



CONTENTS

- REPORTING APPROACH 2
 - About this report 2
 - Assurance 2
 - Suite and interaction between reports 2
- ABOUT TRANSNET 3
 - Who we are 3
 - Where we operate and what we do 3
 - Services provided 6
 - Our support services 8
 - Our supply chain 8
- LEADERSHIP 10
 - Message from the Board 10
 - Message from the Group Chief Executive 12
- SUSTAINABILITY AT TRANSNET 14
 - Our sustainability framework 14
 - Outcomes-based reporting 15
 - Our strategy 15
- MATERIAL ISSUES 18
 - Material issues determination 18
 - Statement of Strategic Intent (SSI) and Shareholder's Compact 18
 - Transnet's top 10 strategic risks 18
 - Global and domestic business context 20
 - Stakeholder engagement 20
- ENABLERS OF SUSTAINABLE DEVELOPMENTAL OUTCOMES 24
 - Governance 24
 - Ethics 24
 - Stakeholder engagement 26
- SUSTAINABILITY PERFORMANCE REVIEW 28
 - Employment 30
 - Skills development 34
 - Industrial capability building 38
 - Investment leveraged 44
 - Regional integration 48
 - Transformation 54
 - Health and safety 58
 - Community development 62
 - Environmental stewardship 68
- ANNEXURES 78
 - Annexure A: Assurance statement 78
 - Annexure B: Transnet's sustainability reporting criteria 82
 - Annexure C: Global Reporting Initiative 83
- ABBREVIATIONS AND ACRONYMS 88
- CORPORATE INFORMATION 89

Navigating this report

Icons key

Market Demand Strategy (MDS)

- Financial sustainability
- Capacity creation and maintenance
- Market segment competitiveness
- Operational excellence
- Human capital management
- Organisational readiness
- Sound governance and ethics
- Constructive stakeholder relations
- Sustainable Developmental Outcomes

Sustainable Developmental Outcomes (SDOs)

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

The Capitals

- Financial capital
- Manufactured capital
- Intellectual capital
- Human capital
- Social and relationship capital
- Natural capital

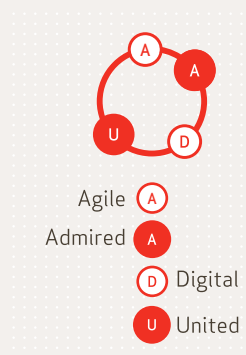
Performance Key

- Improvement on prior year performance
- Decline on prior year performance
- Equivalent performance to prior year
- Target achieved
- Target partially achieved
- Target not achieved

Material clusters

- Build social trust through ethical leadership and corporate citizenship
- Unlock organisational value by attracting talent, fostering innovation and building unity
- Ensure long-term financial stability in a tough economy
- Ensure customer-centricity and build partnerships for sustainable growth
- Promote transformation and growth in the wider South African economy

MDS strategic thrusts



Reporting formats



Available in print format and full online HTML



The 2017 Integrated Report is the Company's primary report to all stakeholders.



Available online in PDF format



The 2017 Annual Financial Statements include reports of the directors and independent auditors.

The 2017 Sustainability Report documents Transnet's sustainability performance in greater detail.

Forward-looking information

All references to forward-looking information and targets in the 2017 reports are extracted from the 2018 Transnet Corporate Plan approved by the Board of Directors.

Transnet's Integrated Report 2017, Annual Financial Statements 2017 and Sustainability Report 2017 are available in PDF on www.transnet.net.

Feedback on this report

We welcome feedback on our Integrated Report to ensure that we continue to disclose information that is pertinent to all our stakeholders.



REPORTING APPROACH

About this report

The Sustainability Report 2017 (SR 2017) provides our stakeholders with a view of Transnet SOC Ltd's (Transnet or the Company) sustainability performance for the financial year 1 April 2016 to 31 March 2017. It builds on the Sustainability Report of 31 March 2016 and has been structured to reflect the nine Sustainable Developmental Outcomes (SDO) themes as agreed with our Shareholder, the Department of Public Enterprises (DPE), in 2015.

The Company's 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); 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.

Transnet's sustainability reporting for 2017 is based on Transnet-specific reporting criteria (refer Annexure B). This report contains Standard Disclosures from the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. We have further provided disclosures on our management approach for material issues in line with the Specific Standard Disclosures of the guidelines (refer Annexure C). Transnet's sustainability reporting for 2017 has further been informed by the principles of the United Nations Global Compact (UNGC) to which Transnet has been a signatory since 6 July 2012; the Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard prescribed by the Carbon Disclosure Project (CDP); and the AccountAbility 1000 Stakeholder Engagement Standard.

SR

20

26

The report is aimed at Transnet's broad range of stakeholders (see section on Stakeholder Engagement, pages 20 and 26).

Assurance

2017 marks the fourth year that Transnet has obtained an external assurance statement for the Sustainability Report from its independent external assurance provider, SizweNtsalubaGobodo Inc. (SNG). The assurance statement provides reasonable assurance over specific key performance indicators (refer Annexure A). Financial information included in the SR 2017 is extracted from the Annual Financial Statements (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 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.

The IR, AFS and SR 2017 are available on www.transnet.net.

ABOUT TRANSNET

Who we are

Transnet is a State-owned company (SOC) and the custodian of the country's freight railway, ports and pipelines. As an SOC, Transnet is 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's primary business is freight logistics services. In line with Government's National Development Plan (NDP), Transnet is required to contribute to the Government's Medium-term Strategic Framework (MTSF) outcomes. By balancing these developmental outcomes with building a commercially viable business, Transnet aims to:

- Contribute to economic growth through the provision of world-class infrastructure and technologies;
- Expand economic infrastructure;
- Create jobs;
- Build a skilled and capable workforce;
- Protect and enhance environmental assets and natural resources; and
- Provide a better South Africa contributing to a better Africa and a better world.

Where we operate and what we do

Transnet has a co-ordinating Corporate Centre located in Johannesburg, South Africa, and five Operating Divisions with operations spread across South Africa. Transnet is in the final stages of registering Transnet International Holdings SOC Ltd as a wholly owned subsidiary company, tasked with expanding Transnet's operations outside South Africa into the rest of the African continent. Together with the relevant railways, ports and terminal operators, Transnet participates and plays a central role in three Joint Operating Centres (JOCs) in Mozambique, Botswana and Zimbabwe.

Our vision

Transnet will meet customer demand for reliable freight transport and handling services by:

- Fully integrating and maximising the use of our unique set of assets;
- Continuously driving efficiency improvements; and
- Demonstrating concern for sustainability in everything we do.

Our mission

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

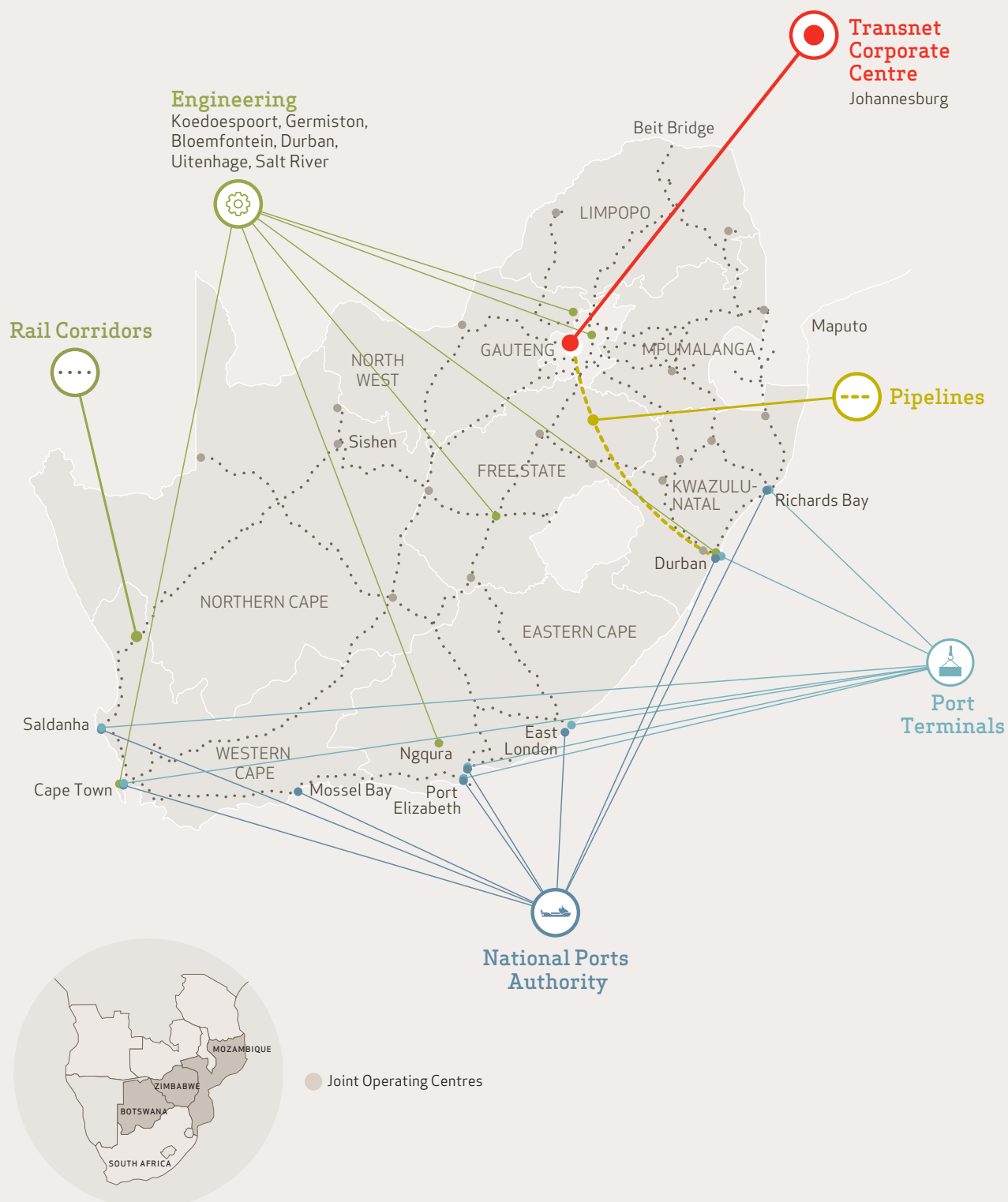
Values

- We have a safety mindset.
- We have good communication.
- We treat each other with dignity and respect.
- We are empowered to perform our jobs.
- We are business-focused.
- We recognise and reward good work.
- We deliver on our promises.

Our mandate

- Assist in lowering the cost of doing business in South Africa;
 - Enable economic growth; and
 - Ensure security of supply by providing appropriate port, rail and pipeline infrastructure in a cost-effective and efficient manner, within acceptable benchmarks.
- Transnet's mandate and strategic objectives are aligned with national plans and the Statement of Strategic Intent issued by the Minister of Public Enterprises.

Geographic location of the Transnet Corporate Centre and Operating Divisions



Freight Rail, the largest of the five Operating Divisions, operates 30 400 km of rail network across South Africa, which transports bulk, break-bulk and containerised freight. The Freight Rail network and rail services provide strategic links between mines, production hubs, distribution centres and ports; and connects with the cross-border railways of the region. Shifting rail-friendly freight off roads and onto rail reduces logistics costs, impacts positively on the road network, and has many indirect benefits for the country, including a reduction in transport sector carbon emissions.



Engineering provides manufacturing, maintenance and refurbishment services of rolling stock and specialised equipment to Freight Rail, National Ports Authority, 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; and the provision of marine-related services, port services and navigation aids to assist the navigation of vessels within port limits and along the coast.



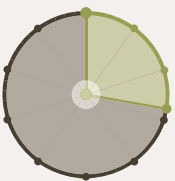
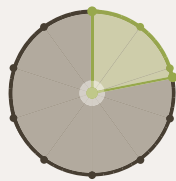
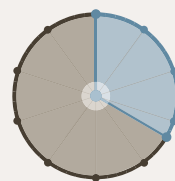
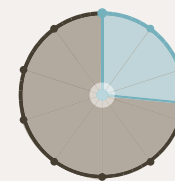
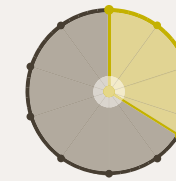





Port Terminals operates all of South Africa's port container and automotive terminals and some bulk and break-bulk terminals. Provides cargo handling services to a wide spectrum of customers, including shipping lines, freight forwarders and cargo owners. Operates 16 terminals in seven ports spread along the South African coastline.



Pipelines transports fuel from coastal refineries and crude oil imports to the inland market, and gas from Secunda to industrial users in Durban and Richards Bay. The New Multi-Product Pipeline (NMPP) enables the increase in liquid fuels volume throughout to meet forecast demand.

Figure 2

Operating context

Freight Rail	Engineering	National Ports Authority	Port Terminals	Pipelines
Revenue R39,1 billion	Revenue R9,4 billion	Revenue R10,4 billion	Revenue R11,2 billion	Revenue R4,4 billion
Total employees: 30 305 Permanent employees: 27 679 Fixed-term contract employees: 2 626	Total employees: 12 164 Permanent employees: 11 731 Fixed-term contract employees: 433	Total employees: 4 188 Permanent employees: 4 160 Fixed-term contract employees: 28	Total employees: 8 891 Permanent employees: 7 087 Fixed-term contract employees: 1 804	Total employees: 686 Permanent employees: 642 Fixed-term contract employees: 44
				
28% Female employees 72% Male employees	22% Female employees 78% Male employees	33% Female employees 67% Male employees	27% Female employees 73% Male employees	34% Female employees 66% Male employees
2,6% People with disabilities	1,4% People with disabilities	2,1% People with disabilities	1,2% People with disabilities	2,9% People with disabilities
 Read more	 Read more	 Read more	 Read more	 Read more

Customer profile

Large mining, shipping, manufacturing, agricultural, industrial, retail and energy contributors to the South African economy.

Services provided

- Transnet’s services are both outbound (South African businesses moving products to international markets) and inbound (bringing products to South African markets).
- Commodities transported include mining exports, general freight and petroleum products.

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

Strategic context

Transnet’s strategic direction is expressed through the Market Demand Strategy (MDS). The MDS and its implementation is guided by the Statement of Strategic Intent (SSI) issued by the Minister of Public Enterprises; and the Shareholder’s Compact. The Company has adopted a new strategic blueprint, namely Transnet 4.0, to gear the MDS to meet the challenges and opportunities of the 4th Industrial Revolution.

Main growth thrusts of Transnet 4.0 include:

- Accelerated efforts to extend Transnet’s footprint in the fast-growing regions of Africa, Middle East and South Asia;
- Product and service innovation to transform from a transport and cargo handling-focused business to an integrated, end-to-end logistics service provider; and
- Scope expansion of Transnet’s manufacturing business, with leading technologies to enhance new and existing products and improve business processes.

Market context

- Global growth for 2016 estimated to have slowed to 3,1%, recovering to 3,4% in 2017.
- Partially recovered commodity prices.
- Global asset markets appear calm, equity prices are at high levels.
- Renewed capital inflows to emerging market economies.
- Subdued outlook for advanced economies, placing downward pressure on interest rates as monetary policy could remain accommodative for longer.
- Prospects for 2017 differ sharply across countries and regions, with emerging Asia and India showing robust growth.
- Sub-Saharan Africa forecast to experience overall growth of only 2,9%.
- Continuing trend of weaker gross domestic product (GDP).
- The South African ratings downgrade greatly limits the options for Government to intervene to boost economic activity through fiscal or monetary actions.
- While commodity markets could improve, demand for value-added and consumer goods could struggle to grow. Transnet’s regional demand prospects remain positive, especially if greater connectivity can be engineered.
- The 4th Industrial Revolution promises a fusion of technologies poised to disrupt almost all industries and transform systems of production, management and governance.

Socio-economic context

Transnet SOC Ltd is a freight transport and logistics company. The Company’s strategic focus is guided by the SSI issued by the Minister of Public Enterprises; and the Shareholder’s Compact, which stipulates medium-term strategy and objectives, including:

- Reduce the cost of logistics as a percentage of transportable GDP;
- Effect and accelerate the modal shift by maximising the role of rail in the national transport task;
- Leverage the private sector in the provision of both infrastructure and operations where required;
- Integrate South Africa with the region and the rest of the continent;
- Optimise sustainable economic, social and environmental outcomes of all activities undertaken by Transnet; and
- Nine Sustainable Developmental Outcomes (SDOs) have been negotiated with the Shareholder and align with the Government’s vision as per the NDP and the medium-term initiatives that Government is driving to address poverty, inequality and unemployment.

Financial context

Transnet is funded through reserves and borrowings and does not receive subsidies or guarantees from Government. It raises funds in the debt markets based on the strength of its own balance sheet, having raised funding without Government guarantees since March 1999. Legacy Government-guaranteed debt amounts to R3 500 million comprising Eurorand bonds under the Euro Medium-term Note Programme maturing in 2028 (R2 000 million) and 2029 (R1 500 million) respectively.

As an SOC, the financial strategy reflects the higher risk profile of the business. To meet long-term market demand, Transnet must invest for long-term growth prospects, but be cognisant of short- to medium-term volatility in the domestic and international markets. The Capital Investment Plan has reduced from R277,8 billion to R229,2 billion over the next seven years in response to the predicted lower-than-planned freight demand.

Key financial interventions

- Revenue diversification
- Stringent cost management and optimisation
- Aggressive working capital management
- Generating a return on assets commensurate with the risk
- Maintaining Transnet’s standalone investment grade credit ratings
- Structured funding at cost-effective levels
- During the year, there were no significant changes to the way in which Transnet is owned, structured or in the way it functions

Regulatory context

The Company operates in compliance with 200 regulations. Tariffs charged by the National Ports Authority and Pipelines are determined by independent economic regulators, namely the Ports Regulator of South Africa and the National Energy Regulator of South Africa respectively.

The Railway Safety Regulator regulates the safety of the rail operations of the Company, issues safety permits (for a fee), and conducts inspections and audits on the Company. Transnet also operates within a policy context which is determined by the Department of Public Enterprises and the Department of Transport respectively.

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
- Group Company Secretariat
- Internal Audit
- Strategy, planning and Africa expansion
- Financial management, treasury and procurement
- Business development, commercial and private-sector participation
- Chief Corporate and Regulatory Office
- Human resources
- Information, communication and technology

Transnet's Specialist Units have the following supporting roles:

- *Transnet Capital Projects* focuses on capital planning and execution of large infrastructure projects. These services are supported through establishment of Centres of Excellence for planning and delivery.
- *Transnet Foundation* implements the Company's corporate social investment (CSI) projects.
- *Transnet Property* manages Transnet's non-core property portfolio comprising commercial and residential properties (approximately 13% of the total Transnet property portfolio).

Our supply chain

Transnet's supply chain has an extensive reach into the manufacturing and services sectors of South Africa and draws upon international sources where required. Our service to customers is linked to the quality of these suppliers and their products. Furthermore, we recognise the important role that Transnet's purchasing power plays in the local economy. To achieve wider economic, social and environmental value, Transnet recognises that procurement practice must go beyond sourcing inventory and logistics. It must be supported by an outcomes strategy. As procurement practices have matured in Transnet, increasing focus has been placed on integrated Supply Chain Management (iSCM) with our sphere of influence extending through the upstream supply chain to Enterprise Development (ED). Our ED and Supplier Development (SD) are increasingly supporting small, medium and micro-enterprises with a focus on education and awareness, innovation and technology advancement, and support for industrialisation and entrepreneurship. Transnet's procurement strategy is further integral to the growth of a green economy in which the adoption and development of efficient and resilient technologies, along with increasing use of rail for freight transport, will lower business costs and stimulate economic activity.



MESSAGE FROM THE BOARD

The Remuneration, Social and Ethics Committee of the Board of Directors is proud to share Transnet's Sustainability Report 2017 with stakeholders. The committee has reviewed the Sustainability Report 2017 together with the external auditor's assurance statement as a reflection of Transnet's sustainability performance and initiatives for the year under review. The Board of Directors has duly approved this report for publication.

This report reflects Transnet's performance against its nine Sustainable Developmental Outcome themes which were agreed with our Shareholder in 2015 for measurement in the Shareholder's Compact. These outcomes are aligned with the Government's vision as set out in the National Development Plan and the Medium-term Strategic Framework that Government established to address poverty, inequality and unemployment. The report further demonstrates our commitment to upholding the United Nations Global Compact's 10 universal principles on human rights, labour, the environment and anti-corruption; and our alignment with the United Nations Sustainable Developmental Goals.

The Board of Directors is mindful of the complex and challenging economic, social and environmental context within which Transnet operates. Despite the challenges of a lagging global and local economy, unemployment, poverty, social inequality, racism, corruption, water shortages and energy insecurity, the Board of Directors is confident that management is proactively striving to create value, contribute to South Africa's economic development and improve the quality of life for all South Africans.

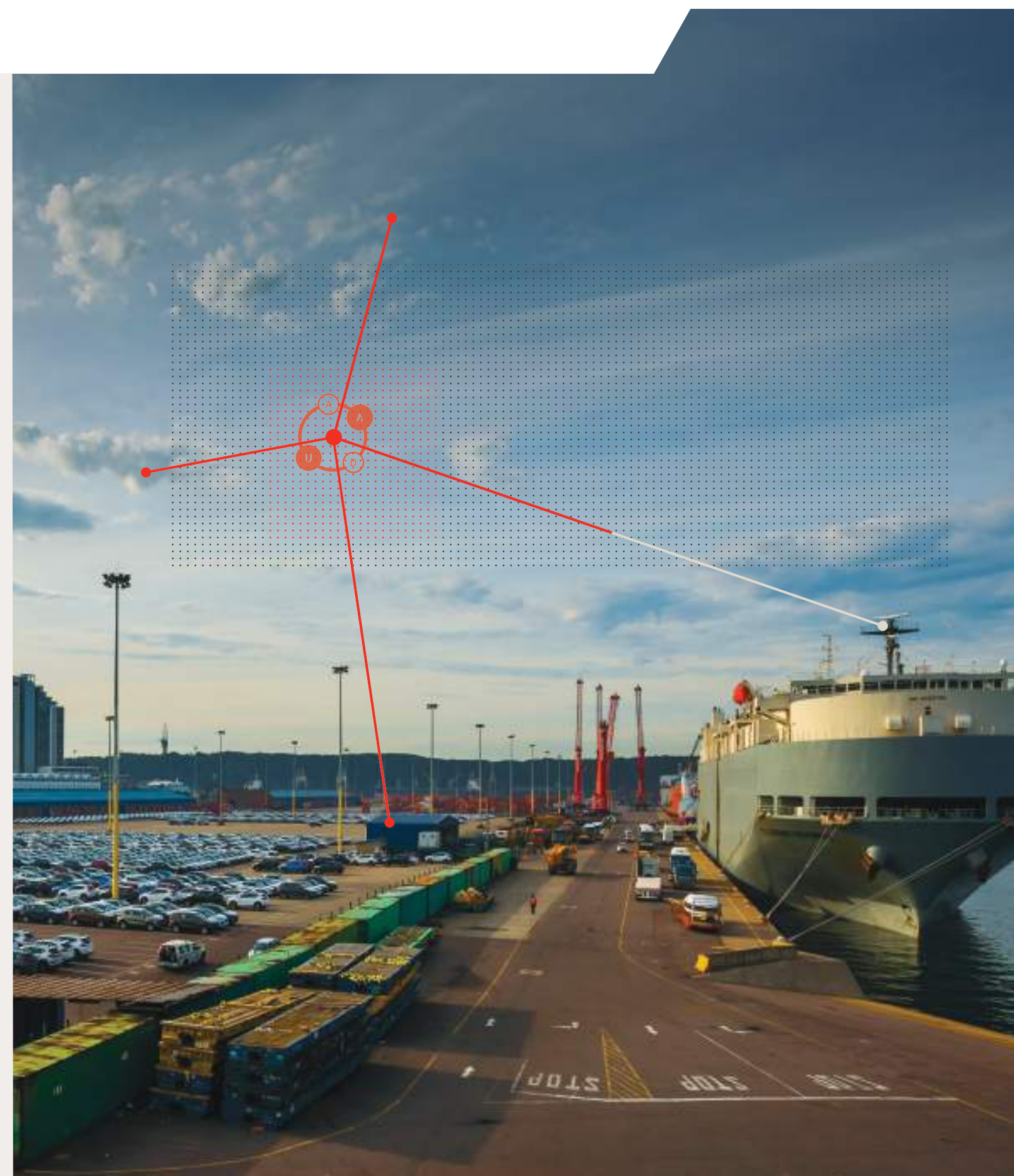
M. V. NKONYANE

Vusi Matthew Nkonyane
Chairperson, Remuneration, Social and Ethics Committee



By following an outcomes-based approach to sustainability, management is embedding sustainability in all aspects of its decision-making and business operations. We remain committed to creating and sustaining jobs; skills development; localisation of procurement spend; investing in new technologies; promoting regional integration; improving logistics infrastructure through catalysing private-sector investment; transformation; improving the quality of life of the communities we operate in; and becoming stewards of the environment. Including all our stakeholders in these efforts is integral to our success.

We trust our Sustainability Report gives our stakeholders insight into Transnet's leadership in sustainability and the progress that has been made in embedding 'sustainability in all we do.'



MESSAGE FROM THE GROUP CHIEF EXECUTIVE

Transnet finds itself operating in an ever-changing global environment. Traditional markets are changing fundamentally. The 4th Industrial Revolution characterised by the changes in traditional economic paradigms is transforming the way we do business, how we respond to our stakeholders and the impact we have on society. While these changes are exponential and disruptive on industry and society, they also provide Transnet with opportunities to grow and diversify our business. We must embrace these changes and keep up with the proliferation of multi-disciplinary technologies across all dimensions: economic, social and environmental. The good news is that technological innovation will allow for transportation costs to drop, logistics and global supply chains to become more effective and the cost of trade to diminish, all of which will open new markets and drive economic growth. Transnet has identified innovation as one of the key drivers of revenue and profitability, operational efficiency and, most importantly, as a way of improving customer service.

The year under review saw Transnet embrace these changes through its Sustainable Developmental Outcomes (SDOs), as measures of the sustainability of our business practices. We are encouraged by the results of our investment in skills, localisation of industry and suppliers, transformation, community support, energy efficiency and carbon emissions reduction. We have made progress in private-sector investment in both our ports and rail infrastructure, and are looking forward to establishing Transnet International Holdings SOC Ltd as a subsidiary company to further promote regional integration. The increase in our research and development spend is evidence of the importance we place on innovation and new technologies, as new sources of revenue and profitability.

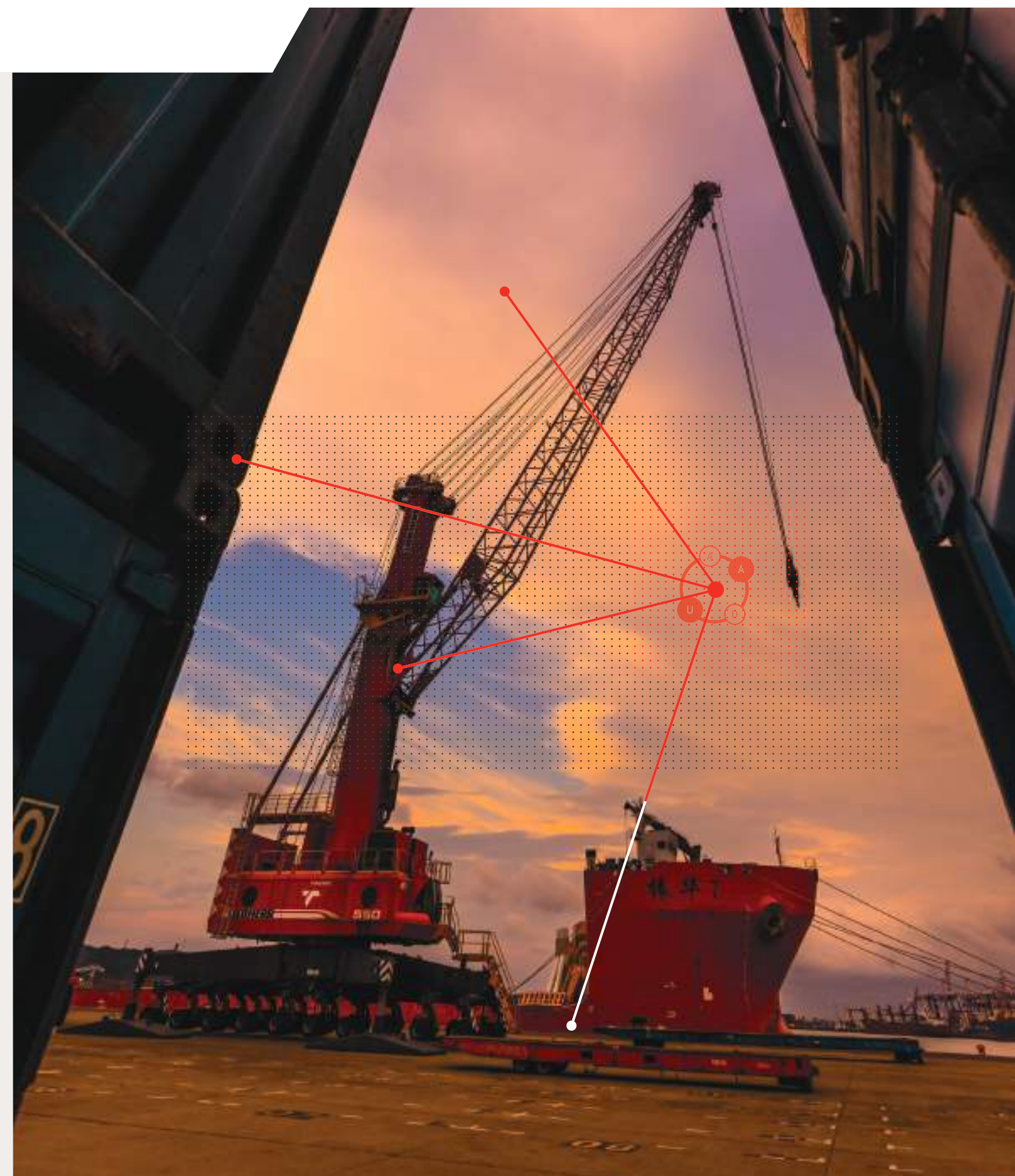
S.I. Gama

Siyabonga Gama
Group Chief Executive

Regrettably, our safety results overshadow these achievements. The tragic loss of lives, both of our employees and members of the public, is regrettable. We have lost 15 colleagues in work-related incidents during the year and our deepest condolences go to their families, friends and colleagues. A renewed effort is needed to reverse this loss of lives that plagues our operations.

Looking ahead, we will be driven by our strong desire to achieve greater SDOs with higher levels of innovation and agility. New markets are opening up and we can use integrated port, rail and pipeline solutions to take advantage of these new opportunities for increasing our revenue and profitability. Our stakeholders need to be part of these solutions. Our four strategic thrusts will continue to guide the 'Transnet of tomorrow': Agile, Admired, Digital and United.

'Sustainability in all we do' is our commitment to deploy our financial, manufactured, human, intellectual, social, relational and natural resources to build a better future for the Company, South Africa and our children. I am confident that we can create an exceptional company that helps build a better world.



SUSTAINABILITY AT TRANSNET

Our sustainability framework

Sustainability at Transnet is driven by an outcomes-based approach to reporting on performance. This outcomes-based approach focuses on achieving real, measurable value for the economy, for society and for the environment. Transnet adopted nine Sustainable Developmental Outcome (SDO) themes in 2015, and these reflect the value that we create for society at large. The SDOs were agreed with the Shareholder Minister and are included in the Shareholder's Compact for measurement purposes. These outcomes have been further integrated into our Market

Demand Strategy (MDS) reflecting the critical developmental outcomes of all Transnet's activities.

The nine SDO themes are: Employment, Skills development, Industrial capability building, 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.

Sustainable Developmental Outcomes and Enablers



Outcomes-based reporting

Measuring the developmental 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 measure our achievement and impact. The following definitions¹ are used in Transnet to embed the nine SDOs in the Company:

- Inputs** – resources invested in an activity (typically assets, time, money and relationships).
- Activities** – the actions which utilise inputs to produce outputs and outcomes (for example, training courses, supplier development initiatives, construction works and materials recycling).
- Outputs** – the direct and tangible products from the activity (for example, people trained, goods produced, quay walls built and tons of waste avoided).
- Outcomes** – changes to a set of beneficiaries resulting from the activity (for example, skills enhanced, industry growth, efficient operations and 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 State-owned company, Transnet is expected to deliver on Government's socio-economic, developmental imperatives (job creation, skills development, transformation and localisation). Government's Medium-term Strategic Framework outlines the key

outcomes for implementation of the National Development Plan, and Transnet's outcomes-based reporting aligns with 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 direct them to the source and additional information.

Our strategy

The MDS is entering its sixth year of implementation and enables Transnet to serve as a proactive enabler of economic growth, with over R300 billion capital investment planned in infrastructure. It is estimated that over the past five years Transnet has invested R145 billion in the freight system. The MDS directs the significant planned capital investment of the Company in the expansion of South Africa's rail, ports and pipelines. Transnet needs to achieve and sustain higher levels of growth in order to fund the extensive capital investment plan that prioritises the improvement of rail, port and pipelines reliability as well as productivity.

The MDS has been redesigned to reflect a new outcomes-based approach that has at its core the financial sustainability of the organisation. Initiatives are focused on capacity creation and maintenance, operational excellence and market segment competitiveness. In the current economic conditions, however, Transnet is adjusting the timing and focus of its capital investment programme in line with the lower economic growth trajectory and changing patterns of commodity demand.

¹ 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.

Shareholder's compact

Operational performance

Grow volumes and market share, reduce the country's logistics cost, improve operational efficiency and enhance customer satisfaction

Market segment competitiveness

Increase the competitiveness of industry supply chains (automotives, containers, agriculture, coal, iron ore, etc)

Sustainable Developmental Outcomes

Employment, skills development, industrial capability building, investment leveraged, regional integration, transformation, health and safety, community development and environmental stewardship

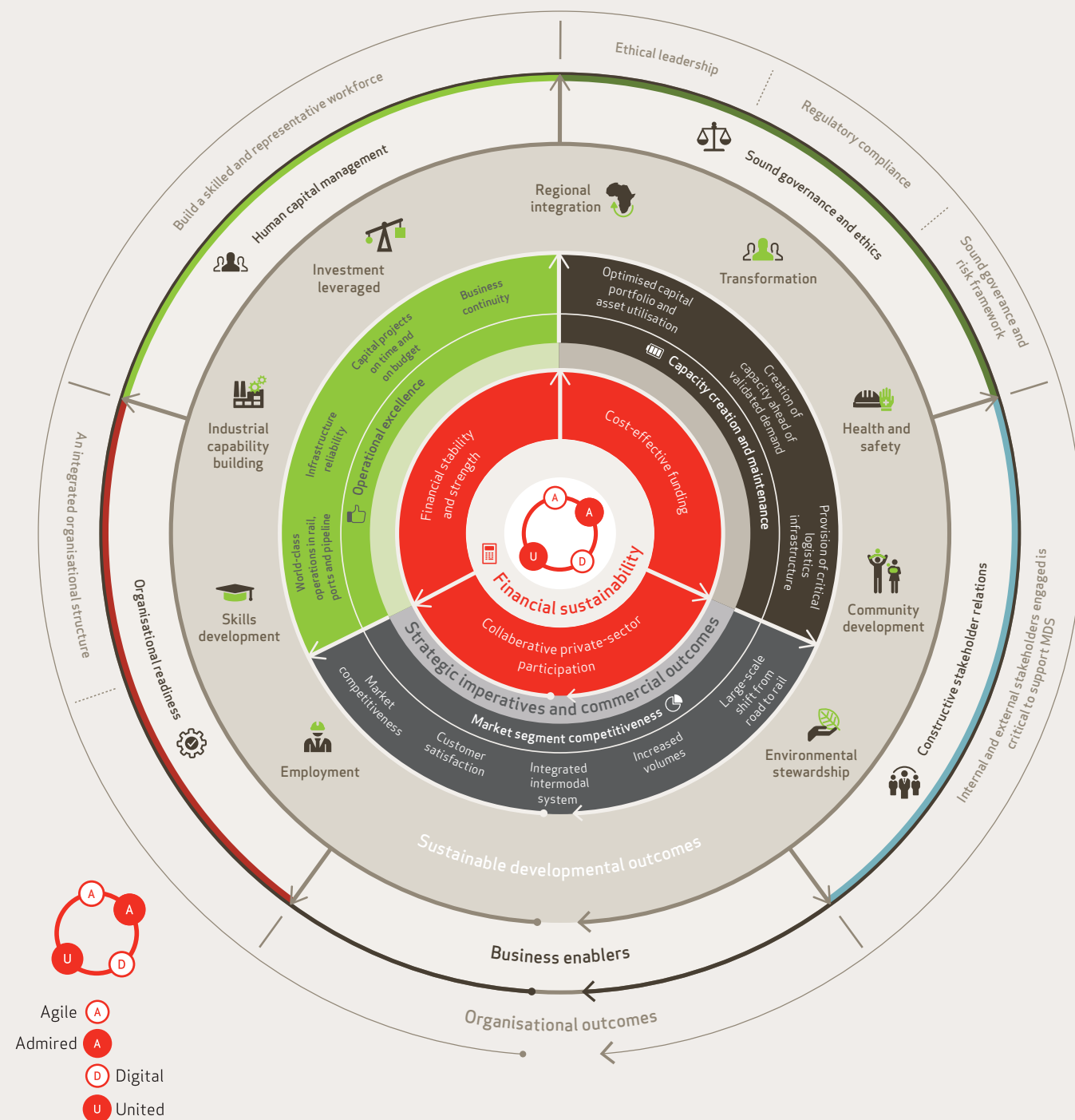
Capacity creation and maintenance

Increase infrastructure capacity and network connectivity

Financial sustainability

EBITDA, CIC and gearing

Market Demand Strategy (MDS)



Our organisational culture and activities support our strategy

Transnet's future success is underpinned by its culture and behaviours. Our people must hold a clear vision of a shared and prosperous future in which we achieve excellence in all we do; and have an openness to learn, explore and improve with the discipline to deliver consistently high performance outcomes. Accordingly, Transnet has introduced 'four MDS strategic thrusts' to drive an organisational culture that can thrive amid exponential change.

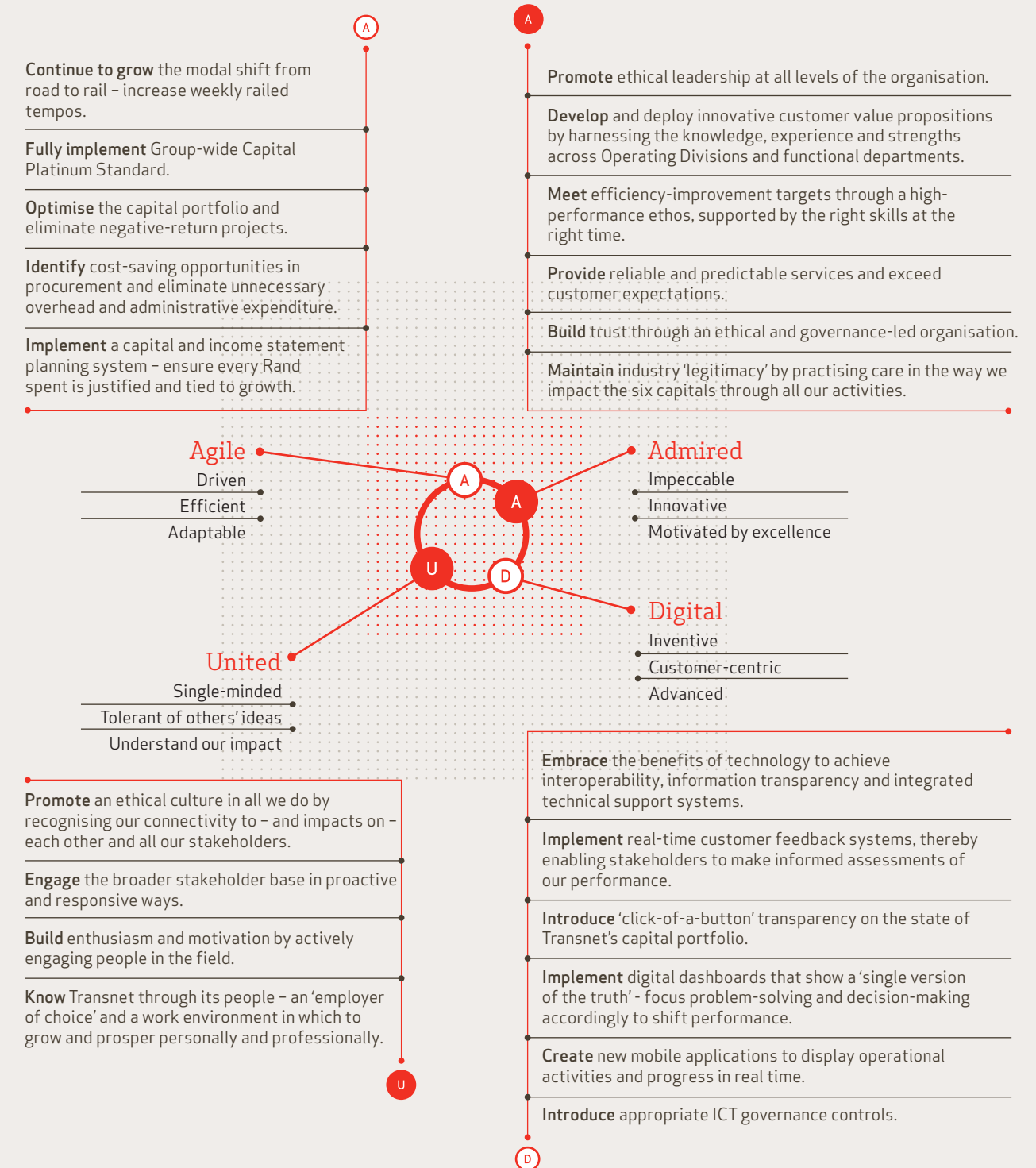


Figure 6 demonstrates the connectivity between our MDS strategic imperatives, commercial drivers and outcomes, and the value created for the economy through our Sustainable Developmental Outcomes. The four MDS strategic thrusts are key in driving the desired activities to achieve outcomes.

MATERIAL ISSUES

Material issues determination

Transnet defines materiality with respect to sustainability as: *‘issues⁴ that substantively impact 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.’*

Identifying and confirming material issues

The identification of Transnet’s material issues follows a structured process in consultation with the Integrated Reporting team (see figure 9 on page 21). This is necessary to ensure alignment between the developmental ‘issues’ that are deemed material for Transnet and the commercial ‘aspects’ that are deemed material for Transnet. The distinction between developmental material ‘issues’ and commercial material ‘aspects’ provides the focus of the Sustainability Report (SR) and the Integrated Report (IR) respectively. Both material ‘issues’ and ‘aspects’ are clustered to show further alignment between the SR and IR.

Transnet’s developmental material issues were determined through a structured process of identifying relevant issues for each one of the nine Sustainable Developmental Outcomes (SDOs) and prioritising those that are material.

The content of the SR is structured according to our material issues. These material issues cover those issues most material to our business, our Shareholder Minister, and our stakeholders. These issues are assessed as to their relevance in terms of our sustainability context, and the scope and boundary of this report.

Material issues were reviewed and approved by Transnet’s Remuneration, Social and Ethics Committee, and the Board of Directors.

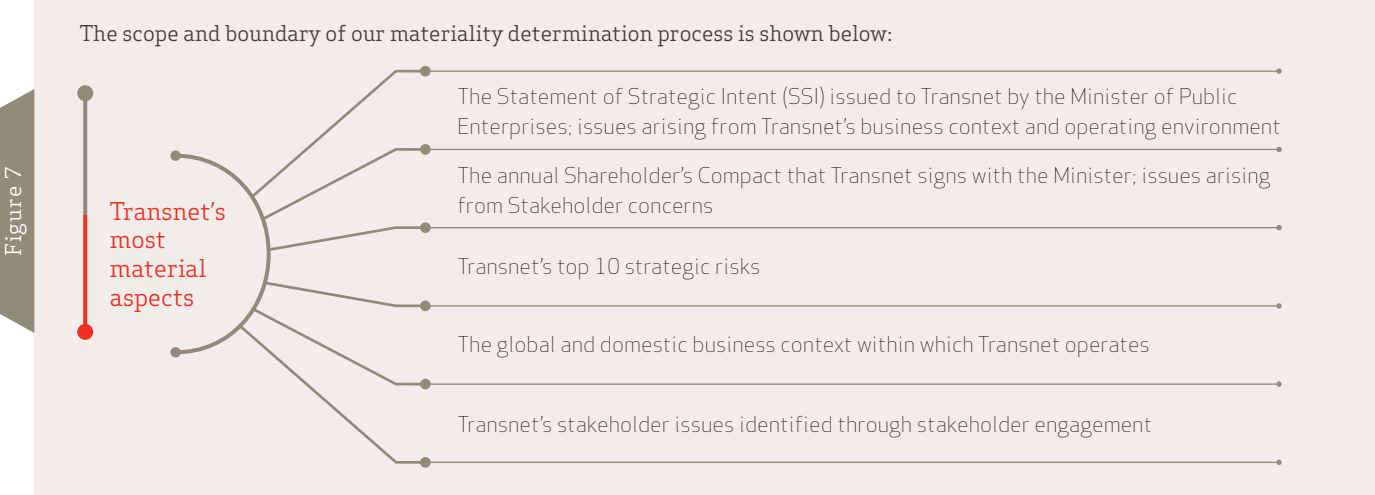
Statement of Strategic Intent (SSI) and Shareholder’s Compact

The SSI issued by the Shareholder, represented by the Minister of Public Enterprises, includes *‘promoting sustainable developmental 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, and targets are set every year to inform Transnet’s annual Corporate Plan.

Transnet’s top 10 strategic risks

During 2017, 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 Pricing/tariff guidelines, methodologies and models not supportive of volume growth;
- 2 Not realising the benefits from capital investments;
- 3 Capital projects become non-viable as a result of global economic slowdown;
- 4 Inability to attract and sustain additional volumes as new capacity is created;
- 5 Misalignment between operational readiness and rolling stock acquisition;
- 6 Inadequately skilled staff in operations, not skilled for future operations;
- 7 Productivity inefficiencies;
- 8 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;
- 9 Inadequate ICT infrastructure and technology to enable business and deal with disruptive innovation; and
- 10 Energy supply, water shortage and adverse weather patterns.



⁴ Transnet uses the word ‘issue’ to refer to sustainability matters, aspects and topics that are material to its business.

Transnet’s top 10 material risks for 2017

and the year-on-year movement of the top 10 risks from the prior year

Risk ranking/ priority	Level	Impact on net operating profit range
Priority I risk	GCE and Board level	> R1 billion
Priority II risk	Operating Divisions’ CE level	R100 million to R999 million
Priority III risk	General Managers’ level	R10 million to R99 million
Priority IV risk	Managers’ level	R100 000 to R9,9 million
Priority V risk	Employees’ level	< R100 000

○ Residual risk profile 2016

- 1. Macro-economic environment risk
- 2. Energy supply risk
- 3. Capital execution risk
- 4. People management risk
- 5. Pricing risk
- 6. ICT risk
- 7. Productivity and efficiency risk
- 8. Operational readiness risk
- 9. Regulatory risk
- 10. Volume growth risk

● Residual risk profile 2017

- 1. Pricing risk
- 2. Capital execution risk
- 3. Macroeconomic environment risk
- 4. Volume growth risk
- 5. Operational readiness risk
- 6. People management risk
- 7. Productivity and efficiency risk
- 8. Regulatory risk
- 9. ICT risk
- 10. Environmental risk



The relative position of the risks are plotted on the heat map according to the consequence and likelihood ratings of the risks.

In reviewing the Company’s key risks, we consider both internal and external factors to understand the interconnectedness of risks and to appreciate the possible impacts. Risk sponsors are assigned to each strategic risk to ensure mitigation strategies are aligned across all operations. Risks are ranked according to the residual risk rating after considering the adequacy and effectiveness of controls that mitigate those risks.

Figure 8

Global and domestic business context

Transnet finds itself operating in an ever-changing global environment. The world is in a period of flux undergoing multiple transitions from moving towards a lower carbon future, technological change of unprecedented depth and speed, and towards new global economic and geopolitical balances. Continued slow economic growth over the past few years, combined with high debt and demographic change, is creating an environment characterised by financial crises and growing inequality.

The 4th Industrial Revolution is fundamentally transforming societies, economies and ways of doing business.

For Transnet, slow rates of global and domestic economic growth have impacted freight volumes and revenues, and resulted in certain capital expenditure being delayed. Widening social inequality, structural unemployment, energy supply, water shortages and adverse weather patterns are risks that 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.

Our external challenges include declining demand for commodities; regulatory uncertainty, particularly with respect to lower-than-required tariff escalation as determined by the Ports Regulator and the Nersa; and domestic political risk which has seen South Africa being downgraded to non-investment grade BB+ from BBB-, ‘junk’ status by rating agencies Standard and Poor’s, and Fitch. Following on this, rating agency Moody’s placed South Africa on a ratings review. This Sovereign credit rating saw the further downgrade of State-owned company’s, including Transnet, impacting our credit rating going forward. Our internal challenges include: operational efficiencies; attracting and sustaining customers under low economic growth; viability of capital projects; and information systems enablement.

The focus areas of the National Development Plan (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 (refer to page 26 for more detail on Transnet’s engagement with stakeholders). Transnet’s most material stakeholders are:

- Employees;
- Shareholder (Ministry of Public Enterprises);
- Customers;
- Investors and commercial partners;
- Rating agencies and financial institutions;
- Suppliers and service providers;
- Regulators;
- Government;
- Media;
- Academia and research;
- Non-governmental organisations;
- International bodies;
- Communities and general public; and
- Organised labour.

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

- Transnet’s long-term plans for rail, port and pipeline infrastructure;
- Safety incidents;
- Disaster management strategies;
- Operational efficiencies;
- Supplier and industry development;
- Regulatory compliance;
- Environmental compliance;
- Community development; and
- Job creation and skills development.

Figure 9

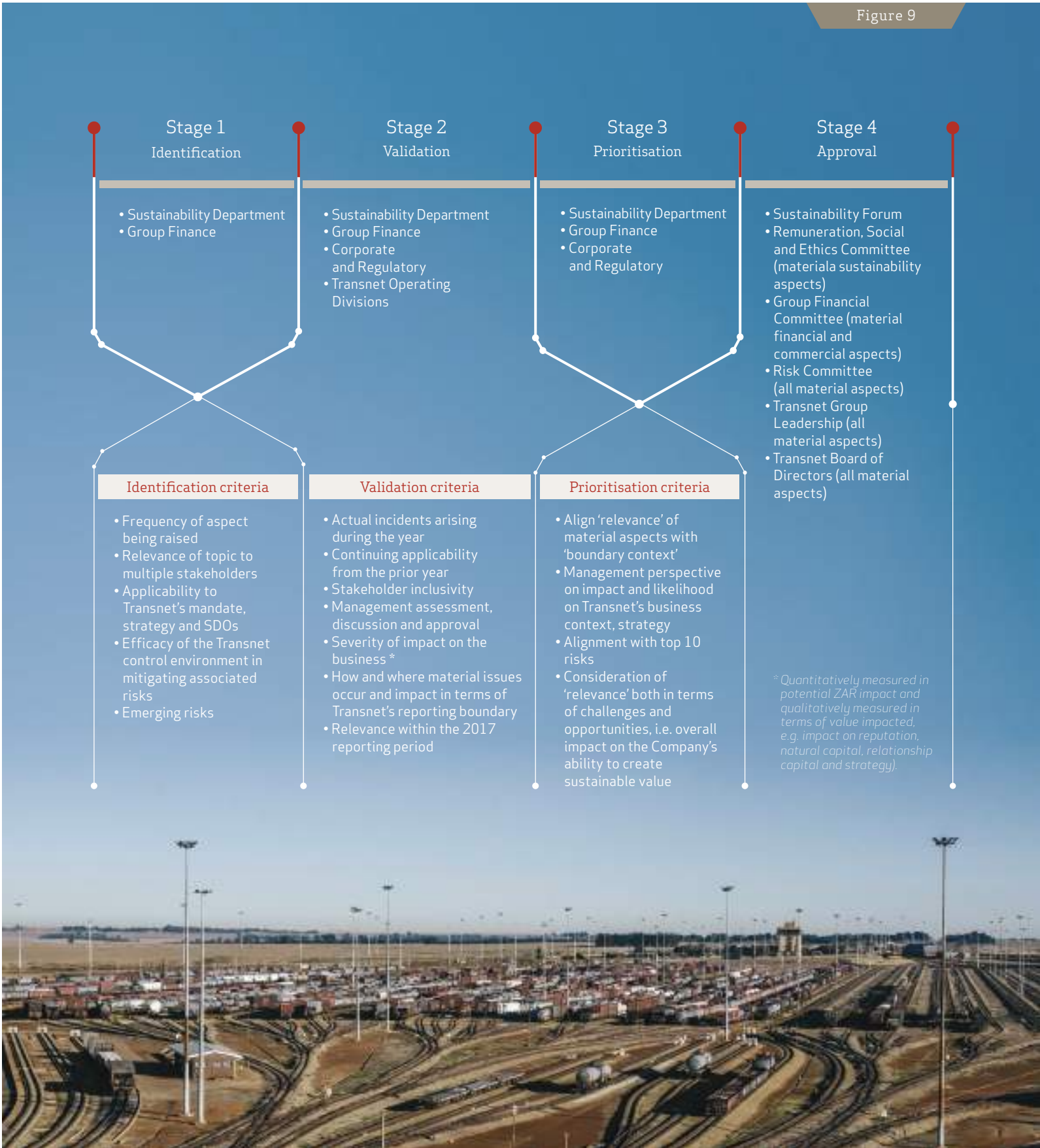


Figure 10

Material issues determination process indicating alignment with Integrated Report



ENABLERS OF SUSTAINABLE DEVELOPMENTAL OUTCOMES

As part of our reporting this year, we have consulted the King IV Report on Corporate Governance for South Africa, 2016 (King IV). We are encouraged that our outcomes-based reporting approach is aligned with the principles and thinking reflected in King IV. As stated in the Supplement for State-owned entities, *performance encompasses both an organisation's achievements relative to its strategic objectives, and positive outcomes in terms of the triple context in which it operates. Our ability to deliver positive outcomes to society is directly linked to the continuous improvements in corporate governance, ethics and stakeholder engagement.*



Governance

Good corporate governance is paramount to the success of a State-owned company (SOC), in that it protects and advances the interests of the country and society. Good governance informs Transnet's day-to-day business activities and provides our stakeholders with the assurance that the Company is well managed and functioning with integrity and accountability. King IV links governance more tightly to value creation and the achievement of desired outcomes. Corporate governance according to King IV is viewed as a means to an end in achieving certain outcomes, and in this lies the linkage between Transnet governance and our ability to deliver on our Sustainable Developmental Outcomes (SDOs).

The Transnet Board of Directors has established the *Remuneration, Social and Ethics Committee (REMSEC), Audit Committee, Risk Committee, Corporate Governance and Nominations Committee, and Acquisitions and Disposals Committee* to be responsible for economic, social and environmental matters. The Board of Directors has delegated the leadership, oversight and accountability for sustainability-related matters at Transnet to REMSEC which advises the Board of Directors 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, fraud, corruption, health, public safety, consumer and labour relations including empowerment, thus reflecting the principles of the United Nations Global Compact. REMSEC further assesses the Company's promotion of equality, prevention of unfair discrimination and reduction of corruption.

The Sustainability Forum is tasked with developing key performance indicators (KPIs) in relation to analysing sustainability performance; structuring inputs to the Sustainability Report (SR); reviewing the draft SR prior to submission to the Chief Corporate and Regulatory Officer who, in turn, recommends to the Group Leadership Team for REMSEC's review and approval. The Board of Directors approves the SR and ensures that all material issues are covered.

The other committees within the Transnet governance system whose responsibilities impact our delivery of economic, social and environmental outcomes include:

- The *Audit Committee* which is responsible for decision-making relating to economic impacts on the Company. It 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 and provides a balanced view after it engages 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 Integrated Report (IR). It recommends the Company's Fraud Risk Management Plan (FRMP) to the Board of Directors for approval after consultation with the Risk Committee;
- The *Risk Committee* is responsible for reviewing all risks relating to economic, social and environmental impacts on the Company. It reviews the adequacy and effectiveness of the Company's risk management 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 of Directors are properly resourced to enable them to fulfil their mandates. It guides the Board composition, succession planning and assists the Chairperson in managing the Board; and
- The *Acquisitions and Disposals Committee* is responsible for decision-making on economic and social impacts. It ensures that procurement and provisioning policies are fair, equitable, transparent and cost-effective. The Acquisitions and Disposals Committee approves procurement criteria for certain activities within its mandate, ensures that there are transparent processes in place, and contracts up to the maximum of the investment decision in accordance with the Delegation of Authority Framework based on the Significance and Materiality Framework of the Company. It advances the implementation of the Government's transformation agenda and 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. The *Acquisitions and Disposals Committee* recommends the Supplier Development Plan to the Board of Directors for approval by the Shareholder Minister.



Ethics

The importance of ethics and the linkages that exist with good corporate governance and stakeholder relationships, both internal and external to the organisation, are critical principles espoused in King IV. Transnet is committed to instilling a culture of good ethics throughout the Company, and to proactively identify and address any fraud and corruption risks that may impact the Market Demand Strategy (MDS).

- Transnet's Ethics Management Programme focuses on:
- Developing the moral responsiveness of employees and stakeholders; and

- Creating and maintaining a conducive environment for ethical behaviour within the organisation.

Section 29.1.1 of Treasury Regulations prescribed under the Public Finance Management Act, No 1 of 1999, as amended, requires all SOCs to submit a comprehensive annual FRMP, as amended, to the Minister of Public Enterprises. Transnet's FRMP aim is to decrease the negative impact of fraud and corruption within the organisation, and in companies and suppliers with which it interacts. The following comprises Transnet's FRMP:

Code of Ethics

Transnet's Code of Ethics (the Code) enables a culture of entrenched values, principles, standards and norms that guides the behaviour of Transnet employees. The Code aims to instil a culture of honesty, respect, integrity and overall ethical behaviour in employees in their engagements with both internal and external stakeholders. The Code commits the executive directors, management and employees to the highest standards of ethical behaviour, and all Transnet employment contracts make reference to the Code. Transnet's service providers, suppliers and trade partners are all subject to the Code. Group Company Secretariat is responsible for the development and review of the Code, while Group Human Resources is responsible for the implementation.

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.

Reported incidents of irregularities 2017*				
Transnet SOC Ltd	Investigations in progress	Reported incident unfounded	Reported incident founded	Total reported incidents
Transnet Corporate Centre	177	343	9	529
Freight Rail	255	163	47	465
Engineering	115	95	26	236
National Ports Authority	42	21	1	64
Port Terminals	104	26	3	133
Pipelines	15	3	4	22
Transnet Capital Projects	12	8	7	27
Transnet Property	13	2	1	16
TOTAL	733	661	98	1 492

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

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.

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 with 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, No 26 of 2000, as amended.

Stakeholder engagement

Stakeholder engagement forms an integral part of Transnet's day-to-day business activities and the implementation of the MDS. Transnet's Stakeholder Engagement Policy, adopted by the Board of Directors 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 of Directors has overall responsibility for stakeholder engagement. The Board of Directors delegates authority to the Group Chief Executive who reports to the Board of Directors on all material stakeholder issues, and takes responsibility for incorporating these into our strategy and risk management.

During the year under review, the Stakeholder Engagement Database was developed and deployed throughout the business. Training commenced in July 2016 and will continue with refresher training on an annual basis to embed the policy and process control manual in the Company.

Key stakeholder engagement initiatives for the year under review included:

Multi-stakeholder Perception Survey

A multi-stakeholder perception survey was conducted telephonically with 150 participants across six stakeholder groups (Opinion and Influencers, Governing Bodies and Regulators, Investors, Organised Labour, Suppliers and Enterprise Development) to determine whether Transnet's engagement with stakeholders has improved as a result of the implementation of the policy. The survey focused on areas where Transnet has significant operations. Results indicated that, overall there has been an improvement in the quality of stakeholder engagements by 60%. In all, 65% of the participants indicated that they are satisfied with Transnet's engagement practices since implementation of the policy in 2014.

Stakeholder Relationship Management Maturity assessment

The Stakeholder Relationship Management Maturity (SRMM) model is used to assess the maturity levels of stakeholder engagement practices across Transnet. The SRMM has five stages of maturity, which are informed by six attributes: use of standardised processes; centralised support; organisation-wide implementation; application of SRMM methodology and processes across the organisation; development of a 'normal stakeholder community'; and proactive use of the 'typical view' of a stakeholder community. Results indicated that Transnet achieved a level three in comparison to a level one in 2013, indicating an overall improvement in stakeholder engagement practices across the Company.

Community grievance mechanism

A community grievance mechanism was developed and is currently being piloted for one year through the existing Tip-offs Anonymous Hotline. The pilot aims to establish the necessary controls and capacities for Transnet business practices to address and be responsive to stakeholders' needs and expectations. It further aims to embed the community's interests into the Company's decision-making processes, build community trust and participation, and facilitate expedited response to community concerns as they arise.

To date, 19 community-related issues have been recorded from the hotline and these have been escalated to the relevant Operating Divisions for investigation.

There has been an overall improvement in stakeholder engagement practices and processes being implemented in Transnet, as well as in the way the Company engages with various stakeholder groups. Transnet will continue embedding the various practices and processes across the Company and implement engagement plans in areas that require attention.



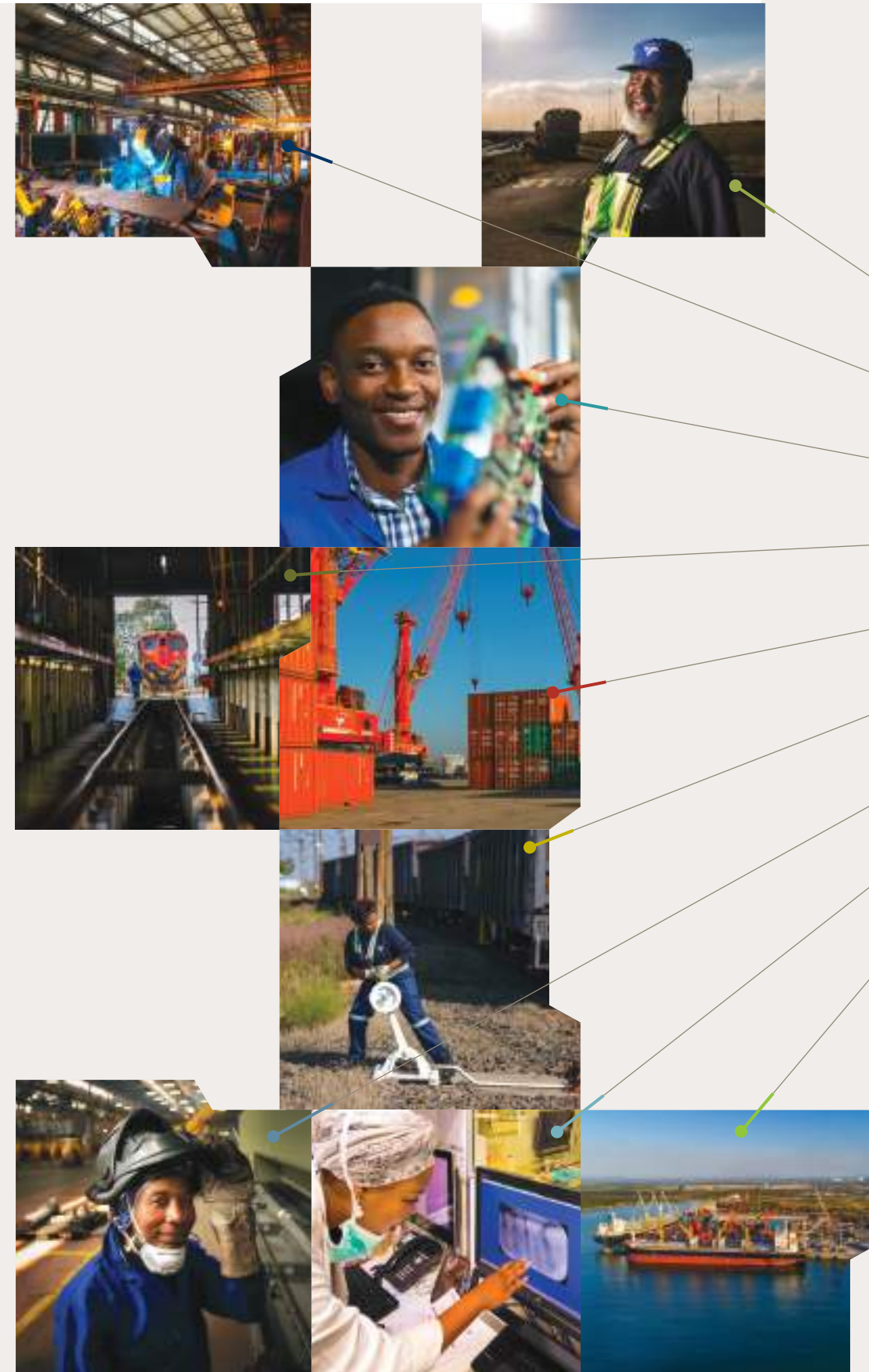
SUSTAINABILITY PERFORMANCE REVIEW

Figure 11

Transnet's sustainability performance for the year under review highlights the importance of the nine Sustainable Developmental Outcomes (SDOs) with Company; their alignment with the United Nations Sustainable Developmental Goals (SDGs) and the South African National Development Plan (NDP); the opportunities and challenges faced by Transnet in achieving each outcome; identifies the most material issues for each outcome; describes our management approach to each outcome; and provides our performance for the year.

Transnet is currently developing systems to improve our ability to report on the outcomes that arise from Transnet activities. In due course, this will enable more outcomes-based reporting to provide stakeholders with a greater understanding of Transnet's impact on the economy, society and the environment over time.

Sustainability performance 2017



Employment



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



Why is it important to Transnet?

Unemployment is one of the biggest challenges globally and in South Africa. The SDGs emphasise 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 27,1%³, the eighth highest unemployment rate in the world according to the International Labour Organisation⁴.

As a State-owned company (SOC) that is responsible to Government and society for delivering on its developmental mandate, Transnet has to create and sustain jobs.

As a result of the high operational intensity and large capital investment of the Market Demand Strategy (MDS), Transnet has the opportunity to create jobs, but it needs to grow its workforce at a pace that the business can sustain, and with

a skills profile that meets the needs of the Company both in the short and long term. The global economic downturn and current macro economic environment has, however, resulted in employment targets being compromised over the past few years, with the focus being on training interventions to increase skills development.

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 and sustainable job opportunities.

³ Statistics South Africa, 22 November 2016.

⁴ 'World Employment Social Outlook' International Labour Organisation, 2017.

Our management approach

Transnet's Human Capital Strategy approaches job creation within the framework of strategic workforce planning to ensure 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.

Our performance

Transnet's total headcount decreased from 64 467 in 2016 to 58 828 in 2017. Headcount comprises 53 661 permanent employees and 5 167 fixed-term contract employees. There has been a gradual decrease in headcount over the past three years. This can be attributed to the weak demand for commodities that has hampered our growth in volumes, and resulted in a decline in the Company's revenue. In order to curb recruitment costs and support cost-saving initiatives within the Company, a moratorium was placed on the appointment of external candidates during 2016. The focus for the year was on training and further skills development, and job preservation.

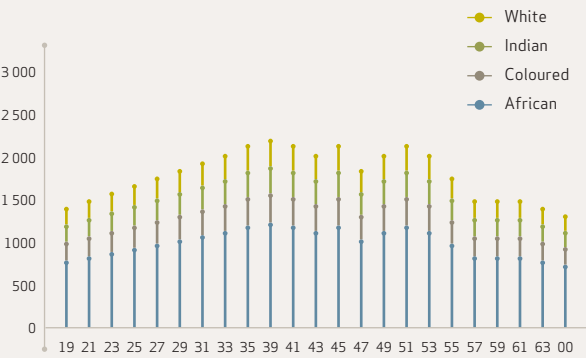
Employee headcount 2017

	Actual 2015	Actual 2016	Actual 2017
Transnet Corporate Centre	887	911	699
Transnet Capital Projects	1 100	1 177	1 231
Transnet Foundation	116	110	109
Transnet Property	570	578	555
Freight Rail	37 723	36 033	30 305
Engineering	12 230	11 377	12 164
National Ports Authority	4 265	4 404	4 188
Port Terminals	9 140	9 210	8 891
Pipelines	634	667	686
TOTAL	66 665	64 467	58 828

The average age of a Transnet employee is 41 years; 26,4% of employees are between the ages of 48 to 60, while 39,2% of employees are younger than 36 years. There has been a concerted effort in recent years to increase the percentage of younger employees. Leadership development has focused particularly at lower and middle management to ensure that the younger workforce is upskilled, and that the talent pool for succession is strengthened.

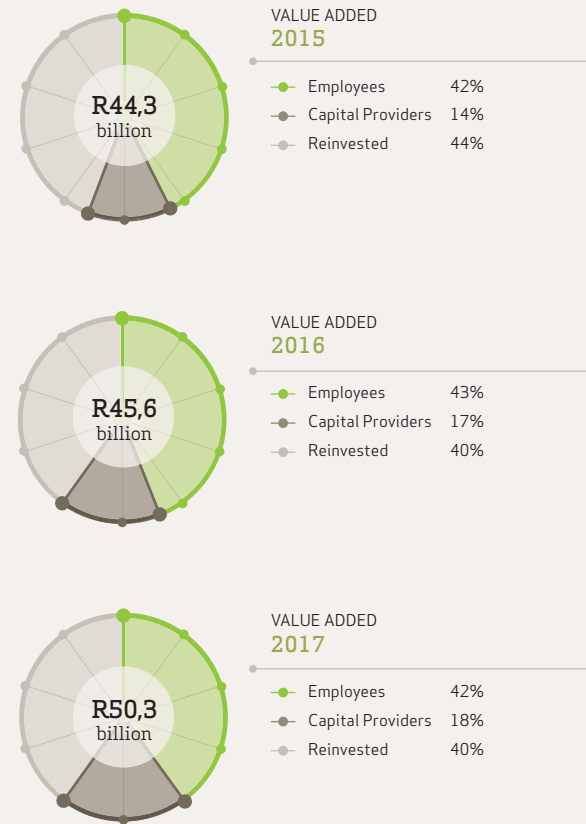
Transnet's employee age profile, including racial composition, is depicted below:

Workforce profile 2017



Value-add is defined by Transnet as the financial value created by the activities of the business and its employees. Transnet's gross value-add amounts to R50,3 billion for 2017.

Gross value-add resulting from Transnet Capital and Operating Expenditure 2017



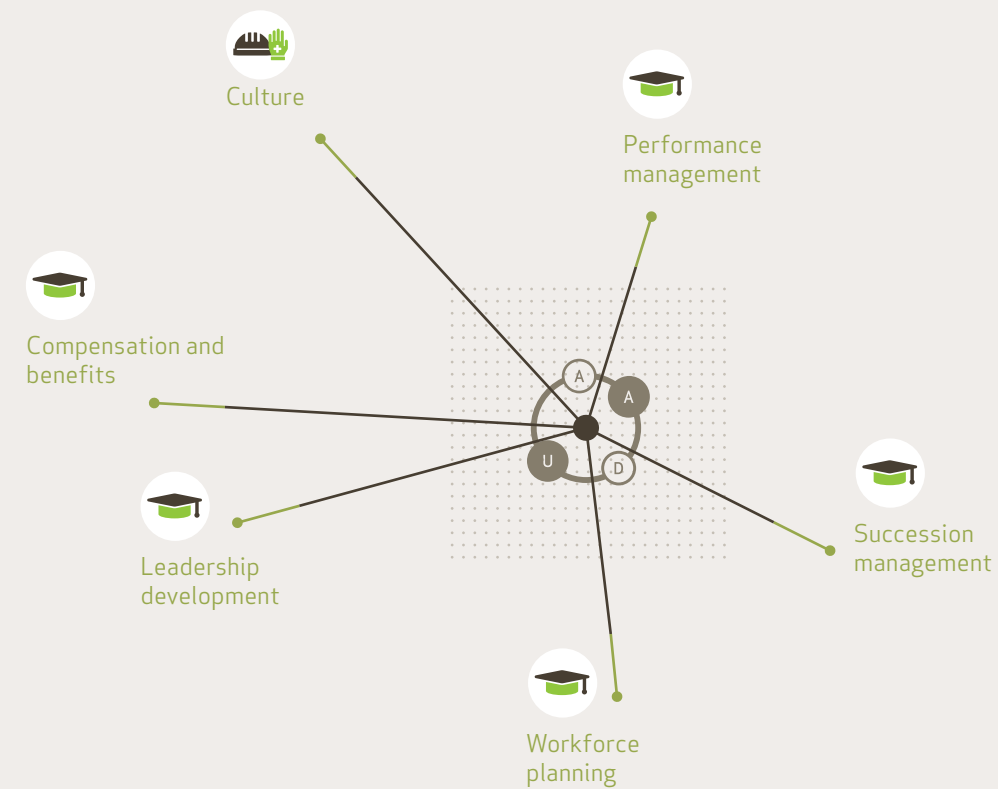


Transnet awarded South Africa's Top Employer certification for 2017

Transnet was ranked as one of South Africa's top employers by the Top Employers Institute during October 2016. The Institute recognises and certifies leading employers worldwide for excellent employee conditions, nurturing and developing talent throughout all levels of the organisation, and for continuously optimising employment practices.

Regional Director of Africa at the Institute, Samantha Crous, said: "Optimal employee conditions ensure that people can develop themselves personally and professionally. Our comprehensive research concluded that Transnet SOC Ltd provides an outstanding employment environment and offers a wide range of creative initiatives, from secondary benefits and working conditions to performance-management programmes that are well-thought out and truly aligned with the culture of their Company."

The award follows a stringent research process in which companies are assessed on their ability to meet the highest standards of employment conditions. The process is scrutinised by a firm of independent auditors to ensure its validity. The evaluation criteria for the certification include workforce planning, performance management, leadership development, succession management, compensation and benefits, and culture.



Transnet Employees celebrating the Top Employer Certification

Skills development



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



Why is it important to Transnet?



South Africa needs a skilled and capable workforce to support an inclusive growth path. Transnet needs to develop and maintain a skills and talent pipeline that not only addresses business priorities but also those of the broader economy.

Transnet responds to this by ensuring that training plans are responsive to both these requirements and, more specifically, the engineering skills and artisans required by the economy. Extensive investment in skills development is necessitated to ensure that Transnet delivers critical logistics infrastructure and operational efficiency that South Africa's freight system needs to support economic growth. The challenge lies in Transnet's ability to meet and sustain the required scale, timing and cost of addressing its skills needs. The year under review saw the Company optimising training targets and budgets in the face of cost-cutting measures resulting from reduced volumes and revenue.

Additional challenges include the following:

- Attracting and retaining critical skills (more specifically, female employees and people with disabilities) into a highly operational environment;
- Approximately 33% of Transnet's workforce is semi-skilled with low skills density levels and limited literacy; and
- The age profile of Transnet employees reflects a high percentage of ageing skills and work experience, and a rapidly growing percentage of young employees with generally limited experience.

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

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

The material outcomes that Transnet aims to achieve are:

- Increased technical skills within Transnet;
- Improved productivity; and
- Addressing the technical skills gap in the economy.

Our management approach

Transnet's Human Capital Strategy responds to the skills shortages experienced in the Company and the broader economy 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.

Feeder training pipelines have been established for critical skills categories including artisans, technicians, engineers and sector-specific⁵. The Youth Development strategy is aligned to the feeder pipelines. The feeder pipelines also provide focus areas for student financial assistance, internships, learnerships, apprenticeships, sponsorships, career guidance, various graduate programmes, coaching and mentorships.

Transnet has 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 2017, 77 new YPTs were recruited with a total of 240 YPTs in Transnet. YPTs are contracted for a period of two years and, on average, 11% 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 2017, 73 EITs entered the programme with 312 EITs in Transnet, and 116 new TITs participated in the 24-month structured programme that includes mentoring and coaching.

Annual training plans are discussed with recognised trade unions in line with the requirements of the Skills Development Act No 97 of 1998 as amended. These are submitted to the Transport Education Training Authority for approval and monitoring in order to process training grants.

Our performance

Transnet invested 3,1% of the wage bill (R746 million)⁶ in skills development in 2017 against a target of 3% (R777 million) in comparison to 3,6% (R850 million) in 2016. A training throughput of 57 782 training initiatives were recorded against the target of 48 544.

In 2017, Transnet fell short of its targets for sector-specific skills with 1 724 learners entering against a target of 2 200. Transnet's intake of new recruits for engineering bursars (173) and technician learners (229) were above target against the planned 171 and 220 respectively. In all, 250 artisans were targeted in 2017, and 250 entered the programme. A total of 810 employees were trained as part of leadership development. Excluding sector-specific skills, the planned training targets were achieved in 2017 despite cost-cutting measures due to lagging growth in volumes and revenue.

Training participants 2017

	Actual 2015	Actual 2016	Actual 2017
Artisans	613	102	250
Technician learners	563	232	229
Engineering bursars	255	155	173
Sector-specific	3 320	1 830	1 724
Leadership development	6 666	1 347	810
ALL TRAINING*	53 591	58 967	57 782

* Refers to number of training initiatives.

Key comparisons

2016	2017
Skills development R850 million	R746 million
Training initiatives 58 967	57 782

⁵ 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 co-ordinator, tug master and planner).

⁶ The skills levy constitutes 28% (R193 million) of the total spend on skills development for 2017.



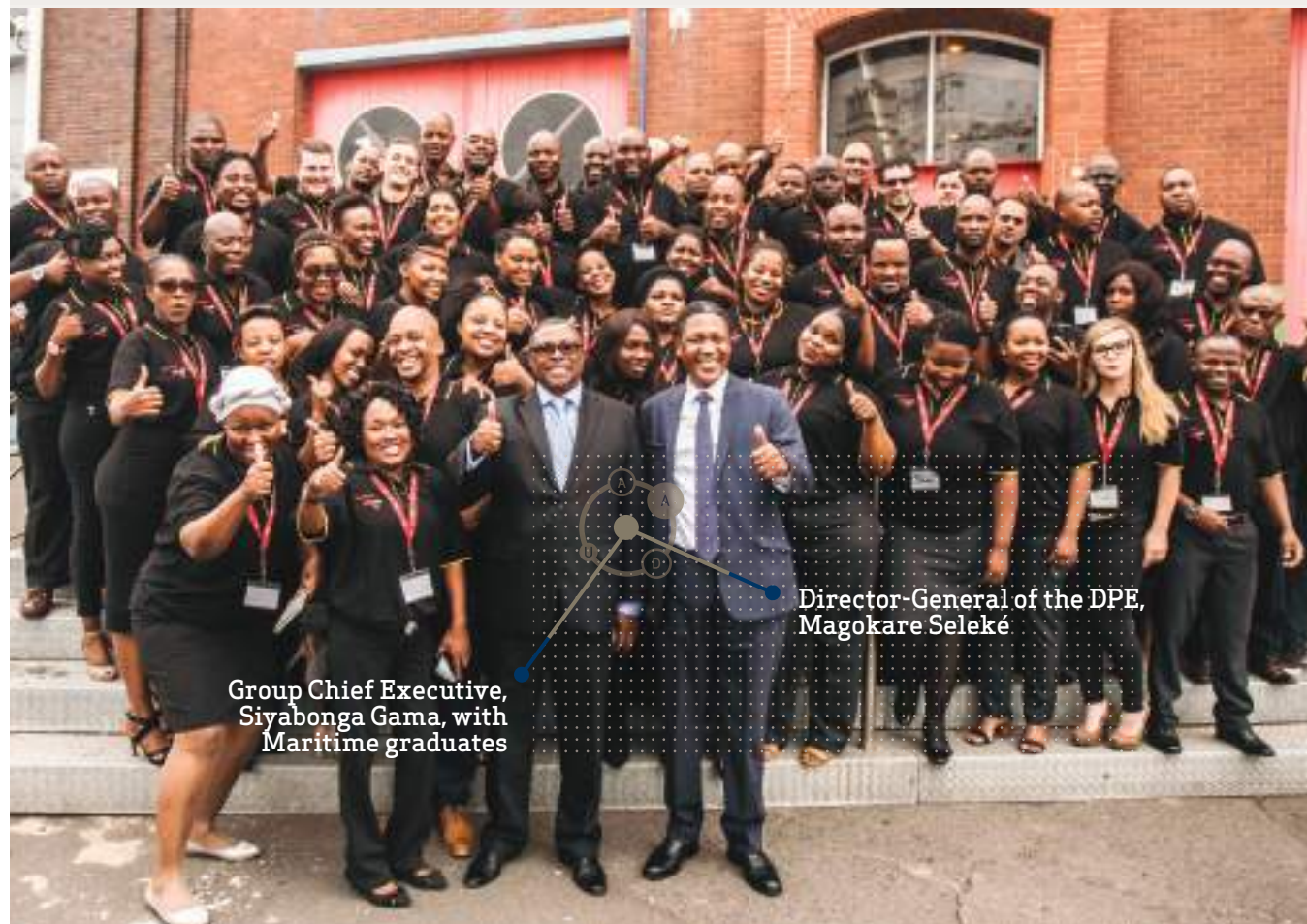
Transnet accelerates maritime skills training

On 22 September 2016, 283 trainees graduated from Transnet's Maritime School of Excellence, completing qualifications in various aspects of port and marine operations (marine pilots, tug masters, engineers and operators for lifting equipment). This marked the highest number of graduates since the first intake in 2013.

Transnet's Maritime School of Excellence was launched in 2013 to address the technical skills shortages in the maritime sector and to respond to the broader challenges of critical skills shortages required to stimulate economic growth and job creation. The school offers sector-specific training in marine operations, terminal operations, port management, port engineering and other specialised training for Transnet's port operating divisions (National Ports Authority and Port Terminals). It has a main campus in Durban with three satellite campuses in Richards Bay, Cape Town and Port Elizabeth. The school's programmes are aligned with the requirements of the MDS.

Since 2013, 210 trainees have graduated from the programme. The majority of graduates have been absorbed into Transnet's various marine and port operations throughout the country.

Transnet has also trained students from Malawi, Botswana, Mozambique, Namibia, Zambia and Zimbabwe, positioning itself as a premier service provider for marine training programmes.



Group Chief Executive, Siyabonga Gama, with Maritime graduates

Director-General of the DPE, Magokare Seleke



Transnet's engineering and accounting students training programme

The year under review saw Transnet launch a bursary drive inviting eligible students to apply for 171 bursaries and a training programme for chartered accountants. This initiative was driven by the Company's commitment to strengthening its scarce skills base, particularly in the fields of engineering and accounting.

The bursaries are for full-time study towards a Bachelor of Engineering or a Bachelor of Science in Engineering at any South African university in the following disciplines: civil, electrical, electronic, mechanical, industrial and metallurgical engineering. Bursaries cover full costs and on-the-job training.

Transnet also offers a three-year learnership programme for candidates with a Certificate in Theory of Accounting or Bachelors of Accounting Sciences in Financial Accounting (BCompt/Honours) or equivalent. Transnet's Chartered Accountants Training Programme is accredited with the South African Institute of Chartered Accountants, and provides practical experience and preparation for Board examinations. The programme includes extensive training in financial management, financial accounting, internal audit, auditing and taxation. Currently, there are 17 black professionals in various stages of the programme in Transnet. Since inception of the programme in 1996, 118 students have completed the programme, with more than 28 employed in the Company.



Chartered Accountant Training Programme accredited with SA Institute of Chartered Accountants



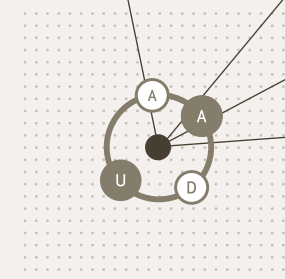
Training in: financial management, financial accounting, internal audit, auditing, taxation



Since inception, 118 students completed programmes



28 students employed by Transnet



Industrial capability building



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



Why is it important to Transnet?



Building resilient infrastructure, promoting inclusive and sustainable industrialisation, and fostering innovation that leads to economic growth and development is one of the global SDGs. Through its procurement spend, Transnet is able to target local suppliers in order to support national developmental goals; while its investment in Research and Development (R&D) is aimed at building long-term original equipment manufacturing capability for the broader economy.

As an SOC, Transnet contributes significantly to growth and transformation in the South African economy. This contribution is important when considering the challenges of inequality, unemployment and poverty that South Africa faces. Transnet has identified its Supplier Development (SD) and Enterprise Development (ED) initiatives as interventions that can address these challenges. These initiatives are aimed at increasing the competitiveness, capacity and capability of black-owned suppliers through financial and non-financial support services. Transnet's SD programme is aimed at skills development, job creation, intellectual property transfer, the localisation of supply, and industrialisation through contractually obligated SD plans. Transnet's ED programme is aimed at supporting small and medium enterprises (SMEs) in the transport sector to ensure that they become operationally and financially independent and contribute to the country's growth and transformation agenda, specifically among black women and the youth. SMEs are important in their contribution to the economy as drivers in reducing unemployment, especially since the formal sector continues to shed jobs.

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 acknowledges that disruptive technologies are changing dominant business models and has thus positioned itself as a catalyst for African innovation and industrialisation.

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 the youth.

Our management approach

Transnet developed a comprehensive SD programme guided by the Government's Competitive Supplier Development Programme, and an ED programme informed by the Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice. Transnet's contracts with original equipment manufacturers (OEMs) and large suppliers focus on skills development, job creation and preservation, intellectual property transfer, localisation of supply and ultimately industrialisation through contractually binding SD plans. This is usually achieved through targeted interventions that address the lack of black industrialists and black-owned manufacturing companies, while leveraging the SD commitments of large and/or OEM suppliers. With respect to the B-BBEE Codes, Transnet plans to maximise the 2% SD spend and the 1% ED spend. This will be done and enhanced through the already existent programmes of hubs, incubation, productivity, funding and business development support which address the basic requirements for businesses to perform optimally.

Following on from the establishment of ED hubs in Johannesburg, De Aar (Northern Cape) and Saldanha Bay (Western Cape), the Mdantsane Hub in Buffalo City was opened in May 2016. These hubs provide a one-stop shop for potential suppliers to Transnet offering the following services: business development and registration, procurement advisory services, tax registration and compliance, financial support and guidance on black economic empowerment.



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

- A new diesel locomotive;
- A traction motor for rugged conditions;
- A standard gauge bogie to compete in the standard gauge market; and
- An energy storage system for capturing regenerative energy.

Our performance

Since the inception of Transnet's SD programme in 2012, total contract value has been R134,4 billion (2016: 119,9 billion) with SD obligations concluded with suppliers of R62,6 billion or 46,6% of contract value (2016: R56,6 billion or 47,2%). To date, R32,2 billion or 51,5% (2016: R23,2 billion or 41,1%) of these supplier development obligations has been met. The overall contract value and total SD target have increased due to the inclusion of the 1 064 locomotives deal signed in 2014.

There was an increase in R&D expenditure from R58,9 million in 2016 to R185 million in 2017.

Key comparisons

2016	2017
Contract value R119,9 billion	R134,4 billion
SD obligations R56,6 billion	R62,6 billion
SD obligations achieved R23,2 billion	R32,2 billion
R&D spend R58,9 million	R185 million

Material activities	Inputs	Outputs	Material outcomes	Impacts
Enterprise Supplier Development hubs in Johannesburg, De Aar, Saldanha Bay and Mdantsane provide a one-stop shop for potential suppliers to Transnet.	R60 million	11 271 beneficiaries (Johannesburg: 5 856, De Aar: 786, Saldanha Bay: 4 236, Mdantsane: 393) 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 supplier base• Increase in number of suppliers that were registered, incubated and developed to supply Transnet and others.	<ul style="list-style-type: none">• Inclusive and sustainable industrialisation• Economic development and growth.
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.	R30 million	New businesses recruited into both incubators: <ul style="list-style-type: none">• 113 black-owned• 113 exempted micro-enterprises and qualifying small enterprises• 41 black women-owned• 59 youth-owned.	<ul style="list-style-type: none">• Increase in number of suppliers that were registered, incubated and developed to supply Transnet.	<ul style="list-style-type: none">• Inclusive and sustainable industrialisation• Economic development and growth.
GIBS Academy empowers 50 new and existing growth-oriented entrepreneurs with business education, mentorship and other support services to build or grow their enterprises.	R3,5 million	55 entrepreneurs currently in the programme.	<ul style="list-style-type: none">• Increase in revenue of graduates.	<ul style="list-style-type: none">• Fostering entrepreneurship and innovation• Economic development and growth.
Material strategic procurement <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.	Contract value: R56,6 billion SD target: R37,7 billion 67% SD commitment	% of SD targets since contract commenced*: <ul style="list-style-type: none">• 23,3% industrialisation• 24,5% capacity and capability building• 40,7% sustainability/technology and intellectual property transfer• 7,5% skills development• 14,6% job creation• 20,5% job preservation• 76,7% small business promotion• 46,2% downstream supplier development.	<ul style="list-style-type: none">• Increase in local industrial capacity• Increase in skills• Increase in local technology and intellectual property transfer• Job creation and preservation• Increase in small businesses supported• Increase in local suppliers.	<ul style="list-style-type: none">• Building original equipment manufacturing capability for broader economy• Building economic infrastructure.

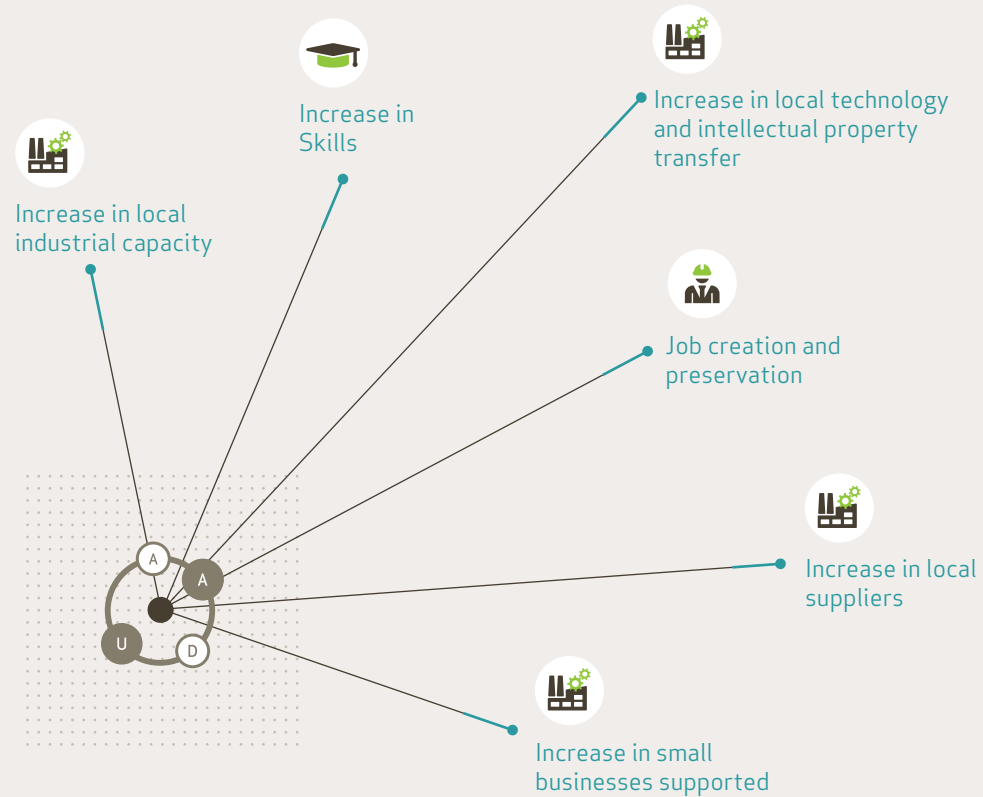
* Data provided up until 31 December 2016.



Stringent controls in place to ensure 1 064 Locomotive deal meets localisation targets

In 2014, Transnet signed the single largest infrastructure investment initiative (R50 billion) with four international OEMs⁷ to supply the Company with locomotives. Transnet has implemented a series of governance, control and monitoring measures to ensure that the OEMs meet the Company's localisation obligations and SD commitments.

In addition to normal governance structures, Transnet established a special sub-committee of the Group Leadership Team, chaired by the Group Chief Executive, and attended by executives tasked with the execution of the project, including the Chief Financial Officer, chief executives from Freight Rail and Engineering, and heads from Procurement, Legal and Risk. The committee is tasked with the monitoring of contract execution, delivery of local content obligations, compliance with SD commitments, skills development, review of project budget and governance, and oversight of the OEMs and sub-contractors involved in the build programme. At an operational level, Transnet has developed various monitoring tools for the OEMs to provide regular updates on their performance on localisation. To provide further assurance, Transnet performs an internal validation process of each of the OEMs' performance as part of contract management.



⁷ Transnet awarded CSR Zhuzhou Electric Locomotive and Bombardier Transportation South Africa contracts for the supply of 599 electric locomotives; while General Electric South Africa Technologies and CNR Rolling Stock South Africa (Pty) Ltd were awarded contracts to build and supply 465 diesel locomotives.

Transnet leads in entrepreneurial innovation

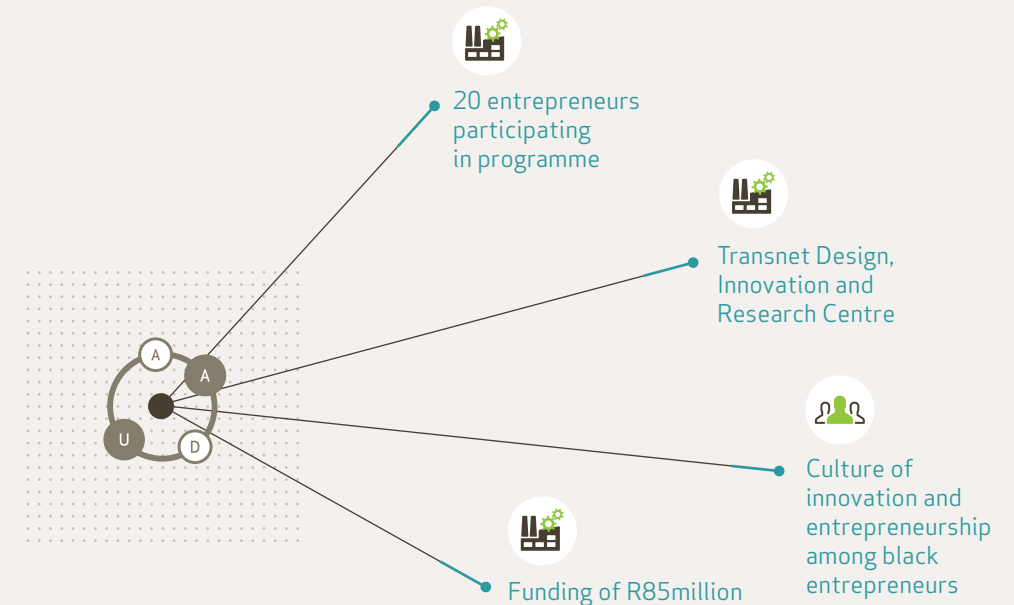
In partnership with the SABs Design Institute, Transnet established the Transnet Design, Innovation and Research Centre. The aim is to promote a culture of innovation and entrepreneurship among black entrepreneurs, more specifically school learners, the youth and SMEs. The centre is focused on facilitating and identifying low-tech to high-tech solutions and providing subsidised R&D tools, facilities and resources. Transnet developed the innovation concept and provided the funding (R85 million), while the SABs Design Institute availed the technical expertise to refine the ideas into feasible products for the market.

Young entrepreneurs throughout South Africa were invited to submit innovative ideas that would provide solutions to challenges in their communities and some of Transnet's operational challenges. More than 1 200 aspirant entrepreneurs submitted their concepts, culminating in 20 entrepreneurs being selected to participate in the programme. The programme involves conceptual design and market research; trademark/product design and testing; pitching advisory and commercialisation plan; and the development of prototypes.

On 25 October 2016, the innovators gathered at the SABs Design Institute to showcase their innovations and market their inventions to possible funders. Products and services developed through the programme include:

- A renewable energy storage system that converts electricity into different storable energy forms. It has the energy density to back up the grid for multiple hours. It is environmentally friendly;
- A cold chain monitoring service to inform hospitals and manufacturers of the temperature and location of their products. Temperature data is collected via a wireless sensor network and presented through a web interface to the stakeholder;
- Rust Rid is a rust prevention, rust removal and anti-corrosion spray-on product that chemically dissolves rust to renew metals, works faster, is more effective and is environmentally friendly; and
- Bitu-box is a mobile unit to store and transport bitumen in bulk. It can transport 24 000 kg of bitumen.

Commenting on the achievement, Transnet's Executive Manager for Enterprise and Supplier Development, Ms Mmadiboka Chauke, said that innovation and enterprise development are at the core of Transnet's plans to improve its service offering and contribute to the advancement of the economy.



Investment leveraged



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



Why is it important to Transnet?

Investment is paramount in South Africa's freight logistics system, beyond the levels already committed by Transnet in the MDS. The Department of Public Enterprise (DPE) has mandated that Private Sector Participation (PSP) be included in the broader delivery of the MDS as large-scale investment in economic infrastructure designed to support the country's socio-economic imperatives is required.

Creating additional capacity and enabling service delivery require Transnet to pursue new revenue streams through private-sector collaboration. As an SOC, Transnet is well positioned to facilitate and encourage complementary investment by private companies. This will accelerate Transnet's commercial impact on economic growth and job creation in South Africa and the region. 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;
- Position Transnet to support the involvement of B-BBEE investors in PSP opportunities to contribute to transformation in the broader economy; and
- Improve the social and developmental benefits leveraged from such investment programmes through close collaboration between the public and private sector.

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 PSP Policy serves as a framework for establishing objectives, benefits, project lifecycles and governance, and 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);
- Development of oil and gas, including ship repair infrastructure;
- Regional integration; and
- Non-core but complementary to the MDS.

Our performance

During 2017, the following PSP milestones were achieved:

- A preferred bidder to design, fund and operate an offshore oil supply base in the Port of Saldanha for a period of 20 years is awaiting approval;
- A preferred bidder to design, fund and operate the cruise terminal in the Port of Durban for a period of 25 years is awaiting approval;
- A Request for Proposals (RFP) for Tambo Springs inland terminal was issued. Bids were received and are being evaluated;
- Technical study for the manganese common user facility was concluded; and
- Award to preferred bidder to build, operate and maintain a 5,2 million ton per annum coal-loading facility at Grootvlei power station was concluded.

Operation Phakisa projects in ship and rig repair, boatbuilding and related port services were initiated in 2016, aiming for private-sector investment contracts in 2017. These include the following:

- The development of a boatbuilding facility at the Port of East London will be separated into a boat building and a dry dock precinct, and a commercial lease approach will be followed to allow for the development of the industry;
- The implementation of a floating dock at the Port of Richards Bay. Finalisation of the RFP process will take place once a successful environmental impact assessment is complete; and
- The construction of a new berth to support rig and ship repairs at the Port of Saldanha. Little interest was received from the expression of interest process, and an alternative approach to securing an investor is being explored.



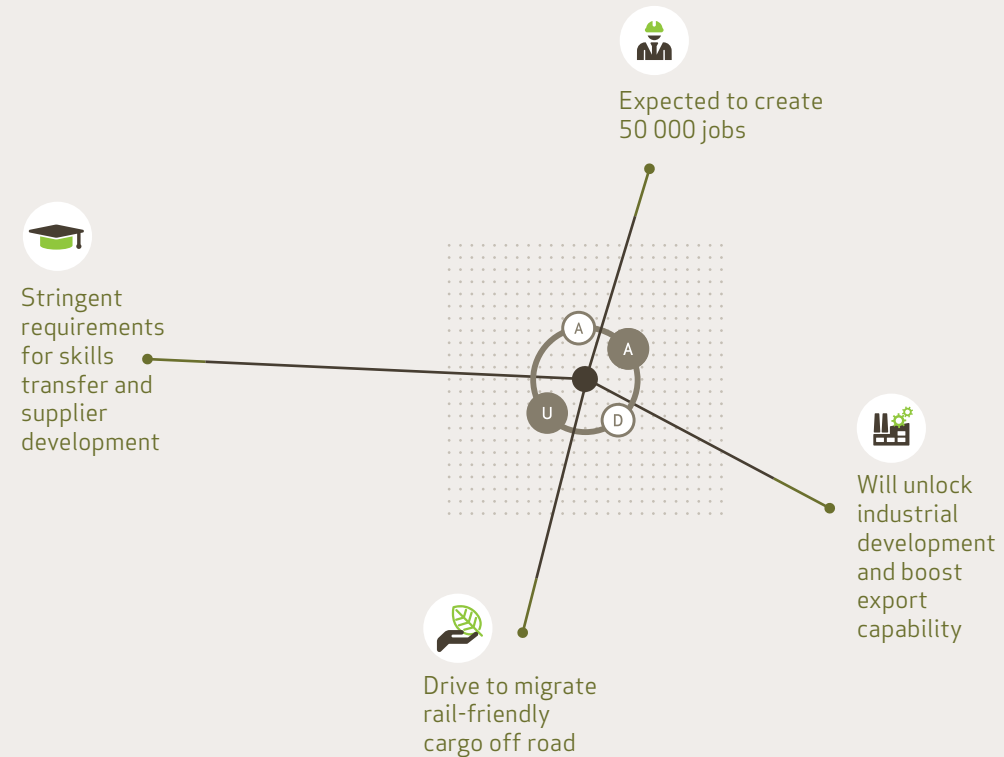
Material activities	Inputs	Outputs	Material outcomes	Impacts
Concessioning of branch lines <ul style="list-style-type: none">• Ceres concession• Umtata concession• Grahamstown concession• Knysna concession	R20 million R12 million R60 million R30 million	Conclusion of contracts and commencement of concessions	<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.	<ul style="list-style-type: none">• Economic infrastructure that supports socio-economic imperatives• Lower cost of doing business• Economic development and growth./
Investment in terminals <ul style="list-style-type: none">• Grootvlei coal handling terminal• Tambo Springs inland terminal• Manganese common user facility	R250 million R100 million R50 million	Conclusion of terminal contracts	<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.	<ul style="list-style-type: none">• Economic infrastructure that supports socio-economic imperatives• Lower cost of doing business• Economic development and growth.

Private sector to partner in Tambo Springs inland terminal

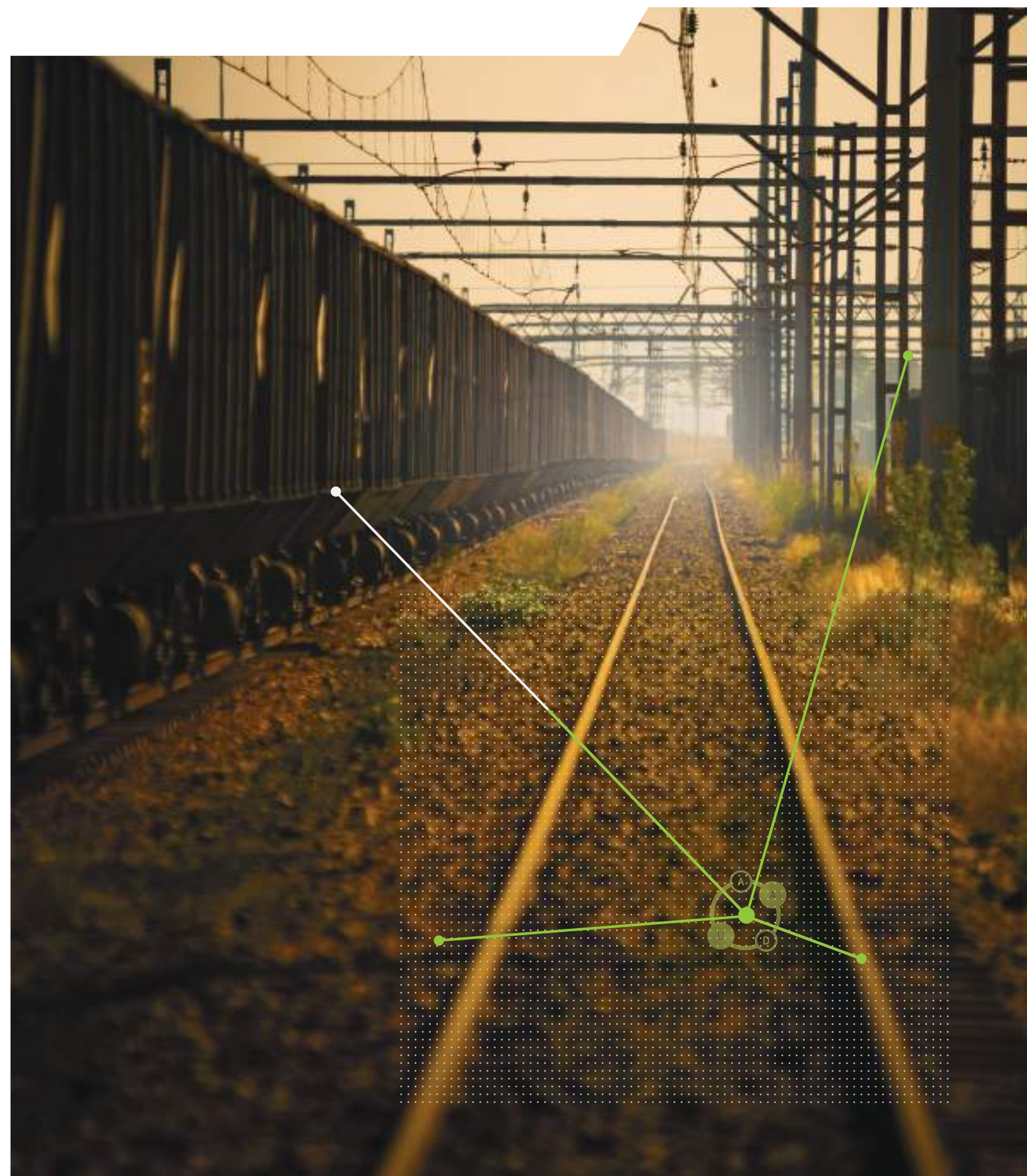
On 1 June 2016, Transnet issued a request for proposals from suitably qualified global logistics service providers to design, build, operate, maintain and eventually transfer the inland container terminal in Tambo Springs, east of Johannesburg. The proposed terminal is aligned with Transnet's drive to migrate rail-friendly cargo off road. The concession will be for 20 years and will be Transnet's largest PSP project to date.

The terminal is expected to be in operation by 2019 and will have an initial capacity of 144 000 20-foot equivalent units (TEUs) per annum, with an option to ramp it up to 560 000 TEUs. The project entails the following: an arrival and departure yard for handling cargo trains, terminal infrastructure and equipment, stacking area, warehousing space and distribution centre. Freight Rail will be responsible for operating the arrival and departure yard that will service the terminal. The operator will be responsible for loading and offloading containers, and marketing the facility.

The proposed terminal is an integral part of Government's Strategic Integrated Programme 2⁸ aimed at unlocking the country's industrial development while boosting export capability. It is one of three mega-terminals that Transnet is planning to build in Gauteng over the next 20 years. It is expected that the project will create 50 000 jobs. There are stringent requirements for skills transfer and supplier development.



⁸ The South African Government adopted a National Infrastructure Plan in 2012. Eighteen Strategic Integrated Projects were identified to fast-track economic development and growth. These projects cover social and economic infrastructure across all nine provinces.



Regional integration



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



Why is it important to Transnet?

Africa's projected growth forecasts and untapped potential are well known. While the outlook is positive, resolving the infrastructure backlog is a significant challenge. There is a need for consolidation and integration within the regional freight system in order to build system density and take advantage of economies of scale.

South Africa is ranked 20 out of a total of 160 countries⁹ in logistics performance, ahead of other African countries, suggesting that it is well positioned to build logistics density and help facilitate improved trade between neighbouring states. As the custodian of South Africa's rail, ports and pipeline network, regional integration and the enhanced connectivity of the regional freight system is a strategic priority for Transnet. Such integration will boost investment

and inter-country trade on the continent. While South Africa's current 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. Their growth provides business opportunities for Transnet as an infrastructure and logistics service provider.

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.

⁹ 'Connecting to Compete: Trade Logistics in the Global Economy', World Bank, 2016.

Our management approach

In developing an international strategy for Transnet, great care was taken to ensure that while targeting the commercial objectives and gains that are of specific interest to Transnet, the strategy was aligned with and supported the Government's broader regional integration initiatives.

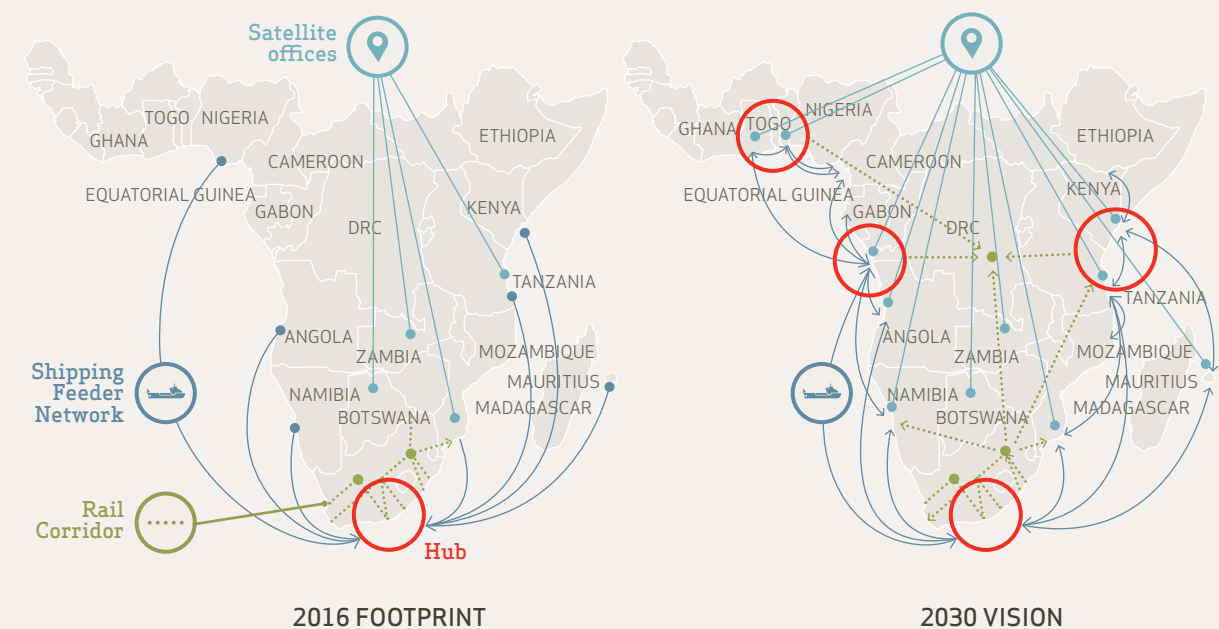
Transnet's Africa Strategy outlines Transnet's intention to extend business beyond the borders of South Africa and into the region to become the leading logistics service provider in sub-Saharan Africa. Transnet is targeting 25% revenue from outside South Africa by 2025. South Africa is a potential gateway 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.

With respect to rail, Joint Operating Centres (JOCs) have been established in Botswana to service the East/West Corridor; Zimbabwe to service the North/South corridor, and in Mozambique to service the Maputo Corridor. The aim is to grow cross-border volumes and enable rail connectivity in these regions. Freight Rail's International Business unit has satellite offices in Maputo, Gaborone, Lesotho, Bulawayo and Ndola.

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.

Transnet's Africa 2030 Vision



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.

Figure 13

Transnet's Africa Strategy



Our performance

Transnet has commenced the process of registering a wholly owned subsidiary company, Transnet International Holdings SOC 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*¹⁰ by deploying resources, creating partnerships and leveraging stakeholders across target markets.

Revenue from cross-border activities for Engineering and Freight Rail amounted to R2 087 million in 2017.

Key comparisons

2016	2017
Cross-border revenue R1 965 million	R2 087 billion
Engineering R319,0 million	R226,8 million
Freight Rail R1 645,9 million	R1 860,1 million

Material activities	Inputs	Outputs	Material outcomes	Impacts
Freight Rail and Engineering				
National Railways of Zimbabwe Rehabilitation Programme Tanzania Railways Limited and Tanzania Zambia Railways Corporation	<ul style="list-style-type: none"> • Time engaging partners in negotiating deal structure • Time negotiating contract. 	<ul style="list-style-type: none"> • Proposal re-submitted • Technical partnerships focusing on operational efficiencies, sales of rolling stock, maintenance of railway line. 	<ul style="list-style-type: none"> • Increase in opportunity to improve regional co-operation and integration • Increase in revenue for Freight Rail and Engineering. 	<ul style="list-style-type: none"> • Economic growth and development on the Continent • Improved intra-Africa trade • Increased investment on the continent.
National Ports Authority				
Interport agreements signed with Ghana Ports and Harbour Authority, Nampont, Maputo, Kenya Port Authority, Port Corporation of Sudan, Port of Cabinda (Angola).	<ul style="list-style-type: none"> • Time negotiating Memoranda of Understanding (MOU). 	<ul style="list-style-type: none"> • Six signed MOUs in six countries. 	<ul style="list-style-type: none"> • Increase in opportunity to improve regional co-operation and integration • Increase opportunity in skills and expertise transfer. 	<ul style="list-style-type: none"> • Economic growth and development on the continent • Improved intra-Africa trade • Increased investment on the continent.
Port Terminals				
Contract signed with Port of Cotonou, Benin (Benisa 1) for operational support to Sobemap (State-owned terminal operator) in the Port of Cotonou.	<ul style="list-style-type: none"> • Time negotiating contract. 	<ul style="list-style-type: none"> • One contract signed • Four Port Terminals' employees deployed in Benin for one year • Developed General Cargo Operating System to automate business processes. 	<ul style="list-style-type: none"> • Increase in opportunity to improve regional co-operation and integration • Increase skills and expertise transfer as a result of the contract. 	<ul style="list-style-type: none"> • Economic growth and development on the continent • Improved intra-Africa trade • Increased investment on the continent.

¹⁰ Enables Transnet to pursue international opportunities in a co-ordinated well-planned manner by defining specific opportunities, positioning Transnet in a specific market and defining the support services required.

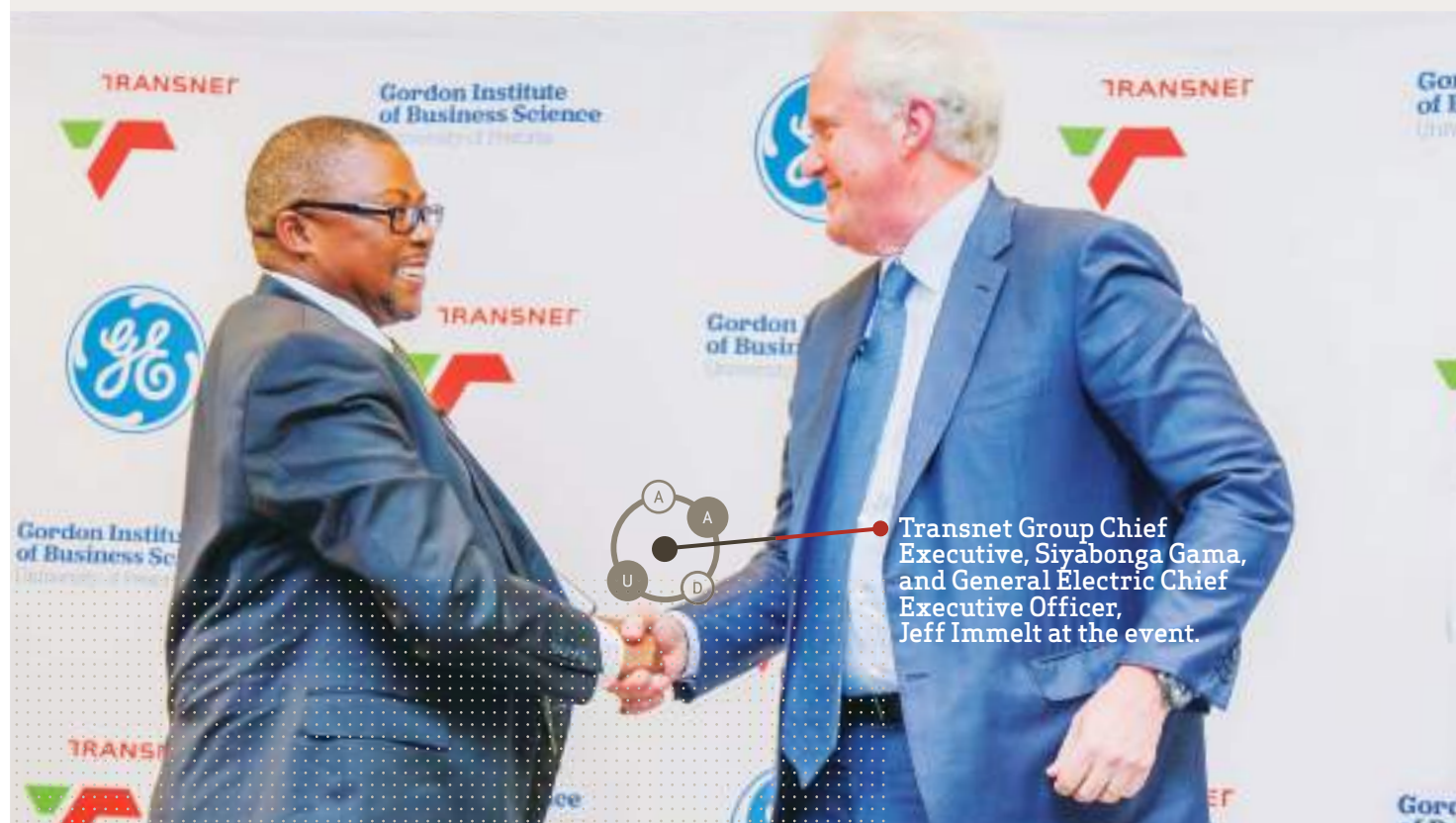


Transnet and General Electric to digitise Africa's transport sector

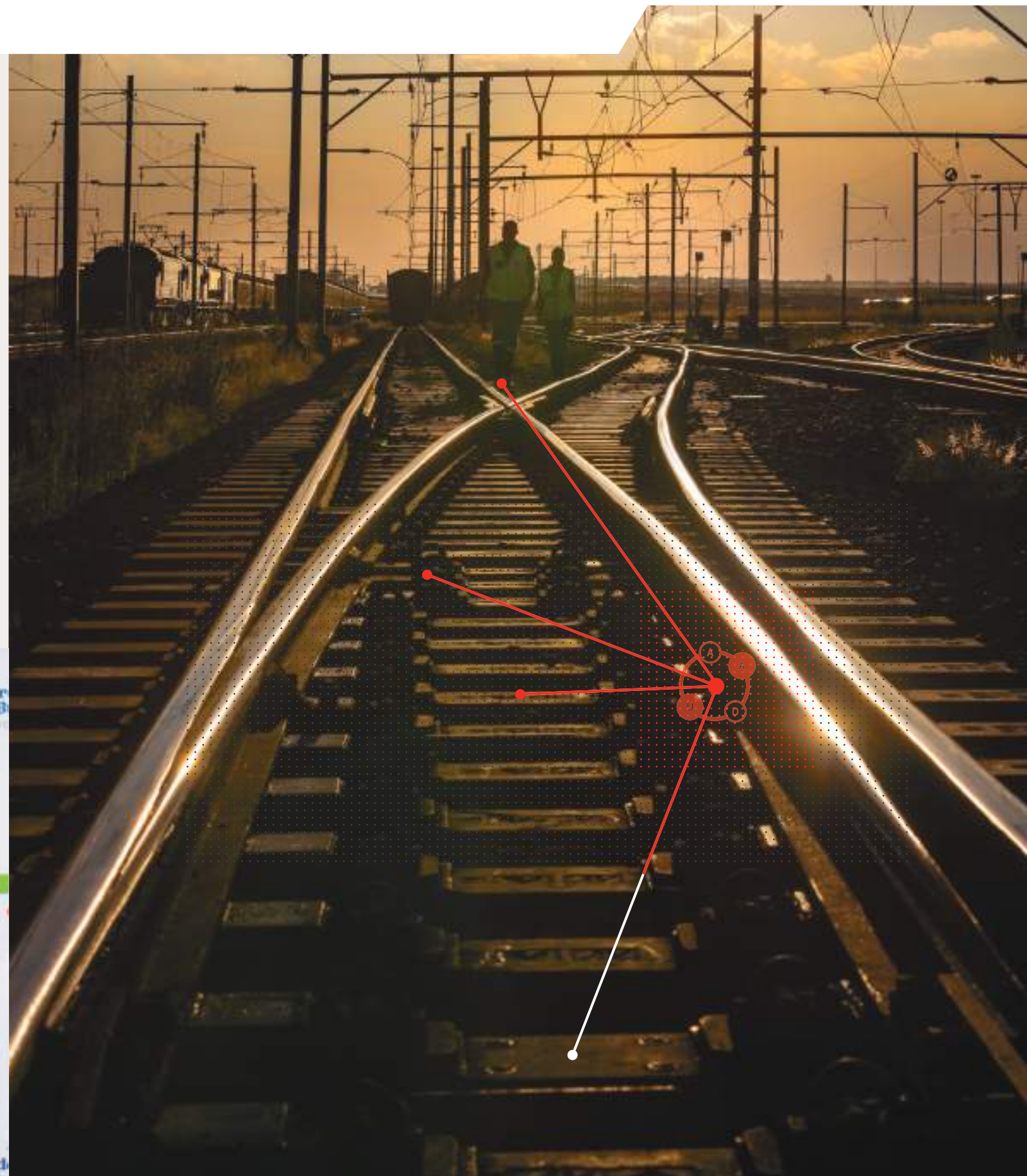
On 27 January 2017, Transnet and General Electric (GE) announced plans to deliver a digital solution that will enhance efficiency and productivity in Africa's transport sector. The proposed plan will connect shippers and transport operators, making it easier for a company to understand pricing and capacity on the network, plan a shipment and get goods to market. Transnet delivers, on average, 13 000 containers and 620 000 tons of goods critical to Africa's economy on a daily basis. Africa's intra-continental trade has almost doubled since 1995, and the increase in volume of goods moving through the supply chain is creating transportation and logistical complexities that slow down shipments.

The digital solution will be enabled by Predix, the operating system for GE's industrial internet. It will connect shippers and transport operators by providing real-time, data-driven insights on the status of shipments. Processes like payment, customs and inspection become digitised, and on-demand solution for transporting freight inspired by consumer-on-demand transportation models will be created.

Speaking at the launch, GE Chairman and CEO Jeff Immelt stated "this planned digital partnership with Transnet will be another step forward in how we can work together to improve Africa's transport sector, delivering efficiency and productivity." Group Chief Executive of Transnet, Siyabonga Gama, reiterated this sentiment: "This digital solution will be key in optimising freight efficiency and bringing products to market faster and for less across the continent. Businesses will be enabled to meet the high level of customer expectations, gain competitive edge and continue to thrive in today's robust digital economy."



Transnet Group Chief Executive, Siyabonga Gama, and General Electric Chief Executive Officer, Jeff Immelt at the event.



Transformation



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



Why is it important to Transnet?



Transnet is bound by the Constitution of the Republic of South Africa which contains the Bill of Rights¹¹ providing for the redress of inequalities experienced by the majority of South Africans under apartheid. We are further committed to upholding the principles of the United Nations Global Compact (UNGC) on equity and anti-discrimination, and seek to create an organisation that reflects the diversity of South African society.

As one of South Africa's largest single employers, Transnet is committed to supporting Government initiatives aimed at addressing the socio-economic legacy of the past. We seek to create an organisation that reflects the diversity of South African society. We have strengthened our approach in terms of the appointment and promotion of women, and people with disabilities. 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 have the opportunity to create new black industrialists in a multitude of sectors through our supplier base. Despite significant progress made in recent years, Transnet still has a great deal to accomplish in relation to race, gender and disability.

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.

¹¹ The Constitution of the Republic of South Africa, 1996.

Our management approach

Transnet's Employment Equity (EE) Policy confirms the Company's commitment to the elimination of unfair discrimination and implementation of affirmative action measures to achieve a workforce that reflects the National Economically Active Population (NEAP) of South Africa across all occupational levels. The EE Policy is regularly revised to include 'preference for designated groups'. In addition, Transnet has a 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. 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 Employment Equity 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 NEAP statistics. There are extensive engagements with employees and recognised trade unions on the plans. These plans are signed off annually by the Group Leadership Team prior to submission to the Department of Labour, fostering management ownership and performance monitoring against the plan.

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.

Our performance

Transnet has achieved a B-BBEE rating of Level 2 for the calendar year ending December 2016. 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	December 2016	Total points	Charter applied
Transnet SOC Ltd	2	2	2	90,31	Generic Transport Public Sector
Pipelines	3	2	2	91,33	
Transnet Capital Projects	2	2	2	92,12	
Freight Rail	2	2	2	87,43	Rail Charter
Engineering	2	2	2	90,58	
Port Terminals	2	2	2	86,40	Maritime Charter
National Ports Authority	4	3	3	80,93	
Transnet Property	5	5	6	44,77	Property Charter

Transnet aims to increase representation of the following designated groups: African (as per the Department of Trade and Industry's Codes of Good Practice definition), females and people with disabilities. As a result of the high rate of retirements in recent years, Transnet has had the opportunity to improve both its race and gender profile to more closely reflect the NEAP benchmarks.

Transnet's focus remains on the attraction and retention of females in a highly operational environment. Despite this focus, representation remains lower than that of the NEAP, with female employees representing 27,7% of the workforce compared to the NEAP target of 45,2%.

With respect to black male employees, representation is above that of the NEAP, with black male employees representing 59,63% of the workforce compared to the NEAP target of 48,4%. It is encouraging that there has been a steady increase of black male employees in the professional and skilled levels in the Company. There is, however, a significant over-representation of black male employees at semi-skilled and unskilled levels in operations.

Key comparisons

2016	2017
B-BBEE spend R43,5 billion	R37 billion
B-BBEE rating Level 2	Level 2

Black male employees 2017			
Occupational level	Actual 2015	Actual 2016	Actual 2017
Top management ¹²	61	61	74
Senior management	444	456	453
Professional	2 527	2 614	2 622
Skilled	10 082	10 210	11 890
Semi-skilled	15 832	15 407	13 747
Unskilled	3 777	3 701	7 174
TOTAL	32 723	32 449	35 960

Black female employees 2017			
Occupational level	Actual 2015	Actual 2016	Actual 2017
Top management ¹²	45	45	57
Senior management	236	242	239
Professional	1 558	1 652	1 673
Skilled	5 569	5 815	6 667
Semi-skilled	5 064	5 214	4 639
Unskilled	884	886	1 491
TOTAL	13 356	13 854	14 766

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 stabilise at 2,34%.

The EE plan for 2017 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 workforce that reflects the NEAP of South Africa across all occupational levels. Targets for 2017 for black employees, females and people with disabilities included:

Targets (%) for black employees, females and people with disabilities 2017			
Category	Actual 2015 (%)	Actual 2016 (%)	Actual 2017* (%)
Black	83,0	84,2	85,12
Females (Group Leadership Team)	40,0	35,7	31,82
Females (General Managers)	43,0	44,3	44,88
Females (below General Managers)	26,4	27,5	27,73
People with disabilities	2,3	2,3	2,34

* Calculated using permanent headcount of 53 661 employees.

Transnet has progressed in transforming its supplier base towards a B-BBEE supplier base with actual B-BBEE spend for 2017 amounting to R37 billion or 103,1% (2016: R43,5 billion or 100,6%) of total measurable procurement spend (TMPs) of R35,8 billion. In terms of the DTI Codes of Good Practice, Transnet’s B-BBEE spend in 2017 is as follows:

- Black-owned enterprises – R12,20 billion (2016: R13,02 billion);
 - Black women-owned enterprises – R4,6 billion (2016: R4,22 billion);
 - Exempted micro-enterprises – R2,8 billion (2016: R2,34 billion);
- Qualifying small enterprises – R2,8 billion (2016: R3,04 billion);
 - Black youth-owned enterprises – R127,34 million (2016: R741,52 million); and
 - People with disabilities – R1,30 million (2016: R46,73 million).

¹² Top management comprises Group Executive and General Managers.



Empowering people with disabilities

Pipelines’ learnership programme for people with disabilities focuses on necessary skills required to enter the job market. The programme provides developmental opportunities in business and administrative skills to young people with disabilities. The learnership takes into account all disabilities including the hearing impaired, making Pipelines the first Operating Division to upskill people living with disabilities.

Mind-the-Gap was appointed as the accredited training provider, providing a detailed analysis and strategy on how to develop and implement a learnership of such magnitude. A total of 22 candidates were selected after a stringent process of psychometric testing and various analytical tools. The programme follows six months of theoretical learning and, thereafter, six months of on-the-job practical training. All 22 candidates completed the programme despite challenges faced at the beginning as the learners took time to adapt to the style of learning and their new environment. All candidates received certificates and endorsements of results from the Services Sector Education Training Authority.

Mind-the-Gap training graduation



Health and safety



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



Why is it important to Transnet?



The nature and scope of Transnet's operations necessitate a concerted effort in maintaining the highest standards of safety for our employees, contractors, business partners, customers and the general public. Transnet has to provide a safe and healthy working environment for all its stakeholders. Strict standard operating procedures are implemented and strict adherence to these are advocated together with continuous programmes to instil a safety mindset of 'zero harm' to self, colleagues, communities and the environment.

Staff wellness is an important aspect of employees' well-being, impacting on efficiency and performance, safety and the cost of absenteeism if not managed effectively.

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 among employees affects productivity.

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

- *Public safety at level crossings;*
- *Non-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 Policy guides our approach to safety management. The policy outlines our approach to promoting a safe and healthy working environment for employees and creating a culture in which trained and competent employees strive towards excellence in service delivery through 'zero harm' to self, colleagues and the environment. The Chief Corporate and Regulatory office is responsible for the development, implementation and review of the policy.

In the past year, Transnet has further enhanced its safety management approach by focusing on Employee Leadership Engagements (Visible Felt Leadership) where each Leadership Team member has been assigned operations where ongoing engagements on safety take place.

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

- **Transnet Occupational Health Management Policy** – to promote the physical, mental and social well-being 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;
- **Board of Inquiry Policy** – to investigate all safety incidents deemed significant, resulting in formal findings and recommendations;
- **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.

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 mindset 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.

Our performance

Safety performance is measured against industry-recognised indicators such as the disabling injury frequency rate (DIFR), including fatalities, as well as 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's DIFR for the past year remains at 0,69. On average, the ratio has been below 0,75 for the past five years. There were, however, 516 disabling injuries in 2017 (568 in 2016).

The following DIFR figures were recorded per Operating Division:

Freight Rail: 0,78 (2016: 0,86)

Engineering: 0,61 (2016: 0,45)

National Ports Authority: 0,59 (2016: 0,63)

Port Terminals: 0,71 (2016: 0,61)

Pipelines: 0,37 (2016: 0,18)

Safety management remains a primary focus area for Transnet, and the embedding of a safety culture within all Operating Divisions is of critical importance to the Company.

The Seven Golden Safety Actions

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

The unreserved commitment by Transnet management and labour leadership is essential in leading, facilitating and demonstrating appropriate behaviour at all levels of the Company. To achieve this level of cultural entrenchment, it is important to make safety awareness a conscious commitment in day-to-day operations.

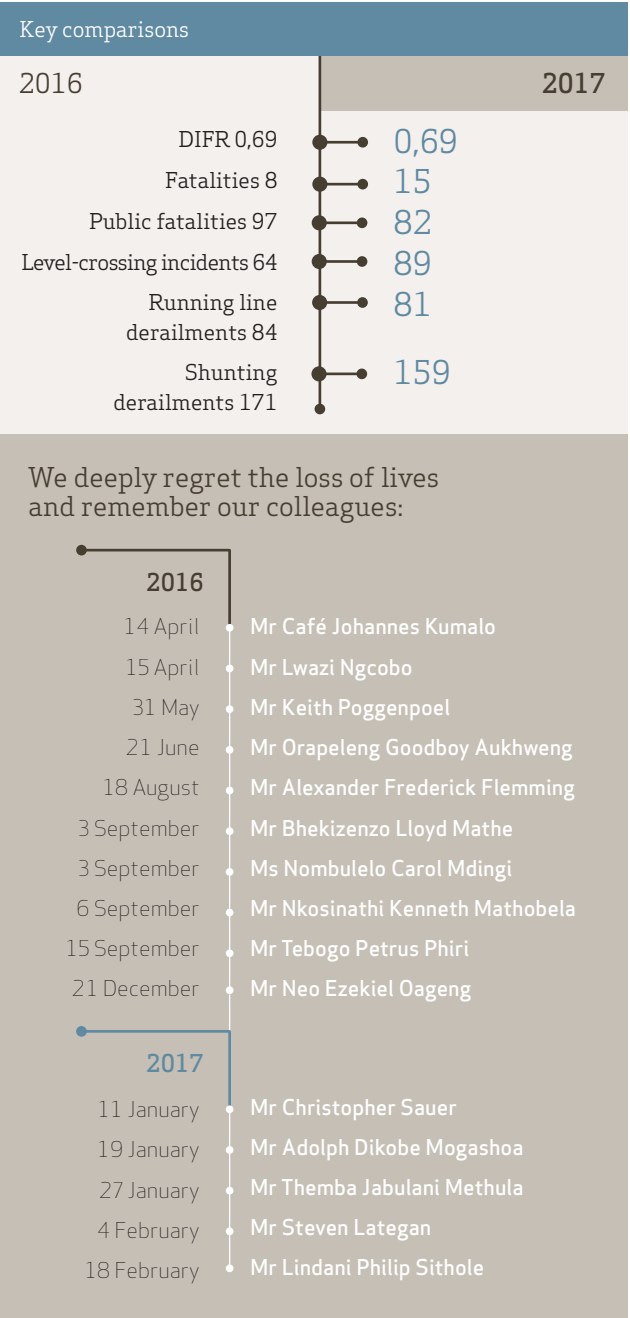
Despite this commitment, the Company tragically reported 15 employees who were fatally injured during the year (2016: eight employees), indicating that even greater efforts are required to ensure the Company improves its safety performance. The identification and mitigation of operational risks, heightened leadership roles and the adoption of Integrated Management Systems are some of the key success factors in the Company's management approach. This emphasis on safety offers the Company an opportunity to analyse and review its current safety approach and efficacy, while proactively striving towards 'zero harm'. A Company-wide consensus exists that employee safety should be considered the highest operational priority and that safety efforts at all levels of the organisation should receive the required support and commitment from management – more specifically, line management, who carry the first-level accountability for safety performance.

Public fatalities are 82 in 2017 compared to 97 in 2016. A large number of these incidents are emanating from trespassing and encroachments of informal settlements in the railway reserve. Level-crossing incidents were 89 in 2017, up from 64 in 2016. Freight Rail continues to collaborate with local municipalities, schools, the South African Police Service and other stakeholders to intensify Level Crossing Awareness Campaigns. The focus of the campaigns is on communities that are around the rail network and to road travellers who are likely to cross the railway lines. Marking of level crossings, erecting signage and construction of pedestrian bridges are under way at various locations.

Running line derailments decreased from 84 in 2016 to 81 in 2017. Shunting derailments decreased from 171 in 2016 to 159 in 2017.

With respect to staff wellness, there has been an increase in the unplanned absentee rate for the period under review, from 2,25% in 2016 to 2,96% in 2017. The change in leave policies may have led to this increase. The sick absentee rate decreased from 2,61% to 2,39% in 2017. Transnet continues to improve governance related to the management of attendance in order to curtail absenteeism.

Material activities	Inputs	Outputs	Material outcomes	Impacts
Safety Leagues among Operating Divisions	R1,6 million	<ul style="list-style-type: none">• Six Internal Safety Leagues (ISL) Clubs (Freight Rail, Port Terminals, Pipelines)• 30 Golden Safety Leagues (GSL) Clubs• 24 Platinum Safety Leagues (PSL) Clubs• Over 70% of employees are involved in the Leagues.	<ul style="list-style-type: none">• 84% job observations conducted• 90% safety symposiums attendance rate• 81% shift meeting attendance rate• 84% safety practice slips issuing rate• 89% breathalyser testing frequency rate• 95% return to work interviews compliance.	<ul style="list-style-type: none">• Safe working environment.
Employee Assistance Programme (EAP)	R11,8 million	<ul style="list-style-type: none">• 7 310 calls made to the EAP service provider• 2 981 telephonic counselling sessions.	<ul style="list-style-type: none">• Increase in telephonic counselling sessions• Increase of face-to-face counselling sessions.	<ul style="list-style-type: none">• Improved performance and efficiency.



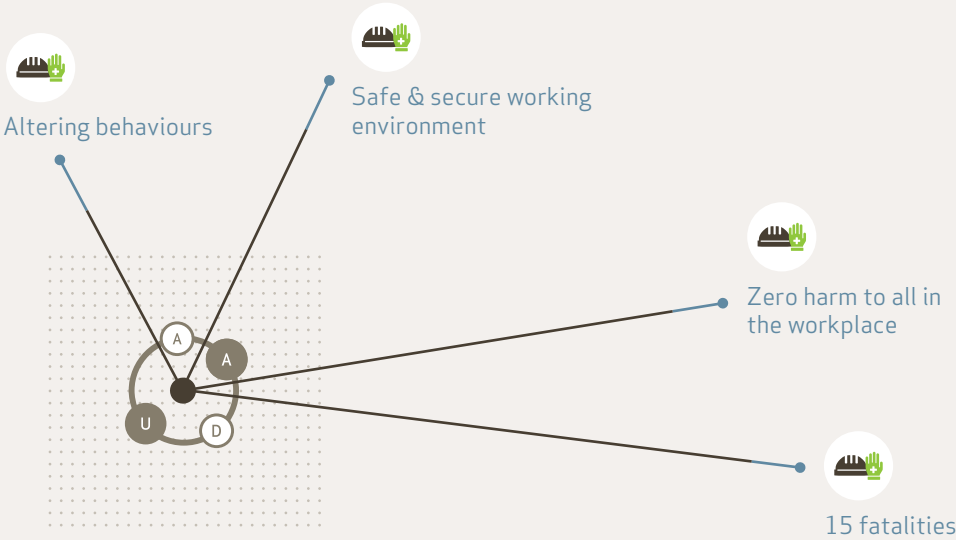
One life too many

In order to commemorate the loss of lives of our 15 colleagues during the year, employees gathered on the 50th floor of the Carlton Centre in Johannesburg on 23 February 2017 to observe a moment of silence.



Disebo Moephuli, Chief Corporate & Regulatory Officer, addressing Transnet employees

One hour work stoppages were observed across the Company. The Chief Corporate and Regulatory Officer, Ms Disebo Moephuli, shared the circumstances of each facility (14 men and one woman) and the various safety challenges facing the Company were discussed. She stressed the importance of altering behaviours to achieve the ideal of 'zero harm' to all, and that all colleagues need to be the custodians of a safe and secure working environment. In the words of our Group Chief Executive, Siyabonga Gama, "We must all commit with our hearts that we will be relentless in seeking to provide a secure work environment that is without calamity, loss or death. We must recommit to 'zero harm' in the workplace. We must stop and discuss near-misses. We must not allow a single one of our peers to escape with experimenting on unsafe acts. Whatever our station in the workplace, we can all contribute towards recommitting Transnet to a safe working culture."



Community development



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



Why is it important to Transnet?



Transnet's activities take place in and around many South African communities. The Company is committed through its Transnet Foundation to improving the quality of life of these rural communities. The emphasis is on empowering those who are most vulnerable in areas of greatest need. By so doing, we demonstrate our commitment to the creation of sustainable communities as espoused in the global SDGs and the developmental outcomes of the NDP.

Transnet's social licence to operate finds expression through the socio-economic upliftment of the communities within which it operates. Our operations touch rural communities situated along the rail network, near our ports and pipelines. 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.

Expectations from the communities are high and we are faced with challenges in implementing programmes. Sourcing suppliers from the communities is one such challenge where prospective suppliers are not adequately equipped to provide the necessary services and/or supplier registration documents required. Ensuring that the developmental programmes meet the diverse and ever-growing expectations of the community is a significant challenge to the extent that it creates a positive relationship between Transnet and the community.

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

The year under review has seen a shift in the focus of the Transnet Foundation. Previously mandated to implement corporate social investment (CSI) programmes with a national reach, the Foundation's focus has shifted to community development within the context of the MDS. The previous focus on health, socio-economic infrastructure and education will remain but evolve to focus on and include communities located close to the mega-projects of Transnet's capital expenditure. Closer collaboration between the Foundation and Operating Divisions, as well as Transnet's Schools of Excellence, to enable an integrated approach towards community development will take place.

In line with the new strategic focus, key priorities for the Foundation include:

- To provide effective and efficient developmental initiatives in the health, education, employee volunteerism, sport and socio-economic infrastructure sectors that will contribute towards improved quality of life for South African communities;
- To provide primary healthcare services through the Phelophepa trains in communities affected by Transnet operations;

- To integrate and align the Foundation with the MDS by implementing 75% of its initiatives in close proximity to Transnet's mega-projects;
- To allocate at least 15% of the Foundation's initiatives to areas where there is a high socio-economic need that falls outside the ambit of Transnet's mega-projects; and
- To improve external stakeholder perceptions and relationships with communities.

Our performance

Transnet's total CSI spend for 2017 was R234 million. CSI spend contributed to the achievement of an overall B-BBEE score of Level 2. Altogether R197,1 million was spent on programmes and R37,3 million on support functions. The total CSI spend includes external sponsorships/donations (R17,6 million), Transnet employees' directorship fees¹³ (R1,0 million) and the Transnet CSI budget allocation (R215,2 million).

¹³ In terms of Transnet policy, employees serving as non-executive directors of other companies donate directorship fees to the Transnet Foundation.



Material activities	Inputs	Outputs	Material outcomes	Impacts
<i>Phelophepa I and II</i> 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.	R95,7 million	<ul style="list-style-type: none">• 173 016 patients received primary healthcare• 438 807 individuals received services through community outreach services• 1 624 student placements.	<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• Impaired quality of life for rural communities.
<i>Socio-economic Infrastructure Development</i> converts old freight containers into community centres, police stations and school clinics.	R5,0 million	<ul style="list-style-type: none">• 43 976 beneficiaries: Social services• 1 588 beneficiaries: Police services• 497 beneficiaries: Home Affairs services• 201 beneficiaries: Adult Basic Education and Training (ABET) programme• 1 369 destitute families benefited from food distribution programme.	<ul style="list-style-type: none">• Increase in beneficiaries receiving social services• Increase in beneficiaries receiving skills development through ABET programme• Increase in destitute families receiving food distribution.	<ul style="list-style-type: none">• Access to basic services for rural communities• Meeting basic needs of rural communities.
<i>Teenage Health</i> provides menstrual health and hygiene management, health education and menstrual cups to teenage girls.	R20,4 million	<ul style="list-style-type: none">• 9 105 teenage girls• 2 845 boys benefited from the teenage health programme.	<ul style="list-style-type: none">• Reduced absenteeism of teenage girls from school• Improved academic performance• Improved quality of life.	<ul style="list-style-type: none">• Improved quality of life for teenage girls• Improved quality of life for teenage boys.



Material activities	Inputs	Outputs	Material outcomes	Impacts
<i>Orphaned Youth Education Development Programme</i> provides education for vulnerable youth.	R14,2 million	<ul style="list-style-type: none">• 52 youth enrolled (39 high schools and 13 institutions of higher learning)• 100% pass rate for 39 youth in high schools in 2016• 95% pass rate for 13 youth in institutions of higher learning in 2016.	<ul style="list-style-type: none">• Access to quality education for vulnerable youth• Improved academic performance• Improved quality of life.	<ul style="list-style-type: none">• Socio-economic upliftment of youth.
<i>Teacher Development</i> and mentorship of teacher interns in maths and science.	R2,2 million	<ul style="list-style-type: none">• Six teacher interns.	<ul style="list-style-type: none">• Improved teacher performance in maths and science.• Improved academic performance of students in maths and science.	<ul style="list-style-type: none">• Improved quality of education.
<i>SAFA/Transnet School of Excellence</i> to develop youth footballing potential.	R18,5 million	<ul style="list-style-type: none">• 120 learners enrolled in 2016• 100% matric pass rate• 20 graduates participating in provincial/national sporting codes.	<ul style="list-style-type: none">• Improved footballing skills• Improved academic performance• Improved quality of life.	<ul style="list-style-type: none">• Improved quality of life• Socio-economic upliftment of youth.
<i>Rural and Farm Schools Development</i> to discover sporting talent and nurture it to the highest possible level.	R14,6 million	<ul style="list-style-type: none">• 100 000 learners participated in 2016• 1 200 graduates participating in provincial/national sporting codes.	<ul style="list-style-type: none">• Improved sporting skills• Improved academic performance• Improved quality of life.	<ul style="list-style-type: none">• Improved quality of life• Socio-economic upliftment of youth.
<i>Employee volunteers</i> in communities that Transnet operates in.	R16,7 million	<ul style="list-style-type: none">• 3 216 employees volunteered during the year• 360 youth received coaching and career advice through the Youth Empowerment programme• 15 NGOs received business skills training through the Civil Society Development programme• 300 employee volunteers participated in rehabilitation of five schools in Uitenhage, Eikenhof, Mamelodi, Elsies River and Nyanga during annual Mandela Day.	<ul style="list-style-type: none">• Improved quality of life for beneficiary communities• Youth empowerment• Skills transfer (administrative, business and governance) to communities• Sustainable communities.	<ul style="list-style-type: none">• Improved quality of life for rural communities• Socio-economic upliftment of communities.
<i>Heritage</i> preservation of heritage assets.	R9,8 million	<ul style="list-style-type: none">• Three Freight Rail locomotives transferred to Foundation• Five locomotives relocated to Bloemfontein storage facility• Four heritage objects (vintage steam boiler, water pump, tamping and levelling machine, model steam locomotive) restored at the Transnet Transport Museum, George• 800 learners visited the Transnet Transport Museum, George, during Heritage Awareness Campaign• The Transnet Transport Museum, George, received a Certificate of Excellence from Trip Adviser for the third consecutive year, based on client feedback.	<ul style="list-style-type: none">• Preservation of heritage assets.• Tourism attractions• Education on heritage assets for schools and the community.	<ul style="list-style-type: none">• Educating society on heritage.

Figure 13



Transnet Phelophepa health train to reach 12 million patients

At the end of September 2016, Transnet's Phelophepa trains reached their 12 millionth patient since inception in 1994. Transnet's so-called 'Trains of Hope' provide primary healthcare services to previously disadvantaged communities in remote rural areas throughout South Africa. The trains target those communities that would otherwise not have access to such facilities.

Phelophepa I started in 1994 and Phelophepa II was launched in 2012. Both trains reach close to 400 000 patients per annum. Healthcare services include: on-board primary healthcare; dental and optometry screening programmes; basic health education courses; psychological care; and community counselling workshops. Phelophepa I and II operate simultaneously and have a staff complement of 40 permanent employees each, complemented by a team of 40 volunteer students who are rotated on a two-weekly basis. These students are in healthcare disciplines in various universities in South Africa and abroad. Approximately 90% of the staff have come through this training pipeline, while the remainder have been absorbed into the broader healthcare industry.

Both trains were built and are maintained at Engineering, Transnet's manufacturing and engineering division. The success of the trains is underpinned by collaborations with key strategic partners in the public and private sectors, namely Roche, Colgate-Palmolive Foundation, 3M, and American and Swiss Friends of Phelophepa. These trains provide a blueprint of workable private-public partnerships while advancing South Africa's developmental objectives.



Transnet CSI initiatives across South Africa

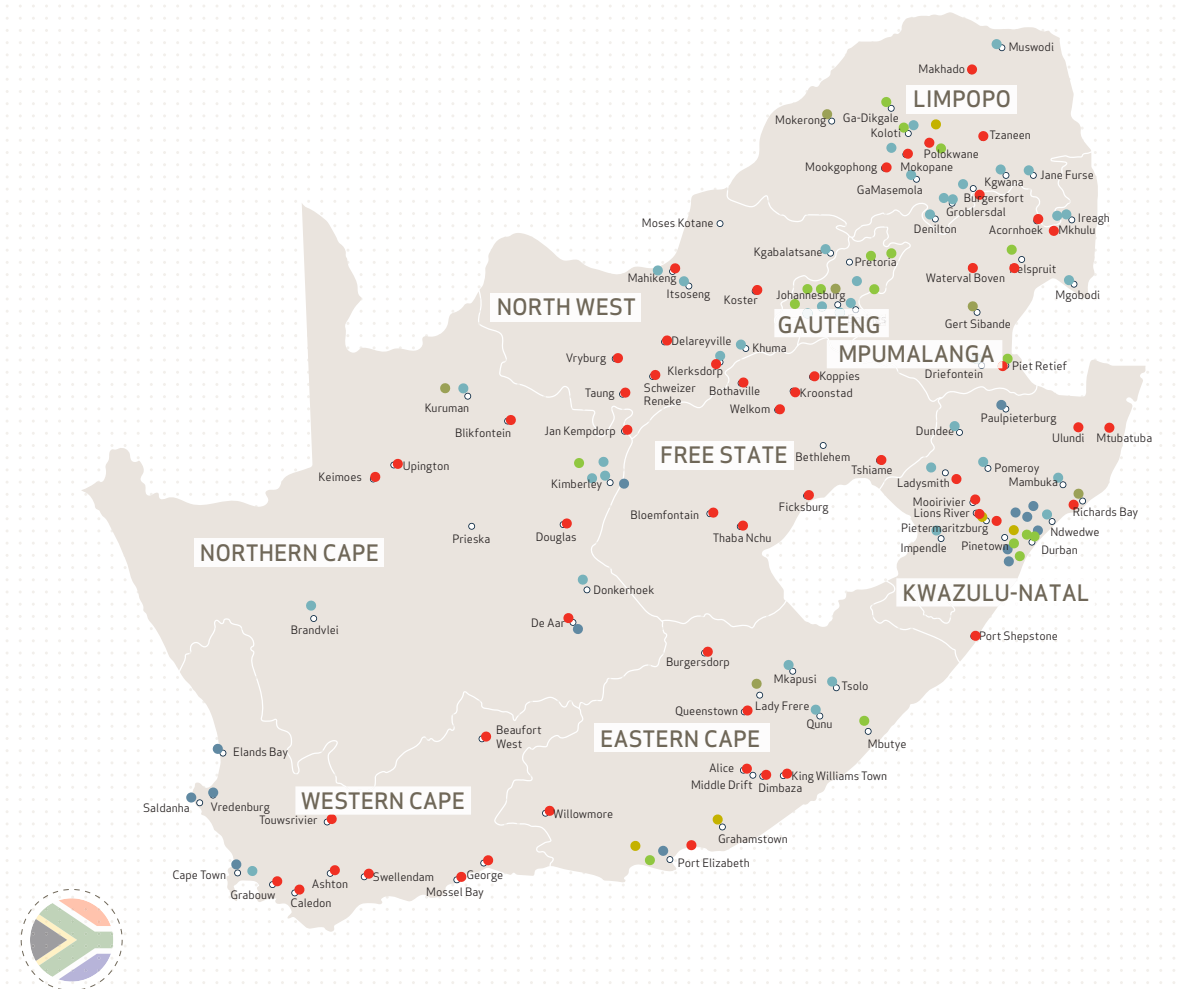


Figure 14

Environmental stewardship



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



Why is it important to Transnet?



Environmental stewardship is necessary to ensure sustainable growth and development. Access to affordable and sustainable energy for all; combating climate change; availability and sustainable management of water for all; and a halt to biodiversity loss are prioritised by the global SDGs. South Africa's NDP further emphasises the need to protect and enhance environmental assets and natural resources.

Transnet's environmental stewardship commitment goes beyond compliance with environmental law. It is our undertaking to become a corporate leader in enabling the planet's natural resources to support the well-being of future generations. To this end, energy and water use are our two most significant impacts to the environment, and Transnet has made the management thereof the focus of its 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;*
- *Biodiversity enhancement; and*
- *Incidents management.*

Other areas of environmental stewardship in the Company are climate-change adaptation, and land-use 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



In recent years, South Africa experienced electricity supply constraints with operating reserve margins well below acceptable levels. Due to the global economic downturn, demand for electricity in South Africa has declined. The availability of electricity has improved considerably over the past few months as units from Medupi and Inqula power stations came on line, adding additional capacity to the power grid.

Transnet is an energy-intensive business; the primary source of energy (58%) comes from electricity generated by Eskom, with coal being the primary source of fuel. Diesel fuel constitutes 33% of the total energy used. The remainder of energy sources constitute distillate fuel oil, petrol and other sources. Freight Rail consumes more than 70% of Transnet's total electricity and fuel consumption. In 2017, energy constituted 16,9% of Transnet's total operating cost.

Although the electricity improved and stabilised in the latter part of 2016, constrained capacity in recent years has deemed electricity supply to remain a strategic risk for Transnet.

The risk comprises a number of elements:

- Risk to customers' production and investments 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 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 2018.



Our management approach

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

- Energy consumption is proactively managed;
- Energy efficiency improves;
- Greenhouse gas 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 advancing plans to establish independently managed, midstream, multi-user, gas transmission networks of integrated port and pipeline infrastructure in partnership with the private sector. The initial focus is on unlocking the natural gas transmission potential of Transnet's pipelines between KwaZulu-Natal and Gauteng to expedite and anchor the establishment of liquefied natural gas import terminal facilities in the Port of Richards Bay. The Transnet Natural Gas Networks Strategy is designed to service industrial gas demand in the KwaZulu-Natal/Gauteng corridor and support Government's planned introduction of gas power generation.

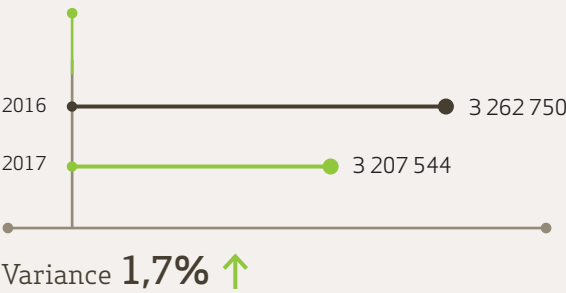
- The following initiatives are under way:
- A review of the Energy and Carbon Strategy to account for the implications of the 4th Industrial Revolution and the ramifications of the Paris commitment on climate change;
 - The ISO 50001 energy management system is currently being implemented across the business. An ISO 50001 forum provides a community of practice to facilitate the implementation towards certification;
 - Guidelines have been established for energy specifications in Transnet procurement (especially for locomotives and port equipment) and capital projects lifecycle management;
 - Energy-efficiency initiatives continue to be implemented across the Company; and
 - The R&D unit in Engineering is investigating alternative energy technologies, including regenerative braking energy storage systems.

Freight Rail's energy management initiatives include: investigating locomotive driver training to improve energy efficiency; optimising regenerative braking and configuration of trains; and reducing locomotive idling. Freight Rail has an Energy Efficiency Forum which monitors its electricity and fuel performance, investigates and evaluates energy-efficiency initiatives, and oversees all energy management systems.

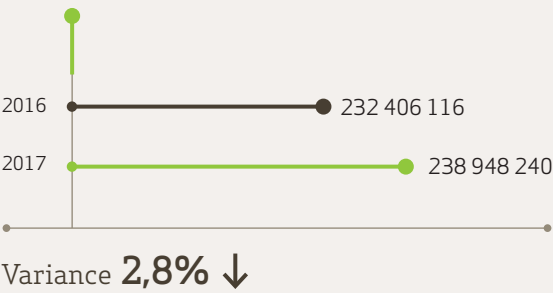
Freight Rail's new class 19E, 15E, 20E and 21E electric locomotives with regenerative capabilities have contributed to reducing electricity consumption. The regenerated electricity is partly used in our own network and excess electricity is transmitted back into the Eskom grid. A total of 242 788 MWh of electricity was regenerated by these locomotives in 2017.

Transnet reports the Company's scope 1, 2 and 3 carbon emissions annually in the global Carbon Disclosure Project (CDP), using international standards for disclosure. Transnet scored a 'B' on the overall performance rating in 2016.

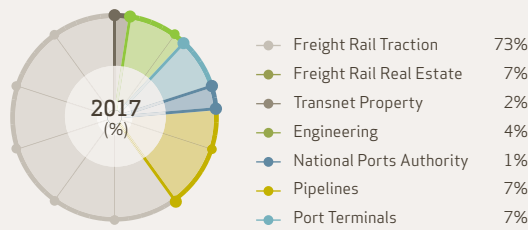
Total electricity consumption 2017 (MWh)



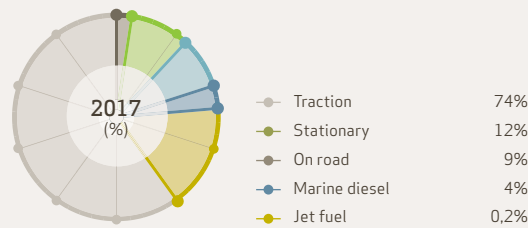
Total fuel consumption 2017 (Litres)



Electricity distribution 2017 (%)



Fuel distribution 2017 (%)



- Key
- ↑ Improvement on prior year performance
 - ↓ Decline on prior year performance
 - = Equivalent performance to prior year
 - 🎯 Target achieved
 - 🎯 Target partially achieved
 - Target not achieved

Our performance

Transnet's total electricity consumption for 2017 was 3 207 544 MWh, down 1,7% from 3 262 509 MWh in 2016. Since 2012 when energy-efficiency measures were instituted in Transnet, total electricity consumption has decreased by 16% from 3 798 908 MWh.

Transnet's total fuel consumption for 2017 was 238,9 megalitres, a 2,8% increase from 232,5 megalitres in 2016. This can be attributed to a 13% increase in traction diesel volumes moved.

Altogether 74% of electricity in 2017 was used for Freight Rail traction¹², and the remainder in Transnet's properties, ports, pipelines and engineering operations.

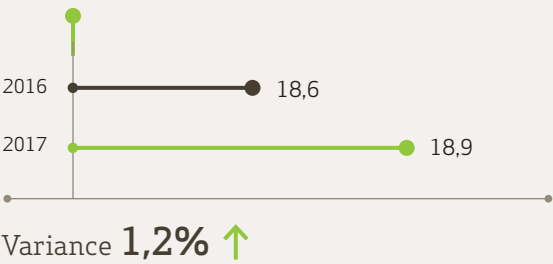
Of the total fuel consumption figure: altogether 73% was used for Freight Rail diesel traction¹³, 9% on road vehicles, 12% on home-based fuel and 4% on marine diesel.

Energy efficiency improved by 1,2% in 2017 compared to 2016, measured as tons/GJ.

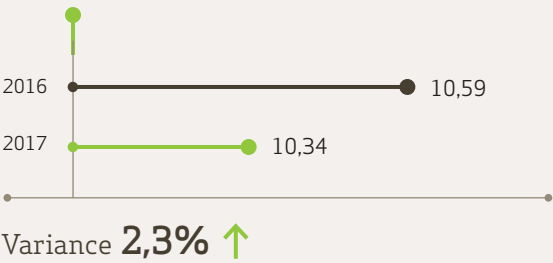
Transnet recorded a decrease of 1% in carbon emissions in 2017 from 3,99 mtCO₂e in 2016 to 3,95 mtCO₂e. Freight Rail is responsible for more than 80% of the total emissions.

With respect to overall carbon emissions intensity, Transnet recorded an overall 2,3% reduction from 2016, due to a 1,5% increase in volumes from 2016.

Energy efficiency 2017 (ton/GJ)



Carbon emission intensity 2017 (kgCO₂e/ton)



¹²Freight Rail traction refers to the use of electrical locomotives to move freight volumes.

¹³Freight Rail traction diesel power refers to the use of diesel locomotives to move freight volumes.

Electricity efficiency performance 2017

Operating Division	Measurement	Actual 2016	Actual 2017	Energy-efficiency gain on previous year
Freight Rail Traction	gtk/kWh	68,4	65,4	(4,3%)
Freight Rail Real Estate	kWh	218 889 801	208 680 615	(5%)
Transnet Property	kWh	67 071 119	66 320 249	(1,0%)
Pipelines	Młkm/MWh	37,0	36,8	(1,0%)
Port Terminals	Ton/kWh	0,7	0,7	2,0%
National Ports Authority	Employee/MWh	1,5	1,4	(4,0%)
Engineering	man-hour/MWh	220,3	250,5	14%

Fuel efficiency performance 2017

Operating Division	Measurement	Actual 2016	Actual 2017	Energy-efficiency gain on previous year
Freight Rail Traction	gtk/litre	192,7	207,9	8,0%
Port Terminals	ton/litre	5,8	5,5	(5,0%)
Engineering	man-hour/litre	16,0	10,1	(37,0%)

Modal shift from road to rail

Mitigation of emissions in the global mobility system requires shifting transportation to the most energy-efficient mode. Road-to-rail is accepted as a keystone initiative to be driven from a country level. In South Africa, accelerating modal shift from road to rail is included in the Minister of Public Enterprises’ Statement of Strategic Intent (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. Transnet continues to support the national carbon mitigation programme through collaboration to reduce emissions in the South African transport sector.

Our management approach

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 continues to make a meaningful contribution to the reduction in carbon emissions in the South African transport sector. In 2017, 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 road-to-rail volume gains in 2017 amount to 637 152 tCO₂e. The emissions savings are dependent on the distance travelled as opposed to the volumes gained – there is no correlation between the volumes gained and the emissions saved.

Carbon mitigation results from road-to-rail gains for 2017

Commodity groups	Volume gains (tons)	Carbon emissions savings (tCO ₂ e)
Agriculture and Bulk Liquids	678 606	39 412
Coal	6 153 259	270 603
Containers and Automotive	685 568	55 310
Iron Ore and Manganese	815 302	95 838
Mineral Mining and Chrome	1 539 091	110 034
Steel and Cement	819 248	69 954
TOTAL	10 691 074	637 152



Water stewardship

Water has for the third consecutive year been identified as one of the top-10 global risks in terms of impact and certainty by the World Economic Forum¹⁴. South Africa is a water-scarce country and our freshwater resources are being threatened, exacerbated by the current drought. Given the current water constraints and Transnet’s national footprint, the Company is exposed to this risk as a number of its operations are located in water-stressed catchments. Access to water remains a challenge for Transnet and, as such, is one of the Company’s top-10 strategic risks.

Transnet’s water usage includes: human consumption; sanitation and hygiene; equipment operation; ballast; foundries; washing containers, wagons and locomotives; dust suppression; and gardening/landscape irrigation. Insufficient access to clean water can significantly disrupt operations, increase costs and curtail growth.

The material outcomes that Transnet aims to achieve are:

- Reduced water consumption;
- Improved water efficiency;
- Reduced stress on natural water resources;
- Reduced water costs;
- Reduced water loss;
- Reduced quantity of water discharged;
- Improved quality of water discharged;
- Increased water recycled and reused;
- Increased security of water supply; and
- Protection of water resources.

Our management approach

Transnet’s strategic objectives on water use are as follows:

- Promote the adoption of sustainable water use and management practices throughout the business;
- Improve water efficiency;
- Ensure water efficiency is integral to procurement and decision-making;
- Improve the quality and reduce the quantity of wastewater discharge;
- Encourage reuse and recycling of water;
- Promote water accounting;
- Improve data management and increase understanding of water use;
- Account for changes in water performance; and
- Promote water conservation and stewardship.

The objectives follow on from the baseline water assessment that was conducted in 2015 to assess the Company’s water use. From this assessment a Water Stewardship Strategy was developed which translated into the strategic objectives, for implementation.

In 2016, Transnet undertook a water risk and opportunities assessment in order to understand the impact of water scarcity on the business in the short, medium and long term. The results were published in the Sustainability Risk and Opportunities Assessment: Trends and Innovation Report, 2016.

The mitigation measures and opportunities are being investigated further.

Transnet continues to engage with public and private stakeholders in key water-stressed areas aimed at collaboratively developing solutions for business, Government and communities. We are further committed to continue participating in the CDP: Water in 2017.

Our performance

Delays in issuing water-use licences remain a challenge. Transnet continues to engage the Department of Water and Sanitation with the aim of establishing a bilateral agreement to streamline the process. The engagements have yielded positive results, and in 2017 all water-use licences on the critical path for infrastructure development were received from the Department of Water and Sanitation. Transnet remains committed to managing water efficiently by implementing comprehensive water management programmes aligned with water-use licence commitments. We also continue to identify opportunities to improve water use in all our Operating Divisions.

Transnet is committed to investigating alternative water sources. The current water crisis experienced in KwaZulu-Natal has prompted the Company to tap into underutilised underground water from a borehole at the Port of Richards Bay, to reduce the water supply risk. Large volumes of water are used at the port for dust suppression, woodchip compaction and cleaning of conveyor systems that transport the bulk cargo. The borehole water is used to top up the water reclamation plant, which recycles water from the galleries.

¹⁴ ‘Global Risks Report 2017’, World Economic Forum, 2016.

Operating Divisions’ performance 2017

Material activities	Inputs	Outputs	Material outcomes	Impacts
National Ports Authority (Port of East London)				
Installation of bulk water meters	R172 000	• Water meters installed.	• Improved water accounting.	• Sustainable management of water.
Fixing water leaks	R128 000	• Leaks fixed.	• Reduced water loss • Reduced water costs.	• Sustainable management of water.
Installing ring main system and replacing valves	R150 000	• Valves replaced.	• Reduced water loss • Reduced water costs.	• Sustainable management of water.
Awareness and training	Human resources	• 150 employees trained in water monitoring.	• Improved water management awareness, facilitating behavioural change.	• Sustainable management of water.

Waste management

Transnet’s day-to-day operations generate a variety of waste streams. It is important that this waste is managed in a manner that meets the requirements of the law and minimises harm to the environment.

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

Waste optimisation drives Transnet’s management approach to waste. The Company strives to implement the principles of waste management, namely avoidance, reduction, recovery, reuse, recycling and disposal, if no other use can be found.

In accordance with the requirements of section 36 of the National Environmental Management: Waste Act, No 59 of 2008, Transnet has identified contaminated areas throughout 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 hydrocarbon-contaminated areas, and Transnet has received remediation orders and instituted clean-up of the contaminated sites.

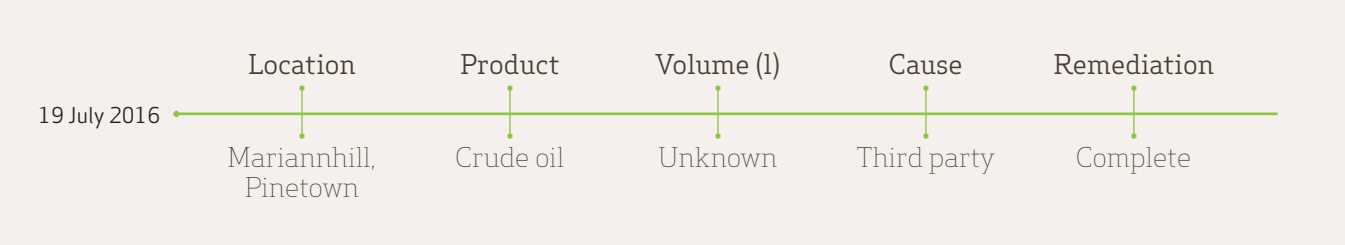
Transnet acknowledges that historic asbestos contamination requires a more integrated, cohesive and collaborative approach. Transnet has initiated engagements with the Department of Mineral Resources for possible collaboration with respect to asbestos remediation and rehabilitation. A Company-wide remediation and rehabilitation approach under this collaboration is being developed and is planned for implementation from 2018. Transnet continues with ad hoc clean-up efforts of contaminated areas where the asbestos exposure risk interferes with operations, employees and the public. A total of 37,3 tons of asbestos waste was removed in 2017.

Transnet continues to manage the quality and quantity of effluent discharged by implementing effluent monitoring programmes at all effluent discharge points and treatment plants across the business. The Company has acquired the relevant permits and licences, ensuring that discharge meets the compliance requirements contained therein.

Our performance

A total of R70 881 022 in revenue was generated mainly through the recovery of scrap metal, oil and rubber. The revenue generated is lower than the R87 775 002 reported in 2016 owing to the current operating environment and unfavourable economic conditions. Transnet continues to investigate other waste optimisation opportunities.

Pipeline spills 2017



Operating Divisions’ performance 2017

Material activities	Inputs	Outputs	Material outcomes	Impacts
Freight Rail				
Hydrocarbon Elimination Programme 1	R11 000 000	• 32 752 absorbent mats laid on staging areas.	• Reduced hydrocarbon contamination.	• Sustainable waste management that minimises harm to the environment.
Hydrocarbon Elimination Programme 2	R1 500 000	• 16 sites sampled and assessed for historical contamination.	• Reduced hydrocarbon contamination.	• Sustainable waste management that minimises harm to the environment.
Asbestos Remediation and Rehabilitation	R1 139 095	• 35 tons asbestos removed.	• Reduced number of asbestos contaminated sites.	• Sustainable waste management that minimises harm to the environment.
Scrap Metals Reclamation	Management cost	• 26 101,69 tons ferrous and non-ferrous scrap metal sold.	• R67 010 652 revenue generated.	• Sustainable waste management that minimises harm to the environment.
Used Oil Reclamation	Management cost	• 1 200ℓ used oil sold.	• R631,58 revenue generated.	• Sustainable waste management that minimises harm to the environment.
Waste Recycling (Inyanda Precinct)	Management cost	• 118,7 tons waste recycled.	• Improved waste management practices.	• Sustainable waste management that minimises harm to the environment.

National Ports Authority

Asbestos Remediation and Rehabilitation	R102 808	• 2,3 tons asbestos removed.	• Reduced number of asbestos contaminated sites.	• Sustainable waste management that minimises harm to the environment.
Galley Waste Management (Port of Durban)	R1 452 651	• 149 tons galley waste removed.	• Improved waste management practices.	• Sustainable waste management that minimises harm to the environment.
Industrial Waste Management (Port of Durban)	R1 903 035	• 1 647,4 tons industrial waste generated.	• Improved waste management practices.	• Sustainable waste management that minimises harm to the environment.

Port Terminals

Asbestos Remediation and Rehabilitation	R11 093 321	• 17 283,47 tons waste generated • 662 766,6 tons waste recycled.	• R3 869 738 revenue generated • Waste diverted from landfill.	• Sustainable waste management that minimises harm to the environment.
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Biodiversity enhancement

Transnet’s operations traverse diverse ecosystems. Transnet 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 well-being of all South Africans.

Our management approach

Transnet’s approach to biodiversity is one of mainstreaming into business operations. This is achieved by adopting designs and methodologies with high potential to minimise impact on biodiversity at early stages of the capital infrastructure programme and throughout the operational phases of each project. Transnet also undertakes strategic impact assessments for its projects in order to inform implementation strategies, more specifically, the design and prioritisation of developments in environmentally sensitive areas.

The material outcome that Transnet aims to achieve is:

- Improve protection and restoration of natural habitats.

Our performance

Transnet continued to map biodiversity hotspots against existing and future operations to ensure ecological sustainability of our infrastructure during 2017. During 2016, Transnet undertook a biodiversity enhancement risk and opportunity assessment which enabled the Company to identify trends, risks and dependencies of biodiversity on our operations. The mitigation measures and opportunities identified are being investigated further.

Operating Divisions’ performance 2017

Material activities	Inputs	Outputs	Material outcomes	Impacts
Freight Rail				
<i>Invasive Alien Plants Eradication Project</i>	R5 546 394	• 3 054,49 hectares land cleared of alien invasive vegetation.	• <i>Increased habitats protected.</i>	• <i>Preventing biodiversity loss.</i>
National Ports Authority				
<i>Port of Richards Bay</i> Invasive Alien Plants Eradication Project	R435 239	• 335,5 hectares land cleared of alien invasive vegetation.	• <i>Increased habitats protected.</i>	• <i>Preventing biodiversity loss.</i>
<i>Port of East London</i> Invasive Alien Plants Eradication Project	R321 929	• 9,7 hectares land cleared of alien invasive vegetation.	• <i>Reduced invasive species.</i>	• <i>Preventing biodiversity loss.</i>
Pipelines				
<i>Biodiversity Enhancement Programme</i>	R30 000	• 150 indigenous trees planted in 25 schools/day-care centres.	• <i>Improved biodiversity enhancement awareness.</i>	• <i>Preventing biodiversity loss.</i>

Mainstreaming biodiversity into business

In 2014, Transnet invested R74 million in a joint venture with the Sol Plaatjie municipality to protect the flamingoes at Kamfersdam, Kimberley. Flooding at Kamfersdam due to excess water from the Sol Plaatjie municipality wastewater treatment plant was impacting the railway line, as well as threatening the breeding space of the Kamfersdam flamingoes. The project involved upgrading the railway line and constructing a pipeline from the municipality’s Langleg Pan to the Vaal River to pump the excess water. At the end of March 2017, 3 718 913,36 kℓ of water was pumped from Langleg Pan into the Vaal River and the breeding space of the flamingoes restored.



Preserving the ports marine environment

Transnet has developed a marine water quality and ecological monitoring programme across all ports to maintain the long-term ecological sustainability of marine life. The programme assists in better controls where pollution has caused deterioration in marine life. There has been an increase in recent years in pollution that emanates from urbanised catchment areas. Transnet has forged a working relationship with the Department of Environmental Affairs, and an Estuarine Management Plan for the Port of Durban was developed and gazetted in September 2016. Plans for developing such plans for all ports are currently under way.

Climate change adaptation

Climate change impacts are beginning to be observed across South Africa. Increased frequency and severity of extreme weather events, changes in rainfall patterns and increased temperatures have been experienced in 2016. Transnet has begun assessing where, how and to what degree climate change will impact our operations, and what measures can be taken to limit vulnerability. An adaptation roadmap has been developed and an adaptation plan is being implemented. Adaptation measures to ensure resilience and provide incremental transitions are being investigated, as well as assessments of upstream and downstream market risks and opportunities. The next phase will focus on assessments of risks, impacts and vulnerabilities to current and planned operations, property and infrastructure.

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

Environmental legal compliance

In order to effectively manage environmental legal compliance and reputational risk, Transnet established a bilateral relationship with the Department of Environmental Affairs to facilitate environmental authorisations and closure of significant environmental incidents. To date, 73% of environmental impact assessment applications are on track with no risk to delays anticipated, while 76% of significant incidents have been closed.

In 2017, Transnet recorded 13 significant incidents, which are already being tracked under the bilateral agreement. These incidents include spills from our pipeline and incidents occurring due to derailments. This is a 13% improvement from 2016 where 15 significant incidents were reported, and 61% improvement from 2015 where 26 such incidents were reported. Remediation measures are under way. Transnet has not received any section 24G fines under the National Environmental Management Act, No 107 of 1998, for the year under review and we continue to engage with the relevant authorities to resolve historical legal contraventions.

Transnet also maintains an environmental regulatory universe to ensure compliance with relevant regulatory obligations and monitor regulatory changes that may impact the Company’s business.

ISO 14001: 2015 Environmental Management Systems

Transnet aims to implement best practice in the management of its operations. As such, the Company embarked on an ISO 14001: Environmental Management System (EMS) certification process. To date, 95% of business operations have certification. The Port of Cape Town lost its certification, two of Freight Rail’s business units are awaiting re-certification, while the Port of Mossel Bay is not certified.

In order to continually improve environmental performance, Transnet has committed to transition from ISO 14001: 2004 EMS to ISO 14001: 2015 EMS by September 2018. A gap analysis is currently under way and all business units due for re-certification in 2017/18 will be certified in line with the requirements of the ISO 14001: 2015 EMS.

ANNEXURE A

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 (SR) set out on pages 1 to 77 for the year ended 31 March 2017 and express a conclusion on the selected subject matter information.

We provided limited and reasonable assurance based on the nature of the sustainability subject matter outlined under "Subject matter and assurance" in this report. This report is produced in accordance with the terms of engagement with Transnet.

Independence, expertise and quality control

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

We maintain a comprehensive system of quality control 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 SR was 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 25).

Employment

- Transnet total headcount of employees for 2016/2017 year-end (Number of employees) (Page 31); and
- Gross value-add from capital and operating expenditure (Page 31).

Skills development

- Total spend on skills development (Page 35);
- Actual number of bursars on the Transnet training and engineering bursary programme (Page 35); and
- Actual number of training participants per category for 2016/2017. (Page 35).

Industrial capability building

- Research and Development Spend (Page 39); and
- Transnet 1 064 locomotive contract value (Page 39).

Regional integration

- Total cross-border revenue for 2016/2017 (Page 51).

Transformation

- Employment equity: Black employees, women and people with disabilities as a percentage of the workforce for 2016/2017. (Page 56);
- Employment equity: Black employees per occupational level and female employees per occupational level actuals 2016/2017 (Page 56);
- Broad-Based Black Economic Empowerment Policy (Page 56); and
- Broad-Based Black Economic Empowerment Spend (Page 56).

Health and safety

- Safety statistics – DIFR rate for Transnet (Page 59);
- Safety statistics – DIFR rate per Operating Division (Page 59); and
- Percentage change in unplanned absenteeism (Page 60).

Community development

- CSI Spend per programme. (Page 63); and
- Total CSI spend. (Page 63).

Environmental stewardship

- Total electricity consumption for the 2016/2017 year (MWh) (Page 70);
- Electricity distribution (MWh) (Page 70);
- Total fuel consumption (Litres) (Page 70);
- Fuel distribution (Litres) (Page 70); Energy efficiencies. (Efficiency rates) (Page 71);
- Scope 1 and 2 emissions (Page 71); and
- Carbon emissions intensity for 2017 (Page 70).

Limited assurance

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

- Stakeholder Engagement Policy and Process Control Framework (Page 26).

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 SR Annexure B on page 82. 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 82 (Annexure 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 judgements 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 judgements 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 judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

- Given the circumstances of the engagement, in performing the procedures listed above we:
- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
 - Inspected documentation to corroborate the statements obtained from management and senior executives in our interviews;
 - Reviewed the process that Transnet has in place for determining material selected key performance indicators to be included in the report;
 - Applying 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 judgements made by management in the preparation of the key performance indicators;

- Apart from Head Office, we undertook visits to Transnet Freight Rail, Transnet Engineering, Transnet Pipelines, Transnet Port Terminals; and
- Evaluated whether the selected key performance indicators presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at Transnet.

The procedures selected depend on our judgement, 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.

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 judgement 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 judgement 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;
 - Applying the assurance criteria in evaluating the data generation and reporting processes;
 - Evaluated the reasonableness and appropriateness of judgements made by management in the preparation of the subject matter information; and
 - Evaluated whether the subject matter information presented in the SR 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), 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 judgement, 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 judgements; and 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, we have concluded that the selected sustainability information for the year ended 31 March 2017 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 2017 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 SR.

The maintenance and integrity of 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 SR 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

31 May 2017

ANNEXURE B

Transnet’s sustainability reporting for 2017 is based on Transnet-specific reporting criteria.

Sustainable Developmental Outcomes	Reporting criteria
Employment	Transnet measures actual job creation by the year-on-year change in total headcount (comprised of permanent and fixed-term contract employees). 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 and leadership candidates.
Industrial capability building	Supplier development (SD) is determined by the value of SD 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 enterprises 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 IV Report on Corporate Governance for South Africa, 2016; the Companies Act, No 71 of 2008; and the Public Finance Management 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.

ANNEXURE 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 of Directors, and Message from the Group Chief Executive.	10 & 12
Organisational profile		
G4-3		
Report the name of the organisation.	Transnet SOC Ltd.	2
G4-4		
Report the primary brands, products and services.	About Transnet.	3 – 8
G4-5		
Report the location of the organisation’s headquarters.	Johannesburg, South Africa.	4
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.	3
G4-7		
Report the nature of ownership and legal form.	About Transnet – Who we are.	3
G4-8		
Report the markets served (including geographic breakdown, sectors served and types of customers and beneficiaries).	About Transnet.	3 – 8
G4-9		
Report the scale of organisation, including: Total number of employees • Total number of operations • Net revenues (for public-sector organisations) • Quantity of products or services provided.	About Transnet.	3 – 8
G4-10		
Report employee profile and workforce profile.	Sustainability Performance Review – Employment.	31
G4-11		
Report the percentage of total employees covered by collective bargaining agreements.	Integrated Report.	12

Global Reporting Initiative continued

General Standard Disclosures	Reference	Page
Organisational profile (continued)		
G4-12		
Describe the organisation's supply chain.	About Transnet – Our supply chain.	8
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
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. See Sustainability Performance Review – Environmental Stewardship.	68 – 77
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.	68 – 77
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; and• 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.	2
Identified material aspects and boundaries		
G4-17		
<ul style="list-style-type: none">• List all entities included in the organisation's consolidated financial statements or equivalent documents.• 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 2017.	18 – 23
G4-18		
<ul style="list-style-type: none">• Explain the process for defining the report content and the aspect boundaries.• Explain how the organisation has implemented the reporting principles for defining report content.	Material issues – Material issues determination.	18 – 23
G4-19		
List all the material aspects identified in the process for defining report content.	Material issues – Material issues determination.	18 – 23

General Standard Disclosures	Reference	Page
Identified material aspects and boundaries (continued)		
G4-20		
For each material aspect, report the boundary within the organisation.	Material issues – Material issues determination.	18 – 23
G4-21		
For each material aspect, report the boundary outside the organisation.	Material issues – Material issues determination.	18 – 23
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
G4-23		
Report significant changes from previous reporting periods in the scope and aspect boundaries.	Reporting approach – About this report.	2
Stakeholder engagement		
G4-24		
Provide a list of stakeholder groups engaged by the organisation.	Material issues – Stakeholder engagement.	20
G4-25		
Report the basis for identification and selection of stakeholders with whom to engage.	Enablers of Sustainable Developmental Outcomes – Stakeholder engagement.	26
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.	26
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 2017 table, and Sustainability Performance Review.	20, 30 – 77
Report profile		
G4-28		
Reporting period (such as fiscal or calendar year) of information provided.	1 April 2016 – 31 March 2017.	2
G4-29		
Date of most recent, previous report.	31 March 2016.	2

Global Reporting Initiative continued

General Standard Disclosures	Reference	Page
Report profile (continued)		
G4-30		
Reporting cycle (such as annual, biannual).	Annual.	2
G4-31		
Provide the contact point for questions regarding the report or its contents.	General Manager: Corporate Sustainability, Mapaseka.Lukhele@transnet.net	N/A
G4-32		
<ul style="list-style-type: none">Report the ‘in accordance’ option the organisation has chosen.Report the GRI Content Index for the chosen option.Report the reference to the External Assurance Report.	Reporting approach – About this report, and Assurance.	2
G4-33		
<ul style="list-style-type: none">Report the organisation’s policy and current practice with regard to seeking external assurance for the report.If not included in the Assurance Report accompanying the Sustainability Report, report the scope and basis of any external assurance provided.Report the relationship between the organisation and assurance providers.Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation’s Sustainability Report.	Reporting approach – Assurance; and Annexure 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.	24
G4-35		
Report the process for delegating authority for economic, environmental and social (sustainability) topics from the highest governance body to senior executives and employees.	Enablers of Sustainable Developmental Outcomes – Governance.	24
G4-36		
Report whether the organisation has appointed an executive level position with responsibility for economic, environmental and social (sustainability) topics.	The Chief Corporate and Regulatory Officer is appointed at executive level for sustainability topics.	24
G4-48		
Report the highest committee that formally reviews and approves the organisation’s Sustainability Report and ensures that all material aspects are covered.	Enablers of Sustainable Developmental Outcomes – Governance.	24

General Standard Disclosures	Reference	Page
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.	24 – 26
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.	24 – 26
Disclosure on management approach		
G4-DMA		
<ul style="list-style-type: none">Report why the aspect is material.Report how the organisation manages the material aspect.	Sustainability Performance Review.	28 – 77

ABBREVIATIONS AND ACRONYMS

ABET	Adult Basic Education and Training
AFS	Annual Financial Statements
Aids	Acquired immune deficiency syndrome
B-BBEE	Broad-Based Black Economic Empowerment
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CNR/CSR	In footnote, only used once
CSI	corporate social investment
CSR	corporate social responsibility
DIFR	disabling injury frequency rate
DPE	Department of Public Enterprises
DTI	Department of Trade and Industry
EAP	Employee Assistance Programme
EBITDA	earnings before interest, taxation, depreciation and amortisation
ED	Enterprise Development
EE	Employment Equity
EIT	Engineer-in-Training
EMTN	Euro Medium-Term Note
FINCO	Financial Committee
FRMP	Fraud Risk Management Plan
GDP	Gross domestic product
GE	General Electric
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GSL	Golden Safety Leagues
HIV	Human immunodeficiency virus
ICT	information and communication technology
IR	Integrated Report
iSCM	integrated Supply Chain Management
ISL	Internal Safety Leagues
ISO	International Organisation for Standardisation
JOC	Joint Operating Centres
KPIs	key performance indicators
MDS	Market Demand Strategy
MOU	Memorandum of Understanding
MTSF	Medium-term Strategic Framework
NDP	National Development Plan
NEAP	National Economically Active Population
Nersa	National Energy Regulator of South Africa
NGO	non-governmental organisation
NMPP	New Multi-Product Pipeline
OEM	original equipment manufacturer

PSL	Platinum Safety Leagues
PSP	Private Sector Participation
R&D	Research and Development
REMSEC	Remuneration, Social and Ethics Committee
RFP	Request for Proposals
RSR	Railway Safety Regulator
SADC	Southern Africa Development Community
SBU	Shanduka Black Umbrellas
SD	Supplier Development
SDG	Sustainable Development Goal
SDO	Sustainable Developmental Outcomes
SME	small and medium enterprise
SNG	SizweNtsalubaGobodo
SOC	State-owned company
SR	Sustainability Report
SRMM	Stakeholder Relationship Management Maturity
SSI	Statement of Strategic Intent
TEU	twenty-foot equivalent unit
TIT	Technician-in-Training
TMPS	total measurable procurement spend
UNGC	United Nations Global Compact
ZAR	South African Rand

CORPORATE INFORMATION

Transnet SOC Ltd

47th Floor, Carlton Centre
150 Commissioner Street
Johannesburg
2001

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

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SI Gama (Group Chief Executive)
GJ Pita (Chief Financial Officer)

Independent non-executive directors

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

Group Company Secretary

NE Khumalo

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