



Sustainability **Report**
2016

SUSTAINABILITY PERFORMANCE HIGHLIGHTS 2016



64 467

Total employees



84,2%

Black employees



7,5%

Decrease in electricity consumption



R850m

Total spend on skills development

45%

Females top management

6,5%

Decrease in fuel consumption

2,3%

People with disabilities

3,9%

Energy efficiency improvement

58 967

Training initiatives

R43,5bn

B-BBEE spend

5,6%

Carbon emissions intensity reduction



0,69

DIFR

Level 2

B-BBEE rating

313 699tCO₂e

Transport sector carbon emissions avoided



R248,4m

Total CSI spend

145 863MWh

Electricity regenerated by new locomotives



NAVIGATING OUR 2016 REPORTS



Available in
print format



Available online
in PDF format



Available online
in PDF format



* Operating Divisions reports



* Annual Results Presentation

* Full results announcement

* Short-form results announcement

The **2016 Integrated Report** is the Company's primary report to all stakeholders.

The **2016 Annual Financial Statements**

include reports of the independent auditors and directors.

The **2016 Sustainability Report** documents

Transnet's sustainability performance in greater detail.

CONTENTS

ABOUT THIS REPORT 2

Reporting Approach 2

ABOUT TRANSNET 3

Who we are 3

Mandate 3

Vision 3

Mission 3

Where we operate and what we do 4

Our services 6

Our support services 6

LEADERSHIP 8

Message from the Board 8

Message from the Group Chief Executive 9

SUSTAINABILITY AT TRANSNET 10

Our sustainability framework 10

Outcomes-based reporting 11

Our strategy 11

Market Demand Strategy 12

MATERIAL ISSUES 14

Material issues determination 14

ENABLERS OF SUSTAINABLE DEVELOPMENTAL OUTCOMES 18

Governance 18

Ethics 19

Stakeholder engagement 21

SUSTAINABILITY PERFORMANCE REVIEW 22

Sustainable Developmental Outcomes 22

Employment 24

Skills development 28

Industrial capability building 32

Investment leveraged 38

Regional integration 42

Transformation 48

Health and safety 52

Community development 56

Environmental stewardship 60

APPENDICES 70

Appendix A 70

Appendix B 72

Appendix C 73

Appendix D 76

Forward-looking information

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



REPORTING APPROACH

ABOUT THIS REPORT

The Sustainability Report 2016 (SR 2016) documents the sustainability performance of Transnet SOC Ltd (Transnet or the Company) for the financial year 1 April 2015 to 31 March 2016. It builds on the Sustainability Report of 31 March 2015 and has been structured to reflect the nine Sustainable Developmental Outcome (SDO) themes as agreed with our Shareholder, the Department of Public Enterprises (DPE) in 2015. The report is aimed at Transnet's broad range of stakeholders (see section on Stakeholder Engagement, pages 15 and 21).

Sustainability performance is measured in 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 section of this report.

We have reported in line with Transnet-specific reporting criteria (see Appendix B), informed by the Global Reporting Initiative (GRI) G4 Guidelines' General Standard Disclosures. We have provided disclosures on our management approach for material issues in line with the Specific Standard Disclosures of GRI's G4 Guidelines.

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

ASSURANCE

2016 marks the third year that Transnet has obtained external assurance for the Sustainability Report from Transnet's independent external assurance provider, SizweNtsalubaGobodo Inc. (SNG). Reasonable assurance is provided in respect of specific key performance indicators listed in Appendix A. Financial information included in the SR 2016 is extracted from the AFS audited by SNG, which includes an unmodified audit opinion.

SUITE AND INTERACTION BETWEEN REPORTS

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

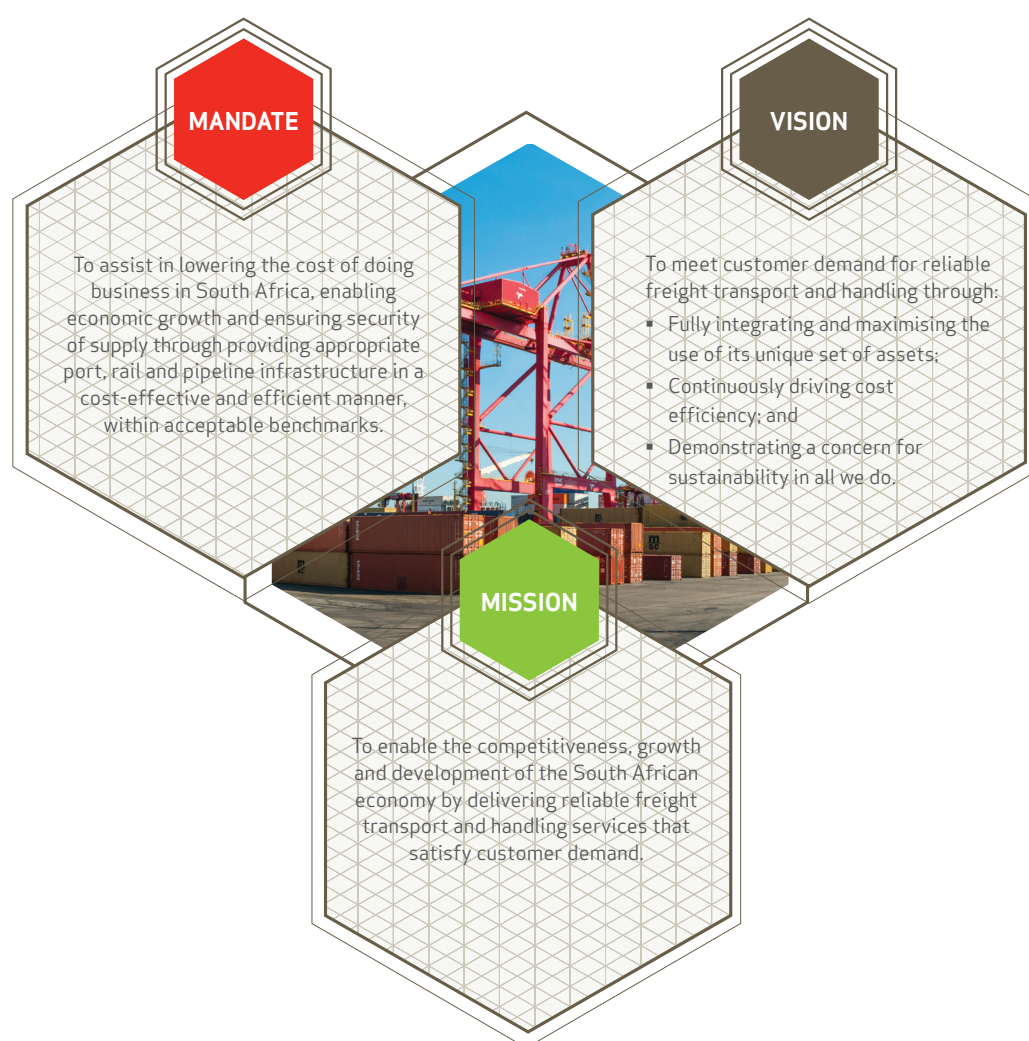
The IR, AFS and SR are available on www.transnet.net.



WHO WE ARE

Transnet 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.

Transnet is the custodian of the country's freight railway, ports and pipelines. Transnet's primary business is freight logistics services. In line with Government's National Development Plan (NDP)¹, Transnet is required to contribute to the Government's Medium Term Strategic Framework (MTSF)² 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; protect and enhance environmental assets and natural resources; and provide a better South Africa contributing to a better Africa and a better world.



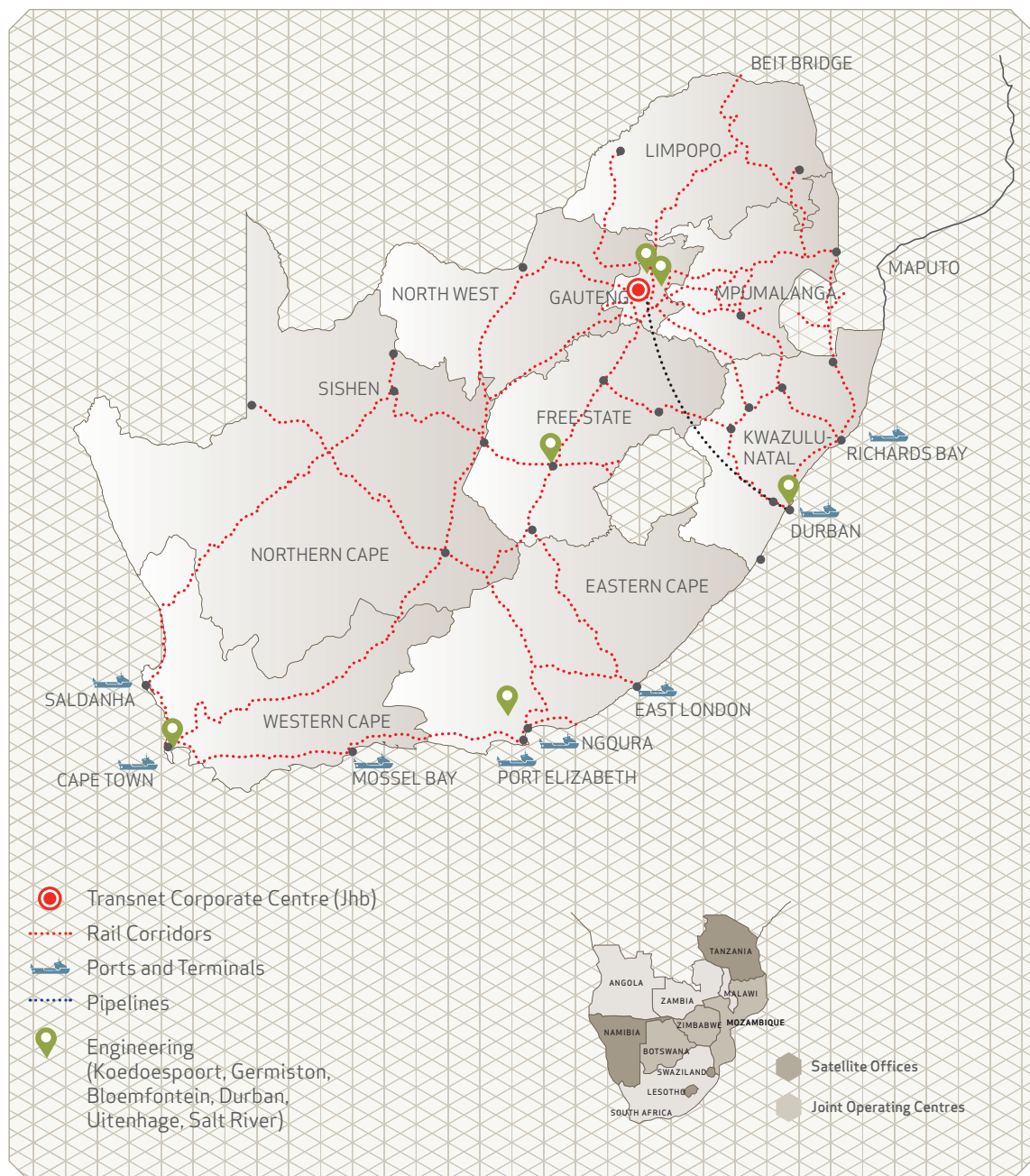
¹ 'National Development Plan', National Planning Commission, 2012. www.gov.za/issues/national-development-plan-2030.

² www.gov.za/documents/medium-term-strategic-framework-2014-2019.

WHERE WE OPERATE AND WHAT WE DO

Transnet has a coordinating Corporate Centre located in Johannesburg, South Africa and five Operating Divisions with operations spread across South Africa. Transnet has begun expanding its operations outside of South Africa into the rest of the African continent. Currently, Transnet has four satellite offices in Namibia, Swaziland, Lesotho and Tanzania; and three Joint Operating Centres 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 carbon emissions.



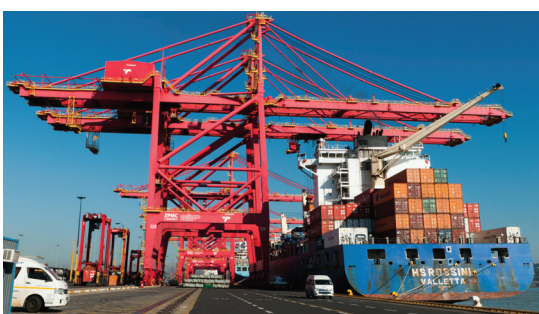
Engineering provides manufacturing, maintenance and refurbishment services of rolling stock and specialised equipment to Freight Rail, National Ports Authority, Port Terminals and Pipelines. Engineering is focused on becoming an original equipment manufacturer and is supplying rolling stock and services to other countries on the Continent. 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.



Where we operate and what we do

OUR SERVICES

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 freight³ and petroleum products⁴.

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).

³ 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.

⁴ Petroleum products include: crude oil, refined petroleum, aviation turbine fuel and gas.



Ermelo Yard

MESSAGE FROM THE BOARD

The Remuneration, Social and Ethics Committee of the Board is proud to share Transnet's Sustainability Report 2016 with stakeholders. The Committee is tasked with ensuring that Transnet delivers on its social, environmental and ethics mandate and achieves sustainable developmental outcomes from its business practises.

The Board has reviewed Transnet's sustainability performance for the year ending 31 March 2016 and the external auditor's assurance statement on the indicators of this performance, and has approved the report for publication.

The Sustainability Report publishes the results achieved under nine Sustainable Developmental Outcome themes which form part of Transnet's Compact with the Shareholder Minister. These outcomes are aligned to the vision set in Government's National Development Plan and to the medium term initiatives that Government is driving to tackle poverty, inequality and unemployment in South Africa.

The report demonstrates Transnet's commitment to the United Nations Global Compact's principles on human rights, labour, the environment and anti-corruption. The year under review saw the adoption of the United Nations Sustainable Developmental Goals, to which Transnet's nine outcome themes are also aligned.

The Board is deeply mindful of the challenging economic, social and environmental context within which Transnet operates. The Company is impacted not only by a sluggish economy, but also by social inequality, poverty, structural unemployment, skills constraints, racism, corruption, water vulnerability and energy insecurity. As Transnet mobilises its considerable assets, people, buying power and investments, it must target lasting solutions to these pervasive challenges.

Every wise decision Transnet makes today must stand the test of time and prove to be the wisest decision we could have made for the well-being of future generations. Indeed, Transnet's own future as a leading company in the South African economy is integrally tied to the sustainable development path of our nation. Transnet has the strength, ability and will to help shape that path by the choices it makes.

Transnet's approach to sustainability is thus to embed 'outcomes thinking' and 'values testing' into all



decision-making – in the markets we target and stimulate, how we tackle risks and opportunities, long term infrastructure planning, capital investment choices, project planning and execution, day-to-day operations, the procurement of goods and services, and in the management and ethics of our human capital. To this end, the Company is putting increasing effort into wide-ranging stakeholder engagements to galvanise shared and lasting value.

Under the invigorated leadership of the newly appointed Group Chief Executive, sustainability is confirmed at the heart of Transnet's strategic direction. We trust that this report gives our stakeholders insights into the progress that is being made and the vision that drives us forward.

Vusi Matthew Nkonyane

Chairperson: Remuneration, Social and Ethics Committee



MESSAGE FROM THE GROUP CHIEF EXECUTIVE

These are tough times for the global and local economy. Transnet is affected by the declining demand for commodities which has resulted in reduced freight volumes and revenues, and less capital for investment. The reality is that traditional markets are changing fundamentally, as the world seeks more resource efficiency and digital value creation.

The good news is that tough times mobilise us to re-shape business, to re-invent ourselves and seize opportunities to build a sustainable future for the Company, South Africa and our children. Transnet is driven by this imperative.

As we look back on the year under review, Transnet continues to make progress in the nine Sustainable Development Outcome focus areas that measure the sustainability of our business practises. We are encouraged by the results of our considerable investments in skills development, localisation of suppliers and industries, transformation, community support, energy efficiency and carbon emissions reduction. Strong steps have also been taken to advance regional integration in logistics, laying the foundation to establish Transnet International Holdings as a subsidiary company. While some private sector investment has been leveraged in the ports, we need to unlock barriers to more investment in other parts of the logistics network.

Regrettably, our safety results for the year are far from acceptable, and a renewed effort is being made to reverse the rate of fatalities and injuries that beset parts of our operations. We deeply regret the tragic loss of lives, both of our employees and members of the public.

Looking ahead, Transnet must achieve greater sustainable development outcomes at less cost and with higher levels of innovation and agility. There are big opportunities emerging in new markets and we can use integrated solutions across ports, rail and pipelines. There must be a determination by all of us – management and workers – to satisfy the legitimate expectations of our customers. We must listen to our stakeholders, both external and co-workers, and involve them in solutions.

Four strategic thrusts position the Transnet of tomorrow. We will be:

- Agile: Fit and focussed for a volatile world, driving efficiency, reducing costs, getting new volumes on rail, executing platinum standards, and diversifying revenues.



- Admired: A trusted and innovative South African brand, a reputation for integrity, delivering superior service, building advanced manufacturing, and a preferred choice for investors and talent.
- Digital: Using big data and advanced analytics, digitally enabling customer value propositions, driving asset productivity, and improving governance through transparency on performance.
- United: Together we succeed, with an aligned leadership, a renewed vision on future proofing, aligned performance management, and strong culture change management.

‘Sustainability in all we do’ is not just a line in Transnet’s vision statement. It is a commitment to deploy our financial, manufactured, human, intellectual, social, relational and natural resources to build an exceptional Company that helps build a better world. I am confident that Transnet will excel in this endeavour.

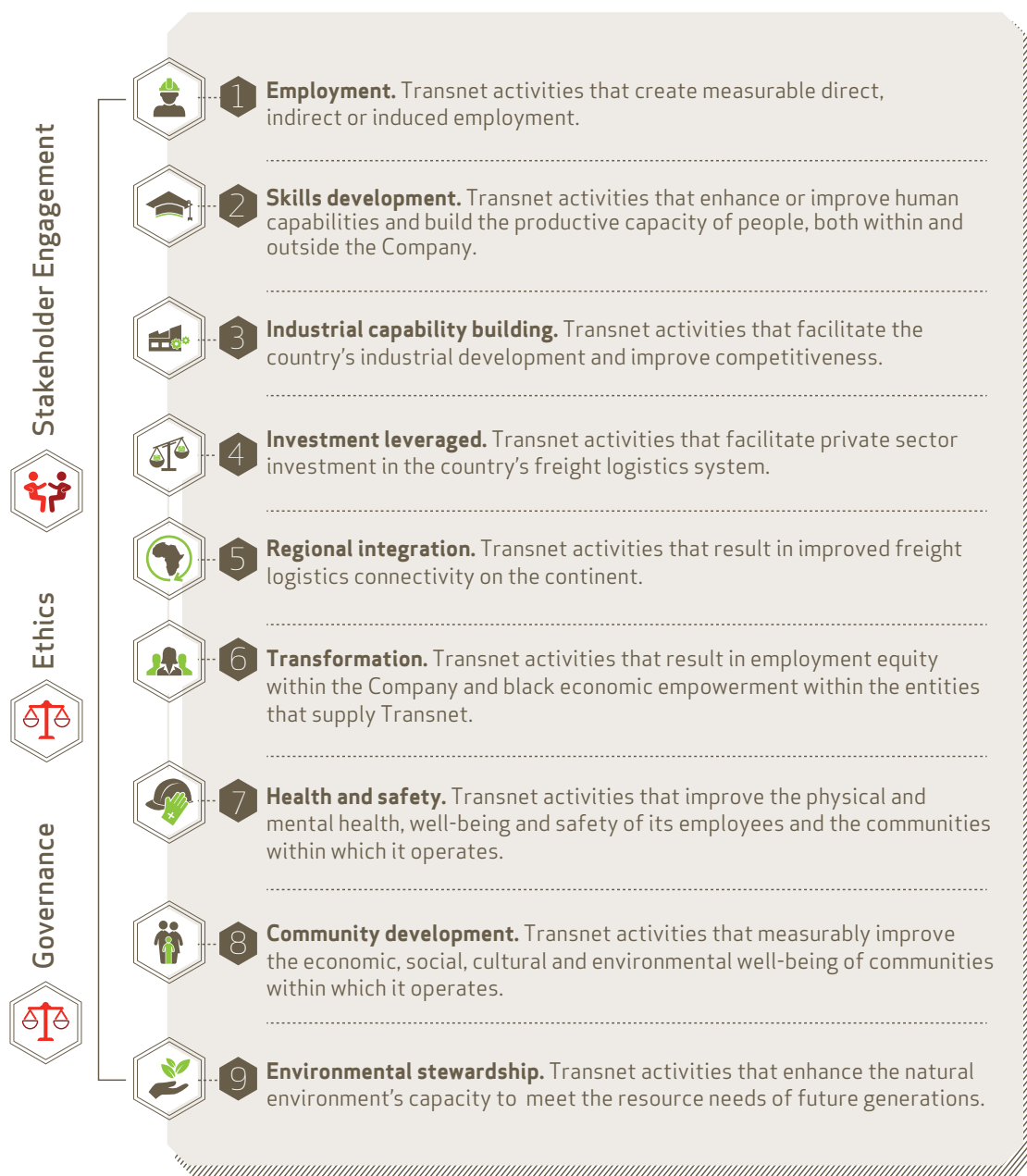
Siyabonga Gama

Group Chief Executive

OUR SUSTAINABILITY FRAMEWORK

Nine SDO themes were incorporated into Transnet's Compact with the Shareholder Minister from 2015. The nine SDO themes are: Employment, Skills Development, Industrial Capability Building, Investment Leveraged, Regional Integration, Transformation, Health and Safety, Community Development and Environmental Stewardship. Transnet's sustainability performance is measured against these nine SDOs with three key business enablers: Governance, Ethics and Stakeholder Engagement directly affecting our ability to deliver these SDOs. These nine themes are integral to Transnet's Market Demand Strategy (MDS).

Sustainable Developmental Outcomes and Enablers





OUTCOMES-BASED REPORTING

Measuring the outcomes of our activities means doing things differently in order to improve the impact we have on society. The outcomes approach is focused on achieving real improvements in the lives of South Africans. It outlines what we expect to achieve, how we expect to achieve it and how we will know whether we are achieving it. The following definitions⁵ are used in Transnet to embed the nine SDOs in the Company:

- **Inputs** – the resources invested in an activity (typically, assets, time, money, relationships, people).
- **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** – the 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).

As a SOC, Transnet is expected to deliver on Government's socio-economic imperatives (job creation, skills development, transformation and localisation). Government's MTSF outlines the key outcomes for implementation of the NDP and Transnet's outcomes-based reporting aligns to this.

Our performance report back for the year under review is structured in terms of this approach and readers are provided with references throughout the report to where additional information can be found.

With the adoption of the United Nations Sustainable Development Goals (SDGs) in September 2015, we are able to show alignment between Transnet SDOs and the relevant SDGs. This demonstrates how Transnet contributes to the global sustainability agenda. We have referenced the relevant SDGs in the sustainability performance section of this SR.

OUR STRATEGY

Transnet's MDS is in its fourth 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 shape the country's ability to compete in global trade and Transnet thus seeks to invest counter-cyclically through the peaks and troughs of volatile economic cycles to both stimulate and support growth.

In the current economic conditions, Transnet is adjusting the timing and focus of its capital investment programme to match a lower economic growth trajectory and changing patterns of commodity demand. New sectors of market demand are also being identified.

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.

⁵ Adapted from: 'Guide to the Outcomes Approach', Department of Performance Monitoring and Evaluation, 2010, www.thepresidency.gov.za/dpme/docs/guideline.pdf; and 'The International <IR> Framework', International Integrated Reporting Committee, 2013, www.integratedreporting.org.

MARKET DEMAND STRATEGY

How to read the diagram



The MDS (Figure 3) provides a graphic perspective to reflect strategic alignment with the outcomes-based Shareholders' Compact. The MDS graphic depicts the following layers:

- A 'core' layer of strategic imperatives and intended commercial outcomes;
- An intermediate layer of intended SDOs that result from Transnet's combined activities; and
- An outer layer of business enablers, and their intended organisational outcomes.

Commercial Drivers



Financial sustainability

- Maintain a financially stable and sustainable business
- Diversify revenue sources
- Maintain key financial ratios
 - Maintain investment grade credit rating
 - Manage liquidity and raise cost-effective funding
- Expand funding options



Capacity creation and maintenance

- Capital optimisation and value engineering
- Investment prioritisation of strategic projects
- Achieve platinum standard capital management and execution
- Increase capacity and capability to deliver the Capital Investment Plan
- Mitigation of risks in the creation of capacity
- Alignment of the Capital Investment Plan with the Long-term Planning Framework
- Operational readiness for projects and programmes



Operational excellence

- Operational readiness and infrastructure reliability
- A commitment to delivering freight reliably
- Achieve world-class operations in rail, ports and pipelines
- Improved levels of productivity and reliability against benchmark performance
- Increased asset utilisation
- Grow volumes and improve market share
- Improve customer satisfaction levels and enhance customer experience
- Instil a customer-centric culture and mindset



Market segment competitiveness

- Promote an integrated and aligned regional infrastructure network that allows for value chain optimisation at network and industry level
- Reduce total cost of logistics as a percentage of transportable GDP
- Promote end-to-end visibility along the value chain

Sustainable Developmental Outcomes



Employment

- Measurable direct, indirect or induced employment



Skills development

- Enhanced or improved human capabilities
- Productive capacity of people within and outside the Company



Industrial capability building

- Industrial development for South Africa
- Improved competitiveness



Investment leveraged

- Private sector investment in the country's freight logistics system



Regional integration

- Improved freight logistics connectivity on the continent



Transformation

- Employment equity within the Company
- Black economic empowerment within supplier entities



Health and safety

- Improved physical and mental health and safety of employees
- Improved physical and mental health and safety of communities



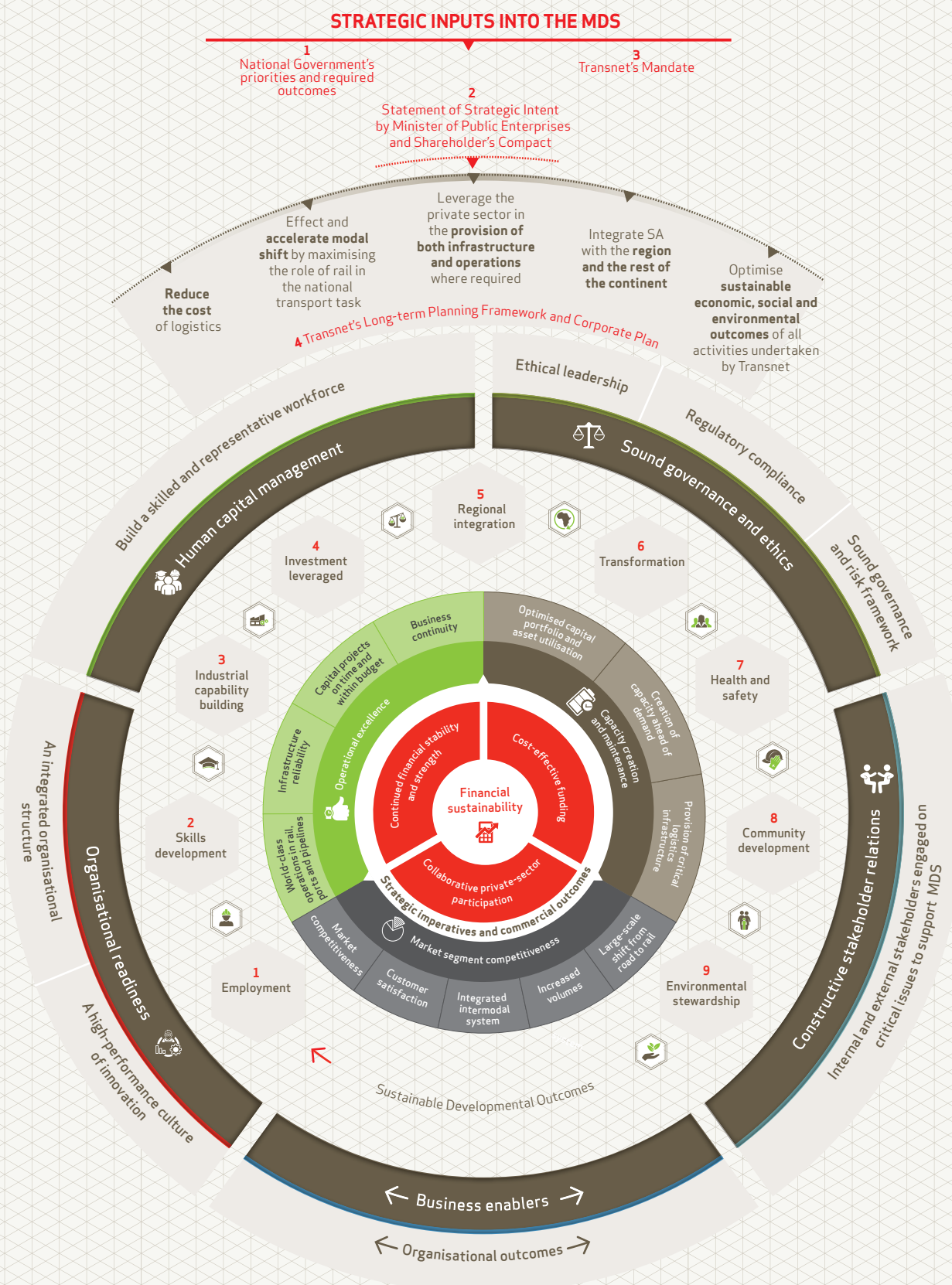
Community development

- Measurably improved economic, social, cultural and environmental well-being of communities



Environmental stewardship

- Enhanced capacity of the natural environment to meet the resource needs of future generations



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.'* This definition includes those issues pertaining to Transnet's *'significant economic, social and environmental impacts'*. 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 Statement of Strategic Intent (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 Board 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 nine SDOs (Employment, Skills Development, Industrial Capability Building, Investment Leveraged, Regional Integration, Transformation, Health and Safety, Community Development and Environmental Stewardship) and targets are set every year to inform Transnet's annual Corporate Plan.

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 2016 focuses on specific material *'issues'* that impact on these outcomes being achieved.

Transnet's Top 10 Strategic Risks

During 2016 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 electricity by Eskom;
2. Pricing – pricing/tariff guidelines, methodologies and models not supportive of volume growth;
3. Productivity/efficiency risk;
4. Macro-economic environment – deterioration in macro-economic environment due to global economic slow down and slow recovery leading to capital projects becoming non-viable;
5. 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;
6. Inability to attract and sustain additional volumes as new capacity is created;
7. Capital execution risk;
8. Misalignment between operational readiness and rolling stock acquisition;
9. Ineffective people management – talent attraction and skills development to operate the newly acquired assets; and
10. Inadequate ICT infrastructure and technology to enable business;.

Global and Domestic Business Context

Slow rates of global and local economic growth over the past year and sharply declining commodity markets have impacted on freight volumes and revenues, and resulted in certain capital expenditure being delayed. Widening social inequality; structural unemployment; energy risk; water risk; and climate change are global risks that also affect Transnet, our customers, funders, employees and suppliers. Transnet's ability to effectively respond to these risks and take advantage of new opportunities is integral to business sustainability.

External challenges include: declining demand for commodities; electricity supply constraints; regulatory

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



uncertainty particularly with respect to lower than required tariff escalation as determined by the Ports Regulator and the National Energy Regulator of South Africa; and domestic risks which could lead to a downgrading of South Africa's credit rating. Internal challenges include: operational efficiencies and customer satisfaction; efficiency of capital execution; and information systems enablement.

The focus areas of the NDP constitute Government's policy framework and priorities, and provide the national imperatives within which Transnet operates. These 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 are integral to Transnet's mandate, highlighting the complex socio-economic challenges and environment 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
- Academia and Scientific Institutions
- International Bodies

Our stakeholders most material issues reported during the year under review include:

- Health and environmental hazards,
- Safety incidents,
- Job creation and community development,
- Strategic execution and alignment to Government programmes,
- Supplier and industry development,
- Operational efficiencies,
- Training,
- Policy and regulatory uncertainties, and
- Leadership stability.

Material issues determination

Transnet's Material Sustainability Issues 2016

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 execution Inability to attract and sustain volumes Productivity/efficiency Ineffective people management Macro-economic environment 	<ul style="list-style-type: none"> Structural unemployment Low levels of economic growth
	 Skills Development	<ul style="list-style-type: none"> Capital execution Productivity/efficiency Inadequate ICT infrastructure and technology Ineffective people management Macro-economic environment 	<ul style="list-style-type: none"> Skills shortages
	 Industrial Capability Building	<ul style="list-style-type: none"> Pricing Capital execution Inability to attract and sustain volumes Productivity/efficiency Changes to the regulatory environment Misalignment between operational readiness and rolling stock acquisition Inadequate ICT infrastructure and technology Ineffective people management Project completion Macro-economic environment 	<ul style="list-style-type: none"> Technology advances Innovation opportunities
	 Investment Leveraged	<ul style="list-style-type: none"> Capital execution Inability to attract and sustain volumes Productivity/efficiency Ineffective people management Project completion Macro-economic environment 	<ul style="list-style-type: none"> Need for economic infrastructure
	 Regional Integration	<ul style="list-style-type: none"> Capital execution Inability to attract and sustain volumes Productivity/efficiency 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 Macro-economic environment 	<ul style="list-style-type: none"> Transforming society
	 Health and Safety	<ul style="list-style-type: none"> Changes in the regulatory environment Productivity/efficiency Ineffective people management 	<ul style="list-style-type: none"> Safe communities
	 Community Development	<ul style="list-style-type: none"> Capital execution Ineffective people management Macro-economic environment 	<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 regulatory environment Inability to attract and sustain volumes Misalignment between operational readiness and rolling stock acquisition Inadequate ICT infrastructure and technology Ineffective people management 	<ul style="list-style-type: none"> Transition to a low carbon economy



Stakeholders Material Issues	Material Sustainability Issues
<ul style="list-style-type: none"> ▪ Increase job creation 	<ul style="list-style-type: none"> ▪ Transnet's ability to create and sustain jobs.
<ul style="list-style-type: none"> ▪ Improve training 	<ul style="list-style-type: none"> ▪ Having the right skills at the right time.
<ul style="list-style-type: none"> ▪ Improve supplier and industry development 	<ul style="list-style-type: none"> ▪ Procurement spend on localisation of supply; ▪ Investing in emerging technologies and manufacturing capabilities.
<ul style="list-style-type: none"> ▪ Alignment to Government programmes; ▪ Reduce policy uncertainties. 	<ul style="list-style-type: none"> ▪ Facilitating private sector investment in logistics.
<ul style="list-style-type: none"> ▪ Improve operational efficiencies 	<ul style="list-style-type: none"> ▪ Expanding Transnet's business on the continent.
<ul style="list-style-type: none"> ▪ Improve supplier and industry development 	<ul style="list-style-type: none"> ▪ Increasing representation of black employees, female employees and People with Disabilities.
<ul style="list-style-type: none"> ▪ Reduce safety incidents; ▪ Reduce health hazards. 	<ul style="list-style-type: none"> ▪ Public safety at level crossings; ▪ Adherence to standard operating procedures; ▪ Absenteeism.
<ul style="list-style-type: none"> ▪ Improve jobs and community development; ▪ Reduce health and environmental hazards. 	<ul style="list-style-type: none"> ▪ Measurably improving the quality of life of the communities within which Transnet operates.
<ul style="list-style-type: none"> ▪ Reduce environmental hazards; ▪ Protect biodiversity; ▪ Address climate change; ▪ Improve natural resource management; ▪ Support tourism. 	<ul style="list-style-type: none"> ▪ Electricity supply and use; ▪ Modal shift from road-to-rail; ▪ Water stewardship; ▪ Waste management; ▪ Biodiversity enhancement.

GOVERNANCE, ETHICS AND STAKEHOLDER ENGAGEMENT

The nine SDOs are underpinned by three key enablers: Governance, Ethics and Stakeholder Engagement. Continuous improvements in corporate governance, ethical behaviour and stakeholder engagement management enable Transnet to improve on sustainable outcomes from business practises.



GOVERNANCE

The practice of sound 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 Report on Governance for South Africa, 2009 (King III).

The Transnet Board of Directors 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, ethical behaviour 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, thus 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 in relation to analysing sustainability performance; structuring inputs to the SR; reviewing the draft SR prior to submission to the Group Executive: Planning and Sustainability who in turn, recommends to the Group Executive Committee for REMSEC's review and approval. 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 Audit 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 Enterprise Risk Management 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 of Directors for approval.

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 Acquisitions and Disposal Committee approves procurement criteria for certain activities within its mandate, ensures there are transparent processes in place, and contracts up to the maximum of the investment decision as per provisions of the Delegation of Authority Framework. It monitors trends in supplier development spend and progress on plans including support of the Government's economic policies, Competitive Supplier Development Programme, local supplier development, preferential procurement and enterprise development in line with the Government's transformation agenda.



Ship to Shore
Cranes
Durban
Container
Terminal

ETHICS

Transnet is committed to instil a culture of good 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 ethics management programme is thus twofold:

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

In 2015 the Anti-fraud policy was amended to include policy on Anti-corruption. The combined Anti-fraud and Anti-corruption policy is 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 SOCs 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 Company, 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 and directors. 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 all the directors and employees to the highest standards of

ethical behaviour. Transnet employment contracts make reference to the Code. Transnet's service providers, suppliers and trade partners are all subject to the Code. Group Secretariat is responsible for the development and review of the Code while Group Human Resources is responsible for the implementation.

The Code was reviewed in 2013 to extend the scope of application to non-executive directors. The Code was reviewed again in 2015. The next scheduled review is in 2020. 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 all 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 influence during the procurement process.

Fraud and Corruption Risk Assessments and Compliance Checks

Transnet has 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 annual risk assessments and compliance checks at the Transnet Corporate Centre, in all Operating Divisions and the Specialist Units. These assessments assist in identifying potentially high risk areas of fraud and corruption. Mitigating controls and action plans are identified and implemented to address these risks.



Governance, Ethics and Stakeholder Engagement

Reported incidents of Irregularities 2016*

Transnet SOC Ltd	Investigations in Progress	Reported incident unfounded	Reported incident founded	Total reported incidents
Transnet Corporate Centre	71	10	1	82
Freight Rail	97	78	34	209
Engineering	16	59	19	94
National Ports Authority	36	1	0	37
Port Terminals	9	17	2	28
Pipelines	5	2	2	9
Transnet Capital Projects	20	10	8	38
Transnet Property	17	0	0	17
Total	271	177	66	514

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

Fraud and Corruption Investigations

Transnet's investigation methodology actively addresses fraud and corruption by responding to allegations of fraud and corruption timeously. Disciplinary action, criminal and/or civil cases are pursued in each instance where fraud and corruption are found to have occurred. 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 involves formal training annually for all employees including both bargaining and non-bargaining council employees.

Tip-Offs Anonymous Hotline

Transnet has 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).



Electric
and Diesel
Locomotives -
Ermelo

STAKEHOLDER ENGAGEMENT

Transnet's engagement with stakeholders forms an integral part of our day-to-day business activities and the implementation of the MDS. Issues, concerns and expectations from our stakeholders are being tracked to identify their most salient issues arising from our engagements, providing us with the necessary platform from which to respond.

Transnet's Stakeholder Engagement Policy, adopted by the Board in November 2014, defines 'stakeholder' as a person or group of persons who are directly or indirectly affected by Transnet, including those who may have interests in Transnet's business activities and/or the ability to influence Transnet's business outcomes, either positively or negatively.

Transnet identifies, prioritises and maps its material stakeholders based on:

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

Stakeholder engagement is 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.

Transnet's Stakeholder Engagement Policy and Process Control Framework systematises the annual identification, planning, engagement, monitoring and reporting on Transnet's stakeholder engagements. Both are being embedded in the Company in the following manner:

- Identification of material stakeholder groups;
- Appointment of Stakeholder Relationship Owners per material stakeholder group;
- Development of an annual Stakeholder Engagement Plan for each material stakeholder group;
- Recording salient issues from engagements; and
- Reporting on material issues arising from engagements.

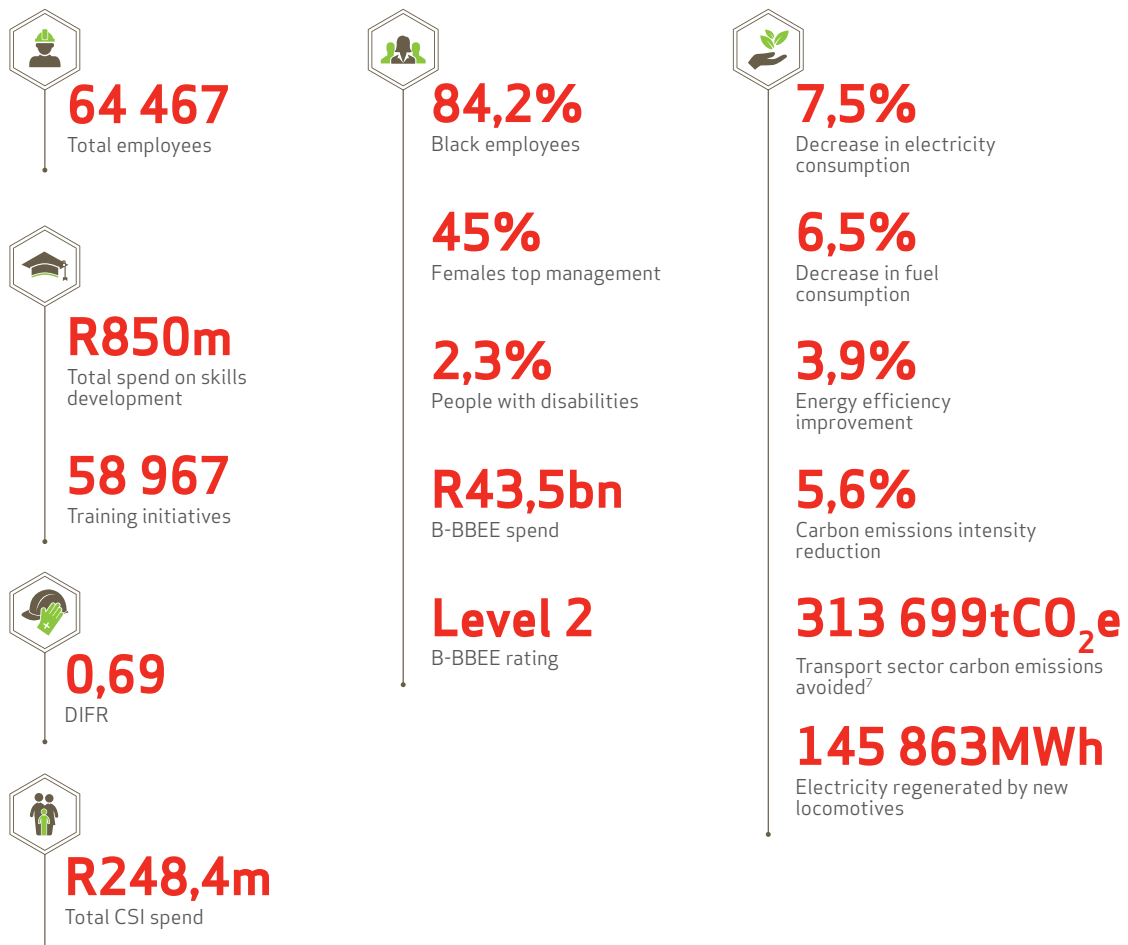
During the year under review, a Stakeholder Engagement Database was developed to capture information on material stakeholders, engagements and responses. Training is continuing with Stakeholder Relationship Owners.

SUSTAINABLE DEVELOPMENTAL OUTCOMES

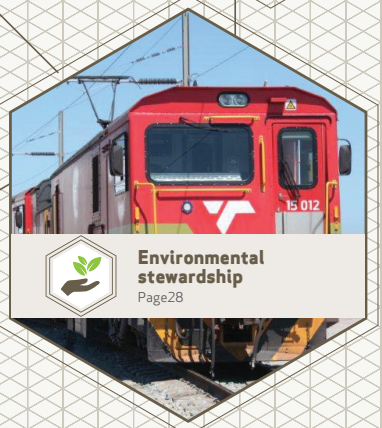
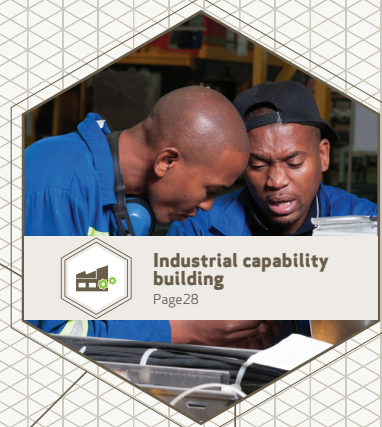
The sustainability performance review for 2016 highlights the importance of each of the nine SDOs to Transnet; their alignment to the global SDGs and the South African NDP; the challenges faced by Transnet in achieving each outcome; identifies the most material issues for each outcome; describes our management approach to achieving each outcome; and highlights our performance for the year under review.

Although Transnet is in the early stages of measuring and reporting outcomes, we are able to report on material activities, the inputs and outputs of these activities, and the qualitative outcomes of these activities. Transnet is developing measurement systems that will enable more outcomes-based reporting over time.

Sustainability Performance Highlights 2016



⁷ Refer to Our performance on page 64.



Sustainable Developmental Outcomes



EMPLOYMENT

Transnet activities that create measurable direct, indirect or induced employment.



Unemployment is both a global and a national crisis. The SDGs recognise the importance of productive employment and decent work for all, while the NDP focuses on decent employment through inclusive growth. South Africa's unemployment rate is currently at 26.7%, the eighth highest in the world according to the International Labour Organisation.⁸ 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 a skills profile that meets the needs of the Company both for the short and long term. If this can be achieved, Transnet 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. 24.2% of employees are between the ages of 48 to 60 while 41.5% of employees are younger than 36 years of age. There has been a concerted effort in recent years to increase the percentage of younger employees. Leadership development has focussed particularly at lower and middle management to ensure that the younger workforce is upskilled and that the talent pool for succession is strengthened.

The current economic downturn poses a significant challenge to the achievement of employment growth targets. Transnet is however, continuing with training interventions to increase skills levels.

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

- **Transnet's ability to create and sustain jobs.**

The material outcome that Transnet aims to achieve is:

- Decent job opportunities.

⁸ "World Employment and Social Outlook Trends", International Labour Organisation, 2015.



OUR MANAGEMENT APPROACH

Transnet's Human Capital strategy approaches 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.

Transnet's Macro-economic Impact Model calculates the number of direct, indirect and induced jobs⁹ 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 and 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.

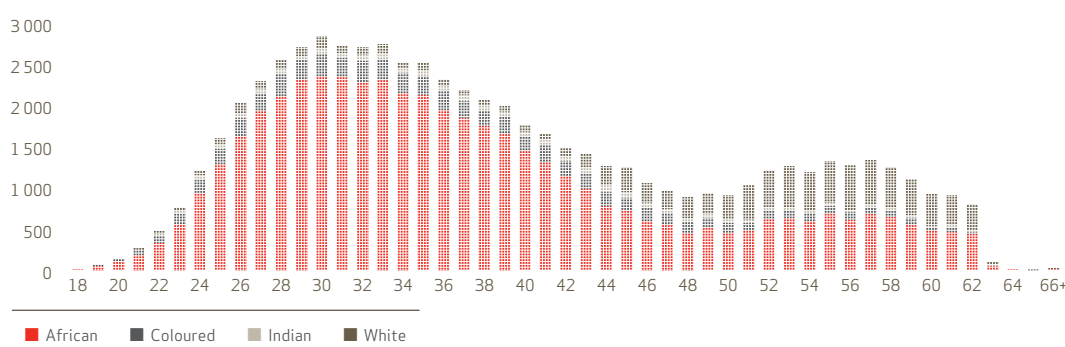
OUR PERFORMANCE

Transnet's total headcount decreased from 66 665 in 2015 to 64 467 in 2016. Headcount comprises 55 000 permanent employees and 9 467 fixed-term contract employees. The decrease in headcount arises from the decline in revenue due to the economic downturn of the past year. A moratorium was placed on the appointment of external candidates to curb recruitment costs and support cost savings initiatives within the Company during 2016.

Employee Headcount 2016

	Actual 2015	Actual 2016
Transnet Corporate Centre	887	911
Transnet Capital Projects	1 100	1 177
Transnet Foundation	116	110
Transnet Property	570	578
Freight Rail	37 723	36 033
Engineering	12 230	11 377
National Ports Authority	4 265	4 404
Port Terminals	9 140	9 210
Pipelines	634	667
Total	66 665	64 467

Workforce profile 2016



⁹ 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.

Sustainable Developmental Outcomes

The macro-economic impact analysis concludes that Transnet's activities for 2016 resulted in:

- Additional GDP of R113,24 billion in constant 2016 prices, of which just over 53% 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 role Transnet plays as a supplier of logistics infrastructure in the South African economy.
- An additional R155,25 billion in new capital formation throughout the economy, of which more than R29,56 billion was invested directly by Transnet.
- A total of 313 235 work opportunities, of which 102 961 are unskilled workers, contributing to Government's job creation targets.
- Approximately R72,87 billion in additional household income, of which almost R12,50 billion accrues to low income households, contributing to Government's poverty alleviation goals.
- Additional Government revenue of just over R31,94 billion, derived from direct and indirect taxes, where direct tax consists mainly of personal income tax and company tax.

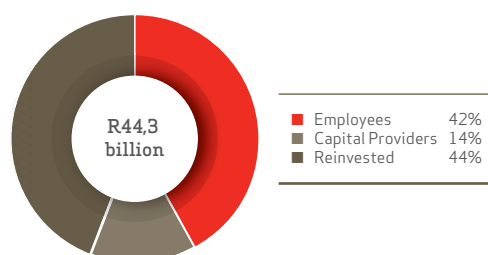
Macro-economic Impact Model Results 2016

	Direct impact	Indirect impact	Induced impact	Total impact
Impact on Gross Domestic Product (GDP) (R million)	53 147	16 947	43 143	113 236
Impact on capital formation (R million)	29 559	38 111	87 576	155 246
Impact on employment (number of job opportunities)	55 000	73 736	184 499	313 235
- Skilled impact on employment (number of job opportunities)	10 910	16 745	42 486	70 141
- Semi-skilled impact on employment (number of job opportunities)	39 122	29 072	71 938	140 132
- Unskilled impact on employment (number of job opportunities)	4 968	27 919	70 075	102 962
Impact on households (R million)				72 874
- Low income households (R million)				12 502
- Medium income households (R million)				15 923
- High income households (R million)				44 449
Fiscal impact (R million)				31 944
- National Government (R million)				31 008
- Provincial Government (R million)				226
- Local Government (R million)				710
Impact on the balance of payments (R million)				53 015

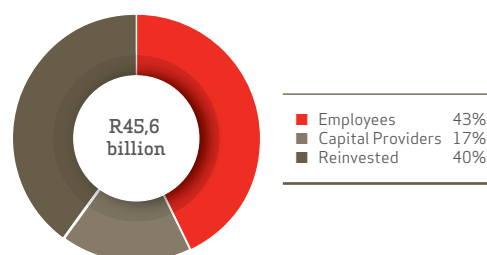
Transnet's gross value-add amounts to R45,6 billion for 2016.

Gross Value-add resulting from Transnet Capital and Operating Expenditure 2016

Value added 2015



Value added 2016





Proudly South
African Locomotive
Koedoespoort

Sustainable Developmental Outcomes



SKILLS DEVELOPMENT

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



South Africa needs a skilled and capable workforce to support an inclusive growth path. The NDP envisages that by 2030, South Africans should have access to training of the highest quality. 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. 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. The year under review has seen the Company optimising training targets and budgets in the face of cost cutting measures necessitated by the lag in freight volumes and revenue. Adding to this, are the following challenges:

- Transnet faces skills shortages in project management, engineering (sector-specific) and technical skills for operational requirements.
- Approximately 41.1% of Transnet's workforce is semi-skilled with low skills density levels and limited literacy.
- The age profile of Transnet employees reflects a high percentage of ageing skills and work 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 rights skills at the right time.**

The material outcomes that Transnet aims to achieve are:

- Increased technical skills within Transnet; and
- Improved productivity.



OUR MANAGEMENT APPROACH

Transnet responds to the broader skills development challenges of the country by ensuring that training plans are responsive to the critical skills requirements (specifically engineering skills and artisans) of the 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 for approval and monitoring in order to process training grants.

Transnet's Human Capital strategy responds to the skills shortages experienced in the economy and the Company through the following initiatives:

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, demand simulation, supply simulation, gap analysis, initiatives and anchoring.

Feeder training pipelines have been established for critical skills categories including: artisans, technicians, engineers, sector-specific¹⁰ 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, various graduate programmes, coaching and mentorships.

The Transnet Academy comprises six schools of excellence:

- *The School of Rail* focuses on sector-specific training including train driving, yard operations, train control operations and track operations. Refresher and relicensing training takes place regularly to ensure compliance with current regulatory requirements.
- *The School of Engineering* delivers apprenticeship programmes in 27 trades. Sector-specific training is also delivered in examiner repairer, maintenance assist and air brake systems. Refresher training for air brake systems and high voltage as per regulatory requirements is also conducted.

- *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.
- *The School of Pipelines* trains artisans in the pipeline environment.
- *The School of Security* delivers the protection officers skills programme to unemployed youth.
- *The School of Leadership* focuses on supervisory, managerial and leadership training in the Operating Divisions, spanning from entry to executive levels.

Transnet also provides opportunities for workplace experience through its Young Professionals in Training (YPT) programme. During 2016, 146 new YPTs were recruited against a target of 155 with a total of 311 YPTs in Transnet. YPTs are contracted for a period of two years and on average, 60% are placed permanently within Transnet per annum. Transnet supports its feeder pipeline graduates through its Engineer-in-Training (EIT) and Technician-in-Training (TIT) programmes. In 2016, 23 EITs entered the programme with 353 EITs in Transnet, and 74 new TITs participated in the 24 month structured programme that includes mentoring and coaching.

OUR PERFORMANCE

Transnet invested 3,6% of the wage bill (R850 million)¹¹ in skills development in 2016 in comparison to 2,8% (R644,1 million) in 2015. A training throughput of 58 967 training initiatives were recorded against the target of 40 074.

In 2016 Transnet fell short of its targets for feeder pipeline and sector-specific skills. This was attributed to cost-cutting measures as the Company responded to the lagging growth in volumes and revenue. Transnet's intake of new recruits for engineering bursars (155) and technician learners (232) targets met the targets of 155 and 200 respectively. 665 artisans were targeted in 2016, with a total of 102 entering the programme due to reduced placement opportunities. Sector-specific skills development will continue to focus on marine, rail and cargo handling with 1 830 learners taken on in 2016 against the target of 2 000. Transnet trained 508 protection officers in 2016 as part of the School of Security, and 1 347 employees were trained as part of leadership development.

¹⁰ 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 qualifications for example, train driver, cargo coordinator, tug master, planner.

¹¹ The Skills Levy constitutes 0.8% (R202 million) of the total spend on skills development for 2016.
Note: total spend on skills development for 2015 excluded the skills levy.

Sustainable Developmental Outcomes

Training participants 2016

	Actual 2015	Actual 2016
Artisans	613	102
Technician Learners	563	232
Engineering Bursars	255	155
Sector-specific	3 320	1 830
Protection officers	988	508
Leadership development	6 666	1 347
All training*	53 591	58 967
Total wage bill (%)	2,8	3,6

* refers to number of training initiatives

Material Activities 2016	Inputs 2016	Outputs 2016	Material Outcomes
School of Rail			
<ul style="list-style-type: none"> Sector-specific training Refresher and relicensing training 	R4,2 million R15,4 million	640 trained. 2 359 trained.	<ul style="list-style-type: none"> Increase in rail skills within Transnet and industry. Increase in safety of employees through compliance trainings.
School of Engineering			
<ul style="list-style-type: none"> Sector-specific training Refresher and relicensing training 	R988 911 R648 300	223 trained. 120 trained.	<ul style="list-style-type: none"> Increase in engineering skills within Transnet and the country. Increase in safety of employees through compliance trainings.
Maritime School of Excellence			
<ul style="list-style-type: none"> Sector-specific training Refresher training 	R16,1 million R5 million	967 trained. 1 306 trained.	<ul style="list-style-type: none"> Increase in maritime skills within Transnet and industry. Increase in productivity levels. Increase in safety of employees through compliance trainings.
School of Pipelines			
<ul style="list-style-type: none"> Artisans 	R2,7 million	102 trained.	<ul style="list-style-type: none"> Increase in artisan skills within Transnet and the country.
School of Security	R1,2 million	508 unemployed youth trained.	<ul style="list-style-type: none"> Increase in security skills within Transnet and the country. Opportunities for unemployed youth.
School of Leadership	R35 million	1 347 trained.	<ul style="list-style-type: none"> Increase and improve supervisory skills.



Skills Development in the Maritime Industry

The Maritime School of Excellence specialises in marine and port-related vocations including: marine operations, terminal operations, port management and port engineering.

In April 2015, the following graduates completed their internationally recognised qualifications from Transnet's Maritime School of Excellence:

- 13 marine pilots (to assume command of vessels into and out of South African port areas);
- 21 tug masters (to operate tugs or power boats that manoeuvre vessels);
- 3 chief engineers;
- 9 engineering technicians;
- 9 engineers;
- 16 master port operators (8 of which were from the Namibian Ports Authority); and
- 36 operators of lifting equipment (for ship-to-shore cranes, rubber tyred gantry cranes and straddle carriers).

The class comprised more than 90% black graduates who are now employed in Transnet's port operations throughout South Africa, and 8 in Namibia.



Group Chief Executive, Siyabonga Gama addressing graduates



Skills Development in the Rail Industry

The School of Rail introduced e-learning in 2015 to deliver decentralised and standardised training with the following benefits:

- Time saving – learning can be accessed anywhere, at any time;
- Cost saving – reduced expenses of travel, accommodation, trainers, venue, printing;
- Reduced carbon footprint – replacing physical, printed training materials and reducing travel; and
- Increased access – reaches a larger, geographically dispersed audience.



Diesel and electric locomotives – Pyramid South



Sustainable Developmental Outcomes



INDUSTRIAL CAPABILITY BUILDING

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



One of the SDGs is building resilient infrastructure, promoting inclusive and sustainable industrialisation, and fostering innovation. Targeting local suppliers through Transnet's procurement spend is an effective tool for Transnet to support the growth and transformation of South African industry. Investing in R&D is aimed at building long term original equipment manufacturing capability.

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 (SMMEs) in the transport sector, and specifically amongst the youth.

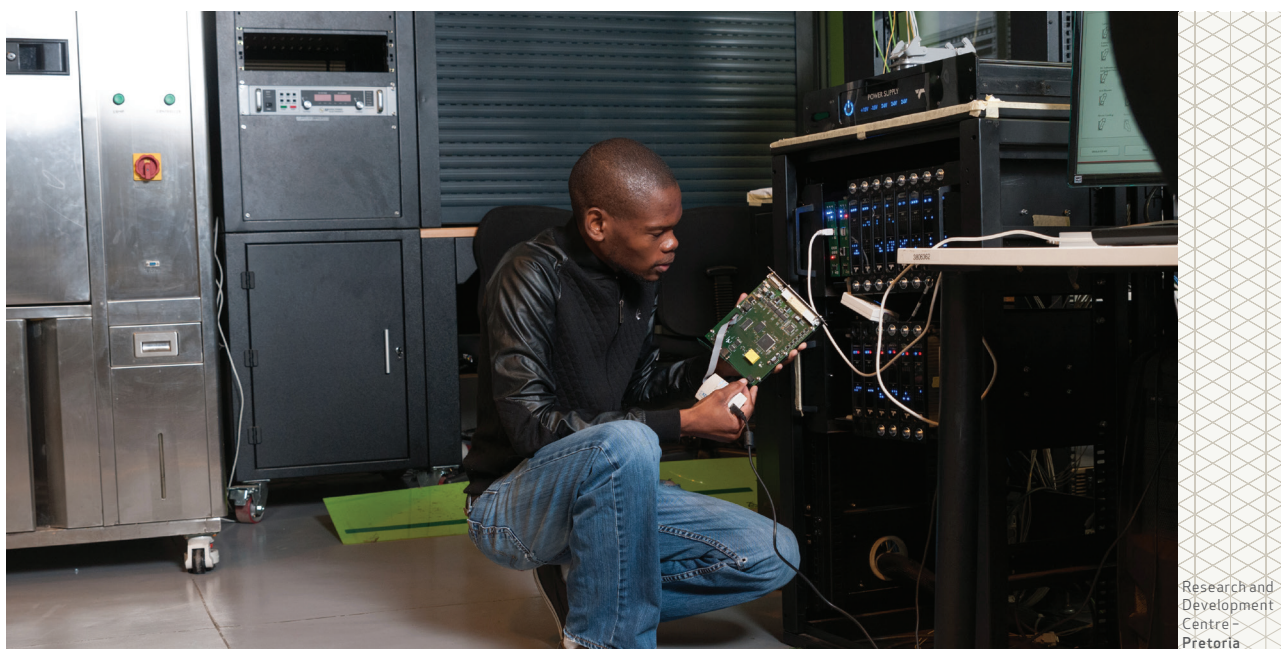
Innovation and technology play important roles in the growth and competitiveness of industry. Transnet therefore aims to lead R&D with the adoption of new and emerging technologies, and to use technology and manufacturing capabilities as an enabler for the business.

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

- **Procurement spend on localisation of supply; and**
- **Investing in emerging technologies and manufacturing capabilities.**

The material outcomes that Transnet aims to achieve are:

- Increased competitiveness, capacity and capability of local suppliers;
- Establishment of original equipment manufacturing in Transnet;
- Growth in local industry and increased security of supply; and
- Increased employment and entrepreneurship for black women and youth.



Research and Development Centre Pretoria

OUR MANAGEMENT APPROACH

In 2010, Transnet developed a comprehensive SD Plan, guided by the Government's Competitive Supplier Development Programme (CSDP) and an ED Programme informed by the B-BBEE Codes of Good Practice. The aim is to transform Transnet's supplier base through targeted initiatives that support localisation and industrialisation while providing meaningful opportunities for black people with specific emphasis on youth, women, small businesses, People with Disabilities and people living in rural areas. Transnet's contracts with Original Equipment Manufacturers (OEMs) include binding 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.

Transnet has established ED Hubs in Johannesburg, De Aar (Northern Cape) and Saldanha Bay (Western Cape). These hubs provide a one-stop shop offering the following services: business development and registration, procurement advisory services, tax registration and compliance, financial support, and guidance on black economic empowerment to Transnet suppliers.

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;
- A bogie to maximise payload on the low axle-load rail lines;
- A tri-axle bogie with a technical partner;
- A standard gauge bogie to compete in the standard gauge market; and
- A HazMat trailer for the safe containment and transport of hazardous material in the ports.

OUR PERFORMANCE

Since the inception of Transnet's SD programme in 2012, total contract value has been R119,9 billion with SD obligations concluded with suppliers of R56,6 billion or 47,2% of contract value. To date, R23,2 billion or 41,1% (2015: R10,2 billion or 60,1%) of these supplier development obligations have been met, with the remainder in progress.

R&D expenditure for 2016 was R207 million.

Sustainable Developmental Outcomes

Material Activities 2016	Inputs 2016
Enterprise Supplier Development Hubs in Johannesburg, De Aar and Saldanha Bay, provide a one-stop shop for potential suppliers to Transnet.	<ul style="list-style-type: none"> ▪ R5,5 million
Shanduka Black Umbrellas (SBU) business incubators operate in Richards Bay and Port Elizabeth. The SBUs focus on sourcing and developing 100% black-owned businesses for procurement opportunities in Transnet's supply chain in these regions.	<ul style="list-style-type: none"> ▪ R30 million
GIBS Academy empower five new and existing growth-oriented entrepreneurs with business education, mentorship and other support services, to build or grow their enterprises.	<ul style="list-style-type: none"> ▪ R3,5 million
Material Strategic Procurements <ul style="list-style-type: none"> ▪ LAN Networks & Telecommunications 	<ul style="list-style-type: none"> ▪ Contract value: R2 billion; ▪ SD target: R700 million; ▪ 35% SD commitment.
<ul style="list-style-type: none"> ▪ Transnet Internal Audit 	<ul style="list-style-type: none"> ▪ Contract value: R1,3 billion; ▪ SD target R677 million; ▪ 52% SD commitment.
<ul style="list-style-type: none"> ▪ SAP 	<ul style="list-style-type: none"> ▪ Contract value: R341 million; ▪ SD target: R68 million; ▪ 20% SD commitment.
<ul style="list-style-type: none"> ▪ Fleet Management Services 	<ul style="list-style-type: none"> ▪ Contract value: R5,7 billion; ▪ SD target: R1,5 billion; ▪ 25% SD commitment.
<ul style="list-style-type: none"> ▪ T-Systems 	<ul style="list-style-type: none"> ▪ Contract value: R687 million; ▪ SD target: R204 million; ▪ 30% SD commitment.
<ul style="list-style-type: none"> ▪ 1 064 Locomotives contracts signed in 2014 with four international OEMs. Stringent local content, skills development and training requirements. 	<ul style="list-style-type: none"> ▪ Contract value: R49,5 billion; ▪ SD target: R32 billion; ▪ 70% SD commitment.



Outputs 2016	Material Outcomes
<ul style="list-style-type: none"> 8 629 beneficiaries (Johannesburg: 4 510, De Aar: 674, Saldanha Bay: 3 445) received non-financial support (assistance in business development and registration, procurement advisory services, tax registration and compliance, financial support, and guidance on black economic empowerment). 	<ul style="list-style-type: none"> Increase local suppliers' base. Increase in number of suppliers that were registered, incubated and developed to supply Transnet and others.
<ul style="list-style-type: none"> 34 businesses received non-financial support (incubation mentoring of SMMEs, professional services, access to office infrastructure). 	<ul style="list-style-type: none"> Engineering Solutions (in Richards Bay) achieved 30% increase in turnover, created 9 permanent jobs, and 12 part-time jobs. Millbug (technology equipment company) attributes 80% of its revenue to channels created by other enterprises.
<ul style="list-style-type: none"> 37 entrepreneurs completed the programme. 	<ul style="list-style-type: none"> 60% of graduates each employed on average 7,72 new employees. 45% of graduates each increased revenue on average by 40,6%.
<ul style="list-style-type: none"> R108 million SD spent to date. 16% SD target achieved to date. R86 million spent on localisation to date. 	<ul style="list-style-type: none"> Increase local industrial capability through skills development.
<ul style="list-style-type: none"> R164 million SD spent to date. 25% SD target achieved to date. R13 million spent on skills development. R102 million spent on job creation. R44 million spent on small business promotion. 	<ul style="list-style-type: none"> Increase in local content procured. Increase local industrial capability through skills development in finance and audit. Increase in local suppliers trained.
<ul style="list-style-type: none"> R68 million SD spent to date. 100% SD target achieved to date. R68 million spent on skills development. 	<ul style="list-style-type: none"> Increase local industrial capability through skills development in ICT. Improvement in functional and technical capability of staff.
<ul style="list-style-type: none"> R110 million SD spent to date. 33% SD target achieved to date. R10 million spent on skills development. R94 million spent on small business promotion. 	<ul style="list-style-type: none"> Increase local industrial capability through skills development. Increase in small businesses supported. Increase in local content procured.
<ul style="list-style-type: none"> R127 million SD spent to date. 62% SD target achieved to date. R3 million spent on skills development. R92 million spent on localisation. R25 million spent on small business promotion. 	<ul style="list-style-type: none"> Increase local industrial capability through skills development. Increase in small businesses supported. Increase in local content procured.
<p>% of SD targets achieved since contract commenced:</p> <ul style="list-style-type: none"> 18,4% industrialisation 11,1% capacity and capability building 39,9 sustainability/technology and IP transfer 3,4% skills development 12,2% job creation 12,6% job preservation 38,9% small business promotion 21,1% downstream supplier development 	<ul style="list-style-type: none"> Increase in local industrial capacity. Increase in skills. Increase in local technology and IP transfer. Job creation and preservation. Increase in small businesses supported. Increase in local suppliers.

Sustainable Developmental Outcomes



Transnet ED Hub - Johannesburg

Enterprise Development Success Stories

Invoke Solutions is an information and communications technology service provider. The company registered with the ED Hub in Johannesburg, introducing their company and service offerings to ED practitioners. This led to the company being partnered with Gartner (a service provider to Transnet). Through Gartner, Invoke Solutions benefitted from Gartner's SD obligations by expanding their knowledge in the field of information and communications technology.

Invoke Solutions is currently in a Transnet incubation programme, managed and operated by Dimension Data. The company is now a supplier to Dimension Data servicing a Transnet contract.

Nane Solutions is an information and communications technology consultancy and software development company founded in 2004. It is wholly black-owned and provides services to a number of blue chip companies in South Africa either through direct contracts or via its partners.

Nane Solutions registered with the ED Hub in Johannesburg and is currently in a Transnet incubation programme, managed and operated by Dimension Data. The company is now a supplier to Britehouse SSD servicing a Transnet contract.



Metallurgical laboratory - Pretoria



Establishment of Metallurgical Laboratory

Research, development and innovation are aimed at achieving Transnet's vision of becoming an original equipment manufacturer in Africa. In 2013, Transnet Engineering established an R&D unit in collaboration with the Council for Scientific and Industrial Research. The unit employs 116 engineers, based in Pretoria.

The year under review saw the establishment of a metallurgical laboratory as part of the R&D unit. The laboratory provides metallurgical engineering support for the development of coaches, wagons, locomotives, pipelines and freight solutions. The in-house facility allows all testing to be done in the laboratory with quicker turnaround times, and strict adherence to Transnet standards. The laboratory has been equipped with state-of-the-art equipment. There are currently seven engineers employed and once the permanent lab is in operation, it will employ 36 engineers.



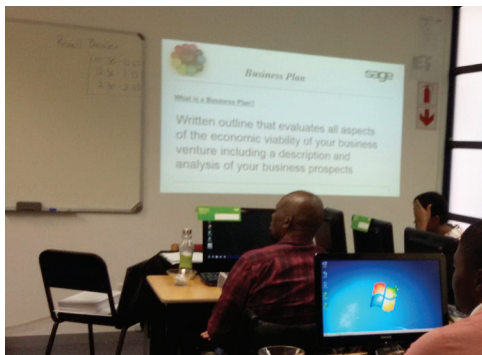
Enterprise Development initiatives

Pipelines has partnered with a number of companies and business chambers to assist SMME development. These partnerships include:

- **Durban Chamber of Commerce:** a tender readiness programme aimed at empowering 50 SMMEs operating in highly specialised sectors such as engineering, health and safety, construction, waste management and professional services. Beneficiaries must be 51% black-owned, black youth-owned and/or black women-owned.
- **The Hope Factory:** business development grant to provide assistance to 20 companies owned by People with Disabilities. The beneficiaries receive specialised and sector specific mentorship, training, networking opportunities, and industry experience. The programme accommodates the needs of the disabled.
- **Bosch:** sustainable training and development to 10 SMMEs who are 100% black-owned, black youth-owned and/or black women-owned. The beneficiaries receive specialist one-on-one mentorship, training in business growth, financial management, ISO implementation, as well as asset assistance to fund machinery, equipment, raw materials and gain access to markets.



SMME development – Bosch and The Hope Factory



Sustainable Developmental Outcomes



INVESTMENT LEVERAGED

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



The NDP's vision for 2030 is for large-scale investment in economic infrastructure designed to support the country's socio-economic imperatives. Investment is needed in South Africa's freight logistics system, beyond the levels already committed by Transnet in 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 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;
- Mitigate risk for large infrastructure projects and freight systems connectivity; and
- Improve the social and developmental benefits leveraged from such investment programmes through close collaboration between public and private sectors.

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

- **Facilitating private sector investment in logistics.**

The material outcomes that Transnet aims to achieve are:

- Removing barriers to entry for private investment and operations in the ports and rail; and
- Increased capacity and efficiencies for freight logistics.



OUR MANAGEMENT APPROACH

The Transnet Board of Directors approved the PSP Policy in 2013 establishing objectives, benefits, project life cycles, and governance.

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);
- Regional integration; and
- Non-core but complementary to the MDS.

As part of the PSP initiatives, Transnet is facilitating investment in South Africa's high density Durban-Free State-Gauteng Logistics and Industrial Corridor under the auspices of Government's Strategic Integrated Programme 2 (SIP2)¹² which aims to unlock the industrial and agricultural development, and export capability of the corridor.

To this end, Transnet is investing in:

- Expansion of the container terminal at City Deep in Johannesburg;
- Upgrades to Pier 2 at the Port of Durban; and
- Rolling stock for the railway line that services the corridor.

OUR PERFORMANCE

During 2016, the following PSP milestones were achieved:

- Appointment of V&A Waterfront Holdings to design, fund and operate a cruise terminal facility in the Port of Cape Town;

- Appointment of Burgen Cape (Pty) Ltd to design, fund and operate a liquid bulk terminal in the Port of Cape Town (Eastern Mole precinct);
- Appointment of Sunrise Energy to design, fund and operate a liquefied petroleum gas (LPG) off loading and storage terminal in the Port of Saldanha;
- Request for Information issued for East London and Durban agri-port re-capitalisation;
- 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;
- Request for Proposals to build, operate and maintain a 5,2 million ton per annum coal loading facility at Grootvlei power station; and
- Concluded a strategic marketing partnership with Sun International for branding and repositioning of the Blue Train, in preparation for a reinvestment business case.

Operation Phakisa projects in ship and rig repair, boat building and related port services were initiated by the Ports Authority in 2016, aiming for private sector investment contracts in 2017. These projects fall within the marine manufacturing sector of Operation Phakisa's 'Ocean Economy' focus. Transnet is playing a key role in unlocking the economic potential of such activities. These projects include: the development of a boat building facility at the Port of East London, the implementation of a floating dock at the Port of Richards Bay, and the construction of a new berth to support rig and ship repairs at the Port of Saldanha.

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. For more information: www.gov.za.

Sustainable Developmental Outcomes

Material Activities 2016	Inputs 2016	Outputs 2016	Material Outcomes
Section 56 Agreements under the National Ports Act (Act No. 12 of 2005) <ul style="list-style-type: none"> Development of a Cruise Terminal Facility at Port of Cape Town. Development of a Liquid Bulk Terminal at the Port of Cape Town. Development of LPG off loading and Storage Terminal at the Port of Saldanha. 	<ul style="list-style-type: none"> Investment of R180 million by private sector. Investment of R350 million by private sector. Investment of R1.2 billion by private sector. 	<ul style="list-style-type: none"> Appointment of V&A Waterfront Holdings (Pty) Ltd to design, fund and operate the facility. Terminal Operator Agreement signed. Appointment of Burgen Cape (Pty) Ltd to design, fund and operate the facility. Appointment of Sunrise Energy to design, fund and operate the facility. Terminal Operator Agreement signed. 	<ul style="list-style-type: none"> 2 125 direct jobs and 2 205 indirect jobs created by 2025 in the tourism sector. 65% black ownership in year 15. Skills development in the marine industry. Small business development. Contribute to economic growth of Western Cape. 130 jobs created during construction phase and 21 permanent jobs created during concession period. Localisation, supplier development and skills development. Contribute to economic growth of Western Cape. 400 jobs created during construction phase; 26 permanent jobs and 16 contractor jobs created during operational phase; 1 750 indirect jobs (Phase 1) and 5 000 indirect jobs (Phase 3) created. Localisation, supplier development and skills development. Contribute to economic growth of Saldanha Bay area.
Concessioning of branch lines <ul style="list-style-type: none"> Wolseley-Ceres-Prince Albert Hamlet. Alicedale-Grahamstown- Port Alfred. 	<ul style="list-style-type: none"> Concessioning of branch lines authorised. 	<ul style="list-style-type: none"> Concession agreements drafted. 	<ul style="list-style-type: none"> Remove barriers to private investment and operations in rail. Increase in rail capacity and efficiencies to lower the cost of logistics.



Mobile Harbour
Crane- Durban

Sustainable Developmental Outcomes



REGIONAL INTEGRATION

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



Enhanced connectivity of the regional freight system is a strategic priority for Transnet and has the potential to boost investment and inter-country trade 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 South African economic growth is low, other countries in the region are on a stronger growth path with significant need and opportunity for improved infrastructure and connectivity. Regional integration and resolving infrastructure backlogs remain key challenges facing the continent.

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

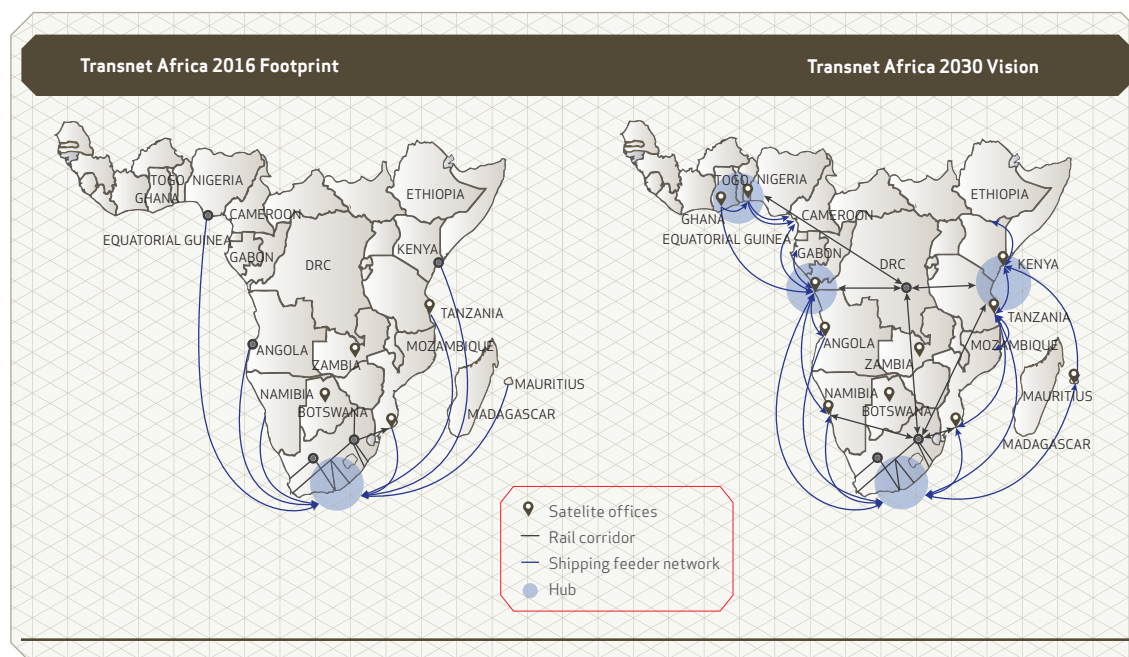
- **Expanding Transnet's business on the continent.**

The material outcomes that Transnet aims to achieve are:

- Increased connectivity; and
- Increased revenue.

¹³ 'Connecting to Compete: Trade Logistics in the Global Economy', World Bank, 2014.

Transnet Africa 2030 Vision



OUR MANAGEMENT APPROACH

Transnet's Africa Strategy was adopted by the Board in 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 Africa.¹⁴ South Africa is a potential gateway to the region, and Transnet through its port, railway and pipeline infrastructure, is well placed to enhance regional integration.

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.

An efficient port hub and short-sea feeder service will reduce overall logistics costs in the region. Transnet's Africa Strategy identifies the container transshipment business and ports that can be served by a South African hub that is connected to cross border rail corridors. Transshipment containers account for 21,6% of total

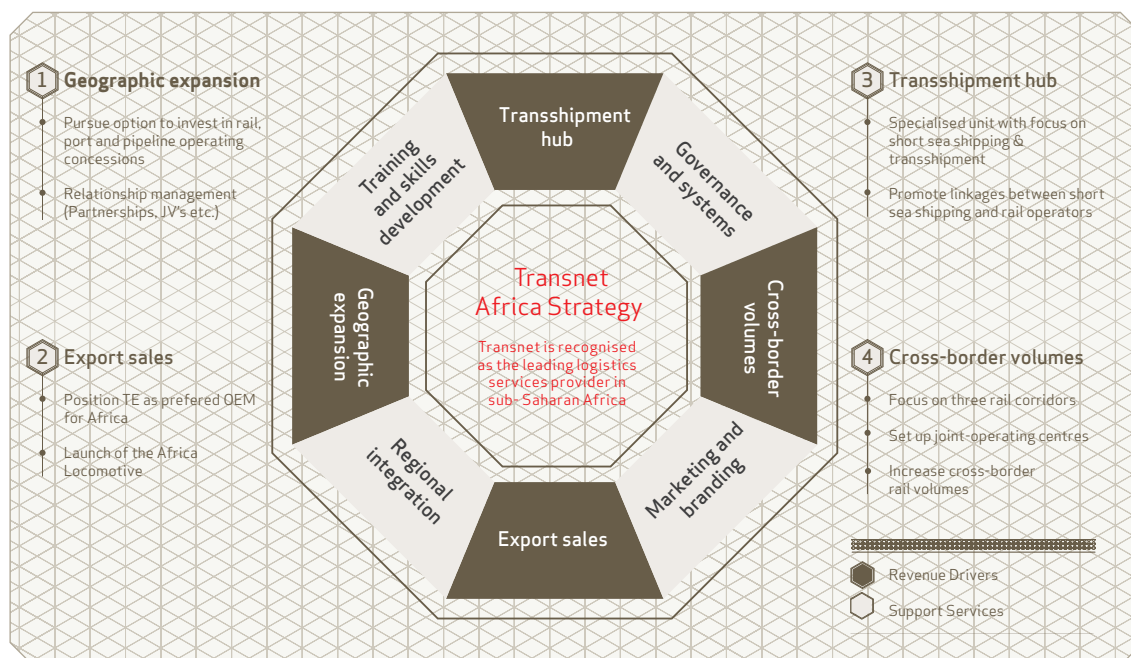
container throughput in Transnet's South African terminals and 79,6% of this transshipment volume is destined for or shipped from East and West African ports. Transnet has positioned the ports of Durban and Ngqura as transshipment hubs servicing East and West Africa. Port Terminals has established an African Transshipment Unit to promote intra-Africa container volumes.

Freight Rail's International Business unit has satellite offices in Mozambique, Botswana, Lesotho, Zimbabwe and Zambia. The aim is to grow cross border volumes and enable rail connectivity in the Maputo, East/West and North/South corridors. Joint Operating Centres in Mozambique, Botswana and Zimbabwe promote unified rail operations per corridor.

With the discovery of new oil and gas reserves in the region, new capacity is required for refinery, storage and pipeline infrastructure. Opportunities are being identified to operate depots, terminals and pipelines through concession or management contracts.

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

Sustainable Developmental Outcomes



The Africa Strategy comprises four key revenue drivers:

- Cross border rail volumes on the Maputo, East/West and North/South corridors;
- Increased use of the Ports of Durban and Ngqura as transshipment hubs to service 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.

Transnet offers a number of services in the region, including: technical advisory services (rail service design, port consulting, and equipment fleet planning), infrastructure master planning, dredging, proprietary terminal operations software, and hydrographic surveys.

OUR PERFORMANCE

Transnet has commenced the process of registering a wholly owned subsidiary company, Transnet International Holdings (TIH) Ltd, that will house all foreign contractual arrangements for foreign operations and/or export of goods and services from our South African operations. The business model addresses the legal and tax compliance arrangements providing for an initial focus on:

- *The Business Development and Implementation Framework* to govern capital investment decisions;
- *The Human Capital Framework* to support mobility for Africa expansion;
- *The New Country Entry Model Framework* for project management and new country operations; and
- *Implementation of the Go-to-Market Strategy*¹⁵ by deploying resources, creating partnerships, and leveraging stakeholders across target markets.

¹⁵ Enables Transnet to pursue international opportunities in a coordinated and well planned manner by defining specific opportunities, positioning Transnet in a specific market, and defining the support services required.



Revenue from cross-border activities for Engineering and Freight Rail amounted to R1 965 million in 2016.

Revenue from cross-border activities 2016 (R'm)

Cross-border Activities	Revenue (R'm)
Engineering	319,01
Freight Rail	1 645,93
Total	1 964,94

Material Activities 2016	Inputs 2016	Outputs 2016	Material Outcomes
National Ports Authority Interport Agreements signed with Ghana Ports Authority, Nampot, Maputo, Kenya Port Authority and Port Corporation of Sudan.	Time negotiating Memoranda of Understanding (MOUs).	4 signed MOUs in 4 countries.	<ul style="list-style-type: none"> ▪ Increase in opportunity to improve regional cooperation and integration. ▪ Increase opportunity in skills and expertise transfer.
Port of Cotonou, Benin Project (Benisa 1) contract signed by Port Terminals for operational support to Sobemap (State-owned terminal operator) in the Port of Cotonou.	Time negotiating contract.	1 contract signed. 4 Port Terminals' employees deployed in Benin for one year. US\$302 937 revenue generated.	<ul style="list-style-type: none"> ▪ Increase in opportunity to improve regional cooperation and integration as a result of the contract. ▪ Increase skills and expertise transfer as a result of the contract.
Port of Cotonou, Benin Project (Benisa 1) general cargo terminals.	Time negotiating contract.	Joint venture with Sobemap and the Port Authority of Cotonou to operate the 1,4km quay for bulk and general cargo berths.	<ul style="list-style-type: none"> ▪ Increase in revenue from business development. ▪ Increase in opportunity to improve regional cooperation and integration.
Pipelines MOU signed with Botswana Oil Limited to cooperate on oil and gas initiatives in Botswana.	Data analysis, feasibility studies.	Efficient movement of fuel due to increased turnaround times.	<ul style="list-style-type: none"> ▪ Increase in opportunity to improve regional cooperation and integration. ▪ Increase in market share from road. ▪ Increase in volumes.
Freight Rail and Engineering National Railways of Zimbabwe Rehabilitation Programme	Time engaging partners in negotiating deal structure.	Transnet awarded preferred bidder for programme.	<ul style="list-style-type: none"> ▪ Increase in opportunity to improve regional cooperation and integration. ▪ Increase in revenue for Freight Rail and Engineering.

Sustainable Developmental Outcomes



Transnet delivers customised passenger coaches to Botswana

Engineering delivered 22 passenger coaches to Gaborone in March 2016 as part of a contract with Botswana Railways. The remaining 15 coaches will be delivered in May 2016. The coaches were engineered and manufactured to exact specifications at Transnet's engineering facilities in Koedoespoort, Pretoria and Salt River, Cape Town. The delivery confirms the commitment by Engineering to becoming Africa's leading manufacturer of rolling stock, as part of Transnet's Africa Strategy. The contract was awarded following a competitive bidding process in which Engineering excelled in technological innovation, delivery schedule and pricing.



Manufacturing Botswana passenger coaches – Koedoespoort



Transnet ports in place for grain imports

Southern Africa is currently experiencing the worst dry spell since 1992. Drought has devastated crops in many regions and led to a dire outlook for grain production for the coming year. Normally a net exporter of grain, South Africa may need to import as much as seven million tons for the coming year, some of which is destined for onward delivery to Zimbabwe, Zambia and Malawi.

Port Terminals' facilities are prepared for this. Durban's Agri bulk Terminal is the largest grain terminal and handles approximately 1.4 million tons of grain per annum. In addition to using its available silos and storage facilities at its ports, Port Terminals is collaborating with inland silo owners for maize storage. Freight Rail has committed 3 284 wagons to transport domestic and cross border maize cargo.



Grain storage facility – Durban



Durban Container Terminal

Sustainable Developmental Outcomes



TRANSFORMATION

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



Transnet supports the Universal Declaration of Human Rights. Human rights constitute the cornerstone of South Africa's democracy affirming the values of human dignity, equality and freedom. Transnet is bound by the Constitution of the Republic of South Africa which contains the Bill of Rights¹⁶ 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.

Transnet, as one of South Africa's largest single employers with a workforce of 64 467 employees, is committed to supporting Government initiatives aimed at addressing the socio-economic legacy of the past. Our long term social value creation involves the transformation of society through employment equity and black economic empowerment within the entities that supply Transnet.

We are committed to upholding the principles of the UNGC on equity and anti-discrimination; and we seek to create an organisation that reflects the diversity of South African society, particularly through empowering women and People with Disabilities. We also have the opportunity to create new black industrialists in a multitude of sectors through our supplier base.

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

- **Increasing representation of black employees, female employees and People with Disabilities.**

The material outcome that Transnet aims to achieve is:

- Skilled, technical, professional and managerial posts that reflect the country's racial, gender and disability profile.

¹⁶ 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 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.

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;
- 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 achieved a B-BBEE rating of Level 2 for the calendar year ending December 2015. This rating reflects combined scoring for the Generic Transport Public Sector, Rail, Maritime and Property Charters.

Transnet B-BBEE Rating

Operating Division/Specialist Unit	December 2014	December 2015	Total Points	Charter Applied
Transnet SOC Ltd	2	2	91,9	Generic Transport Public Sector
Pipelines	3	2	87,38	
Transnet Capital Projects	2	2	94,67	
Freight Rail	2	2	89,92	Rail Charter
Engineering	2	2	90,30	
Port Terminals	2	2	87,41	Maritime Charter
National Ports Authority	4	3	77,55	
Transnet Property	5	5	57,69	Property Charter

Sustainable Developmental Outcomes

Transnet has increased the number of black female employees in most occupational level categories during 2016. This indicates Transnet's focus on the attraction and retention of women in a highly operational environment. Despite this focus, representation remains lower than that of the NEAP with female employees representing 25,2% of the work force compared to the NEAP target of 45,2%.

Black Female Employees 2016

Occupational level	Actual 2015	Actual 2016
Top Management ¹⁷	45	45
Senior Management	236	242
Professional	1 558	1 652
Skilled	5 569	5 815
Semi-skilled	5 064	5 214
Unskilled	884	886
Total Black Female Employees	13 356	13 854

With respect to black male employees, representation is above that of the NEAP with black male employees representing 59,0% of the workforce compared to the NEAP target of 48,4%. There is however, a significant over representation of black male employees at semi-skilled and unskilled levels in operations.

Black Male Employees 2016

Occupational level	Actual 2015	Actual 2016
Top Management	61	61
Senior Management	444	456
Professional	2 527	2 614
Skilled	10 082	10 210
Semi-skilled	15 832	15 407
Unskilled	3 777	3 701
Total Black Male Employees	32 723	32 449

As part of its commitments under the UNGC, Transnet upholds the elimination of discrimination in employment and occupation. People with Disabilities are a key area of focus for Transnet's transformation agenda. The year under review has seen the proportion of People with Disabilities retained at 2,3% in 2015 and 2016.

The EE plan for 2016 continued 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. Targets for 2016 for black employees, females and People with Disabilities included:

¹⁷ Top management comprises Group Executive and General Managers.

Black Employees, Females and People with Disabilities 2016 (%)

Category	Actual 2015 (%)	Actual 2016* (%)
Black	83,0	84,2
Females at Group Exco	40,0	35,7
Females at Extended Exco	43,0	44,3
Females below Extended Exco	26,4	25,2
People with Disabilities	2,3	2,3

* Calculated using permanent headcount of 55 000 employees

Transnet has progressed significantly in transforming its supplier base towards a B-BBEE supplier base with actual B-BBEE spend for 2016 amounting to R43,48 billion or 100,6% (2015: R45,2 billion or 105,1%) of total measurable procurement spend (TMPS) of R43,2 billion. In terms of the DTI Codes of Good Practice, Transnet's B-BBEE spend in 2016 is as follows:

- Black-owned enterprises – R13,02 billion (2015: R9,4 billion);
- Black women-owned enterprises – R4,22 billion (2015: R4,1 billion);
- Exempted micro-enterprises – R2,34 billion (2015: R3,0 billion);
- Qualifying small enterprises – R3,04 billion (2015: R2,0 billion);
- Black youth-owned – R741,52 million (2015: R671,9 million); and
- People with Disabilities – R46,73 million (2015: R77,5 million).

A representative workforce

Freight Rail has sustained the increase in employment opportunities for black employees, women and People with Disabilities during 2016. Representivity of black employees exceeded the target of 80% by achieving 85,1%. Women employees have been sustained at senior, middle and junior management levels. Freight Rail achieved 2,8% with respect to People with Disabilities against a target of 3%. Freight Rail's overall employment equity score in the B-BBEE scorecard for December 2015 increased from 12,84 in 2014 to 14,85 in 2015.



Boiler making operations – Richards Bay



Women in Pipelines

The Women in Pipelines training programme saw 38 women (six middle managers and 32 junior officers) graduate in February 2016. The training programme covers emotional intelligence, finance, communication, safety, leadership theories, diversity, and work/life balance. All participants are selected on the basis of an individual commitment letter supporting why they should be selected. The success of this programme can be attributed to line manager involvement where mentorship plays a key role and alignment of training with personal development plans is ensured.



Pipelines – Heidelberg



Sustainable Developmental Outcomes



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.



The nature and scope of Transnet's operations means that we operate across inherently high risk environments that have the potential to negatively impact our employees, contractors, business partners, customers and the general public. Transnet has a legal and moral responsibility to ensure the health and safety of its employees and those affected by operations. Strict standard operating procedures are implemented together with continuous programmes to instil a safety mind set of 'zero harm' to self, colleagues, communities and the environment.

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;
- 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; and**
- **Absenteeism.**

The material outcome that Transnet aims to achieve is:

- Improved quality of life of employees.



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 recognised trade unions are supported by policies, standards, procedures and rules that seek to ensure a safe working environment. Critical health and safety controls such as minimisation of working hours; conducting hazard identification and risk assessments; medical surveillance; fire prevention and protection; 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.

Transnet further implements internationally recognised safety management systems including the Railway Safety Management system (ISO 3000), Quality Management system (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 continually 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.

Safety training is conducted through the Transnet Academy Schools of Rail, Maritime, Pipelines and Security and built into all functional and technical training. Awareness campaigns are conducted on a regular basis throughout the Company. The Safety Culture Programme instils in all employees a safety mind set and 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 on a regular basis to raise awareness. Projects supporting the business have also become a feature of the wellness programme. The Marine Cadet Life Skills project equips individuals to be away from home for extended periods. The Leave a Legacy project aims to prepare first time job seekers, to adjust to the world of work.

OUR PERFORMANCE

Safety performance is measured against industry recognised indicators such as the disabling injury frequency rate (DIFR), fatalities, loss incidents and derailments. Overall, there has been an increase in many of these categories over the past year and this is a concerning trend.

Transnet has experienced an increase in DIFR over the past year from 0,68 in 2015 to 0,69 in 2016. This can be attributed to a significant reduction in man hours as the DIFR has been negatively impacted to reflect an increasing trend. On average, the ratio has been below 0.75 for the past five years. There were however, 568 disabling injuries in 2016 (590 in 2015). Transnet is addressing this through the restructuring of the Transnet Safety Leagues to move the Company closer to the attainment of a sustainable safety culture in the form of Transnet Safest Site.¹⁸

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

¹⁸ Refers to the ideal state 'The Transnet Way' (the highest level of attainment within the Safety Leagues).

Sustainable Developmental Outcomes

The following DIFRs were recorded per Operating Division:

- **Freight Rail:** 0,86. There was an increase in motor vehicle accidents which involved multiple injuries per accident.
- **Engineering:** 0,45. The improvement in DIFR performance (against a target of 0,75) is attributed to bi-annual induction programmes for all employees and contractors; internal safety audits; monthly safety inspections at sites; incident management discussed at various platforms; and continuous safety awareness and training.
- **National Ports Authority:** 0,63. There was an increase in manageable small injuries, reduced effectiveness of the safety culture programme, and need to improve investigations.
- **Port Terminals:** 0,61. There was an increase in injuries.
- **Pipelines:** 0,18. This is a marked reduction from 0,44 in 2015.

Tragically, the Company reported eight employee fatalities in 2016. This compares to four fatalities in 2015. Six fatalities were as a result of road vehicle accidents occurring while employees were executing Transnet activities; one was as a result of a train collision; and the other as a result of a drowning. Fatalities occurring as a result of road accidents outside Transnet operations are not recorded as employee fatalities.

We regret the loss of lives and remember

- Mr Xolisile Gwata, 7 April 2015
- Mr Petrus Johannes Roodt, 27 May 2015
- Mr Shemuel Mathew Padavath, 29 June 2015
- Mr Faizel Bailey, 16 October 2015
- Ms Kim Elizabeth Violet Day, 28 December 2015
- Mr Marthinus van der Merwe, 4 January 2016
- Mr Poovanthran Kurupanda Naidoo, 3 March 2016
- Mr Nishal Lachman, 3 March 2016

Public fatalities are tragically higher than 2015 with 97 fatalities reported in 2016 compared to 88 in 2015.

Trespassers into the rail reserve account for 76% 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. Level crossing incidents have remained at 64 in 2016.

In collaboration with local municipalities, schools, the South African Police Services and other stakeholders, Freight Rail extended its Level Crossing Awareness Campaign in 2016 educating communities, the public and children about the dangers of living next to railway lines.

Running line derailments increased from 61 in 2015 to 68 in 2016.

Shunting derailments decreased from 230 in 2015 to 169 in 2016.

With respect to staff wellness, there has been an increase in the unplanned and sick absenteeism rate for the period under review. The unplanned absentee rate increased from 2,56% in 2015 to 3,06% in 2016, while the sick absentee rate increased from 2,10% to 2,61% in 2016. Both the unplanned and sick absenteeism rates increased significantly, by 20% and 24% respectively. Reasons for this include: standardisation of input leave types across Transnet with long term leave (hospitalisation) being included; 2015 marked the beginning of the sick leave cycle for bargaining unit employees; and sick leave average duration was 3,36 days in 2016, compared to 2,87 days in 2015.



Material Activities 2016	Inputs 2016	Outputs 2016	Material Outcomes
Safety Leagues among Operating Divisions.	R2,5 million	Over 80 Internal Safety Leagues (ISL) Clubs across all Operating Divisions. 34 Golden Safety Leagues (GSL) Clubs. 18 Platinum Safety Leagues (PSL) Clubs. Over 80% of employees are involved in the Leagues.	<ul style="list-style-type: none"> 0,69 DIFR. 568 disabling injuries. 8 employee fatalities. 97 public fatalities. 68 running line derailments. 169 shunting derailments.
Employee Assistance Programme (EAP)	R10 million	9 163 calls made to the EAP service provider. 2 373 telephonic counselling sessions. 29 formal referrals made to groups (Alcoholics Anonymous, Gambling Anonymous).	<ul style="list-style-type: none"> Increase in telephonic counselling sessions. Increase in formal referrals to groups (Alcoholic Anonymous, Gambling Anonymous). Increase of face-to-face counselling sessions.

Safety Leagues – Journey to a Safety Culture

The Transnet Safety Leagues were developed in 2009 as part of a gamification strategy to increase safety behaviour and embed a safe culture within all levels of the organisation.

The Leagues follow an extended metaphor of a soccer league due to its high salience and structural similarities. Employees are in cooperative 'teams' which make up 'clubs' which compete against each other in 'leagues'. Only clubs in the same league compete against one another. Clubs compete against each other based on their scoring on a set of behavioural measures designed to embed safety as an internalised practice. The Leagues follow a tiered league structure with three overarching leagues: Internal Safety League, Golden Safety League, and Platinum Safety League, with promotion and relegation options based on the operational site's safety maturity and performance.

Although the Safety Leagues had success, Transnet recognises the need to achieve a material improvement in Transnet's safety record. A renewed safety programme commences in the year ahead.



Transnet Safety Competition



Sustainable Developmental Outcomes



COMMUNITY DEVELOPMENT

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



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 is currently developing quantitative indicators to measure and track the outcomes achieved from its community development activities. This will enable improved reporting.

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

- **Measurably improving the quality of life of the communities within which Transnet operates.**

The material outcome that Transnet aims to achieve is:

- Improved physical and mental health, well-being and safety in communities.



OUR MANAGEMENT APPROACH

Transnet's commitment to community 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 socio-economic programmes. Operating Divisions respond proactively to the needs of vulnerable communities surrounding their operations.

Transnet's CSI programmes focus on rural communities situated along the rail network, and projects with a strong community impact near ports and pipelines. Transnet's programmes are primarily in health, socio-economic

infrastructure and education. The Transnet Foundation is also aligning its agenda to support communities affected by Transnet's capital projects.

OUR PERFORMANCE

Transnet's total CSI spend for 2016 was R248,4 million. CSI spend contributed to the achievement of an overall B-BBEE score of Level 2. R211,4 million was spent on programmes and R37 million on support functions. The total CSI spend includes external sponsorships/donations (R21,4 million), Transnet employees' directorship fees¹⁹ (R2,5 million), and the Transnet CSI budget allocation (R224,5 million).

Material Activities 2016	Inputs 2016	Outputs 2016	Material Outcomes
Phelophepa I and II trains provide primary healthcare services to communities along the rail network. During the year under review, the trains visited communities in the Northern Cape, Western Cape, Eastern Cape, Free State, KwaZulu-Natal, Limpopo, Mpumalanga and the North West Province.	R99,3 million	177 871 patients received primary healthcare. 1 120 community volunteers received training in primary healthcare. 1 353 student placements. 378 816 individuals received services through community outreach activities.	<ul style="list-style-type: none"> 4 200 indirect jobs created. Improved access to primary healthcare services for communities. Improved health status of the beneficiaries resulting from the presence of train. Increased opportunities for medical students to receive experiential training. Improved access to primary healthcare services for communities.
Socio-economic Infrastructure Development converts old freight containers into community centres, police stations and school clinics.	R4,7 million	23 728 non-financial beneficiaries (SMME development, safety and educational programmes). 9 SMMEs established. 45 SMME members trained. 15 participants benefitting from Adult Basic Education and Training (ABET) programme. 753 destitute families benefitted from food distribution programme.	<ul style="list-style-type: none"> 22 indirect jobs created via the establishment of community centres. Increase in number of local suppliers. Improvement of local suppliers through the training of SMME members. Increase in beneficiaries receiving skills development through ABET programme. Increase in destitute families receiving food distribution.
Teenage Health provides health education and sanitary pads to teenage girls.	R19,1 million	Approximately 10 000 teenage girls participated.	<ul style="list-style-type: none"> Reduced absenteeism of teenage girls from school. Improved academic performance. Improved quality of life.
Orphaned Youth education for vulnerable youth.	R13,2 million	50 youth enrolled. 80% Matric (University Exemption) pass rate in 2015.	<ul style="list-style-type: none"> Access to quality education for vulnerable youth. Improved academic performance. Improved quality of life.
Teacher Development and mentorship of teacher interns in Maths and Science.	R2,6 million	6 teacher interns.	<ul style="list-style-type: none"> Improved teacher performance in Maths and Science. Improved academic performance of students in Maths and Science.

¹⁹ In terms of Transnet policy, employees serving as non-Executive Directors of other companies donate directorship fees to the Transnet Foundation.

Sustainable Developmental Outcomes

Material Activities 2016	Inputs 2016	Outputs 2016	Material Outcomes
SAFA/Transnet School of Excellence to develop youth footballing potential.	R17,9 million	120 learners enrolled in 2015. 50 graduates participating in local and national football teams.	<ul style="list-style-type: none"> Improved footballing skills. Improved academic performance. Improved quality of life.
Rural and Farm Schools Development to discover sporting talent and nurture it to the highest possible level.	R15,0 million	105 110 learners participated in 2015. 4000 graduates participating in provincial/national sporting codes.	<ul style="list-style-type: none"> Improved sporting skills. Improved academic performance. Improved quality of life.
Employee Volunteers in communities that Transnet operates in.	R28,0 million	Approximately 2 500 employees volunteer throughout the year. Infrastructure upgrades at 4 preschools in Greenpoint and Kimberley. Establishment of youth precinct at De Aar providing access to internet, entrepreneurship skills, social cohesion. Establishment of a tourism and hospitality internship for 40 youth in Saldanha Bay and Vredenburg. Solar energy provided to 91 households in Rossmead, Eastern Cape	<ul style="list-style-type: none"> Adult basic education training. Computer literacy at high schools. Governance principles in operating effective schools. School infrastructure upgrades creating an environment for learning. Sports coaching. Creating food gardens: food security. Improved quality of life.
Heritage preservation of heritage assets.	R11,4million	Railway museum open to the public in George. Conservation of heritage resources.	<ul style="list-style-type: none"> Tourism attractions. Education on heritage assets for schools and the community.



Mambuka Satellite Police Station – Empangeni

Mambuka Satellite Police Station

The Transnet Foundation's SEID programme launched the Mambuka Satellite Police Station in Empangeni, KwaZulu-Natal in September 2015, in response to community, local government, policing forum and NGO requests for the infrastructure.

R1.2 million was spent on infrastructure; new generators and air conditioners; refurbishing the community service centre; obtaining information communication technology; CCTV; and a security fence for the station. The close proximity of the station to the community improves response time and safety and security for small businesses. The station brings police visibility, community-centred policing, improved relations between police and community, and is restoring confidence and trust in the police.

The infrastructure, as is the case with most of the SEID projects, uses rain water harvesting and solar power.



Container Bakery

Container Bakeries Project

In association with Umnyakazo Development (Pty) Ltd, Transnet is funding the establishment of 30 community-owned containerised bakeries in

15 rural district municipalities across KwaZulu-Natal (10), Eastern Cape (10) and North-West (10). Transnet provides a fully equipped container comprising baking equipment, start-up stock, generators, and provides operational and financial training. Each bakery will create 15 jobs, with 30 targeted bakeries expected to create 450 jobs. The objectives include:

- Poverty alleviation through job creation;
- Food security for the communities;
- Profitable and sustainable bakeries for rural families; and
- Empowering women in rural communities.

Umnyakazo Development (Pty) Ltd is a 100% black women-owned food and beverages company. Each bakery is owned and operated by black women-owned cooperatives and includes tuckshops, clinics and school feeding schemes.

Currently, there are six operating bakeries in the North-West selling bread at an average price of R6. Sales per day range between 20 – 200 loaves; and average income per month can range between R2 700 and R27 000.



Level crossings awareness campaign

A number of level crossings awareness campaigns are conducted annually in various communities to prevent and minimise incidents and accidents.

On 27 August 2015, Freight Rail conducted a risk assessment at Hartswater, Magogeng and Taung level crossings in conjunction with the South African Police Services, municipality and community leaders. A number of costly incidents have been experienced at these level crossings in the past. The assessments checked the visibility of road signs, driver behaviour, and the views of the communities. The investigations found that in most cases driver behaviour was the cause of incidents, particularly drivers not adhering to road signs to stop at level crossings. Ignorance amongst pedestrians was found to be the reason for high public fatalities.

The risk assessments assisted in engaging and educating communities. Initiatives identified to reduce level crossing accidents include constructing speed humps to force drivers to stop at rail crossings.



Level crossing awareness campaign – North West Province



Sustainable Developmental Outcomes



ENVIRONMENTAL STEWARDSHIP

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



The global SDGs focus on environmental stewardship as necessary to ensuring sustainable growth and development. Combating climate change; availability and sustainable management of water for all; access to affordable and sustainable energy for all; and a halt to biodiversity loss are prioritised. South Africa's NDP emphasises the need to protect and enhance environmental assets and natural resources. 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, energy use is our most significant impact to the environment and Transnet has made energy its primary focus for environmental stewardship initiatives.

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

- **Energy supply and use;**
- **Modal shift from road-to-rail;**
- **Water stewardship;**
- **Waste management; and**
- **Biodiversity enhancement.**

Other areas of environmental stewardship in the Company are:

- Climate change adaptation; and
- Environmental incident management.

The material outcomes that Transnet aims to achieve are:

- Improved energy efficiency;
- Reduced carbon emissions;
- Improved water management;
- Improved waste management; and
- Improved protection and restoration of natural habitats.



ENERGY SUPPLY AND USE

South Africa is ranked as one of the world's most energy-intensive nations, owing to its reliance on coal as the primary source of fuel for electricity generation and wide use of liquid fuels for transport. South Africa's electricity supply is severely constrained, energy costs are rising sharply, liquid fuels are subject to exchange rate risk, and both sources of energy carry a high environmental cost in Greenhouse Gas (GHG) emissions.

Transnet's primary energy sources are electricity (58%) and diesel fuel (33%) 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 2016, energy constituted 16,4% of Transnet's total operating cost.

The Company is reliant on Eskom for the provision of base-load electricity to power its operations, and on municipal distribution systems in many areas. The first half of the year under review saw load-shedding across the country to prevent grid failure. Constrained generating capacity is anticipated for the next three years while new plants are being built, and independent power producers are commissioned. A decline in electricity demand in the latter part of 2015 has resulted in the curtailment of load shedding.

In 2016, security of electricity supply was ranked Transnet's number one strategic risk. The 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 due to 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 above-inflation annual increases and uncertainty as to whether Eskom's carbon tax will be passed on to customers from 2017.

Our management approach

Transnet's Energy Policy outlines the Company's commitments that:

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

Natural gas has been identified as a viable alternative energy source, both for the country and potentially for Transnet. Transnet is 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 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 to support localised interruptions.

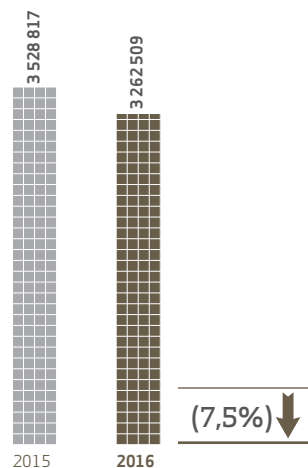
The following initiatives are underway:

- The ISO50001 energy management system is being implemented in the 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 regenerative braking energy storage for electric locomotives using wayside energy storage systems, vibration energy harvesters for rail vehicles, 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.

Sustainable Developmental Outcomes

**Total electricity consumption
2016 (MWh)**



Freight Rail is able to make energy efficiency gains as new locomotive technology is introduced into operations, specifically from regenerative braking capability. Deployment of the class 19E and 15E locomotives on the coal and iron ore export lines since 2012 has contributed to energy efficiency gains.

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.

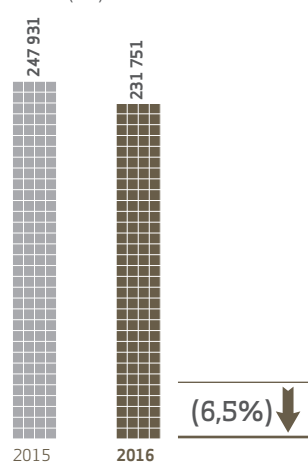
Our performance

Transnet's total electricity consumption for 2016 was 3 262 509MWh, down 7,5% from 3 528 817MWh²⁰ in 2015. Since 2012 when energy efficiency measures were instituted in Transnet, total electricity consumption has decreased by 14% from 3 798 908MWh.

Transnet's total fuel consumption for 2016 was 231,8 mega litres, down 6,5% from 247,9²¹ mega litres in 2015.

Transnet recorded an overall 3,9% improvement in energy efficiency from 2015, due to a 7,0% reduction in energy consumption in 2016.

**Total fuel consumption
2016 (Kℓ)**



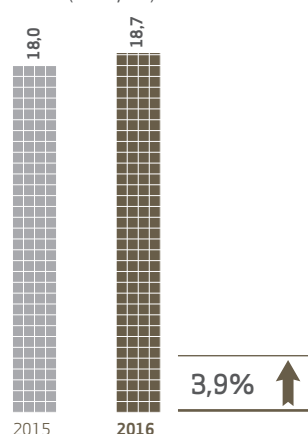
73% of electricity in 2016 was used for Freight Rail traction,²² and the remainder in Transnet's properties, ports, pipelines and engineering operations.

Of the total fuel consumption figure: 73% was used for Freight Rail diesel traction²³, 11,2% on road vehicles, 11,7% on home-based fuel, and 3,9% on marine diesel.

Significant energy efficiency gains have been made across the business, with annual targets been exceeded in most cases. Energy efficiency improved by 3,9% in 2016 compared to 2015, measured as tons/GJ.

A total of 145 863MWh of electricity regeneration was recorded in Freight Rail in 2016. This comprised both the Class 19E locomotives working on the coal line and the Class 15E locomotives working on the iron ore line.

**Energy efficiency
2016 (tons/GJ)**



²⁰ Change in 2015 figure (0,44% increase from 3 513 511 MWh) due to an account adjustment by the Ethekwini Municipality for incorrect metering for Freight Rail Real Estate. There were also corrections made for Sentrara and Durban.

²¹ Change in 2015 figure (0,7% decrease from 249,9 mega litres) due to corrections to vehicle fuel reports.

²² Freight Rail traction refers to the use of electrical locomotives to move freight volumes.

²³ Freight Rail traction diesel power refers to the use of diesel locomotives to move freight volumes.



Electricity Efficiency Performance 2016

Operating division	Measurement	Actual 2015	Actual 2016	Energy efficiency gain on PY
Freight Rail Traction	gtk/kWh	68,7 ²⁴	68,3	-0,6%
Freight Rail Real Estate	kWh	226 762 480 ²⁵	218 889 801	3,5%
Transnet Property	kWh	68 485 343 ²⁶	67 071 119	2,1%
Pipelines	Mtkm/MWh	37,8	37,0	-2,1%
Port Terminals	Ton/kWh	0,68	0,69	1,5%
National Ports Authority	Employee/MWh	1,36	1,49	9,9%
Engineering	man-hour/MWh	206,3	220,3	6,8%

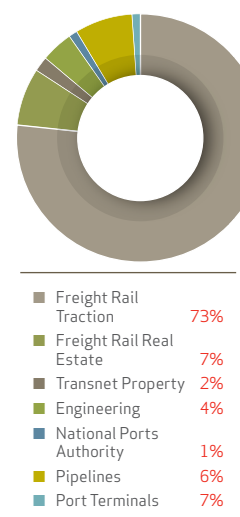
Fuel Efficiency Performance 2016

Operating division	Measurement	Actual 2015	Actual 2016	Energy efficiency gain on PY
Freight Rail Traction	gtk/litre	189,1	192,7	1,9%
Port Terminals	ton/litre	5,9	6,3	7,3%
Engineering	man-hour/litre	11,9	13,7	15,5%

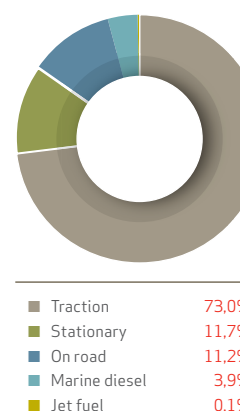
Transnet recorded a decrease of 7,9% in carbon emissions in 2016 from 4,34mtCO₂e in 2015 to 3,99mtCO₂e. This can be attributed to Scope 1²⁷ emissions decreasing by 0,1% to 681 016tCO₂e (from 682 022tCO₂e in 2015) due to improved efficiencies in diesel locomotives. Freight Rail is responsible for 83,1% of Scope 1 emissions. Scope 2²⁸ emissions decreased by 9,3% to 3,295,208tCO₂e (from 3 634 682tCO₂e in 2015) due to improved electricity efficiency throughout the business. Freight Rail accounts for 79,8% of Scope 2 emissions. Scope 3²⁹ emissions decreased by 19,5% to 16,368tCO₂e (from 20 323tCO₂e in 2015) due to reduced business travel.

With respect to overall carbon emissions intensity, Transnet recorded an overall 5,6% reduction from 2015, due to a 3,5% reduction in volumes and a 7,0% reduction in energy in 2016.

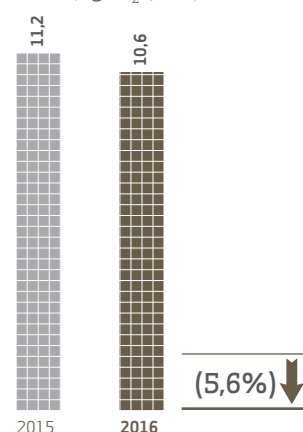
Electricity distribution 2016 (%)



Fuel distribution 2016 (%)



Carbon emission intensity 2016 (kgCO₂e/ton)



²⁴ Change in 2015 figure (decrease from 69,2) due to a change in the 'Sprint' system calculating gtk volumes moved on the Komatipoort - Mhulume section.

²⁵ Change in 2015 figure (increase from 212 632 860) - refer footnote 20.

²⁶ Change in 2015 figure (decrease from 71 240 517) due to corrections in the internal recovery process.

²⁷ Scope 1 emissions covers diesel locomotives, vehicles, long-term leased vehicles, onsite combustion of fuels and refrigerants.

²⁸ Scope 2 emissions are generated from purchased electricity.

²⁹ Scope 3 emissions covers employee rental cars, air travel and third party transport.

Sustainable Developmental Outcomes

MODAL SHIFT FROM ROAD-TO- RAIL

Our management approach

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, and to demonstrate the carbon emissions saving achieved annually through its growing market share.

The material outcomes that Transnet aims to achieve are:

- Improved energy efficiency; and
- Reduced carbon emissions in the transport sector.

Our performance

Freight Rail is making a meaningful contribution to the reduction in carbon emissions in the South African transport sector. In 2016 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 5 road-to-rail volume gains in 2016 amounts to 313 699tCO₂e. The emissions savings are dependent on the volumes transported and the distance travelled as opposed to only the volumes gained - there is no correlation between the volumes gained and the emissions saved.

Top 5 Road-to-Rail Volume Gains for 2016

Commodities	Volume gains (tons)	Emissions avoided (tCO ₂ e)
Manganese (Export Port Elizabeth)	466 621	72 331
Manganese (Export via Ore Line)	865 033	193 837
Coal (Eskom)	1 205 881	26 386
Chrome & Ferrochrome	306 727	20 259
Automotive	13 103	886
Total	2 857 365	313 699



Launch of City Deep Container and Automotive Terminal upgrade

Upgrade of City Deep Terminal in support of Government's Road-to-Rail Strategy

On 26 November 2015, the completion of the City Deep Container and Automotive Terminal upgrade was launched. The terminal is Freight Rail's largest inland port in Africa, representing 70% of total landside container flows. The terminal represents Freight Rail's commitment to Government's road-to-rail strategy; creating capacity and improving efficiencies; customer focus; and the fleet renewal programme. The total investment amounts to R800 million and capacity has been doubled from 200 000 Twenty Foot Equivalent Units (TEUs) per annum to 400 000 TEUs. The upgrade includes:

- Rehabilitation of existing terminal equipment;
- Upgrading existing terminal infrastructure and procurement of new cranes;
- Installation of the Navis terminal operating system; and
- Installation of new gate and weighbridge system.



RailRunner technology to assist in moving freight from Road-to-Rail

Freight Rail is piloting the use of a US-based technology termed RailRunner which allows freight to travel on rail and road interchangeably using the same 40 foot tri-axle trailer.

The technology has been in commercial use in the US for the past seven years and entails utilising a patented rail bogie and purpose-built chassis system that transform containers into rail cars and trains without terminal or crane facilities.

The pilot will run between Cape Town and Johannesburg. Containers will be carried on rail and road using a trailer that has both a bogie (for rail) and rubber wheels (for road). Moving freight by rail will reduce the cost by one fifth. The new technology will also reduce the process of shifting freight from a train to a truck from a period of two to three hours to about two to three minutes. It is anticipated that Transnet will attract new customers with the RailRunner flexibility and lower cost.



Diesel and electric locomotives



Sustainable Developmental Outcomes



WATER STEWARDSHIP

South Africa is a water scarce country and our freshwater resources are threatened, exacerbated by the current drought. Water has been identified as one of the top 10 global risks in terms of impact and certainty by the World Economic Forum (WEF)³⁰, while the Institute of Risk Management South Africa has further identified the water crisis as one of the top 10 risks at both a country and industry level.³¹ Transnet recognises that water scarcity is a major risk. A number of Transnet's operations are located in water-stressed catchments. Risks include: water supply shortages; operational stoppages; cost escalations; revenue losses; community distress; lower investor confidence; and growing legislative complexities.

The material outcomes that Transnet aims to achieve from water stewardship are:

- Reduced water loss;
- Increase in security of water supply;
- Reduced stress on natural water resources; and
- Protection of water resources.

Our management approach

Transnet completed a baseline water assessment to understand the Company's water use during 2016. The assessment identified a number of actions required to achieve water stewardship, including the development of a Water Policy. Water audits took place in some of the Operating Divisions and findings are being addressed and integrated into a Water Stewardship Strategy. Transnet is participating in the Carbon Disclosure Project: Water.

In order to understand the impact of water scarcity on the business, Transnet undertook a water risk and

opportunities assessment in 2016 and mitigation measures and opportunities are being investigated.

Transnet engaged with public and private stakeholders in key water stressed areas during 2016, aimed at collaboratively developing solutions for business, government and communities.

Our performance

Water-use licensing remains a challenge for Transnet. The process is complex, onerous and Transnet has not received all water-use licences for its mega projects. Transnet remains committed to managing water efficiently by implementing comprehensive water management programmes aligned to water-use licence commitments. We also continue to identify opportunities to improve water use in all our Operating Divisions.

Port Terminals' total water consumption was 5 089 379kℓ for 2016. Of this figure, 4 043 094kℓ was recycled. This resulted in 79% less portable water usage, increase in security of water supply in operations, and reduced stress on natural water resources.

Savings have been realised through improved monitoring systems. The following water efficiency initiatives are underway:

- Installation of remote electronic meters for consumption, reading and quick leak detection;
- Use of low flow fixtures;
- Installation of low flow shower heads;
- Installation of water pipes (warm water);
- Pressure reticulation in major areas; and
- Installation of water mixers for ablution.

³⁰ 'Global Risks Report 2016'; World Economic Forum, 2016. www.weforum.org/docs/Media/TheGlobalRisksReport2016.

³¹ 'SA Risks 2016'; Institute of Risk Management South Africa, 2016. www.irmsa.org.za.



WASTE MANAGEMENT

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.

The material outcomes that Transnet aims to achieve are:

- Increase in waste diverted from landfill through waste reduction and recycling;
- Increase revenue through waste recycling activities; and
- Improve waste management practices.

Our management approach

In accordance with the requirements of Section 36 of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) Transnet has identified contaminated areas in our operations, using scientific methods and visual assessment based on the knowledge

of site activities or historic information. Management plans have been developed for the asbestos and hydrocarbon contaminated areas and the relevant authorities have been notified. Engagements with stakeholders (private and relevant government departments) for possible collaboration on asbestos management are underway. The following actions are in progress:

- Applications for Remediation Orders for contaminated sites; and
- Ad-hoc initiatives to clean up the contaminated areas where the asbestos exposure risk interferes with operations, employees and the public.

Our performance

Transnet recovered a total of R87 775 002 revenue through waste management initiatives most of which involved the sale of scrap metal. Transnet will continue to implement the waste hierarchy in order to minimise the amount of waste to landfill where practicable.

Pipeline Spills 2016

Date	Location	Product	Volume (ℓ)	Cause	Remediation
15 December 2015	Sparrow Lane (Alverstone, Hillcrest)	DJP	Approximately 169 031	Operational (pipeline failure spill)	In progress
26 December 2015	Mnambithi Pumpstation	Diesel	Approximately 56 000	Operational	In progress

Sustainable Developmental Outcomes

Material Activities 2016	Inputs 2016	Outputs 2016	Material Outcomes
Freight Rail waste management initiatives.	Management cost	42 970 tons ferrous metals recovered. 1 026 tons non-ferrous metals recovered.	<ul style="list-style-type: none"> Improved waste management practices. R69 356 305 revenue generated from recovery of ferrous metals. R12 942 309 revenue generated from recovery of non-ferrous metals.
Engineering waste management initiatives.	R17 million spend on waste management contract.	6357 tons waste generated. 6127 tons waste disposed. 229 tons waste recycled.	<ul style="list-style-type: none"> 3,6% total waste generated diverted from landfill. Improved waste management practices.
National Ports Authority waste management initiatives.	R167 000 spend on waste management contract.	25 skips covered to prevent waste escaping. 33 signboards erected. 2 045 tons paper and plastics recycled. 173 truck and ORT tyres collected. 2,2 tons waste disposed.	<ul style="list-style-type: none"> Improved waste management practices. Improved waste management awareness and education, facilitating behavioural change.
Port Terminals waste management initiatives.	R11 366 670 spend on waste management contract.	150 117 tons total waste generated. 87365 tons waste disposed by landfill. 62751 tons waste recycled. 66220 litres oil recovered.	<ul style="list-style-type: none"> 41,8% total waste generated diverted from landfill. Improved waste management practices. R5 476 388 revenue generated from recycling initiatives.
Pipelines waste management initiatives.	Management cost	12 096 tons waste generated. 8 tons waste recycled.	<ul style="list-style-type: none"> 6,8% total waste generated diverted from landfill. Improved waste management practices.

BIODIVERSITY ENHANCEMENT

Transnet's footprint spans across kilometres of ecosystems. The Company seeks to avoid, minimise and mitigate the impacts arising from its operations and, where possible, restore the environment to maintain healthy ecosystem services for the future wellbeing of all South Africans.

Our management approach

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 Framework³² are completed, 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 also developed to address potential impacts identified through the BIAs.

The material outcome that Transnet aims to achieve is:

- Improve protection and restoration of natural habitats.

³² Available as a downloadable document on www.transnet.net/BusinessWithUs/Pages/LTPF2012.aspx.



Our performance

Transnet continued to map biodiversity hotspots against existing and future operations to ensure ecological sustainability of our infrastructure during 2016. Transnet also undertook a biodiversity enhancement risk and opportunity assessment which enabled the Company to identify trends, risks and dependencies of biodiversity on our operations.

Material Activities 2016	Inputs 2016	Outputs 2016	Material Outcomes
National Ports Authority Invasive Alien Plants Eradication project.	Port of Richards Bay R166 976 alien vegetation clearance.	Alien vegetation eradicated.	<ul style="list-style-type: none"> Alien vegetation eradicated. Restoration of indigenous vegetation. Natural habitat protection and restoration.
	Port of Port Elizabeth R155 000 alien vegetation clearance.	96 invasive alien plants removed.	
	Port of Durban R307 800 alien vegetation clearance.	25 Ha invasive alien plants removed.	

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. The WEF³³ identified failure of climate change mitigation and adaptation as the number one global risk in 2016 in terms of impact. Transnet is assessing where, how and to what degree climate change will impact our operations, and what measures can be taken to limit vulnerability. An adaptation road map has been developed and an adaptation plan is under development. The 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.

Transnet is collaborating with the relevant authorities on the development of a National Climate Change Adaptation Strategy.

ENVIRONMENTAL INCIDENTS MANAGEMENT

Section 30 of the National Environmental Management Act (NEMA), 1998 (Act No. 107 of 1998) requires that significant incidents which have a potential to cause significant harm to the environment, human life or property should be reported to the relevant authorities. Further to reporting the significant incidents to the authorities, incidents get investigated and are managed through the ISO 14001 EMS system which involves the logging, investigating and implementing of remedial measures.

Transnet continues to manage the environmental and reputational risks emanating from environmental incidents more specifically, significant spills from our pipeline and incidents occurring due to derailments. There were 15 such incidents reported in 2016, a 58% improvement on the 26 incidents recorded in 2015, all of which have been investigated and reported according to the legislated process. Remediation measures are currently being implemented for the incidents. Transnet also received one pre-compliance notice and one NEMA Section 24 G fine. Engagements with the Department of Environmental Affairs continue to resolve these matters.



³³ 'Global Risks Report 2016' World Economic Forum, 2016. [www.weforum.org/docs/Media/The Global Risks Report 2016](http://www.weforum.org/docs/Media/The%20Global%20Risks%20Report%202016.pdf).

APPENDIX A:

EXTERNAL ASSURANCE STATEMENT

INDEPENDENT ASSURANCE REPORT ON SELECTED SUSTAINABILITY INFORMATION

Independent assurance provider's report to the Directors of Transnet on selected Subject Matter Information disclosed in the Sustainability Report prepared in accordance with the Transnet Reporting Criteria.

INTRODUCTION

We (SizweNtsalubaGobodo Inc.) have been engaged to perform an independent assurance engagement for Transnet SOC Ltd ('Transnet') on selected subject matter information reported in Transnet's Sustainability Report ('the Report') set out on pages 01 to 69 for the year ended 31 March 2016 and express a conclusion on the report.

We provided limited and reasonable assurance based on the nature of the sustainability subject matter outlined under "Subject matter and assurance" section in this assurance report. This assurance 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 behavior. 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 in terms of ISQC 1, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

SUBJECT MATTER AND ASSURANCE

Reasonable assurance

The following selected sustainability subject matter in the Report were selected for an expression of reasonable assurance:

Ethics

- Reported incidents of irregularities: Investigations in progress, total unfounded, total founded and total allegations. (Number of allegations) (Page 20).

Employment

- Transnet total headcount of employees for 2015/2016 year end (Number of employees) (Page 25); and
- Gross Value Add from Transnet capital and operating expenditure (Page 26).

Skills development

- Total spend on skills development (Page 29);
- The number of bursars on the Transnet training and engineering bursary program (Page 29);
- Actual number of training participants per category for 2015/2016 (Page 30); and
- The number of training outputs per category for 2015/2016 (Page 30).

Industrial capability building

- Research and Development expenditure (Page 33); and
- Transnet 1064 locomotive contract value (Page 34).

Regional integration

- Total cross border revenue for 2015/2016 (Page 45).

Transformation

- Employment equity: Black female employees per occupational level, black male employees per occupational level and actual black employees for 2015/2016 (Page 50);
- Employment equity: Black employees, females and People with Disabilities as a percentage of the workforce for 2015/2016 (Page 51);
- Broad Based Black Economic Empowerment (B-BBEE) Policy (Page 49); and
- Broad Based Black Economic Empowerment (B-BBEE) spend (Page 51).

Health and safety

- Safety statistics – DIFR rate for Transnet (Page 53);
- Safety statistics – DIFR rate per Operating Division (Page 54); and
- Percentage change in unplanned absenteeism (Page 54).

Community development

- CSI spend per program (Page 57); and
- Total CSI spend (Page 57).

Environmental stewardship

- Total Electricity Consumption for the 2015/2016 year (Kilowatt hours) (Page 62);
- Electricity Distribution (Kilowatt hours) (Page 63);



- Total Fuel Consumption (*Litres*) (Page 62);
- Fuel Distribution (*Litres*) (Page 63);
- Energy Efficiencies (*Efficiency rates*) (Page 63);
- Scope 1 and 2 emissions (Page 63); and
- Carbon emissions intensity for 2016 (Page 63).

Limited assurance

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

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

We refer to the above information as the 'selected sustainability information for reasonable assurance' where reasonable assurance will be obtained and 'selected sustainability information for limited assurance' where limited assurance will be obtained and collectively as the 'selected sustainability information'.

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

TRANSNET REPORTING CRITERIA

The subject matter information is measured or evaluated against the Transnet Reporting Criteria. These criteria are available in the Sustainability Report, Appendix B on page 72. The Transnet Reporting Criteria are consistent with the prior period.

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 72 (Appendix B) of the sustainability report collectively referred to as the 'Transnet Reporting Criteria'. This responsibility includes the identification of the reporting criteria and stakeholder requirements, 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 Reporting Criteria.

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

Reasonable assurance

Our work for reasonable assurance subject matter information 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 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

Appendix A: External assurance statement

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 Transnet Corporate Centre, 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.

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 obtained is sufficient and appropriate to provide a basis for our conclusions.

Limited assurance

Our work included examination, on a test basis, of evidence relevant to the selected sustainability information. It also included an assessment of the significant judgment 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 and evaluating the appropriateness of quantification methods and reporting policies and agreeing 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 subject matter to be included in the report;
- Applied the assurance criteria in evaluating the data generation and reporting processes;
- Evaluated the reasonableness and appropriateness of judgments made by management in the preparation of the subject matter information; and
- Evaluated whether the subject matter information 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 (Revised) and hence the procedures performed in a limited assurance engagement vary in nature, timing and extent from a reasonable



assurance engagement. The 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, it is our opinion that the selected sustainability information for the year ended 31 March 2016 has been prepared, in all material respects, in accordance with the Transnet 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 2016, has not been prepared, in all material respects, in accordance with the Transnet 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.

Woodmead – Head Office

2191

6 June 2016

APPENDIX B: TRANSNET REPORTING CRITERIA

Transnet's sustainability reporting for 2016 is based on the following 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 artisans, 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. 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 total expenditure.
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 five road-to-rail volume gains, using GHG Protocol measures for the relevant emission factors.
Enablers of Sustainability	Reporting criteria
Governance	Reporting on governance reflects Transnet's adherence to the King Report on 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 irregularities comprise the total reported incidents founded, unfounded 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 1000 Stakeholder Engagement Standard.



APPENDIX C: GLOBAL REPORTING INITIATIVE

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.	Message from the Board, and Message from the Group Chief Executive.	8 – 9
Organisational profile		
G4-3 Report the name of the organisation.	Transnet SOC Ltd.	
G4-4 Report the primary brands, products, and services.	About Transnet – Who we are, and Our services.	3 – 6 IR, 16 – 18
G4-5 Report the location of the organisation's headquarters.	Johannesburg, South Africa.	
G4-6 Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	About Transnet – Where we operate and what we do.	4 IR, 16 – 18
G4-7 Report the nature of ownership and legal form.	About Transnet – Who we are.	3 IR, 16 – 18
G4-8 Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	About Transnet – Who we are; Where we operate and what we do; and Our services.	4 – 6 IR, 16 – 18
G4-9 Report the scale of organisation, including: <ul style="list-style-type: none"> 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; Where we operate and what we do; and Our services. Organisational overview.	4 – 6 IR, 16 – 18
G4-13 Report any significant changes during the reporting period regarding the organisation's size, structure, ownership or its supply chain.	Reporting Approach – About this report.	2 IR, 2 – 8
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 16 of the Rio Declaration, 1992 – Environmental Stewardship.	60 – 69 IR, 7
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 – About this report.	2 IR, 3

Appendix C: Global Reporting Initiative

General Standard Disclosures	Reference	Page
G4-16 List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: <ul style="list-style-type: none"> ▪ Holds a position on 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; Energy Intensive Users Group; Energy Efficiency Leadership Network; Industry Task Team on Climate Change; and the National Biodiversity and Business Network.	IR, 18
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 2016.	IR, 2
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.	14 – 15 IR, 22 – 23
G4-19 List all the material aspects identified in the process for defining report content.	Material Issues – Material issues determination.	14 – 15 IR, 24 – 25 & 26 – 33
G4-20 For each material aspect, report the boundary within the organisation.	Material Issues – Material issues determination.	14 – 15 IR, 24 – 25
G4-21 For each material aspect, report the boundary outside the organisation.	Material Issues – Material issues determination.	14 – 15 IR, 24 – 25
G4-22 Report the effect of any restatements of information provided in the previous reports, and the reasons for such statements.	Reporting Approach – About this report.	2 IR, 2
G4-23 Report significant changes from previous reporting periods in the scope and aspect boundaries.	Reporting Approach – About this report.	2 IR, 2
Stakeholder engagement		
G4-24 Provide a list of stakeholder groups engaged by the organisation.	Material Issues – Material issues determination, Stakeholder Engagement.	14 – 15 IR, 23 – 25
G4-25 Report the basis for identification and selection of stakeholders with whom to engage.	Enablers of Sustainable Developmental Outcomes – Stakeholder Engagement.	21 IR, 22
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 Sustainable Developmental Outcomes – Stakeholder Engagement.	21 IR, 22 & 89 & 129



General Standard Disclosures	Reference	Page
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.	Transnet's Material Sustainability Issues 2016 table, and Sustainability Performance Overview.	16 - 17 IR, 91 - 93
Report profile		
G4-28 Reporting period (such as fiscal or calendar year) of information provided.	1 April 2015 - 31 March 2016.	IR, 2
G4-29 Date of most recent, previous report.	31 March 2015.	IR, 2
G4-30 Reporting cycle (such as annual, biannual).	Annual.	IR, 2
G4-31 Provide the contact point for questions regarding the report or its contents.	General Manager: Public Policy & Sustainability, Sue.Lund@transnet.net.	
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 - About this report, and Assurance.	2
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. (d) Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.	Reporting Approach - Assurance; and Appendix A: External Assurance Statement.	2
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 Sustainable Developmental Outcomes - Governance.	18
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 Sustainable Developmental Outcomes - Ethics.	19 - 21 IR, 76 & 104 & 108
G4-58 Report the internal and external mechanisms for reporting concerns about unethical/unlawful behaviour such as escalation through whistle-blowing mechanisms or hotlines.	Enablers of Sustainable Developmental Outcomes - Ethics.	19 - 21 IR, 128 - 129

APPENDIX D: UNITED NATIONS GLOBAL COMPACT

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	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 rich diversity of South African society.	<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
Principle 2 Make sure that they are not complicit in human rights abuses.	<p>Transnet is committed to employment equity in the Company, not just for the value of diversity, but specifically to empower black South Africans. Our social value creation further involves the transformation of society through black economic empowerment within the entities that supply Transnet.</p> <p>Transnet is committed to improved employment equity particularly, for women and People with Disabilities. The year under review has seen the proportion of People with Disabilities retained at 2,3%. Transnet is succeeding in transforming its supplier base through its procurement spend. B-BBEE spend for 2016 amounted to R43,48 billion or 100,6% of total measurable procurement spend. The focus here is on black-owned enterprises, black women-owned enterprises, black youth-owned enterprises, and People with Disabilities.</p> <p>Through Transnet's Code of Ethics, 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. Transnet's Culture Charter further entrenches human rights in the Company through its focus on dignity and respect for each other.</p> <p>Through its CSI programme, more specifically the Phelophepa I and II health trains, Transnet is assisting South Africa in achieving the United Nations Sustainable Developmental Goals of reducing child mortality, improving maternal health, and combating HIV/Aids, malaria and other diseases. In addition, the Orphaned Youth Programme is giving quality education to orphaned youth.</p>	



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;	Transnet practices freedom of association and recognises the right to collective bargaining as prescribed in the Constitution of the Republic of South Africa and set out specifically in the South African Labour Relations Act, 1995 (Act No. 66 of 1995). Transnet employees' rights to collective bargaining are regulated by the Transnet Recognition Agreement which defines, amongst other issues, union rights; thresholds for union recognition; dispute resolution; shop steward representation, roles and rights; and consultative structures. Transnet has well established practices of collective bargaining in the Transnet Bargaining Council which has its own constitution defining the procedures to be followed for collective bargaining.	<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;	South Africa is a signatory to the International Labour Organisation convention, as applicable to fair labour practices, and South Africa has comprehensive labour legislation that reflects these standards. Transnet human resources policies and practices are compliant with these legislative provisions. South African law prohibits forced, compulsory and child labour and Transnet does not allow such practises in any part of the business.	
Principle 5 The effective abolition of child labour; and		
Principle 6 The elimination of discrimination in respect of employment and occupation.	<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> <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 84,2% of the workforce. Female representation is growing steadily at top, senior, professional and skilled levels within the Company.</p> <p>Through its staff wellness programme, Transnet assists employees with health risk assessments and HIV screening; psycho-social counselling services; education and awareness; and safety risk assessments. For medically uninsured employees who test positive for HIV, anti-retroviral treatment is funded by Transnet.</p>	

Appendix D: United Nations Global Compact

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. In support of this approach, 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. Transnet's Energy Policy outlines 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 Operating Divisions and Transnet Property; guidelines have been established for energy specifications in Transnet procurement and capital projects lifecycle management; and energy efficiency initiatives are implemented across the Company. Modal shift from road-to-rail delivered carbon emissions savings of 313 699tCO ₂ e in the top five road-to-rail volume gains. Since 2012 (baseline year indicating when energy efficiency measures were instituted) total electricity consumption has decreased by 14% from 3 798 908MWh to 3 262 509MWh in 2016. Significant energy efficiency gains of 3,9% were achieved in 2016 due to a 7,5% reduction in energy consumption. A total of 145 863MWh of electricity regeneration was recorded in 2016. This comprised both the Class 19E locomotives working on the coal line and the Class 15E locomotives working on the iron ore line. The R&D unit in Engineering is investing in new alternative energy technologies, including regenerative braking energy storage for electric locomotives; using wayside energy storage systems; vibration energy harvesters for rail vehicles; and harnessing wasted energy from exhaust systems.	<ul style="list-style-type: none"> ▪ Energy Policy ▪ SHEQ Policy ▪ Stakeholder Engagement Policy
Principle 8 Undertake initiatives to promote greater environmental responsibility; and		
Principle 9 Encourage the development of diffusion of environmentally friendly technologies.		



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.	<p>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 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:</p> <p>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.</p> <p><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.</p> <p>Fraud and corruption <i>risk assessments, compliance checks and investigations</i> support Transnet's 'zero tolerance' approach to fraud and corruption.</p> <p>Transnet's Tip-Offs Anonymous Hotline forms an integral part of Transnet's anti-fraud and anti-corruption efforts. The hotline is managed by Internal Audit and all reported cases are investigated through an established forensics investigation process. Transnet employees are protected from victimisation by the Transnet <i>Whistle Blowing Policy</i>.</p> <p>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.</p>	<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

ABBREVIATIONS AND ACRONYMS

AFS	Annual Financial Statements
B-BBEE	Broad-based Black Economic Empowerment
BIA	Biodiversity Impact Assessment
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
EAP	Employee Assistance Programme
ED	Enterprise Development
EE	Employment Equity
EIT	Engineer-in-Training
FRMP	Fraud Risk Management Plan
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
GSL	Golden Safety League
IR	Integrated Report
ISL	Internal Safety League
LPG	Liquefied Petroleum Gas
MDS	Market Demand Strategy
MOU	Memorandum of Understanding
MTSF	Medium Term Strategic Framework
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
PSL	Platinum Safety League
PSP	Private Sector Participation
REMSEC	Remuneration, Social and Ethics Committee
R&D	Research and Development
SBU	Shanduka Black Umbrellas
SD	Supplier Development
SDG	Sustainable Development Goals
SDO	Sustainable Developmental Outcomes
SEA	Strategic Environmental Assessment
SHEQ	Safety, Health and Environmental Quality
SIP	Strategic Infrastructure Project
SMME	Small-, Medium- and Micro-enterprises
SNG	SizweNtsalubaGobodo
SOC	State-owned Company
SR	Sustainability Report
SSI	Statement of Strategic Intent
TEU	Twenty Foot Equivalent Unit
TIH	Transnet International Holdings
TIT	Technician-in-Training
TMPS	Total Measurable Procurement Spend
UNGC	United Nations Global Compact
WEF	World Economic Forum
YPT	Young Professionals in Training



