider taking in case of any negative impact on our performance.
Misalignment between Government infrastructure plans and Transnet's planning.	We proactively participate in the PICC Strategic Infrastructure Programmes (SIPs) and convene SIP 2. Transnet adopted an approach of engaging DPE early in its project planning to ensure more alignment.

MATERIAL ISSUES

(continued)

Investors

Our investors, bond-holders and rating agencies, expect improved business performance and competitive returns. We engage our investors through quarterly investor briefings, bi-annual reporting, and a report is provided to the National Treasury on a monthly basis. Investors' key concerns and our responses are described below:

Investor concerns	Our response
Policy and regulatory uncertainties and the impact on Transnet's operating environment especially Integrated Coastal Management Act, National Ports Act, impending Rail Reform and tariffs approval by economic regulators.	We provide our investors with updates on our ongoing policy and regulatory engagements with the relevant policy making authorities.
Overall business performance (corporate financial ratios) and efficiency, and security of their investment.	We provide our investors with regular updates on our business performance (financial and operational performance). We implement prudent financial risk and funding policy.
Transnet's ability to fund and execute its capital expansion programme.	The robust funding plans are approved by the relevant authorities (Shareholder and National Treasury). We implement a flexible capital expenditure execution plan that responds to a challenging environment. We established the GCI and RMO (see elaboration under Shareholder Representative).
Liquidity constraints associated with large capital expenditure programme increasing debt burden.	We have sufficient back-up committed facilities, nurture good relationships with the banks and have strong credit standing in financial markets. Our debt is mostly in Rand currency and foreign risk exposure is hedged.
Economic outlook that might negatively impact commodity demand, potential social unrest and strikes and security of energy supply.	We have developed and implemented plans to address: <ul style="list-style-type: none"> • Commodity demand volatility, • Potential labour unrest and strikes, and • Energy security and carbon mitigation.

National, Provincial and Local Government and Regulators

The three spheres of Government and regulatory bodies including NERSA, the Rail Safety Regulator (RSR) and the Ports Regulator, expect alignment of freight investments with local plans and priorities, the creation of local jobs and skills, lowering of the cost of doing business and compliance with regulations. We engage with Government and Regulators through regular applications processes, meetings, monthly and quarterly joint planning sessions, scheduled strategic planning sessions, and when required through written comments and workshops. The Government and Regulators' key concerns, and how we have responded to them, are described below:

Government and Regulators concerns	Our response
Containment of costs and tariff increases, although rail safety permit fees are being raised exponentially by RSR.	We engage regulators to try to reach consensus on tariff methodologies and pricing (Ports Regulator including NERSA) and permit fees (RSR).
Misalignment between Government infrastructure plans and Transnet's planning.	We proactively participate in the PICC SIPs and convene SIP 2. We also proactively participate in Strategic Planning Forums with provincial and local Government to share our long-term plans.

Government and Regulators concerns	Our response
The National and Provincial Department of Environmental Affairs raised concerns about waste and biodiversity management.	We collaborate with policy-makers to proactively address waste management. We actively participate in policy-making through comments on draft policies and regulations. We comply with relevant legislation through Environmental Impact Assessments (EIAs), the development of Safety, Health, Environment and Quality (SHEQ) and air quality management plans to address both historical, current and future waste and biodiversity concerns.

Suppliers

Our suppliers expect fair and efficient procurement practices, localisation of procurement, local skills development, black economic empowerment as well as empowerment through the CSDP. We engage with our suppliers through monthly and quarterly meetings as well as scheduled supplier summits. Our suppliers' key concerns, and how we have responded to them, are described below:

Supplier concerns	Our response
Implications of the PPPFA on CSDP, particularly for small suppliers.	We engaged with the National Treasury and our Shareholder to develop a PPPFA framework that will allow for case-by-case exemptions from the negative impact of this legislation to small suppliers.
Operational inefficiencies within supply chain management, particularly for procurement and payment turnaround times.	We have introduced short payment turnaround times for SMMEs and enforced adherence to the contractual obligations to improve efficiencies.
Transformation requirements for international suppliers.	We have introduced localisation thresholds into major contracts to increase localisation and empowerment of the South African supply base. We engage with our OEMs on the development of downstream suppliers, and introduced a Broad-based Black Economic Empowerment (B-BBEE) improvement plan for suppliers, which we are monitoring closely.
Lack of information about business opportunities for SMMEs.	We opened a SMME Hub for ED in Carlton Centre and additional hubs will be rolled out in all the provinces in the future. We have also conducted supplier development education campaigns aimed at SMMEs, and established enterprise development funds, eg Godisa – an agreement between Transnet, Anglo American and Government which will focus on the development of black-owned SMMEs in Transnet's procurement value chain.

Organised Labour

Organised labour expects transparency and trust, fair remuneration, skills development of employees and safe working conditions. We engage with organised labour through regular meetings with union representatives at local, regional and national levels. Transnet's recognition agreement provides for each Operating Division to engage with organised labour on a monthly or quarterly basis. We also have a bargaining council where collective bargaining with recognised trade unions is held on a regular basis. Organised labour's key concerns and our responses are described below:

Organised labour concerns	Our response
Emerging trade unions seeking recognition within Transnet.	We engage with trade unions in accordance with the respective legislative requirements for recognising trade unions.
There should be a balance between improving Transnet employees' skills and broader societal skills set.	We have undertaken tailored skills identification processes to assess what skills are required to implement the MDS and to identify training needs.
Transnet might have too many policies that constrain employees' daily activities.	We engage with organised labour in collective bargaining processes to reach agreement on organisational policies.

MATERIAL ISSUES

(continued)

Public

This stakeholder group expects social and economic benefits from Transnet, skills development and improved environmental and safety management at Transnet's operations. We engage with communities, civil society and media through regular meetings and workshops, communication and engagement campaigns, roadshows, career expos and through the implementation of our Corporate Social Investment (CSI) projects. The public's key concerns and our responses are described below:

Public (communities, civil society concerns and media) concerns	Our response
Negative impacts of Transnet's operations eg environmental impacts and safety concerns.	We have implemented various community safety awareness campaigns across our Operating Divisions. We also implement various projects to mitigate environmental impacts.
Land and/or property owned by Transnet which appears to be unused.	We are engaging with relevant authorities to share plans around our assets because some of them are held for long-term strategic programmes.
Inadequate public engagement of communities in the planning phases of infrastructure development.	We have created an integrated development framework that will allow public engagement at early phases of projects.
Local job creation, skills development and rural development.	<p>All our projects, including capital projects are geared towards creation of decent jobs, skills development in the communities and enablement of rural development.</p> <p>In addition, the Transnet Foundation has invested in five priority community social development areas:</p> <ul style="list-style-type: none"> • Health eg Phelophepa provides health facilities to rural communities; • Rural schools and sports; • Education eg teacher development and orphans support programme; • Container Assistance Programme (CAP) to South African Police Services (SAPS) and communities; and • Employee Volunteer Programme (Diepsloot, Inanda, De Aar and Langa).

The key issues derived from the stakeholder engagement analysis, which support the material issues disclosed later in this section, are 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.



Material Issues as disclosed in the Integrated Report 2014

The material issues, context of the issues and strategic response, identified through the materiality determination process are as follows (in order of prioritisation):

Material issue	Why is this material to Transnet	Potential impact on Transnet	Strategic response
1. Regulatory uncertainty	<ul style="list-style-type: none"> Methodology uncertainty in economic regulation by the Ports Regulator for the annual approval of National Ports Authority tariffs. Uncertainty on NERSA's annual determination of Pipelines revenue. National Ports Act's provision for corporatisation of National Ports Authority. Uncertainty of terminal licence duration for Port Terminals at Port of Ngqura. Competitive process required in terms of National Ports Act for provision of new port services. Transnet's ownership of present and future port infrastructure affixed to the seabed arising from provisions of the Integrated Coastal Management Act. Sharp escalations in safety permit fees charged by the Rail Safety Regulator. 	<ul style="list-style-type: none"> Revenue uncertainty affects funding and capital investment planning. Changes to Transnet's balance sheet will affect loan covenants and future funding. Large-scale capital plans and funding for investment are based on regulatory, revenue and costs assumptions that can change significantly through administrative action. Uncertainty on port terminal licences affects deployment of resources and investment. Uncertainty on ownership of port infrastructure affects investment. 	Ongoing engagements with the Shareholder, Government policy departments and regulators.
2. Capital projects on time and within budget	<ul style="list-style-type: none"> Project management, engineering and technical skills and experience needed to deliver capital projects to plan. Prioritisation complexities for capital projects based on demand projections, business cases and expected growth opportunities. 	<ul style="list-style-type: none"> Capital cost over-runs and delays affect revenues, reputation, funding and investment sequencing. Impact on customers and the economy. 	Enhance and further embed project lifecycle process methodology, rigorous feasibility gate reviews and project risk management. Capital approvals optimisation.
3. Volume and revenue growth	<ul style="list-style-type: none"> Ability to meet future demand for freight logistics services is dependent on volume and revenue growth to finance investments. Volatility in customers' industries and import/export markets affects volumes and revenues. 	<ul style="list-style-type: none"> Lower-than-projected volumes and revenues affects capital allocations and timing. Competitors attract some customers where Transnet capacity falls short. Opportunities to be innovative and attract new customers. 	Focus on customer responsiveness and satisfaction. Rigorous capital planning and execution. Implement Marketing strategy. Ensure take-or-pay agreements are implemented for all export channels.
4. Business interruption and incident management	Adverse impacts of: <ul style="list-style-type: none"> Electricity disruptions Adverse weather conditions Labour unrest Cable theft Understaffing Derailments Equipment failure Supplier disruptions/failures Customer demand fluctuations 	<ul style="list-style-type: none"> Business interruptions negatively impact on operational systems, resource allocations, volumes, revenues, reputation. Impact on customers and the economy. 	Risk management. Operational efficiency and productivity. Safety systems. Security systems. Maintenance. Energy management. Contract management.

MATERIAL ISSUES

(continued)

Material issue	Why is this material to Transnet	Potential impact on Transnet	Strategic response
5. Funding and liquidity	<ul style="list-style-type: none"> Ability to manage liquidity and generate cash in the short, medium and long term and attract cost effective funding. 	<ul style="list-style-type: none"> Inadequate liquidity can negatively impact the Company's going concern status and impact on its credit rating, cost of funds and investment plans. High cost of funds impacts the cash interest cover. Credit rating downgrades for the country influence Transnet's ability to attract investors. 	<p>Finance and funding strategy.</p> <p>Engagements with providers of financial capital.</p>
6. Energy security	<ul style="list-style-type: none"> Transnet requires guaranteed electricity supply at a reasonable price in order to operate the railways, ports and pipelines. 	<ul style="list-style-type: none"> Business interruptions. Opportunities to build resilience by improving energy management and efficiency, and adopting alternative energy solutions 	<p>Energy management, energy efficiency measures, investigation of alternative supplies.</p> <p>Engagement with Eskom.</p>
7. Human resources capability	<ul style="list-style-type: none"> Need for specific skills, experience and mature management to deliver on MDS. Ageing workforce concern. Transformation requirements. Talent retention. 	<ul style="list-style-type: none"> Skills, experience and management constraints limit Transnet's ability to effectively deliver on infrastructure plans and operating efficiency improvements. 	<p>Human capital strategy for performance and talent management and skills development.</p>
8. ICT utilisation	<ul style="list-style-type: none"> Third-party supplier dependency. Legacy software not being supported. Technology enablement to prevent asset losses and disruptions. Ageing and inefficient ICT infrastructure. Research and Development capability. 	<ul style="list-style-type: none"> Efficient utilisation of ICT will reduce asset losses and business disruptions. Opportunities for deployment of new technologies to improve efficiencies. 	<p>ICT strategy.</p> <p>Investment in research and development and adoption of appropriate technology.</p>
9. Suppliers and customers	<ul style="list-style-type: none"> Exposure to customers' and suppliers' disruptions. Diversifying the customer portfolio to wider base of companies, including new entrants. Volatility of export commodities. 	<ul style="list-style-type: none"> Exposures through supply chains and the nature of customer's operations impact on capital projects, operational systems, volumes, revenues and reputation. 	<p>Contract management.</p> <p>Customer relations.</p> <p>Capital planning and execution.</p>
10. Environmental and social sustainability	<ul style="list-style-type: none"> Water scarcity in areas where customers are developing new mines. Long-term coal demand forecast uncertainty. Infrastructure requires climate change mitigation and adaptation in design. Environmental impact mitigation measures factored into project plans. Social and relationship capital. 	<ul style="list-style-type: none"> Promoting sustainable growth is part of Transnet's mandate. Potential of investing in infrastructure for industries which may not be sustainable. Regulatory and reputational risk. Communities in which Transnet invests and operates are integral to lasting business solutions. 	<p>Sustainability strategies and risk analysis. Feasibility gate reviews and project risk management.</p>



ECONOMIC DIVIDENDS



SOCIAL DIVIDENDS



ENVIRONMENTAL 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. 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, and sound business discipline.

Transnet's material economic dividends highlighted in this 2014 sustainability performance review are:

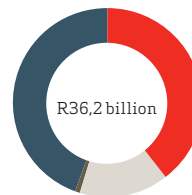
- Cost-effective freight logistics infrastructure ahead of demand and a financially stable business, able to service debt, reinvest revenues and pursue agreements with private parties;
- Reliable and efficient rail, port and pipeline services;
- Skilled human resources aligned to infrastructure and services; and
- Local supplier industry development.

[IR]
Refer to
Value Added
Statement
(Annexure A)

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

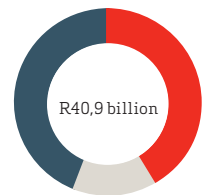
To unlock sustainable value for all stakeholders, the execution of strategy results in value created by the activities of the business and its employees.

Value added 2012/13



Employees	40,0%	Employees	41,6%
Capital providers	15,3%	Capital providers	14,0%
Government	0,1%	Government	0,0%
Reinvested	44,6%	Reinvested	44,0%

Value added 2013/14



Gross value-add resulting from Transnet capital and operating expenditure 2013/14



Cost-effective freight logistics infrastructure ahead of demand and a financially stable business, able to raise and service debt, reinvest revenues and pursue agreements with private parties to optimise investment and services

Where Transnet's infrastructure meets demand and our operations are reliable, business output is mobile, on time, and at scale – and our economy grows.

Why it is important to Transnet

As the custodian of ports, rail and pipelines, Transnet has a responsibility to ensure optimal development of the national freight logistics system. One of the key performance areas for Transnet as defined by the Shareholder is to 'ensure the provision of critical logistics infrastructure and capacity in the short term that is aligned to a long-term national plan geared towards meeting the growing demands of the total national economy'.

The MDS aims to meet unsatisfied demand and to create capacity ahead of demand.

Our management approach

Key enablers of the implementation of the MDS specifically relating to cost-effective freight logistics ahead of demand and a financially stable business are the Long-term Planning Framework; Capital Investment Plan and the Private Sector Participation Strategy.

Long-term Planning Framework

The Long-term Planning Framework (LTPF) is updated annually. It provides a 30-year planning framework within which the long-term development of South Africa's freight transportation network and the expansion of Transnet's operational footprint can be executed.

Driven by 30-year freight demand projections, the LTPF provides the capacity development and investment plans that are needed to ensure rail, port and pipeline capacity is provided ahead of unconstrained demand.

The ongoing development of the LTPF in consultation with key planning authorities at National, Provincial and Local Government level aims to ensure

that Transnet's future development plans are integrated with the socio-economic development plans of the Government.

Capital Investment Plan

The substantial increase in capacity that the MDS targets, will be achieved through a combination of efficiency improvements and capital expenditure. The Capital Investment Plan targets expenditure of R312,2 billion over the next seven years to create the capacity required to deliver 343,9mt of railable freight per annum by 2020/21.

Consideration has been given to strategic, financial, operational and engineering requirements. The plan takes into account affordability and funding.

One-third of the capital investment needs to be funded externally and two-thirds through cash flows generated by operations. Transnet's borrowings do not carry Government guarantees, but are based on the strength of Transnet's balance sheet. Investors provide funding based on a financially stable business and prospects for growth. Cash interest cover and gearing ratios are key indicators of stability monitored by investors.

The Capital Excellence Programme was developed to:

- Provide an integrated view of the capital portfolio with transparency and visibility of projects and programmes in the capital pipeline;
- Efficiently allocate Transnet's limited resources to programmes that have the greatest alignment to Transnet's strategic objectives;
- Drive project optimisation through scrubbing teams, whose purpose is to guarantee Platinum Standard business cases by collaborating with the project teams in a Project Factory setting;
- Improve delivery rigour and agility, ensuring projects achieve cost, schedule and quality targets;
- Ensure early identification and mitigation of key project risks; and
- Generate buy-in and alignment across the organisation to execute programmes in a coordinated manner.

The following risks have been identified, accompanied by mitigation actions:

- Returns and volumes not materialising:
 - Continuous capital scrubbing and prioritisation;



ECONOMIC DIVIDENDS

(continued)

- Entering into 'take-or-pay' contracts to secure revenue streams;
- Demand validation exercises; and
- Flexibility of the capital budget to defer, cancel or reprioritise projects if necessary.
- Lower than planned cash flows:
 - Diversification of revenue base;
 - Cost optimisation in all Operating Divisions;
 - Focus on operational efficiencies; and
 - Implementation of the Platinum Standard.
- Cost increases:
 - Front-end loading (FEL) studies and gate reviews;
 - Flexibility of the capital budget to defer, cancel or reprioritise projects when required;
 - Detailed execution strategies for the roll-out of capital projects; and
 - Fixed price capital construction contracts for certain projects to limit unplanned cost increases.

Policy approved by the Board of Directors in 2013, the PSP Strategy applies to Transnet as a whole and is driven by a dedicated PSP unit within the Corporate Centre.

The strategy outlines the requirement for future capacity to be offered to the open market in order to broaden the base of participation in South Africa's freight system and leverage private sector funding in its development.

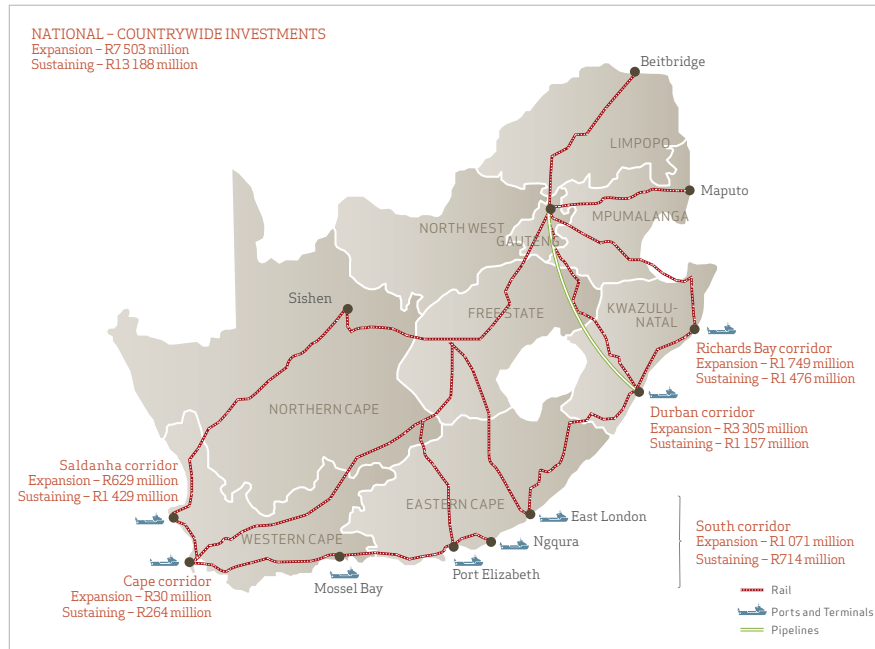
The PSP portfolio's six focus areas are:

- Bulk sector (export coal, iron ore and manganese);
- Intermodal (container capacity and road-to-rail migration);
- General rail;
- General port (including transactions offered under the National Ports Act); and
- Regional integration.

Project selection is predicted either through the National Ports Act, or the Transnet PSP Policy, which identifies infrastructure and capacity required to support national logistics development imperatives, but not already included within Transnet's core strategies and corporate funding capability.

Private Sector Participation Strategy

Formalised in 2012 and accompanied by the Private Sector Participation (PSP)



Capital investment 2013/14



Our performance

Despite depressed global and local economic conditions, a challenging operating environment characterised by mining strikes, the downgrading of South Africa's credit rating and increased input costs, the Company continued with the implementation of the MDS during 2013/14 in line with its commitment to invest through economic cycles.

Capital investment 2013/14

The year under review saw Transnet's capital investment increase to R31,8 billion, a 15,6% increase from R27,5 billion in 2012/13, and R22,3 billion in 2011/12. R13,3 billion was invested in the expansion of current infrastructure and equipment, while R18,5 billion was invested in maintaining existing capacity.

Financial performance 2013/14

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 2014 amounted to R240,1 billion.
- Cash generated from operations amounted to R24,0 billion (2012/13: R22,6 billion and 2011/12: R20,6 billion) an increase of 6,1%, evidence of the ability to generate sustainable cash flows.

- The cash interest cover ratio remains strong at 3,7 times (2012/13: 3,7 times and 2011/12: 4,2 times).
- Total funding raised for 2013/14 amounted to R22,4 billion (2012/13: R14,6 billion and 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:
 - GMTN Bond issue of R5,0 billion;
 - R2,7 billion of commercial paper issuance;
 - Domestic bond issue of R5,8 billion;
 - R1,1 billion of US Exim;
 - R4,0 billion of call loans;
 - R2,1 billion of KfW; and
 - R1,7 billion from African Development Bank.

- The gearing ratio deteriorated to 45,9% as at 31 March 2014. This level remains 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 2014/15 amounts to R15,1 billion and the Company is confident that it will be able to access the capital markets for the year ahead.

R31,8BN

Total capital investment in 2013/14

R9,5BN

was invested in the expansion of infrastructure and equipment

R22,3BN

was invested in maintaining existing capacity

FITCH UPGRADES TRANSNET'S CREDIT RATING BY TWO NOTCHES TO BBB

On 30 October 2013, Fitch Ratings upgraded Transnet's credit rating to 'BBB' from 'BB+' endorsing the Company's efforts in strengthening its business and financial position.

The upgrade confirmed that Transnet's MDS reflects a robust execution plan and appropriate mitigation strategies for its investment plan. It also affirmed Transnet's ability to raise funds in the market on the strength of its balance sheet without Government guarantees.

Announcing the upgrade, Fitch Ratings said "the stable outlook incorporates our expectations that Transnet's operations will remain strong, despite possible weakening in improving export markets, and that management would scale back its capex in case of weaker demand expectations to maintain the Company's financial profile in line with stated targets."

ECONOMIC DIVIDENDS

(continued)



Reliable and efficient rail, port and pipeline services

Key to ensuring long-term business growth is the ability to provide reliable and efficient services to our customers. Achieving operational efficiencies enables Transnet to reduce the cost of logistics for domestic and external companies that rely on freight services and improve the competitiveness of South Africa.

Why it is important to Transnet

Improving performance, productivity and operational efficiencies is a strategic focus area for Transnet. By improving the competitiveness of the freight logistics system, specifically through increased reliability and efficiency, Transnet's customers and suppliers will be positively impacted, supporting South Africa's economic growth.

Transnet's strategic risks include: inability to attract and retain additional volumes as new capacity is created; and operational and business interruption due to safety and security incidents.

Our management approach

In order for Transnet to deliver reliable and efficient rail, port and pipeline services, numerous initiatives have been implemented in the Operating Divisions; the iSCM strategy has been enhanced; safety is prioritised; and security has been improved.

Operating Divisions' initiatives

Freight Rail

- Operate as a scheduled railway.
- Integrate all train and production planning into an Integrated Train Plan.
- Migrate train control supervision to the National Command Centre.
- Implement General Freight Turnaround programme.
- Utilise technology to improve efficiencies and reduce human error.
- Deployment of the Navis System in Kings Rest and Kazerne Container Terminals.
- Implement Empty Wagon Distribution Model.

Engineering

- Implement Lean Six Sigma Principles.
- Strengthening partnerships with OEMs with the aim of enhancing skills and know how.
- Maintenance depots to focus on improving operational efficiencies by concentrating on availability and reliability of rolling stock.
- Continue to increase training of engineers, technicians and artisans.

National Ports Authority

- Implement marine operations performance standards.
- Implement integrated port management system.
- Implement terminal operator performance.
- Install automatic mooring system.

Port Terminals

- Maximise crane deployment across vessels.
- Optimise twin lift and tandem lift capacity.
- Rollout prime routing initiative by dropping containers at the nearest available crane.
- Continuous improvement team to identify and close efficiency gaps.

Pipelines

- Increase refractorator utilisation at Tarlton.
- Pursue intermodal integration on the three routes with Freight Rail.
- Implement value chain enhancement with clients.
- Optimise transportation of niche grades fuel
- Ensuring security of supply by maintaining the Durban-Johannesburg Pipeline (DJP) while the NMPP nears completion and successfully operate the NMPP as full multi-product pipeline.

Integrated supply chain management

Supply chain management aims to increase efficiency and effectiveness with seamless delivery to internal customers. This involves demand management, optimisation of warehouse capacity and inventory levels, integrated strategic

sourcing and supplier development, while observing good governance.

The iSCM Policy was approved by the Transnet Board in order to carry out procurement in a cost-effective manner, while meeting commercial, regulatory and socio-economic goals, and ensuring good governance.

In order to enhance key areas within the strategy, the iSCM Platinum Standard development and benchmarking exercise has been initiated. This focuses on an in-depth review of each of the iSCM functional areas relative to best practice with a view to identifying key initiatives that can be implemented to improve the integration and functioning of the iSCM.

Of the six iSCM strategic initiatives, the following three are the most relevant to reliable and efficient rail, port and pipeline services:

- Capital planning and execution – robust capital procurement planning will support effective and efficient sourcing and will ensure timely delivery of the planned capital acquisitions;
- Volumes and customer satisfaction – an optimised inbound logistics function will enable faster and more efficient outbound revenue generating services; and

- Operational efficiencies and productivity – enhancing the reliability of the Transnet supply chain will enable more efficient and effective outbound services.

Safety management

Safety incidents have the potential to severely impact operations. There are numerous strategies, policies and initiatives to effectively manage safety. These are detailed on page 59.

Integrated security management

Theft of copper, overhead cable and goods in transit, as well as vandalism of the tracks impact our ability to deliver freight reliably and efficiently. Delayed trains, and late or non-delivery of goods not only means increased costs for Transnet, but also impacts on jobs, the families that rely on those jobs and the ability to create jobs. It also results in poor customer service and negative reputation.

Transnet has an Integrated Security Management Strategy which aims to protect Transnet's customers, employees, assets, income and infrastructure. Implementation takes place through centralised command and control and decentralised execution and reporting.

The Transnet School of Security trains security officials for the protection of Transnet's assets.

Transnet security officers patrolling railway lines



ECONOMIC DIVIDENDS

(continued)

Our performance

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 87,9mt in 2013/14 in the General Freight Business (GFB) compared to 82,6mt in 2012/13 (2011/12: 81,0mt) reflecting a positive growth rate of 6%.

During the year under review, R20 865 million was invested in assets to support the planned growth in GFB traffic. New locomotives assisted in the drive for improved efficiencies, while the increased fleet size coupled with lower than expected volume throughput, led to improvements in locomotive efficiency. On-time train departures improved significantly to 212,7 minutes while on-time arrivals improved to 340,0 minutes. On route system failures remain a challenge.

[IR]
Refer to
Operating
Divisions'
Performance
Reports

General Freight Business

Key performance area	Unit of measure	Actual 2012	Actual 2013	Actual 2014
Freight Rail				
Volumes	Million tons	81,0	82,6	87,9
Capital investment	R million	9 966	12 962	20 865
Locomotive efficiency	Gtkm/Ntkm	nm	nm	1,54
On-time departures	Minutes from schedule	284,0	280,0	212,7
On-time arrivals	Minutes from schedule	357,0	356,0	340,0
Engineering				
Train cancellations due to traction	%	nm	nm	4,0
Traction delays	%	nm	nm	6,0

nm not measured

Electric locomotive



Export coal

Volumes of export coal declined from 69,2mt in 2012/13 to 68,2mt in 2013/14. Stronger growth was curtailed by labour unrest within the coal mining industry and depressed coal prices which led some coal customers to decrease export volumes. The fourth quarter saw a loss of 2,2mt of coal due to an unexpected municipal cable failure that resulted in a prolonged power outage at Richards Bay Coal Terminal (RBCT).

Capital investment for the coal line amounted to R3 235 million. The introduction of the Shongololo train

contributed to efficiency improvements on the coal line. Export coal on-time departures improved impressively from 206,0 minutes in 2012/13 to 42,9 minutes in 2013/14, while on-time arrivals improved from 332,0 minutes in 2012/13 to 133,6 minutes in 2013/14. These improvements are attributed to the Train Execution Monitoring System that continues to monitor deviations from scheduled departures and arrivals.

Ship turnaround time at RBCT was introduced to monitor export coal efficiencies in 2012/13 and positive benefits have been realised in 2013/14.

[IR]
Refer to
Operating
Divisions'
Performance
Reports

Export coal

Key performance area	Unit of measure	Actual 2012	Actual 2013	Actual 2014
Freight Rail				
Volumes	Million tons	67,7	69,2	68,2
Capital investments	R million	2 914	3 303	3 235
Locomotive efficiency	Gtkm/Ntkm	nm	nm	1,57
On-time departures	Minutes from schedule	209,0	206,0	42,9
On-time arrivals	Minutes from schedule	375,0	332,0	133,6
Engineering				
Train cancellations due to traction	%	nm	6,0	4,0
Traction delays	%	nm	40,0	6,0
National Ports Authority				
Ship turnaround time (RBCT)	Hours	nm	47,0	45,0

nm not measured



Coal destined for
Richards Bay Coal
Terminal

ECONOMIC DIVIDENDS

(continued)

Export iron ore

Export iron ore volumes declined from 55,9mt in 2012/13 to 54,3mt in 2013/14. The low performance was due to production constraints and other supply factors.

Export iron ore on-time departures improved substantially from 73,0 minutes in 2012/13 to 8,9 minutes in 2013/14.

On-time arrivals improved from 140,0 minutes in 2012/13 to 128,7 minutes in 2013/14.

Engineering continued to support rail operations through the supply of timely and reliable locomotives and wagons.

Targeted port efficiency, measured through ship turnaround time at Saldanha was achieved.

Export iron ore

Key performance area	Unit of measure	Actual 2012	Actual 2013	Actual 2014
Freight Rail				
Volumes	Million tons	52,3	55,9	54,3
Capital investments	R million	1 913	2 011	1 015
Locomotive efficiency	Gtkm/Ntkm	nm	nm	1,39
On-time departures	Minutes from schedule	67,0	73,0	8,9
On-time arrivals	Minutes from schedule	133,0	140,0	128,7
Engineering				
Train cancellations due to traction	%	nm	nm	4,0
Traction delays	%	nm	nm	6,0
National Ports Authority				
Ship turnaround time (Saldanha)	Hours	nm	55,0	47,0

nm not measured

Iron ore stockpiles
at Saldanha



Maritime containers (Ports)

The year-on-year growth in container volumes grew substantially from 4,403 million Twenty-foot Equivalent Units (TEUs) in 2012/13 to 4,641, million TEUs in 2013/14 indicates an increase of 5,4%. Overall performance was supported by the operational efficiencies that ensued from the resolution of the Navis system.

The ports of Durban, Cape Town and Port Elizabeth performed significantly above target in terms of anchorage waiting time while the Port of Ngqura declined compared to prior year levels mainly due to severe inclement weather. Average ship turnaround times at Cape Town and

Port Elizabeth improved but declined at Durban and Richards Bay.

Durban Container Terminal (DCT) Pier 1, Cape Town and Richards Bay improved truck turnaround time while DCT Pier 2 and Ngqura declined.

Transnet Port Terminals gross crane moves per hour (GCH) improved at Durban's Pier 1 and 2 as well as Cape Town, achieving GCH of 24, 28 and 32 respectively. Ngqura's GCH declined from 32 to 28. The terminal did not have the landside equipment to support additional cranes that were brought to the terminal in expectation of increased volumes.

[IR]

Refer to
Operating
Divisions'
performance
Reports

Maritime containers (Ports)

Key performance area	Unit of measure	2011/12	2012/13	Actual 2013/14
Transnet National Port Authority				
Volumes				
Containers	'000 TEUs	4 352	4 403	4 641
Productivity				
Anchorage waiting time				
Durban	Hours	nm	61	57
Cape Town	Hours	nm	53	35
Port Elizabeth	Hours	nm	56	25
Richards Bay	Hours	nm	71	70
Ngqura	Hours	nm	44	57
Average ship turnaround time				
Durban	Hours	nm	53	58
Cape Town	Hours	nm	44	30
Port Elizabeth	Hours	nm	31	26
Richards Bay	Hours	nm	51	70
Ngqura	Hours	nm	nm	44
Transnet Port Terminals				
Productivity				
Moves per gross crane hour				
DCT Pier 1	Moves/GCH	27	23	24
DCT Pier 2	Moves/GCH	21	28	25
CTCT	Moves/GCH	28	31	34
Ngqura	Moves/GCH	30	32	26
Service delivery				
Truck turnaround time				
DCT Pier 1	Minutes	45	47	44
DCT Pier 2	Minutes	46	32	38
CTCT	Minutes	nm	21	20
Ngqura	Minutes	nm	33	35
Richards Bay	Minutes	nm	26	21

nm not measured

ECONOMIC DIVIDENDS (continued)

[IR]
Refer to
Operating
Divisions'
Performance
Reports

Petroleum (Pipelines)

The total volume of petroleum products increased by 4,4% from 15,7 billion litres in 2012/13 to 16,6 billion litres in 2013/14.

Pipelines

Key performance area	Unit of measure	Actual 2012	Actual 2013	Actual 2014
Pipelines				
Volumes	Billion litres	17,3	15,7	16,6
Ordered versus delivered volumes	%	95	100	99
Planned versus actual delivery time	%	80	77	82
Operating cost per mℓ.km	Rand	78	89	99
NMPP actual usage (mℓ/week)	Ratio	40%	51:84	51:84

nm not measured

Pipelines – Tarlton



Highlighted here are examples of how Transnet has invested in freight logistics infrastructure in 2013/14 to build capacity and improve efficiencies in services.

LOCOMOTIVES BOOST CAPACITY

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

Year	Locomotive classes					
	110x19E	44x15E	32x15E	100xD43	43xD43	95x20E
2010	6					
2011	42	28				
2012	46	16				
2013	16		14	62	20	
2014			18		23	10
2015						85
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 2013/14. 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

GLOBAL RECOGNITION FOR CAPE TOWN CONTAINER TERMINAL



Port of Cape Town

During 2013/14, CTCT was named one of the world's top 120 container ports by the 2013 Container Management Report. The report rates international container ports according to terminal volumes and competitiveness. This global recognition attests to the fact that the terminal is reaping the benefits of its R4.2 billion expansion, upgrade and construction programme. Key to the expansion programme is the increasing of capacity of both the Port of Cape Town and CTCT to improve productivity and efficiency.

The first of two phases of the upgrade are complete. The first phase included the 10 metre extension of the quay wall at a depth of 15.5 metres over the full 1 137 metre length of the quay, enabling the terminal to receive and service 8 000 TEU vessels. Further investment into CTCT includes the acquisition of six new super post Panamax ship-to-shore gantry cranes and the construction of 2 700 reefer plug points resulting in a total of 3 752 points. Major dredging, deepening and refurbishment work has been completed.



NEW STATE-OF-THE-ART AUTOMOTIVE RAIL WAGONS

On 5 November 2013, President Jacob Zuma launched Transnet's new generation automotive rail wagons at Engineering's Uitenhage plant. The wagons were designed, engineered and manufactured at Engineering's wagons facility in Uitenhage and are a direct response to customer demands, changing requirements and Freight Rail's plans to move 170mt of freight to rail by 2018/19 in line with the MDS.

The new wagons feature an enclosed interior, ensuring protection of cars in transit against environmental damage, vandalism and theft. The new car carrier has the ability to carry conventional vehicles as well as SUVs and mini buses in a more secure and safer environment. Another significant improvement is internal lighting that has made it possible to load the wagons during the day and night. This has enabled Freight Rail to implement 24 hour shifts to meet customer's needs.

A total of 350 wagons have been completed and are operational primarily on the route between Kaalfontein, Johannesburg, Port Elizabeth and Durban. The additional wagons have enabled Transnet to not only run longer trains, with the average train length being increased to 45 wagons from 25, but also to realise the Government's goal to move rail-friendly cargo off the roads. These wagons are testament to Transnet's improving turnaround and efficiency of the Company's manufacturing processes, thereby cutting costs and improving service to customers.



At the launch event: President Jacob Zuma and Minister of Public Enterprises Malusi Gigaba



Transnet's new generation automotive rail wagons

NEW TANDEM LIFT SHIP-TO-SHORE CRANES FOR DURBAN

On 13 May 2013, Public Enterprises Minister Malusi Gigaba unveiled seven new state-of-the-art ship-to-shore cranes at the Durban Container Terminal's Pier 2. The cranes are part of Port Terminal's accelerated crane fleet acquisition programme targeted at replacing its ageing fleet and aimed at increasing efficiency and productivity, especially at Pier 2 which has in the past experienced significant productivity challenges due to ageing equipment.

The new equipment could simultaneously handle two 12 metre containers or four six metre containers and lift up to a maximum of 80 tons. The cranes are the biggest in Africa and can handle new generation vessels with 24 containers stowed across the deck. Through further innovation and optimum planning, the terminal will be able to stretch the cranes' capability to carry four 12 metre empty containers simultaneously through vertical twin lift.

"These capabilities will see a massive jump in productivity with GCH – a key measure of terminal efficiency and how well equipment is used – jumping from the current 26 to 33 GCH over the next three years. This is a 27% improvement."

– Malusi Gigaba, Minister of Public Enterprises, 13 May 2013



New ship-to-shore cranes at Durban Container Terminal

Skilled human resources aligned to infrastructure and services

One of the biggest challenges Transnet faces is the availability of skilled human capital.

Why it is important to Transnet

Transnet requires skilled human resources to deliver MDS infrastructure and services. Aligned to this, is the developmental imperative to create both direct and indirect jobs through the MDS. Growing unemployment and skills shortages are persistent challenges. Unemployment, particularly of the youth, is both a global and national crisis. Structurally high unemployment is ranked by the World Economic Forum as the second highest global risk for 2014. In South Africa, the unemployment rate is approximately 24%. A coordinated effort between industry and Government is thus required to achieve the national targets for employment.

Key skills shortages exist within Transnet for project management, engineering (sector-specific) and technical skills, and the following risks have been identified:

- Limited human capital planning capability to provide the right skills at the right time for the business.
- Inability to attract and retain critical skills, especially amongst women and People with Disabilities.

- The large proportion of the skills profile of the workforce is semi-skilled and unskilled, indicative of low skills density levels and limited literacy.



Our management approach

Transnet's Human Capital Strategy sets out plans to ensure recruitment, development and retention of the best quality employees in all employment groups. It has been formulated after careful consideration of the organisation's vision and mission, MDS objectives, pertinent legislation and best practice in human resources.

The following key initiatives are utilised:

Strategic workforce planning

Transnet is currently using strategic workforce planning supply and demand tools to provide a detailed analysis of business needs, skills requirements and to identify skills gaps, which allows for responses to be designed to mitigate skills gaps/shortages. This entails:

- Skills clustering - establishing clusters or groupings of similar skills and experience and determining how long it will 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;

Training at Transnet
Engineering
- Koedoespoort



ECONOMIC DIVIDENDS

(continued)

- Demand simulation – future human resource needs in response to fluctuations in operating model;
 - 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 met.
- Functional training – operations-related training;
 - Technical training – engineering-related training;
 - Other training – safety/legislative, administration training, part time bursaries, short skills programmes and security; and
 - Managerial training – managerial training refers to supervisory, managerial and Operating Division specific leadership training.

The Transnet Youth Development Strategy:

- The Youth Development Strategy sets out specific plans to ensure the development of young people across Transnet to fulfil skills development objectives aligned to the MDS.

Capacity development and feeder pipeline approach:

- A number of policies have been developed to support the Human Capital Strategy, Youth Development Strategy and other skills development initiatives, as well as ensure governance and a standardised approach to skills development. Examples include: the Capacity Building Policy, On-the-Job Training Policy, Performance Management Policy, and Recruitment and Selection Policy.

Initiatives

Transnet provides training across the business to up-skill employees at different levels:

- Sector-specific training – critical skills training in the rail and marine environments to obtain Transnet specific qualifications;
- Sector specific refresher/relicensing training – to ensure compliance with regulatory requirements;
- Leadership training – to develop internal leadership capabilities within Transnet; includes programmes focusing on women managers;

The aforementioned training conducted by Transnet Academy through its five schools of excellence (School of Rail, School of Engineering, Maritime School, Pipeline School and School of Security).

We engage with employees and organised labour through forums, meetings and reports to ensure our strategy, implementation, monitoring and reporting is adequately informed.

The feeder pipeline is integrated into the following initiatives:

- Student financial assistance – bursaries provided;
- Internships/work integrated learning experience – assisting student graduates, and to be admitted, and/or registered in various professions in prioritised areas;
- Learnerships;
- Apprenticeships;
- Sponsorships – providing assistance to school learners up to Grade 12 in the areas of Mathematics and Science; and
- Learner support programmes.

Transnet also conducts career guidance and exhibitions, provides study aids to employees to assist with the further development of their knowledge and skills, and through technology (SAP Learning Solution) ensures sound and credible data management of training and development data. Coaching and mentoring programmes also exist.



Our performance

Transnet invested 3,0% of the wage bill (R621 million) in skills development during 2013/14 in comparison to 4,4% (R846 million) in 2012/13 and 3,9% (R652 million) in 2011/12. A total of 40 435 employees participated in training initiatives against the target of 33 800.

2013/14 saw Transnet achieve most of its targets for the feeder pipeline and sector-specific skills targets. Transnet achieved its engineering (138) and technicians (339) targets with a total of 483 engineer bursars in the system. The intention is to increase the engineering

feeder pipeline intake of new recruits from 132 to 220, and the technician feeder pipeline intake of new recruits from 330 to 363 in 2014/15.

Transnet aims to have 3 000 apprentices undergoing training at any given time. 1 500 new recruits were targeted in 2013/14, with a total of 1 552 entering the programme. Sector-specific skills development will continue to focus on marine, rail and cargo handling with 1 569 learners taken on in 2013/14. Increased targets are projected at 10% in alignment with employment growth.

Training of 46 protection officers in 2013/14 as part of the School of Security.



R621m

Total spend on skills development

40 435

Employees trained

1 552

Apprentices intake

138

Engineers intake

339

Technicians intake

89

Graduates acquiring workplace experience

TRAINING ACHIEVEMENTS IN 2013/14

	Actual 2011/12	Actual 2012/13	Target 2013/14	Actual 2013/14	Projection 2014/15
Apprentices new intake	854	866	1 550	1 552	605
Technicians learners new intake	120	315	330	339	363
Engineer bursars new intake	60	122	132	138	232
New entries sector-specific	2 340	2 160	1 980	1 569	2 178
Protection officers new intake	n/a	815	880	46	968
% training spend	4,1	4,4	4,6	3,0	4,0
Leadership development	1 372	4 660	1 013	3 862	2 249
All training	62 701	43 582	36 960	40 435	38 763

n/a not applicable.

Transnet continues to afford opportunities for workplace experience through its Graduate-in-Training (GIT) programme. During 2013/14, 89 new GITs participated and an increase of 10% is anticipated for 2014/15. On average, 60% of GITs are placed within Transnet per annum.

Transnet's ageing workforce poses a challenge to the Company's skill base. The current average age of a Transnet employee is 38 years. There has, however, been a steady increase from 2012/13 in younger employees (25 to 35 age bracket) in order to address this skills challenge.

With respect to job creation, in 2013/14 Transnet's total headcount decreased to 64 122 from 64 910 in 2012/13. This comprises 54 671 permanent employees and 8 893 fixed term employees. Transnet's macro-economic Impact Model, 2013 calculates that Transnet has created 10 503 indirect jobs in 2013/14.

SOCs' NATIONAL STUDENT FUNDING PROJECT

In collaboration with the DPE, the Department of Higher Education and Training, the National Skills Fund (NSF) and other SOC's, Transnet is playing its part in the training of 1 000 artisans over a period of three years. This initiative, proposed in 2011, is aimed at optimising SOC training facilities to cater for additional artisans in support of the country's NGP. Learners will have a wide range of options to choose from to qualify: amateur welders, blacksmiths, diesel electrical fitters, electricians, millwrights, platers, vehicle builders, wagon fitters.

The programme commenced in October 2013 with the enrolment of learners from primarily disadvantaged areas. Engineering's Koedoespoort and Durban facilities will accommodate 250 learners; Uitenhage, Germiston and Salt River will house 100 learners respectively; while Bloemfontein will train the remaining 200 learners.

Site	Black		White		People with Disabilities		Total
	Male	Female	Male	Female	Male	Female	
Germiston	58	17	19	6	1	1	100
Koedoespoort	147	41	48	14	2	1	250
Durban	147	41	48	14	2	1	250
Bloemfontein	116	34	38	12	1	1	200
Salt River	58	17	17	6	1	1	100
Uitenhage	58	17	17	6	1	1	100
Grand total	584	167	167	58	8	6	1 000

Currently, Transnet has invested in funding 2 000 training apprentices together with the 1 000 additional learners being funded by the NSF - providing capital of R175 million.

"Given the colossal skills crises and high unemployment rate in South Africa, skills development is a critical vehicle for economic growth and human social progress. SOC's should play a pivotal role and serve as a platform and catalyst for advancing the skills development initiatives and sustaining human capital."

- Malusi Gigaba, Minister of Public Enterprises, Budget Speech, 2013



Transnet Engineering - Koedoespoort

Local supplier industry development

Transnet aims to transform its supplier base by engaging in targeted supplier development initiatives to support localisation and industrialisation. This will be achieved through applying creative approaches to procurement and influencing strategic partners to enhance the capability, capacity and efficiency of local suppliers.

Why it is important to Transnet

Local supplier development is a national focus, and is important to Transnet from a business perspective. The aim is to address the historical lack of investment in infrastructure, 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. Through investing in local supplier development, Transnet complies with the Department of Trade and Industry (DTI) Codes of Good Practice and benefits by:

- Increasing its security of supply;
- Reducing the costs of goods and services through increased supplier competitiveness and/or reduced logistics costs; and
- Realising potential benefits of local supply versus imports such as:
 - Reduced exposure to foreign currency fluctuations;
 - Lower stock level requirements;
 - Greater responsiveness;
 - Ease of communication; and
 - Shorter delivery times.

However, being less reliant on international organisations and securing demand for goods and services from local supplier industry poses some risks, including:

- Sustainability of the local supplier industry – where domestic demand is not sufficient to warrant the development of such an industry; and
- Compliance with the PPPFA – supplier development objectives and goals are difficult to meet as the PPPFA does not allow for preferential treatment of local markets.

While there are risks in local supplier development, it also offers the opportunity for Transnet to collaborate with fellow SOCs and private business to identify shared demands and ensure the development and sustainability of local industries.



Our management approach

In 2010, Transnet developed a comprehensive SDP. This plan is guided by the DPE's CSDP, which involves 'procuring in such a way as to increase the competitiveness, capacity and capability of the local supply base, where there are comparative advantages and potential competitive advantages of local supply'. The CSDP focuses on OEMs through contractually binding SD Plans.

In managing local supplier development we take into account the perspectives of our key stakeholders: the DTI, the Shareholder, National Treasury and black-owned suppliers.

Additional management tools include a Procurement Policy which provides clear direction on how SD must be incorporated into procurement practices. During the year under review, a monitoring and evaluation unit was created to monitor the progress of SD obligations, manage the SD contracts and detect any possible corruption in the implementation of SD. Importantly, all SD contracts include penalty clauses for default and fraud. An ED Procedure Manual has also been developed detailing the procedure for implementing ED for Transnet practitioners and how enterprises can be developed.

We also ensure local supplier development is embedded across the organisation through training. In 2013, training on ED, SD, preferential procurement and amendments to the B-BBEE codes, was done across all Operating Divisions.

Other initiatives undertaken during 2013/14 included:

- Hosting a Supplier Development Summit together with DPE and Eskom;
- Supporting the launch of the Industrialisation Supplier Development (ISD), which aims to provide local industrial manufacturing suppliers access to information, tools, services and stakeholders that will enhance their performance and enable them to compete so that they can access national and global procurement opportunities;

ECONOMIC DIVIDENDS

(continued)

- Hosting supplier workshops with the Group Chief Executive, the Minister and Deputy Minister of Public Enterprises; and
- Port Terminals began engaging with the DTI to investigate sustainable localisation opportunities for port equipment.

Transformation and empowerment		Supplier Development	Economic growth objectives
Ownership	Promote economic empowerment through the active participation of black people in management.	Industrialisation	Development of industries through machinery, equipment and buildings spend resulting in globally leading capabilities.
Management control	Promote economic empowerment through the active participation of black people in management.	Localisation and export potential	Capability building through the procurement of local goods and services will increase South Africa's exports.
Employment equity	The redressing of previous disparities in employment by taking into account historical social inequalities.	Technology transfer	Skills and knowledge transfer to the local industry through manufacturing related technologies.
Preferential procurement	The procurement of goods and services from historically disadvantaged individuals (HDIs) and companies with compliant B-BBEE levels.	Job creation/preservation	The preservation and creation of jobs to achieve labour absorption.
Enterprise development	Provision of financial and non-financial support to develop small enterprises.	Develop industry specific skills	Development of industry specific skill sets for sector development.
Social-economic development	Recognise companies' contributions to initiatives that give HDIs sustainable access to the economy.	Enterprise development	Provision of financial and non-financial support to develop small enterprises.
Skills development	Development of industry specific skill sets for sector development.	Rural integration	The use of rural labour and businesses in order to achieve rural development/ local economic development.

Transnet's Supplier Development Plan incorporates both growth and transformation objectives

Our performance

Since the inception of Transnet's SD programme, total contract value has been R29,4 billion with SD obligations concluded with suppliers of R10,9 billion or 37% of contract value. To date, R5,9 billion or 54% (2012/13: R4,0 billion or 55,5% and 2011/12: R3,0 billion or 55%) of these supplier development obligations have been met.

Transnet has progressed significantly in transforming its supplier base towards a B-BBEE supplier base. Actual B-BBEE spend for 2013/14 amounts to R38,8 billion or 94,4% (2012/13: R33,4 billion or 88% and 2011/12: R2,8 billion or 80%) of total measurable procurement spend of

R41,0 billion (2012/13: 37,9 billion and 2011/12: R32,2 billion). In terms of the DTI Codes of Good Practice, Transnet's B-BBEE spend in 2013/14 is as follows:

- Black-owned enterprises – R8,1 billion (2012/13: R5,5 billion and 2011/12: R4,0 billion);
- Black women-owned enterprises – R1,5 billion (2012/13: R2,0 billion and 2011/12: R2,2 billion);
- Exempted micro-enterprises – R1,9 billion (2012/13: R2,2 billion and 2011/12: R2,2 billion); and
- Qualifying small enterprises – R3,6 billion (2012/13: R3,2 billion and 2011/12: R2,9 billion).



R38,8bn

B-BBEE spend

94,4%

of total measurable procurement spend on B-BBEE

ONE-STOP-SHOP FOR SMALL BUSINESS

On 6 August 2013, Transnet launched its first ED Hub (the Hub) in Johannesburg. The Hub provides a one-stop shop for entrepreneurs and potential suppliers to Transnet offering the following services: business development, business registration, procurement advisory services, tax registration and compliance, financial support and guidance on black economic empowerment requirements.

Although the Hub is aimed at potential suppliers to Transnet, entrepreneurs receive advice on a broad range of issues for their business ventures.

The Hub is in partnership with the South African Revenue Service, Gauteng Enterprise Propeller, National Youth Development Agency, Small Enterprise Development Agency, the BEE Verification Agency and the DTI's Companies Intellectual Property Commission. Transnet provides the majority of funding, while the partners provide advice and expertise in their respective areas. The partnership is expected to create strategic relationships between Transnet, provincial and national economic development institutions, and provide small businesses access to financial and non-financial support.

Transnet is in the process of launching four more hubs, in Mdantsane (Eastern Cape), Saldanha Bay (Western Cape) is already operational, De Aar (Northern Cape) and Tubatse (Limpopo).

"Our aim is to increase the participation of small businesses in the mainstream economy, as they have been identified as being key to unlocking economic growth. More than 12 million South Africans rely directly on small businesses for their livelihood. Small enterprises in South Africa employ between 60% and 70% of the employable population. I therefore believe that it is our responsibility as Government to harness this opportunity."

– Malusi Gigaba, Minister of Public Enterprises, 6 August 2013



The Hub – Carlton Centre, Johannesburg



At the launch event: Transnet Chairperson Mafika Mkwana, Transnet GCE Brian Molefe, Minister of Public Enterprises Malusi Gigaba and iSCM Executive Manager Mmadiboka Chokoe

"We have identified the need to create an enabling environment for small players to take full advantage of the economic opportunities presented by our investment programme. Additionally, our intention is to assist black-owned entities that struggle to build their businesses into sustainable and profitable entities."

– Brian Molefe, GCE, 6 August 2013

R15,5 BILLION FUEL CONTRACT FOR BLACK AND WOMEN-OWNED FUEL SUPPLIERS

"When the President announced Transnet's MDS in his State of the Nation address in 2012, he said it was intended to revitalise South Africa's transport and logistics infrastructure which Transnet has custody of. Further, he challenged us to use programmes like these to create employment, develop skills and pioneer the creation of a new class of industrialists – especially among black people. Transnet has successfully met the challenge".

– Malusi Gigaba, Minister of Public Enterprises, 5 December 2013

On 5 December 2013, the Minister of Public Enterprises, Malusi Gigaba announced the awarding of a R15,5 billion contract for the supply of fuel to nine black women-owned companies. The contract was awarded for a period of five years. Eight of the nine suppliers are 100% black-owned and five of them are more than 80% women-owned. The companies are: Afric Oil, Borutho Gas Supply, Gulfstream Energy, KZN Oils, Mzumbe Oil, NRW Trading and Logistics, Tlhokaina 21, Women of Africa Fuels and Oils, and Yem Yem Petroleum.

The companies will supply Transnet with homebase fuel in tanks installed in Transnet facilities across the country for vehicles and road equipment, diesel traction for all diesel locomotives for fuelling at Transnet sites nationally, and marine diesel for port equipment including dredgers and tugboats.

The successful bidders were assessed on price, supplier development, B-BBEE and technical ability. In addition, Transnet conducted a thorough assessment of short-listed bidders to ensure that they all had the required capability and capacity to service Transnet's operational requirements.

The award contributes significantly to Transnet's supplier and enterprise development goals, targets and ambitions especially in relation to skills development, job creation and technology transfer.



Minister of Public Enterprises Malusi Gigaba, Transnet GCE Brian Molefe and Transnet Chief Financial Officer Anoj Singh with the successful fuel suppliers

LARGEST EVER LOCOMOTIVE SUPPLY CONTRACT IN SOUTH AFRICA'S HISTORY

On 17 March 2014, Transnet announced that it had awarded a R50 billion contract for the building of 1 064 locomotives to four global OEMs. China South Rail (CSR) Zhuzhou Electric Locomotive and Bombardier Transportation South Africa had been awarded contracts for the supply of 599 electric locomotives, while General Electric South Africa Technologies and China North Rail (CNR) Rolling Stock South Africa (Pty) Ltd would build and supply 465 diesel locomotives.

"This marks a significant milestone in the Company's history together with substantial socio-economic benefits for South Africa. This drive to modernise our fleet is intended to improve reliability and availability of locomotives. This will improve customer satisfaction, ultimately leading to our crucial goal of road-to-rail migration of cargo in line with Government's objectives."

– Brian Molefe, GCE, 17 March 2014

The award has stringent local content, skills development and training commitments as dictated by the SD Programme. All the locomotives except 70 will be built at Engineering's plants in Koedoespoort, Pretoria and Durban. Engineering's role in the agreement has been defined to ensure that it transforms into an OEM over time. It will share approximately 16% of the total build programme – about one third of which will be outsourced to local emerging engineering and manufacturing firms. This will enable Engineering to create export capability for locomotives and related products. In total, the localisation elements are expected to contribute over R90 billion to the economy. The suppliers have complied with and exceeded the minimum local content criteria for rolling stock of 60% for electric locomotives and 55% for diesel locomotives.

"This transaction is intended to transform the South African rail industry by growing existing small businesses and creating new ones. We are going to create and preserve approximately 30 000 jobs."

– Brian Molefe, GCE, 17 March 2014



At the signing ceremony: General Manager of CNR Rolling Stock South Africa, Wang Gang and Transnet's GCE Brian Molefe



South Africa is 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. However, its society is profoundly inequitable, borne of a past where access to economic resources and social services were determined by race. In 2014 the country celebrates 20 years of its robust democracy but still faces challenges of equality, unemployment, inadequate healthcare and poverty. 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.

Transnet's long-term social value creation lies in 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; and responding with compassion to the needs of communities within which we operate.

Transnet's material social dividends highlighted in this 2014 sustainability performance review are:

- A representative workforce; and
- Safety of all people who come into contact with our operations.

We also report highlights of our performance and prospects with respect to:

- Staff wellness; and
- Support to the communities in which we operate.



A representative workforce

We view employment equity as an important part of our business strategy. A fair working environment contributes to a motivated workforce, ultimately adding to the success of our business in a competitive global economy. We are also committed to upholding the principles of the UNGC on labour practice and human rights.

Why it is important to Transnet

Transnet is committed to the principles of equity and anti-discrimination. We seek to create an organisation that reflects the diversity of South African society and that contributes to maximising the potential of our employees. Being one of South Africa's largest single employers with a workforce of 54 671 permanent employees, Transnet has a responsibility to align to the country's national goals and support Government initiatives aimed at addressing the socio-economic legacy of the past. Transnet has dedicated itself to providing employment for all demographics, not just for the sake of diversity, but to better empower designated groups.

Through B-BBEE practices, we have the opportunity to shape the future of the multitude of sectors we operate in. Transnet has a B-BBEE rating of Level 3.

Currently our biggest internal risk is employee disputes related to the interpretation of the company's equity principles and objectives. This is being addressed through improved consultation, engagement and training of employees.

Our management approach

Policies and regulations

Representation in the workforce is guided by Transnet's internal Employment Equity (EE) Policy which is aligned to the Employment Equity Act, 1998 (Act No 55 of 1998). The policy became effective in January 2008. It outlines Transnet's commitment to EE principles and sets out principles that govern the development of EE plans within Transnet. We adhere to: The Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No 4 of 2000), The Labour Relations Act, 1995 (Act No 65 of 1995), and The Skills Development Act, 1998 (Act No 97 of 1998).



Operating Division/ Specialist Unit	B-BBEE contributor status level								Charter applied
Issue date	June 2011	July 2012	May 2013	December 2013					
Verified period	2009/10	Total points	2010/11	Total points	2011/12	Total points	2012/13	Total points	
Transnet SOC Ltd	5	60,41	4	70,62	3	76,75	3	84,34	Generic transport public sector
Pipelines	6	53,44	5	62,75	4	65,11	4	72,94	
Capital Projects	5	60,64	5	62,35	4	66,76	3	82,27	
Freight Rail	4	68,58	3	80,04	3	78,89	2	87,64	Rail Charter
Engineering	5	62,00	4	66,65	3	81,61	3	84,53	
Port Terminals	4	65,69	4	64,94	4	67,06	3	84,88	Maritime Charter
National Ports Authority	6	54,25	6	51,01	5	57,30	4	66,01	
Property	8	32,38	6	47,12	6	52,02	5	56,78	Property Charter

Transnet B-BBEE rating*

* Denotes B-BBEE rating for calendar year ended December 2013.

SOCIAL DIVIDENDS

(continued)

Transnet has both a B-BBEE Policy and Strategy. These are indicative of the Board and management's commitment to transformation and ensures that a uniform message is communicated and understood throughout the Company. Further, it ensures consistency in how B-BBEE is managed and defines initiatives that will be implemented. These are regularly reported to the respective Governance Committees.

Initiatives

Transnet implements multiple measures to ensure equitable representation for all designated groups across all occupational levels.

Transnet aims to increase representation of the following designated groups: African (as per the DTI Codes of Good Practice definition), women and People with Disabilities. As a highly operational environment, the attraction of women into skilled technical jobs continues to pose a significant challenge.

The following initiatives have been undertaken to create and maintain diversity:

- Ongoing revision of the EE Policy to include 'preference for designated groups' is expected to increase the representation of women and People with Disabilities. Additional policies that have an impact on EE such as our Recruitment Policy or Performance Management Policy are being revised to align with the EE Act.
- A new talent management methodology, which includes succession planning is effective from 31 March 2014.
- Transnet utilises specialised recruitment agencies and offers internship programmes to provide People with Disabilities with a minimum of Matric, exposure to the business environment and permanent placement when positions become available.
- Positions that do not have a high safety risk are ringfenced to ensure employment of People with Disabilities.
- Part of our capital expenditure is dedicated to ongoing improvement of our work environment and facilities for women and People with Disabilities.

- Continuous accessibility audits linked to reasonable accommodation are aimed at People with Disabilities.

Training

- We run a number of programmes, campaigns and training to educate employees and encourage a positive and conducive work environment for women and People with Disabilities. Examples include: The Dignity and Respect Programme; Safety League Programme; and Zero Tolerance Campaign on Sexual Harassment. Sensitivity training addressing the integration of People with Disabilities into the workplace. The People with Disabilities Ambassador Network, in particular, assists with employee engagement, sensitisation and disclosure.
- Regular B-BBEE training sessions and awareness campaigns are conducted, covering all elements of the scorecard, regulatory requirements, and identification and implementation of control measures to ensure compliance. The training and awareness targets Exco members, B-BBEE Steering Committee, Operating Divisions' B-BBEE Forum members and all employees.

Internal stakeholders impacted/influenced by employment equity are represented at Group and EE forums which meet quarterly. B-BBEE stakeholders in Government are engaged through the Shareholder and other industry forums, through reports, correspondence, meetings and media.

Our performance

With respect to black employees, representation is below that of the National Employment Action Plan (NEAP) with black employees representing 81.4% of the workforce compared to the NEAP target of 87.7%. Despite not meeting the NEAP targets, Transnet exceeded its targets for black employees across all occupational levels in 2013/14. However, there is a significant over representation of black male employees at semi-skilled and unskilled levels. This is primarily due to the operational environment of the business.



Occupational level	Actual						Targets 2014/15
	2011/12 (Male)	2012/13 (Male)	2013/14 (Male)	2011/12 (Women)	2012/13 (Women)	2013/14 (Women)	
Top management	24	32	57	22	26	43	123
Senior management	155	235	404	81	104	192	980
Professional	1 115	1 364	2 171	712	940	1 307	5 978
Skilled	7 540	8 635	11 027	3 646	4 496	5 555	26 218
Semi-skilled	10 817	12 887	14 639	2 619	3 636	4 180	23 371
Unskilled	4 918	3 890	4 260	1 061	657	701	5 656
Total	24 569	27 043	32 558	8 141	9 859	11 978	62 326

Black employees 2013/14

With respect to women employees, representation is below that of the NEAP with women employees representing 24,4% of the workforce compared to the NEAP target of 47,0%. Women representation, 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.

Women representation is growing steadily with top, senior, professional and skilled technical representation above 28,0%. Areas for improvement include the semi-skilled and unskilled levels where representation is currently 21,0% and 14,0% respectively.

Occupational level	African			Coloured			Indian			White		
	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14
Top management	22	26	33	2	2	3	6	7	7	8	7	6
Senior management	81	104	135	21	23	23	26	32	34	31	33	30
Professional	712	940	1 026	117	127	137	118	138	144	191	190	192
Skilled technical	3 646	4 496	4 723	522	587	630	183	202	202	884	900	912
Semi-skilled	2 619	3 636	3 699	340	398	409	66	76	72	224	245	208
Unskilled	1 061	657	637	91	69	62	12	2	2	22	22	16
Total	8 141	9 859	10 253	1 093	1 216	1 216	411	457	461	1 360	1 397	1 364

Women employees 2013/14

As a signatory to the UNGC, Transnet is committed to upholding the elimination of discrimination in respect of employment and occupation. Although representation of People with Disabilities has improved substantially to 1,6% (877 employees), achieving the target of 2,0% has been a challenge, and improving the representation of People with Disabilities will continue to form a key focus area for Transnet's transformation agenda.

SOCIAL DIVIDENDS

(continued)

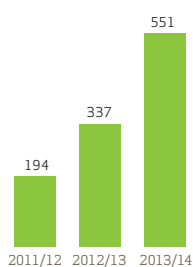
The EE plan for 2014/15 will continue to focus on Transnet's commitment to EE principles namely, the elimination of unfair discrimination and implementation of affirmative action measures to achieve a workforce that reflects the national economically active population of South Africa across all occupational levels. Targets for 2014/15 for black employees, women and People with Disabilities are:

Category	Target 2012/13 (%)	Actual 2012/13 (%)	Target 2013/14 (%)	Actual 2013/14 (%)	Target 2014/15 (%)
African	75,0	80,5	76,0	81,5	80,0
Women at Group executive committee	50,0	41,7	50,0	50,0	50,0
Women at extended executive committee	50,0	37,3	50,0	40,0	50,0
Women below extended executive committee	30,0	23,8	35,0	24,4	35,0
People with Disabilities	1,3	1,4	2,0	1,6	2,0

Looking ahead to 2014/15, EE objectives include:

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

FREIGHT RAIL CHAMPIONS PEOPLE WITH DISABILITIES



**YEAR-ON-YEAR TOTALS
OF PEOPLE WITH
DISABILITIES**

As part of human capital transformation, Freight Rail has continued on its targeted recruitment of People with Disabilities over the past year. This resulted in a total of 551 People with Disabilities employed in comparison to the prior year total of 337, and 194 in 2011/12.

Certain positions have been ringfenced to ensure the employment of People with Disabilities. Through Freight Rail's Disability Forum, employees are engaged, sensitised and voluntary declaration is increasing. Initiatives to improve access to Freight Rail buildings over the past year include: ramps for wheelchair access to buildings, entrance doors modified to open automatically once access card is swiped, restrooms customised for wheelchair access, and parking bays.

Safety of all people who come into contact with our operations

The health and safety of our employees, contractors, business partners, customers and the general public is a social responsibility we consider vital to uphold.

Why it is important to Transnet

The nature of our business means we operate across inherently high risk environments that have the potential to negatively impact our employees, contractors, business partners, customers and the general public. While Transnet has a legal responsibility to ensure the health and safety of its employees and those affected by its business operations, Transnet considers safety a core value and a business imperative, and therefore will not settle for basic compliance. We strive to maintain the highest safety standards and a zero harm environment.

Our management approach

Transnet's safety management is guided by our SHEQ Management Policy, which applies to all employees (permanent and non-permanent), stakeholders and contractors in Transnet. This policy outlines our philosophy that safety is everyone's responsibility and defines the strategic intent and principles that provide a framework for action. Group Risk Management is responsible for the development, facilitation of implementation, maintenance and review of the policy.

Other management approaches include:

- Entrenching a culture of safety. This is undertaken through the Golden Safety League programme and the Transnet Culture Charter.
- Engaging with our stakeholders to understand their safety concerns, and develop solutions based on best practice. Stakeholders include: the RSR, the Department of Labour, organised labour, employees and the Shareholder.



Transnet has entered into recognition agreements with its two recognised trade unions. The recognition agreements ensure enforcement of the Labour Relations Act, but do not specifically address health and safety issues. However, the agreement is backed by policies, standards, procedures and rules that seek to ensure a safe working environment. Topics such as working hours, conducting risk assessments, lock outs, substance abuse testing, exposures (both health and safety), training, and Personal Protective Equipment, are discussed at various structures where trade unions are key stakeholders.

• Transnet Occurrence Management System (TOMS)

TOMS hosts all information regarding incidents, which includes safety, across Transnet.



Annual Safety Competition Day

SOCIAL DIVIDENDS

(continued)

• Development and implementation of policies, standards, procedures and guidelines

We have developed and implemented policies, standards, procedures and guidelines that will improve safety management and performance across the business, such as:

- The Transnet Occupational Health Management Policy;
- An Integrated Emergency Management Service; and
- An Integrated Clinic Strategy.

• Safety audits

Safety audits offer an opportunity to evaluate the effectiveness of our policies, procedures, and guidelines. Internal and external audits are conducted annually. Risk management has an integrated internal assurance plan, and external audits are conducted by accredited auditors and the RSR.

• Board of Enquiry

The Board of Enquiry is an independent body managed through the incidents investigation processes. All safety incidents deemed significant (level one and two incidents) are investigated by the Board, resulting in findings and recommendations.

Each Operating Division operates in a unique environment, and thus safety challenges and appropriate responses differ, accordingly. The Operating Divisions' Chief Executive Officers are responsible and accountable for their SHEQ performance however, ultimate accountability for safety performance lies with the Group Chief Executive.

The following processes and initiatives assist in more effective safety management in the Operating Divisions:

• Health and Safety Committees

Health and safety risks associated with operational activities are identified, assessed, addressed and monitored by the Health and Safety Committees. They are a platform through which our employees can actively engage in the implementation of occupational health and safety. Approximately 247 formal joint management-worker health and safety committees have been established within Transnet based on the geographical layout and work area of every business unit. 1611 SHE Representatives (3% of the total workforce) ensure all employees are represented across our Health and Safety committees.

• Training

Training is conducted through the School of Rail, whereby safety training is built into functional training. It is also conducted through external service providers contracted to provide specific safety training such as first aid training, SHE Representative training, incident management training and risk management training.

Awareness campaigns are conducted on specific safety issues, for example the '5S Programme', which focuses on supervision.

The Seven Golden Safety Actions

	
<i>I will not perform unsafe work and put myself and others in danger</i>	<i>I take responsibility myself and my team I don't blame other</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 shortcut</i>	



- **Business unit operational risk assessments**

Every Operating Division has its own risk management methodology which informs the type and frequency of risk assessments.

- **Other structures where health and safety is on the agenda**

These include daily safety tasks and instructions; toolbox meetings; SHE Forums; symposiums and local and national business committees.

Safety challenges and responses

Safety challenges exist across the organisation at different levels. Freight Rail has the highest health and safety risk as it accounts for the majority of occupational injuries and illnesses. Across the organisation, the following significant challenges have been identified:

- New employees are unfamiliar with the standard operating procedures and are not fully integrated into the safety culture of Transnet. This is addressed through targeted training and development, and engagement on safety culture.
- Motor vehicle accidents caused by third parties significantly affects Transnet drivers. While Transnet has very limited control over these incidents, we send our drivers on advanced driving courses.
- Vandalism and theft of tracks, signalling equipment and copper cable leads to derailments and resulting injuries.
- Level-crossing incidents pose the greatest challenge to public safety in our operations.

Freight Rail accounts for 83% of all occupational illnesses, the majority of which are noise-induced hearing loss caused by continuous exposure to train operations and heavy machinery. This is closely monitored and managed through annual medicals. All exposed employees are required to wear Peltor ear muffs, which allow for effective communication whilst providing hearing protection. Specific training and awareness is implemented throughout Freight Rail.

Our performance

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 decrease in the DIFR over the past year from 0,74 in 2012/13 to 0,69 in 2013/14. On average, the ratio has been below 0,75 for the past five years.

Tragically, the Company reported seven employee fatalities. This compares to nine fatalities in 2012/13. Most of the 2013/14 fatalities were as a result of non-adherence to Standard Operating Procedures. Fatalities occurring in road accidents outside Transnet operations are no longer recorded as fatalities.

Public fatalities are lower than 2012/13 with 106 public fatalities reported for 2013/14 compared to 125 reported in 2012/13.

In collaboration with local municipalities, schools, the SAPS and other relevant stakeholders, Freight Rail continued with its Level Crossing Awareness Campaign in 2013/14 educating communities, the public and children about the dangers of living close to or next to the railway lines. Level-crossing accidents for 2013/14 total 82, down from 87 in 2012/13. Trespassers into the rail reserve account for 83% of public fatalities – a challenge that Freight Rail has with the encroachment of informal settlements in the railway reserve. Other challenges include fencing and access control.

There has been a notable increase in the number of loss incidents for 2013/14, with a total of 1 622 compared to 1 737 in 2012/13 indicating a drop of 6,6%. The total estimated cost of these incidents is R618 million compared to R572 million in 2012/13. The severity per incident has thus increased by 7,4% compared to the levels of the comparative period.

Running line derailments have increased from 85 in 2012/13 to 116 in 2013/14. Shunting derailments declined year-on-year from 267 to 242.

0,69

On average, DIFR below 0,75 for past five years

WE REMEMBER

*Ms Ayanda Dlamini
29 April 2013*

*Mr Musawenkosi Dlamini
10 May 2013*

*Mr Daniel Motshabi Matshidiso
14 May 2013*

*Ms Promise Fikile Cele
20 July 2013*

*Mr Mzukisi Nanto
23 July 2012*

*Mr Philemon Mudau
17 September 2013*

*Mr Cecil Wentzel
3 November 2013*

RAISING LEVEL-CROSSING AWARENESS

Level-crossing accidents pose a major challenge to Freight Rail operations. In collaboration with local municipalities, schools, the SAPS and other relevant stakeholders, Freight Rail continued with its Level-Crossing Awareness Campaign in 2013/14 educating communities, the public and children about the dangers of living close to or next to railway lines.

As part of the campaign, Freight Rail's Container and Automotive Business Unit (CAB) Corporate Affairs and Safety Office organised the Natcor Line safety inspection in January 2014. The purpose of this exercise was to identify safety threats along the line and develop a proactive plan of action. Findings included:

- Housing, both formal and informal, encroaching on the railway line;
- Pedestrians crossing the railway line at dangerous areas and/ or even walking the line;
- Community facilities (schools, shops, bus stops, taxi ranks) across the railway line;
- Dangerous car level crossings;
- Livestock crossing the railway line to a grazing area;
- Livestock grazing next to the unfenced railway line;
- Old branding signs; and
- Overgrown vegetation obscuring visibility.

A programme of action has been developed to address these challenges. Some require immediate action as part of the campaign such as the schools close to the line and old signage while others will require a longer-term programme of action for example, provision of overhead bridges for pedestrians; structural modifications of some level crossings; negotiations with farmers and local stock owners; and negotiations with local government authorities for the relocation of informal settlements next to the line.



Staff wellness

Staff wellness forms an integral part of Transnet's overall human resources strategy ensuring that employees are productive, engaged in their jobs and present at work. If not managed, this could impact the Company's overall efficiency and performance, pose a safety risk, as well as a cost to the Company as a result of absenteeism.

There has been a general decline in absenteeism for the period under review, from 413 191 days lost in 2012/13 to 377 632 days lost in 2013/14. This can be attributed to the integration with the Safety Culture Programme which has assisted in raising awareness and providing managers and supervisors with the necessary skills to proactively manage absenteeism.

Staff wellness days are conducted on a regular basis and form the basis for awareness and training amongst employees.

The Employee Assistance Programme is focused on providing 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. Team health issues are becoming more prominent with the need to assist in resolving team conflict, leadership coaching, and process re-engineering of structures and systems.

Projects supporting the business have also become a feature of the wellness programme. The Marine Cadet Life Skills project equips individuals to be away from home for extended periods. The 'Leave a Legacy' project aims to prepare first time job seekers, to adjust to the world of work.

Value for communities in which we operate

Transnet's commitment to social transformation finds expression in its community development programmes that aim to empower and uplift those who are most vulnerable in society, focusing on areas of greatest need. Rural areas in South Africa are particularly vulnerable in terms of access to services, infrastructure and economic opportunities. In support of Government's socio-economic development objectives, Transnet's total spend on CSI for 2013/14 was R174 million which contributed to the achievement of an overall B-BBEE score of Level 3.

The Transnet Foundation is Transnet's Specialist Unit responsible for managing the Company's CSI programme. Its mandate is aligned to the MDS, with a strong focus on touching rural communities along the rail network, and investing in those projects with a strong community impact. Transnet's flagship community investment

programmes are focused primarily on health interventions, promoting education, and enabling effective asset utilisation to provide much needed infrastructure solutions. Flagship programmes include:

- **Health:** providing primary healthcare through Transnet's Phelophepa I and II trains to rural communities in the Eastern Cape, Northern Cape, North West, Limpopo, Free State and KwaZulu-Natal provinces.

On average, Phelophepa treats 1 500 patients per week, offering medical services and medication at a very low price. This affordable healthcare is managed by health professionals and supported by student doctors who live on the train; as well as volunteers. Four out of five South Africans depend on public healthcare but access to hospitals and clinics remains difficult for many people living outside of city centres. Phelophepa helps to bridge this gap in rural communities.



R174 million

Total CSI spend
3,4% net profit after tax

Interesting FACTS

Phelophepa is affectionately known as the 'train of hope' in the rural communities in which we operate.

Phelophepa II was engineered and built by Engineering in 2012 at a cost of R82 million.

Phelophepa is the first South African CSI initiative to receive the United Nations Public Service Award (June 2011).

THE GIFT OF SIGHT

Transnet Foundation's most recent Phelophepa project was the 'cataract camp' held in the Northern Cape from 29 April 2013 to 3 May 2013. In partnership with the KwaZulu-Natal Eye Care Coalition and the Northern Cape Department of Health, the Foundation performed life-changing cataract operations for the underprivileged. The camp secured the services of three highly acclaimed Indian ophthalmologists to perform the surgeries. Cataracts are one of the most common causes of avoidable blindness and are a particular cause for concern in the Northern Cape as the province has only three eye surgeons for a population of over one million people.



Phelophepa health train visiting Northern Cape



Phelophepa's 'cataract camp'

SOCIAL DIVIDENDS

(continued)

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.

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

Since its inception in 1994, the programme has reached over 5,5 million people.

- **Education:** focusing on basic education specifically, teacher development and learner support.

Since its inception in 1999, 350 qualified educators have received supplementary training in Maths, Science and English, and 50 student educators were enrolled in tertiary institutions. The following regions are targeted: Makana (Eastern Cape), Motheo (Free State), Moretele (North West), Mtubatuba and Durban South (KwaZulu-Natal).

A new programme focusing on orphaned youth was launched in 2012/13. The programme is aimed at giving equal access to education to orphaned youth. Transnet Foundation pays school fees, boarding, school amenities, clothes, and gives the learners a monthly allowance. Once they complete Grade 12 in 2015, Transnet will pay for their university studies and eventually assist them in finding employment opportunities. Ten youth (seven females and three males) from KwaZulu-Natal, North West and Mpumalanga have been enrolled in the programme to date.

- **Container Assistance Programme (CAP):** converts old freight containers into infrastructure for rural communities.

The Foundation's collaboration with SAPS and the Provincial Departments of Social Development to address infrastructure backlogs using old recycled containers has resulted in the reduction of crime and increased access to social services in a number of rural towns and villages.

Since the programme's inception in 2001, the Foundation (together with Freight Rail and Engineering who are responsible for the conversion of the containers) has built 20 satellite police stations, 10 classrooms, three community centres and 18 multi-purpose centres. Approximately R27 million has been invested in the CAP and approximately 27 000 jobs have been created by erecting these structures and staffing the container centres.

Some of the most successful CAP projects include:

- Perth multi-purpose centre (Kgalagadi, Northern Cape): This remote cluster of rural villages now has access to a range of social services as well as income-generating projects.
- Nkomazi multi-purpose centre (Mpumalanga): This isolated community now has immediate access to an impressive 19 social workers.
- Dundee satellite police station (KwaZulu-Natal): 30 000 people in 14 rural villages now have access to a police station in a high crime area.
- Galeshewe-Kagiso satellite police station (Northern Cape): An impact study shows that the streets in this area are safer since the opening of this facility.
- Mambuka satellite police station (near Richards Bay, KwaZulu-Natal): Approximately 24 000 people who used to have to travel 30km to report a crime, now have immediate access to police services.

CONTAINER BAKERIES PROJECT

Together with Umnyakazo Development (Pty) Ltd, Transnet is funding and supporting the establishment of 30 community-owned containerised bakeries in 15 rural district municipalities across KwaZulu-Natal (10), Eastern Cape (10) and North West (10). Each bakery will create a minimum of 15 jobs, while 30 bakery containers will create 450 jobs.

The objectives of this project include:

- Profitable and sustainable bakeries for rural families;
- A steady food source for the community;
- Easy accessibility to bread and confectionary products;
- Fresh bread at affordable prices;
- Job creation; and
- Poverty alleviation.

Umnyakazo Development (Pty) Ltd is a 100% black women-owned food and beverages company that aims to provide a platform for development, growth and sustainable programmes. The bakeries will be owned and operated by black women-owned cooperatives in the identified rural areas, and will include tuck shops, clinics, and school feeding schemes.

Currently, the project is in the implementation phase. Funds have been disbursed for the first phase of the project in the Eastern Cape and Transnet has purchased containers and commenced refurbishment.



Transnet container bakery



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 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. We use water, but have not yet quantified how much we can save. We comply with waste management regulations, but have not yet pursued deliberate recycling strategies.
- 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 long-term risk as the world seeks renewable forms of energy to sustainably support burgeoning populations.
- 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. Our infrastructure planning is being adapted accordingly. Water scarcity adaptation measures are also needed.

Transnet's material environmental dividends highlighted in this 2014 sustainability performance review are:

- Access to secure and affordable energy which allows for reduction in our GHG emissions and for future growth.

We also report highlights of our performance and prospects with respect to:

- Modal shift from road-to-rail, lowering South Africa's carbon emissions;
- Reducing our risk exposure to adverse climate change impacts;
- Water in our value chain;
- Waste management; and
- Managing our biodiversity impacts.



Access to secure and affordable energy which allows for reduction in our GHG emissions

Why it is important to Transnet

Transnet is an energy-intensive business, exposing the Company to significant energy security risks. Transnet's primary energy sources are electricity (62%) and diesel (31%), with the remainder constituting distillate fuel oil, petrol and other sources. This year, energy costs constituted 18% of Transnet's total operating costs, an increase of 2% from 2012/2013. Based on expected volume growth in rail, port and pipeline freight until 2040, Transnet forecasts that the base rate energy requirements are to increase by 3,9% per annum.

Transnet is fully reliant on Eskom for the provision of base-load electricity to power its operations, and on municipal electricity distribution systems in many areas. This poses a number of concerns, including:

- The adequacy of electricity generation over the short to medium term;
- The adequacy of grid infrastructure to distribute electricity to rail operations over the short to medium term;
- The adequacy of municipal distribution systems to supply reliable electricity to areas where Transnet operates; and
- Sharp increases in electricity prices.

These risks are particularly prevalent for Freight Rail, which consumes more than 70% of Transnet's total electricity usage.

Mineral diesel and distillate fuel oil is supplied by various South African oil refining companies. Currently fuel price volatility and exchange rate exposure is a concern while the security of fuel supply is not high risk.

Transnet is responsible for enabling the competitiveness, growth and development of the South African economy through delivering reliable freight transport and handling services that satisfy customer demand. In terms of the NDP and the DPE Climate Change Policy Framework for SOCs, Transnet is also required to assist South Africa in transitioning to



Understanding our environment

an environmentally sustainable, climate change resilient and low carbon economy through reducing GHG emissions.

Our management approach

In 2013, Transnet developed an Energy Security and Carbon Mitigation Strategy for the period up to 2040, based on an assessment of:

- The risks associated with security of energy supply, energy costs and environmental impact;
- The scale and scope of Transnet's short- (2018), medium- (2025) and long-term (2040) energy requirements; and
- Options to meet Transnet's forecast energy demand.

The strategy is currently being implemented throughout the organisation and aims to minimise security of energy supply risks, energy costs and emissions from energy use. An Energy Policy has been developed and is due for adoption in 2014.

Our participation in the CDP ensures our approach to managing emissions year-on-year. A Climate Change Policy has been developed and is due for adoption in 2014.



ENVIRONMENTAL DIVIDENDS

(continued)



Transnet's 'Every
Watt Counts'
campaign.

Initiatives

While many solutions exist to enhance security of energy supply, reduce energy costs and reduce emissions from energy use across Transnet, the following actions have been identified as the most significant.

Excellence in energy management

The ISO 50001 energy management system is currently being implemented across all Operating Divisions and Transnet Property. This provides a formal structure to enable the effective implementation of energy efficiency initiatives and alternative energy supplies.

Energy efficiency initiatives

A number of energy efficiency initiatives are being implemented across the Operating Divisions.

The following sustainable energy options for Transnet equipment use are currently being explored by the R&D unit in Engineering which focuses on the operationalisation of new, relevant technologies:

- Second generation biofuels for diesel locomotives and port equipment;
- Natural gas as a fuel source for locomotives and other equipment;
- Fuel cells on locomotives as alternative energy sources;
- Wagon covers to reduce energy loss through drag effects; and
- Harnessing wasted energy by capturing and re-using heat from exhaust systems.

ENGINEERING'S FUEL CELL STUDY

Engineering R&D commenced a fuel cell feasibility study in October 2013 to explore the use of fuel cells in locomotives.

On the mobile side, fuel cell applications are mostly focused on integrating this power source as a mover on board the locomotive, replacing the existing diesel engine on a diesel locomotive. Routes have been analysed for energy and power requirements and several preliminary design cases have been explored. Regenerative braking energy storage on board the locomotive for re-use is also being considered in order to increase the overall efficiency of the locomotive.

On the stationary side, four cogeneration applications have been investigated for increased efficiency. The different application categories considered are back up power, base load power, peak power shaving, load shifting and/or an appropriate combination of these sources. Steam plants for cleaning rail vehicles and distillation plants for separation of intermixture in pipeline operations are two key cogeneration applications being considered, as they require high quality, high temperature heat which fuel cells can provide.

Part of the study that overlaps the two distinct branches is the fuel type, availability and distribution. Fuel cells are fuel flexible and only one kind of fuel cell can use current hydrocarbon fuels such as diesel and petrol for operation. Fuels such as ammonia, hydrogen (compressed and liquefied), natural gas (compressed and liquefied), methanol, ethanol, reversible metal hydrides, and dimethyl ether are being investigated. Their current production and the location of distribution networks are being considered. For both mobile and stationary applications, it is important that fuel cells that are in the vicinity are used. The possibility for using fuel cells for both applications will be investigated.

The study will be completed in 2014.



The largest financial and technical resources have been allocated to developing energy efficiency in Freight Rail where the largest challenge is reducing the traction requirements for our rail network. We have multiple initiatives including:

- Driver training to improve the techniques of operating locomotives;
- Optimisation in the configuration of the train; and
- Reducing locomotive idling.

A significant opportunity to offset energy consumption is through new locomotive technology specifically, regenerative braking capability. The deployment of the new class 19E and 15E locomotives on the coal and iron ore export lines has resulted in improved energy efficiency gains.

Freight Rail's regenerated electricity is used in the locomotive themselves and where possible, any excess electricity is transmitted back into the Eskom grid.

As Transnet continues to increase the volumes it transports year on year, the best measure of whether the energy efficiency initiatives are effective is to measure the gross ton kilometres (train weight x distance) travelled per unit of fuel consumed – electricity (kWh) for the electrical lines and diesel (litres) for the diesel lines.

Freight Rail has an Energy Efficiency Forum which meets every two months. This forum monitors performance and evaluates whether the measures adopted for energy efficiency are effective.

For the medium to long term, Transnet is actively investigating alternative energy supply opportunities, including: natural gas, second generation biofuels, wind and solar.

We engage with Eskom, NERSA, National Treasury, the Shareholder, the Department of Energy, industry associations, OEMs, fuel suppliers, and customers on energy issues.

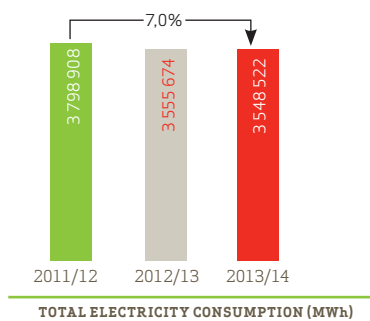
Training

Collaborative energy training is undertaken in conjunction with the EELN. Training is conducted for energy managers and engineers for implementation of the ISO 50001 energy management system.

Our performance

Transnet's total electricity consumption for 2013/14 was 3 548 522MWh, down 0,2% from 3 555 674MWh⁶ in 2012/13 while volumes of freight have increased by 4,0% giving a net energy efficiency gain.

Since 2011/12 (baseline year for reporting when energy efficiency measures were instituted) total electricity consumption has decreased by 7,0% from 3 798 908MWh.



3 548 522MWh

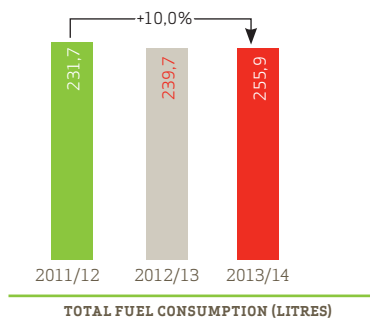
Total electricity consumption

7,0%

Decrease in electricity consumption since 2011/12

74,0% of electricity in 2013/14 was used for Freight Rail traction, and the remainder in Transnet's properties, ports, pipelines and engineering operations.

Transnet's total fuel consumption for 2013/14 was 255,9 mega litres, an increase of 7,0% from 239,7 mega litres⁷ in 2012/13. Since 2011/12, which represents our base year, total fuel consumption has increased by 10,0% from 231,7 mega litres. This increase can be attributed to the move to diesel powered freight movement on some operating sections. Of the total fuel consumption figure: 73,3% of this was used for Freight Rail diesel traction; 11,9% on road vehicles; 11,1% on home-based fuel; and 3,7% for marine diesel.



255,9 mega litres

Total fuel consumption

⁶ Adjusted figure as a result of double accounting between Freight Rail and Engineering.

⁷ Adjusted figure as a result of year-end consolidation of data.

ENVIRONMENTAL DIVIDENDS

(continued)

176 185MWh

Total regenerated
electricity

A total of 176 185MWh of electricity regeneration was recorded in Freight Rail in 2013/14; an improvement of 16,6% on the previous year:

- Class 19E locomotives working on the coal line regenerated 27,0% of energy consumed on a round trip between Ermelo and Richards Bay. This resulted in 76 682MWh (14,0%) energy regeneration in 2013/14.

- Class 15E locomotives working on the iron ore line regenerated 28,0% of energy consumed on a round trip from Sishen to Saldanha. This resulted in 99 502MWh (24,0%) energy regeneration in 2013/14.

Significant energy efficiency gains have been made across the business, with annual targets being exceeded in most cases. Looking ahead to 2014/15, further energy efficiency targets have been set for each Operating Division and Transnet Property.

Electricity efficiency performance

Targets 2013/14			Performance 2013/14		
Operating Division	Measurement	Target gain on PY	Target	Actual	Energy efficiency gain on PY
Freight Rail traction	Gtk/kWh	1%	65,2	66,1	2,4%
Freight Rail real estate	kWh	2%	229 109 403	225 762 069	3%
Transnet Property	kWh	5%	63 785 635	68 473 089	(2%)
Pipelines	Młkm/MWh	1%	34,8	36,0	4%
Port Terminals	Ton/kWh	2%	0,6	0,6	5%
National Ports Authority	Employee/MWh	4%	1,2	1,3	14%
Engineering	Man hour/MWh	4%	185,3	204,5	16%

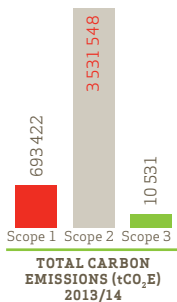
Fuel efficiency performance

Freight Rail Traction	Gtk/ł	1%	206,5	175,6	(14%)
Port Terminals	Ton/ł	2%	5,5	5,3	(1%)
Engineering	Man hour/ł	4%	9,2	9,5	8%

2,4%

Freight Rail
Traction Energy
Efficiency
Gain (74,0% of
total electricity
consumption)

Total: 4,24mtCO₂e



We have calculated our carbon footprint using the Greenhouse Gas Protocol (a Corporate Accounting and Reporting Standard) and the Intergovernmental Panel on Climate Change guidelines for National Greenhouse Gas Inventories, 2006. Our consolidation approach for calculating our emissions is operational control.

With respect to Transnet's carbon emissions for 2013/14, there was an increase of 0,9% to 4,24mtCO₂e in comparison to 4,1mtCO₂e in 2012/13. This increase can be attributed to the following:

- increase in production; and
- increase in traction diesel consumption.

Transnet Scope 1 emissions amounted to 693 422tCO₂e up from 648 660tCO₂e in

2012/13. Scope 1 emissions covers diesel locomotives, vehicles, long-term leased vehicles, onsite combustion of fuels and refrigerants. Freight Rail is responsible for 82,8% of Scope 1 emissions.

Scope 2 emissions decreased by 0,2% to 3 531 548tCO₂e due to improved electricity efficiencies throughout the business.

Scope 2 emissions are generated from purchased electricity. Freight Rail accounts for 80,6% of Scope 2.

Scope 3 covers employee rental cars and air travel, amounting to 10 531tCO₂e which is down 9,2% from 11,596tCO₂e in 2012/13. This is largely due to cost-cutting transport measures and expanded use of video conferencing.



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

It is globally known that rail transport is three to four times more efficient than road transport. In addition, rail offers cleaner, safer, cheaper and more 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 increase its rail market share to 35% by 2018/19, and to demonstrate the carbon emissions saving achieved annually through its growing market share.

Freight Rail is making a meaningful environmental contribution in the form of carbon emissions reduction in the South African transport sector. In 2013/14, 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 emissions savings in the top 10 road-to-rail volume gains in 2013/14 amount to 835,670tCO₂e⁸.

Top 10 road-to-rail volume gains for 2013/14 (April 2013 to March 2014)

Commodities	Volumes gains (tons)	Emissions avoided (tCO ₂ e)
Manganese (Export Durban)	16 063	198
Coal (Eskom)	1 323 767	36 436
Chrome and ferrochrome	618 218	70 090
Iron ore (Domestic)	566 561	134 980
Manganese (Domestic)	108 354	38 068
Mineral mining	2 006 556	250 414
Iron and steel	107 685	26 055
Fertiliser	10 338	2 485
Intermodal (Container)	1 734 678	276 303
Automotive	15 397	642
Total	6 507 617	835 670



835 670tCO₂e

Top 10 road-to-rail carbon emissions savings gains

400

Total trucks kept off road per day (by Pipelines) between Durban and Gauteng

ROAD-TO-RAIL ALLIANCES

On 4 October 2013, Freight Rail and Imperial Logistics ratified a Memorandum of Understanding (MOU) committing to moving freight from road to rail. The partnership will facilitate the joint development of multimodal logistics services in support of Transnet's road-to-rail strategy. This initiative will combine Freight Rail's long-haul transportation capacity with Imperial's road freight logistics, distribution and end-to-end value chain management. The intermodal transport strategy will concentrate chiefly on bulk commodities, a market which would be new to Imperial. Freight Rail's Chief Executive, Siyabonga Gama said at the signing of the MOU that this initiative was aimed at benefiting the wider economy by reducing transport costs, improving safety and lowering carbon emissions. In turn, Imperial would benefit from incorporating Freight Rail's long haul service offering into their end-to-end logistics solution.

On 22 October 2013, Freight Rail signed another MOU with Barloworld Logistics to further accelerate the implementation of shifting rail-friendly cargo from road to rail. During the signing ceremony the CEO of Barloworld Logistics stressed that it made sense in light of the 'enormous' distances that goods needed to travel in South Africa to reach areas of demand, and that by moving the right product onto rail, significant costs savings would be achieved.

A carbon calculator application has been developed by Transnet to assist our customers to calculate the carbon emissions benefit of moving specific tonnages of cargo in South Africa by rail instead of road. The calculator applies the relevant rail tractive power (electric or diesel) of each route to calculate the carbon footprint of tonnage.

⁸ In 2013/14, adjustments were made to the Transnet carbon calculation methodology using UCT's Energy Research Centre's report 'Quantifying the energy needs of the transport sector for South Africa: A bottom-up model' instead of the United Kingdom's DEFRA road freight emission factor, used in 2012/13.

ENVIRONMENTAL DIVIDENDS

(continued)



Reducing our risk exposure to adverse climate impacts

Climate change is predicted to affect South Africa in different ways, from increased frequency and severity of extreme weather events to changes in rainfall patterns and increased temperatures. These will influence the way that Transnet operates in the future. Transnet is therefore analysing where, how and to what degree climate change will impact its operations, and what measures can be taken to limit its vulnerability.

Transnet is in the process of developing an integrated adaptation plan to include:

- An assessment of risks, impacts and vulnerabilities to current and planned operations, property and infrastructure.
- An assessment of risks to upstream and downstream markets to identify possible supply chain and customer impacts.
- Incorporation of adaptation pathways into Transnet planning and decision-making to ensure resilience, allow for incremental transitions and where necessary to initiate change.

The adaptation plan will be aligned to and incorporated into the LTPF, risk management, capital projects, supply chain management, human resources and operational planning.

Other current initiatives include:

- Implementation of a standardised approach to mature sustainability

management of energy, water, biodiversity, waste and greening supply chains.

- Incorporating global risk analysis into Transnet's risk management approach.

As we are still in the process of developing the adaptation strategy, specific challenges, solutions, targets and indicators are being considered. Awareness of climate change is resulting in Transnet giving engineering design attention to climate change adaptation requirements in capital projects.

A Climate Change Policy (including both mitigation and adaptation) has been developed and is due for adoption in 2014.

Water in our value chain

Transnet acknowledges that South Africa is a water scarce country and that we need to use water efficiently and effectively throughout our operations.

In 2012/13, Transnet committed to conduct water audits across all Operating Divisions. This process is still underway. In addition, internal water assessments are being conducted across Transnet and these should be concluded in 2014/15. The findings from the audits and internal assessments will inform the water management strategy to be employed by the business.

A Water Policy has been developed and is due for adoption in 2014.



Understanding our
environment



Looking ahead, the following water efficiency initiatives are underway:

- Installation of low flow shower heads;
- Installation of water mixers for ablution facilities;
- Installation of remote electronic meters for consumption reading and quick leak detections;
- Use of low flow fixtures;
- Pressure reticulation in major areas;
- Insulation of water pipes (warm water); and
- Improvement in turnaround time to repair leaks.

We continue to identify water-related risks and opportunities in our operations going forward.

Waste management

Transnet's operations generate a variety of waste materials as by-products. These can be recovered, re-used, recycled, and disposed of if no other use can be found. Transnet acknowledges that disposal of waste is the final option in waste

management and as such, is committed to developing sustainable ways to implement waste management.

Transnet is currently focusing on 'legacy asbestos' and 'hydrocarbon' clean-ups, as follows:

Asbestos clean-up:

- The project to erect signage at asbestos high risk areas continues country-wide.
- Asbestos air quality assessments were undertaken at 11 high risk asbestos contaminated sites. The results are used for prioritisation of clean-up and erection of signage.
- The conversion of the De Aar quarry into an asbestos waste landfill site is at the Public Participation Stage of the Environmental Impact Assessment.
- A total of 1 394 tons of asbestos has been cleaned up since the inception of the initiative in 2012.
- Asbestos removal waste licences for all major asbestos contaminated sites have been obtained.



FREIGHT RAIL'S ASBESTOS CLEAN-UP PROJECT

Freight Rail is currently finalising an Environmental Impact Assessment to convert the De Aar quarry into an asbestos waste landfill site. The process is being reviewed by the public before the Environmental Impact Report is submitted to the Department of Environmental Affairs for a decision. In order to manage the potential asbestos exposure, while a suitable disposal site is explored, an ad hoc clean-up process is underway to manage resurfacing of buried asbestos fibres to prevent or minimise personnel and public exposure to the fibres. A total of 1 394 tons of asbestos had been cleaned up through this initiative since 2012.

During 2013/14, an approved asbestos inspection authority was contracted to undertake asbestos air quality assessments at 11 high risk asbestos contaminated sites. A total of 96 air samples were analysed and 176 high volume static air samples were analysed. The results indicated the presence of asbestos fibres in only 9,7% (17 samples) of the total samples (176 samples). The concentration of asbestos in all 17 samples was below UK HSG 248 clearance indicator of 0,01f/m³ and below the South African Occupational Exposure Limit of 0,2f/m³.

Looking ahead to 2014/15, asbestos removal waste licences have been obtained for all major contaminated sites and these sites will be cleared once the De Aar quarry landfill site is approved and operational.

ENVIRONMENTAL DIVIDENDS

(continued)

Hydrocarbon clean-up:

Freight Rail 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. A Hydrocarbon Pollution Elimination Programme was initiated during 2012/13. To date, 68 sites have been cleaned up and rehabilitated, while three are in the process of being

rehabilitated. 5 200 absorbent mats have been deployed countrywide.

Pipelines reported five spills for 2013/14. The Mooi River incident occurred near a wetland and caused surface water pollution. Pipelines is currently completing the rehabilitation process to minimise negative environmental impacts of the spills.

Date	Location	Product	Volume (ℓ)	Cause
3 July 2013	Ladysmith depot	Refined	30 000*	Operational
10 September 2013	Mooi River – Arrochar Farm	Petrol	480 000	Third party
2 October 2013	Stilfontein	Diesel	260 000	Third party
22 December 2013	Alrode	Diesel	80 000	Mechanical failure
19 March 2014	Heuningspruit Magdala	Diesel	54 603	Pipeline integrity

* Approximate – < 1% of actual flow.

Details of Pipeline spills 2013/14



Managing our biodiversity impacts

Transnet acknowledges our impacts on biodiversity and the need to proactively manage and wherever possible, mitigate these impacts. In Transnet's capital infrastructure programme, particularly mega infrastructure projects, focus is therefore placed on addressing biodiversity concerns in a strategic, systematic manner throughout the Project Lifecycle Process and strict controls are imposed.

Transnet recognises the need to initiate biodiversity investigations at an early stage during project planning.

In its plans to develop the old Durban International Airport site into a new proposed dig-out port, the Transnet team identified the need to assess the potential biodiversity implications and opportunities after an environmental sensitivity study was conducted during the conceptual phase of the project. Significant investments have been made into biodiversity investigations on the proposed site, and these will proceed as the project progresses through the project lifecycle process. Investigations which have already been initiated include:

- Establishing the current state of biodiversity on site including functionality, habitat condition, degree of alien infestation;
- The identification of all fauna and floral species on site;
- Delineation of wetlands and habitat community mapping; and
- Priority areas such as breeding grounds and refuge areas for species of special concern.

The detail of investigation relating to biodiversity at such an early stage in project planning is testimony to Transnet's commitment and improved understanding of the organisation's impacts on biodiversity and acknowledgement that such impacts need to be assessed as an inherent component of the project lifecycle process.

These principles will continue to be applied in the development and roll out of our infrastructure development portfolio in upholding Transnet's vision to have due consideration for sustainability in everything that we do.



Independent assurance provider's report to the Directors of Transnet on selected key performance indicators disclosed in the Sustainability Report prepared in accordance with the Global Reporting Initiative (GRI) G4 guidelines

1. Introduction

We have undertaken an independent limited assurance engagement for Transnet SOC Ltd (Transnet) on selected sustainability information reported in Transnet's Sustainability report (the report) as described below for the year ended 31 March 2014. The King Code advocates that sustainability reporting and disclosure should be independently assured. SizweNtsalubaGobodo (SNG) provided limited assurance on selected sustainability key performance indicators outlined in section 3 of this report and this is reported in accordance with the terms of engagement of the scope change letter.

2. Independence, expertise and quality control

We have complied with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC), which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multi-disciplinary team of health, safety, social, environmental and assurance specialists with extensive experience in sustainability reporting.

SNG maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

3. Subject matter and assurance

We were required to provide limited assurance that the following selected sustainability key performance indicators were prepared in accordance with the GRI G4 guidelines:

Economic dividends:

- the value added statement (page 30);
- capital investment (total capital investment, capital amount invested in the expansion of infrastructure and equipment, capital amount invested in maintaining existing capacity) (page 33);
- total spend on skills development (total spend on skills development as a percentage of the wage bill) (page 47);
- financial performance (total assets, cash generated from operations, cash interest cover ratio, gearing ratio) (page 33);
- B-BBEE spend (B-BBEE spend as a percentage of total measurable procurement spend; B-BBEE spend on black-owned enterprises) (page 50).

Social dividends:

- tip-offs anonymous hotline statistics (total allegations, total unfounded, total founded) (page 18);
- employment equity (black employees as a percentage of the workforce; female employees as a percentage of the workforce; people with disabilities as a percentage of the workforce) (page 56);
- safety statistics (disabling injury frequency rate (DIFR), employee and public fatalities; loss incidences, derailments) (page 61);
- Corporate Social Investment spend (page 63);
- B-BBEE rating (page 63).

Environmental dividends:

- electricity consumption (page 69);
- total fuel consumption (freight rail diesel traction fuel consumption; on road vehicle fuel consumption; home based fuel (page 69);
- scope 1 and 2 CO₂ emissions (page 70).

4. Directors' responsibilities

The directors are responsible for the selection, preparation and presentation of the sustainability information. This responsibility includes the identification and stakeholder requirements, for

APPENDIX A: EXTERNAL ASSURANCE STATEMENT

(continued)

determination of material issues, for commitments with respect to sustainability performance and for the design, implementation and maintenance of internal control systems from which the reported information is derived, to ensure that the preparation of the report is free from material misstatement, whether due to fraud or error.

5. Our responsibility

Our responsibility is to express an independent assurance conclusion on the selected key performance indicators based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This Standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected key performance indicators are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of Transnet's use of the GRI G4 guidelines as the basis of preparation for the selected key performance indicators, assessing the risks of material misstatement of the selected key performance indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected key performance indicators. Our procedures included the understanding of risk assessment procedures, internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents,

analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

6. Summary of work performed

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements obtained from management and senior executives in our interviews;
- Reviewed the process that Transnet has in place for determining material selected key performance indicators to be included in the report;
- Tested the processes and systems to generate, collate, aggregate, monitor and report on the selected key performance indicators;
- Performed a controls walkthrough;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;
- Evaluated the reasonableness and appropriateness of significant estimates and judgments made by management in the preparation of the key performance indicators;
- Apart from Head Office, we undertook visits to Transnet Freight Rail, Transnet Engineering, Transnet Pipelines, Transnet Port Terminals, Phelophepa II Healthcare Train Kinross, City Deep Inland Container Terminal;
- Evaluated whether the selected key performance indicators presented in the report is consistent with our overall knowledge and experience of sustainability management and performance at Transnet.

7. Conclusion

In our opinion, based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected key performance indicators as set out in the subject matter paragraph for the year ended 31 March 2014 are not prepared, in all material respects, in accordance with GRI G4 guidelines.

8. Comparability

No assurance procedures were performed on the previous sustainability report. The information relating to the prior reporting periods has not been subject to assurance procedures.


9. Other matters

Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the report.

The maintenance and integrity of the Transnet's website is the responsibility of Transnet's management. Our procedures did not involve consideration of these matters and accordingly we accept no responsibility for any changes to either the information in the report or our independent assurance report that may have occurred since the initial date of presentation on the Transnet website.

10. Restriction of liability

Our work has been undertaken to enable us to express the conclusions on the selected sustainability information to the directors of Transnet in accordance with the terms of our engagement and for no other purpose. We do not accept or assume liability to any party other than Transnet, for our work, for this report, or for the conclusion we have reached.



Collins Mashishi

Director



15 May 2014



Transnet became 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 principle	Transnet's support of UNGC's principles
<p>HUMAN RIGHTS</p> <p>Principle 1</p> <p>Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2</p> <p>Make sure that they are not complicit in human rights abuses.</p>	<p>Transnet supports the Universal Declaration of Human Rights. Human rights constitute the cornerstone of South Africa's democracy. Transnet is bound by the Constitution of the Republic of South Africa which contains the Bill of Rights and all laws reflect this. Transnet as a SOC, is conscious of the importance of human rights and the need to ensure that work practices, rules and policies support the protection of these rights.</p> <p>Through Transnet's Code of Ethics (the Code), respect for human rights is upheld both internally and externally with stakeholders. All employees are bound by the Code and are guided in the honesty, respect and integrity of their behaviour. Transnet's service providers, suppliers and trade partners are also bound by the Code. The Code was reviewed in 2013 to extend the scope to Non-executive Directors. Transnet's Culture Charter further entrenches human rights in the Company through its focus on dignity and respect.</p> <p>Transnet is committed to the principles of equity and anti-discrimination, and is further committed to providing employment for all demographics, not just for the sake of diversity, but to better empower designated groups. 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 1,6% in 2013/14.</p> <p>Transnet aims to transform its supplier base through its procurement spend with 94,4% of total measurable procurement spend on B-BBEE for 2013/14.</p> <p>Through its CSI programme, more specifically the Phelophepa health trains, Transnet is assisting South Africa achieve the Millennium Development Goals of reducing child mortality, improving maternal health, and combatting HIV/Aids, malaria and other diseases. In addition, the Orphaned Youth Programme is aimed at giving equal access to education to orphaned youth.</p>
<p>LABOUR</p> <p>Principle 3</p> <p>Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4</p> <p>The elimination of all forms of forced and compulsory labour;</p> <p>Principle 5</p> <p>The effective abolition of child labour; and</p> <p>Principle 6</p> <p>The elimination of discrimination in respect of employment and occupation.</p>	<p>Transnet practices freedom of association and recognises the right to collective bargaining as prescribed in 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.</p> <p>South Africa is a signatory to the International Labour Organisation (ILO) convention, as applicable to fair labour practices, and South Africa has a plethora of labour legislation that reflects the ILO standards. Transnet human resources policies and practices reflect these legislative provisions. South African law prohibits forced, compulsory and child labour.</p> <p>The right to fair labour practice is articulated in various human rights policies, guidelines and workplace practices that clearly define and articulate the various aspects that enable and create a fair workplace environment. Human resources policies, the primary management tool, are regularly reviewed and expanded to ensure that employee rights in the workplace are fairly and objectively managed. Management and the unions engage on all draft policies, amendment to policies and the identification of areas where employee rights are not clearly defined or effectively protected. Various mechanisms for the identification of potential violation of employee rights are in place.</p>

UNGC principle	Transnet's support of UNGC's principles
<p>LABOUR (continued)</p>	<p>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 adheres to The Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No 4 of 2000), and the Skills Development Act, 1998 (Act No 97 of 1998). Transnet has both a B-BBEE Policy and Strategy. Transnet exceeded its targets for black employees across all occupational levels in 2013/14 while women representation is growing steadily with top, senior, professional and skilled technical representation well above 28%. Transnet invested a total of 3% of the wage bill (R621 million) in the training of employees during 2013/14.</p> <p>Through its staff wellness programme, 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.</p>
<p>ENVIRONMENT</p> <p>Principle 7</p> <p>Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8</p> <p>Undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9</p> <p>Encourage the development of 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 environmental management.</p> <p>During 2013/14, Transnet made progress with respect to climate change mitigation. An Energy Security and Carbon Mitigation Strategy for the period up to 2040 was developed and is currently being implemented throughout the organisation. The aim is to minimise security of energy supply risks, energy costs and emissions from energy use. Focus on modal shift from road-to-rail delivered carbon emissions savings of 835 670tCO₂e 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.</p> <p>Since 2011/12 (baseline year indicating when energy efficiency measures were instituted) total electricity consumption has decreased by 7,0% from 3 798 908kWh to 3 554 529kWh in 2013/14. The ISO 50001 energy management system is currently being implemented across all Operating Divisions and Transnet Property. This provides a formal structure to enable the effective implementation of energy efficiency initiatives and alternative energy supplies. Significant energy efficiency gains of 176 185MWh were achieved through regenerative braking in new locomotives.</p> <p>Sustainable energy options for Transnet equipment is currently being explored by the R&D unit in Engineering which focuses on the operationalisation of new, relevant technologies. Options include: second generation biofuels for diesel locomotives and port equipment; natural gas as a fuel source for locomotives and other equipment; fuel cells on locomotives; wagon covers to reduce energy loss through drag effects; and harnessing wasted energy by capturing and re-using heat from exhaust systems.</p>

APPENDIX B:
 UNITED NATIONS GLOBAL COMPACT TABLE
 (continued)

UNGC principle	Transnet's support of UNGC's principles
<p>ANTI-CORRUPTION Principle 10</p> <p>Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>Transnet supports the United Nations Convention against Corruption and is committed to the highest standards of corporate governance as espoused in King III, the Companies Act, and the Public Finance Management Act. 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 instil 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 panels. • 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. Transnet employees are protected from victimisation by the Transnet Whistle Blowing Policy. • Transnet concludes Integrity Pacts with all bidders and suppliers. Integrity Pacts have replaced Transnet's Supplier Code of Conduct. Each party agrees to avoid all forms of dishonesty, fraud and corruption including practices that are anti-competitive in nature, negotiations made in bad faith and under-pricing 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.



General Standard Disclosures	Reference	Page
Strategy and analysis		
G4-1 Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	Sustainability at Transnet – Executive statement and approval	2-3
Organisational profile		
G4-3 Report the name of the organisation.	Sustainability at Transnet – Our sustainability context	1
G4-4 Report the primary brands, products, and services.	About Transnet – Who we are	5
G4-5 Report the location of the organisation's headquarters.	About Transnet – Who we are	5
G4-6 Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	About Transnet – Where we operate and what we do	5-6
G4-7 Report the nature of ownership and legal form.	About Transnet – Who we are	5
G4-8 Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	About Transnet – Where we operate and what we do	5
	About Transnet – Conditions under which we operate	16
	About Transnet – Our business model: Group	11
G4-9 Report the scale of the organisation, including: <ul style="list-style-type: none"> • Total number of employees • Total number of operations • Net sales (for private sector organisations) or net revenues (for public sector organisations) • Total capitalisation broken down in terms of debt and equity (for private sector organisations) • Quantity of products or services provided. 	About Transnet – Where we operate and what we do	7
	About Transnet – Our Business Model- Operating Divisions	11
	Integrated Report	49
	AFS	12
G4-12 Describe the organisation's supply chain	About Transnet – Our business model: Group	11
	About Transnet – Our Supply Chain	8

APPENDIX C:
GLOBAL REPORTING INITIATIVE TABLE
(continued)

General Standard Disclosures	Reference	Page
G4-13 Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain.	About Transnet – Conditions under which we operate	16
G4-15 List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	About the sustainability report – Reporting frameworks	4
G4-16 List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: <ul style="list-style-type: none"> • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic. This refers primarily to memberships maintained at the organisational level.	Sustainability at Transnet – Our sustainability context	1
Identified material aspects and boundaries		
G4-17 (a) List all entities included in the organisation's consolidated financial statements or equivalent documents. (b) Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	Appendix E: Transnet Sustainability Framework material aspects' boundaries (notes)	91
G4-18 (a) Explain the process for defining the report content and the aspect boundaries. (b) Explain how the organisation has implemented the reporting principles for defining report content.	Material issues – Material issues determination process	19-28
	About the sustainability report	4
	Appendix D: Correlation between the Transnet Sustainability Framework and the material issues identified	90
	Appendix E: Transnet Sustainability Framework material aspects' boundaries	91
G4-19 List all the material aspects identified in the process for defining report content.	Material issues – Material issues determination process	19-28
	Appendix D: Correlation between the Transnet Sustainability Framework and the material issues identified	90
	Appendix E: Transnet Sustainability Framework material aspects' boundaries	91

General Standard Disclosures	Reference	Page
G4-20 For each material aspect, report the aspect boundary within the organisation, as follows: <ul style="list-style-type: none"> Report whether the aspect is material within of the organisation If the aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either 1). The list of entities or groups of entities included in G4-17 for which the aspect is not material or 2). The list of entities or groups of entities included in G4-17 for which the Aspect is material Report any specific limitation regarding the aspect boundary outside the organisation. 	Appendix E: Transnet Sustainability Framework material aspects' boundaries	91
G4-21 For each material aspect, report the aspect boundary outside the organisation, as follows: <ul style="list-style-type: none"> Report whether the aspect is material outside of the organisation If the aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the aspect is material. In addition, describe the geographical location where the aspect is material for the entities identified Report any specific limitation regarding the aspect boundary outside the organisation. 	Appendix E: Transnet Sustainability Framework material aspects' boundaries	91
G4-22 Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	About the sustainability report – Reporting philosophy and approach	4
G4-23 Report significant changes from previous reporting periods in the scope and aspect boundaries.	About the sustainability report – Reporting philosophy and approach	4
Stakeholder engagement		
G4-24 Provide a list of stakeholder groups engaged by the organisation.	Material issues – Stakeholder engagement	21
G4-25 Report the basis for identification and selection of stakeholders with whom to engage.	Material issues – Stakeholder engagement	21
G4-26 Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Material issues – Stakeholder engagement	21
G4-27 Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	Material issues – Stakeholder engagement	21-26

APPENDIX C:
GLOBAL REPORTING INITIATIVE TABLE
(continued)

General Standard Disclosures	Reference	Page
Report profile		
G4-28 Reporting period (such as fiscal or calendar year) for information provided.	About the Sustainability Report – Reporting philosophy and approach	4
G4-29 Date of most recent previous report (if any).	About the Sustainability Report – Reporting philosophy and approach	4
G4-30 Reporting cycle (such as annual, biennial).	About the Sustainability Report – Suite and interaction between reports	4
G4-31 Provide the contact point for questions regarding the report or its contents.	About the Sustainability Report – Suite and interaction between reports	4
G4-32 (a) Report the ‘in accordance’ option the organisation has chosen	About the Sustainability Report – Reporting Frameworks Transnet has not fulfilled all the requirements of Core ‘in accordance’ option. However this report contains standard disclosures from the GRI Reporting Guidelines	4
(b) Report the GRI Content Index for the chosen option	Appendix C: Global Reporting Initiative Table	82
(c) Report the reference to the External Assurance Report	Appendix A: External Assurance Statement	76
G4-33 (a) Report the organisation’s policy and current practice with regard to seeking external assurance for the report.	About the Sustainability Report – Reporting philosophy and approach	4
(b) If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided.	Scope and basis of external assurance provided is referred to in Appendix A: External Assurance Statement	76
(c) Report the relationship between the organisation and the assurance providers.	The assurance provider is an Independent external assurance provider. Refer to Appendix A: External Assurance Statement	76
(d) Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation’s sustainability report.	About Transnet-Governance and assurance – Governance in the context of sustainability at Transnet	17

General Standard Disclosures	Reference	Page
Governance		
G4-34 Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	About Transnet-Governance and Assurance: Governance in the context of sustainability at Transnet	17
	Integrated Report	16
	AFS	138
Ethics and Integrity		
G4-56 Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	About Transnet-Ethics and integrity	18
G4-58 Report the internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	About Transnet-Ethics and integrity	18

Note: There were no omissions for general standard disclosures.
 There was no external assurance of general standard disclosures.

APPENDIX C:
GLOBAL REPORTING INITIATIVE TABLE
(continued)

Specific Standard Disclosures

Material aspects	DMA and Indicators	Reference	Omission	External assurance
		Section	Page	Assured
Economic				
	G4-EC1 Direct economic value generated and distributed	Sustainability Performance Review - Economic Dividends	30	✓
		Integrated Report	132	
Cost-effective freight logistics infrastructure ahead of demand	DMA	Sustainability Performance Review - Economic Dividend: Cost-effective freight logistics and infrastructure ahead of demands and a financially stable business, able to raise and service debt, reinvest revenues and pursue agreements with private parties to optimise investment and services	31	
	Transnet Specific Indicator: Total Capital Investment		33	✓
A financially stable business, able to raise and service debt, reinvest revenues and pursue agreements with private parties to optimise investment and services	DMA		31	
	Transnet Specific Indicator: Financial Performance - Total assets - Cash generated from operations - Total cash interest cover ratio - Total funding raised - Gearing ratio - Funding requirement		33	✓
Reliable and efficient rail, port and pipeline services	DMA	Sustainability Performance Review - Economic Dividend: Reliable and efficient rail, port and pipeline services	34	
	Transnet Specific Indicator: General Freight Business TFR: - Volumes - Capital Investment - Locomotive efficiency - On-time departures - On-time arrivals TE: - Train cancellations due to traction - Traction days		36	
	Transnet Specific Indicator: Export Coal TFR: - Volumes - Capital Investment - Locomotive efficiency - On-time departures - On-time arrivals TE: - Train cancellations due to traction - Traction days TNPA: - Ship turnaround time (RBCT)		37	
	Transnet Specific Indicator: Export Iron Ore TFR: - Volumes - Capital Investment - Locomotive efficiency - On-time departures - On-time arrivals TE: - Train cancellations due to traction - Traction days TNPA: - Ship turnaround time (Saldanha)		38	



Material aspects	DMA and Indicators	Reference	Omission	External assurance
		Section	Page	Assured
	Transnet Specific Indicator: Maritime containers TNPA: Anchorage waiting time - Durban - Cape Town - Port Elizabeth - Richards Bay - Ngqura Average ship turnaround time - Durban - Cape Town - Port Elizabeth - Richards Bay - Ngqura TPT: Moves per gross crane hour - DCT Pier 1 - DCT Pier 2 - CTCT - Ngqura Truck turnaround time - DCT Pier 1 - DCT Pier 2 - CTCT - Ngqura - Richards Bay		39	
	Transnet Specific Indicator: Petroleum TPL: - Volumes - Ordered vs. delivered volumes - Planned vs. actual delivery time - Operating costs per Mℓ.km - DJP and NMPP actual usage (Mℓ/week)		40	
Skilled human resources aligned to infrastructure and services	DMA	Sustainability Performance Review – Economic Dividend: Skilled human resources aligned to infrastructure and services	45	
	Transnet Specific Indicator: Training achievements		47	■
Support the national priority of creating jobs	DMA		45	
Local Supplier Industry Development	DMA	Sustainability Performance Review – Economic Dividend: Local Supplier Industry Development	49	
	Transnet Specific Indicator: % total contract value SD obligations met		50	
	Transnet Specific Indicator: Transnet's B-BBEE spend			✓
Social				
A representative workforce	DMA	Sustainability Performance Review – Social Dividends: A Representative Workforce	55	
G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity		Sustainability Performance Review – Social Dividends: A Representative Workforce	57	(a) Omissions include: Figures are not reported in percentages; employees per employee category is not reported by age group; people with disabilities (an indicator of diversity) is not reported per employee category. (b) The information is currently unavailable.
		Integrated Report	56	
	Transnet Specific Indicator: B- BBEE Rating	Sustainability Performance Review– Social Dividends: A Representative Workforce	55	✓

APPENDIX C:

GLOBAL REPORTING INITIATIVE TABLE

(continued)

Material aspects	DMA and Indicators	Reference	Omission	External assurance
		Section	Page	Assured
Safety of all people who come into contact with our operations	DMA	Sustainability Performance Review- Social Dividend: Safety of all people who come into contact with our operations	59	
	G4-LA5 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		60	
	G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender		61	(a) Omissions include: While Injury rate and work-related fatalities are reported they are not reported by region and gender, and are not reported for contractors; Types of injury, occupational diseases rate, lost day rate and absentee rate is not reported for employees or contractors. (b) The information is currently unavailable.
	G4-LA7 Workers with high incidence or high risk of diseases related to their occupation		61	
	G4-LA8 Health and safety topics covered in formal agreements with trade unions		60-61	
	Transnet Specific Indicator: Public fatalities		61	✓
	Transnet Specific Indicator: Loss incidents		61	✓
	Transnet Specific Indicator: Derailments		61	✓
Environmental				
Access to secure and affordable energy, which allows for a reduction in our GHG emissions and for future growth	DMA	Sustainability Performance Review- Environmental: Access to secure and affordable energy, which allows for a reduction in our GHG emissions and for future growth	66	
	G4-EN3 Energy consumption within the organisation		69-70	(a) Omissions include: total fuel consumption from renewable fuel sources; total heating, cooling and steam consumption; total electricity, heating, cooling and steam sold; the standards, methodologies and assumptions used; and the source of the conversion factors. Fuel data is not reported in joules. (b) Parts of this indicator are not applicable to Transnet. No fuel is sourced from renewable sources. Electricity (sold), heating, cooling and steam (sold and consumed) does not apply to Transnet or their primary products and services. Parts of the indicator the require information that is currently unavailable.



Material aspects	DMA and Indicators	Reference	Omission	External assurance	
		Section	Page	Assured	
	G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)		70	(a) Omissions include: gases included in the calculation; biogenic emissions; chosen base year (including rational for choosing one); standards, source of emission factors. (b) The biogenic emissions have been excluded as they do not apply to Transnet as there is no combustion of biologically based material in the production and delivery of their products and services. The other information required by this indicator is not currently available.	✓
	G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)		70	(a) Omissions include: gases included in the calculation; chosen base year (including rational for choosing one); source of emission factors. (b) The information required by this indicator is not currently available.	✓
	G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)		70	(a) Omissions include: gases included in the calculation; biogenic emissions; other indirect emissions categories; chosen base year (including rational for choosing one); source of emission factors. (b) The biogenic emissions and other indirect emissions categories have been excluded as they do not apply to Transnet. The other information required by this indicator is not currently available.	
	Transnet Specific Indicator: Regenerated electricity		70		
	Transnet Specific Indicator: Electricity and fuel efficiency		70		

- ✓ indicator has been externally assured by SNG
- part of indicator has been externally assured by SNG

APPENDIX D: CORRELATION BETWEEN THE TRANSNET SUSTAINABILITY FRAMEWORK AND THE MATERIAL ISSUES IDENTIFIED

Transnet Sustainability Framework	Alignment to:		Material issues as disclosed in IR 2014
	<ul style="list-style-type: none">• GRI G4 aspects• Transnet issue (where not directly covered by G4)		
Economic dividends			
Cost-effective freight logistics infrastructure ahead of demand	G4 aspect: indirect economic impacts		<ul style="list-style-type: none">• Regulatory uncertainty
Reliable and efficient rail, port and pipeline services	Transnet issue: reliable and efficient rail, port and pipeline services		<ul style="list-style-type: none">• Business interruption and incident management• ICT utilisation• Suppliers and customers
Skilled human resources aligned to infrastructure and services	Transnet issue: skilled human resources aligned to infrastructure and services		<ul style="list-style-type: none">• Capital projects on time and within budget
Local supplier industry development	G4 aspect: procurement practices		<ul style="list-style-type: none">• Suppliers and customers
Job creation	G4 aspect: economic performance and indirect economic impacts		<ul style="list-style-type: none">• Human resources capability
Rural development	G4 aspect: indirect economic impacts		
Regional integration	Transnet issue: regional integration		
A financially stable business, able to raise and service debt, reinvest revenues and pursue agreements with private parties to optimise investment and services	G4 aspect: economic performance and indirect economic impacts		<ul style="list-style-type: none">• Regulatory uncertainty• Capital projects on time and within budget• Funding and liquidity• Human resources capability
Social dividends			
Good governance, accountability and transparency	Transnet issue: good governance, accountability and transparency		
Zero tolerance of fraud and corruption	G4 aspect: anti-corruption		
A representative workforce	G4 aspect: diversity and equal-opportunity		<ul style="list-style-type: none">• Human resources capability
Safety	G4 aspect: occupational health and safety		<ul style="list-style-type: none">• Business interruption and incident management
Staff wellness	G4 aspect: occupational health and safety		
Broad-based black economic empowerment	Transnet issue: broad-based black economic empowerment		
Corporate social investment	G4 aspect: economic performance and indirect economic impacts		
Community benefits	Transnet issue: community benefits		
Proactive stakeholder engagement	Transnet issue: proactive stakeholder engagement		
Environmental dividends			
Modal shift from road to rail, lowering South Africa's carbon emissions	Transnet issue: modal shift from road to rail, lowering South Africa's carbon emissions		
Energy efficiency	G4 aspect: energy		<ul style="list-style-type: none">• Business interruption and incident management• Energy security
Climate change mitigation	G4 aspect: emissions		<ul style="list-style-type: none">• Business interruption and incident management• Energy security
Climate change adaptation	G4 aspect: economic performance		
Water use efficiency	G4 aspect: water		
Waste management optimisation	G4 aspect: effluents and waste		
Biodiversity enhancement	G4 aspect: biodiversity		

APPENDIX E: TRANSNET SUSTAINABILITY FRAMEWORK MATERIAL ASPECTS' BOUNDARIES



The material issues determination process (refer page 19 for detail of this process) informed the selection of material aspects and defined the following entities which can materially impact Transnet's performance on the material aspects.

Transnet Sustainability Framework material aspect	Material to Transnet Group [§]	Material to External Entities				
		Customers [#]	Suppliers [#]	Business Partners [#]	Communities [#]	Environment [#]
Economic dividends						
Cost-effective freight logistics infrastructure ahead of demand	✓	✓	✓	✓		
Reliable and efficient rail, port and pipeline services	✓	✓	✓	✓		
Skilled human resources aligned to infrastructure and services	✓			✓		
Local supplier industry development*	✓		✓	✓	✓	
Job creation*	✓	✓	✓	✓	✓	
A financially stable business, able to raise and service debt, reinvest revenues and pursue agreements with private parties to optimise investment and services	✓	✓	✓	✓		
Social dividends						
A representative workforce*	✓			✓		
Safety*	✓	✓	✓	✓	✓	
Environmental dividends						
Energy efficiency*	✓	✓	✓	✓		
Climate change mitigation*	✓	✓	✓	✓		✓

Notes

✓ Aspect is material to entity if the entity can materially impact Transnet's performance.

* Specific limitation to reporting on aspect within external boundary due to lack of information from stakeholders.

Stakeholders may also be located internationally.

§ Transnet Group denotes the five Operating Divisions and three Specialist Units. Transnet SOC Ltd also has holdings in local subsidiaries, international subsidiaries, joint ventures and associates. For a list of all entities included in the organisation's financial statements refer to the publicly available financial statements for the financial year ending 31 March 2014.

ABBREVIATIONS AND ACRONYMS

AA	AccountAbility
B-BBEE	Broad-based Black Economic Empowerment
CAB	Container and Automotive Business Unit
CAP	Container Assistance Programme
CAPEX	Capital Expenditure
CDP	Carbon Disclosure Project
CNR	China North Rail
CSDP	Competitive Supplier Development Programme
CSI	Corporate Social Investment
CSR	China South Rail
CTCT	Cape Town Container Terminal
DCT	Durban Container Terminal
DIFR	Disabling Injury Frequency Rate
DJP	Durban-Johannesburg Pipeline
DPE	Department of Public Enterprises
DTI	Department of Trade and Industry
ED	Enterprise Development
EE	Employment Equity
EELN	Energy Efficiency Leadership Network
EIA	Environmental Impact Assessment
ERM	Enterprise Risk Management
FEL	Front-end Loading
FRMP	Fraud Risk Management Plan
GCE	Group Chief Executive
GCH	Gross Crane Moves Per Hour
GCI	Group Capital Integration
GDP	Gross Domestic Product
GFB	General Freight Business
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HDI	Historically Disadvantaged Individual
IR	Integrated Report
iSCM	Integrated Supply Chain Management
ISD	Industrialisation Supplier Development
KPI	Key Performance Indicator
KWh	Kilowatt hour
LTPF	Long-term Planning Framework

MDS	Market Demand Strategy
MOU	Memorandum of Understanding
mt	million tonnes
mtCO₂e	million tonnes of Carbon Dioxide equivalent
MWh	Megawatt hour
NDP	National Development Plan
NERSA	National Energy Regulator of South Africa
NGP	National Growth Path
NMPP	New Multi-product Pipeline
NSF	National Skills Fund
OEM	Original Equipment Manufacturer
PCM	Process Control Manual
PICC	Presidential Infrastructure Coordinating Commission
PPPFA	Preferential Procurement Policy Framework Act
PSP	Private Sector Participation
RCBT	Richards Bay Coal Terminal
R&D	Research and Development
REMSEC	Remuneration, Social and Ethics Committee
RMO	Results Management Office
RSR	Railway Safety Regulator
SAPS	South African Police Services
SD	Supplier Development
SDP	Supplier Development Plan
SHEQ	Safety, Health, Environmental and Quality
SIP	Strategic Infrastructure Project
SMME	Small, Medium and Micro-enterprises
SNG	SizweNtsalubaGobodo
SOC	State-owned Company
SR	Sustainability Report
tCO₂e	Tonnes of Carbon Dioxide equivalent
TEU	Twenty-foot Equivalent Unit
TOMS	Transnet Occurrence Management System
TTT	Truck Turnaround Time
UNGC	United Nations Global Compact



Executive directors

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

Independent non-executive directors

ME Mkwana (Chairperson), MA Fanucchi,
Y Forbes, HD Gazendam, NP Mnxasana,
N Moola, NR Njeke, IM Sharma, IB Skosana,
ZE Tshabalala, DLJ Tshepe.

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:

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Sunninghill
Johannesburg

KPMG Services (Pty) Ltd has its business
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Parktown
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Transnet SOC Ltd

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150 Commissioner Street
Johannesburg
2001

Incorporated in the Republic of South Africa.

Registration number 1990/000900/30.

