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Volume 1
The Integrated Report 2015 is the Company's primary report to all stakeholders.

Volume 2
The Annual Financial Statements 2015 include reports of the independent auditors and directors.

Volume 3
The Sustainability Report 2015 documents Transnet's sustainability performance.

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

IR > Refer to Volume 1 for more information

AFS > Refer to Volume 2 for more information

SR > Refer to Volume 3 for more information

Forward-looking information
All references to forward-looking information and targets in the 2015 reports are extracted from the 2016 Transnet Corporate Plan approved by the Board of Directors.



Transnet's Integrated Report 2015, Annual Financial Statements 2015 and Sustainability Report 2015 are available in PDF on www.transnet.net and via this QR code on mobile devices.

Feedback on the reports is encouraged.



SUSTAINABILITY AT TRANSNET



Transnet SOC Ltd (Transnet or the Company) is a State-owned Company (SOC) holding itself accountable not only to the South African Government as sole Shareholder, but to society at large for the long-term sustainable value it creates for the economy, society and the environment through its day-to-day business activities. 'Promoting Sustainable Developmental Outcomes' is one of Transnet's focus areas in the Minister of Public Enterprises' Statement of Strategic Intent (SSI). This requires the Company to embed sustainability criteria into all material decision-making and to target, measure and report on its sustainability performance.

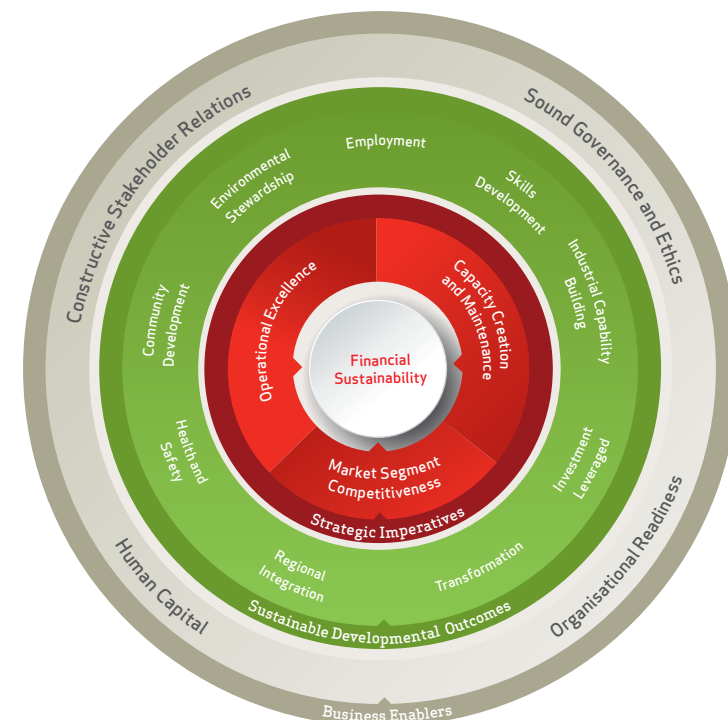
In 2012, Transnet adopted a Sustainability Framework to report on the Company's delivery of economic, social and environmental dividends. Over the past three years, we have introduced policies, measurement methods, process

controls, data systems, targets, reporting and assurance to embed sustainability into infrastructure planning, project management, operations, supply chain management and risk management. As these systems mature, we are enhancing our Sustainability Framework to enable measurement and reporting on Transnet's inputs, activities, outputs and outcomes.

In consultation with the Department of Public Enterprises (DPE) during 2014, Transnet adopted nine Sustainable Developmental Outcome (SDO) themes¹ in the Shareholder's Compact from 2015. These are being incorporated into the Market Demand Strategy (MDS).

The nine SDO themes are: Employment, Skills Development, Industrial Capability Building, Investment Leveraged, Regional Integration, Transformation, Health and Safety, Community Development and Environmental Stewardship.

> IR



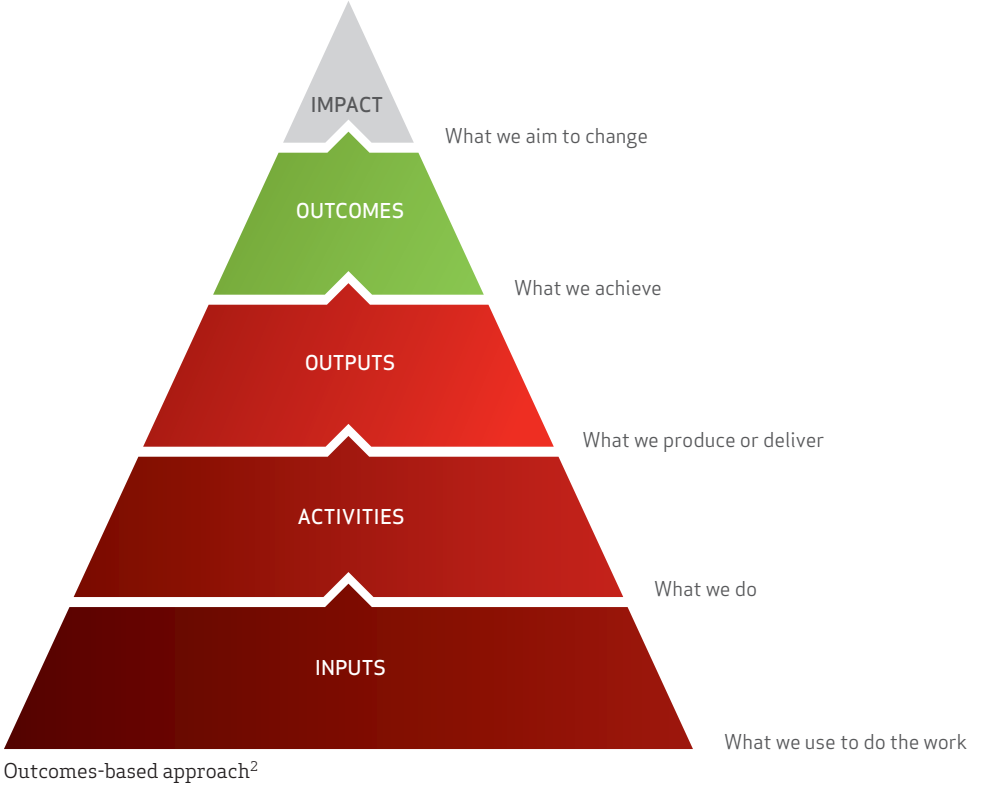
Graphic representation of the Market Demand Strategy incorporating Sustainable Developmental Outcomes

1. Refer Appendix B for transition between the economic, social and environmental dividends reported by Transnet (2012 - 2014) and the nine Sustainable Developmental Outcomes reported from 2015.



Sustainable Developmental Outcomes and Enablers

The SDOs provide the structure for our report back on sustainability performance for the year under review. Three key business enablers: Governance, Ethics and Stakeholder Engagement, directly affect our ability to deliver SDOs and are reported specifically in the Sustainability Report (SR) 2015. For ease of navigation, readers are directed by icons to where they can obtain relevant information in the SR 2015 and Integrated Report (IR) 2015.



Outcomes-based approach²

The following definitions are used in Transnet to embed the nine SDOs in the Company:

- **Inputs** – resources invested in an activity (typically, assets, time and money).
- **Activities** – the actions which utilise inputs to produce outputs and outcomes (for example, training courses, supplier development initiatives, construction works, materials recycling).
- **Outputs** – the direct and tangible products from the activity (for example, people trained, goods produced, quay walls built, tons of waste avoided).
- **Outcomes** – changes to a set of beneficiaries resulting from the activity (for example, skills enhanced, industry growth, efficient operations, lower costs of waste).
- **Impact** – the actual difference made to society, being outcomes less an estimate of what would have transpired regardless of the inputs (baseline changes to macro-indicators such as education levels, competitiveness, availability of economic infrastructure and environmental quality).

2. Adapted from: "Guide to the Outcomes Approach", Department of Performance Monitoring and Evaluation, 2010. www.thepresidency.gov.za/dpme/docs/guideline.pdf.



Board statement and approval



The Remuneration, Social and Ethics Committee of the Board reviewed the SR 2015 and the external auditor's assurance statement as a reflection of Transnet's sustainability performance and initiatives. The Board has duly approved this report for publication.

The Board is charged with oversight of the Company's moral obligations and impact. We are confident that management is cognisant of the complex context within which we work and proactively strives to create value for the South African economy, society and natural environment.

This report reflects Transnet's performance on the nine Sustainable Developmental Outcome themes which were agreed with the Shareholder during 2014 for measurement in the Shareholder's Compact. The report further demonstrates our continued commitment to upholding the United Nations Global Compact's 10 universal principles on human rights, labour, the environment and anti-corruption.

Policies, process controls and data systems continue to be embedded throughout Transnet to ensure accountability for the outcomes of all business activities and to integrate sustainability into enterprise risk management, stakeholder engagement, long-term infrastructure planning, capital investments, project management, operations and the supply chain.

We trust that this report gives our stakeholders insight into Transnet's leadership in sustainable business.

Vusi Matthew Nkonyane

Chairperson: Remuneration, Social and Ethics Committee

Executive statement



Transnet's Market Demand Strategy is in its third year of delivery. We are seeing tangible sustainable outcomes from the investments the Company is making in freight equipment, infrastructure and human capital across our business.

Our trains are increasingly efficient – both in reliability and energy use, and we are attracting freight off road and onto rail. Our workforce continues to grow in numbers, equity, skills and safety. Our procurement strategies are supporting local industry and new local suppliers. Our engineering capability is enabling innovation and regional integration. Resources we allocate to vulnerable communities are improving their lives and prospects, and we are becoming stewards of the environment.

Transnet's leadership is deeply mindful of our responsibility to help address South Africa's challenges of inequality, unemployment and poverty and of the global and domestic risks to which the Company is exposed. Our focus is therefore on being a catalyst for economic growth by using opportunities to invest in logistics infrastructure and skills, even when times are tough.

'Sustainability in all we do' is not just a line in our vision statement but an undertaking to use our financial, manufactured, human, intellectual, relational and natural resource capitals to create lasting value. The SR 2015 shows that strides are being made in our sustainability initiatives and in quantifying the outcomes of the Market Demand Strategy.

Brian Molefe

Group Chief Executive

REPORTING APPROACH

Reporting boundary

The SR 2015 provides our stakeholders with a view of Transnet's sustainability performance for the financial year 1 April 2014 to 31 March 2015. The SR 2015 builds on the Sustainability Report of 31 March 2014 but has been restructured to reflect the nine SDOs as agreed with the Shareholder.

Sustainability performance is measured in 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 the Transnet Corporate Centre and three Specialist Units: Transnet Foundation, Transnet Capital Projects and Transnet Property.

The boundary of this report is the Transnet legal entity. There have been no significant changes in scope or aspect boundaries during the reporting period save for progress made in execution of Transnet's Africa strategy during the year under review. Where any restatements or changes in measurement methods have taken place, these are described in the relevant report section.

Assurance

2015 marks the second year that Transnet has obtained an external assurance statement for the Sustainability Report. SizweNtsalubaGobodo (SNG) was appointed in 2012 as Transnet's independent external assurance provider. The assurance statement provides reasonable assurance over specific key performance indicators (refer Appendix A). Financial information included in the SR 2015 has been extracted from the Annual Financial Statements (AFS) audited by SNG, which includes an unmodified audit opinion.

Reporting frameworks

Transnet's sustainability reporting for 2015 is based on Transnet-specific reporting criteria (refer Appendix C). It has been informed by the Global Reporting Initiative (GRI) G4 Guidelines' General Standard Disclosures (refer Appendix D). With respect to the Specific Standard Disclosures of GRI's G4 Guidelines, we have provided disclosures on management approach for all our material issues.

Our sustainability reporting has further been informed by the United Nations Global Compact (UNGC) principles (refer Appendix E) to which Transnet has been a signatory for the past three years; the Greenhouse Gas Protocol-Corporate Accounting and Reporting Standard prescribed by the Carbon Disclosure Project (CDP); and the AccountAbility 1000 Stakeholder Engagement Standard.

Suite and interaction between reports

Transnet undertakes its annual reporting across three reports: the IR, the AFS and the SR. The IR is the Company's primary report to all its stakeholders; the AFS includes reports of the independent auditors and directors' report; and the SR complements the IR by providing more detail on Transnet's sustainability performance for the year under review. Certain topics, such as the approach and outcomes from stakeholder engagement; the governance arrangements for sustainability; and Transnet's approach to ethics and integrity are disclosed in more detail in the SR. Throughout the suite of reports, we provide reference to where further detail can be found.

The GRI G4 Guidelines and the International Integrated Reporting Council (IIRC) Integrated Reporting Framework v1.0 both use the principle of 'materiality' to inform the report content and Transnet has applied this principle in the SR and the IR 2015.

The IR, AFS and SR 2015 are available on www.transnet.net

Who we are

Transnet is the custodian of the country's freight railway, ports and pipelines. Transnet's primary business is freight transport and logistics services. In line with Government's National Development Plan (NDP)³, Transnet is required to contribute to the Government's Medium-term Strategic Framework outcomes.

By balancing these outcomes with building a commercially viable business, Transnet aims to provide an efficient, competitive and responsive economic infrastructure network; create decent employment; build a skilled and capable workforce to support an inclusive growth path; contribute to protected and enhanced environmental assets and natural resources; and provide a better South Africa contributing to a better Africa and a better world.

Mandate	Vision	Mission
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.	To meet customer demand for reliable freight transport and handling through: <ul style="list-style-type: none"> 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. 	To enable the competitiveness, growth and development of the South African economy by delivering reliable freight transport and handling services that satisfy customer demand.

IR >



Revenue increased by 8,0% to R61,2 billion



226,6 MT
Total rail volumes

AFS >



EBITDA increased by 8,2% to R25,6 billion



4,6 TEUs
Total container volumes



Capital investment increased by 5,7% to R33,6 billion



17,2 BL
Total petroleum volumes



66 665
Total employees
(55 506 permanent employees)

Results Highlights 2015

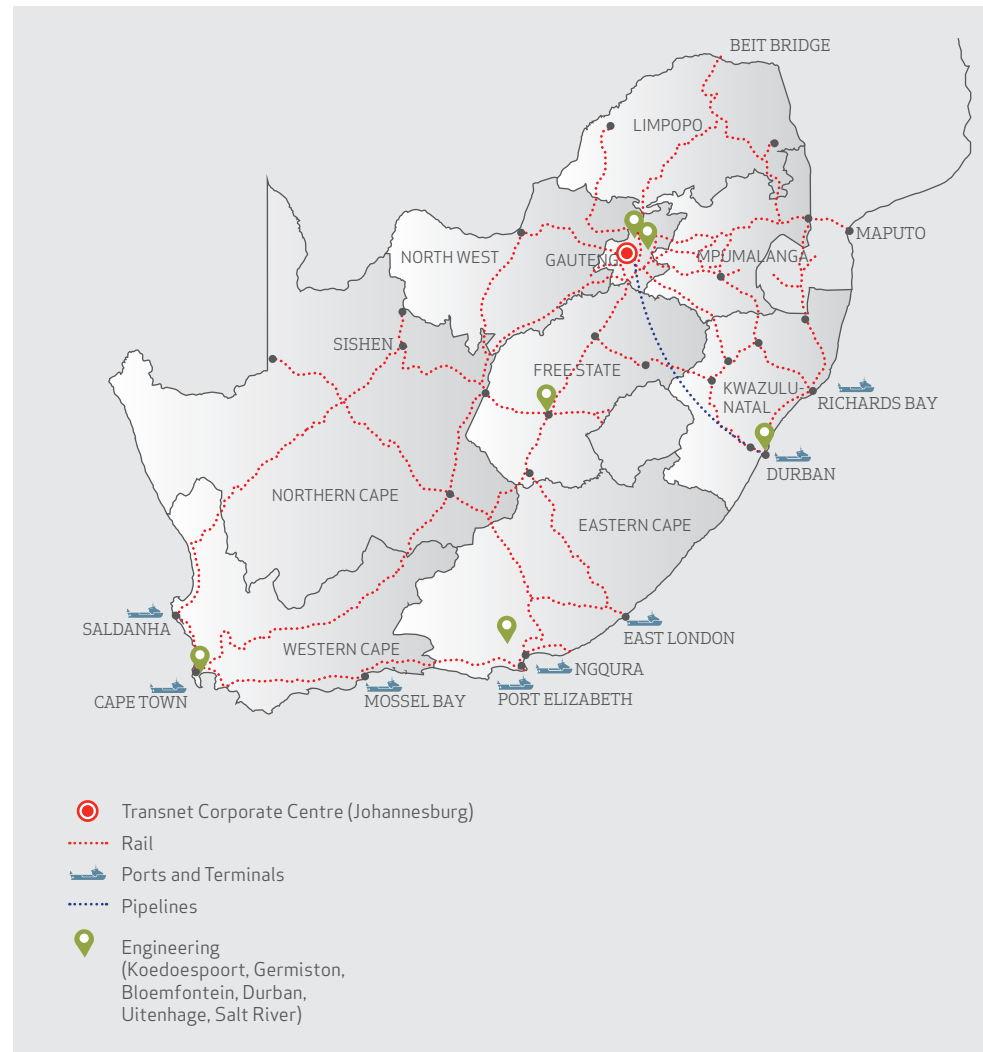
3. "National Development Plan", National Planning Commission, 2012. www.gov.za/issues/national-development-plan-2030.



Shunting activity at Sentrarrand

Where we operate and what we do

Transnet has a coordinating Corporate Centre located in Johannesburg, South Africa and five Operating Divisions with operations across South Africa. Transnet plans to expand its operations further into the African continent. Currently, Transnet has three satellite offices in Namibia, Swaziland and Lesotho; and three Joint Operating Centres (JOC) in Mozambique, Botswana and Zimbabwe.



Geographic location of the Transnet Corporate Centre and Operating Divisions

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 manufacturing, maintenance and refurbishment services of rolling stock and specialised equipment to Freight Rail, National Ports Authority and Port Terminals and is integral to Transnet achieving optimal use of equipment in conducting its core business. Engineering also houses the Company's Research and Development (R&D) unit to capture opportunities for technology innovation.

National Ports Authority provides port infrastructure and marine services at the eight commercial seaports in South Africa. The division's core functions include the planning, provision, maintenance and improvement of port infrastructure; as well as the provision of marine-related services, port services and navigation aids to assist the navigation of vessels within port limits and along the coast.

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

Pipelines transports fuel from coastal refineries and crude oil imports to the inland market, as well as gas from Secunda to industrial users in Durban and Richards Bay. Transnet has installed a New Multi-Product Pipeline (NMPP) enabling an increase in liquid fuels volume throughput to meet forecast demand.



Our services

Transnet's customers are primarily 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). 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. Commodities transported in the most significant volumes are: mining exports, general freight⁴ and petroleum products⁵.

Our support services

Transnet's core business of freight logistics services (provided by Freight Rail, National Ports Authority, Port Terminals and Pipelines) is supported by Engineering, Transnet Corporate Centre, and Specialist Units: Transnet Capital Projects, Transnet Foundation and Transnet Property.

Transnet Corporate Centre provides the following support services:

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

Transnet's Specialist Units have the following supporting roles:

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

Our strategy

Transnet's MDS is in its third year of implementation, involving more than R300 billion investment in South Africa's freight railway, ports and pipelines and to improve the operational efficiency of the freight logistics system. Logistics productivity and reliability are critical determining factors in shaping the country's ability to compete in global trade. It is therefore imperative for Transnet to invest counter-cyclically through the peaks and troughs of volatile economic cycles – in order to both stimulate and support periods of increased growth in market demand.

The MDS involves focused initiatives in capacity creation and maintenance, operational excellence and market segment competitiveness. It is underpinned by financial sustainability and gives rise to sustainable developmental outcomes. The business enablers of the MDS are governance, ethics, human capital, organisational readiness and stakeholder engagement.

Conditions under which we operate

Transnet's infrastructure and services are intended to benefit South Africa as a whole, facilitating economic activity. Transnet's mandate to balance commercial and developmental outcomes requires a sustainable financial business model, particularly in volatile global and local economic conditions.

While the Company is State-owned, we receive no financial transfers from the Government and 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 the National Ports Authority and Pipelines are determined by independent regulators respectively, the Ports Regulator and the National Energy Regulator of South Africa.

External challenges to the execution of MDS include: electricity supply constraints; regulatory uncertainty particularly with respect to regulated tariffs; sluggish global and domestic economic growth which impacts freight volumes and revenues; volatile commodity markets; and skills constraints.

Internal challenges in the execution of MDS include: operational efficiencies and customer satisfaction; efficiency of capital execution; and information systems enablement.



Durban Container Terminal

4. 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.

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

Material issues determination

Transnet defines materiality with respect to sustainability as: 'issues⁶ that substantively impact on 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 the following sources:

- > The SSI issued to Transnet by the Minister of Public Enterprises;
- > The annual Shareholder's Compact that Transnet signs with the Minister;
- > Transnet's top 10 strategic risks;
- > The global and domestic business context within which Transnet operates; and
- > Transnet's stakeholder issues identified through stakeholder engagement.

The material issues were reviewed by the Sustainability Forum, recommended to the Group Executive Committee, and approved by the Remuneration, Social and Ethics Committee (REMSEC).

> Statement of Strategic Intent and Shareholder's Compact

The SSI issued by the Shareholder, represented by the Minister of Public Enterprises, includes "promoting sustainable development outcomes" as one of Transnet's strategic focus areas. The annual Compact that Transnet signs with the Shareholder sets out specific annual targets to achieve the SDOs and targets are set every year to inform Transnet's annual Corporate Plan.

Nine SDOs are specified in the Shareholder's Compact: Employment, Skills Development, Industrial Capability Building, Investment Leveraged, Regional Integration, Transformation, Health and Safety, Community Development and Environmental Stewardship. Given the importance of these outcomes as strategic focus areas in the Shareholder's SSI, Transnet views the SDOs as "material outcomes" for the Company. Within each of the nine outcomes, the SR 2015 focuses on specific material "issues" that impact on these outcomes being achieved.

6. Transnet uses the word "issue" to refer to sustainability matters, aspects, and topics that are material to its business.

> Transnet's top 10 strategic risks

Transnet's top 10 strategic risks are generated from the Enterprise Risk Management (ERM) Framework based on ISO31000: 2009. During 2015 Transnet identified the following top 10 strategic risks impacting its ability to implement the MDS and sustain value over the short, medium and long term:

1. Security of energy supply – uncertainty regarding the supply of energy by Eskom;
2. Capital projects – are delayed or become non-viable as a result of global economic slowdown;
3. Pricing – pricing/tariff guidelines, methodologies and models not supportive of volume growth;
4. Inadequate ICT infrastructure and technology to enable business;
5. Productivity inefficiencies;
6. Misalignment between operational readiness and rolling stock acquisition;
7. Changes in the regulatory environment (economic, technical and compliance) – spending on capex based on assumptions that may be negatively impacted by subsequent changes in regulation;
8. Inability to attract and sustain additional volumes as new capacity is created;
9. Ineffective people management – talent attraction and skills development to operate the newly acquired assets; and
10. Project completion – completion of NMPP within revised budget in accordance with revised timelines.

It is important to note that the 'Security of energy supply – uncertainty regarding the supply of energy by Eskom' moved from being the number six risk in 2014 to the number one risk in 2015.

A Sustainability Risk and Opportunity Assessment methodology has been developed into the ERM system. In due course, this will enable strategic risk assessment to also reflect on global systemic risks that affect Transnet's business, value chain and value network.

> Business context

Slow rates of global and local economic growth, volatile commodity markets, widening social inequality, structural unemployment, technology advances, skills shortages, energy risks, climate change and the demand for natural resources provide the global and national business context within which Transnet operates. These factors have a direct impact on Transnet's customers, funders, employees and suppliers. The freight system's ability to effectively respond to these trends is integral to Transnet's business sustainability. The MDS recognises this, positioning the Company to meet demand for freight logistics services, pursue sustainable developmental outcomes, and build a sustainable organisation.

South Africa's NDP, adopted by Government in 2012, aims to eliminate poverty and reduce inequality by 2030. The NDP's focus areas include: the economy and employment; economic infrastructure; transition to a low carbon economy; South Africa's position in the region; education; training and innovation; healthcare; safe communities; a capable state; fighting corruption and enhancing accountability; and transforming society. These focus areas constitute Government's policy framework and priorities; and are relevant to Transnet's mandate highlighting the complex socio-economic challenges within which the Company operates.

> Stakeholder engagement

Stakeholder engagement forms an integral part of Transnet's value creation. Transnet's most material stakeholders are:

- Shareholder (Ministry of Public Enterprises)
- Customers
- Employees
- Investors
- Suppliers
- Organised labour
- Communities
- Regulators
- National Government
- Provincial Government
- Local Government
- Non-Governmental Organisations (NGO)
- Media
- Parliament
- Pensioners
- Academia and Scientific Institutions

Our stakeholders' key material issues are summarised on pages 14 and 15. Appendix F describes the way in which we engage with each material stakeholder group, their material issues (identified through the Operating Divisions and Corporate Centre functions' day-to-day engagements with stakeholders); and our response to these issues.












Pipelines – Durban

Transnet Stakeholders' Material Issues for 2015

<p>SHAREHOLDER</p> <ul style="list-style-type: none"> Positive social impact Meet performance targets Deliver on National Infrastructure Plan Regulatory uncertainties Deliver on capital investment plan 	<p>SUPPLIERS</p> <ul style="list-style-type: none"> Transparency of procurement processes Information about tendering and contracting Information about enterprise and supplier development programmes Operational inefficiencies within supply chain management - procurement and payment turnaround times 	<p>NATIONAL GOVERNMENT</p> <ul style="list-style-type: none"> Transparency of procurement processes Alignment between Government infrastructure plans and Transnet's planning Details on Transnet's programmes such as Africa Strategy Rail investment Environmental compliance 	<p>NON-GOVERNMENTAL ORGANISATIONS</p> <ul style="list-style-type: none"> Impact on the environment and the community
<p>CUSTOMERS</p> <ul style="list-style-type: none"> Operational efficiency and productivity Sharing of long-term plans Competitive pricing Development of SMMEs Security of goods and services 	<p>ORGANISED LABOUR</p> <ul style="list-style-type: none"> Compliance with employment equity Increase in wages aligned to inflation Problem of unrecognised labour unions Gender representivity 	<p>PROVINCIAL GOVERNMENT</p> <ul style="list-style-type: none"> Collaboration in planning of freight management Alignment with provincial programmes and objectives Community development, jobs and supplier development Environmental compliance 	<p>MEDIA</p> <ul style="list-style-type: none"> Transparency of information availability
<p>EMPLOYEES</p> <ul style="list-style-type: none"> Changes in terms and conditions of service Standardisation of processes and operating procedures Health and safety of employees Involvement in community upliftment projects 	<p>COMMUNITIES</p> <ul style="list-style-type: none"> Socio-economic impact on communities Relationships with community representatives Cable theft, level crossing safety and criminal activities 	<p>LOCAL GOVERNMENT</p> <ul style="list-style-type: none"> Servitude agreements Community development Crime in and around Transnet properties Utilisation of unused Transnet property Environmental and local compliance Municipal rail siding infrastructure Access to Transnet land, assets and facilities 	<p>PARLIAMENT</p> <ul style="list-style-type: none"> Alignment with Government objectives and achievement of targets
<p>INVESTORS</p> <ul style="list-style-type: none"> Capital project execution Volumes and efficiencies Impact on the community Policy and regulatory uncertainties Electricity supply 	<p>REGULATORS</p> <ul style="list-style-type: none"> Company performance and pricing strategy Security of supply of goods and services Regulatory uncertainty Impact on the economy Payment of permit fees 		<p>PENSIONERS</p> <ul style="list-style-type: none"> Improve health and welfare conditions of pensioners
			<p>ACADEMIA AND SCIENTIFIC INSTITUTIONS</p> <ul style="list-style-type: none"> Collaboration on research, technology and community development

Transnet's Material Sustainability Issues for 2015

SSI	Shareholder's Compact SDOs	Top 10 Strategic Risks related to the SDOs	Business Context
Promoting Sustainable Developmental Outcomes	 Employment	<ul style="list-style-type: none"> Capital projects Inability to attract and sustain volumes Productivity inefficiencies Ineffective people management 	<ul style="list-style-type: none"> Structural unemployment Low levels of economic growth
	 Skills development	<ul style="list-style-type: none"> Capital projects Productivity inefficiencies Inadequate ICT infrastructure and technology Ineffective people management 	<ul style="list-style-type: none"> Skills shortages
	 Industrial capability building	<ul style="list-style-type: none"> Pricing Capital projects Inability to attract and sustain volumes Productivity inefficiencies Misalignment between operational readiness and rolling stock acquisition Inadequate ICT infrastructure and technology Ineffective people management Project completion 	<ul style="list-style-type: none"> Technology advances Innovation opportunities
	 Investment leveraged	<ul style="list-style-type: none"> Capital projects Inability to attract and sustain volumes Productivity inefficiencies Ineffective people management Project completion 	<ul style="list-style-type: none"> Need for economic infrastructure
	 Regional integration	<ul style="list-style-type: none"> Capital projects Inability to attract and sustain volumes Productivity inefficiencies Inadequate ICT infrastructure and technology Ineffective people management 	<ul style="list-style-type: none"> South Africa's opportunities in the region Need for economic infrastructure
	 Transformation	<ul style="list-style-type: none"> Changes in the regulatory environment Ineffective people management 	<ul style="list-style-type: none"> Transforming society
	 Health and safety	<ul style="list-style-type: none"> Changes in the regulatory environment Productivity inefficiencies Ineffective people management 	<ul style="list-style-type: none"> Safe communities
	 Community development	<ul style="list-style-type: none"> Capital projects Ineffective people management 	<ul style="list-style-type: none"> Social inequality Healthcare Safe communities
	 Environmental stewardship	<ul style="list-style-type: none"> Security of energy supply Changes in the regulatory environment Inability to attract and sustain additional volumes Misalignment between operational readiness and rolling stock acquisition Inadequate ICT infrastructure and technology Ineffective people management 	<ul style="list-style-type: none"> Electricity supply problem Climate change Transition to a low carbon economy Demand for natural resources

Stakeholders who want these SDOs	Material Sustainability Issues	
<ul style="list-style-type: none">• Shareholder• Customers• Communities	<ul style="list-style-type: none">• Regulators• Parliament	<ul style="list-style-type: none">• Transnet’s ability to create and sustain jobs over the period of the MDS
<ul style="list-style-type: none">• Shareholder• Employees• Suppliers• Organised labour	<ul style="list-style-type: none">• Communities• Regulators• Academia and Scientific Institutions• Parliament	<ul style="list-style-type: none">• Having the right skills at the right time to implement the MDS
<ul style="list-style-type: none">• Shareholder• Customers• Investors• National Government• Parliament		<ul style="list-style-type: none">• Leveraging procurement spend for localisation of supply• Investing in new and emerging technologies to increase South Africa’s competitiveness
<ul style="list-style-type: none">• Shareholder• Investors• National Government• Provincial Government		<ul style="list-style-type: none">• Expediting Transnet’s private sector participation programme
<ul style="list-style-type: none">• Shareholder• Provincial Government		<ul style="list-style-type: none">• Improving port, rail and pipeline connectivity in Africa to unlock economies of scale and investment
<ul style="list-style-type: none">• Shareholder• Employees• Suppliers• Organised labour• Communities	<ul style="list-style-type: none">• Regulators• Provincial Government• Local Government• Parliament	<ul style="list-style-type: none">• Increasing representation of black employees, female employees and People with Disabilities• Enhancing black economic empowerment in Transnet’s supply chain
<ul style="list-style-type: none">• Shareholder• Employees• Organised labour• Regulators	<ul style="list-style-type: none">• Provincial Government• Local Government• Pensioners	<ul style="list-style-type: none">• Public safety at level crossings• Adherence to standard operating procedures• Theft of assets• Absenteeism
<ul style="list-style-type: none">• Shareholder• Employees• Investors• Communities• Regulators• Provincial Government	<ul style="list-style-type: none">• Local Government• NGOs• Academia• Parliament• Pensioners	<ul style="list-style-type: none">• Measurably improving the quality of life of the communities within which we operate
<ul style="list-style-type: none">• Shareholder• Investors• Suppliers• Communities• Regulators	<ul style="list-style-type: none">• National Government• Provincial Government• Local Government• NGOs• Media	<ul style="list-style-type: none">• Electricity supply and use• Modal shift from road-to-rail



The SDOs are underpinned by Transnet Governance, Ethics and Stakeholder Engagement. Maturity levels of these three enablers within the Company directly affect our ability to deliver the nine SDOs.

IR > Governance

Governance informs Transnet’s day-to-day business activities and is a requirement for the successful delivery of the MDS. Governance provides our stakeholders with the assurance that the Company is well managed and functioning with integrity and accountability. To this end, Transnet ascribes to the King Code of Corporate Governance for South Africa, 2009 (King III).

Transnet’s Board has delegated the leadership, oversight and accountability for sustainability-related matters at Transnet to REMSEC which advises the Board on issues pertaining to responsible corporate citizenship and sustainability. REMSEC is charged with, among other matters, oversight of the Company’s legal and moral obligations to its economic, social and natural environment. Its functions include assessing, measuring and reviewing the Company’s activities related to human rights, equality, corruption, health, public safety, consumer and labour relations including empowerment – reflecting the principles of the UNGC. REMSEC further assesses the Company’s promotion of equality, prevention of unfair discrimination and reduction of corruption.

A Company-wide Sustainability Forum was established in 2012, comprising representatives from the Corporate Centre functions, Operating Divisions and Specialist Units. The Sustainability Forum meets quarterly and is tasked with developing Key Performance Indicators for the Corporate Plan; analysing sustainability performance; structuring inputs to the SR; reviewing the draft SR before submitting to the Group Executive: Planning and Sustainability who in turn, recommends to the Group Executive Committee for REMSEC review and approval; facilitating sustainability learning and training; and driving Company-wide sustainability initiatives. Sustainability Committees in the Operating Divisions add impetus to sustainability initiatives.

Other committees within the Transnet governance system whose responsibilities impact on SDOs include:

The *Audit Committee* is charged with reviewing and assessing the integrity and effectiveness of the accounting, financial, compliance and other control systems. The Audit 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 information. The committee also reviews the expertise, resources and experience of the Company’s finance function and discloses the results in the IR. It recommends the Company’s Fraud Risk Management Plan (FRMP) to the Board for approval after consultation with the Risk Committee.

The *Risk Committee* is responsible for reviewing all risks related to the Company’s business. It reviews the adequacy and effectiveness of the Company’s risk function, considers the ERM Framework and ensures that market, operational, environmental, health and safety risks are formally reviewed on an annual basis. It recommends the Company’s Risk Appetite Statement to the Board.

The *Corporate Governance and Nominations Committee* ensures that all committees of the Board are properly resourced to enable them to fulfil their mandates.

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



Sustainability governance

Ethics

Transnet’s investment in ethics management is not only driven by a need to comply with legislation and codes⁷ but by the commitment to instil a culture of ethics throughout the Company and to proactively identify and address any fraud and corruption risks that may impact on the MDS. In alignment with the UNGC, Transnet is committed to working against all forms of corruption. The purpose of Transnet’s ethic management programme is thus two-fold:

- To develop the moral responsiveness of employees and stakeholders; and
- To create and maintain a conducive environment for ethical behaviour within the organisation.

In 2014, Transnet’s Anti-Fraud Policy was amended to include elements of Anti-Corruption. The new Anti-Fraud and Anti-Corruption Policy is currently in the process of being approved.

Section 29.1.1 of Treasury Regulations prescribed under the Public Finance Management Act, 1999 (Act No. 1 of 1999) requires all SOC’s to submit a

comprehensive annual FRMP to the Minister of Public Enterprises. Transnet’s FRMP was first prepared in 2006, and it aims to decrease the negative impact of fraud and corruption within the organisation and in companies and suppliers with which it interacts. The following comprises Transnet’s FRMP.

Code of Ethics

Transnet’s Code of Ethics (the Code) enables a culture of entrenched values, principles, standards and norms that guides the behaviour of Transnet employees. The Code aims to instil a culture of honesty, respect, 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 all subject to the Code. Group Human Resources is responsible for the development, bi-annual review and

7. The Public Finance Management Act, 1999; the Companies Act, 2008; King III, 2009; the Public Sector Integrity Management Framework, 2013.



implementation of the Code. The Code was reviewed in 2013 to extend the scope to non-executive directors and is due for review in 2015. Relevant aspects of the Code are included in fraud and awareness training, and the Code is accessible to all Transnet employees on the Company's intranet.

Integrity Pacts

Transnet concludes Integrity Pacts with its bidders and suppliers. The Integrity Pact is an agreement to avoid any unethical or collusive behaviour between the contracting parties and to follow procedures that are fair, transparent and free from undue influence during the procurement process.

Fraud and Corruption Risk Assessments and Compliance Checks

Transnet adopts a 'zero tolerance' approach to fraud and corruption. Transnet's fraud and corruption preventative methodology enables Transnet to discover and reduce the occurrence of fraud and corruption through risk assessments

and compliance checks that are conducted annually at the Transnet Corporate Centre, in all Operating Divisions and in the Specialist Units. These assessments assist in identifying potentially high risk areas of fraud and corruption. The top three risk categories for 2015 were identified as:

- Procurement;
- Human Capital; and
- Misuse of Resources.

Mitigating controls and action plans are identified and implemented to address these risks.

Fraud and Corruption Investigations

Transnet's investigation methodology actively addresses fraud and corruption by responding to allegations of fraud and corruption timeously. A number of outcomes result from these investigations namely disciplinary, criminal and/or civil action. Subsequent to an investigation, all internal control weaknesses or breakdowns in processes are rectified to prevent future repetition of the irregularity.

Fraud and Corruption Awareness Education and Training

Fraud and corruption awareness education in the form of formal training is conducted on an annual basis with all employees including both bargaining and non-bargaining council employees. Initiatives include: industrial theatre shows providing employees with an understanding of what fraud and corruption is; hotline and fraud awareness e-mails; posters; screen savers; Fraud Talk articles; wristbands; and z-cards.

Tip-Offs Anonymous Hotline

There is a Tip-Offs Anonymous Hotline for reporting concerns about unethical behaviour. The hotline is managed by Transnet Internal Audit and all reported cases are investigated through an established forensics investigation process. Cases reported are managed through an automated case management system 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. Employees are protected from victimisation by the Transnet Whistle Blowing Policy insofar as reporting is undertaken in line with the Protected Disclosures Act, 2000 (Act No. 26 of 2000).

Transnet is rolling out a three-year Anti-Corruption Compliance Programme in 2015 covering awareness for Transnet employees, business partners and governance bodies around anti-corruption policies and procedures.

Stakeholder engagement

Transnet identifies, prioritises and maps its material stakeholders based on the effect each stakeholder has on the Company's ability to successfully implement its strategy and achieve its objectives, and the effect Transnet's activities, products and services has on

stakeholders. Stakeholder engagement is largely decentralised but the Board has overall responsibility for stakeholder engagement. The Board delegates authority to the Group Chief Executive who reports to the Board on all material stakeholder issues, and takes responsibility for incorporating these into our strategy and risk management.

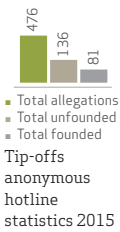
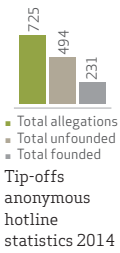
Over the past year, Transnet has made strides in maturing its approach to stakeholder engagement. A Stakeholder Engagement Policy and Process Control Framework was approved by the Board in November 2014. The objective is to embed a systematic approach to the management of stakeholder engagement practices across the Company in order to maximise value for both stakeholders and the Company, and minimise any negative impact from the Company's activities and operations. Underpinning the Policy is a shift from engaging with stakeholders only on a transactional basis to engagements aimed at creating lasting relationships for common value based on ethical behaviour.

The Stakeholder Engagement Policy and Process Control Framework entail:

- Identifying material stakeholder groups;
- Appointing Stakeholder Relationship Owners in each material stakeholder group;
- Developing an annual Stakeholder Engagement Plan for each material stakeholder group;
- Recording salient issues from engagements;
- Reporting on material issues arising; and
- Measuring the quality of relationships.

Assessments of stakeholder engagements will be conducted to compile an annual Transnet Stakeholder Index scorecard.

A stakeholder engagement module is being included in the sustainability data system. Assessments will be conducted periodically on the level of maturity of Transnet's stakeholder engagement practices.



Confirmed Incidents of Irregularities 2015*

Transnet SOC Ltd	Disciplinary actions (Completed)	Disciplinary actions (In progress)	Total
Corporate Centre	0	0	0
Freight Rail	10	37	47
Engineering	13	8	21
National Ports Authority	0	1	1
Port Terminals	2	3	5
Pipelines	7	1	8
Transnet Capital Projects	7	0	7
Transnet Property	15	4	19
Total	54	54	108




















* Categories include: Fraud, Corruption, Human Capital, Misuse of Resources, Non-Compliance to Policy and Legislation, Procurement, Theft.

SUSTAINABILITY PERFORMANCE REVIEW



Our sustainability performance review for 2015 highlights the importance of each SDO to Transnet and our management approach to achieving these outcomes; identifies the material issues that impact (positively or negatively) on Transnet’s ability to achieve each outcome; and summarises our sustainability performance for the year under review.

The report back on performance provides information on inputs, activities and outputs and includes some outcome indicators where these are measured. We are currently developing systems to improve our ability to report on the outcomes that arise from Transnet activities. In due course, this will enable more outcomes-based reporting to provide stakeholders with a greater understanding of Transnet’s impact on the economy, society and the environment over time.

	3 101 Direct jobs created		R45,2bn B-BBEE spend
	R644,1m Total spend on skills development		Level 2 B-BBEE rating
	53 591 Employees trained		0,69 DIFR
	R50bn Contracts signed for 1 064 locomotives		R224,8m Total CSI spend
	60% Local content in electric locomotives		1,0% Electricity consumption reduced
	55% Local content in diesel locomotives		2,4% Fuel consumption reduced
	85 New electric locomotives completed		8,6% Energy efficiency improvement
	80% Black employees		7,5% Carbon emissions intensity reduction
	50% Females top management		479 648tCO₂e Transport sector carbon emissions avoided
	2% People with Disabilities		

Sustainability Performance Highlights 2015







Employment
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Skills development
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Industrial capability building
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Investment leveraged
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Regional integration
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Transformation
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Health and safety
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Community development
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Environmental stewardship
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EMPLOYMENT

Transnet activities that create measurable direct, indirect or induced employment



Why employment is important to Transnet

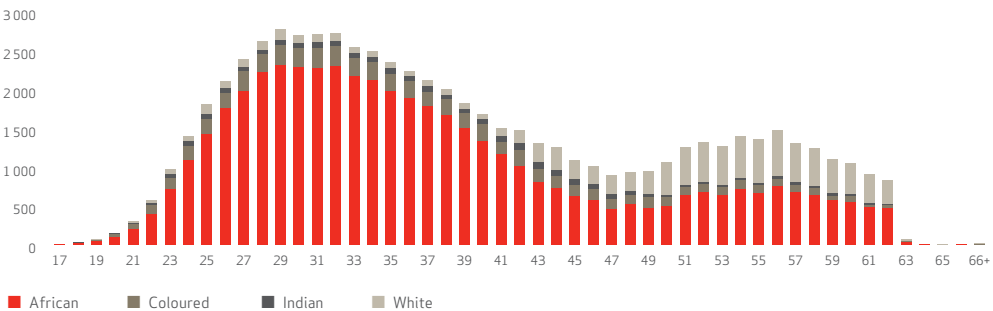
The developmental imperative to create and sustain jobs in South Africa is well known. Unemployment is both a global and a national crisis. The World Economic Forum ranks unemployment as the fifth highest global risk⁸. South Africa's unemployment rate is currently 25%, the eighth highest in the world according to the International Labour Organisation⁹. As articulated in the NDP, a coordinated effort by Government, labour and the private sector is required on multiple fronts to address unemployment.

The large capital investment and high operational intensity of Transnet's MDS offer both significant opportunities and challenges for job creation. Transnet must grow its workforce at a pace that the business can sustain, and with an age and skills profile that meet the needs of the Company both for the short and long term. If this can be achieved, Transnet's MDS will indeed stimulate South Africa's opportunities for economic growth, giving rise to job creation in the many sectors which the freight logistics system supports.

The average age of a Transnet employee is 40 years. 28,9% of employees are between the ages of 48 to 60. 44,9% of employees are younger than 36 years of age.

Transnet's most material issue with respect to employment is:

- *Transnet's ability to create and sustain jobs over the period of the MDS.*



Workforce profile 2015

Our management approach

Transnet's Human Capital strategy focuses on job creation within the framework of strategic workforce planning to ensure the recruitment and retention of the top quality employees in all employment groups. Transnet's talent management and development programme aims to retain this talent and ensure robust succession plans for priority and critical positions. Leadership programmes target specific management levels, while coaching and mentoring programmes are also provided.

With respect to job creation, Transnet's Macro-economic Impact Model calculates the number of direct, indirect and induced jobs¹⁰ that Transnet creates annually. This is an input-output model that measures the impact of Transnet's activities on the South African economy. It is based on the South African Social Accounting

Matrix which is an economy-wide database containing information about the flow of resources between various agents within the economy (for example, business enterprises, households, Government) over a period of time.

Value-add is defined by Transnet as the financial value created by the activities of the business and its employees.

Our performance

Transnet's total headcount increased from 63 564 in 2014 to 66 665 in 2015. This comprised 55 506 permanent employees and 11 159 fixed-term contract employees.

Transnet's Macro-economic Impact Model, 2015 calculates that Transnet created 3 101 direct jobs, 9 339 indirect jobs, and 12 165 induced jobs in 2015.

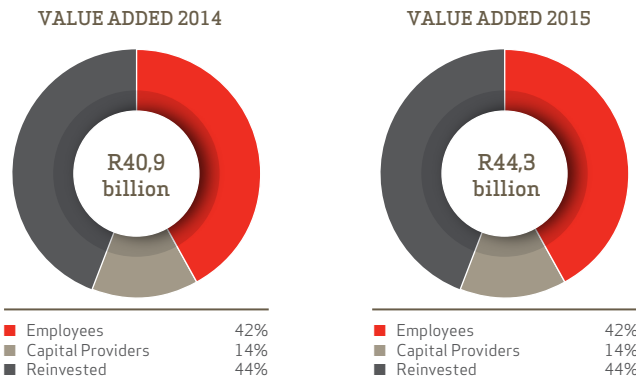
8. "Global Risks 2015", World Economic Forum, 2015. www.weforum.org/reports/global-risks-report-2015.

9. "World Employment and Social Outlook Trends", International Labour Organisation, 2015. www.ilo.org/global/research/global-reports/weso/2015.

10. Direct employment refers to the direct impact emanating from the transport sector on itself; indirect employment refers to the impact that a particular sector will have on all other industries that supply inputs for the operations taking place in the sector; induced employment refers to the economic impact that will result out of salaries and wages to people who are employed in a particular sector, as well as the salaries and wages paid by businesses operating in the sectors indirectly linked to this sector due to the supply of inputs.



Transnet's gross value-add amounts to R44,3 billion for 2015.



Gross value-add resulting from Transnet capital and operating expenditure 2015



Transnet employee at Port of Durban

Macro-economic Impact Model results 2015

	Direct impact	Indirect impact	Induced impact	Total impact
Impact on GDP (R million)	59 572	26 201	54 876	140 649
Impact on capital formation (R million)	48 091	56 199	110 260	214 550
Impact on employment (number of job opportunities)	99 836	115 206	234 834	449 876
- Skilled	17 938	24 021	46 550	88 509
- Semi-skilled	64 189	60 480	109 527	234 196
- Unskilled	17 709	30 705	78 757	127 171
Impact on households (R million)				92 063
- Low income				18 036
- Medium income				21 284
- High income				52 743
Fiscal impact (R million)				39 647
- National Government				38 525
- Provincial Government				269,8
- Local Government				852,2
Impact on the balance of payments (R million)				31 693

Transnet's activities for 2015 resulted in:

- Additional GDP of R140,6 billion in constant 2015 prices, of which just over 57,7% was generated indirectly in sectors supplying inputs to Transnet; and induced in sectors affected by the payment of salaries and wages by Transnet and its suppliers. This highlights the important role that Transnet plays as a supplier of essential logistics infrastructure to the South African economy.
- An additional R214,5 billion in new capital formation throughout the economy, of which R33,6 billion was invested directly by Transnet.
- A total of 9 876 work opportunities, of which just over 127 170 are unskilled workers, thereby contributing significantly to Government's job creation targets.
- Approximately R92,0 billion in additional household income, of which almost R18,0 billion will accrue to low income households thereby contributing significantly to Government's target of poverty alleviation.
- Additional Government revenue of just over R39,6 billion for all three levels of government. The main sources of this Government revenue will be derived from direct and indirect taxes, where direct tax consists mainly of personal income tax and company tax.



SKILLS DEVELOPMENT

Transnet activities that enhance or improve human capabilities, and build the productive capacity of people both within and outside the Company



Why skills development is important to Transnet

South Africa needs a skilled and capable workforce to support an inclusive growth path. Transnet requires skilled human resources to deliver the critical logistics infrastructure and operational efficiency that South Africa's freight system needs to support economic growth. The MDS entails extensive investment in targeted skills development for our workforce and the transport sector. The challenge lies in Transnet's ability to meet and sustain the required scale, timing and cost of addressing its skills needs within its own resources whilst implementing MDS.

Transnet's key skills challenges are:

- 43% of the workforce is semi-skilled with low skills density levels and limited literacy abilities.
- Managerial competency levels in first line management have an impact on operational efficiencies and delivery.
- There are significant skills shortages for project management, engineering (sector-specific) and technical skills in operational requirements.
- The age profile of Transnet employees reflects a high percentage of ageing skills and experience and a rapidly growing percentage of young staff with generally limited experience.

Transnet's most material issue with respect to skills development is:

- *Having the right skills at the right time to implement the MDS.*

Our management approach

Transnet's Human Capital strategy includes the following initiatives to address skills challenges:

Strategic workforce planning is undertaken to continually analyse business needs, skills requirements and skills gaps. To ensure accurate identification of the right skills to be developed, a stringent engagement process is embarked upon involving line managers. This is enhanced by collating information from employee development plans. Strategic workforce planning involves:

- *Skills clustering* – to establish groupings of similar skills and experience, and determine the time it will take for an employee to move from one skill level to another.
- *Demand simulation* – to project future human resource needs in response to fluctuations in operating models.
- *Supply simulation* – to project skills needs within varying workforce for retirement age, normal attrition rate and early retirement.
- *Gap analysis* – to identify skills gaps and risk profiles.
- *Initiatives* – action plans for correcting shortages or surpluses.
- *Anchoring* – to embed ongoing workforce analysis within annual corporate planning and budgeting.

Feeder training pipelines have been established for critical skills categories including: artisans, technicians, engineers, sector-specific, and protection officers. The Youth Development strategy is aligned to the feeder pipelines. The feeder pipelines also provide the focus areas for:

- Student financial assistance,
- Internships,
- Learnerships,
- Apprenticeships,
- Sponsorships,
- Career guidance,
- Coaching, and
- Mentorships.

Transnet's training plans are responsive to the critical skills requirements of the wider economy. Annual training plans are consulted with recognised trade unions at Operating Divisions and Corporate Centre structures in line with the requirements of the Skills Development Act, 1998 (Act No. 97 of 1998). These are submitted to the Transport Education Training Authority (TETA) for approval and monitoring in order to process the training grants.

The Transnet Academy comprises six schools of excellence: School of Rail, School of Engineering, Maritime School of Excellence, School of Pipelines, School of Security and School of Leadership. Training offered at these schools includes:

The School of Rail focuses on sector-specific training including train driving, yard operations, train control operations and track operations. During the year under review, 624 people were trained against a target of 735. Refresher and relicencing training takes place regularly to ensure compliance with current regulatory requirements and a total of 1 698 employees completed this training in 2015.

The School of Engineering delivers apprenticeship programmes in 27 trades with 376 apprentices entering the programme during 2015. Sector-specific training is also delivered in examiner repairer, maintenance assist and air brake systems. 64 employees participated in refresher training for air brake systems and high voltage as per regulatory requirements in 2015.

The Maritime School of Excellence focuses on sector-specific training in the ports and marine disciplines such as pilot, tug master, marine engineering, dredge masters, skippers, and master operations. 49 employees participated in the priority programmes against a target of 46. Training focuses on sector-specific skills in planning, bulk handling equipment operations, cargo coordination, articulated vehicles and operating lifting equipment with 1 064 individuals trained against a target of 460 in 2015.



The School of Pipelines trains artisans in the pipeline environment. 59 artisans completed the programme against a target of 98 in 2015.

The School of Security delivered the protection officer skills programme to 988 unemployed youth against a target of 968 in 2015. Further training was delivered to 81 employees.

The School of Leadership focuses on supervisory, managerial and leadership training in the Operating Divisions, spanning from entry to executive levels. 6 586 employees participated against a target of 2 249 in 2015.

Our performance

R644,1m Total spend on skills development
Transnet invested 2,8% of the wage bill (R644,1 million) in skills development in 2015 in comparison to 3,0% (R621 million) in 2014. Total training spend for the year was affected by cost-cutting measures as the business responded to the lagging growth in volumes and revenue. A total of 53 591 employees

participated in training initiatives against the target of 38 763.

2015 saw Transnet achieve targets for the Engineering Bursary Programme with 255 bursars against a target of 220. A total of 534 bursars are currently supported by Transnet. 563 engineering technicians participated in the Work Integrated Learning Experience Programme against a target of 363, with 362 engineering technicians in the system.

Transnet achieved targets for the Apprenticeship Programme with 613 apprentices entering the programme against a target of 605. A total of 3 145 apprentices are currently in the system. Transnet also trained 930 apprentices through the National Skills Fund.

Sector-specific skills¹¹ development will continue to focus on marine, port, rail and cargo handling with 3 320 learners participating in the programmes against a target of 2 178 in 2015.

Training participants 2015

	Actual	Target	Actual	Projection
	2014	2015	2015	2016
Apprentices	1 552	605	613	665
Technicians	339	363	563	200
Engineers	138	220	255	155
Sector-specific	1569	2 178	3 320	2 000
Protection officers	46	968	988	1 065
% training spend	3,0%	4,4%	2,8%	3,4%
Leadership development	3 862	2 249	6 666	1 247
All training	40 435	38 763	53 591	40 074

Transnet continues to provide opportunities for workplace experience through its Young Professionals in Training (YPT) programme. During 2015, 201 new YPTs were recruited against a target of 200. YPTs are contracted for two years and on average, 60% are placed permanently within Transnet per annum. There are currently 301 YPTs in the system.

Transnet supports its feeder pipeline graduates through its Engineer-in-Training (EIT) and Technician-in-Training (TIT) programmes. In 2015, 365 EITs and 488 TITs participated in the 24-month structured programme that includes mentoring and coaching.

11. Sector-specific skills refer to non-generic skills only applied in a certain sector within Transnet. Transnet is responsible for training and/or issuing of sector-specific qualifications for example, train driver, cargo coordinator, tug master, planner, quality officer.

- In 2016, Transnet will:
- Coordinate the effective pipeline of skills to ensure availability of skills when required by the business;
 - Integrate the feeder pipelines within Transnet Foundation, Supplier Development and Enterprise Development;
 - Increase the postgraduate throughput to build capacity for R&D; and
 - Deliver training programmes for partners in other African countries where Transnet is doing business.

Transnet inaugurates Maritime School graduates

On 9 April 2014, Transnet's Maritime School of Excellence inaugurated its first intake of 83 trainees in various maritime disciplines. This is the first time Transnet has taken charge of training and employing its own aviation pilots. The helicopter pilots achieved both private and commercial licences to fly marine pilots to vessels, who in turn pilot vessels into the ports. This is a service provided by the National Ports Authority in Durban and Richards Bay.

Of the 83 graduates, 38 qualified as Cargo Operators, 17 as Helicopter Pilots, 20 as Marine Pilots, and seven as Engineers. The majority of the graduates have been absorbed into Transnet operations.

The Maritime School of Excellence is the first of its kind in South Africa with campuses in the port cities of Cape Town, Port Elizabeth, Durban and Richards Bay.



Transnet helicopter pilots

Workplace exposure for unemployed artisans at Engineering

Engineering initiated a workplace skills exposure programme for qualified but unemployed artisans during 2015. R2,7 million was granted by TETA to cover the stipend of 186 artisan trainees for a period of five months, commencing in November 2014. Since inception, 86 artisans have enrolled. Transnet-related trades are given priority, while those artisans who have been unemployed for a lengthy period of time are given preference.



INDUSTRIAL CAPABILITY BUILDING

Transnet activities that facilitate the country's industrial development and improve competitiveness



Why industrial capability building is important to Transnet

Targeting local suppliers through Transnet's procurement expenditure is an effective tool for Transnet to support the growth and transformation of South African industry. Transnet's Supplier Development (SD) is aimed at skills development, job creation, intellectual property transfer, the localisation of supply, and industrialisation through contractually obligated SD plans. Transnet's Enterprise Development (ED) is aimed at supporting small-, medium- and micro-enterprises in the transport sector, and specifically amongst young people.

Innovation and technology play important roles in the growth and competitiveness of industry. Transnet therefore aims to lead R&D with the adoption of new and emerging technologies and to use technology as an enabler for the business.

Transnet's most material issues with respect to industrial capability building are:

- Leveraging procurement spend for localisation of supply; and
- Investing in new and emerging technologies to increase South Africa's competitiveness.

Our management approach

In 2010, Transnet developed a comprehensive Supplier Development Plan, guided by the Government's CSDP to increase the competitiveness, capacity and capability of the local supply base, where there are advantages of local supply. Transnet's contracts with Original Equipment Manufacturers (OEMs) include binding local SD plans and transformation targets. Transnet's Procurement Policy requires SD to be incorporated into procurement. A monitoring and evaluation unit established in 2014 monitors the progress of SD obligations in the contracts and detects any irregularities. All SD contracts include penalties for default and fraud.

Transnet established ED hubs in De Aar (Northern Cape) and Saldanha Bay (Western Cape) during 2015, to complement the first hub established in Johannesburg in 2014. Each hub provides a one-stop shop for potential suppliers to Transnet offering the following services: business development and registration, procurement advisory services, tax registration and compliance, financial support, and guidance on black economic empowerment. Additional hubs are planned for Limpopo and Eastern Cape.

Engineering continues to strengthen its R&D activities to provide technologies for world-class products and services for African markets. Initiatives include:

- A control system for diesel and electric locomotives;
- A new diesel locomotive;
- A traction motor for rugged conditions;
- Fuel cell technology applications in locomotives, mobile and stationary equipment;
- A bogie to maximise payload on low axle-load rail lines; and
- A tri-axle bogie with a technical partner.

Our performance

Since the inception of Transnet's SD programme in 2012, total contract value has been R46,2 billion with SD obligations concluded with suppliers of R17,1 billion or 37,1% of contract value. To date, R10,2 billion or 60,1% (2014: R5,9 billion or 54,3%) of these SD obligations have been met, with the remainder in progress.

R&D expenditure for 2015 was R93 million with an anticipated R&D spend of R150 million for 2016.

Largest ever locomotive supply contracts in South Africa's history

Transnet's R50 billion contracts for the building of 1 064 locomotives were signed with four international OEMs in 2014 with stringent local content, skills development and training commitments. To date, the suppliers have complied with and exceeded the minimum local content criteria of 60% for electric locomotives and 55% for diesel locomotives. Engineering will share approximately 16% of the total build programme, and approximately one-third of which will be outsourced to local emerging engineering and manufacturing firms. The localisation of the 1064 locomotive procurement is expected to contribute over R90,0 billion to the economy.

Engineering's fuel cell study

Engineering's study on the use of fuels cells in locomotives was completed in October 2014 and specifications for stationary and mobile applications are in development. This includes listing international standards on fuel cell, hydrogen and other relevant systems and combining them in specification requirements. Nine stationary application fuel cell specifications have been customised for nine port sites to provide base load power and reduce crane power leaks. The fuel cell shunting locomotive specifications are stringent due to the mobile nature of the application and further investigations for mobile port applications are underway.

R50bn
Contracts signed for 1 064 locomotives

60%
Local content in electric locomotives

55%
Local content in diesel locomotives



85
New electric
locomotives
completed

95th electric locomotive rolled off at Engineering

On 19 March 2015, President Jacob Zuma celebrated the successful completion of the first electric locomotives produced at Transnet’s manufacturing and engineering facility at Koedoespoort, Pretoria. 85 of the locomotives passed inspection by Transnet engineers, while the remaining 10 are currently being inspected. 85 of the locomotives were built by Transnet and 10 by China South Rail’s manufacturing facilities in China. Localisation and skills development were primary considerations in the award of the contract. This included skills transfer during manufacturing at Engineering while a portion of the work was outsourced to local engineering firms. 190 Engineering employees were trained in China and 260 people were employed in the assembly of the locomotives.

At the
launch event:
President
Jacob Zuma



Electric
locomotive



Investing in R&D to improve competitiveness

Transnet established the Transnet Engineering Innovation Centre in Pretoria, in 2013. The centre has recruited top-performing students from major universities; established partnerships with leading international research institutions; signed co-development and technology transfer deals with international manufacturers; and invested over R172 million in facilities and projects.

Young graduates are placed on advanced engineering programmes which comprise professional development as stipulated by the Engineering Council of South Africa; personal mastery and leadership development; discipline-specific training; and Transnet-specific development. The Centre encourages graduates to extend their degrees to Masters or PhD levels through the Company’s network of research partnerships.

The Centre has partnered with the Council for Scientific and Industrial Research in collaborative research projects to the value of R60 million over the past three years, to expand R&D in port, rail and pipeline operations.

Engineering disciplines include: mechanical, metallurgical, industrial, computer, electronic and electrical. Four strategic components comprise electrical systems, skills and processes, sustainable energy and mechanical systems.



R&D
related to
electricity use
improvements



INVESTMENT LEVERAGED

Transnet activities that facilitate private sector investment in the country's freight logistics system



Why investment leveraged is important to Transnet

Large-scale investment is needed in South Africa's freight logistics system, beyond the levels already committed by the MDS. Multiple sources of funding and multiple locations of risk management need to be encouraged to both stimulate economic growth and meet future demand. Transnet is well positioned through the MDS to facilitate and encourage complementary investment by private companies. Private Sector Participation (PSP) enables Transnet to:

- Broaden the available finance pool and expedite infrastructure development and capacity creation;
- Encourage intermodal efficiencies and road-to-rail modal shift;
- Leverage private sector skills and expertise in the provision of infrastructure and operations;
- Encourage foreign direct investment in South African and regional infrastructure and industry; and
- Mitigate risk for large infrastructure projects and freight systems connectivity.

Transnet's most material issue with respect to investment leveraged is:

- **Expediting Transnet's PSP programme.**

Our management approach

The Board approved the PSP Policy in 2013 establishing objectives, benefits, project life cycles, and governance. Delivery of R2,5 billion in PSP funding is targeted. The policy outlines the following objectives:

- Leveraging private sector capital, skills, technology and innovation;
- Identifying PSP opportunities to support the MDS and strategic objectives;
- Maintaining good governance; and
- Supporting SDOs.

The functional focus areas for PSP are:

- Bulk commodities (coal, iron ore and manganese);
- Intermodal (containers);
- General rail (general freight services);
- General port (multi-purpose terminal developments);
- Operation Phakisa port projects (ship repair, oil and gas facilities);
- Regional integration; and
- Non-core but complementary to the MDS.

As part of the initiatives under the PSP programme, Transnet is focusing on facilitating investment in South Africa's high density Durban-Free State-Gauteng Logistics and Industrial Corridor. The corridor is Government's Strategic Integrated Programme 2 (SIP2)¹².

SIP 2 aims to unlock the industrial and agricultural development, and export capability of the corridor by:

- Strengthening the logistics and transport corridor between South Africa's main industrial hubs;
- Improving access to Durban's export and import facilities including the development of a new port;
- Integrating the Free State's industrial strategy into the corridor;

- Raising efficiency along the corridor;
- Integrating the currently disconnected industrial and logistics activities as well as marginalised rural production centers surrounding the corridor;
- Establishing an aerotropolis around OR Tambo International Airport; and
- Aligning stakeholders behind a common vision and implementation plan.

Most SIP 2 projects are still in pre-feasibility stage but Transnet is proceeding with:

- Building a container terminal at City Deep in Johannesburg;
- Upgrading Pier 2 at the Port of Durban; and
- Procuring rolling stock for the railway line which services the corridor.

Our performance

Transnet has committed to accelerating PSP roll-out in 2016. During 2015 the following milestones were achieved:

- Business case approved for the East London grain elevator;
- Business case approved for the Durban agri-port;
- Transaction preparation for Tambo Springs inland terminal;
- Business case for Durban Dig Out Port;
- Technical study for the Manganese common user facility; and
- Requests for Proposals for the maintenance and operation of the Douglas-Belmont branch line.

Other PSP initiatives during 2015 scoped options for:

- Investment property portfolio;
- Energy supply; and
- Operation Phakisa projects in ship repair and related port services.

12. The South African Government adopted a National Infrastructure Plan in 2012. 18 Strategic Integrated Projects were identified to fast-track economic development and growth. These projects cover social and economic infrastructure across all nine provinces. www.gov.za



2050 Vision of SIP 2

The Douglas-Belmont branch line PSP concession

The Douglas-Belmont branch line is located in Kimberley, Northern Cape. It consists of a single rail line from Douglas to Belmont over 85km. Belmont is on the main line between Kimberley and De Aar. Transnet upgraded the line to a consistent standard during 2014 to increase its capacity, remove inefficiencies and prepare it for concessioning.

Grain products have been the dominant commodity transported on the line with wheat and maize accounting for about 90% of the annual market share and barley 10%. Volumes are expected to increase above 300 000 tons per annum and contribute to modal shift.

A Request for Proposals was issued on 16 February 2015 with a closing date of 27 May 2015. It invites potential concessionaires to provide rail transport services on the Douglas-Belmont branch line and:

- Maintain and where necessary, design, construct or refurbish rail infrastructure;
- Provide funding for operational expenditure, capital investment and renewals; and
- Undertake socio-economic and enterprise development initiatives to help revitalise local economies along the Douglas-Belmont branch line.

The objectives are to:

- Increase traffic on the branch line network;
- Promote the modal shift of freight from road-to-rail;
- Lower the social and commercial costs of freight transportation;
- Leverage private capital for investment in rail revitalisation and rural development;
- Encourage entrepreneurship;
- Apportion risk to where it can be best managed;
- Stimulate employment and other economic opportunities in rural areas; and
- Advance the participation of black people in freight logistics.



The Douglas-Belmont branch line



REGIONAL INTEGRATION

Transnet activities that result in improved freight logistics connectivity on the continent



Why regional integration is important to Transnet

Enhanced connectivity of the regional freight system is a strategic priority for Transnet and has the potential to boost investment on the continent. South Africa is ranked 34 out of a total of 160 countries¹³ in logistics performance, suggesting that it is well positioned to build logistics density and help facilitate improved trade between neighbouring states. While economic growth forecasts for South Africa are muted, other countries in the region are on a strong growth path with significant need and opportunity for improved infrastructure connectivity.

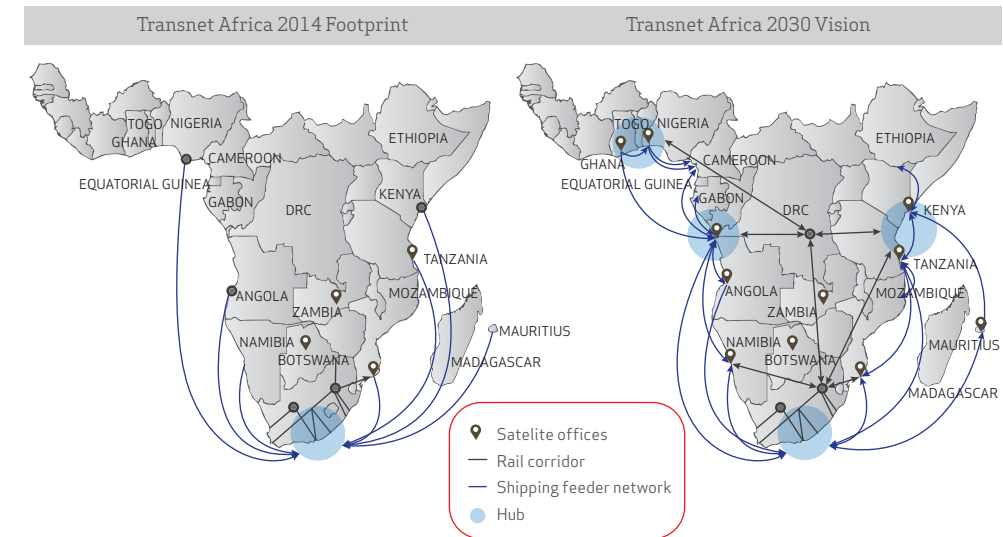
Transnet's most material issue with respect to regional integration is:

- Improving port, rail and pipeline connectivity on the continent to unlock economies of scale and investment.

13. "Connecting to Compete: Trade Logistics in the Global Economy," World Bank, 2014. www.worldbank.org/content/dam/worldbank/document/trade/LPI2014.pdf.

Our management approach

Transnet's Africa strategy was adopted by the Board in March 2014 and outlines Transnet's intention to extend business beyond the borders of South Africa and into the region to become the leading logistics service provider in sub-Saharan Africa¹⁴. South Africa is viewed as the gateway to the region, and Transnet, through its port, railway and pipeline infrastructure, has opportunities to enhance regional integration.



Transnet Africa 2030 Vision

The hubs, rail corridors and shipping feeder networks depicted in the 2030 vision map represent the areas where Transnet will either have an operational presence and/or an ability to participate in the logistics chain and growth of cargo corridors.

Transnet has positioned the ports of Durban and Ngqura as transshipment hubs servicing East and West Africa. Transshipment containers account for 22% of total container throughput in Transnet's South African terminals and 61% of this transshipment volume is destined for or shipped from East and West African ports. The container transshipment business opens options for Transnet to play a role in connecting Angola, Namibia, Mozambique, Mauritius, Tanzania and Kenya ports which are or could be served by a South African hub that can also link to cross-border rail corridors.

Freight Rail's international business unit has satellite offices in Namibia, Swaziland and Lesotho. The primary aim is to grow cross-border volumes and enable regional rail integration focusing on the Maputo, East-West and North-South corridors. JOCs have been established in Mozambique, Botswana and Zimbabwe to promote a unified rail operating system between the rail companies that own and

14. In terms of port and rail volume throughput, installed infrastructure and operating assets, Transnet is the leading rail company, the largest port authority, and the second largest port terminal operator in Africa.



operate the corridors.

With the discovery of new oil and gas reserves, there is an increasing demand for port services, refinery, storage and pipeline infrastructure in the region, with possible new build opportunities. Investigations are underway to identify options.

Transnet has identified four key revenue drivers that arise from regional integration initiatives:

- Cross-border rail volumes on the Maputo, East-West and North-South corridors;
- Extension of transshipment hub services to East and West Africa;
- Export sales of rolling stock, and associated maintenance services; and
- Geographic expansion of port, railway and pipeline operations through concession agreements or management contracts.



Our performance

Revenue from cross- border activities has grown from R1,5 billion in 2014 to R2,55 billion in 2015. As a percentage of revenue, the contribution of cross-border activities has grown from 2,6% in 2014 to 4,2% in 2015. Transnet's Africa Strategy is being implemented from 2016.

African Union delegation visits Engineering

On 13 December 2014, an African Union (AU) delegation led by the AU Chairperson, Dr Nkosazana Dlamini-Zuma, visited Engineering's Koedoespoort facility, Pretoria to gain an understanding of the day-to-day operations of Engineering, its achievements and challenges. Past Engineering engagements with the continent include Ivory Coast, Ghana and Cameroon and the supply of wagons, coaches and locomotives to the Democratic Republic of Congo, Zambia and Namibia. This is in support of the AU's interest in railways for exports and regional integration.

The AU Heads of State have agreed that South Africa will champion the manufacturing of rolling stock for the continent. This encourages Engineering to pursue its objective of becoming an OEM.



AU Chairperson, Nkosazana Dlamini-Zuma, Group Chief Executive, Brian Molefe and Engineering Chief Executive, Richard Vallihu

South Africa, Swaziland, Mozambique collaborate for improved cargo flows

On 23 September 2014, Transnet and the port and rail operators in Swaziland and Mozambique launched the Maputo Corridor JOC to provide seamless cargo services for customers between the countries. The freight corridor runs from Mpumalanga, South Africa through Swaziland, to the Ports of Richards Bay and Maputo. The JOC has established common operating and maintenance philosophies, focusing on the integration of planning and operations, and managing all cross-border operations and stakeholder engagements. The rail and port operators have aligned their investment plans, maintenance standards, safety standards, standard operating procedures and skills development across the corridor. An integrated cross-border train plan is now in place for coal, magnetite, containers and fuel, facilitating scheduled train movements across the corridor's rail and port facilities.

Freight Rail's volumes to Mozambique grew from 2,6mtpa in 2014 to 4,5mtpa in 2015. Magnetite exports through Maputo increased from an average of 10 trains per week, to 18 trains per week. Turnaround time for Maputo magnetite was reduced by 47% from 118 hours to 62 hours, which is faster than the service design time.



TRANSFORMATION

Transnet activities that result in employment equity within the Company and black economic empowerment within the entities that supply Transnet



Why transformation is important to Transnet

South Africa's Bill of Rights¹⁵, 1996 is a cornerstone of our democracy, enshrining human rights and affirming the democratic values of human dignity, equality and freedom. Section nine of the Bill of Rights provides for the redress of inequalities experienced by the majority of South Africans under Apartheid. As one of South Africa's largest single employers and one of the country's largest infrastructure investors and network operators, Transnet is committed to social value creation involving employment equity in the Company and black economic empowerment in the entities that supply Transnet. We uphold the principles of the UNGC on equity and anti-discrimination and seek to create an organisation that reflects the diversity of South African society.

Transnet provides employment for all demographics and empowers designated groups who may otherwise be marginalised.

With respect to entities supplying Transnet, the scale and scope of our procurement expenditure has the opportunity to create and empower local black business in a multitude of sectors. Transformation and development of the Company's supplier base remains a priority, and is also reported under Industrial Capability Building.

Transnet's most material issues with respect to transformation are:

- *Increasing representation of black employees, female employees and People with Disabilities; and*
- *Enhancing black economic empowerment in Transnet's supply chain.*

¹⁵. The Constitution of the Republic of South Africa, 1996.

Our management approach

Transnet's Employment Equity (EE) Policy is aligned to the Employment Equity Act, 1998 (Act No. 55 of 1998) and confirms the Company's commitment to the elimination of unfair discrimination and implementation of affirmative action measures to achieve a workforce that reflects the nationally 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); the Labour Relations Act, 1995 (Act No. 65 of 1995); and the Skills Development Act, 1998 (Act No. 97 of 1998). There is ongoing revision of the EE Policy to include 'preference for designated groups'. In addition, Transnet has a Broad-based Black Economic Empowerment (B-BBEE) Policy and strategy to ensure that a uniform message is understood throughout the Company and consistency in how B-BBEE is managed and implemented. The policy is aligned to the B-BBEE Act, 2003 (Act No. 5 of 2003). Under the policy, preferential procurement is advocated whereby bids (tenders) are not only awarded on technical specifications and price but also on a prescribed point system where preference is given to historically disadvantaged individuals.

In line with the requirements of the EE Act, Transnet prepares and submits to the Department of Labour a three-year EE plan on targets to be achieved per occupational level together with key initiatives aimed at addressing barriers to affirmative action in the workplace. The targets are informed by the demographics of the National Economically Active Population (NEAP) statistics. There are extensive engagements with employees and recognised trade unions on the plans. These plans are signed off annually at the Group Executive Committee prior to submission to the Department of Labour, fostering management ownership and

performance monitoring against the plan.

Transnet aims to increase representation of the following designated groups: African (as per the Department of Trade and Industry (DTI) Codes of Good Practice definition), females and People with Disabilities through targeted initiatives:

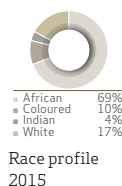
- Targets for females at top management is 50% and for all other levels 37%.
- Policies, procedures and systems that support the EE strategy and plan.
- Specialised recruitment agencies and internships for qualifying People with Disabilities, exposure to work and permanent placement when positions are available.
- Positions that do not pose a high safety risk are targeted for People with Disabilities.
- Improvement of working conditions for females and People with Disabilities.

Campaigns and training programmes are used to educate employees and create a positive work environment for females and employees with disabilities, and B-BBEE awareness:

- The Dignity and Respect programme;
- Zero Tolerance Campaign on Sexual Harassment;
- People with Disabilities Ambassador Network assists with engagement, sensitisation and disclosure; and
- B-BBEE training on the scorecard, regulatory requirements and control measures.

Our performance

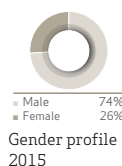
Transnet has increased the number of black employees (both male and female) in most occupational level categories. Overall representation has increased for both male and female employees. Representation is below that of the NEAP with black employees representing 83,0% of the workforce compared to the NEAP target of 88,7%. There is however, a significant over-representation of black male employees at semi-skilled and unskilled levels in operations.



Black employees 2015

Occupational level	2014 (Male)	2015 (Male)	2014 (Female)	2015 (Female)
Top management ¹⁶	57	61	43	45
Senior management	404	444	192	236
Professional	2 171	2 527	1 307	1 558
Skilled	11 027	10 082	5 555	5 569
Semi-skilled	14 639	15 832	4 180	5 064
Unskilled	4 260	3 777	701	884
Total black employees	32 558	32 723	11 978	13 356

Female employees represent 26,4% of the workforce compared to the NEAP target of 46,0%. Female employment has steadily improved at top, senior, professional and skilled technical levels but it remains a challenge to attract and retain women in operations where representation in the semi-skilled and unskilled levels is currently 24,0% and 19,0% respectively.



Female employees 2015

Occupational level	2014 (Black)	2015 (Black)	2014 (Coloured)	2015 (Coloured)	2014 (Indian)	2015 (Indian)	2014 (White)	2015 (White)
Top management	33	36	3	3	7	6	6	7
Senior management	135	173	23	24	34	38	30	38
Professional	1026	1 250	137	155	144	153	192	196
Skilled	4723	4 823	630	586	202	160	912	779
Semi-skilled	3699	4 410	409	545	72	109	208	301
Unskilled	637	811	62	72	2	1	16	16
Total female employees	10253	11 503	1216	1 386	461	467	1 364	1 330

In alignment with the UNGC principles, Transnet upholds the elimination of discrimination in employment and occupation. People with Disabilities is a key area of focus for Transnet's transformation agenda. The year under review has seen an improvement from 1,6% in 2014 to 2,3% in 2015.

The EE plan for 2016 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 work force that reflects the national economically active population of South Africa across all occupational levels.

80% Black employees, females and People with Disabilities 2016

Category	Actual 2014 (%)	Actual 2015 (%)	Target 2016
Black employees	81,5	80,0	80,0
Females top management	50,0	50,0	50,0
Females at Group Exco	40,0	50,0	50,0
Female General Managers	24,4	35,0	37,0
Females below General Managers	1,6	2,0	2,5
People with Disabilities			

Transnet has progressed significantly in transforming its supplier base towards a B-BBEE supplier base with actual B-BBEE spend for 2015 amounting to R45,2 billion or 105,1% of total measurable procurement spend (TMPS) of R43,1 billion. In terms of the DTI Codes of Good Practice, Transnet's B-BBEE spend in 2015¹⁷ is as follows:

- Black-owned enterprises – R9,4 billion (2014: R8,1 billion);
- Black women-owned enterprises – R4,1 billion (2014: R1,5 billion);
- Exempted micro-enterprises – R3,0 billion (2014: R1,9 billion);
- Qualifying small enterprises – R2,0 billion (2014: R3,6 billion);
- Black youth-owned – R671,9 million (1,56% of TMPS); and
- People with Disabilities – R77,5 million (0,18% of TMPS).

Transnet has a B-BBEE rating of Level 2 for 2014 (up from Level 3 in 2013).

Transnet B-BBEE Rating¹⁸

Operating Division/ Specialist Unit	December 2013	Total Points	December 2014	Total Points	Charter Applied
Transnet SOC LTD	3	84,34	2	90,29	Generic Transport Public Sector
Pipelines	4	72,94	3	75,53	
Transnet Capital Projects	3	82,27	2	87,11	
Freight Rail	2	87,64	2	89,17	Rail Charter
Engineering	3	84,53	2	88,17	
Port Terminals	3	84,88	2	87,03	Maritime Charter
National Ports Authority	4	66,01	4	71,96	
Transnet Property	5	56,78	5	60,92	Property Charter

Freight Rail champions People with Disabilities

Freight Rail achieved its target of employing 134 People with Disabilities (2,5% of the workforce) in 2015, resulting in a total of 796 People with Disabilities, up from 551 in 2014.

In partnership with the Department of Labour, Freight Rail receives assessments on its working environment, the types of disabilities that can be accommodated, and is provided with resumés of job seekers from their database. Certain positions have been ring-fenced to ensure the employment of People with Disabilities. Through Freight Rail's Disability Forum, employees are engaged and sensitised while voluntary declaration is increasing. Initiatives to improve access to Freight Rail buildings 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.

17. 2015 denotes the first year of measuring black youth-owned and People with Disabilities as a % of TMPS.

18. Denotes B-BBEE rating for calendar year ended December 2014.

16. Top management comprises Group Executives and General Managers.



HEALTH AND SAFETY

Transnet activities that improve the physical and mental health, well-being and safety of its employees and the communities within which it operates



Why health and safety is important to Transnet

Transnet has a legal and moral responsibility to ensure the health and safety of employees and those affected by operations is put into practise through strict standard operating procedures and continuous programmes to instil a safety mindset of 'zero harm' to self, colleagues, communities and the environment.

Safety of our assets (infrastructure) is also critical to efficient business operations. Theft of copper, overhead cables and goods in transit, as well as vandalism of the tracks impact our ability to deliver freight reliably and pose safety risks. Delayed trains, and late or non-delivery of goods means increased costs for Transnet, poor customer service, poor reputation and constraints to growth.

Staff wellness is an important aspect of Transnet's human resources management to mitigate behavioural, psycho-social and health risks and ensures that employees are productive, engaged in their jobs and present at work. If not managed, these risks affect efficiency and performance, safety and the cost of absenteeism.

Significant health and safety challenges exist across the Company:

- New employees are unfamiliar with standard operating procedures and are not fully integrated into the safety culture of Transnet;
- Motor vehicle accidents caused by third parties affect Transnet drivers;
- Vandalism and theft of tracks, signalling equipment and copper cable theft leads to derailments and injuries;
- Level crossings pose the greatest risk to public safety in our operations; and
- Absenteeism amongst employees affects productivity.

Transnet's most material issues with respect to health and safety are:

- **Public safety at level crossings;**
- **Adherence to standard operating procedures;**
- **Theft of assets; and**
- **Absenteeism.**

Our management approach

Transnet's Safety, Health, Environment and Quality (SHEQ) Policy, guides our approach to safety management. The 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, implementation and review of the policy. Other management approaches include: entrenching a culture of safety and engaging with our stakeholders to understand their safety concerns.

Transnet's recognition agreements with its trade unions are supported by policies, standards, procedures and rules that seek to ensure a safe working environment. Working hours, conducting risk assessments, lock outs, substance abuse testing, exposures (both health and safety), training, and personal protective equipment are discussed at structures involving trade unions.

Various policies are implemented to improve safety across the business. These include:

- Transnet Occupational Health Management Policy – to promote the physical, mental and social wellbeing of employees;
- Integrated Emergency Management Service – all Operating Divisions share this service at common locations;
- Integrated Security Management Strategy – to protect Transnet's customers, employees, assets, income and infrastructure;
- Employee Assistance Programme – provides psycho-social counselling services, education and awareness;
- Substance Abuse Policy – pronounces on Transnet's zero tolerance approach with procedures for testing and wellness support; and
- HIV/Aids Management Policy –to manage HIV/Aids in the workplace.

In the interest of continuous improvement, Transnet implements internationally recognised safety management systems including the Railway Safety Management system (ISO 3000), Quality Management systems (ISO 9001),

Environmental Management systems (ISO 14001), Integrated Occupational Health and Safety Management systems (OHSAS 18001) and the National Occupational Safety Association. These programmes are intended to continuously improve safety performance.

Safety audits are conducted annually to evaluate the effectiveness of our policies, systems, procedures and guidelines.

An independent board of enquiry is constituted in terms of the incidents investigation process to investigate all safety incidents deemed significant, resulting in formal findings and recommendations.

Health and Safety Committees, as prescribed by the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993), provide employees with a platform for continuous engagement on health and safety. Approximately 247 formal joint management-worker Health and Safety Committees are established, with 1 611 health and safety representatives (3% of the total workforce).

The Operating Divisions' Chief Executives are accountable for their SHEQ performance and ultimate accountability for safety performance lies with the Group Chief Executive.

Safety training is conducted through the Transnet Academy Schools of Rail, Maritime, Pipelines and Security and built into all functional and technical training. It is also conducted through service providers for specific safety training (first aid, incident management, risk management). The Safety Culture Programme commits every employee to Seven Golden Safety Actions.

With respect to staff wellness, training is conducted on stress management, diversity management, personal finance and health. Staff wellness days are held regularly. The Marine Cadet Life Skills project equips individuals to be away from home for extended periods. The 'Leave a Legacy' project helps first-time job seekers adjust to the world of work.

The Seven Golden Safety Actions

I will not perform unsafe work and put myself and others in danger

I take responsibility of myself and my team. I don't blame others

If I don't understand and if I have a problem, I speak up and say so

No matter what my level, I contribute to improving safety

I always prepare, check and report unsafe acts and conditions

I rest well and work safely

I know the standard operating procedures and safety rules, follow them and don't take shortcuts



Our performance

0.69
DIFR

Safety performance is measured against industry recognised indicators including the disabling injury frequency rate (DIFR), fatalities, loss producing incidents and derailments.

Transnet has maintained a DIFR of 0,69 in 2014 and 2015 respectively. On average, the DIFR ratio has been below the target of 0,75 for the past five years.

Tragically, the Company reported four employee fatalities in 2015. This compares to seven fatalities in 2014. Two of the employee fatalities were as a result of non-adherence to standard operating procedures while the other two were as a result of motor vehicle accidents during Transnet operations.

Public fatalities are lower than 2014 with 96 public fatalities reported for 2015 compared to 106 reported in 2014. This is primarily due to a reduction in level crossing fatalities.

In collaboration with local municipalities, schools, the South African Police Service and other relevant stakeholders, Freight Rail extended its Level Crossing Awareness Campaign in 2015 educating communities, the public and children about the dangers of living next to railway lines. Trespassers into the rail reserve account for 85% 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. In conjunction with Engineering, Freight Rail introduced engineering solutions and technologies of automation at high-risk level crossings. These interventions have reduced level crossing incidents from 82 in 2014 to 72 in

2015.

Running line derailments decreased by 38% from 116 in 2014 to 72 in 2015. Shunting derailments decreased by 4% year-on-year from 242 to 232.

Theft of assets (including cables, goods in transit, copper products, motor vehicles, sleepers, taupaulins, batteries and pendrol springs) increased by 4% from 2014 to 3 495 in 2015, amounting to a loss of R2 billion.

The unplanned absenteeism rate declined from 2,7% in 2014 to 2,5% in 2015. The sick absenteeism rate declined from 2,2% in 2014 to 2,1% in 2015.

The cost of absenteeism increased in 2015. Unplanned leave costs increased by 5,3% to R351 951 466 compared to R333 077 023 in 2014. The sick leave costs increased by 7,7% to R288 056 391 compared to R265 864 438 in 2014. The cost increase (despite the drop in rates) is due to higher salary bands being affected. New governance structures are being introduced to manage absenteeism.

We regret the loss of lives and remember

- Mr Paul Hoffman, 21 July 2014
- Mr Melusi Gwamanda, 29 August 2014
- Mr Kwazikwenkosi Mabuza, 9 September 2014
- Mr Aphilele Mpisane, 2 November 2014

Transnet technology deployed for railway level crossing safety

On 7 November 2014, Engineering launched its ground-breaking level crossing system, which will provide a much needed solution to railway level crossing fatalities and incidents. The technology makes it impossible for a vehicle to cross a railway line by providing physical barriers, preventing vehicles from entering a level crossing when a train is approaching. It works through hydraulically operated road blockers, which lift out of the road surface. These steel blockers are capable of withstanding the impact of a 10t vehicle travelling at 80km/h. Using railway signalling to detect approaching trains, the mechanism triggers a series of actions – the traffic lights change to amber, then red, followed by booms closing on both sides of the road. After the booms close, the blockers lift.

In the past three years, 228 level crossing incidents have been recorded. An incident on the Impala-Hectorspruit level crossing in Mpumalanga in 2012 resulted in the death of 25 farm workers and 19 injuries when a train collided with the truck they were travelling in. This prompted Transnet's quest to find a long-term solution.

Transnet is currently introducing the technology at two sites in the Western Cape: Muldersvlei (Stellenbosch) and Chavonnes (Worcester). Following successful completion of these pilot projects, the technology will be rolled out to other priority railway crossings in South Africa.



New technology deployed



COMMUNITY DEVELOPMENT

Transnet activities that measurably improve the economic, social, cultural and environmental well-being of communities within which it operates



Why community development is important to Transnet

Transnet's activities take place in many South African communities and the Company is continuously identifying opportunities to improve their wellbeing. Initiatives take various forms, including localised procurement and localised employment where feasible, enterprise development interventions, collaboration on safety and the environment, and targeted investment in social services.

Transnet's commitment to community-level development finds substantive expression through the Transnet Foundation whose programmes empower those that are most vulnerable in areas of greatest need. South Africa's rural communities are the focus of the Transnet Foundation's programmes.

A comprehensive exercise is currently underway to develop quantitative indicators to measure and track the outcomes achieved through Transnet's corporate social investment. This will enable improved reporting on Transnet's contribution to community development, aligned to the Company's nine SDOs.

Transnet's most material issue with respect to community development is:

- *Measurably improving the quality of life of the communities within which we operate.*

Our management approach

Transnet's revised CSI Policy was approved by the Board in November 2014. Transnet's CSI programmes focus on rural communities situated along the rail network, and projects with a strong community impact near ports. The Transnet Foundation's programmes are primarily in primary health, socio-economic infrastructure, and education.

• Primary healthcare services

Transnet's flagship Phelophepa I and II healthcare trains increase access to comprehensive, quality, primary healthcare services for impoverished rural communities situated along the rail network. The award-winning services include: general health, dental, optometry, psychology, and provision of medication. These trains create temporary employment opportunities for local communities along the route, and offer final-year medical students experiential learning in the health and humanities disciplines. Transnet's partner sponsors for Phelophepa are Roche and Colgate-Palmolive South Africa. Since its inception in 1994, the programme has reached approximately 5,5 million people.

• Socio-economic infrastructure

This programme involves Engineering converting old freight containers into community centres, police stations and school clinics, enabling recipient communities to gain access to social services that would otherwise not be available. Since the programme's inception in 2001, Transnet has fostered relationships and trust with communities and stakeholders along Transnet's operations. This has resulted in a reduction and prevention of theft and vandalism of Transnet's property with communities becoming custodians in safeguarding Transnet's assets. It has reduced public safety incidents through rail safety awareness campaigns conducted through the community centres. It has strengthened Transnet's relationships with local authorities and police and facilitated local education and training.

• Education

By focusing on basic education teacher development and learner support, Transnet aims to improve the performance of teacher interns in Mathematics and Science and increase quality education among vulnerable youth.

The Student Teacher Interns programme is managed by the Independent Schools Association of Southern Africa (ISASA) on behalf of Transnet. ISASA recruits students who want to further their studies in teaching. They are registered with the University of South Africa on a part-time basis and receive practical learning from ISASA schools. To date, Transnet has funded 10 students, four of whom have completed their studies and six are in progress. The programme has achieved a 100% pass rate.

The Orphaned Youth programme aims to increase quality education among orphaned youth by nurturing youth with extraordinary leadership qualities. Transnet selects orphaned youth with academic potential and places these learners in top performing schools. Comprehensive academic and psychosocial support is provided through life skill camps. On completion of Grade 12 in 2015, Transnet will pay for their university tuition and assist them in finding employment. The programme currently has 40 learners. The 30 learners enrolled in 2014 achieved a 100% pass rate.

Transnet's Rural and Farm Schools Sport Development programme increases access to sports and develops potential talent in rural and farm schools. The programme builds infrastructure and focuses on: development leagues, regional tournaments and camps, national tournaments, life skills camps and teacher training. There is improved class attendance and a reduction in learner absenteeism in areas where the programme is implemented.

The Transnet/SAFA School of Excellence provides academic and soccer development to 117 learners on full scholarships. In the year under review, the matric pass rate was 93% while the rest of the grades' pass rate ranged between 90% to 100%.



Governance underpins Transnet Foundation's activities and social investment decisions, and is essential for successful execution. The CSI Forum, a representative body comprising CSI practitioners across Transnet, is responsible for decision-making on company-wide community investment priorities. Leadership, oversight and accountability for CSI matters rest with REMSEC.

Our performance

R224,8m
Total CSI
spend

Transnet's total spend on CSI for 2015 was R224,8 million representing 4,2% of net profit after tax (NPAT). In comparison to many South African companies, this figure is high, with annual CSI contributions typically averaging 1,4% of NPAT¹⁹. CSI spend contributed to Transnet's achievement of an overall B-BBEE score of Level 2. R184,3 million was spent on programmes and the remainder on donations, grants, communications and administration.

Transnet Foundation's programmes and expenditure 2015

Programme	2015 Activities	Expenditure
Primary healthcare services	<ul style="list-style-type: none">The Transnet Phelophepa I and II visited communities in the Northern Cape, Western Cape, Eastern Cape, Free State, KwaZulu-Natal, Limpopo, Mpumalanga and the North West Province.The teenage health programme reached 8 500 recipients.	R95,9m
Teacher development	<ul style="list-style-type: none">Improved the performance of teacher interns in Maths and Science. Spend included: teacher classroom support, master teacher support.	R1,0m
Youth education development programme	<ul style="list-style-type: none">Provided access to quality education to 40 vulnerable youth.Spend included: tuition, boarding, transport, sport, school uniforms, textbooks, medical expenses, educational camps/ tours.	R11,0m
Socio-economic infrastructure development	<ul style="list-style-type: none">Operational costs for Khuma, Springs, Thokoza, Ireagh and Empangeni community centres, and Mambuka and North West police stations. Construction of Ntamonde and Tafalashe police stations commenced.	R10,4m
Rural and farm schools development programme	<ul style="list-style-type: none">290 schools are supported in the following municipalities: Gert Sibanda (Mpumalanga), Sekhukhune (Limpopo), Thabo Mofutsanyane (Free State), Johan Taola Gaotswe (Northern Cape), Richards Bay (KwaZulu-Natal), Lady Frere (Eastern Cape). Approximately 6 000 learners participate in the programme at district level.	R11,5m
Transnet/SAFA School of Excellence	<ul style="list-style-type: none">Currently sponsoring 117 learners from Grade 8-12. Spend included: school renovations, running of the school, operating expenses, salaries.	R20,8m
Employee volunteer programme	<ul style="list-style-type: none">Employees volunteered in community projects in Durban, Port Elizabeth, Gauteng, De Aar, Cape Town and Saldanha Bay. Spend included: Mandela Day, Group Chief Executive Awards.	R27,1m
Heritage preservation	<ul style="list-style-type: none">Transported locomotives of historic value from various locations to a safe storage warehouse in Bloemfontein. Rebranded George Museum.	R6,6m
Total (R million)		R184,3m

19. Tshikululu Social Investments, 2014.

De Aar wagon refurbishment factory

De Aar once had a busy railway station on the corridor between Gauteng and the Western Cape. Due to changed patterns of cargo demand and railway operations, this is no longer the case. De Aar has high levels of unemployment and social problems. On 28 July 2014, Transnet opened a new wagon refurbishment factory in De Aar with a production capacity of 250 wagons per annum.

Local workers were recruited from the surrounding communities and contracts are being pursued with small and medium enterprises in the Northern Cape to support the factory operations.

To date, the De Aar factory has created 47 jobs with 22 employees recruited from the local area. Those employees lacking the requisite skills are being trained at the Transnet School of Engineering.

De Aar youth precinct

On 28 July 2014, Minister of Public Enterprises, Ms Lynne Brown launched the De Aar Youth Precinct which was initiated in 2013 by Transnet Employee Volunteers. The precinct was founded by rehabilitating three abandoned Transnet properties located in the historic town of De Aar.

De Aar is a small town with an estimated population of 40 000 people. Due to the secluded nature of this community, the youth living in De Aar have few economic opportunities. The precinct was set up to provide a multi-cultural educational, recreational and entertainment space for the youth. The precinct also provides shelter to 20 homeless boys.



Youth in the educational centre

Port Terminals harvesting for a feeding scheme

In reaching out to communities, Port Terminals headquarters in Durban transformed their second and third floor balconies into organic vegetable and herb gardens during 2014. The first crop was harvested on 10 November 2014. The Wentworth Aids Action Group, a non-profit organisation that operates a feeding scheme for families affected by HIV/Aids and tuberculosis, were the first beneficiaries of the harvest. The gardens have been entered for the National Landscaping Awards.



ENVIRONMENTAL STEWARDSHIP

Transnet activities that enhance the natural environment's capacity to meet the resource needs of future generations



Why environmental stewardship is important to Transnet

Transnet's environmental stewardship commitment goes beyond affirming the Company's compliance with environmental law. It is our undertaking to become a corporate leader in enabling the planet's natural resources to support the wellbeing of future generations. To this end, we analysed that energy use is our most significant environmental impact and also the area in which we can make the most significant contribution to the environment. Transnet has thus made energy its primary focus for environmental stewardship initiatives. Climate change adaptation is underway, while water, waste and biodiversity are receiving increasing attention as our systems improve for innovation and proactive care for natural resources.

Transnet adopted an Energy and Carbon Mitigation Strategy in 2013 and lodged a Climate Change Plan with the DPE the same year, confirming:

- The significant risks associated with security of energy supply, energy costs and carbon emissions;
- The scale and scope of Transnet's short- (2018), medium- (2025), and long-term (2040) energy needs;
- The options available to meet forecast energy demand, including costs and emissions;
- Energy management and efficiency opportunities; and
- Transnet's leading role in enabling modal shift from road-to-rail in South Africa, which will lower the carbon emissions of the transport sector.

Currently, Transnet's most material issues with respect to environmental stewardship are:

- **Electricity supply and use; and**
- **Modal shift from road-to-rail.**

Other areas of environmental stewardship in the Company are climate change adaptation, water, waste and biodiversity.

Electricity supply and use

Transnet's primary energy sources are electricity (62%) and diesel fuel (31%) with the remainder constituting distillate fuel oil, petrol and other sources. Freight Rail uses more than 70% of Transnet's total electricity and fuel consumption. In 2015, energy constituted 18% of Transnet's total operating costs.

The Company is fully reliant on Eskom for the provision of base-load electricity to power operations, and on municipal distribution systems in many areas. Load shedding is being implemented across the country to prevent grid failure and is likely to continue for at least the next three years until new power plants and independent power producers have been commissioned. Electricity prices are rising steeply above inflation, and this trend will continue in the medium to long term as both new capacity and carbon tax are introduced.

In 2014, security of electricity supply was ranked Transnet's number one strategic risk. This risk comprises a number of elements:

- Risk to operations and revenue where load shedding or sub-station failures affect critical freight corridors;
- Risk to customers' production and investments which result in operational interruptions and subdued demand for logistics services and low levels of economic growth;
- Risk to Transnet capital projects costs arising from Eskom being unable to fund upgrades to some of its transmission sub-stations;
- Risk to Transnet's capacity upgrade timelines arising from the limits on available power constraining freight volume growth and effectively deferring returns on invested capital;
- Risk to volume and revenue growth on existing routes due to the absolute constraints on the availability of grid electricity and transmission constraints; and
- Electricity pricing risk with double-digit annual increases and Eskom's carbon tax being passed on to customers from 2016.

Modal shift from road to rail

Accelerating modal shift from road-to-rail is included in the Minister of Public Enterprises' SSI. 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 committed to increasing rail market share to 35% by 2019, and to demonstrate the carbon emissions saving achieved annually through its growing market share.

Rail transport is three to four times more efficient than road transport. 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.

Our management approach

Transnet adopted an Energy Policy in November 2014, outlining the Company's commitments that:

- Energy consumption is proactively managed;
- Energy efficiency improves;
- Greenhouse gas (GHG) emissions decline;
- Energy costs are reduced; and
- Energy security improves.

Natural gas has been identified as a viable alternative energy source for base-load electricity, both for the country and potentially for Transnet. During 2015, Transnet established a Gas Planning Steering Committee to assess:

- The impact of natural gas on Transnet's long-term infrastructure planning;
- Opportunities for the development of gas infrastructure;
- Opportunities for alternative electricity supply from gas;
- Options for handling gas imports at the ports;
- Scenarios for the development of gas pipelines; and
- Technology applications for gas in Transnet's equipment, buildings and operations.



In June 2014, Transnet issued a Request for Information for independent electricity producers to advise on their capability and potential solutions for the generation and sale of electricity to Transnet. Natural gas propositions emerged as the most viable base-load solution but economies of scale and regulatory constraints were found to be limiting factors. Transnet is however, facilitating port preparations with the Department of Energy to expedite the gas Independent Power Producer procurement for electricity supply to the national grid. Solar photovoltaics and fuel cells are being pursued for stationary applications in Transnet where these are feasible.

For business continuity management under load-shedding conditions, Engineering, National Ports Authority, Pipelines and some properties have standby generators for localised interruptions.

The following initiatives are underway:

- The ISO50001 energy management system is being implemented in all Operating Divisions and Transnet Property.
- Guidelines have been established for energy specifications in Transnet procurement (especially for locomotives and port equipment) and capital projects lifecycle management.
- Energy efficiency initiatives are implemented across the Company.
- The R&D unit in Engineering is investigating alternative energy technologies, including second generation biofuels for diesel locomotives and port equipment; natural gas for locomotives and other equipment; fuel cells on locomotives; and harnessing wasted energy from exhaust systems.

Freight Rail's energy management initiatives include: locomotive driver training to reduce energy consumption and improve energy efficiency; optimisation in the configuration of trains; and reducing locomotive idling. Freight Rail has an Energy Efficiency Forum which monitors its electricity and fuel energy performance and oversees improvements in energy management systems.

Transnet's most significant energy efficiency gains are made in Freight Rail as the new locomotive technology is introduced into operations, specifically from regenerative braking capability. The deployment of the new class 19E and 15E locomotives on the coal and iron ore export lines has resulted in large energy efficiency gains. Freight Rail's regenerated electricity is used in the locomotives and where possible, excess electricity is transmitted back into the Eskom grid.

Transnet reports the Company's Scope 1, 2 and 3 carbon emissions annually in the global CDP, using international standards for disclosure. The CDP is published on-line.

Transnet's carbon calculator application

Transnet developed a carbon calculator application in 2014 to assist 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. The carbon calculator methodology has been validated and tested by Transnet's external auditors.

The application is available to download on Android and Apple devices for smartphone and tablets, and also in Windows Store for smartphones.

Our performance

Transnet's total electricity consumption for 2015 was 3 513 511MWh, down 1,0% from 3 548 522MWh in 2014. Since 2012 (baseline for reporting when energy efficiency measures were instituted in Transnet) total electricity consumption has decreased by 7,0% from 3 798 908MWh, while transported volumes have increased.

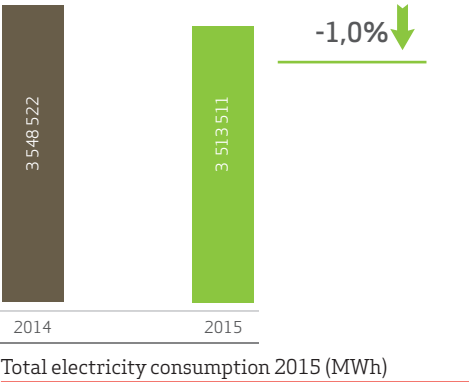
Transnet's total fuel consumption for 2015 was 249,7 mega litres, down 2,4% from 255,9 mega litres in 2014.

Transnet recorded an overall 8,6% improvement in energy efficiency from 2014, due to a 6,9% increase in volumes and a 1,6% reduction in energy consumption in 2015.

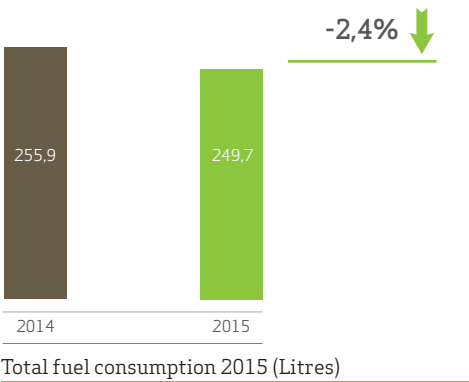
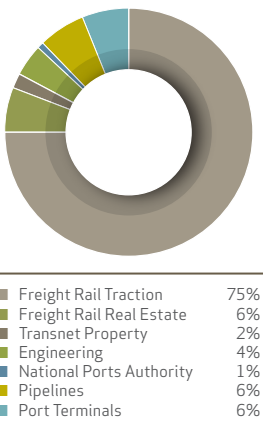
-1,0%
Electricity consumption

-2,4%
Fuel consumption

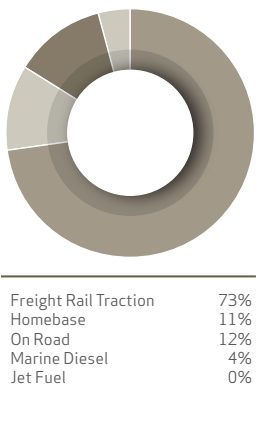
8,6%
Energy efficiency improvement

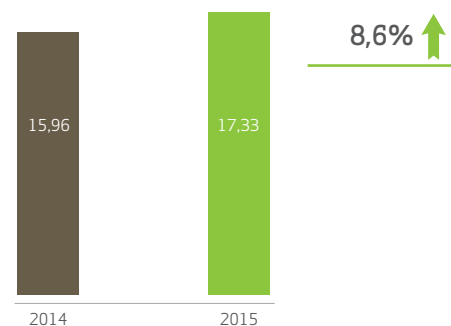


75,0% of electricity in 2015 was used for Freight Rail traction, and the remainder in Transnet's properties, ports, pipelines and engineering operations.



Of the total fuel consumption, 73,0% was used for Freight Rail diesel traction, 11,0% on road vehicles, 12,0% on home-based fuel, and 4,0% on marine diesel.





Energy efficiency 2015 (ton/GJ)

Significant energy efficiency gains have been made across the business, with annual targets being exceeded in most cases. Energy efficiency improved by 8,6% in 2015 compared to 2014, measured as tons/GJ.

A total of 165 753MWh of electricity regeneration was recorded in Freight Rail in 2015. Class 19E locomotives working on the coal line regenerated 65 608MWh of energy on a round trip between Ermelo and Richards Bay while Class 15E locomotives working on the iron ore line regenerated 100 145MWh of energy on a round trip between Sishen and Saldanha²⁰.

Electricity efficiency performance 2015

4,7%
Traction energy efficiency improvement

Operating division	Measurement	Actual 2014	Actual 2015	Energy efficiency gain on PY
Freight Rail Traction	gtk/kWh	66,1	69,2	4,7%
Freight Rail Real Estate	kWh	225 762 069	212 632 860	6%
Transnet Property	kWh	71 783 658	71 240 517	1%
Pipelines	Mlkm/MWh	36,0	37,9	6%
Port Terminals	ton/kWh	0,6	0,7	8%
National Ports Authority	Employee/MWh	1,3	1,4	8%
Engineering	man-hour/MWh	205,8	206,3	0%

Fuel efficiency performance 2015

Operating division	Measurement	Actual 2014	Actual 2015	Energy efficiency gain on PY
Freight Rail Traction	gtk/litre	177,3	189,1	7%
Port Terminals	ton/litre	5,3	5,9	10%
Engineering	man-hour/litre	9,5	11,9	25%

²⁰. The 2014 figures reported were calculated whereas the 2015 figures were actual metered figures.

Transnet recorded a decrease of 1,2% in carbon emissions in 2015 from 4,25mtCO₂e in 2014 to 4,20mtCO₂e. This can be attributed to Scope 1 emissions decreasing by 1,6% to 682 022tCO₂e (from 693 422tCO₂e in 2014) due to improved efficiencies in diesel locomotives. Freight Rail is responsible for 82,4% of Scope 1 emissions.

Scope 2 emissions decreased by 1,0% to 3 494 993tCO₂e (from 3 531 548tCO₂e in 2014) due to improved electricity efficiency throughout the business. Freight Rail accounts for 80,8% of Scope 2 emissions.

Scope 3 emissions decreased by 4,8% to 20 323tCO₂e (from 21 353tCO₂e in 2014) due to reduced business travel.

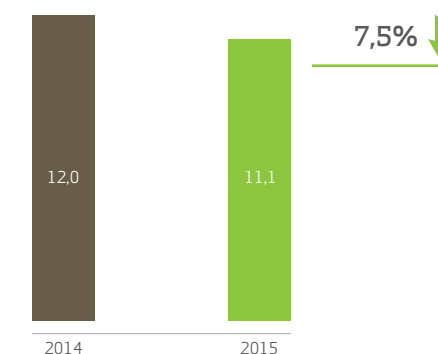
Transnet recorded an overall 7,5% reduction in carbon emissions intensity, from 2014, due to a 6,9% increase in volumes and a 1,6% reduction in energy consumption in 2015.

Freight Rail is making a meaningful contribution to the reduction in carbon emissions in the South African transport sector. In 2015 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 2015 amount to 479 648tCO₂e.

Top 10 road-to-rail volume gains for 2015

Commodities	Volume gains (tons)	Emissions avoided (tCO ₂ e)
Manganese (Export Port Elizabeth)	289 688	50 216
Manganese (Export via ore line)	1 015 192	243 365
Coal (Eskom)	1 310 327	24 540
Chrome and ferrochrome	230 716	21 568
Manganese (Domestic)	271 757	38 858
Mineral mining	2 314 250	77 295
Wood and wood products	159 173	1 140
Fertilizer	44 358	10 212
Industrial chemicals	39 827	8 207
Automotive	63 395	4 247
Total	5 738 683	479 648

7,5%
Carbon emissions intensity reduction



Carbon emission intensity 2015 (kgCO₂e/ton)

479 648tCO₂e
Transport sector carbon emissions avoided



Road-to-Rail alliances

Freight Rail's Memorandum of Understanding with Barloworld Logistics to shift rail-friendly cargo from road-to-rail gained impetus in the year under review. Key projects were identified including investigations into establishing freight consolidation hubs at Musina and Nelspruit; increasing rail volumes from Distell; transporting fuel to and from Luiperdsvelei; and identifying underutilised rail legs and wagons to be offered to Barloworld.

Freight Rail is working on a proposal with Sephaku Cement which has the potential to move approximately one million tons of clinker and coal from road to rail. Options include building a new siding at Delmas and developing a container handling facility at Lichtenburg. The conceptual design provides for clinker movement by road in open top containers from Aganang mine to Lichtenburg, rail transport to Delmas, and coal on the return leg to Lichtenburg from Leeupan. The feasibility study is complete and will be presented to Sephaku Cement in the new financial year.

Climate change adaptation

Climate change is expected to impact South Africa in different ways, from increased frequency and severity of extreme weather events to changes in rainfall patterns and increased temperatures. Transnet is assessing where, how and to what degree climate change will impact our operations, and what measures can be taken to limit vulnerability. The adaptation plan will 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; and
- Adaptation measures to ensure resilience and provide for incremental transitions.

Water

Water scarcity has been identified as one of the top 10 risks in terms of impact²¹ according to the World Economic Forum, 2015. South Africa is a water scarce country. Transnet recognises that water scarcity has the potential to impact on our business and is committed to ensuring water stewardship in all our operations.

A number of Transnet's operations are located in water-stressed catchments. The resultant risks include water supply shortages, operational stoppages, cost escalations, revenue losses and growing legislative complexities. We continue to ensure that water use licences are obtained timeously and are appropriate to the scale and nature of water use. We are committed to conserving the quality and quantity of water at all Operating Divisions and to this end are introducing water use monitoring, measuring quality changes and identifying inefficiencies in reticulation systems.

Water audits commenced in the Operating Divisions in 2015 and will continue into 2016. Findings are being addressed and integrated into the Transnet Water Stewardship Strategy currently being developed.

Water efficiency initiatives include:

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

Water audits initiated at Freight Rail

Freight Rail commenced with a water use management audit in October 2014. Ten high consuming depots were identified, of which six (Kaserne, City Deep, Welgedacht, Thabazimbi, Witbank, Komatipoort) have been concluded. Preliminary reports for Bayhead, Nelspruit, Bloemfontein and Kimberley are complete. The project will be completed in 2015.

Freight Rail consumed a total of 6 624 364Kℓ of water in 2015.

Water in Port Terminals

The Port of Saldanha requires water to reduce the environmental impact of dust from the iron ore terminal. The terminal is licenced to export 60mtpa of iron ore, to which an estimated 20 000kℓ of water is added per month to reduce the effects of dust on the environment. However, Saldanha is a water scarce area. Port Terminals therefore constructed a reverse osmosis plant to limit the demand on municipal water by desalinating sea water for use in the terminal. On average, 36 000 kℓ of water per month is saved via the plant and used to wet iron ore entering the terminal and to use elsewhere in the port.

During 2015, the Richards Bay Delkor wastewater treatment plant recycled 3 149 273kℓ of water utilised by its operations.



Left:
Saldanha
Bay Reverse
Osmosis Plant

Right:
Richards
Bay Delkor
Wastewater
Treatment
Plant

21. "Global Risks 2015 Report," World Economic Forum, 2015. www.weforum.org/reports/global-risks-report-2015.



Waste

Transnet’s operations generate a variety of waste materials as by-products and we strive to implement the principles of waste management: avoidance, reduction, recovery, re-use, recycling and disposal, if no other use can be found. In the recovery, re-use and recycling stages, Transnet is pursuing ways to create value from waste generated.

Transnet has in accordance with the requirements of Section 36 of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) identified contaminated areas throughout our operations. These sites have been identified via scientific methods and visual assessment based on the knowledge of activity undertaken at the site or historic information available. Management plans have been developed for the asbestos and hydrocarbon contaminated areas and the relevant authorities have been notified. The following actions are in progress:

- Soil vapour surveys;
- Soil and groundwater sampling and analysis;

- Placement of absorbent mats to prevent recurrence of hydrocarbon pollution and minimise contamination;
- Erection of signage at asbestos high risk areas; and
- Asbestos air quality assessments.

Transnet further commits to:

- Continuation of clean-up programmes and initiatives for the contaminated sites;
- Further investigations of remediation methods and waste treatment options; and
- To manage asbestos risk exposure by prioritising the contamination that interferes with rail maintenance, operations staff and the public while permanent disposal options are investigated.

Pipeline spills continue to present a challenge with five spills occurring in 2015. Education campaigns are ongoing with property owners and contractors.

Pipeline spills 2015

Date	Location	Product	Volume (ℓ)	Cause	Remediation
28 May 2014	Ladysmith – Bester Farm	DJP leak	90 000	Operational (pick damage)	Re-vegetation of site is complete. Request for site closure sent to authorities.
11 June 2014	Alrode – Eden Park	Petrol	64 950	Third party (theft)	Rehabilitation is ongoing. Potential risk to residents via indoor air exposure pathway.
29 July 2014	Ladysmith – PS 5	Diesel	3 000	Operational (spill)	Excavated contaminated soil is being treated on biopads.
9 October 2014	Sasolburg – Beginsel Farm	Petrol	209 363	Third party (pipe damaged by farmer)	Remediation of contaminated soil and groundwater monitoring is ongoing.
23 December 2014	Hillcrest – Greenvale Estate	Diesel	191 000	Operational (pipeline failure spill)	Rehabilitation ongoing, backfilling of soil has commenced in some areas.

Freight Rail’s asbestos clean-up project

Historical waste from Freight Rail’s operations and activities pose risks to human health and environmental degradation. Freight Rail’s Waste Management Policy commits to waste management that ensures a safe, healthy and sustainable environment. ‘Legacy asbestos’ is prioritised due to the significance of contamination caused by historic spillages during the transportation of asbestos from mines.

In 2015, Freight Rail completed an Environmental Impact Assessment to convert the De Aar quarry into an asbestos waste landfill site. The Environmental Impact Report was submitted to the Department of Environmental Affairs in December 2014 and a decision is awaited. In order to manage the potential asbestos exposure, an ad hoc clean-up process is underway to manage resurfacing of buried asbestos fibres to prevent or minimise staff and public exposure to the fibres.

Biodiversity

Transnet’s operations have the potential to significantly impact on biodiversity. Transnet’s capital infrastructure programme addresses biodiversity concerns at an early stage and continues throughout the operational phases of each project. Strategic Environmental Assessments (SEA) based on the Long-term Planning Framework are done, enabling Transnet to understand and plan ahead for the environments within which capital expansions are to be located. The outcome of SEAs provide a framework for planning in order to prioritise development in those areas with the least environmental sensitivity. This informs Biodiversity Impact Assessments (BIA) for those areas identified for development on a project by project basis. Management plans are developed to address potential impacts identified through the BIAs.

Transnet continues to map biodiversity hotspots against existing and future operations to ensure ecological sustainability of our infrastructure.



Sustainability Assurance Statement

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 Transnet Reporting Criteria.

Introduction

We have been engaged to perform an independent assurance engagement for Transnet SOC Ltd ("Transnet") on selected sustainability information reported in Transnet's Sustainability Report ("the Report") set out on pages 1 to 65 for the year ended 31 March 2015. The King Code advocates that sustainability reporting and disclosure should be independently assured. We provided limited and reasonable assurance on selected sustainability key performance indicators outlined in section 3 of this report and this report is produced in accordance with the terms of engagement with Transnet.

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.

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

Subject matter and assurance

The subject matter of our engagement and the related levels of assurance that we are required to provide are as follows:

Reasonable assurance

The following selected sustainability information in the Report was selected for an expression of reasonable assurance:

Employment

- Transnet total headcount of employees for 2014/2015 year end (Page 25); and
- Gross Value Add from capital and operating expenditure (Page 26).

Ethics

- Tip -offs anonymous hotline statistics (total allegations, total unfounded, total founded) (Page 21); and
- Fraud and corruption incidents disciplinary actions completed and in progress for 2015 (Page 20).

Skills development

- Total spend on skills development (Page 30);
- Actual number of bursars on the Transnet training and engineering bursary program (Page 30);
- Actual number of training achievements per category for 2014/2015 (Page 30); and
- Actual number of Maritime School graduates for 2014/2015 (Page 29).

Health and safety

- Safety statistics - DIFR rate (Page 50);
- Percentage change in unplanned absenteeism (Page 50); and
- Actual cost of absenteeism for 2014/2015 (Page 50).

Industrial capability building

- Transnet locomotive contract compliance with local content criteria on the Supplier Development program (Page 33);
- Total amount of locomotives built by Transnet and total number of locomotives built by China South Rail rolled off at Engineering (Page 34); and
- Total amount invested in Transnet Engineering innovation centre for Research and Development (Page 35).

Transformation

- Employment equity - black employees, women and People with Disabilities as a percentage of the workforce for 2015 (Page 46);
- Employment equity - black employees per occupational level and female employees per occupational level actuals 2014/2015 (Page 46);
- B-BBEE rating (Page 47);
- B-BBEE spend (Page 47); and
- B-BBEE statistics (Page 47).

Community development

- Total CSI spend per program (Page 54); and
- CSI spend per program (Page 54).

Environmental stewardship

- Total electricity consumption for the 2014/2015 year (Page 59);
- Electricity distribution (Page 59);
- Total fuel consumption (Page 59);
- Fuel distribution (Page 59);
- Energy efficiencies (Page 60);
- Scope 1 and 2 emissions (Page 61); and
- Carbon emissions intensity for 2015 (Page 61).

Regional integration

- Total cross border revenue for 2014/2015 (Page 42).

Limited assurance

The following selected sustainability information in the Report was selected for an expression of limited assurance:

- Stakeholder Engagement Policy and Process Control Framework (Page 21).

We refer to this information as the "selected sustainability information for reasonable assurance" and "selected sustainability information for limited assurance" respectively, and collectively as the "selected sustainability information".

We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the selected sustainability information.

Directors' responsibilities

The directors are responsible for the selection, preparation and presentation of the sustainability information in accordance with the criteria set out on page 71 of the Report, collectively referred to as the "Transnet Reporting Criteria". This responsibility includes the identification and stakeholder requirements, for 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.

Our responsibility

Our responsibility is to form an independent conclusion, based on our reasonable assurance procedures, on whether the selected sustainability information for reasonable assurance has been prepared, in all material respects, in accordance with the Transnet Reporting Criteria.

We further have a responsibility to form an independent conclusion, based on our limited

Appendix A: External Assurance Statement

assurance procedures, on whether anything has come to our attention to indicate that the selected sustainability information for limited assurance has not been prepared, in all material respects, in accordance with the Transnet Reporting Criteria.

We conducted our reasonable and limited assurance engagement in accordance with International Standard on Assurance Engagements: Assurance Engagements other than Audits and Reviews of Historical Financial Information (ISAE 3000) and in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410: Assurance Engagements on Greenhouse Gas Statements (ISAE3410), issued by the International Auditing and Assurance Standards Board. These standards require that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain either reasonable or limited assurance on the selected sustainability information as per the terms of our engagement.

Summary of work performed

Our work included examination, on a test basis, of evidence relevant to the selected sustainability information. It also included an assessment of the significant estimates and judgments made by the directors in the preparation of the selected sustainability information. We planned and performed our work so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence on which to base our conclusion in respect of the selected sustainability information.

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 judgment and included inquiries, 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.

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;
- Applied the assurance criteria in evaluating the data generation and reporting processes;
- 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; and
- 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.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable

assurance engagement and, therefore, less assurance is obtained with a limited assurance engagement than in respect of a reasonable assurance engagement.

The procedures selected depend on our judgment, including the assessment of the risk of material misstatement of the selected sustainability information, whether due to fraud or error. In making those risk assessments; we consider internal control relevant to the Company's preparation of the selected sustainability information in order to design procedures that are appropriate in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the method used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of certain different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgments. The precision thereof may change over time. It is important to read the report in the context of the reporting criteria.

In particular, where the information relies on the factors derived by independent third parties, our assurance work has not included examination of the derivation of those factors and other third party information.

Conclusions

Reasonable assurance

Based on the results of our reasonable assurance procedures, in our opinion the selected sustainability information for the year ended

31 March 2015 has been prepared, in all material respects, in accordance with the reporting criteria.

Limited assurance

Based on the results of our limited assurance procedures, nothing has come to our attention that causes us to believe that the selected sustainability information for the year ended 31 March 2015, has not been prepared, in all material respects, in accordance with the reporting criteria.

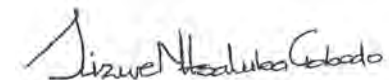
Other matters

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.

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. To the fullest extent permitted by law, 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, save where terms are expressly agreed and with our prior consent in writing.



Collins Mashishi CA (SA)

Director

Registered Auditor

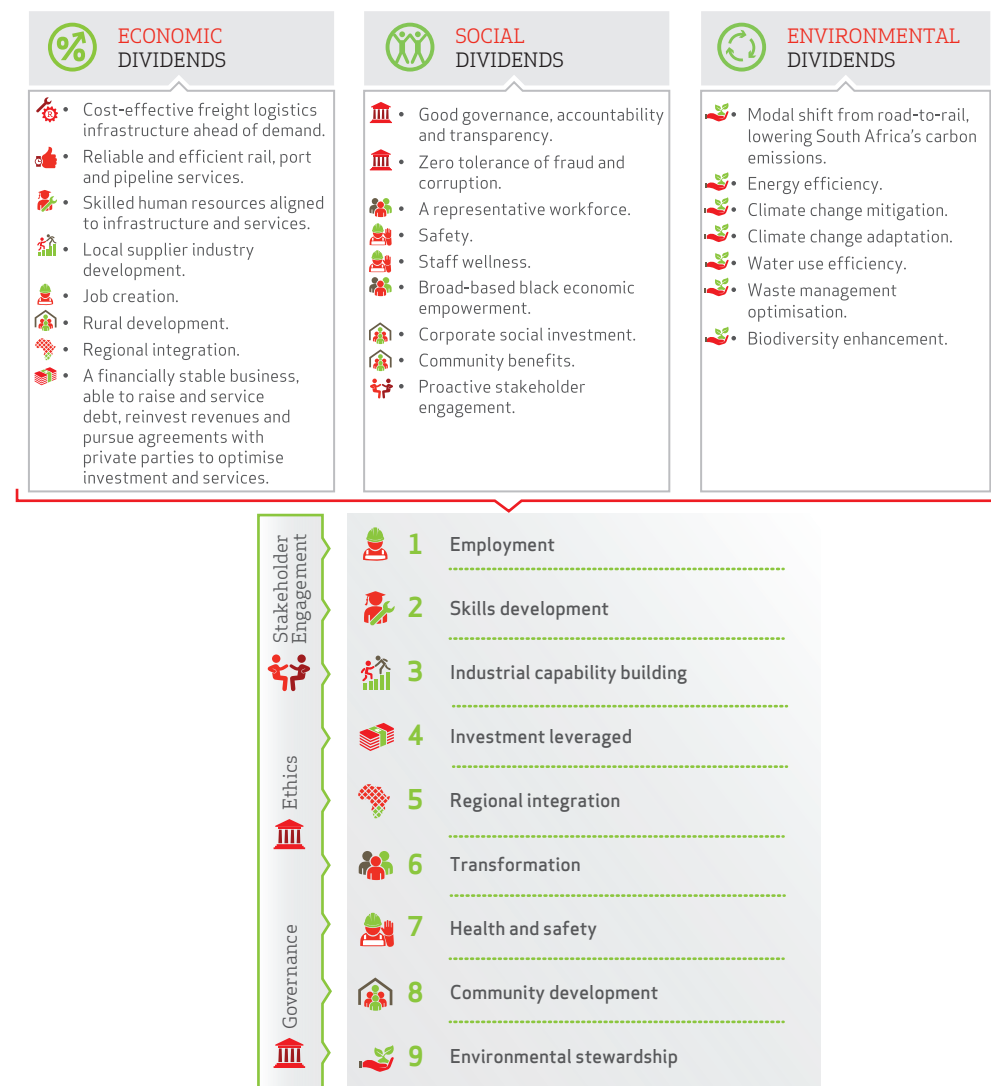
SizweNtsalubaGobodo Inc.

3 June 2015



APPENDIX B: REPORTING TRANSITION FROM ECONOMIC, SOCIAL AND ENVIRONMENTAL DIVIDENDS TO SUSTAINABLE DEVELOPMENTAL OUTCOMES

Since 2012, Transnet's sustainability performance has been reported in the annual Sustainability Report in terms of Economic, Social and Environmental dividends. Over the past three years, Transnet has introduced policies, measurement methods, process controls, data systems, targets, reporting and assurance to embed sustainability into business practise. As these mature, the Company is increasingly able to measure inputs, activities, outputs and outcomes. In consultation with the DPE during 2014, nine SDO themes were included in the Shareholder's Compact from 2015. The SDOs are therefore used for sustainability reporting from 2015. The SR2015 and IR 2015 continue to provide information on each of the economic, social and environmental dividends previously reported, but the sustainability information has now been re-aligned to the nine SDO themes and three sustainability enablers, as illustrated in the figure below.



APPENDIX C: TRANSNET REPORTING CRITERIA

Transnet's sustainability reporting for 2015 is based on Transnet-specific reporting criteria.

Sustainable Developmental Outcomes	Reporting criteria
Employment	Transnet measures actual job creation by the year-on-year change in total headcount (comprised of permanent and fixed term contract employees). Transnet's Macro-economic Impact Model calculates the number of direct, indirect and induced jobs that Transnet creates annually in the economy. Value-add is calculated as the financial value created by the activities of the business and its employees.
Skills Development	Training spend is calculated as a percentage of the wage bill spent on training, and the Rand value thereof. Training is listed by the intake number of apprentices, technicians, engineers, sector-specific trainees, protection officers and leadership candidates.
Industrial Capability Building	Supplier development is determined by the value of supplier development obligations in the Rand value of a contract and as a percentage of total contract value. R&D is reported by total expenditure on R&D activities.
Investment Leveraged	Reporting on private sector participation lists targeted opportunities and initiatives.
Regional Integration	Cross-border revenue is reported from Freight Rail and Engineering contracts involving services supplied in the region.
Transformation	Employment equity is calculated as employee headcount by race, gender and disability as a percentage of the total workforce and by category of employment. B-BBEE spend is measured as part of total measurable procurement spend on black-owned enterprises, black women-owned enterprises, exempted micro-enterprises, qualifying small enterprises, black youth-owned and People with Disabilities. Transnet's annual B-BBEE score is measured and verified according to the DTI's Codes of Good Practice. The following Charters apply to Transnet: Generic Transport Public Sector, Rail, Maritime and Property.
Health and Safety	Safety performance is measured by the Disabling Injury Frequency Rate, fatalities, loss producing incidents, running line derailments and shunting derailments. Asset loss is reported in Rand value for theft of cables, goods in transit, copper products, motor vehicles, sleepers, taupaulins, batteries and pendrol springs. Absenteeism refers to family responsibility leave, special sick leave, sick leave paid and unpaid, hospitalisation, absence without leave and determines the calculated cost of absenteeism.
Community Development	Transnet Foundation activities are reported on the number and geographic location of beneficiaries and total expenditure per programme.
Environmental Stewardship	Transnet measures its electricity consumption, fuel consumption, energy efficiency and electricity regeneration. Transnet's carbon emissions and carbon emissions intensity are reported in accordance with the GHG Protocol (a Corporate Accounting and Reporting Standard); the Intergovernmental Panel on Climate Change guidelines for National GHG Inventories, 2006. Carbon emissions savings for the South African transport sector are reported on the top 10 road-to-rail volume gains, using GHG Protocol measures for the relevant emission factors. Pipelines spills are recorded per litre, per incident. Records on initial water audits are reported.
Enablers of Sustainability	Reporting criteria
Governance	Reporting on governance reflects Transnet's adherence to the King Code of Corporate Governance for South Africa, 2009; the Companies Act, 2008 (Act No. 71 of 2008); and the Public Finance Management Act, 1999 (Act No. 1 of 1999), supported by relevant internal policies.
Ethics	Reporting on ethics reflects Transnet's Fraud Risk Management Plan, supported by relevant internal policies. The total confirmed incidents of crime comprise the total disciplinary actions completed and in progress.
Stakeholder Engagement	Reporting on stakeholder engagement reflects the internal records of Transnet's engagements with its stakeholders and an analysis of the material issues arising. Transnet's Stakeholder Engagement Policy is informed by the AccountAbility 1 000 Stakeholder Engagement Standard.

APPENDIX D: GLOBAL REPORTING INITIATIVE TABLE



General Standard Disclosures	Reference	Page
Strategy and analysis		
G4-1 Provide a statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	Sustainability at Transnet – Board statement and approval, and Executive statement	4
Organisational profile		
G4-3 Report the name of the organisation.	Sustainability at Transnet	1
G4-4 Report the primary brands, products and services.	About Transnet – Who we are, What we do, Our services	6-10
G4-5 Report the location of the organisation's headquarters.	About Transnet- Where we operate	8
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	8
G4-7 Report the nature of ownership and legal form.	About Transnet – Who we are	6
G4-8 Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	About Transnet – Our services	10
G4-9 Report the scale of organisation, including: • Total number of employees • Total number of operations • Net revenues (for public sector organisations) • Quantity of products or services provided.	About Transnet – Who we are, What we do, Our services	6-10
G4-13 Report any significant changes during the reporting period regarding the organisation's size, structure, ownership or its supply chain.	Reporting Approach – Reporting boundary	5
G4-14 Report whether and how the precautionary approach or principle is addressed by the organisation.	Transnet supports the precautionary approach to environmental challenges, as espoused in Principle 15 of the Rio Declaration, 1992 – Environmental Stewardship.	56-65
G4-15 List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	Reporting Approach – Reporting frameworks	5

General Standard Disclosures	Reference	Page
G4-16 List memberships of associations and national or international advocacy organisations in which the organisation: • Holds a position on governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views memberships as strategic.	UNGC (represented on the UNGC's Local Network Advisory Committee); National Business Initiative; IIRC Business Network; Energy Intensive Users Group; Energy Efficiency Leadership Network; Industry Task Team on Climate Change; Network for Business Sustainability South Africa; and the National Biodiversity and Business Network.	
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 document is not covered by the report.	Transnet SOC Ltd denotes the five Operating Divisions and three Specialist Units. For a list of all entities included in the organisation's financial statements refer to the AFS for the year ending 31 March 2015.	12-17
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 Material Issues – Material issues determination	12-17
G4-19 List all the material aspects identified in the process for defining report content.	Material Issues – Material issues determination	12-17
G4-20 For each material aspect, report the boundary within the organisation as follows: • Report whether the aspect is material within the organisation	Material Issues – Material issues determination	12-17
G4-22 Report the effect of any restatements of information provided in the previous reports, and the reasons for such statements.	Reporting Approach – Reporting boundary	5
G4-23 Report significant changes from previous reporting periods in the scope and aspect boundaries.	Reporting Approach – Reporting boundary	5
Stakeholder engagement		
G4-24 Provide a list of stakeholder groups engaged by the organisation.	Material Issues- Stakeholder engagement	13



Appendix D: Global Reporting Initiatives Table

General Standard Disclosures	Reference	Page
G4-25 Report the basis for identification and selection of stakeholders with whom to engage.	Enablers of Sustainability – Stakeholder engagement	20
G4-26 Report the organisation's approach to stakeholder engagement including frequency of engagement by type and by stakeholder group, and indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Enablers of Sustainability – Stakeholder engagement	20
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 Appendix F – Stakeholder engagement	13-15 80-83
Report profile		
G4-28 Reporting period (such as fiscal or calendar year) of information provided.	Reporting Approach – Reporting boundary	5
G4-29 Date of most recent, previous report.	Reporting Approach – Reporting boundary	5
G4-30 Reporting cycle (such as annual, biannual).	Reporting Approach – Reporting boundary	5
G4-31 Provide the contact point for questions regarding the report or its contents.	General Manager: Public Policy & Sustainability, Sue.Lund@transnet.net	5
G4-32 (a) Report the 'in accordance' option the organisation has chosen. (b) Report the GRI Content Index for the chosen option. (c) Report the reference to the External Assurance Report.	Reporting Approach – Assurance and reporting frameworks	5
G4-33 (a) Report the organisation's policy and current practice with regard to seeking external assurance for the report. (b) If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. (c) Report the relationship between the organisation and assurance providers. (d) Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.	Reporting Approach – Assurance Appendix A: External Assurance Statement	5 66-69

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.	Enablers of Sustainability – Governance	18-19
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.	Enablers of Sustainability – Ethics	19-21
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.	Enablers of Sustainability – Ethics	19-21

APPENDIX E: UNITED NATIONS GLOBAL COMPACT TABLE



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

Leadership, oversight and accountability for upholding the principles of the UNGC rests with REMSEC which advises the Board of Directors on issues pertaining to responsible corporate citizenship. REMSEC's functions include assessing, measuring and reviewing the Company's activities related to human rights, equality, corruption, health, public safety, the environment, consumer and labour relations, and empowerment – reflecting the principles of the UNGC. REMSEC further assesses the Company's promotion of equality, prevention of unfair discrimination and reduction of corruption.

UNGC Principle	Transnet's support of UNGC's Principles	Relevant Transnet Policies
Human Rights Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2 Make sure that they are not complicit in human rights abuses.	<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 providing for the redress of inequalities experienced by the majority of South Africans under Apartheid. We uphold the principles of equity and anti-discrimination and seek to create an organisation that reflects the diversity of South African society.</p> <p>Transnet is committed to employment equity in the Company by 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 1,6% in 2014 to 2,3% in 2015.</p> <p>Transnet is further committed to transforming its supplier base through its procurement spend with 105,1% of total measurable procurement spend on B-BBEE for 2015.</p> <p>Through Transnet's <i>Code of Ethics</i>, 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.</p> <p>Transnet's <i>Culture Charter</i> further entrenches human rights in the Company through its focus on dignity and respect.</p> <p>Through its CSI programme, more specifically the Phelophepa I and II health trains, Transnet is assisting South Africa achieve the Millennium Development Goals of reducing child mortality, improving maternal health, and combating HIV/Aids, malaria and other diseases. In addition, the Orphaned Youth Programme is aimed at giving equal access to education to orphaned youth.</p>	<ul style="list-style-type: none"> • Employment Equity Policy • Disability Policy • Racism Policy • B-BBEE Policy • Code of Ethics Policy • Culture Charter • CSI Policy • Stakeholder Engagement Policy

UNGC Principle	Transnet's support of UNGC's Principles	Relevant Transnet Policies
Labour Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<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, among 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 convention, as applicable to fair labour practices, and South Africa has a plethora of labour legislation that reflects these standards. Transnet human resources policies and practices reflect these legislative provisions. South African law prohibits forced, compulsory and child labour.</p>	<ul style="list-style-type: none"> • Employment Equity Policy • B-BBEE Policy • Recruitment and Selection Policy • Occupational Health Management Policy • Employee Assistance Programme Policy • HIV/Aids Management Policy • Stakeholder Engagement Policy
Principle 4 The elimination of all forms of forced and compulsory labour;	<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>	
Principle 5 The effective abolition of child labour; and	<p>Transnet 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. Overall representation has increased for black employees (both male and female) with black employees representing 80,0% of the workforce. Female representation is growing steadily with top, senior, professional and skilled technical representation at 26,4%.</p>	
Principle 6 The elimination of discrimination in respect of employment and occupation.	<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>	

Appendix E: United Nations Global Compact Table

UNGC Principle	Transnet's support of UNGC's Principles	Relevant Transnet Policies
Environment Principle 7 Businesses should support a precautionary approach to environmental challenges;	Transnet supports the precautionary approach to environmental challenges, as espoused in Principle 15 of the Rio Declaration, 1992. 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.	<ul style="list-style-type: none"> • Energy Policy • SHEQ Policy • Stakeholder Engagement Policy
Principle 8 Undertake initiatives to promote greater environmental responsibility; and	During 2014, Transnet adopted an <i>Energy Policy</i> outlining the Company's commitments that: energy consumption is proactively managed; energy efficiency improves; GHG emissions decline; energy costs are reduced; and energy security improves. Various initiatives are underway including: the ISO50001 energy management system is being implemented in all Operating Divisions and Transnet Property; guidelines have been established for energy specifications in Transnet procurement; and energy efficiency initiatives are implemented across the Company.	
Principle 9 Encourage the development of diffusion of environmentally friendly technologies.	Focus on modal shift from road-to-rail delivered carbon emissions savings of 479 648t CO ₂ e in the top 10 road-to-rail volume gains in 2015. 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. Since 2012 (baseline year indicating when energy efficiency measures were instituted) total electricity consumption has decreased by 7% from 3 798 908KWh to 3 513 511 KWh in 2015. Significant energy efficiency gains were achieved in 2015 through regenerative braking in new locomotives. The R&D unit in Engineering is investigating alternative energy technologies, including second generation biofuels for diesel locomotives and port equipment; natural gas for locomotives and other equipment; fuel cells on locomotives; and harnessing wasted energy from exhaust systems.	

UNGC Principle	Transnet's support of UNGC's Principles	Relevant Transnet Policies
Anti-Corruption Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.	Transnet supports the United Nations Convention against Corruption and is committed to the highest standards of corporate governance. Section 29.1.1 of Treasury Regulations prescribed under the Public Finance Management Act, 1999 (Act No. 1 of 1999) requires all SOCs to submit a comprehensive annual FRMP to the Minister of Public Enterprises. Transnet's FRMP was first prepared in 2006, and it aims is to decrease the negative impact of fraud and corruption within the organisation and in companies and suppliers with which it interacts. The following comprises Transnet's FRMP. Transnet's <i>Code of Ethics</i> aims to instil a culture of honesty and ethical behaviour in Company representatives engaging with external parties. Transnet's service providers, suppliers and trade partners are all subject to the Code. <i>Integrity Pacts</i> are concluded with bidders and suppliers to avoid any unethical or collusive behaviour between the contracting parties and to follow procedures that are fair, transparent and free from undue influence during the procurement process. Fraud and corruption <i>risk assessments, compliance checks and investigations</i> support Transnet's 'zero tolerance' approach to fraud and corruption. Transnet's <i>Tip-Offs Anonymous Hotline</i> 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 <i>Whistle Blowing Policy</i> . In 2014, Transnet's Anti-Fraud Policy was amended to include elements of Anti-Corruption. The new <i>Anti-Fraud and Anti-Corruption Policy</i> is currently in the process of being approved. The <i>Declaration of Interests and Related Party Disclosure Policy</i> for employees and the Board 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.	<ul style="list-style-type: none"> • Anti-Fraud and Anti-Corruption Policy • Code of Ethics Policy • Integrity Pact • Whistle Blowing Policy • Declaration of Interest & Related Party Disclosure Policy • Declaration of Interest & Related Party Disclosure Policy for Directors • Gifts and Hospitality Policy • Stakeholder Engagement Policy



APPENDIX F: STAKEHOLDER ENGAGEMENT

This appendix provides an account of how Transnet engages with its material stakeholder groups, their material issues and Transnet's response.

Shareholder (Ministry of Public Enterprises)

Scheduled engagements take place regularly between the Minister and the Board Chairman; quarterly bilateral and issue-specific meetings are held between the DPE and Transnet's Executive management; detailed quarterly reports are submitted to the DPE on the Company's performance against targets; DPE is involved in Transnet's annual infrastructure capacity planning; and strategic engagements between DPE and Transnet management inform the development of the annual Corporate Plan.

Our Shareholder Ministry's key material issues for Transnet are: making a positive impact on society through the implementation of MDS; meeting performance targets; improving the execution of the capital investment plan; aligning to and delivering on government priorities; accelerating private sector participation; and managing the impact of new policy initiatives on operations.

Transnet's response to these issues includes: a revised Shareholder's Compact structure outlining nine SDOs and the introduction of systems to measure and account for Transnet's impact on society; continuous engagement and reporting to update DPE on planning and performance; the establishment of a Capital Integration team and the Results Management Office to constantly monitor the capital programme and operational performance; proactive participation in Government's SIP to align with Government's infrastructure investment priorities; identification of specific private sector participation opportunities and processes; and continuous engagement in existing policy platforms to address regulatory challenges.

Customers

Transnet engages continuously with its customers through regular operational and commercial business meetings, roadshows,

seminars, conferences and industry networks.

Our customers' key material issues are: efficiency and productivity; development of SMMEs; continuity in obtaining goods and services; need for integrated planning within the public sector; and price competitiveness.

Transnet's response to these issues includes: monitoring and evaluating efficiency targets through service level agreements with customers; regular reviews of the MDS and Long term Planning Framework that include continuity plans to address security of goods and services; sharing long-term plans with customers and the three spheres of Government to pursue alignment of investment plans; and transparency in sharing business model and pricing strategies, wherever feasible.

Employees

Transnet management engages with employees through regular staff meetings, roadshows, newsletters, communiques, team building and strategic planning sessions.

Our employees' key material issues are: terms and conditions of service; workplace issues namely, skills development, training, work promotions and performance management; standardisation of processes and operating procedures; health and safety of employees; and involvement in the Company's CSI projects.

Transnet's response to these issues includes: initiatives to address and improve culture gaps; enabling systems for standardisation of processes and operating procedures; performance reviews and individual development plans to address skills and training needs; monthly health and safety meetings and site visits to enforce compliance with health and safety standards; encouragement and support for employee participation in community development projects.

Investors

Transnet engages with its investors through quarterly investor briefings, road shows and bi-annual reporting.

Our investors' key material issues are: Transnet's ability to execute capital projects; increasing revenue needed to meet financial commitments; impact on communities; electricity supply; and regulatory uncertainty posed by the Integrated Coastal Management Act, National Ports Act, impending rail reforms and the economic regulators' tariff approval processes.

Transnet's response to these issues includes: regularly sharing plans and performance with investors; actively disseminating information; ensuring that funding plans are approved timeously by the relevant authorities (Shareholder and National Treasury); sharing sustainability and CSI plans and data; and reporting on engagements with policy makers and economic regulators.

Suppliers

Transnet engages with its suppliers through monthly and quarterly meetings, and scheduled supplier summits.

Our supplier's key material issues are: transparency of procurement processes; information on tendering and contracting; ensuring that goods and services supplied meet B-BBEE and environmental standards; information on enterprise and supplier development programmes; and inefficiencies within supply chain management, particularly for procurement processing and payment turnaround times.

Transnet's response to these issues include: ensuring our procurement processes meet the relevant legislative and governance processes for procuring goods and services; refining processes, procedures, and reporting templates related to contract management in terms of the Procurement Procedure Manual; supplier workshops and roadshows to communicate with current and potential suppliers; updating tendering documents to meet B-BBEE and environmental standards; and continuous improvements in achieving short payment turnaround times, especially for SMMEs.

Organised labour

Transnet engages with organised labour through recognition agreements which provide for monthly and/or quarterly meetings. Collective bargaining takes place regularly through the bargaining council.

Organised labour's key material issues are: compliance with and achieving EE targets; better working conditions; and gender parity/representativity.

Transnet's response to these issues includes: achieving EE targets and sharing these through quarterly reviews and tracking of targets; using the Workplace Skills Plan Forum to inform trade unions about targets and progress on transformation; ongoing engagements on specific issues concerning employees; consultation with unions on internal policies prior to approval; engaging with unions in accordance with legislative requirements; and embarking on programmes to achieve gender representativity across the Company.

Communities

Transnet engages with communities within which it operates through regular meetings, workshops, communication and engagement campaigns, roadshows, career expos and through implementation of CSI projects.

Our communities' key material issues are: Transnet's developmental impact on the communities' safety, employment, skills, environment, welfare and economic opportunities; and our relationships with community representatives.

Transnet's response to these issues includes: local consultation on project planning; where feasible, pursuing job opportunities in communities within which Transnet operates; skills development programmes; advertising tender and recruitment adverts in local papers; strengthening cooperation and local projects to address crime and safety; and servitude awareness programmes and public meetings.



Regulators

Transnet engages with its regulators through the annual applications processes, ongoing meetings, monthly and quarterly joint planning sessions, scheduled strategic planning sessions, and when required, through written comments and workshops.

The regulators' key material issues are: Company performance, pricing strategies, plans to ensure security of supply of goods and services, regulatory uncertainty, compliance, and the Company's impact on the economy.

Transnet's response to these issues includes: information sharing on the Company's strategy, performance, pricing strategies, compliance and plans to ensure security of supply in the tariff application processes. Continuous engagement takes place on regulated permit fees to seek that they are competitive and reflective of the developmental outcomes mandated by the Shareholder.

National Government

Transnet engages with National Government departments through joint planning sessions and issue-specific meetings/workshops and when required, through written comments on draft policies and legislation.

National Government's key material issues are: alignment between Government infrastructure plans and Transnet's planning; more information on Transnet's Africa Strategy for alignment purposes; environmental compliance; and collaboration on climate change initiatives.

Transnet's response to these issues include: active participation in SIP 2; engagements on the Africa Strategy with the Economic and Infrastructure Clusters; engagement with the Department of Environmental Affairs on the Integrated Coastal Amendment Act and on climate change mitigation and adaptation plans; and providing reports and policy comments to the relevant departments.

Provincial Government

Transnet engages with Provincial Government through regular meetings, joint planning sessions, SIP coordination structures, and when required, through written comments and workshops.

Provincial Government's key material issues are: collaboration in the planning of freight infrastructure and management; alignment with provincial programmes and objectives; community development and upliftment; and ensuring environmental compliance.

Transnet's response to these issues includes: investments that align with Provincial Government plans and SIP priorities; engagements on long-term planning; agreement with the National Housing Agency for the transfer of certain properties for housing; and providing environmental reports to relevant departments as required.

Local Government

Transnet engages with Local Government through meetings with a variety of local structures; joint planning sessions; strategic planning sessions; and when required, through written comments and workshops.

Local Government's key material issues are: servitude agreements; community development and upliftment; crime in and around Transnet properties; utilisation of unused Transnet property, and environmental compliance.

Transnet's response to these issues include: partnering with local government and local forums to conduct servitude awareness campaigns in the communities; engaging with local suppliers regarding procurements and governance processes; agreement with the National Housing Agency for the transfer of properties for housing; conducting career expos at schools; and providing various reports to the relevant municipalities.

Non-governmental Organisations

Transnet engages with a range of NGOs through various associations, Environmental Impact Assessments consultation processes and local CSI projects.

NGOs' key material issues are: Transnet's impact on the environment and the communities where Transnet operations are located.

Transnet's response to these issues include: collaborative approaches to planning; early and ongoing consultations on Environmental Impact Assessments and servitude conditions; policy engagements on climate change mitigation and adaptation and carbon pricing; joint projects to reduce substance abuse in communities and create safety awareness; and collaboration on CSI projects.

Media

We engage with media through regular media briefings and press releases, communication and engagement campaigns, roadshows, and when required through written comments.

The media's key material issue is: perceived lack of transparency in terms of information availability.

Transnet's response to this issue includes establishing more media platforms to engage with the media.

Parliament

Transnet engages with Parliament through Parliament's Portfolio Committees and key material issues raised are alignment with government objectives and achieving performance targets.

Transnets provides regular feedback to the relevant Parliamentary Portfolio Committees, including an annual presentation to the Parliamentary Portfolio Committee on Public Enterprises on Transnet's results and Shareholder's Compact performance.

Pensioners

We engage with pensioners through regular meetings either monthly and/or quarterly.

The pensioners' key material issue was that members of the Transport Pension Fund ('the TPF') and the Transnet Second Defined Benefit Fund ('the TSDBF') brought an Application in court against Transnet to be permitted to represent all members of their respective Funds and to institute a class action against Transnet in the amount of R79 billion. The class action was certified against the TSDBF and TPF.

Transnet's response was to oppose the applications on the basis that the two pension funds are well capitalised to discharge their obligations and in addition, Transnet pays ex gratia bonuses to members of the two pension funds. Transnet awaits summons of the pending class action.

Academia and scientific institutions

Transnet engages with academia and scientific institutions.

Academia and scientific institutions' key material issues are: collaboration on engineering and technology, innovation, leadership and community development.

Transnet has collaboration agreements with the Council for Scientific and Industrial Research, Wits University and the Gordon Institute of Business Science.

ABBREVIATIONS AND ACRONYMS

AFS	Annual Financial Statements
AU	African Union
B-BBEE	Broad-based Black Economic Empowerment
CDP	Carbon Disclosure Project
CSDP	Competitive Supplier Development Programme
CSI	Corporate Social Investment
DIFR	Disabling Injury Frequency Rate
DPE	Department of Public Enterprises
DTI	Department of Trade and Industry
ED	Enterprise Development
EE	Employment Equity
EIT	Engineer-in-Training
ERM	Enterprise Risk Management
FRMP	Fraud Risk Management Plan
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
IIRC	International Integrated Reporting Council
IR	Integrated Report
ISASA	Independent Schools Association of Southern Africa
JOC	Joint Operating Centres
MDS	Market Demand Strategy
NDP	National Development Plan

NEAP	National Economically Active Population
NGO	Non-Governmental Organisation
NMPP	New Multi-Product Pipeline
NPAT	Net Profit After Tax
OEM	Original Equipment Manufacturer
PSP	Private Sector Participation
REMSEC	Remuneration, Social and Ethics Committee
R&D	Research and Development
SD	Supplier Development
SDO	Sustainable Developmental Outcomes
SHEQ	Safety, Health, Environment and Quality
SIP	Strategic Infrastructure Project
SNG	SizweNtsalubaGobodo
SOC	State-owned Company
SR	Sustainability Report
SSI	Statement of Strategic Intent
TETA	Transport Education Training Authority
TIT	Technician-in-Training
TMPS	Total Measurable Procurement Spend
UNGC	United Nations Global Compact
YPT	Young Professionals in Training

CORPORATE INFORMATION

Transnet SOC Ltd

47th Floor, Carlton Centre
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2001

Incorporated in the Republic of South Africa.
Registration number 1990/000900/30.

Executive directors

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

Independent non-executive directors

LC Mabaso* (Chairperson), Y Forbes, GJ Mahlalela*, PEB Mathekga*, N Moola, ZA Nagdee*, VM Nkonyane*, MR Seleke*, SD Shane*, BG Stagman*, PG Williams*

** Appointments effective 11 December 2014.*

Group Company Secretary

Ms ANC Ceba

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PO Box 72501, Parkview, 2122, South Africa.

Auditors

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

The internal audit function has been outsourced to SekelaXabiso (Pty) Ltd, Nkonki Inc and KPMG Services (Pty) Ltd.

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