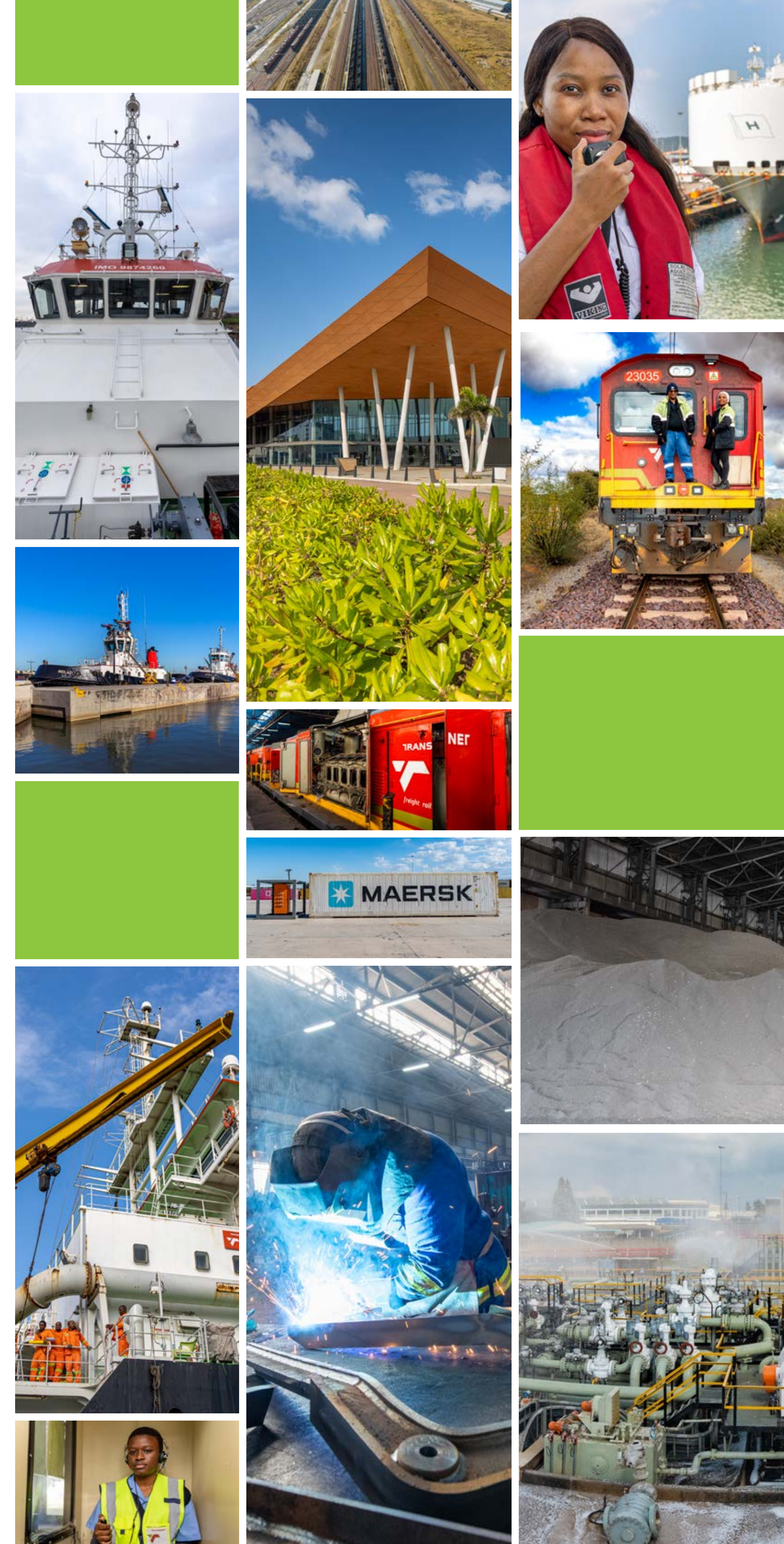


INTEGRATED REPORT 2024

CONTENTS

DIRECTORS' APPROVAL AND STATEMENT OF RESPONSIBILITY

At Transnet, we aim to support economic growth and ensure a secure supply chain. We strive to meet this goal by providing efficient and cost-effective port, rail, and pipeline infrastructure – ensuring adherence to recognised benchmarks. This commitment aligns with our mission, goals, and Shareholders' Statement of Strategic Intent (SSI), supporting South Africa's broader objectives to reduce business costs and stimulate economic development.

In compliance with the supplement for State-Owned Enterprises (SOEs), which is aligned with the King IV report on corporate governance (King IV™), the Board of Directors (the Board) oversees Transnet SOC's (the Company's) value creation process. The Board ensures the accuracy and quality of the Integrated Report, which reflects Transnet's capacity for sustained value creation. The Board confirms that the 2023/24FY Integrated Report provides an accurate depiction of Transnet's progress in its integration of strategy, risk and opportunity management, performance, and sustainable development.

Having thoroughly reviewed the 2023/24FY Integrated Report, the Board confirms the Report's integrity, accuracy, and completeness; supported by a combined assurance process. The Board is committed to being transparent, accountable, and engaging in ethical management (outlined in the King IV™ report).

Transnet's operations have a significant impact on the economy, environment, and society. This drives the Company's focus on sustainable development and corporate responsibility, which ensures balanced decisions for stakeholders. The Board continually monitors these areas, striving to improve corporate governance, operational performance, and public accountability.

The 2023/24FY Transnet Integrated Report was approved by the Board of Directors and signed on its behalf by:

Mr Andile Sangqu *(Chairperson)*	**Ms Michelle Phillips** *Group Chief Executive*	**Ms Nosipho Maphumulo** *Group Chief Financial Officer*
Ms Lebogang Letsoalo	**Mr Busisa Jiya**	**Mr Dipak Patel**
Mr Clarence Benjamin	**Ms Refilwe Buthelezi**	**Ms Mosadiwamaretlwa Zambane**
Mr Martinus Debel	**Ms Boitumelo Sedupane**	F.S. MUFAMADI **Prof Fholisani Mufamadi**

FEEDBACK ON THIS REPORT

We welcome feedback on our 2024 Integrated Report.

Please provide written feedback to Busisiwe Mthwa.
busisiwe.mthwa@transnet.net

The 2024 Integrated Report is the Company's primary report to all stakeholders.

The 2024 Annual Financial Statements include reports of the directors and independent auditor.

PERFORMANCE KEY

- Improvement on prior year performance
- Decline compared to prior year performance
- Equivalent performance to prior year
- King IV™ Report on Corporate Governance for South Africa, 2016

ABOUT THIS REPORT

BASIS OF PREPARATION

This report reflects Transnet's integrated thinking and application process. It focuses on issues that materially impact the Company's ability to create and maintain value for stakeholders. The information is drawn from Transnet's records, including quarterly reports to the Department of Public Enterprises (DPE) and National Treasury (NT). It encompasses Transnet's operating context, strategic performance, risks and mitigation, stakeholder engagement, and business opportunities. Inputs from the Executive Management team are included. All information is reviewed by various committees and ultimately approved by the Board. From the 2024/25 financial year, Transnet's Shareholder Representative is the Department of Planning, Monitoring and Evaluation in the Presidency.

DETERMINING MATERIALITY

This report provides information deemed materially significant to value creation and preservation for the short, medium, and long term. Material events are identified based on their strategic relevance, value, magnitude, impact, and alignment with Transnet's Performance Framework. Such aspects align with performance, strategy, risks, and opportunities to address stakeholder impacts and concerns.

In line with section 54(2) of the Public Financial Management Act (PFMA), the following is deemed material:

- Establishment or participation in the establishment of a company;
- Participation in a significant partnership, trust, unincorporated joint venture, or similar arrangement;
- Acquisition or disposal of a significant shareholding in a company;
- Acquisition or disposal of a significant asset;
- Commencement or cessation of significant business activity;
- A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture, or similar arrangement; and
- All instances of theft, fraud, and corruption (regardless of amount).

FORWARD-LOOKING STATEMENTS

KING IV™. P5

Contained in this report are various forward-looking statements. Such statements may relate to the possible future financial position, business operation and strategy, or management plans. Forward-looking statements are not, at this time, considered fact as they are based on current estimations, assumptions, and expectations for Transnet, and are dependent on circumstances that may or may not be realised in the future. Transnet does not undertake to publicly update or revise such statements, whether to reflect new information, future events, or otherwise.

Reporting philosophy

KING IV™. P5

This report is prepared in accordance with the International Integrated Reporting <IR> Framework, encompassing financial and non-financial performance for the 2023/24FY. The report contains forward-looking statements regarding the Company's short-, medium-, and long-term strategic outlook.

Assurance

KING IV™. P8 and 15

The 2023/24FY report is compiled according to Transnet's ethical values, statutory frameworks, and best reporting practices. The Board has reviewed and approved the report, confirming that it accurately represents the Company's position. The financial statements have been audited by the Auditor-General of South Africa (AGSA).

Scope and boundary

The 2023/24FY report comprises the financial period from 1 April 2023 to 31 March 2024. It includes information pertaining to the Transnet Group and its Operating Divisions (ODs) – considering matters that affect Transnet's ability to create and preserve value. The report is published annually and approved by the Board.

Factors impacting Transnet's ability to create value

STATEMENT OF STRATEGIC INTENT
BUSINESS CONTEXT AND OPERATING ENVIRONMENT
MATERIAL RISKS
STAKEHOLDER CONCERNS

Employees	Shareholder (DPE)	Customers
Investors and commercial partners	Rating agencies and financial institutions	Suppliers and service providers
Regulators	Government	Media and the general public
Academia and research institutions	Non-governmental organisations (NGOs)	International bodies
Communities	Organised labour	

REGULATORY COMPLIANCE

Transnet complies with the PFMA provisions for Schedule 2 Entities and adheres to over 200 regulatory requirements.

Broad-Based Black Economic Empowerment

The Department of Trade, Industry, and Competition (dtic) implements the framework for Broad-Based Black Economic Empowerment (B-BBEE) policy and legislation.

Tariffs

Tariffs for the Transnet National Ports Authority and Transnet Pipelines are set by the Ports Regulator of South Africa and the National Energy Regulator of South Africa (Nersa), respectively.

Safety

The Railway Safety Regulator (RSR) oversees rail operations, conducting inspections and audits to determine the issuance of safety permits.

Policy context

Transnet operates within policies set by the Department of Public Enterprises (DPE) and the Department of Transport (DoT).

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

Transnet's B-BBEE verification covers six of the seven elements of the Generic Transport Public Sector Scorecard (excluding the ownership element). The Maritime, Property, and Rail Charters are also applied.

Transnet achieved full points for enterprise development and socio-economic development for the 2023/24FY.

APPROACH TO ASSURANCE OF INFORMATION

Transnet's Integrated Assurance Plan is applied when preparing its integrated report. This helps to ensure transparency and accountability of disclosures. The Plan includes assurance from Management, internal specialists, internal audit, external audit, and external advisers.
The Board serves as the final line of defence.

ENTERPRISE AND SUPPLIER DEVELOPMENT (ESD)

South Africa's developmental agenda consists of key elements that are established as Enterprise and Supplier Development initiatives.

Transnet's ESD:

- Is guided by Government's Competitive Supplier Development Programme
- Is informed by the B-BBEE Codes of Good Practice
- Seeks to increase the competitiveness, capacity, and capability of Black-owned suppliers through financial and non-financial support
- Targets ESD initiatives that support localisation and industrialisation; providing opportunities for Black people, youth, women, small businesses, people with disabilities, and people living in rural communities

ABOUT THE COMPANY

Transnet SOC Ltd, a public corporation established under the Legal Succession Act of 1989, is wholly owned by the South African Government. Transnet oversees South Africa's railway, ports, and pipeline infrastructure.

The Company's memorandum of incorporation (MOI), ratified on 25 June 2013, complies with the Public Finance Management Act, 1999 (PFMA), the Companies Act No. 71 of 2008, and the National Ports Act No. 12 of 2005. Each year, Transnet signs a Shareholder's Compact with the South African Government, represented by the Minister of the DPE. This Compact mandates the Company to deliver strategic initiatives, including sustainable economic, social, and environmental outcomes.

The DPE monitors seven SOCs in key economic sectors, including mining, defence, energy, and logistics. Transnet, governed primarily by the PFMA, operates within the context of the National Development Plan (NDP) and the medium-term strategic framework.
The DPE's strategy addresses the challenging macro-environment and the allocation of limited resources.

SHAREHOLDER'S STATEMENT OF STRATEGIC INTENT

Transnet's Reinvent For Growth Strategy aligns seamlessly with the SSI, which mandates Transnet to target and deliver on several macro-strategic outcomes.

Transnet is mandated to deliver on the following strategic outcomes:

- To **decrease the overall cost of logistics** in relation to the transportable gross domestic product (GDP)
- To **effect and expedite the modal shift**, enhancing the role of rail in the national transport endeavour
- To **forge stronger connections** between South Africa, the region, and the global community
- To **maximise the social and economic effects** of all interventions
- To engage and **leverage the private sector** to provide infrastructure and operations, as needed

WHO WE ARE

With a primary role as the custodian of ports, rail, and pipeline infrastructure, Transnet's objective is to cultivate a world-class freight system that acts as a catalyst for sustained growth and economic diversification in South Africa.

OUR VISION

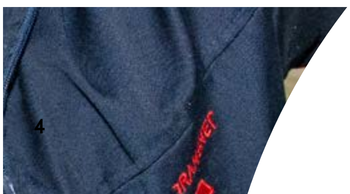
To fuel Africa's growth and development as the leading provider of innovative supply chain solutions.

OUR MISSION

To link economies, connecting people and growing Africa.

OUR MANDATE

To assist in lowering the cost of doing business in South Africa, facilitating economic growth, and ensuring security of supply by providing appropriate port, rail, and pipeline infrastructure in a cost-effective and efficient manner, while remaining within acceptable benchmarks. The mission and goals of Transnet, as well as our Shareholders' Statement of Strategic Intent, are congruent with national objectives.



Overall asset base

R364,6 billion

Total Employee Headcount

50 994 people

Pipelines

3 114km

Locomotives

1 911 active units

Wagons

69 128 active units

Commercial ports along the coastline

Eight sites

Cargo terminals across seven South African ports

Sixteen sites

Railway track and two heavy-haul lines

30 400km

Rail and port manufacturing and maintenance

Six sites

Commercial and residential properties

R13,8 billion

SIX OPERATING DIVISIONS (ODS) ACROSS SOUTHERN AFRICA

Freight Rail Total revenue

R39,1 billion

Rail corridor throughout South Africa

Total headcount

25 973

Engineering Total revenue

R9,8 billion

Bloemfontein, Durban, Germiston, Koedoespoort, Salt River, Uitenhage

Total headcount

7 933

National Ports Authority Total revenue

R14,0 billion

Cape Town, Durban, East London, Mossel Bay, Ngqura, Gqeberha, Richards Bay, Saldanha

Total headcount

3 955

Port Terminals Total revenue

R18,5 billion

Bloemfontein, Durban, Germiston, Koedoespoort, Salt River, Uitenhage

Total headcount

9 728

Pipelines Total revenue

R6,7 billion

Pipeline network traversing KwaZulu-Natal, Free State, Gauteng, North West and Mpumulanga

Total headcount

659

Property Total revenue

R1,6 billion

Bloemfontein, Durban, Germiston, Koedoespoort, Salt River, Uitenhage

Total headcount

693

KEY RELATIONSHIPS AND OUR **VALUE PROPOSITIONS**

Value for the economy

- Reduce logistics costs as a proportion of transportable GDP
- Maximise rail transportation's contribution to national transport to accelerate mode transfer
- Leverage private sector resources for infrastructure and operational services
- Integrate the South African economy with regional and global economies
- Enhance the positive social and economic impacts of interventions
- Ensure continued expansion of commercial activities and financial viability

Socio-economic value and environmental stewardship

Transnet is committed to Sustainable Development Outcomes (SDOs) to improve South Africa's socio-economic climate. As an SOC, we actively participate in initiatives that positively impact the regions and communities we operate in through our Environmental, Social, and Governance (ESG) framework, which outlines nine SDOs:

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

We implement various initiatives, such as the Phelophepha health trains, to make primary healthcare accessible in rural areas. Our artisan and graduate programmes address unemployment and critical skills shortages.

These SDOs are embedded in our operations, contributing to the eradication of socio-economic ills and disparities. We strive to be a responsible corporate citizen, holding ourselves accountable through our ESG framework.

Value for domestic and regional customers

- Deliver reliable and predictable customer volumes
- Focus on customer-centred business innovations
- Offer full value chain service propositions
- Customise products and services for each market segment
- Provide integrated customer support across the logistical value chain
- Implement digital transformation throughout the value chain

Value for suppliers and service providers

- Maintain an ethical and transparent procurement process
- Ensure fair and equitable tender processes
- Manage contracts fairly, transparently, and efficiently
- Take a proactive, collaborative approach to local supplier development

Value for employees

- Uphold a safety-first work ethos
- Provide opportunities for professional and academic advancement
- Offer exposure to broader regional and national opportunities

Value for our Shareholder

- Support broad industrial development in key commodity segments through the Reinvent For Growth (R4G) Strategy
- Financial and Socio-Economic Value: Deliver sustained financial returns and broad socio-economic benefits.
- Regulatory Compliance and Ethical Practices: Ensure compliance with regulations, ethical leadership, and responsible corporate citizenship.
- Alignment with Government Initiatives: Align investment priorities with the government's infrastructure programme.
- Value for Financial Partners: Create and sustain value for financial stakeholders.
- Financial Stability: Maintain a strong balance sheet and generate consistent cash flow.
- Environmental, Social and Governance (ESG) Commitment: Uphold a robust ESG record with sustainable outcomes.
- Leverage Sector Expertise: Utilise expertise in rail, ports, and pipelines for regional market growth.
- Funding Strategy: Develop a funding strategy in line with the Reinvent For Growth Strategy's priorities.
- Strategic Value and Logistics: Reduce regional logistics costs and ensure a secure supply chain to enhance strategic value.

OUR BOARD MEMBERS

KING IV™, P7

AH SANGQU (57)
Chairperson and non-executive director
Date of appointment: July 2023

1 2 11 12 16 19

Qualifications:

Bachelor of Commerce, Accounting (Rhodes); Bachelor of Accounting Science (Hons) CTA (WSU); Higher Diploma, Tax Law (UJ); Executive Development Programme (EDP) (Wits Business School); Master of Business Leadership (UNISA SBL); Advanced Management Programme (AMP) (INSEAD); Higher Certificate in Christian Ministry

Active membership in other Boards/Trusts/Member organisations:

- Deliwe Properties: Non-Executive Director, 20%
- Growthpoint Properties: Non-Executive Director
- PSG Konsult: Non-Executive Director
- Western National Insurance Company: Non-Executive Director
- Energy Impact Investment partners: Non-Executive Director, 50%
- Rhodes University Council: Member of Council

CS BENJAMIN (64)
Independent non-executive director
Date of appointment: September 2023

1 2 3 11 14 18

Qualifications:

Postgraduate Diploma: Accounting (UCT); BCom Accounting (UWC)
Designations: CA (SA) (SAICA)

Active membership in other Boards/Trusts/Member organisations:

- Transnet National Port Authority: Non-Executive Director

MP ZAMBANE (54)
Independent non-executive director
Date of appointment: July 2023

1 2 3 11

Qualifications:

Practical Legal Studies Course (UCT); Bachelor of Law (UCT); Bachelor of Arts, Law (UCT); Higher Diploma in International Tax Law (UJ); Higher Diploma in Tax Law (UJ)

Active membership in other Boards/Trusts/Member organisations:

- Wamaretlwa Investments (Pty) Limited
- Columbus Stainless Steel (Pty) Ltd: Non-Executive Director

FS MUFAMADI (65)
Independent non-executive director
Date of appointment: May 2018

2 3 8 14 16 19

Qualifications:

PhD (University of London); Master of Science in States, Society and Development (University of London)

Active membership in other Boards/Trusts/Member organisations:

- Muendanyi Consulting
- Implats Holdings Limited
- Community Ombudsman NPC
- Environmental Economic Research Centre

S BOPAPE (55)
Group Company Secretary
Date of appointment: September 2020

4 22

Qualifications:

BJuris (UKZN); LLB (UKZN); MA (Social Policy – Industrial Stream) (UKZN); Postgraduate qualification in Strategic leadership (GIBS); CSSA Professional Postgraduate Qualification: Company Secretarial and Governance Practice (Chartered Secretaries Southern Africa)

DD PATEL (60)
Independent non-executive director
Date of appointment: July 2023

2 3 8 14 16 19

Qualifications:

National Diploma, Chemical Engineering (DUT); Master of Business Administration, Business Administration and Corporate Strategy (Wits); Master of Science, Development Economics and Finance (University of London); Advanced Management and Leadership Programme (INSEAD Business School, France)

Active membership in other Boards/ Trusts/Member organisations:

- Executive member: Association of Former Directors-General
- Member: Advisory Board of the Green Outcomes Fund
  - Climate Finance
  - Decarbonisation Pathways
- Bamba Zonke (Pty) Ltd: Shareholder and Director, 100%
- Ga Re Yeng Travel: Shareholder and Director, 100%
- Absuwize: Director
- Loninet: Director

BM JIYA (52)
Independent non-executive director
Date of appointment: July 2023

1 13

Qualifications:

Bachelor of Business Science (Hons), Economics (UCT); Senior Leadership Development Programme (Manchester University Business School); Advanced Leadership and Management Programme (Liberty Corporate); Advanced Management Programme (Thomson Reuters Academy); Directorship in Companies (Wits Business School); Key Individual (RE1 and RE3 FAIS Exams) Financial Sector Conduct Authority

Active membership in other Boards/ Trusts/Member organisations:

- Busisa Jiya Investment Management
- Jiya Africa Asset Managers
- REWECK Capital (Pty) Ltd: Non-Executive Director

LM LETSOALO (45)
Independent non-executive director
Date of appointment: July 2023

1 2 6 8 9 18

Qualifications:

Diploma Purchasing (UJ); Bachelor of Technology, Logistics; Masters in Business Administration (UNISA)

Active membership in other Boards/ Trusts/Member organisations:

- Sincpoint 100%
- African Women in Supply Chain Association 100%
- Jet Demolition: non-executive director
- Cross Border Road Transport Agency: non-executive director
- Booyco Engineering: non-executive director
- Hlola Trust : Trustee
- Tria-Anagram 30%
- BI Engineering: Director
- Bay Engineering: Director
- House of Delicacies: Director
- Black Industrialist Group 100%

BOARD OF DIRECTOR'S PROFILE BY RACE

BOARD OF DIRECTOR'S PROFILE BY GENDER

BOARD MEMBERS' COMPETENCIES

1	Auditing and Finance
2	Business, legal, and compliance management
3	Corporate Governance
4	Data, ICT, and digital management
5	Engineering and Design
6	Maritime operation, governance, and compliance
7	Infrastructure Development
8	Transport, logistics, and operations
9	Marketing Management
10	Mergers and Acquisitions
11	Human resource and people Management
12	Project and operations management
13	Property and asset management
15	Socio-Economic Development
16	Stakeholder Relations
18	Strategy and strategic governance
19	Leadership Principles

MAW DEBEL (68)

Independent non-executive director

Date of appointment: July 2023

2 3 4 8 12

Qualifications:

Bachelor of Science in Engineering, Maritime Science (Rotterdam University of Applied Sciences, NL); Navigation Licence, All Ships/All Seas (Rotterdam Nautical College, NL); Post Graduate, Analyse, Understand and Construct Business process redesign (TSM Business School, NL)

Active membership in other Boards/ Trusts/Member organisations:

- Experion Global, Netherlands, 100%

BG SEDUPANE (40)

Independent non-executive director

Date of appointment: July 2023

1 9 11

Qualifications:

Bachelor of Arts, Industrial Psychology and Industrial Sociology (Wits); Bachelor of Arts (Hons), Industrial and Organisational Psychology (UNISA); Executive Development Programme (Wits Business School)

Active membership in other Boards/ Trusts/Member organisations:

- Member of the Independent Exemption Body for the National Bargaining Council for the Road Freight and Logistics Industry
- Chartered HR Professional at South African Board for People Practices
- Leadership Talent: Director

SRM BUTHELEZI (41)

Independent non-executive director

Date of appointment: July 2023

1 3 5 13 14 16 18 19

Qualifications:

Masters in Business Leadership (UNISA); Masters in Engineering Management (UJ); Bachelor of Engineering: Electrical and Electronics (UJ)

Active membership in other Boards/ Trusts/Member organisations:

- Engineering Council of South Africa (ECSA): President
- SANRAL: Non-Executive Director
- Coefficient Technologies: Shareholder and Director, 100%
- Phungashe Consortium: Director
- Pfuxani STEM (NPO): Director

OUR EXECUTIVE LEADERSHIP

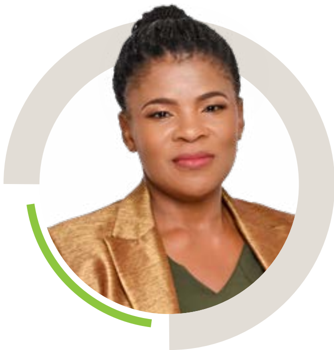
KING IV™, P7

MJ PHILLIPS (53)
Group Chief Executive/ Executive Director
Date of appointment: March 2024

2 3 8 12

Qualifications:
Bachelor of Jurisprudence (NMMU); Bachelor of Laws (NMMU); Executive Development Leadership Programme (GIBS); Global Executive Development Leadership Programme (GIBS); Several International Terminal Operations Management Programme; Transnet Woman in Operations Management Programme; Breakthrough Programme for Senior Executives (IMD)

Active membership in other Boards/ Trusts/Member organisations:
- None



RNM MAPHUMULO (55)
Group Chief Financial Officer/ Executive Director
Date of appointment: April 2024

1 2 6 11 16

Qualifications:
Bachelor of Administration, Accountancy/Economics (UNISA); Higher Diploma in Education (UKZN); Bachelor of Accounting Science (Hons) CTA (UNISA); Designations: CA(SA)

Active membership in other Boards/ Trusts/Member organisations:
- None

R BAATJIES (48)
Chief Executive: Transnet Freight Rail
Date of appointment: March 2024

8

Qualifications:
National Diploma in Engineering (Northern Cape Technical College); Bachelor of Technology Business Administration (Central University of Technology); Bachelor of Science (Hons) Rail Operations Management (Glasgow Caledonian University); Lean Six Sigma (Acuity Institute): Disruptive Change; Lean Manufacturing; Green Belt; Black Belt

J MDAKI (56)
Chief Executive: Transnet Port Terminals
Date of appointment: January 2021

9 16 19

Qualifications:
Global Executive Development Programme (GIBS)
Post-graduate Diploma in Business Management (UKZN)
National Diploma in Mechanical Engineering (Mangosuthu Technikon)

K PHAHLAMOHLAKA (48)
Chief Executive: Transnet Property
Date of appointment: September 2020

1 13

Qualifications:
Bachelor of Arts (Hons) (Vista University); Bachelor of Laws (UNISA); Master of Business Administration (Regent Business School); Certificate in Commercial Property Practice (UP); Property Development Programme (UCT); Certified Property Manager (Institute of Real Estate Management); General Management Programme (GIBS)

A SHAW (57)
Chief Strategy and Planning Officer
Date of appointment: July 2020

2 3 8 18

Qualifications:
Bachelor of Science (Wits); Master of Science (Wits); Doctor of Philosophy (University of Leeds, United Kingdom); Master of Business Administration (University of Reading, United Kingdom)

KING IV™, P7

MP DIFETO (51)
Acting Chief Executive: Transnet National Ports Authority
Date of appointment: January 2005

1 2 3 11 16 19

Qualifications:
Baccalaureus Procurationis (UKZN); Bachelor of Laws (UKZN); Master of Laws (UJ); Masters Degree of Commerce in Maritime (UKZN); Masters Degree in Business Leadership (UNISA Graduate School of Business Leadership); Programme in Business Leadership (UNISA Graduate School of Business Leadership); Transnet Global Executive Development Programme (GIBS); Executive Programme on Global Port Management (Global Ports Forum, Singapore); Designations: Admitted Advocate of the High Court of South Africa

V NEMUKULA (56)
Chief Procurement Officer
Date of appointment: April 2020

2 3 8 19

Qualifications:
Master of Business Administration (University of Wales); Bachelor of Science (UCT); Advanced Business Management Programme (UJ); Advanced Management Programme (INSEAD Business School); Oxford Executive Leadership Programme (Oxford University (Saïd Business School))

S KHAN (49)
Chief Audit Executive
Date of appointment: March 2022

2 3 14

Qualifications:
Bachelor of Commerce, Accounting (UDW); Diploma in Accountancy (UDW); Designations: CA(SA) CIA

B MABUNDA (48)
Acting Chief Executive: Transnet Engineering
Date of appointment: March 2013

1 7 8

Qualifications:
Master of Business Administration (Milpark Business School) ; Bachelor of Science, Electrical Engineering, (UCT); International Programme for Business Management of Projects (University of Stellenbosch) Leading Women (GIBS)

H CHETTY (42)
Chief Digital Officer
Date of appointment: April 2022

2 4 12 14

Qualifications:
Bachelor of Commerce Internal Auditing (Hons) (UP); Bachelor of Commerce Financial Accounting (UP) Executive programme in Digital Transformation (MIT)

A PILLAY (55)
Group Treasurer
Date of appointment: May 2022

1 3

Qualifications:
Bachelor of Science, Mathematics (UP); Bachelor of Commerce Economics (UNISA); Accountancy (non-degree purposes) (UNISA)

OUR EXECUTIVE LEADERSHIPS' COMPETENCIES

1	Auditing and Finance
2	Business, legal, and compliance management
3	Corporate Governance
4	Data, ICT, and digital management
5	Engineering and Design
6	Maritime operation, governance, and compliance
7	Infrastructure Development
8	Transport, logistics, and operations
9	Marketing Management
10	Mergers and Acquisitions
11	Human resource and people Management
12	Project and operations management
13	Property and asset management
15	Socio-Economic Development
16	Stakeholder Relations
18	Strategy and strategic governance
19	Leadership Principles

S COETZEE (62)
Chief Legal Officer
Date of appointment: April 2020

2 3

Qualifications:

Bachelor of Language Communication (UP); Bachelor of Laws (UP); Senior Leadership Programme Certificates (University of Cambridge and London School of Economics); Designations: Admitted Advocate of the High Court of South Africa

BY KANI (48)
Chief Business Development Officer
Date of appointment: May 2020

3 7 8 16

Qualifications:

BSc Hons in Applied Science (with a specialisation in Transportation Engineering) (UP); B-Tech Civil Engineering - Wits Technikon; National Diploma: Civil Engineering - Port Elizabeth Technikon

I MATSHEKA (55)
Chief of People Management and Learning
Date of appointment: November 2020

2 3 10 11 14 16

Qualifications:

Masters in Business Administration (Milpark Business School); Bachelor of Social Sciences (Hons) (Rhodes University); Bachelor of Social Sciences (Rhodes University)

S KHATHI (53)
Chief Executive: Transnet Pipelines
Date of appointment: June 2024

2 8 14

Qualifications:

Master of Business Administration (UKZN); Post-graduate Diploma in Management (UKZN); Bachelor of Science, Chemical Engineering (UKZN); Global Executive Leadership Development Programme (GIBS)

P MUNYAI (55)
Chief Information Officer
Date of appointment: May 2020

1 5 6 7 10 17 18

Qualifications:

Master of Business Leadership (UNISA);
Master of Electronic Engineering (UP);
BSc Electrical Engineering (UCT);
BSc Physics and Mathematics (UNIVEN)

LS LETSOALO (62)
Incoming Chief Operations Officer
Date of appointment: July 2024

8 16 18 19

Qualifications:

Master of Business Administration (Herriot Watt University);
National Higher Diploma in Industrial Engineering (Wits Technikon);
National Diploma in Industrial Engineering (Wits Technikon)







OUR **INVESTMENT CASE**

Transnet, a state-owned company (SOC), is dedicated to developing a world-class freight logistics system. This initiative enhances industrial capacity across South Africa's key sectors, optimising business operations and boosting trade competitiveness. The system benefits both large and small industrial entities by establishing efficient export and import routes.

Transnet Freight Rail (TFR), the largest operating division within Transnet, oversees an extensive rail network covering six key corridors: the North (Coal), Northeast, Cape, Ore, Central, and Container Corridors. These corridors facilitate the transport of commodities for export, regional, and domestic markets. Freight Rail offers vital rail links between ports, freight terminals, production hubs, and the Southern African Development Community (SADC) railways, promoting regional integration. This infrastructure, coupled with close collaboration between Transnet's ODs and key customers and industry players, ensures the efficient delivery of freight volumes across diverse logistics supply chains.

Transnet Engineering (TE), the largest heavy engineering operation in South Africa, specialises in manufacturing and maintenance. It operates six main plants and 143 maintenance depots strategically located along key rail corridors and ports, ensuring extensive service coverage. TE's significant capacity enables the annual production of 4 000 new wagons and the maintenance of approximately 70 000, as well as servicing 2 500 locomotives each year. The main plants, referred to as centres, are situated in Cape Town, Durban, Germiston, Bloemfontein, Pretoria, and Uitenhage. TE's network of sites spans the main rail corridors and ports, providing comprehensive support across South Africa.

Transnet National Ports Authority (TNPA) plays a crucial role in South Africa's transport logistics chain, managing eight commercial seaports: Saldanha, Cape Town, Mossel Bay, Port Elizabeth, Ngqura, East London, Durban, and Richards Bay. The ninth port, Port Nolloth, is leased to De Beers Consolidated Diamond Mines and does not handle commercial cargo. Plans are underway to develop a new commercial port in the Northern Cape to handle dry bulk and potential green hydrogen operations. Covering approximately 2 800 km of the South African coastline, the National Ports Authority serves port users including terminal operators, shipping lines, ships' agents, cargo owners, and the clearing and forwarding industry.

Transnet Port Terminal (TPT)plays a vital role in the South African economy by ensuring the efficient movement of imports, exports, and transshipments through its cargo terminal operations. Serving a diverse customer base that includes shipping lines, freight forwarders, and cargo owners, TPT manages four primary business segments: containers, dry bulk, break-bulk, and automotive. The division operates 16 terminals with 68 berths across seven coastal ports and three inland terminals in Richards Bay, Durban, and Port Elizabeth, all directly linked by rail for enhanced connectivity.

Transnet Pipelines (TPL), Southern Africa's largest multi-product pipeline operator, manages a 3 114 km high-pressure petroleum and gas network. Operational for over 55 years, it facilitates regional integration with other transportation modes. Overseen by Nersa, the network spans five provinces: KwaZulu-Natal, Free State, Mpumalanga, Gauteng, and North West. It includes a strategic inland accumulation facility in Jameson Park, Gauteng (TM2), with a capacity of 180 million litres, ensuring secure supply to the inland economic hub and surrounding areas. Additionally, it features a 29 million litre tank farm in Tarlton for storage and distribution via rail and road.

Transnet Properties manages a diverse property portfolio across 204 municipalities. Property's capabilities include strategic asset management, property development, and property management.

The **commercial** portfolio comprises:

- Offices
- Warehouses
- Retail buildings
- Land

The **residential** portfolio comprises:

- Vacant stands
- Houses
- Mass housing

Mass housing comprises:

- Hostels
- Lodges
- Line camps

OUR CAPITAL PORTFOLIO AND PRIORITISATION PRINCIPLES

Transnet aims to fulfil its mandate of reducing the cost of doing business, ensuring security of supply and enabling economic growth by:

- **Enabling competitive supply chains:** Optimising the freight system is fundamentally about optimising industry supply chains as opposed to optimising transport modes;
- Enabling development; and
- Achieving commercial self-sustainability.

To deliver on its mandate in capital investment planning, the key focus areas to successfully execute the Company's mandate include:

- **Fixing the core:** Continued focus on our key strategic customer service focus areas, being:
  - People;
  - Asset utilisation;
  - Safety; and
  - Cost optimisation.
- **Partnerships for growth:** Transnet plays an important role in the formation of gross fixed capital, underpinned by strategic partnerships with the private sector; and
- Optimising the Company's socio-economic impact of interventions undertaken as we seek to achieve these objectives.

OUR FUNCTIONAL PORTFOLIO

Transnet plans to spend R152,8 billion on capital investment over the next five years, of which R124,4 billion (81,4%) will be spent on sustaining capital.

Key budget principles for the five-year planning cycle include, among others, the realisation of segment strategies and the incorporation of private sector partnership (PSP) to alleviate funding requirements. Transnet's Capital Investment Plan is largely centred on sustaining capital through maintenance and reinvestment, while the segment strategies aim for expansion and transformation. These two focus areas are harmonised in the overall investment planning approach.

INVESTMENT GOVERNANCE AND ASSURANCE

Transnet's investment governance is an organisational framework that enables effective and transparent capital investment decision-making. This ensures that the projects and programmes are aligned to deliver on Transnet's strategic objectives and are progressed through their respective lifecycles. Investment decisions for projects and programmes are based on various factors which include risk, quality, viability, sustainability and portfolio fit to create maximum strategic value. Transnet's Investment Committees, underpinned by the Delegation of Authority (DOA) Framework and Terms of Reference, are used to enable and support effective decision-making. In addition to the Group Investment Committee and the OD Investment Committees, Transnet has further strengthened its capital governance environment through the establishment of the Capital Management Forum. The Capital Management Forum provides a platform for the co-ordination of relevant aspects related to capital and infrastructure planning, investment, assurance and execution. It promotes a uniform approach to capital investment and governance throughout the Company and ensures the implementation of a clearly articulated combined capital assurance work plan informed by capital risk analysis.

OUR FUNDING PLAN

Transnet's capital structure incorporates funding from equity and debt, which is used to finance its existing operations, future growth opportunities, and to refinance maturing debt.

OPPORTUNITIES IN THE FUNDING ENVIRONMENT

Our **Reinvent For Growth Strategy (R4G)**, combined with management's commitment and demonstrated ability to execute this strategy, is perceived by investors as a positive turning point. This allows the business to fully embrace its essential role in South Africa's economy.

The Statement of Financial Position for the reporting period shows a less optimistic picture compared to the previous reporting period. Despite this, Transnet has made means to continue to service its debt obligations by:

- Fulfilling capital repayments; and
- Meeting interest payments on all funding instruments.

Despite the current financial challenges, Transnet remains committed to its **Reinvent For Growth Strategy**. The aims of this strategy include:

- Better positioning Transnet to support economic growth;
- Attracting investor confidence;

LONG-TERM ASPIRATIONS

- Significantly reducing the reliance on road transport by improving the rail transport infrastructure and services
- Establishing an energy-efficient, low-carbon freight system
- Developing an international hub port
- Enhancing maritime connectivity
- Building a high-performance core transport network
- Creating a strong infrastructure funding model to ensure capacity meets future demand
- Implementing targeted skills development strategies
- Coordinating investments across an international network and
- Linking supplier development plans to long-term infrastructure investments

SUSTAINING VALUE THROUGH **THE CAPITALS**

CAPITAL INPUTS

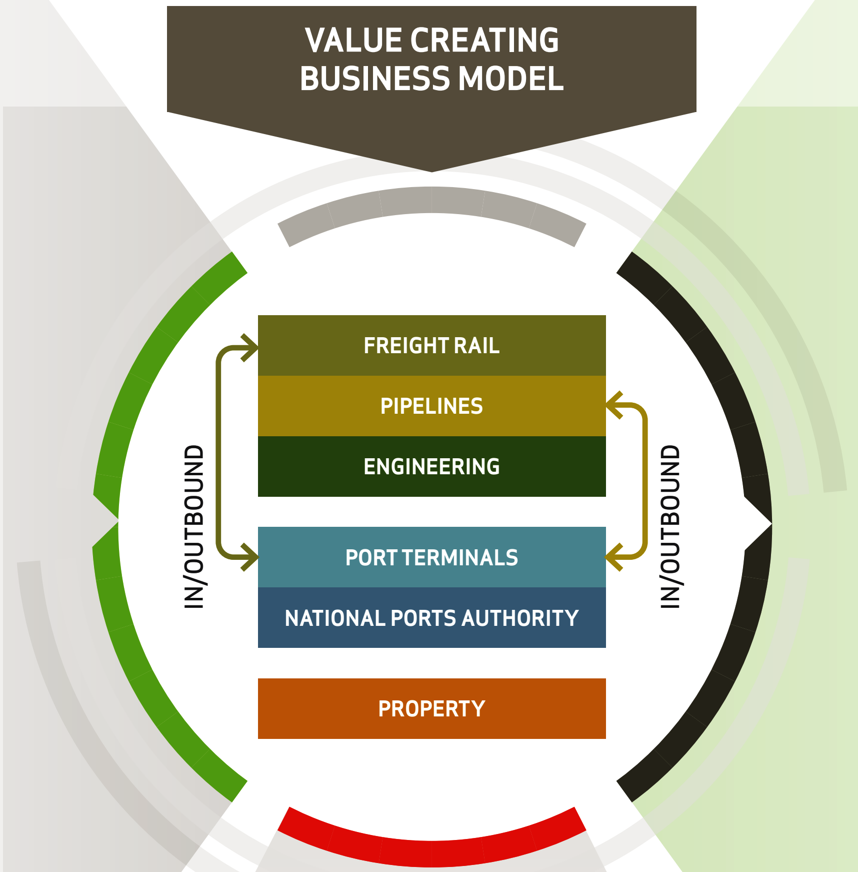
HUMAN AND INTELLECTUAL
- Responsible leadership
- Retention of permanent skilled employees
- Sound remuneration philosophy and process
- Project life cycle programme methodologies
- Research and development

FINANCIAL
- Export credit markets
- International and domestic investments
- Loan markets (public and private)
- Development finance institutions
- Structured financing
- Partial funding by interested stakeholders
- Commodity-based revenue
- Non-commodity revenue from operations

MANUFACTURED
- Property, plant and equipment
- Investment property
- Rail and branch-line networks
- Locomotives and rolling stock
- Expansive petroleum and gas pipeline infrastructure
- Multi-cargo ports
- Port terminals
- Repairs and maintenance

SOCIAL AND RELATIONSHIP
- Shareholders and funders value creation
- Diverse sector contributions to the SA economy
- Stakeholder information and relations
- Government and regulators
- Corporate social investment

NATURAL
- Water
- Soil
- Biodiversity and ecosystems
- Renewable Energy Resources
- Air
- Land



... OPERATIONS SUPPORTED THROUGH DELIVERY AGAINST OUR STRATEGY

FIVE TRANSVERSAL STRATEGIC FOCUS AREAS

01	02	03	04	05
CUSTOMER SERVICE	PEOPLE	ASSET UTILISATION	SAFETY	COST OPTIMISATION

OUTPUTS

(Product service offering and by-products)

Wide range of transported general bulk and containerised freight commodities.	Secure inland petroleum product supply.	Cargo-handling services to a wide range of customers.	Waste materials as by-products of operations and infrastructure projects (e.g., metal scraps and plastic waste).

↗ Value creation = Value preservation ↘ Value erosion

CAPITAL OUTCOMES

- ↗ Distinctive product and service designs
- = Globally recognised operating standards
- = Strong governance structure and oversight
- ↗ Technologically agile, integrated digital capabilities
- ↗ Accurate data outputs for informed decision-making
- = Effective control and legitimacy
- = Integrated planning and resourcing
- ↗ Safe working environment
- ↗ Skilled and representative workforce
- ↗ High performance culture, improved employee performance
- ↗ Promote diversity, training, and ongoing education
- ↗ Responsible and ethical leadership
- ↗ Employer of choice with inclusive culture
- ↗ Improved physical and mental health, and safety
- ↗ Strong engineering research and development
- ↘ Lost time due to injuries
- ↘ Lost time due to injuries frequency rate
- ↘ Public fatalities

- ↗ Commercial agility
- ↗ Diversified capital investments
- ↗ Reliable borrower
- ↗ Investment-grade stand-alone credit profile
- ↘ Cash interest cover of 1,9 times
- ↘ Gearing at 46,2%
- ↗ Procurement reform

- ↗ Enhanced operational performance
- ↗ Optimised use of rolling assets (mention standing loco)
- ↗ Largest railway in Africa
- ↗ Ranked among Top 10 global freight railways
- ↗ Ongoing rail capacity growth
- ↘ Infrastructure damage through vandalism and theft
- ↘ Running line derailments
- ↘ Shunting derailments
- = High standards of maintenance, repair, and upgrade of assets

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- ↘ Social licence to operate
- ↗ Customer-centric and reliable delivery of services
- ↗ Informed and empowered stakeholders
- = Collective agreements with organised labour
- ↗ Partnerships with customers and logistics providers
- = Fair, transparent, and efficient contract management
- = Fair and equitable tender processes
- ↗ Proactive and collaborative supplier development
- ↗ Provision of primary healthcare services to rural communities

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- = Water quality monitoring and reporting
- = Sustainable waste management and optimisation
- ↗ Manage and enhance biodiversity in operations
- = Air quality management
- ↗ Management of historical contamination
- = Environmental incidents management
- = Environmental legal compliance
- ↗ Renewable energy projects and initiatives
- ↘ Infrastructure damage through vandalism
- = Ethical business practice
- ↘ Environmental transgressions and incidents

CHAIRPERSON'S **REVIEW**

MR ANDILE SANGQU
Chairperson

"As we move forward, let us draw inspiration from our achievements and unite our collective strength to overcome future challenges."

The current term of the Board of Directors, which commenced in July 2023, coincided with a challenging time for Transnet. The Company had reported an operating loss of R5,7bn in the 2022/23 financial year, on the back of weakening operation performance. The Board recognised that this was a matter requiring immediate and urgent attention. Our inability to reliably service our customers had also resulted in frustration and strained relations, which we urgently needed to reset. The departure of the former Group CE, Group CFO, and CE: Transnet Freight Rail (TFR) also created a vacuum in the executive, which meant the Board had to play a more hands-on role to oversee the stabilisation of the operational and financial performance of the business; appoint executives to drive operational improvements; and re-establish relations with key stakeholders.

To this end, in October 2023, the Board approved a Recovery Plan for the business, which proposed a range of interventions over six, 12 and 18 months to address the identified challenges which impacted on the operational business and overall financial stability. The first six months of the implementation of the Recovery Plan coincided with the remainder of the 2023/24 financial year. The primary focus of the Recovery Plan is the development of tactical initiatives to drive volume recovery, enhance rail and port operations and improve availability and reliability of critical equipment. While we are seeing some green shoots from implementation of the Plan thus far, we acknowledge there is still some way to go before we can comfortably say the worst is behind us, bearing in mind that factors such as overgeared balance sheet, under investment in rail infrastructure, port equipment and ageing rail fleet, rampant theft, and damage to infrastructure continue to plague us.

In support of the Recovery Plan, particularly in respect of the need to improve the condition of operational assets and to enable Transnet to meet its debt obligations, the Minister of Finance, in agreement with the Minister of Public Enterprises, approved a guarantee facility of R47 billion for Transnet. We remain committed to meeting the conditions of the Government guarantee, as we have demonstrated over the past few months. In line with the Government Guarantee Framework and our Recovery Plan, we have initiated a Balance Sheet Optimisation Project to present initiatives to "optimise" the Transnet balance sheet. During the 2024/25FY, we will be working with Government to determine the optimal solution to improve the financial profile of Transnet by mitigating risks in the execution of the Recovery Plan and to streamline the structure of the balance sheet to better serve and meet the financial demands of Transnet. In this regard, we will continue to work closely with all the relevant stakeholders such as the ratings agencies, lenders, regulators and investor community.

In the second half of the financial year, which, as I have indicated, coincided with the first six months of implementation of the Recovery Plan, the Group focused its efforts on improving maintenance planning and execution, thereby eliminating operational bottlenecks; accelerating the maintenance of the rail network, returning long-standing locomotives to service, maintaining critical port equipment, and implementing initiatives to mitigate the impact of security incidents on the rail and pipeline networks. For the period ending March 2024, capital investment totalled R16,7 billion, which focused on maintaining and rehabilitating key equipment and targeted at strategic bottlenecks that have emerged across the rail and ports systems.

R4,46 billion was invested in maintaining the rail network through continuous maintenance programmes and various shutdowns to expedite network restoration. TFR executed shutdowns on five corridors. There was also a significant decline in cable theft incidents, attributed to the partnership with industry and the implementation of preventative actions and aggressive monitoring of Outcomes-Based Security contracts. Transnet continues to intensify security measures to reduce cable theft and infrastructure vandalism.

R5,31 billion was invested in maintaining rolling stock to improve the availability of locomotives and wagons and to return long-standing locomotives to operation. Additionally, R739 million was invested in acquiring 24 new locomotives from Alstom, and R454 million was spent on building 108 new wagons and renewing and modernising 1 588 older ones.

Total capital expenditure of	Total CSI investment of	Total spend on skills development of
R16,7 billion	**R127,6 million**	**R837,0 million**
(2023: R13,9 billion)	(2023: R130,7 million)	(2023: R735,2 million)

Through its Port Terminals division, Transnet invested an additional R130 million in procuring seven second-hand rubber-tyred gantries (RTGs) for the Port of Cape Town. This investment was made to address the crisis experienced in January 2024 with the import and export of fruit. These gantries have since been delivered and are operational, significantly improving throughput at the Port.

The North Corridor of TFR demonstrated a notable improvement in cargo volumes this financial year, delivering 1,413 million tonnes (mt) of export cargo. Noteworthy highlights include the transportation of 11 chrome trains and 1,182mt of export coal for the Richards Bay Coal Terminal. Operational enhancements, such as increased availability of rolling stock and strengthened safety measures to combat theft and vandalism, played a pivotal role in these positive performance outcomes. Transnet Pipelines (TPL) oversees the management of the country's network of 3 114 kilometres of high-pressure petroleum and gas pipelines. Collaborative efforts between Transnet security and regional South African Police Services (SAPS) have successfully contained multiple fuel theft incidents, resulting in higher fuel volumes being transported this financial year. Additionally, TPL has several upcoming capital projects planned in KwaZulu-Natal, including the development of the liquefied natural gas (LNG) terminal in Richards Bay and TM1 Accumulator Tanks at Island View.

The Board has committed to monitor and review the Recovery Plan on a monthly basis, to ensure it is on track, and that the necessary interventions are made in areas where progress is slow. In our pursuit of the objectives of the Plan, we have been encouraged by the unwavering support of our employees, labour unions, customers and stakeholders, and are grateful for the structured collaboration, especially through the initiatives and workstreams setup as part of National Logistics Crisis Committee (NLCC). The support from these key stakeholders demonstrates the real benefits of collaboration between public and private sector as well as between management and our employees. We are deliberate in our efforts to build a high-performance culture within Transnet, to sustainably change our business for the better.

The appointment of competent leadership with the requisite skills and experience is paramount for driving organisational performance and achieving strategic objectives. By recruiting individuals with diverse backgrounds and expertise, Board members are able to leverage a broad range of perspectives to inform decision-making and drive innovation.

On the leadership front, in March 2024, the Board, in collaboration with the Shareholder Ministry, finalised the appointment of the executive management: the Group CE – Michelle Phillips; Group CFO – Nosipho Maphumulo and CE: TFR – Russell Baaitjies. Post the reporting period, Transnet also appointed a *Group Chief Operating Officer*, Lekau Letsoalo, who is expected to drive operational improvements across the business.

As we collaborate with our partners to enable faster delivery, we continue to strengthen our procurement environment, to ensure that it is fit-for-purpose to support Transnet during this recovery period and beyond.

THE REFORM AGENDA:

Transnet is implementing its Recovery Plan in the context of a changing policy environment, as necessitated by the White Paper on the National Rail Policy and the Freight Logistics Roadmap. Transnet fully embraces this policy imperative, and the company is making solid progress in this regard, in line with the expectations set out by Government.

The White Paper on the National Rail Policy, published in March 2022, provides the agenda for reform in the delivery of rail services and Transnet has actively participated in initiating the first steps in delivering this reform. The policy seeks to provide fair and transparent access to multiple railway operators and, thus, to allow for competition on the Transnet railway network.

A key part of this policy change is the separation of our freight rail operations from the management of the freight rail network. This vertical separation is underway, and the Board has now approved the establishment of the Transnet Rail Infrastructure Manager as an entity separate from the Freight Operating Company. In March 2024, Transnet released the draft Network Statement for public comment, in a process led by the Interim Rail Economic Regulatory Capacity (IRERC), to which Transnet also made its formal submissions. Transnet remains committed to meeting the deadlines that have been set for this process and we continue to engage with Government, on areas where more time may be required, to ensure that implementation does not have unintended consequences.

With the enactment of the Economic Regulation of Transport Bill by the President of the Republic in June 2024, we look forward to working with the Transport Economic Regulator (TER) and continuing to engage collaboratively as we have done with the Interim Regulator. Our wish is for a pragmatic outcome to tariff setting and network access, as the important work on rail reform progresses.

As a result of the vertical separation, we are gearing ourselves to operate as a rail operating company that is commercially driven and agile. This requires a repositioning of our business strategy going forward. To ensure operational readiness, preparatory work is being undertaken to review our business operating model which will impact on aspects such as organisational design and our value proposition, to adequately respond to market requirements and to adjust to the regulatory reform agenda. Key to this process is prioritising rigorous engagement internally with employees and our labour partners as part of a broad organisational change process.

As part of our strategy to crowd in the private sector into selective and strategically identified areas of the business, the Board has approved the finalisation of a contract awarded to International Container Terminal Services Inc (ICTSI), a Philippine terminal operator, to manage Pier 2 at the Durban Container Terminal. This strategic partnership with the private sector is expected to enhance terminal productivity and increase throughput, ultimately improving Transnet's operational efficiency and container supply chains. Despite the current legal challenge, Transnet is committed to concluding a private sector partnership in the best interests of the country, the economy and the development of Pier 2.

JUDICIAL PROCEEDINGS:

The annual financial statements include the best estimate of expected settlement costs for judicial proceedings involving Transnet, as either defendant or plaintiff, where the outcome can be assessed with reasonable certainty. These estimates consider the legal opinions obtained for the Group. Contingent liabilities of the Group are disclosed in note 31 of the annual financial statements.

TOTAL SA AND SASOL OIL VERSUS TRANSNET PIPELINES

Total South Africa (Pty) Limited (Total) and Sasol Oil (Pty) Limited (Sasol) initially brought separate action proceedings against Transnet for contractual damages amounting, cumulatively, to over R1,8 billion. Litigation has been ongoing since 2013 by Total and 2018 by Sasol.

PIER 2 LEGAL DISPUTE

We have noted the legal challenge to the selection of International Container Terminal Services, Inc. (ICTSI) as the preferred bidder to enter into contract negotiations for the establishment of a joint partnership to manage the upgrade and development of Pier 2 at the Durban Container Terminal. Pier 2 is Transnet's biggest container terminal, handling 72% of Port of Durban throughput and 46% of SA traffic.

The process of selecting ICTSI was rigorous, competitive, and fair and complied with our governance standards. Transnet will defend its procurement process.

OUTLOOK

This year has been a testament to our resilience and determination at Transnet, as we have made some notable progress, despite the challenging environment.

We forge ahead with our mission to stabilise the business and reposition it for growth, in an environment of rapidly changing policy.

APPRECIATION:

On behalf of the Board, I wish to acknowledge the crucial role played by the Shareholder Ministry in providing strategic direction and guidance, in what has been a challenging year for the organisation. My fellow Board members have gone above and beyond the call of duty to ensure the work of stabilising this organisation is on track – I am deeply appreciative of their time and dedication to the task at hand.

I wish to express my gratitude to our hardworking employees. Your commitment to excellence, your tireless efforts, and your unwavering dedication are the driving force behind our accomplishments. Each day, you bring your talents and expertise to the table, pushing boundaries, overcoming challenges, and striving for excellence in everything you do. Your hard work is truly inspiring, and I am proud to lead such a talented and dedicated team.

I also want to extend my appreciation to our valued customers, trade unions, suppliers and partners. Your trust and confidence in our organisation are invaluable to us. Your feedback, collaboration, and support have been instrumental over this period. Together, we have forged strong and enduring partnerships that have propelled us forward and enabled us to deliver value to our stakeholders.

To the Group CE and her EXCO, continue to strive for excellence, as we work to get the organisation back on track. The delivery of the Recovery Plan is in your hands. Let us continue to work together with openness, transparency, passion, determination, and integrity, guided by our shared values.

Thank you,

Mr Andile Sangqu
Chairperson of the Board of Directors

OPERATING ENVIRONMENT

Transnet operates in a complex and dynamic environment, shaped by various local and global factors. As a cornerstone of South Africa's logistics and transportation sector, Transnet is integral to the country's rail, road, shipping and pipeline logistics – the backbone of the South African economy.

GLOBAL TRADE AND ECONOMY

Global economic conditions profoundly impact Transnet's operations. Our freight services are directly affected by the ups and downs of global trade volumes. During economic downturns, trade volumes drop, reducing demand for logistics services, while economic growth boosts trade volumes and demand. Changes in commodity prices, especially for coal, iron ore, and petroleum, also influence our volumes and revenue.

In the 2023/24 FY, high inflation was a global concern, significantly affecting operational costs, including fuel, maintenance, and wages. Exchange rate fluctuations impact the cost of imported materials, further influencing our expenses. Central banks worldwide have raised interest rates to combat inflation, increasing borrowing costs and potentially delaying crucial infrastructure investments.

The ongoing war in Ukraine has disrupted global supply chains and trade routes, leading to increased volatility in freight volumes. This conflict, along with tensions in other regions, such as the Middle East, adds complexity to the global economic landscape. Slower economic growth in China has also raised concerns about global stability, affecting trade dynamics and freight demand.

ENVIRONMENTAL REGULATIONS

Environmental sustainability is a critical aspect of our operations. Stringent regulations on emissions and waste management affect the transportation sector globally. Transnet is committed to reducing its carbon footprint and adhering to environmental standards, necessitating investments in cleaner technologies and sustainable practices.

NATIONAL ECONOMIC POLICIES AND THEIR IMPACT ON TRANSNET

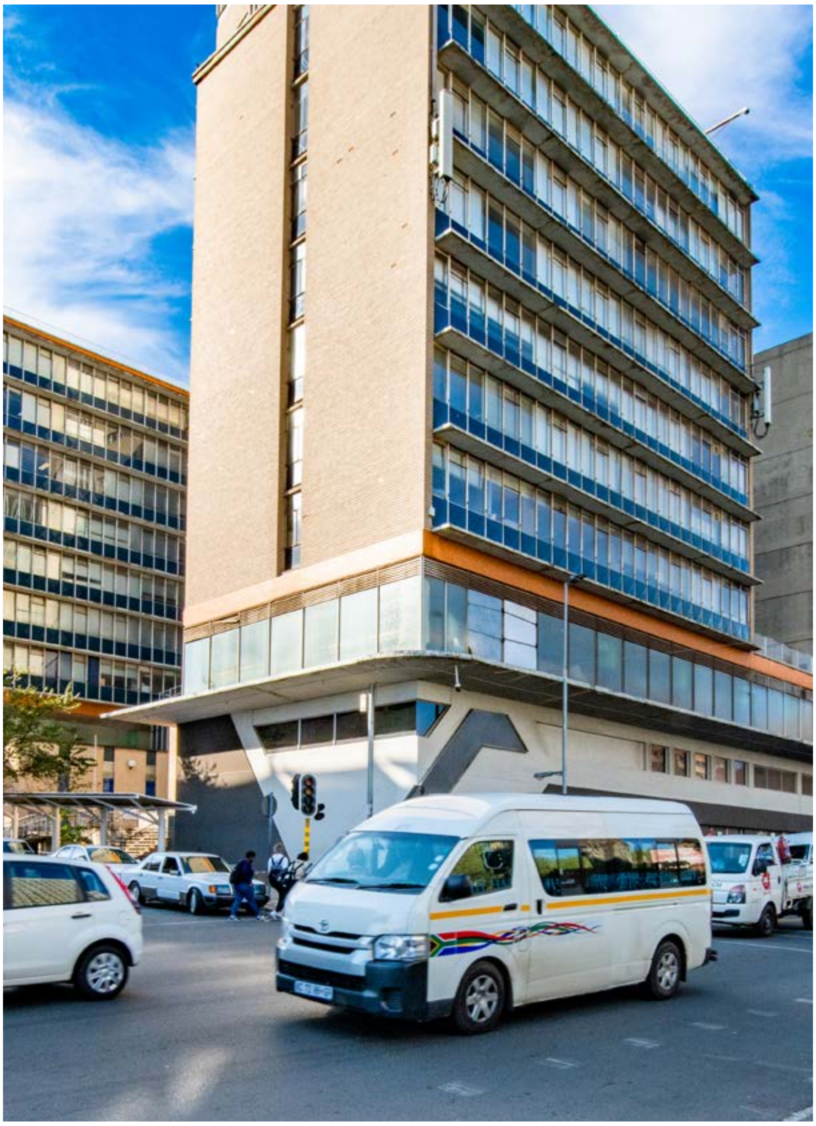
South Africa's economic policies, including infrastructure development plans, energy policies, and trade agreements, are crucial in shaping Transnet's strategic direction. Government initiatives aimed at boosting industrialisation and export growth provide opportunities for increased freight volumes and new business ventures. However, challenges such as Eskom's electricity supply issues and load shedding have significantly impacted Transnet's operations in 2023/24FY, affecting service reliability and operational efficiency.

CHALLENGES AND OPPORTUNITIES

Eskom's ongoing electricity supply issues and load shedding have disrupted operations across Transnet's network, affecting rail services, port operations, and pipeline functions. These frequent power outages necessitate backup power solutions and increased maintenance efforts to mitigate downtime.

Transnet's ability to integrate various modes of transportation – rail, road, shipping, and pipelines – is crucial for creating seamless supply chains. Investments in infrastructure and technology are necessary to enhance capacity, improve efficiency, and meet the growing demand for logistics services. For instance, upgrading rail infrastructure and port facilities can significantly reduce turnaround times and increase cargo volumes.

Adopting advanced technologies and digitisation is essential for improving operational efficiency and competitiveness. Transnet is investing in automation and digital solutions to streamline processes, enhance service delivery, and reduce costs. These technological advancements also support sustainability efforts by promoting cleaner and more efficient operations.



STAKEHOLDER **ENGAGEMENT**

OVERVIEW

The appointment of Transnet's new Board of Directors has shown a determination by leadership to create organisational stability.

Following their appointment, the Board held several key stakeholder engagements with various business sectors. The Board and management quickly decided to address operational underperformance across the Company, which had resulted in declining volumes, by devising a Transnet Recovery Plan.

To recover the lost volumes, the Recovery Plan emphasised two approaches – optimisation, and transformation of the organisation. Optimisation entailed a deep focus on the recovery of volumes from key operations and Operating Divisions across the organisation, as well as improving the execution of the segment strategy approach to drive commercial returns across key operations. The focus of the strategy is on driving organisational transformation through reinvention towards sustainable growth.

Inclusivity
- Transnet is committed to remaining accountable to all our stakeholders and those affected directly and indirectly by the company's operations

Responsiveness
- Ensuring the business embeds proactive decisions, actions, performance, and communication to keep all stakeholders informed

Materiality
- Reflecting on key economic and sustainability factors that impact, or substantively influence stakeholder assessments and decisions taken

Accountability
- Commitment to being accountable, and take responsibility for the Company's actions through transparency, effective policies, decisions, actions, products, and performance

Service Excellence
- A promise we make to our partners and overall stakeholders to always strive to give world class service and deliver on our commitment

Consistency
- Maintaining a reliable and predictable approach in all our actions, ensuring that our performance, policies, and communications align with our values over time, thereby fostering trust and reliability among stakeholders

Figure 1: The six principles of stakeholder engagement

The Company promotes its commitment by adopting the full application of the six principles of stakeholder engagement: inclusivity, responsiveness, materiality, accountability, consistency, and service excellence. Regarding stakeholders' engagement, the application of these principles enables the intent of deepening our impact.

The appointment of Transnet's new Board of Directors has shown a determination by leadership to create organisational stability. Following their appointment, the Board held several key stakeholder engagements with various business sectors. The Recovery Plan – a strategic focus of the Company in the past year – devised by the Board and Management emphasised two approaches – optimisation, and transformation of the organisation. Optimisation entailed a deep focus on the recovery of volumes from key operations and Operating Divisions across the organisation, as well as improving the execution of the segment strategy approach to drive commercial returns across key operations. The focus of the strategy is on driving organisational transformation through reinvention towards sustainable growth. The Board and Management's key stakeholder engagements shared the Recovery Plan vision. An overview of our main stakeholder initiatives across our Stakeholder Universe and their objectives are highlighted below.

Board, Management, Employees, and Labour

Internal stakeholder engagement is vital to building the internal capacity and understanding of the Transnet strategy and importance of our staff, partnerships with Labour and participation of management and Board in driving the Company's full participation in the Recovery Plan. The stakeholder initiatives in respect of this have been inclusive of the following:

- **Staff Engagements and Broadcasts** nationally by the Group Chief Executive, Operating Division Chief Executives, and Board Chair.
- **People Management Roadshows** to keep staff involved and engaged.
- **Site visits and management engagement** across vital plants and operations across the business.

- Board and Management
- Employees and Labour
- Shareholder Minister

Investment Community and Regulators | **Interested Parties and Regulatory Authorities**

External stakeholder initiatives are important to building trust and accountability with the business, investor, and regulator environment. Effective engagement through media, media statements, business and industry meetings helps us communicate with valuable stakeholders any pertinent matters regarding the Transnet Recovery Plan, meeting of targets and progress through the following:

- **Media Briefings** and updates to keep the public and other interested parties engaged in relevant updates from Transnet
- **Meetings and Site Tours** by regulators, investors, customers, and other related stakeholders at our various plants across the country.
- **Supplier Engagements and Industry Sessions** with the wider business community including through organised business institutions.

- Investors and Regulators
- International Bodies and Rating Agencies
- Suppliers, Competitors, and Customers
- Media

Public, Government, and Community Stakeholders

Our annual reporting considers how we have implemented **strategic stakeholder engagements with the public** including communities and Government with a focus on ensuring we remain accountable to the commitments we have made including:

- Youth development and skills building initiatives in **Partnerships with Academic Institutions**
- Informing our communities where we operate on community-building and **social investment** programmes
- This is specifically highlighted in this report in how we have engaged communities and the public through the **Presidential Imbizos** where we have strengthened community knowledge of Transnet's work and the benefits to them including youth development initiatives amongst others.

- Communities and Traditional Leaders
- Government and Parliament
- Public, Civil Society, and Academia

Figure 2: Transnet Stakeholder Universe Overview of Stakeholder Engagement Approaches and Activities

TRANSNET STAKEHOLDER UNIVERSE

Transnet Stakeholder Universe, which includes 19 categories as outlined in the Stakeholder Engagement Policy, is the benchmark for helping the business ensure all relevant stakeholder categories are engaged effectively. The report also provides the impact stories from each of Transnet's community centres and outreach programmes, that are reaching several vulnerable communities by providing relevant support. This report further outlines the application of the Recovery Plan in the events and engagements the organisation has initiated or supported in the past year.

The diagram below outlines 19 categories of stakeholders that make up the Transnet stakeholder universe.

Figure 3: Transnet's Stakeholder Universe

DRIVING STAKEHOLDER ENGAGEMENTS THROUGH COLLABORATIONS

The Transnet Board of Directors has conducted several strategic stakeholder engagements to bolster operational performance and regain lost capacity, as part of the Transnet Recovery Plan.

The Recovery Plan, which reflects our commitment to improve performance in the short to medium term, is grounded on authentic engagement and close collaboration with trusted stakeholders, especially through the National Logistics Crisis Committee (NLCC). These collaborations are a crucial pillar of the various strategic initiatives we are undertaking to recover rail and port volumes.

The challenges faced are complex, requiring proactive engagement with stakeholders to enhance performance and build trust in our partnerships. The coordination and collaboration through the NLCC has been instrumental in bringing to life the various initiatives to recover volumes and improve financial performance.

Our stakeholders have shown deep commitment to walk the recovery journey alongside us. The recent procurement of spares and critical operating equipment replacement such as straddles, RTG cranes, locomotive batteries and compressors etc, with the assistance of our customers, to ease our rail and ports challenges is an apt demonstration of the value that our stakeholders bring to the table through mutually beneficial and sustainable partnerships.

TRANSNET RECOVERY PLAN OBJECTIVES TO IMPROVE PERFORMANCE AND SUSTAINABILITY ACROSS THE COMPANY

RAIL RECOVERY OBJECTIVES

Transnet Freight Rail Operating Company (TFROC)

- Recovery of volumes
- More effective allocation of existing equipment
- Focus on highest margin traffic
- Focus on low hanging fruit
- Optimisation of rolling stock asset portfolio

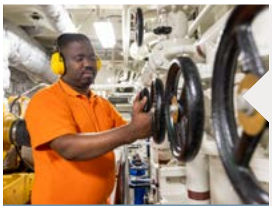
Transnet Engineering (TE)

- Get behind TFROC to deliver more effective maintenance
- Drive focus on rolling stock which has greatest impact on delivery of volumes
- Contractor for maintenance effectiveness

Transnet Rail Infrastructure Manager (TRIM)

- Focus on protecting rail network
- Restoration of lost rail capacity (slots) on commercially viable Tier A network through effective maintenance programme
- IM established October 2023
- Rollout third-party access April 2024

PORT RECOVERY OBJECTIVES



Transnet National Ports Authority (TNPA)

- Enhanced commercial performance resulting from improved operational efficiencies across:
  - Operations (particularly marine service)
  - Finance and rental collections
  - Customer management

Transnet Port Terminals (TPT)

- Improvement of operating efficiency to incease volumes by implementing:
  - Continuous improvement
  - Enhanced reliability and availability of key operating equipment effectiveness

PROPERTY RECOVERY OBJECTIVES

Transnet Property (TP)

- Improve execution of landlord functions to improve revenue generated from portfolio with focus on:
  - Commercial portfolio
  - Industrial portfolio
- Disposal of non-core properties (-3 750) including residential portfolio
- Fair valuation of strategic properties to enhance portfolio value and support Group balance sheet

Figure 4: Transnet's Recovery Plan's Objectives

TRANSNET NATIONAL PORTS AUTHORITY (TNPA) AND THE COUNCIL FOR SCIENTIFIC AND INDUSTRIAL RESEARCH (CSIR)

Transnet, through its operating division TNPA, has forged a strategic partnership with the CSIR. The purpose of this collaboration is to tackle the challenges posed by extreme wind disruptions at the Port of Cape Town. This partnership has been formalised by the signing of a Memorandum of Agreement (MoA) with the CSIR-hosted programme ACCESS (The Alliance for Collaboration on Climate and Earth Systems Science) and other esteemed research institutions. The primary objective of this agreement is to initiate a series of research projects dedicated to the comprehensive understanding of the impacts of extreme wind disruptions on port operations.

By leveraging the scientific expertise and resources provided by CSIR and other research institutions, TNPA aims to enhance its understanding of extreme wind disruptions and their impacts on port operations. The actionable strategies and innovative solutions developed through this collaboration have the potential to improve TNPA's operational resilience and efficiency, ultimately benefitting its stakeholders, including customers and investors. Additionally, if the collaboration results in the development of innovative solutions or technologies, it could enhance the competitive position of Transnet and its associated entities in the maritime industry, which may be viewed positively by investors.

The collaboration between TNPA and CSIR holds promise for customers as well as employees in addressing the challenges posed by extreme wind disruptions at the Port of Cape Town. By combining their expertise and resources, the partners aim to develop solutions that not only optimise port operations but also benefit customers, investors, and the broader maritime industry.

Figure 5: TNPA Acting Chief Executive and CSIR Executive

This initiative underscores TNPA's pro-active approach to addressing environmental challenges and fostering sustainable development within the maritime sector. By harnessing cutting-edge scientific research and fostering collaborative partnerships, TNPA remains committed to ensuring the continued resilience and competitiveness of the Port of Cape Town in the face of evolving climatic conditions.

TNPA has factored expedited delivery of these vessels in their plans, to mitigate the impact of inclement weather on dredging operations.

The partnership has prioritised this delivery to the forefront of the cargo queue. This prompt delivery will significantly enhance service quality and employee safety.

TRANSNET PORT TERMINAL AND ORIGINAL EQUIPMENT MANUFACTURERS

In a significant move to address equipment availability at its terminals, Transnet Port Terminals (TPT) has concluded a seven-year agreement with four OEMs, for the supply of critical spares for equipment across its terminals, including the Durban Container Terminal (DCT) Pier 2.

TPT required approximately 8 000 different material items from each OEM across its four sectors containers – bulk, break bulk and automotive – in its 16 sea-cargo terminals and three inland terminals.

This collaboration of straddle carrier supply has improved the service at DCT Pier 2 for the benefit of employees by improving their efficiency to meet volumes, while customers benefitted from faster turnaround times.

The DCT Pier 2 has focused on increasing volumes handled per 24-hour period, with intention to aid the Recovery Plan.

The confinement agreements signed with the OEMs are aimed at reducing waiting times for critical spares of handling equipment, such as straddle carriers, ship-to-shore, and rubber-tyred gantry cranes.

The process of developing a parts catalogue and aligning coding of materials on both OEM and TPT systems has already begun, and OEMs Kalmar, Liebherr, Kone Cranes, and ZPMC have already started supplying spares. Currently, priority is being given to a three-month list of demand materials in the Container sector to ensure a bulk and uninterrupted supply.


Figure 6: Transnet's key handling equipments at the terminals

TRANSNET'S MEGA HUB COLLABORATION WITH BIDVEST BANK

Transnet Mega Hub has partnered with Bidvest Bank to launch the Empangeni Training Farm project, a sustainable farming initiative. This project seeks to create shared value for a wide range of stakeholders including local communities, the municipality, traditional authorities, business forums, the local Agricultural College, and the Zululand Chamber of Commerce, all in support of Transnet and Bidvest Bank.

Students from the local communities are among the key beneficiaries of the project. It aims to empower local residents by offering training programmes of varying durations in different aspects of farming. Participants will receive education in areas such as aquaculture, agriculture, and hydroponics.

The project has delivered multiple benefits to the local communities, including the employment of locals through a fully funded National Qualification Framework (NQF) Level 4 learnership. The initial group of 30 students began their AgriSETA NQF Level 4 training after being recruited through local advertising channels. This recruitment process included a series of assessments to evaluate the students' suitability for the programme. Classroom training kicked off in January 2024, following readiness and induction training that started in December 2023. Over a period of five years, several cohorts of students will undergo training.

The project was officially launched on 14 March 2024, with the launch receiving strong support from its stakeholders. The first phase of the project benefitted quite a few of suppliers, who were onboarded on how to execute their services in the construction of the project. As the project moves forward, we hope to have additional suppliers benefitting.

REPORTING ENGAGEMENTS THROUGH ESG METHODOLOGY

Transnet is forging forward with the new request for integrated reporting using ESG principles.

During the financial year, Transnet's Corporate Sustainability team has been developing an Environmental, Social and Governance (ESG) Strategy to guide the management of ESG risks, impacts and opportunities across the business.

We are of the view that understanding the vast array of ESG elements, monitoring and responding appropriately to sustainability and ESG issues will not only protect Transnet's enterprise value but will demonstrate an integral enterprise value creation process that continuously provides valuable opportunities for stakeholders in their engagements with the organisation.

Environmental
Climate response, biodiversity and land use management, air quality management, water management, energy mix and security of supply

Social
Stakeholder expectations and grievances, suitable and ethical procurement, safe and secure operations (include health & safety, product and cable theft

Governance
Transparency, accountability, ethics and compliance (includes data privacy) cybersecurity, environmental compliance and anticorruption

TRANSNET SUPPORTING COMMUNITIES THROUGH ITS COMMUNITY CENTRES

Transnet's Foundation adopted a new approach to the management and operations of the Transnet Community Centres.

A sustainable business model underpinned by a focus on **environment, sustainability and governance (ESG)** was implemented.

NGO structures are incorporated as a key stakeholder of the model to drive innovative social and economic solutions to community challenges, with a specific focus on young people.

Managing NGOs were appointed at each of the Community Centres.

A managing NGO is a legally registered Public Benefit Organisation and is from the community where the Centre is based.

The role and responsibility of the managing NGOs is the turn-key management of the Centre, which includes managing assets, operations, tenant NGOs, security, maintenance and liabilities, as well as implementing the Transnet strategy for the Community Centres.

The Foundation provides hands on leadership, guidance, and oversight.

In line with the Foundation strategy, the managing NGOs receive a subsidy, but are also required to develop and implement an income-generating business model at the Community Centres. This approach aims to ensure sustainability and reduce financial dependency on Transnet.

To further ensure the sustainability and development of the NGOs, the Foundation implements skills training that will enable them to exit more empowered than upon arrival.

The Transnet Community Centres are as follows:

- Khuma Community Centre situated in Khuma location, in North West;
- Welgedacht Community Centre near Springs, in Ekurhuleni;
- Thokoza Community Centre near Katlehong; and
- Reagh Community Centre, in Bushbuckridge, Mpumalanga.

COMMUNITY SERVICE IN ACTION

CONCLUSION

It has been critical to strengthen stakeholder management and intensify engagement with stakeholders. This has allowed more pooling of resources and the formation of strong collaborative teams. We have reviewed our control instruments – the Stakeholder Engagement Policy and the Stakeholder Management and Engagement Procedure – to enhance compliance and streamline the engagement process. We continue to monitor the implementation of these tools across Transnet and aim to deepen the understanding of these tools in the upcoming year, 2024/25FY

In 2024/25FY, Transnet undertakes to

- Develop and implement the Stakeholder Engagement Policy and Procedure across all operating divisions within the organisation
- Assist the operating divisions in developing tailored engagement plans and strategies
- Facilitate the appointment of stakeholder relationship owners (SROs) and community champions across the Operating Divisions
- Conduct the Multi-Stakeholder Perception Survey to measure our stakeholder perception about the organisation and its relationships

TRANSNET'S RESPONSE TO MATERIAL ISSUES FROM STAKEHOLDERS

- Shareholder
- Board
- Management
- Employees
- Labour
- Customers
- Investors
- Suppliers
- Government
- Parliament
- Media
- Academia
- Civil society
- Competitors

ANNEXURE A

1	Briefing to the Western Cape legislature: Standing Committee on initiatives to improve efficiencies at the Port of Cape Town.	Shareholder, Board, Management, Employees, Customers, Government, Parliament
2	Briefing to the KwaZulu-Natal legislature on measures to de-congest the roads and revive the railway system.	Shareholder, Board, Management, Employees, Customers, Government, Parliament
3	Briefing to the Select Committee on Public Enterprises and Communication on measures to improve operations on rail and at the ports.	Shareholder, Board, Management, Employees, Customers, Government, Parliament
4	Briefing to the Portfolio Committee on Public Enterprises – update on overall business.	Shareholder, Board, Management, Employees, Customers, Government, Parliament
5	A parliamentary question from Hon Maotwe (EFF) on operational challenges at TFR.	Shareholder, Board, Management, Employees, Customers, Government, Parliament
6	A parliamentary question from Hon Cachalia (DA) on the Company's position on PSP's	Shareholder, Board, Management, Employees, Customers, Government, Parliament
7	A parliamentary question from Hon Maotwe (EFF) on the total number of assets sold.	Shareholder, Board, Management, Employees, Customers, Government, Parliament
8	Briefing to the Standing Committee on appropriations on the performance of the Port of Richards Bay.	Shareholder, Board, Management, Employees, Customers, Government, Parliament
9	Briefing to the Portfolio Committee on Public Enterprises in the annual report.	Shareholder, Board, Management, Employees, Customers, Government, Parliament
11	This year's budget offers exciting prospects and realities.	Shareholder, Board, Management, Employees, Government, Media
12	Increased volumes show signs of recovery as TFR recorded a 3.5% increase in tonnage carried in the final quarter of 2023.	Shareholder, Board, Management, Employees, Labour, Government
13	Transnet appointed Michelle Phillips as group CEO.	Shareholder, Board, Management, Employees, Government
14	Transnet issued with R47 billion support for the Company's Recovery Plan.	Shareholder, Board, Management, Employees, Investors, Government
15	A significant headway had been made at TPT to reduce the vessel backlog at the Port of Durban.	Management, Employees, Labour
16	Government plans to invest R160 billion to address the infrastructure woes.	Shareholder, Board, Management, Employees, Investors, Government
17	Transnet supported international Mother Language day.	Employees, Labour
18	Transnet GCE encouraged meeting of production targets.	Board, Management, Employees, Labour
19	Transnet ramped up the number of locomotives available on its lines to decongest the Port of Richards Bay.	Employees

ANNEXURE A continued

20	Transnet signed a cooperation agreement with RBCT in November 2023.
21	TNPA is accelerating the execution of port infrastructure development projects to reduce congestion and increase capacity at the ports.
22	Transnet's Board has approved the finalisation of the contract to run DCT 2.
23	Transnet acquired seven new tugboats to improve operational efficiency.
24	Transnet forges ahead with R89 billion logistics hub in KZN
25	The Cape Town Multi-purpose Terminal has increased volume in the agricultural bulk sector by 43% year-to-date.
26	Transnet ported telephone numbers from LiquidTelecom to Vodacom as an initiative to enhance communication services and streamline telephone infrastructure.
27	Transnet has begun the process of allowing private companies to use its vast rail network, by publishing the draft network statement.
28	Transnet has invested R233 million in the rehabilitation of roads in key container-handling port precincts at the Port of Durban.
29	Cabinet has welcomed measures and plans put in place by Transnet to resolve the backlog at ports in Durban and Richards Bay.
30	Transnet National Ports Authority backed schools on maritime studies, with learning materials.
31	Transnet National Ports Authority has partnered with the CSIR to address extreme wind disruption at the Port of Cape Town.
32	Transnet has signed a second addendum of the Memorandum of Understanding (MoU) with the eThekwini Municipality, which focuses on developmental projects.
33	DCT received new equipment to improve efficiency ahead of citrus season.
34	TNPA has released tenders for nearly 100 leasing opportunities across seven of its seaports in line with a real-estate strategy that aims to unlock the economic value of the land within the ports.
35	Transnet implemented the Procurement Automation project, which aims to eliminate the inefficiencies that have plagued traditional procurement processes.
36	On 1 August 2023, TFR adopted an Outcomes Based Security (OBS) solution to combat theft and vandalism on its rail network.
37	Line managers and employees held their performance discussions in line with the Performance Management Policy, to ensure that they are aligned to the overall Transnet strategy.
38	Transnet shared their data with third parties or external entities outside of Transnet (e.g. BUSA, SAAFF), which facilitates the improvement of customer experience, enhances analytics, and enables innovation.

TRANSNET'S ENTERPRISE RISK MANAGEMENT

The company faces significant challenges from both internal and external factors. These include economic downturns, climate change and geopolitical risks. The Company persistently pursues its Recovery Plan that aims to secure a sustainable future for both Transnet and the South African economy. To mitigate risks associated with executing this plan, several measures are in place:

- Effective allocation of existing equipment across operations;
- The strengthening of security measures to safeguard operations;
- Ongoing asset maintenance, especially as Transnet drives key capital projects and seeks investment opportunities through private sector participation; and
- The Recovery Plan's implementation and performance, which is rigorously monitored to ensure its successful execution.

The transportation industry is severely impacted by the global risk landscape, and the unresolved Russia-Ukraine conflict situation continues to strain supply chains. The war in Gaza, which erupted on 7 October 2023, also has wide-reaching global impacts. Increasingly, the risks faced by the industry are becoming interconnected – escalating in speed and impact, presenting major challenges for business.

TRANSNET'S RISK MANAGEMENT PROCESS AND ARCHITECTURE

The most important principle of the adopted ERM approach is to enable the business to make proactive and informed decisions. All elements of the risk architecture, transformation, governance and assurance areas are designed and implemented with this principle in mind.

This integrated systems approach is based on four areas of focus, with each area having specific building blocks that integrate for success. To bridge the gap between risk strategy and execution, Transnet adopts a formal transformation management approach. This involves integrating the ERM architecture methodologies and shifting employees' mindsets towards risk ownership.

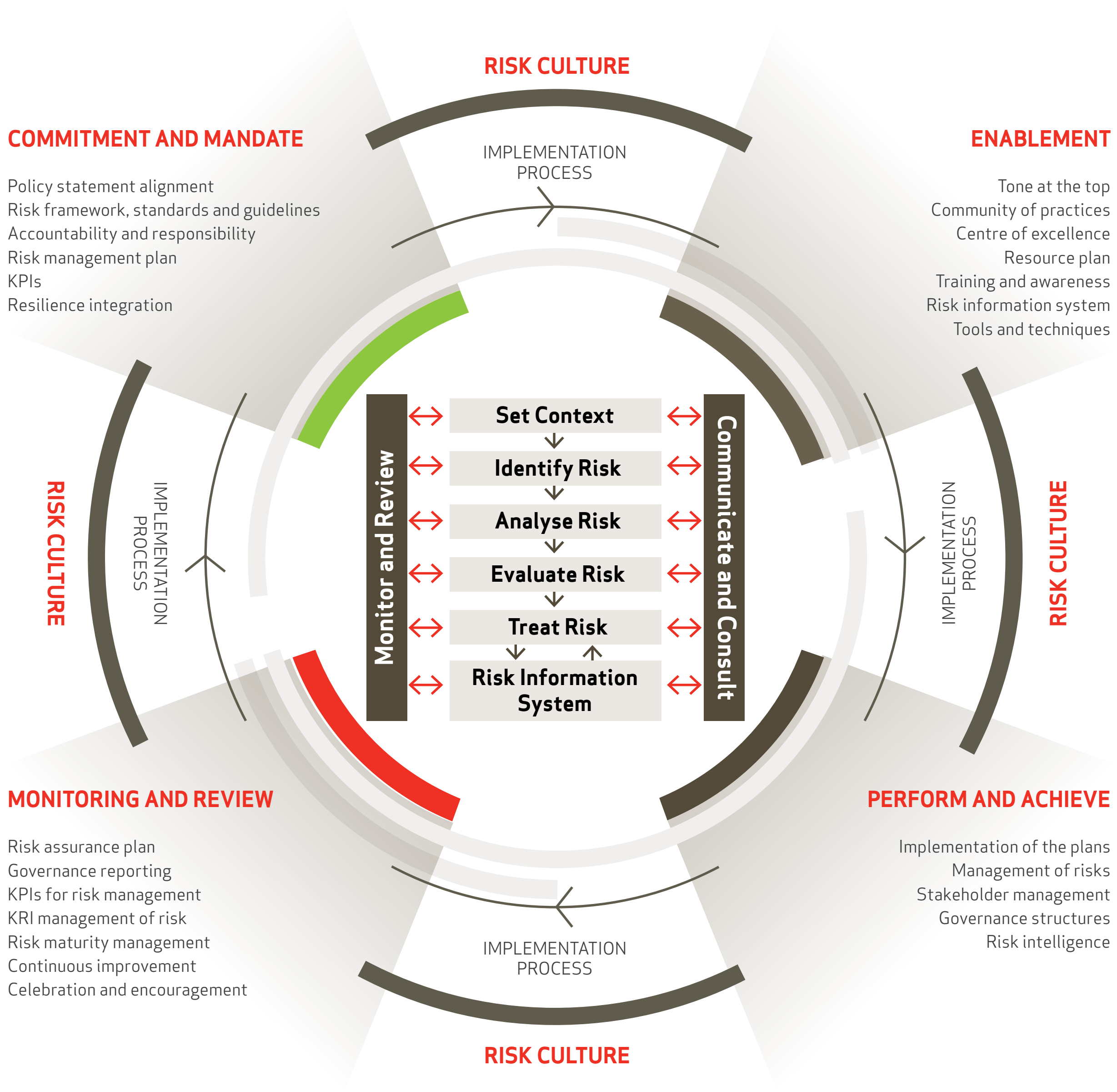
TRANSNET'S INTEGRATED RISK MANAGEMENT PLAN

KING IV™. P2, 4, 8 AND 11

The Integrated Risk Management Plan (IRMP) emphasises the need to adapt Transnet's risk management to the evolving dynamics of the Company. This adaptation aligns with the principles of ethical leadership outlined in King IV™. Achievements in this area stem from strategic leadership discussions and the execution of targeted action plans that advance the IRMP objectives.

Risk management responsibility at Transnet is upheld by assigning risk sponsorship and ownership for mitigations across the top 10 strategic clusters and key emerging risks. While progress has been made, this area continues to need focused attention.

The transformation actions are outlined in the IRMP which is visually represented below. The IRMP comprises interconnected cycles: the inner cycle focuses on tactical risk management for daily operations, while the outer cycle – the transformational envelope – outlines key focus areas that guide the implementation of activities. Transnet's IRMP framework is depicted below:



The IRMP defines four integrated focus areas that drive the principles, concepts, common language and direction required to execute the plan, namely:

- Commitment and mandate;
- Enablement;
- Perform and achieve; and
- Monitoring and review.

Operationally engaged executives lead in the definition and management of these four focus areas of the plan, resulting in this risk transformation process being both practical and relevant to the business.

OUR RISK CONTROL AND ASSURANCE ENVIRONMENT

GOVERNANCE OF RISK

A formalised ERM architecture ensures a structured and consistent approach to risk management. It aligns strategy, processes, people, technology and knowledge for the purpose of evaluating and managing the uncertainties that the Company faces in creating value for its shareholders.

The critical elements that make up the ERM architecture are Transnet's:

- ERM Policy;
- ERM Framework; and
- Risk Appetite and Tolerance Framework.

The ERM Policy directs the business through a commitment statement that is drafted by the Board and Group Chief Executive. The statement outlines the approach to managing risk to support the achievement of corporate objectives, to protect employees and business assets, and ensure financial sustainability.

In turn, the policy is realised through the ERM Framework. The risk management approach that is adopted was developed with reference to ISO 31000:2018 Risk Management Principles and Guidelines, the 2017 COSO ERM Framework, and South African legislative requirements. The framework provides detailed guidelines on:

- Fundamentals and principles relating to risk management, and guides risk management methodologies – applied organisation wide;
- The process for identifying, assessing, mitigating, monitoring and reporting risks and controls;
- Risk management roles and responsibilities for each management level; and
- The mechanisms for managing, monitoring and providing assurance on risks.

The ERM Framework is reinforced by the Transnet Risk Appetite and Tolerance Framework, which defines the levels of risk that the Company is willing to accept to achieve its business goals and objectives. It specifies the variability in outcomes that Transnet, its Board and senior executives can tolerate – aligned with their strategic goals. Transnet's risk appetite is carefully balanced with its overall capacity to bear risk, considering the complexities and integration of its business operations across various risk clusters.

RISK ASSURANCE

Risk assurance at Transnet comprises three levels of defence.

First line of assurance

Line management is ultimately accountable for managing risk mitigation – specifically the top 10 strategic risks – risk clusters and key emerging risks. While the Company has made measurable progress, more attention is required to ensure the desired levels of accountability are embedded.

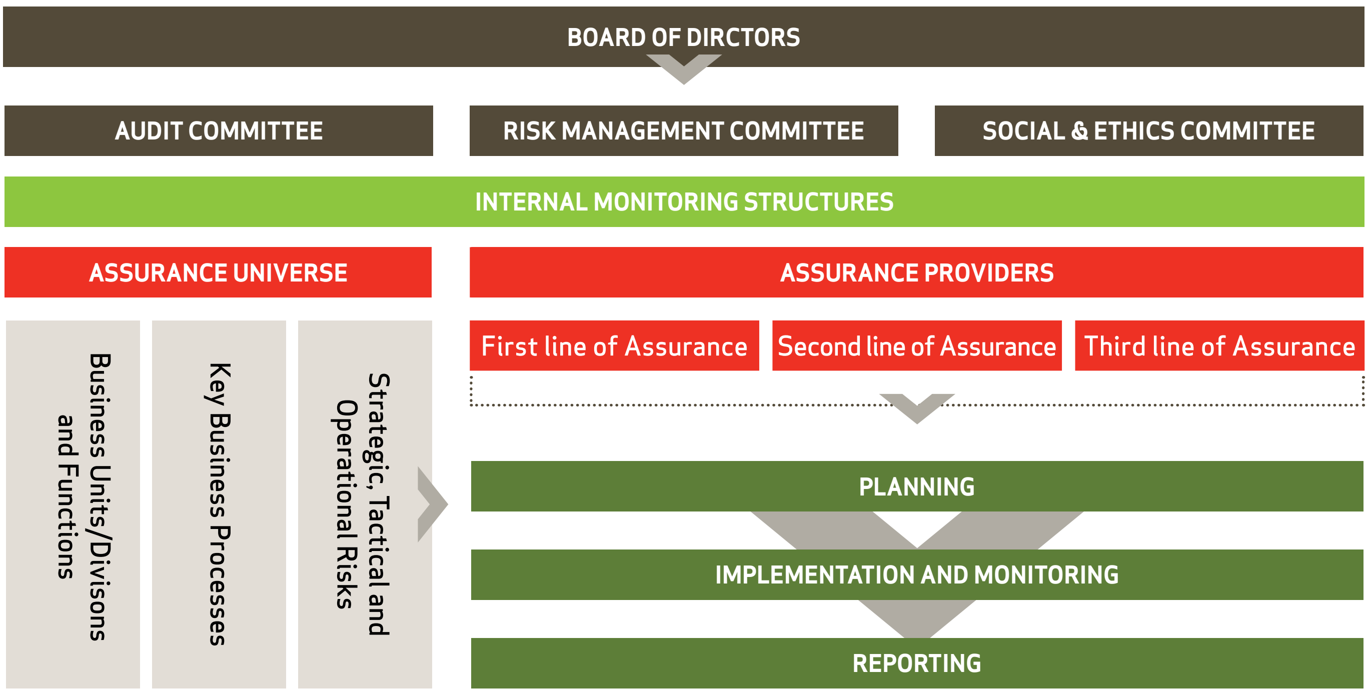
Second line of assurance

Engagement with assurance providers within the organisation, but who are indirectly accountable for risk management, such as Group functions and the operating divisions. The second line of assurance aims to further embed adequacy and effectiveness in managing the top 10 strategic risk clusters and key emerging risks.

Third line of assurance

Provided by assurance providers who are independent from management and our operations. The third line of assurance relates to the Company's internal and external audit providers and regulators.

COMBINED ASSURANCE OVERSIGHT



MANAGING OUR RISK APPETITE AND TOLERANCE

Transnet has implemented a robust ERM programme, which is integrated at the strategic level and extends across the entire Company. This is strengthened by the RIMF, and aligns with DPE's standards to improve risk identification and management, thus supporting Transnet's strategic objectives, and contributing to South Africa's economic growth.

The RIMF outlines norms and standards for risk-based performance management, defining the Board's acceptable risk levels (risk appetite and tolerance). This ensures alignment with the risk appetite statement.

To comply with this framework, we are implementing a database tracking and monitoring strategy to measure our risk appetite, thresholds and possible breaches. Related organisational functions have, additionally, been integrated to detect, prevent and mitigate the impacts of acts of fraud.

CONTEXTUALISING OUR TOP 10 RISKS FOR 2024

Every Transnet employee drives the Company objectives and manages associated risks. Transnet's principle requires risk management at the level of each objective, addressing strategic, operational and tactical risks. The function actively involves executive leadership through risk conversation workshops.

During the reporting year, we reviewed the top strategic and emerging risks in line with Transnet's strategy. Strategic risk identification is part of our annual review process. This identification is noted through focused engagements for internal stakeholders, external information gathering, and a detailed engaging risk workshop. Risk reviews also occur during major changes, such as turnarounds or operating model shifts.

Infrastructure and superstructure constraints hinder revenue generation and expenditure critical for the maintenance and replacement of assets. This has led to equipment failures, fires, derailments and security incidents like vandalism and theft. To address these, ODs have developed recovery plans to transform operational performance, which are key to Transnet's Recovery Plan.

Risk management monitors and reviews the mitigation effectiveness; integrating sprint reviews to conduct operational spot checks. This assesses the maturity of the risk culture, helping to curb incidents and reduce the risk profile of operations – attracting investors, insurers and reinsurers.

Emerging risks are identified by reviewing internal and external business environments. Critical infrastructure failure due to extreme weather, accidents, or cyberattacks remains a material risk. Climate change initiatives involve developing a risk and vulnerability framework and early warning systems to identify weather-related events. Repairs to damaged infrastructure are also effected on a Build-Back-Better principle, to reduce the impact of future weather or accidental events. Opportunities, such as PSPs, are ingrained in the strategy. PSPs offer access to capital (crowd funding) and capabilities to meet customer needs, fostering a sustainable and competitive business for the future. The rapidly evolving competitive landscape and digital technology offer opportunity for improvement in efficiency and competitiveness. South Africa's high unemployment levels and socio-economic instability, however, is further compounded by rising living costs – posing real and concerning threats.

We consider key internal challenges and the constantly changing global risk landscape, using sources such as the Institute of Risk Management South Africa, Gartner, the World Economic Forum and Global Risks. While strategic risk clusters are stable, there has been a significant shift in underlying risks.

Ten risk clusters have been identified, each requiring specific attention. Each cluster has a set of associated and individually managed risks. Though risk clusters remain relatively static, the individual risks, KPIs, appetite and tolerance levels are dynamic and managed accordingly. These risk clusters and associated risks are reviewed and reported quarterly.

TRANSNET'S TOP 10 RISKS FOR 2024

Residual top 10 risk cluster ranking – movement from 2023 to 2024

RISK PRIORITY AND SENIOR OVERSIGHT

- **Priority I Risk** – Group Chief Executive and Board level
- **Priority II Risk** – Operating division Chief Executive level
- **Priority III Risk** – General Manager level
- **Priority IV Risk** – Management level
- **Priority V Risk** – Employee level

Risk description	2023 risk rating (Residual)	Risk description	2024 risk rating (Residual)
Financial Sustainability	01	Operational Sustainability and Efficiency	**01**
Operational Sustainability and Efficiency	02	Financial Sustainability	**02**
Business Development	03	Business Development	**03**
Infrastructure/Asset Creation	04	Infrastructure/Asset Creation	**04**
Market/Segment/Customer	05	Market/Segment/Customer	**05**
Safety, Security, Health and Environment	06	Safety, Security, Health and Environment	**06**
People and Learning	07	Governance*	**07**
Governance	08	Reputation Management	**08**
Reputation Management	09	People and Learning	**09**
Developmental/Industrialisation/Procurement	10	Developmental/Industrialisation/Procurement	**10**

*Governance includes Regulatory changes and Regulated Entities.

IDENTIFIED RISKS AND RISK RESPONSES

TOP 10 RISK CLUSTERS AND RISK RESPONSES

01 Operational sustainability and efficiency

Responsibility: **Operating Division Chief Executives**

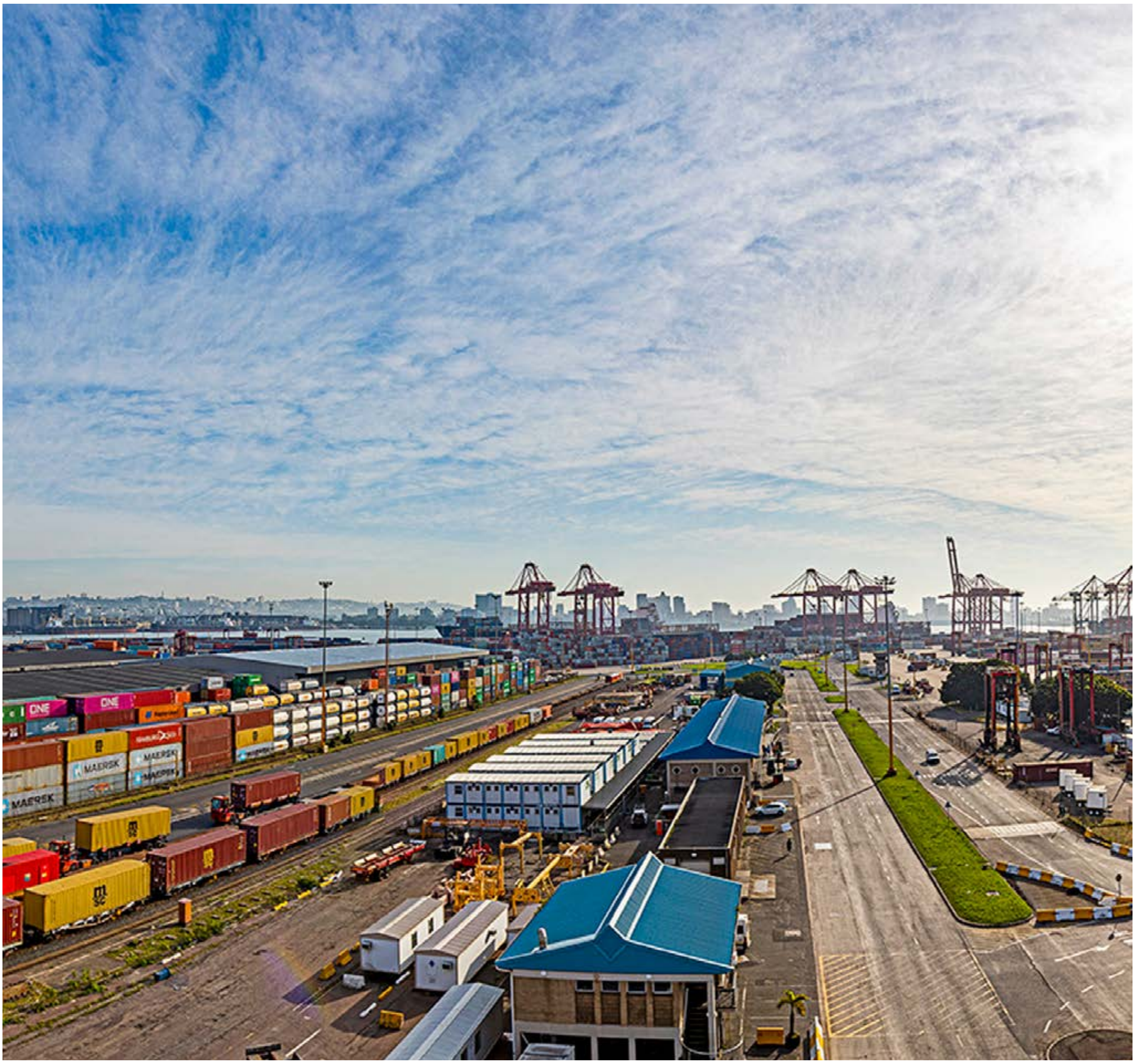
Objective	Appetite statement
Maintaining the security of freight handling and movement, along with providing a cost-effective and efficient on-time service delivery, to ultimately contribute to lowering the cost of doing business for customers	Transnet has a high appetite to deliver on our operational targets/promise through being innovative, agile and efficient in our day-to-day operations by choosing options as technology and regrouped service channels to improve operational efficiency and achieve higher business rewards for the sustainability of our business.

Key risks	Risk responses
• Insufficient funding leading to capital expenditure and operational shortfalls impacting rolling stock, infrastructure maintenance and security measures • Unreliable and unavailable locomotives, including the impact of 1 064 locomotive renegotiations, hindering volume targets • Increased security incidences threaten asset security and reliable service delivery for Freight Rail • Ineffective port oversight and operational efficiencies leading to customer dissatisfaction and poor ratings • Failure to exploit full commercial value from the portfolio, hampering portfolio improvement, and the execution of some mandates • Inadequate lease management processes leading to revenue leakage • Suboptimal property portfolio returns due to inadequate management of debtors, poor client relationship management practices, poor credit control processes and protracted litigation • Inability to optimise the returns from the property portfolio due to poor property conditions, high holding costs and building dilapidation • Illegal property occupation resulting in loss of property value, vandalism, and non-recoverable service costs	• Reallocate/reduce/compress capital in line with affordability • Identify and implement programmes for alternative funding models (PSPs, sale of wagons, leasing options, implementation of a security levy, etc.) • Negotiate with original equipment manufacturers (OEMs) to support the various fleets through material and reliability support agreements • Implement the Security Technology Plan as proposed by the outcomes-based service providers, to reduce the number of security incidents • Foster partnerships/collaboration with customers and other stakeholders in respect of joint security interventions • Implement the benchmarking study recommendations and best practices to address poor operational efficiencies • Implement the Marine Fleet Maintenance Strategy to address marine fleet breakdowns • Implement an optimal property management model to increase occupancy, improve collections and enhance facilities management

01 Operational sustainability and efficiency

Responsibility: **Operating Division Chief Executives**

Key risks	Risk responses
	• Strengthen the current development lease model and adopt the in-house management model to stimulate the development lease model for effective revenue streams • Accelerate the completion of historical reconciliations and the development of a coherent plan for the collection of all outstanding debts including Government clients as part of a broader initiative to improve cash flow management • Evict illegal squatters by following the legal process, and develop an informal settlements strategy to prevent loss of property value, vandalism and non-recoverable service costs • Monitor the illegal occupation of Transnet properties to proactively identify illegal occupation and prevent loss of property value and vandalism



02 Financial sustainability

Responsibility: **Chief Financial Officer**

Objective	Appetite statement
Finance contributes to lowering the cost of doing business in South Africa via cost-effective funding, deploying effective cost control measures and delivering appropriate financial returns to Shareholders, while complying with laws and regulations.	Transnet has a medium to high appetite in respect of financial sustainability by maintaining financial covenants close to its limits, to enable investment and drive economic activity and lower the cost of doing business.

Key risks

- Protracted poor business performance due to operational challenges impacting on ability to raise cost-effective funding for business development
- Debt covenant breaches and waivers, with cash interest cover (CIC) ratio breaching debt covenant requirements
- Insufficient cash generated from operations to fund infrastructure maintenance/replacement and prevent deteriorating asset health
- Credit rating downgrades by the international rating agencies leading to breach of debt covenants and challenges with raising cost-effective funding
- Insufficient liquidity to meet scheduled debt redemptions and business needs
- High debt redemption profile and the refinancing ability
- Difficulties in recovering revenue from trade debtors, property tenants (financially distressed customers and tenants)
- Fair value adjustment losses due to market votalities
- Inaccurate or incomplete financial information, resulting in financial adjustments during the audit at year end
- PFMA non-compliance due to incomplete and/ inaccurate reporting of irregular expenditure, fruitless and wasteful expenditure and losses through criminal conduct

Risk responses

- Implement the Board approved Recovery Plan to improve operational performance
- Prioritise high margin commodity flows and corridors for improved financial performance
- Manage revenue at risk and implement recovery plans for those sectors at risk
- Implement the theft and vandalism prevention strategy, including initiatives with customers and government law enforcement agencies to minimise derailments and product theft
- Implement sustainable and effective cost control measures to minimise cash outflows
- Renegotiate top procurement contracts to elicit further cost savings
- Improve working capital management (including discounting of debtors and deferment of supplier payment where possible)
- Close monitoring of customers with high credit risk exposures to minimize financial losses
- Private Sector Participation in identified TFR corridors and TPT Terminals for improved operational performance
- Improve investor relations to enhance ability to raise cost-effective funding for business development
- Fast-track sale of non-performing commercial and residential properties at Transnet Properties for improved financial performance
- Hedge all foreign currency exposures, for both the capital and interest payments
- Sale of non-core assets and scrap for cash generation
- Group Technical Committee periodic meetings with Operating Divisions to provide technical support and guidance on complex and unusual accounting matters
- Group PFMA Remedial Plan is in place and progress on its implementation is closely monitored by the PFMA Steerco and Exco
- Training of Procurement personnel and Bids Adjudication Committee members on procurement related legislation and regulations to minimise PFMA violations
- PFMA Framework Consequence Management SOP (including a sanction's guide for PFMA violations) in place for guidance on PFMA violations

03 Business development

Responsibility: **Chief Business Development Officer and Operating Division Chief Executives**

Objective	Appetite statement
Drive growth and diversify Transnet core business through strategic transactions and partnerships by: • Expanding geographically into new markets • Improving the bankability of transactions for private sector investments • Building innovative partnerships across value chains • Enabling project development/ risk sharing/mitigation with the private sector	Transnet is risk neutral with regards to taking commercial risks that may be construed as incurring fruitless expenditure or increasing the cost of doing business, balanced with a need to contractually engage on an arm's-length basis with counterparties to balance risk and return for both parties.
Key risks	**Risk responses**
• Political, economic and climate risks in target markets resulting in delays in implementing geographical expansion transactions • Insufficient or lack of funding for projects resulting in failure to take up growth opportunities and losing market share in the sub-Saharan region • Long lead times to obtain approval from the relevant authorities to execute transactions, resulting in missed market opportunities and unnecessary delays • Reputational risk to Transnet due to low stakeholder satisfaction • Fragmented approach to customers resulting in low customer satisfaction and loss of revenue • Inadequate information on stakeholders' requests resulting in unmanaged expectations across the Operating Divisions • Poor maintenance and inadequate documentation of assets resulting in a risk of damage and loss of assets	• Develop and implement a country/region/block risk review for countries identified for growth opportunities • Continuous monitoring and reporting on the implementation of the country entry/exit model to identify any new developments in targeted countries • Leverage Government bilateral relationships/agreements to support proposed transactions • Determine appropriate funding strategies to exploit growth opportunities • Identify local and international funding partners to improve capital affordability and availability • Proactively engage relevant authorities to create awareness of the transactions and obtain guidance on key requirements for approval • Develop resources to maintain Transnet's prominence in emerging markets • Implement the Heritage Preservation Policy which has been adopted by the Transnet Board • Develop an integrated conservation management plan for all the heritage assets • Document all remaining heritage assets and create a digital repository • Ongoing collaboration with Operating Divisions to profile stakeholder expectations and associated risks and to measure their impact linked to the overall organisational mandate • Rebuild commercial capacity

04 Infrastructure/asset creation

Responsibility: **Chief Strategy and Planning Officer**

Objective	Appetite statement
Capital is allocated and invested to provide enduring benefits to the business in terms of meeting strategic objectives, including maximising financial returns, improving operational efficiency, safety and lowering the cost of doing business in the country.	Transnet has a medium to high appetite to invest in infrastructure that will grow or sustain volumes, improve operational efficiency and cost effectiveness to lower the cost of doing business, while offering commensurate return on investment.

Key risks

- The operating equipment across the business could malfunction (port, rail, pipeline) caused by lack of scheduled maintenance (no plan in place) or insufficient planning (including planning of procurement processes) for scheduled maintenance leading to unsafe working conditions and impact on business to deliver to clients
- Delayed approval of business cases for maintenance projects caused by unclear roles in the Delegation of Authority Framework regarding assurance leading to accidents and derailments and loss of life due to incomplete projects
- Inability to effectively execute Capital (especially large number of maintenance projects) caused by the lack of sufficient resources (VSP/Resignations) and adequate skills (in certain critical roles) in ODs, as well as long bureaucratic processes leading to non-delivery of strategic objectives, cost and schedule overruns
- Potential PFMA and Transnet Policy violations caused by poor project scope and business need definition in the business cases leading to non-delivery against strategic objectives
- Inability to execute capital projects within original cost and schedule caused by failed procurement processes and poor contracting strategies leading to delayed project execution and inflated costs
- Global supply chain uncertainty and delays caused by global unrest leading to delays in procurement of long lead items, increased costs and non-delivery of strategic objectives

Risk responses

- Strict adherence to the Company's Maintenance Strategy (Infrastructure, Locomotives, Wagons, Port, Pipeline)
- Assurance of maintenance projects conducted by Group Strategy and Planning
- Maintenance strategy and plans for each OD to be completed to ensure timely maintenance of assets
- Assessment to be conducted as to the number of people required to deliver capital/maintenance projects at OD level
- Optimisation of capital governance processes across the business
- Evaluation and validation of business case information by ODs for projects within their DOA
- Evaluation and validation of business case information by Group Capital Development and Assurance for projects that have to be approved at group level, as required by the DOA
- Project teams to be trained to be knowledgeable on various contracting strategies and select appropriate one for project
- Assessment of financial status of current contractors to Transnet to determine ability to conclude/continue with current commitments
- Trend analysis of cancelled/delayed contracts in execution of capital/maintenance projects
- Procurement strategies for long-lead items to be in place and implemented as part of project life cycle process

05 Customers/markets/segments

Responsibility: **Operating Division Chief Executives (Freight Rail and Port Terminals)**

Objective	Appetite statement
Increase market share in all market segments by delivering on the Company's service promise to customers, through effective key account management and operational service excellence.	Transnet is eager to be innovative and develop new markets, improve customer service levels and forge relationships and partnerships with existing and new customers to profitably increase market share and effect and accelerate modal shifts and serve the economy.

Key risks

- Poor brand equity and reputation leading to revenue losses
- Impact of subdued or negative markets, both internationally and nationally that negatively affects Transnet
- Trade war between the United States and China which impacts global markets, commodity prices and trade flows
- Lack of internal processes such as key account management protocols and tactical volume plans not supporting growth and customer service initiatives
- Continued concentration risk – five key commodities resulting in 20 key customers contributing to 67% of Transnet's external revenue
- Pricing for certain commodities and service levels not commensurate to attract new business
- Rail turnaround times uncompetitive with road transport as well as ineffective first and last mile and limited integrated logistics solutions
- Capacity not sufficient to meet customer demand in certain market segments
- Operational challenges resulting in volumes not being executed and commitments to customers not being honoured
- Failure to address the high levels of customer dissatisfaction
- Natural disaster risks impacting markets domestically and globally

Risk responses

- Conduct regular customer and industry meetings to address customer needs and concerns
- Implement an annual volume demand validation process to validate volumes and support growth and customer demand
- Implement service level agreements and KPI dashboards to track and review monthly port and rail performance
- Conduct regular meetings with internal stakeholders and ensure continuous engagement with operations teams
- Enter into long-term take-or-pay contracts with customers to protect volumes and revenue
- Track and monitor the order book to keep track of orders and manage operational processes
- Conduct regular customer satisfaction surveys to assess satisfaction levels
- Apply a network-based costing model for pricing models to determine appropriate pricing for services
- Generate annual revenue at risk reports and sample prices to assess deviations and assist decision-making with regard to volumes and revenue
- Implement the Transnet Transversal Project to help craft new pricing guidelines to suit the changing Competition Commission landscape

06 Safety and health

Responsibility: **Chief of People**

Objective	Appetite statement
Transnet seeks to reduce the number and severity of workplace and public safety incidents by mitigating potential hazards and promoting employee health and wellbeing.	Transnet seeks to reduce the number and severity of workplace and public safety incidents by mitigating potential hazards and promoting employee health and wellbeing.

Key risks	Risk responses
• Non-compliance with the health, safety and related regulatory regime which may lead to work stoppages, loss of licences and permits, and monetary penalties • Employee and public injuries and fatalities resulting from operational activities, which may lead to reputation erosion and litigation • Negative impact of workplace-related and communicable, infectious diseases on employees which may lead to severe ill health and death • Negative impact of workplace-related psychosocial stressors (mental health) which could result in increased absenteeism and non-productivity	• Conduct a periodic review of the regulatory universe, operational and strategic risks to proactively control and prevent related risks • Improve compliance with mandatory medical surveillance to proactively identify and manage employee health and wellness • Improve motor vehicle safety through the development and implementation of a comprehensive motor vehicle safety programme across the Company • Embed human factor procedures with a specific focus on fatigue management • Provide oversight and monitor the Corrective Action Plan for high-risk contravention notices, to mitigate potential issuing of fines by the Railway Safety Regulator • Implement targeted wellness interventions to empower both employees and line managers, to manage potentially negative health effects and impact • Engage the public on rail safety and level crossing awareness programmes, and collaborate with State authorities on rail public safety and engineering solutions for high-risk level crossings to reduce public safety incidents • Implement employee wellness initiatives to holistically enhance well-being and health management needs of employees

06 Security

Responsibility: **Chief Security Officer**

Objective	Appetite statement
Physical Security measures are aimed at preventing and or reducing the likelihood of physical security threats and risks against Transnet's human capital, information and physical assets through deterring, detecting potential intruders and triggering appropriate incident responses.	Transnet has a high appetite to move towards more agile security methods and utilise technology to improve overall security throughout the Transnet rail, pipeline network and port infrastructure, reduce disruptions to operations, and enhance Transnet's ability to provide a reliable service.

Key risks	Risk responses
• Increase in security incidents and vandalism of infrastructure and assets (e.g. locomotives, cables, etc.) leading to loss of revenue and critical infrastructure for operations • Increase in product theft and vandalism at Pipelines resulting in damage to infrastructure and loss of revenue • Theft of assets and cargo leading to financial losses and reputational damage	• Implement the security integrated strategy which focuses on information management, Outcomes Based contracting solution, building the security investigation capability, stakeholder management, security governance risk and compliance and vetting management • Implementation of Outcomes Based Contracting across TFR rail corridors • Collaboration with the criminal justice cluster and all outsourced security service providers to act as an intervention team to stabilise all security hotspot areas • Participation in external stakeholder structures engagement (National Logistics Crisis Committee (NLCC), Governance Sector Security Council (GSSC), and Security Managers Forum (SMF) • Solicit support from external law enforcement agencies to conduct disruptive operations in hotspot areas through the NatJoints security system to deal with criminal activities • Accelerate security technology resource deployment at hotspot areas to prevent the scourge of criminal activities within Transnet • Utilise aerial surveillance (helicopters and drones) to protect infrastructure from criminal activities • Identify bucket shops and unscrupulous scrap metal dealers with the intention of charging them in terms of the Criminal Matters Amendment Act, No 18 of 2015. • Utilise Peace Officer designation to empower proprietary security to execute security operations • Implement business intelligence-driven operations – daily, weekly, monthly and quarterly analysis of incidents • Conduct and implement risk and threat assessments, information management, security screening and vetting, to reduce the likelihood of security risks impacting the organisation • Engage community forums including structures such as Amakhosi/traditional leaders and farm owners to monitor performance of security initiatives

06 Environmental sustainability

Responsibility: **Chief Legal Officer**

Objective	Appetite statement
Transnet is regarded as a responsible corporate citizen as demonstrated by reducing its carbon footprint through green initiatives.	Transnet has a high appetite for preserving the environment and low appetite for activities that significantly degrade the environment.
Key risks	**Risk responses**
• Ineffective integration and assurance processes and inadequate budget allocation across Transnet resulting in the failure to implement the Environmental, Social and Governance (ESG) Strategy and the non-achievement of the ESG strategic goals leading to financial and reputational losses as well as potential legal non-compliance • Continuous environmental legal contraventions eroding trust among stakeholders, including Government Regulators, investors and the public, potentially affecting future collaboration and support • Lack of accountability and sign-off on overall ESG data resulting in unreliable, inconsistent sustainability data informing critical business decisions • Budget constraints leading to an overreliance on external funding sources (such as grants) which can be uncertain and may come with their own constraints and extensive requirements • Slow rate of lowering the risk of environmental exposure and liability resulting in increased Company-wide environmental and financial liability	• Ensure that ESG focus areas are well aligned with the overall business objectives of the Operating Divisions to enhance their relevance and integration • Secure the commitment and active involvement of leadership and management in the Operating Divisions to champion ESG objectives • Monitor and evaluate the progress of ESG initiatives against set goals and objectives to identify areas needing attention and to demonstrate the value of these initiatives • Implement a regular reporting mechanism, performance reviews and feedback sessions (Sustainability Forum) to ensure accountability and ownership of the ESG Strategy • Communicate proactively and transparently with stakeholders about Transnet's compliance efforts and current challenges faced • Communicate continuously on ESG Strategy achievements highlighting Transnet's commitment to environmental compliance and address any public concerns promptly and effectively • Establish a robust ESG data system that prioritises digitalisation so as to accurately collect, store and analyse data • Train all internal subject matter experts on standard operating procedures that define processes for data collation and assimilation of ESG reportable information within Transnet • Execute assurance processes through audit sprints, Transnet Internal Audit and ESG ratings, to help determine whether internal controls are sufficient for ensuring environmental compliance as well as the accuracy, reliability, and consistency of data reported. • Explore a variety of funding sources to reduce dependency on any single source that might have constraints • Develop expertise within the team in identifying and applying for more appropriate grants and funding opportunities • Collaborate with Group Compliance, Group Risk and Operating Divisions to ensure a holistic approach to maintaining compliance and preventing disruptions

07 Governance, regulatory changes and regulated entities

Responsibility: **Chief Legal Officer**

Objective	Appetite statement
Transnet is a well-run and governed entity delivering value-adding services to its customers and stakeholders while delivering suitable returns to the Shareholder.	There is a low appetite for non-compliance with laws and regulations, ZERO tolerance for bribery and corruption, in the quest to be a good corporate citizen that maintains high standards of ethics and transparency.

Key risks

- Inefficient operational processes, lack of discipline and lack of consequence management leading to sanctions such as unqualified audit opinions/adverse media coverage
- Inability or failure to track priority legislative developments and to review the impact on Transnet, which could lead to the failure to submit comments to influence changing legislation and mitigating the risk of non-compliance that could include fines and penalties
- National policy, economic and Safety Regulator changes anticipated in terms of rail, ports and pipelines, which will result in loss of customer base and declining revenue, as well as significant organisational changes to Transnet

Risk responses

- Schedule periodic engagements with relevant Government departments/Regulators to discuss a risk-based approach to ensure alignment between strategies and legislation impacting Transnet
- Continuously engage the Group Executive Committee, Transnet Board, the DPE and the Department of Transport regarding policy and legislative changes impacting Transnet
- Continue to seek alignment to the Freight Logistics Roadmap, the National Rail Bill, the Economic Regulation of Transport Bill as well as the reforms instituted by the Shareholder and policy departments
- Ensure Transnet is kept abreast of all changes to the abovementioned market-based instruments timeously, to inform decision-making by constantly scanning the Parliamentary website, Regulator websites, Regulator communications and legislative platforms, and provide regular updates
- Where required, following engagement with impacted ODs consolidate priority risks, impact, and recommendations, to inform comments to the Economic Regulator (interim or final), the Shareholder and the Department of Transport to influence, protect, mitigate risk and align and/or inform the Transnet strategy
- Co-ordinate and/or prepare Transnet positions for the Economic Regulator (interim or final), the Shareholder and the Department of Transport consultations to achieve alignment
- Co-ordinate with the National Ports Authority, the Transnet Board, the DPE, and the Department of Transport, regarding the corporatisation of the National Ports Authority

08 Reputation management

Responsibility: **Transnet Spokesperson – Corporate Affairs**

Objective	Appetite statement
To protect and enhance the Company's public image and reputation through, *inter alia,* communicating key projects and plans of the organisation to key stakeholders and ensuring the Company delivers on its socio-economic objectives.	Transnet has a low to medium appetite to take any risk that will impair relationships and standings with key stakeholders or tarnish its reputation.

Key risks

- Lack of communication of Transnet strategic objectives to internal and external stakeholders that leads to reputational risks
- Poor brand reputation leading to poor perceptions of the Company
- Community disruptions to operations and damage to infrastructure
- Poor co-ordination between Group communications and OD communications leading to the misalignment of messages

Risk responses

- Ensure that communication is sustained, extensive and consistent and is aligned both internally and externally
- Act on the outcomes of the brand intelligence to ensure brand awareness and improve stakeholders' perceptions
- Proactively engage the stakeholders and relevant structures on strategic issues affecting the Company
- Monitor and evaluate the impact of stakeholder engagements geared towards improving relationships with communities where the Company operates
- Develop a communication framework via internal communications to streamline the communication within OD Corporate Affairs departments

09 People and Learning

Responsibility: **Chief of People**

Objective	Appetite statement
We have well trained, motivated and engaged employees who will drive the objectives of the new business model. This is achieved through agile leadership, talent, culture, modernisation and digitisation to positively impact employees, customers and business results.	Transnet has a medium (moderate/risk neutral) appetite to roll out an efficient resource plan to support on delivering the Corporate Plan through efficient workforce utilisation, while being invested in the development of people.

Key risks	Risk responses
• Inability to implement and embed a new and appropriate culture which may negatively impact the execution of the organisational strategy, lower employee engagement and erode the Transnet brand • Inability to attract, develop and retain talent and skills to address current and future business demand • Lack of digitalisation and appropriate enabling tools in People Management and Learning resulting in inefficient service delivery	• Facilitate employee validation (voting) on newly developed values through workshops at ODs to define and implement the new validated Transnet culture and values journey, and to provide the Company with an enabling culture with values that inform desired organisational behaviours, fostering high performance and a sense of belonging for employees and critical stakeholders • Leverage leadership endorsement and commitment to the culture and values journey to inspire and motivate the diverse workforce • Drive employee buy-in and support through recognition and reward programmes and initiatives to ensure that employees are engaged • Conduct a benchmark engagement survey to identify employee engagement improvement initiatives • Implement appropriate interventions to improve engagement levels • Follow up the engagement survey to assess improvement on engagement levels • Implement the integrated Talent Management Strategy and Framework to enhance the attraction and retention of key talent in line with best practice • Ensure high visibility, integrity and validity of People Management and Learning data to support organisational decisions • Maximise digital platforms and adopt a staggered approach for the implementation of People Management and Learning automation, including the review of current tools and platforms and procuring/ developing learning solutions and mobile tools of trade • Implement effective and focused change management to enable the effective adoption and utilisation of new solutions • Implement the new Learning Management System in phases to enable curriculum design/development, effective learning, administration, and reporting • Capacitate or recruit skilled resources to optimally utilise required platforms, tools and technology

10 Developmental/industrialisation and supply chain management

Responsibility: **Chief Procurement Officer**

Objective	Appetite statement
To prioritise localisation opportunities and facilitate economic growth through procurement and contracting strategies that ensure sustainable investment by long-term business partners which includes growth opportunities for Black-owned enterprises suppliers.	Transnet has a high appetite to facilitate sustainable economic growth by driving localisation and industrialisation to improve operations and asset health through a balanced approach of international business partnerships, supported by localised supply of support, spares, infrastructure and technical services required.

Key risks	Risk responses
• Failure to meet ESD targets and objectives • Misalignment of ESD initiatives with procurement plans • Misalignment between the Preferential Procurement Policy Framework Act, No 5 of 2000, and Transnet's transformational objectives • Misaligned priorities between Transnet and ESD partners • Poor and inadequate demand planning and management processes due to poor need and market analysis • Lack of early planning and unplanned procurement events by business end users resulting in suboptimal procurement outcomes that are not aligned with business requirements and budgets • Poor contract management leading to PFMA violations as well as Transnet not achieving value for money from its contracts • Inadequate category management strategies caused by a high focus placed on transactional activities that restrict a categorised view of procurement spend which reduces the opportunity for value creation across Transnet • Ineffective implementation of technology solutions to automate and optimise transactional processes due to continued reliance on manual processes, as well as misaligned and labour-intensive digital platforms that increase the likelihood of legislative and procedural non-compliance • Inherent fraud and corruption caused by the manipulation of procurement processes	• Identify ESD initiatives based on Transnet's value chain with a focus on supplier development and localisation as a means of empowering and capacitating downstream local suppliers • Develop a Preferential Procurement Policy that addresses transformation objectives • Re-engineer processes as detailed in the revised Supply Chain Management Goods and Services Manual to ensure that procurement activities are aligned with long-term category plans, business objectives and the budgeting process • Develop a performance management framework for suppliers and buyers to ensure spend is monitored, and that goods and services are delivered as per the terms and conditions of the contract • Optimise sourcing team structures and category management that are aligned to the Supplier Relationship Framework, which will embed and sustain category management to unlock value, enabling holistic strategy development and/or supplier negotiations with benefits from leveraging economies of scale and security of supply • Ensure ODs collaborate, co-ordinate and consolidate procurement performance targets to drive delivery against a central mandate • Provide a fit-for-purpose technology solution that will enable an automated end-to-end procurement process with embedded business rules applied across the Company • Ensure the control environment is adequate to guard against the process gaps, which will mitigate against opportunities to commit fraud • Work with the Forensics function to investigate material irregularities, allegations and complaints that warrant investigation and any other audit findings that warrant investigation

EMERGING RISKS

Transnet faces emerging risks in strategy, operations and sustainability. This is often due to factors beyond our control, such as environmental and market factors. Disruptive technological developments in the freight and logistics sector, along with climate change impacts on people and operations, further complicate matters. To address these, Transnet must enhance business continuity, readiness and resilience plans.

The table below outlines the emerging risk cluster, descriptions and related mitigating actions:

<table>
<tr><th>Emerging risk cluster</th><th>Risks</th><th>Risks responses</th></tr>
<tr><td>Financial sustainability and funding</td><td>Inability of Transnet to service debt accumulation, resulting in liquidity crises or defaults and sovereign debt crises</td><td>• Prioritise higher-margin commodity flows and corridors for improved financial performance
• Sell identified non-core assets and scrap for cash injection
• Manage revenue at risk and implement recovery plans for those sectors at risk
• Implement sustainable and effective cost control measures to minimise cash outflows for improved liquidity
• Renegotiate top procurement contracts to elicit further cost savings
• Continuous working capital management (inventory, debtors and creditors) and close monitoring of customers with high credit risk exposures</td></tr>
<tr><td>Operational sustainability and efficiency</td><td>Disruptions to critical infrastructure due to:
• Theft and vandalism
• Inadequate maintenance
• Extreme weather events, e.g. floods, etc.</td><td>• Implement physical guarding contracts for non-operational sites
• Install vandal-proof infrastructure (tiger wire replacement, concrete vandal-proof enclosures, etc.)
• Implement a security incident reporting tool to direct intelligence-driven operations and develop analysis capabilities for crime trend and patterns analysis
• Foster partnerships/collaboration with customers and other stakeholders in respect of joint security interventions
• Implement the Security Technology Plan as proposed by the outcomes-based service providers
• Deploy resources on the rail network – current resources have been reallocated to ensure all available resources are focused on the rail network and movement of trains
• Deploy security service providers to the Operations Control Centre to improve reaction times
• Enforce adherence to the Company's maintenance strategies</td></tr>
<tr><td>People</td><td>Capacity constraints due to talent and labour shortages in executing the Recovery Plan</td><td>• Implement the integrated Talent Management Strategy and Framework to enhance the attraction and retention of key talent in line with best practice, through:
– Enhancing the Talent Acquisition Sourcing Strategy to attract the best talent in critical and priority business areas
– Implementing career development plans inclusive of on-the-job training programmes, job rotation and mentorship programmes for all levels
– Implementing succession planning in key and critical positions informed by critical workforce segments</td></tr>
<tr><td>Environmental sustainability</td><td>Extreme weather events (floods, heatwaves etc. including those exacerbated by climate change) resulting in:
• Loss of life
• Destruction of property
• Business/service delivery disruption</td><td>• Implement an early warning system to identify weather-related events, to reduce vulnerabilities and improve the safety of people, property and infrastructure
• Review current business continuity strategies to respond to changing weather events
• Develop and implement a resilience plan</td></tr>
<tr><td>Information and communications technology</td><td>• Increased cyber attacks
• Misinformation and disinformation</td><td>• Implement digitalisation projects to enhance integrity and reliability of information – Single Source of the Truth Project
• Continuously review mitigation strategies and ensure the following are addressed:
– Implementing revised cybersecurity models such as multi-layered defence mechanisms
– Enhancing security breach detection
– Developing data encryption methods</td></tr>
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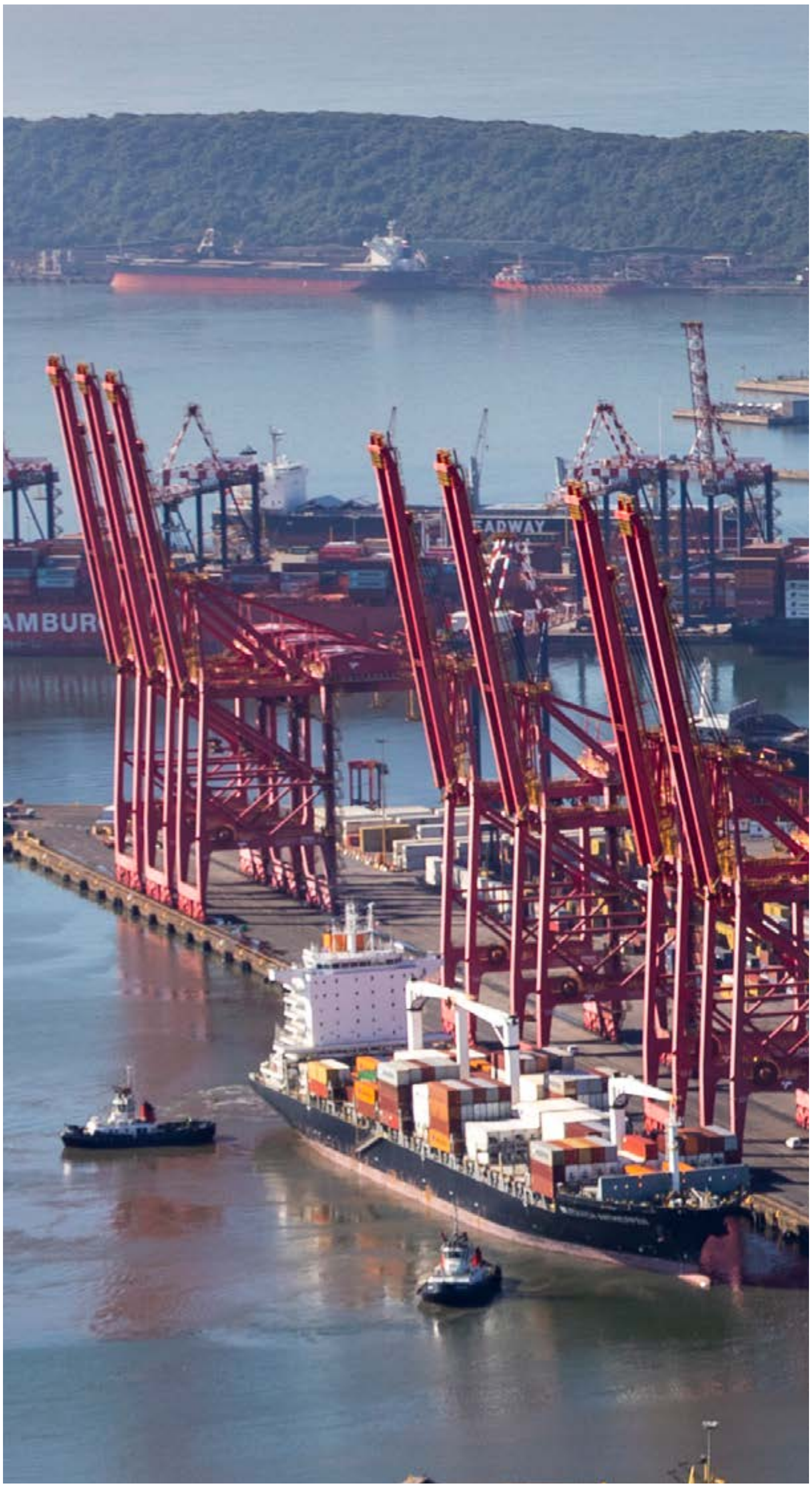


GROUP CHIEF EXECUTIVE'S REVIEW

MS MICHELLE PHILLIPS
Group Chief Executive Officer

"Following recent policy and regulatory reforms – particularly the NRP and Freight Logistics Roadmap – Transnet recognises the need to evolve its institutional structure accordingly."

INTRODUCTION

The past year has been marked by a series of unprecedented challenges and transformations, reshaping the global business landscape in ways we could not have foreseen. Despite the turbulence and uncertainties, our organisation has demonstrated resilience, agility, and a steadfast resolve to navigate these uncharted waters with determination and foresight. Our Recovery Plan has paved the way for the organisation to continue to serve its customers and create growth opportunities for its various stakeholders. It is truly commendable how we have come together with our stakeholders to solve the operational and capacity crisis to create a mutually beneficial and enriching business environment.

OPERATIONAL PERFORMANCE AND MAINTENANCE PRIORITIES

In recent years, Transnet has faced several challenges that have threatened the sustainability of the organisation and compromised the efficiency of its operations. As a result, the performance of the business in the first quarter of the financial year started off sluggishly due to operational challenges in key segments, such as a derailment on the coal line and rail network issues on the iron ore line. These challenges were further compounded by locomotive shortages and their unreliability due to wear and tear, critical equipment breakdowns, ongoing security incidents and infrastructure challenges.

Currently, Transnet Freight Rail (TFR) is faced with a significant shortage of locomotives as a result of the long-standing fleet, with this number showing trends of increasing year-on-year due to the current impasse with CRRC. Transnet Engineering (TE) is assisting with the return to service of long-standing locomotives but is faced with challenges relating to the procurement of spare parts, capacity constraints and the requisite intellectual property on certain overhaul items that prevent them from returning these locomotives to service as speedily as required. TFR's strategy to support the Transnet Maintenance Policy is to partner with the respective locomotive Original Equipment Manufacturers (OEMs) through long-term maintenance agreements to improve the availability and reliability of the current fleet.

In response to cable theft incidents, Transnet has introduced an outcomes-based security approach that focuses on a hybrid model of Security Service Providers. This combines physical guarding, armed response teams and security technology. We are hopeful that this approach will assist in curbing the scourge of cable theft and ensure that trains are able to move efficiently to their various destination ports.

FINANCIAL PERFORMANCE

The 11,6% revenue growth to R76,7 billion from R68,7 billion in 2023 is mainly attributable to tariff increases and a marginal improvement in volumes. EBITDA declined to R22,0 billion (2023: R23,0 billion), indicating that revenue growth has not compensated for the rise in operating expenses. The reported loss for the current financial year is R7,3 billion, an unfortunate increase from the previous year's restated loss of R5,1 billion. All of our operating divisions have reported higher revenue figures compared to the previous financial year, despite various operational challenges. TFR remains the largest revenue contributor to the Transnet Group.

REINVENTING TRANSNET FOR GROWTH

In the previous financial year, we implemented the "Reinvent For Growth" strategy, which aims to transform the organisation into an effective and future-fit logistics partner for our private sector partners. The aim of this initiative is to enable the private sector to become an active participant in business areas where we were previously a monopoly by ensuring the required levels of service delivery are achieved which should stimulate higher levels of economic activity resulting in more notable economic growth for the country as a whole.

Rail volumes increased by
1,5%
to 151,7 million tonnes
(2023: 149,5 million tonnes)

Container volumes increased by
2,9%
to 4 152 million TEUs
(2023: 4 034 million TEUs)

Petroleum volumes decreased by
2,0%
to 15 190 million litres
(2023: 15 500 million litres)

Aligned with our strategy, we have initiated a programme of transforming the Port of Durban into a state-of-the-art, deep-water port that serves as a "central hub" for marine activities in the Sub-Saharan continent and a provider of key linkages to the Indian Ocean. Our objective is to increase the ports capacity to handle 11,4 million twenty-foot equivalent units (TEUs) over several phases in the long term. In the short term, the DCT berth-deepening project has been prioritised and efforts are being made to expedite this project. Additionally, a feasibility study is being conducted to advance the building of the Point Container Terminal. Simultaneously, the Ngqura Container Terminal will undergo a capacity expansion programme to increase its capacity to 2 million TEUs, with a focus on transshipments. We will also persist in enhancing and expanding the capacity of the Cape Town Container Terminal, which now handles 1,4 million TEUs. This project will include assessing and enhancing landside capacity as well as the planning and development of facilities for the staging of rail and truck operations.

The Port of Durban has also been earmarked to be a leading automotive handling terminal. The plan involves nearly doubling its capacity to approximately 920 000 fully built units per annum, set as a long-term objective. This entails relocating and demolishing non-essential port operations and buildings at the Ocean Terminal T-jetty precinct and consolidating the existing Point Automotive Terminal into this area with three operational berths. This project aims to free up additional capacity for the expansion of the Point Container Terminal.

The focus areas for the automotive segment in the upcoming financial year include the optimisation of the throughput operating model and supporting private sector investment. This is primarily for the creation of back-of-port facilities at strategic locations in Durban, Gqeberha and East London, as well as the Kaalfontein Automotive Terminal in Gauteng. These private sector-led initiatives will bolster portside operations for extended off-site storage, thereby freeing up current port terminal capacity and broadening the array of services offered in back-of-port facilities to aid the automotive sector.

From a coal sector point of view, Transnet is prioritising the reduction of logistics costs for the industry as well as the enhancement of reliability and efficient use of existing assets. This involves collaborative efforts (with industry) to consolidate and channel coal export volumes on the most cost-effective supply chains available. It also entails making strategic investments in the current asset base to improve operational stability and regain capacity to export in accordance with market demand and system design. The main areas of focus for coal in 2024/25 are primarily centered around initiatives to improve operational efficiency, enhancing quality of rail network infrastructure, expanding the rolling stock fleet by bringing back long-standing locomotives into service, and maintaining collaboration with the industry to enhance asset protection against theft and vandalism.

Within the iron ore segment, the primary business objective is to prioritise the restoration of rail and port capacity, while also focusing on improving our operational efficiency. Interventions include improving the quality of the rail network and ensuring that there is a sufficient and dependable supply of rolling stock as well as improving reliability of port equipment. In line with this, efforts are also being made to optimise the procedures of unloading cargo at the ports. We also aim to enhance rail and port asset maintenance on the Sishen-Saldanha corridor to minimise operational disruptions and restore capacity to 60mtpa. This will be done in collaboration with the industry and the National Logistics Crisis Committee.

The manganese segment is key to Transnet and the South African economy as a 'metal of the future' and Transnet's objective is to support the expansion of capacity to a minimum of 22mtpa bulk export capacity. The critical focus area for 2024/25 is completing strategic partnership agreements which will 'crowd-in' capital to develop key infrastructure for the capacity expansion. These partnerships will be key to financing the construction of a new 16mtpa bulk manganese export terminal at the Port of Ngqura, as well as support the increase of rail capacity along the Cape Corridor to match the new terminal's capacity. Similarly, additional investments will be required to further improve the Port of Saldanha's export capacity and realise the envisaged export capacity for manganese.

Transnet's energy segment includes conventional oil and gas products, as well as green hydrogen and its associated by-products. Our energy segment's main objectives for 2024/25 are to finalise partner procurement or co-funding agreements for three key transactions. These include completing the development of nine accumulator tanks for the multi-product pipeline system, constructing the Transnet Fuel Import Terminal Project at the Durban Coastal Terminal and establishing natural gas import facilities at the Ports of Ngqura and Richards Bay.

We are also looking to invite third-party rail operators, in accordance with rail reform, to participate in both the Gauteng-Port Elizabeth (South Corridor) route and the Gauteng-Durban (Container Corridor) route. This would be facilitated through rail slot sales and operational lease transactions. The aim is to enhance train operating capacity within the system.

TRANSNET RECOVERY PLAN

On 11 July 2023, the Minister of Public Enterprises announced a new Transnet Board. This was mainly geared towards addressing Transnet's declining operational and financial performance and steering the business in the direction of greater operational efficiencies and revenue generation. To achieve this mandate, the Board of Directors has devised and put into action a Recovery Plan. The Plan is geared towards reinstating the organisation's reputation as a dependable logistics partner while simultaneously positioning it for sustainable growth in the future. The plan encompasses operational and financial initiatives guided by eight key themes identified across all operating divisions. The operating divisions responsible will strategically implement these initiatives and provide monthly reports to monitor their impact on performance. As part of this, Transnet has adopted a two-fold strategy:

- Firstly, optimisation and enhancement of operations will involve endeavours to boost operating performance using existing assets, workforce, and capital base; and
- Secondly, the organisation will undergo transformation to enable effective competition in the logistics industry. This will be accomplished through initiatives such as strategic partnerships and industry collaboration, streamlining of services and facilities, and strategic divestment of assets.

In the short term, management will implement various high impact initiatives to improve performance in the rail, port and pipeline environment. The initiatives will be implemented to ensure the following:

- Improve the availability and reliability of rolling stock (return of long-standing locomotives);
- Improve availability and reliability of the rail network;
- Availability of critical spares to address operational needs (equipment breakdowns);
- Improve maintenance of rail and port infrastructure;
- Reduction of cost; and
- Filling of critical vacancies in operations.

The headway we have already made with the Plan can mainly be attributed to our collaboration with key stakeholders including customers and the National Logistics Crisis Committee (NLCC). This has been instrumental in ensuring that the planned initiatives are executed with both agility and speed.

A CHANGING POLICY AND REGULATORY ENVIRONMENT

Pursuant to the recent reforms instigated by changes in policy and regulations, particularly the National Rail Policy (NRP) and Freight Logistics Roadmap (FRL), Transnet recognises the imperative for a corresponding evolution in its institutional structure. This includes, but is not limited to, the establishment of an interim Infrastructure Manager (TRIM) with its own Management and reporting structure. The establishment of TRIM will advance the mandate of the NRP and the FLR, allowing for the opening of the rail network to private sector operators.

We are currently in the process of corporatising Transnet National Ports Authority (TNPA) as per the National Ports Act, 12 of 2005 (the Ports Act). This Act establishes the National Ports Authority (Pty) Ltd (NPA) and vests the business, assets, and liabilities of Transnet's operating division (OD) in NPA (the Corporatisation), in which Transnet is the sole shareholder.

Transnet is obligated to adhere to the regulations stipulated in the Public Finance Management Act, 1999 (PFMA) and Preferential Procurement Policy Framework Act, 2000 (PPPFA). Regrettably, despite our efforts, the procurement policy couldn't be substantially modified to expedite the lead times for urgently required spare parts for our fleet. We've initiated discussions with the National Treasury to explore potential solutions, but unfortunately, we haven't been successful in finding a workaround thus far.

To streamline the current cumbersome procurement processes, we are advancing our project to fully automate our procurement system. The tender is currently active in the market, and we anticipate commencing the next financial year with a new service provider. The anticipated benefits include a decrease in irregular expenditure, faster turnaround times in procurement, and ideally, cost savings in procurement. Our commitment to transformation and local manufacturing persists, aiming to establish shorter supply chains for parts and components in high demand and frequent use.

LOOKING AHEAD

In a bid to enhance operational and financial performance through private sector involvement, Transnet has finalised the selection process for an equity partner for its flagship Durban Container Terminal (DCT) Pier 2. The chosen entity is International Container Terminal Services Inc. (ICTSI), an international terminal operator, for a 25-year joint venture with Transnet Port Terminals (TPT) to develop and upgrade the terminal.

Furthermore, Transnet has achieved the construction of the Mamathwane Crossing Loop in the Northern Cape ahead of schedule by 30 days. This completion will expand rail capacity for manganese exports, facilitating a new East London rail solution from mines to the Port of East London. It's estimated that this development will divert approximately 40 540 trucks off the roads annually, with the potential to transport 1.5mt per annum.

Transnet Engineering has secured a contract to supply 80 wagons to the Democratic Republic of Congo (DRC) based logistics and transport company SWALA International Logistics. This deal was brought about from SWALA International Logistics' site visit to Transnet Engineering's Koedoespoort facility, where they saw TE's remarkable skills in producing rolling stock items, with a particular focus on freight wagons and locomotives.

Plans are underway to increase marine fleet availability by Transnet National Ports Authority to improve vessel turnaround times. TNPA has completed the development of additional truck staging areas in the Ports of Durban and Richards Bay, to support more efficient port operations. Malaysia-based Terberg Tractors will ship additional haulers with the equipment being allocated across DCT Pier 1 and DCT Pier 2.

In the past year, Transnet has been able to set up TRIM and publish the draft network statement for public comment – all key steps in enabling rail reform and the meaningful introduction of competition on the railway network. Private sector participation initiatives continue, all with the intent of driving greater volume throughput, improving efficiency and enhancing our financial position.

We hope that these initiatives will give our private partners and stakeholder universe at large, confidence that we are committed to turning this organisation around as per our Recovery Plan.

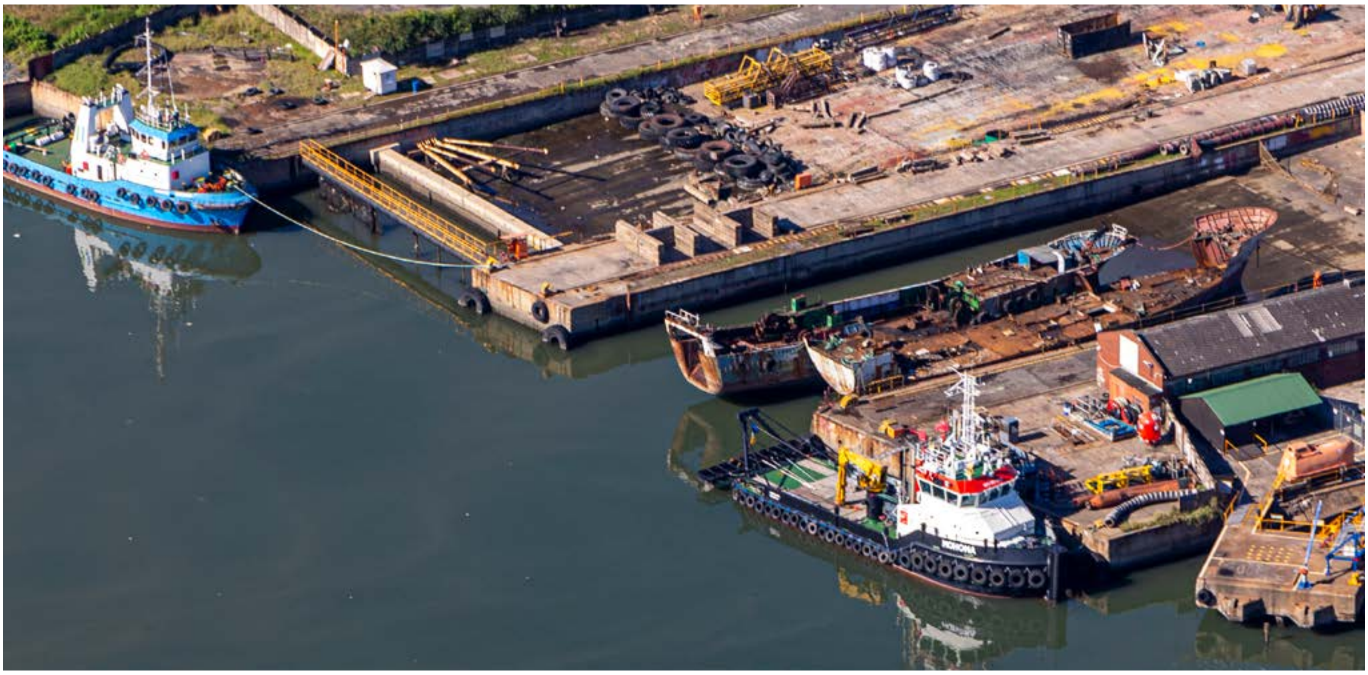
IN CONCLUSION

As we embark on the next phase of our journey, I am confident that we are well-positioned to seize opportunities, overcome challenges, and deliver on our promise to create value for our shareholders, customers, employees, and the communities we serve. Our unwavering dedication to reinventing Transnet through innovation, and responsible business practices will continue to guide us as we strive to build a brighter, more sustainable future for all.

I extend my heartfelt gratitude to the board and Shareholder Ministry for their continued trust and support, to our employees for their hard work and dedication, and to our customers and partners for their unwavering loyalty and collaboration. Together, we will continue to shape the future, inspire progress, and make a positive impact on the world around us.

Best regards,

Ms Michelle Phillips
Group Chief Executive Officer



TRANSNET'S OVERARCHING STRATEGIC FRAMEWORK
THE REINVENT FOR GROWTH STRATEGY

The Reinvent for Growth (R4G) Strategy is designed to address the complex, multi-dimensional challenges faced by Transnet and to proactively respond – adapting to the evolving operational and policy environments. The R4G Strategy seeks to be a comprehensive approach to halt the decline in operational and financial performance, and to prepare the Company for future resilience and growth (refer to the diagram below). The R4G Strategy comprises three overarching components:

- **Tactical recovery:** A short-term structured plan focused on immediately revitalising current operating performance, particularly within the rail and ports business units;
- **Transformation of the business:** A change-oriented component with the aim of facilitating the transition in Transnet's operating model, improving service efficiency and commercial discipline, as well as embracing policy-driven reforms through implementation of key initiatives; and
- **Economic growth enablement:** A more long-term growth-minded component with the primary objectives of repositioning Transnet within the industry, and leveraging its infrastructure and assets to unlock Transnet's potential as a catalyst for economic growth. This component of the R4G Strategy will focus on boosting Transnet's growth, and will include key economic sectors.

OVERVIEW OF TRANSNET'S OVERARCHING FRAMEWORK

Transnet's R4G Strategy has been developed with the aim of addressing operational challenges, addressing the liquidity of the business and improving execution of the mandate (logistics operations).

This entails renewed and focused delivery against the three main focus areas:

FIXING AND OPTIMISING THE BUSINESS	TRANSFORMING THE BUSINESS	ENABLING THE SOUTH AFRICAN ECONOMY
RECOVERY PLAN 01	TRANSFORMATIVE 02	EXPANSIONARY 03
Consolidated Recovery Plan driven by operationally-focused initiatives aimed at protecting current revenue sources, improving the way in which the Company does business, saving costs and meeting the short- to medium-term objectives of the Shareholders and other stakeholders e.g. National Treasury	Developing a new way of doing business with a fundamental change to operating models that embrace rail and regulatory reform towards longer-term repositioning of the business	Various initiatives intended to reposition Transnet as a conduit for economic growth through the repositioning of various freight value chains to enhance competition, capacity and improve efficiency through industry collaboration in line with the Freight Logistics Roadmap
Short- to medium-term focus	Medium- to long-term focus	

SUSTAINABILITY THROUGH THE TRANSNET RECOVERY PLAN

Transnet's Recovery Plan was developed to address the challenges that led to its unsustainable decline. The plan encompasses an 18-month period, spanning the latter half of 2023/24 and the full 2024/25 period, with goals to enhance performance and restore lost capacity in the business over the short term. The plan seeks to restore the Company's reputation with its customers and other stakeholders, as a reliable logistics partner across all service lines. Achieving the goals of the Recovery Plan and reaching financial sustainability are essential for preparing the Company for more complex and transformational interventions envisaged in the broader strategy framework.

The plan adopts a two-pronged approach (refer to the diagram below). The first prong focuses on improving and optimising current business operations. This will be anchored in better utilising existing assets, employees, capital equipment and infrastructure to enhance performance. This element aligns with ongoing segment strategies and aims to increase Transnet's commercially sustainable volumes – aiding in the recovery of strategic volumes and financial recovery by reducing loss-making and/or marginal flows.

The second prong of the recovery focuses on transformational changes required to optimise the business for competitive effectiveness in the evolving logistics industry. This includes altering existing operating models in parts of the organisation and implementing strategic partnerships, industry collaboration, rationalising services and facilities, and strategically disposing of assets.

APPROACH FOR DESIGNING THE TRANSNET RECOVERY PLAN

- Transnet's recovery will have to balance the unique characteristics of its operating environment
- Need to meet existing customer requirements for quality services
- Continued socio-economic contribution to the broader South African economy
- Alignment to a changing policy environment i.e. liberalising the rail industry (NRP of March 2022 and the ERT Bill of 2020)
- Limited availability of Shareholder capital to support the repositioning of the organisation

TWO-PRONGED APPROACH

1

OPTIMISATION AND ENHANCEMENT

- Deep focus on the recovery volumes from key operations across ODs through the implementation of short-term tactical initiatives
- Improved execution of the 'segment strategy' approach to drive commercial returns and improve customer responsiveness across operations

2a

TRANSFORMATION OF THE ORGANISATION

- Review and reinvent/transform part of the organisation to meet the requirements for sustainable growth in the future

2b

ALIGNMENT TO THE FREIGHT LOGISTICS ROADMAP TO 'UNLOCK GROWTH'

- Transnet will align to the recommendations of the Freight Logistics Roadmap as well as the reforms instituted by the Shareholder, National Treasury and policy departments

TRANSFORMATION OF THE BUSINESS

The transformation component of the R4G Strategy focuses on implementing short- to medium-term transformative interventions aimed at repositioning Transnet to better serve its customers and key supply chains, such as mining and manufacturing. This will enhance its overall sustainability and build on the commercial approach introduced in the recovery element. This aspect of the strategy also aims to improve operating performance and delivery capacity by empowering the organisation to implement policy and regulatory changes. Key drivers of the interventions include the following suite of policies:

- The National Rail Policy of March 2022, allows for private train-operating companies to enter the freight rail sector for the first time, ending Freight Rail's natural monopoly. This policy requires Transnet to separate its rail network function from its train operating company, creating an autonomous Infrastructure Manager;
- The Economic Regulation of Transport Bill (ERT Bill) of 2020, passed by the National Council of Provinces in 2023, introduces a Rail Regulator in the form of the Interim Rail Economic Regulatory Capacity (IRERC) housed in the Department of Transport. This Bill removes rail pricing control from Transnet, provides oversight on competition within the freight rail segment, and regulates tariffs for the Transnet Rail Infrastructure Manager (specifically track access charges to train operating companies) and provides regulatory control over the pricing of all dominant transport operators. The Bill was signed into law on 11 June 2024;
- The Freight Logistics Roadmap, adopted by Cabinet in 2023, is a multifaceted national transport sector plan that addresses challenges in South Africa's logistics sector, particularly in the rail and port segments. The roadmap builds on reforms in the policy environment introduced by the NRP and ERT Bill;
- A Private Sector Partnership (PSP) Framework, developed by the Department of Transport and approved by Cabinet in 2023, provides a model to enable effective private sector investment and participation in the South African rail sector, aligning with the NRP objectives; and
- The National Treasury Guarantee Framework Conditions, issued in 2023 as part of a Transnet financial assistance package, reinforces the importance of adhering to the reforms outlined in various policies. Non-compliance could trigger a default and jeopardise future loan drawdowns.

ECONOMIC GROWTH ENABLEMENT

Transnet's strategic framework seeks to drive economic growth by implementing complex organisational changes that significantly alter its 'DNA.' These changes are designed to reposition Transnet's value proposition and redefine its structure to stimulate economic growth. Due to the complexity and significant impact that they are expected to have, these interventions require a longer time to develop and implement (compared to other strategic elements).

As part of these strategic considerations, Transnet is reviewing the structure and management approach of its various business units in response to the evolving policy and fiscal environment. It is exploring various models to better align its operations with policy and regulation, such as the grouping of similar units like network businesses versus operating businesses. These options aim to unlock hidden value in the current structure and position strategic parts of the portfolio as growth drivers for South Africa Inc.

Transnet is considering various strategic options to enhance collaboration and attract private capital, particularly in its rail and ports business units – aligning with the goals of the NRP and the Freight Logistics Roadmap. Various model options from across the spectrum are being reviewed in consultation with a diverse set of stakeholders. Initial options include concessions, management and outsourcing contracts, joint ventures, partnerships, potential asset disposals or divestitures, and various leasing arrangements (refer to the diagram below).

SPECTRUM OF PSP MODELS FROM THE FREIGHT LOGISTICS ROADMAP

Commercial optimisation of division*
Operations and management contracts*
Maintenance and affermage contracts*
Short-term lease contracts*
Long-term lease contracts*
Maintenance concessions*
Design, build and operate concessions*
Equity partnerships and joint ventures
Divestiture or disposals

Low Level of private sector involvement **High**

* 100% State-owned business

The PSP models under review offer a wide spectrum of solutions to increase private sector participation across the Transnet value chain. These solutions could address significant challenges that Transnet faces, such as funding and skills shortages. The adoption of these models will depend on an in-depth, project-specific optioneering process. It should be noted that several of these interventions are closely linked and dependent on evolving transport and national policy, and that their final outcomes are yet to be determined through this process. The successful implementation of chosen models will require significant engagement and buy-in from stakeholders, including clients, employees, and regulators (among others). The engagement process has begun, but is still in its early stages.

Restructuring Transnet's port and rail business will require innovative options, which expand delivery capacity across the logistics segments served by Transnet. The restructuring aims to make port and rail operations more competitive, attract capital and equity, and reduce Transnet's overall debt obligations.

INSTITUTIONAL STRUCTURE REFORM

Pursuant to the recent reforms instigated by changes in policy and regulations, particularly the NRP and Freight Logistics Roadmap, Transnet recognises the imperative for a corresponding evolution in its institutional structure. The potential strategic shift entails the establishment of three distinct portfolios: the Infrastructure portfolio, the Operations portfolio, and the New Growth and Diversification Ventures portfolio, as illustrated in the diagram on the following page. Within the Infrastructure portfolio, Transnet will consolidate ODs tasked with overseeing and managing critical infrastructure assets nationwide, encompassing pipelines, rail networks and ports. It is crucial to underscore that these infrastructure assets, being network-oriented, inherently embody natural monopolies and are, therefore, subject to current or impending economic regulation to foster a fair and competitive market.

The Infrastructure portfolio will consolidate ODs responsible for overseeing and managing critical nationwide infrastructure assets, including pipelines, rail networks, and ports.

CONCEPTUAL VIEW OF THE REFORMED TRANSNET PORTFOLIO OF BUSINESSES

TRANSNET SOC LTD

NETWORK PORTFOLIO (NATURAL MONOPOLIES)
- Transnet Rail Infrastructure Manager
- National Ports Authority*
- Pipelines

OPERATIONS PORTFOLIO
- Port Terminals
- Property
- Transnet Engineering
- Transnet Freight Rail Operating Company

NEW GROWTH AND DIVERSIFICATION VENTURES PORTFOLIO
- PSP ventures
- New growth

*National Ports Authority will be a corporatised subsidiary under the broader Transnet Group.

The Operations portfolio will include businesses that primarily provide services that complement the assets within the Network portfolio. These services include rail transport, rolling stock maintenance and terminal services. It is noteworthy that while these businesses currently hold a dominant market position, the introduced reforms will pave the way for private sector competition. This shift necessitates a proactive commitment to enhancing commercial discipline and operational efficiencies to thrive in an increasingly competitive landscape.

The New Growth and Diversification Ventures portfolio will house emerging businesses either initiated internally, or carved out from existing operations. Additionally, it will serve as a platform for strategic partnerships with the private sector. This forward-looking portfolio is designed to foster innovation, capitalise on emerging opportunities, and ensure Transnet remains at the forefront of the evolving transport and logistics industry. This potential strategic realignment positions Transnet to adapt proactively to industry dynamics, regulatory changes and emerging market trends, thereby ensuring sustained growth and competitiveness in the evolving landscape.

OVERVIEW OF THE **SEGMENT STRATEGIES**

In formulating the segment strategy approach, Transnet fundamentally transformed its business model by embracing industry supply chains as the central unit of analysis across its modally structured ODs. This strategic shift recognises the inherent variations in competitive conditions across and between supply chains, both in South Africa and globally. By implementing market-facing segment strategies, Transnet aims to improve its responsiveness to the distinct needs of diverse market segments.

The Company has recently implemented an 18-month Recovery Plan, developed to address the operational challenges faced within the ODs. The segment strategy approach remains relevant, as the focus of the Recovery Plan is, among others, to improve on efficiencies, performance and volume throughput for profitable flows and commodities, which in most instances are these key segments.

Transnet's overall portfolio has been divided into eight key segments, critical for the recovery and growth of the South African economy and accounts for over 80% of Transnet's revenue. These segments are:

01 AUTOMOTIVE

02 CONTAINERS

03 COAL

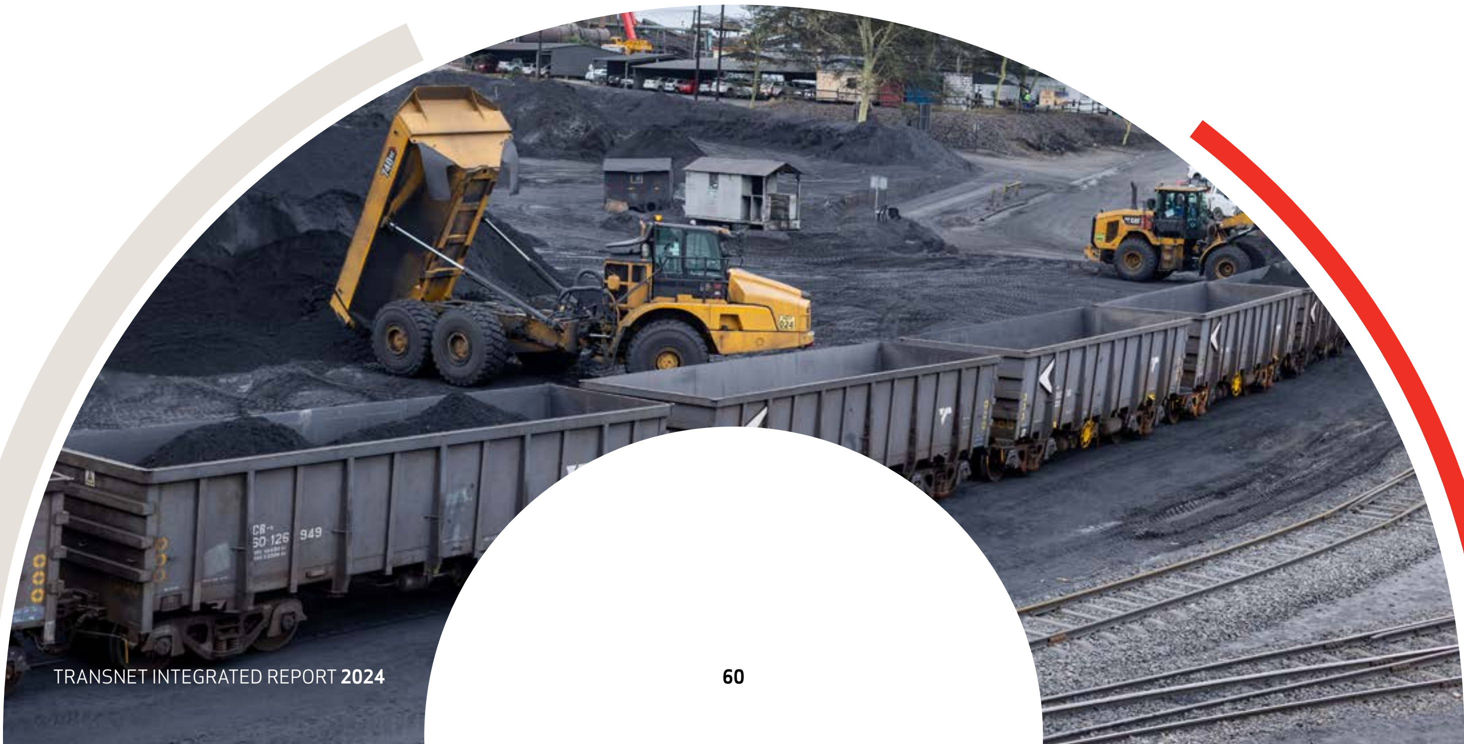
04 CHROME AND MAGNETITE

05 IRON ORE

06 MANGANESE

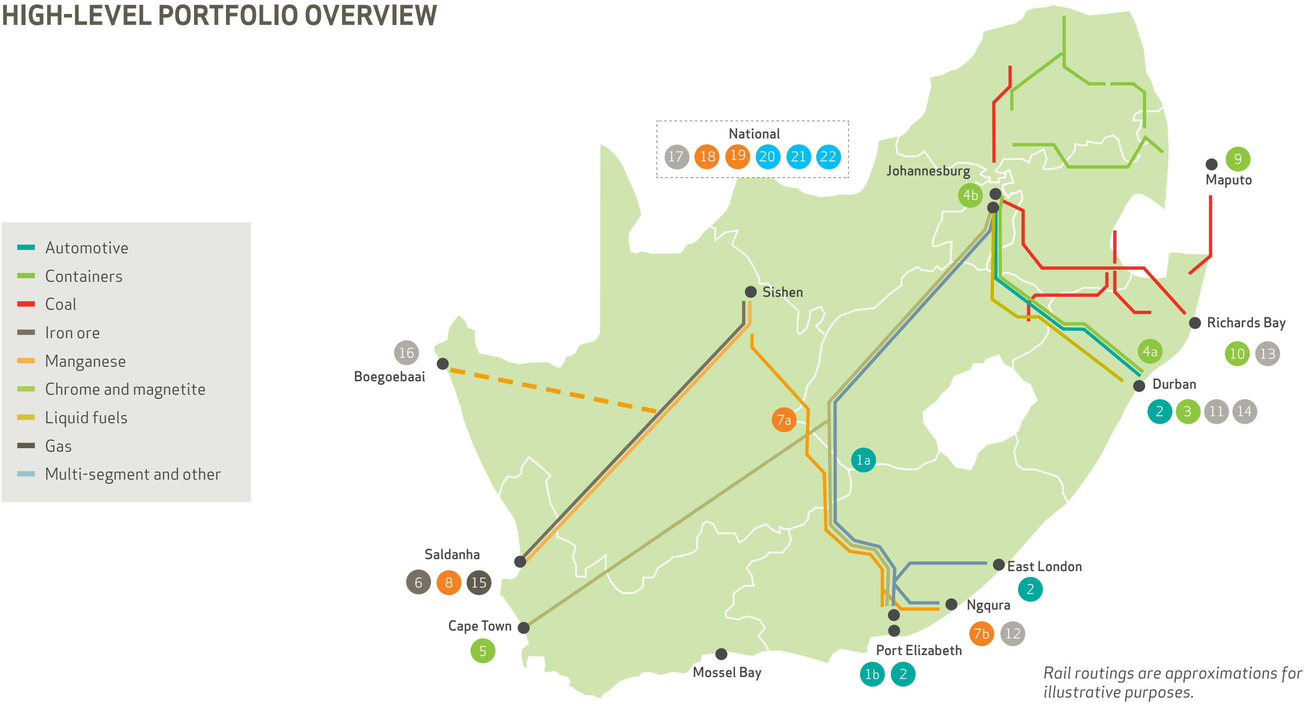
07 ENERGY

08 AGRICULTURE



Each segment has been analysed to understand, among other factors, the global market, national importance such as contribution to gross domestic product (GDP) and employment opportunities, trends and forecast demand, value chains both locally and internationally, and Transnet's relevance and role within the value chains. Based on this, clear positioning of each segment has allowed for more accurately targeted solution development, both in capacity creation and in operational improvements, to improve supply chain competitiveness for customers. This frames the intended benefits sought to deliver on a portfolio of interventions which has been developed and is being managed and driven to execution. A high-level overview of the portfolio is presented as follows:

HIGH-LEVEL PORTFOLIO OVERVIEW



Rail routings are approximations for illustrative purposes.

1a & b	High-capacity corridor for automotive volumes via the South Corridor and Gqeberha
2	Automotive export capacity and operating model at the Ports of Durban, Port Elizabeth and East London
3	Reposition the Port of Durban as an international container hub, including: • Point Container Terminal • DCT Pier 2 • Various master plan-led projects
4a & b	Rail revitalisation of the Container Corridor, including initiatives linked to the third-party rail operating model: • New Gauteng hub terminal/s • City Deep Container Terminal
5	Cape Town Container Terminal landside capacity expansion

6	Iron ore export capacity expansion via the Port of Saldanha
7a & b	Ngqura manganese corridor expansion (rail and new bulk export terminal)
8	Port of Saldanha manganese export capacity expansion
9	Strengthening the secondary export channel via the Port of Maputo
10	Expansion and optimisation of bulk export capacity via the Port of Richards Bay
11	Develop the Transnet Fuel Import Terminal at the Port of Durban
12	Develop a liquified gas (LNG) terminal and facilities at the Port of Ngqura
13	Develop an LNG terminal and facilities at the Port of Richards Bay (includes a common user and connection pipeline to the Lilly Pipeline)

14	Conduct upgrades to the Lilly Pipeline to enable reserve transportation of LNG
15	Develop an LNG terminal and facilities at the Port of Saldanha
16	Develop green hydrogen capacity at the Port of Boegoebaai
17	Develop an energy transition strategy for Transnet
18	Concession various branch lines to support the agriculture sector
19	Develop inland terminal/consolidation facilities to support rail supply chains
20	Rail operating model: third-party access
21	Various wagon sales to private operators
22	Transnet Leasing Company

Transactions are presented as a conceptual portfolio at various stages of project development and viability maturation.
Transnet will commit to execute once business cases are approved.

Underpinning the successful implementation of this portfolio is the need to achieve significant improvement in operational efficiency and reliability. This operational improvement imperative is supported by subject matter experts from across the Company, but is predominantly driven by those best positioned to understand the assets and operations at the greatest level of detail – the Operating Divisions (ODs).

Centralised portfolio development and constant strategic alignment to manage the implementation process have resulted in strong alignment internally, with delivery of targets on track despite the fundamental shift that the segment strategies have entailed. In fact, acceleration of delivery is seen as a key driver and enabler of many aspects of both the short-term and future state interventions. The focus and positioning of each key segment are summarised in the following sections.

01 AUTOMOTIVE

The South African automotive industry is instrumental to South Africa's economy, benefitting from the presence of major vehicle manufacturers from Europe, America and Japan. South Africa has established itself as a preferred investment destination and production base, with its advanced manufacturing infrastructure and developed markets – making it an ideal location for companies aiming to access the continental market in a cost-effective and efficient manner. The industry plays a strategic role in driving key economic policy goals, such as GDP contribution, employment, skills development, economic linkages, technology advancement, and innovation.

According to Naamsa, the automotive business council, despite a constrained economic environment undermining the domestic new vehicle market's ability to fully recover to pre-pandemic levels in 2023, record-high vehicle exports ensured that the automotive industry outperformed the rest of the manufacturing sector. As the largest manufacturing sector in the country's economy, a substantial 21,9% of value addition within the domestic manufacturing output was derived from vehicle and automotive component manufacturing in 2023, while the broader automotive industry's contribution to GDP comprised 5,3%: 3,2% from manufacturing and 2,1% from retail. The sector attracted considerable foreign direct investment, with the aggregate capital expenditure by the major Original Equipment Manufacturers (OEMs) amounting to R5,2 billion in 2023. It is set to expand further under the Automotive Production and Development Programme II.

The South African automotive sector, while substantially large domestically, only accounts for 0,67% of global automotive production, making it vulnerable to global economic disruptions. The implication is that South Africa has a relatively low comparative advantage in the automotive sector and is, therefore, heavily reliant on efficient local supply chains, within which Transnet is a critical service provider, to effectively compete with larger producers.

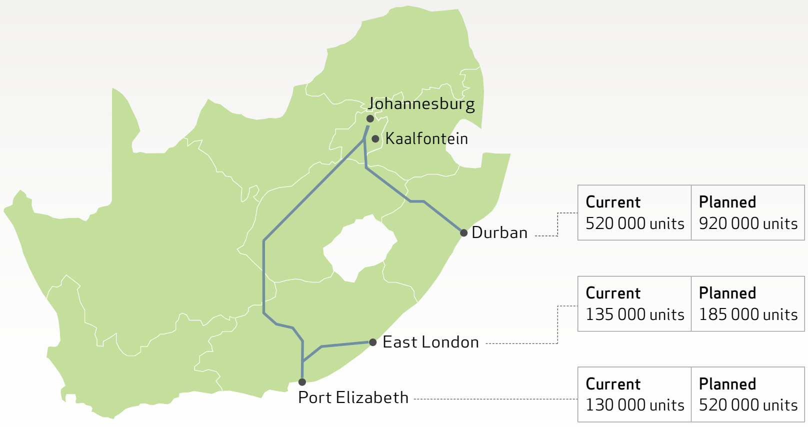
Given the strategic economic importance of this sector, which has shown signs of recovery over the past two years, it remains vulnerable to logistics constraints, such as rail and port capacity and suboptimal operational performance. The automotive volume flows have, therefore, been earmarked as priorities within the business plan. This approach will complement the significant private sector investment into this sector, with major OEMs committing a further R40 billion by 2026.

The global transition to new energy vehicles has presented an opportunity for South Africa to position itself to be a key global supplier of materials and finished products, with a resulting increase in vehicle production. The establishment of the continental value chain for the automotive sector, leveraging the African Continental Free Trade Area rules of trade and free trade overall, allows for more innovation and investment to move significantly beyond the production of one million vehicles annually.

Transnet has positioned the automotive segment as a key enabler to support the competitive industry supply chains and the significant planned OEM investments in production capacity, as the country transitions to new energy vehicle production. Transnet will leverage the private sector in the provision of both infrastructure and operations, where required, to reduce the total cost of logistics as a percentage of transportable GDP and improve global competitiveness.

The automotive segment strategy approach is illustrated in the following diagram:

AUTOMOTIVE SEGMENT STRATEGY



Rail routings are approximations for illustrative purposes.

Transnet is pursuing a dual rail channel export solution for the automotive sector, to address the security of supply challenges between the hinterland centres of industrialisation, and the point of export and import of fully built units at the coastal ports, and is focused towards improving the rail corridors between Gauteng and eThekwini and Gauteng and the Eastern Cape ports.

The constraints on the Container Corridor – between Gauteng and Durban – and anticipated disruptions to the Port of Durban through the course of major revitalisation initiatives, have necessitated the expansion of capacity on the South Corridor servicing the Port of Port Elizabeth. This channel will be a crucial artery to support the automotive industry, and various partnership-driven funding and delivery mechanisms are in development to ensure that Transnet can adequately crowd-in private investment, and Government grants and subsidies, to create new capacity as soon as possible.

Transnet has commenced the re-engineering and repositioning of the Port of Durban as a premier automotive handling terminal, almost doubling its capacity to approximately 920 000 fully built units per annum in the long term. This entails the relocation and demolition of non-essential port operations and buildings at the Ocean Terminal T-jetty precinct, and consolidating the existing Point Automotive Terminal into this area with three operational berths. This allows for the unlocking of capacity for the Point Container Terminal expansion programme.

Similarly, the port automotive capacities at Port Elizabeth's Charl Malan Quay will continue to expand into the existing container terminal footprint in the short- to medium-term, growing the automotive capacity from 130 000 fully built units to approximately 520 000 fully built units with two designated automotive berths, while still retaining a small container terminal operation footprint to support the peak citrus season and act as a complementary container terminal to the Ngqura Container Terminal.

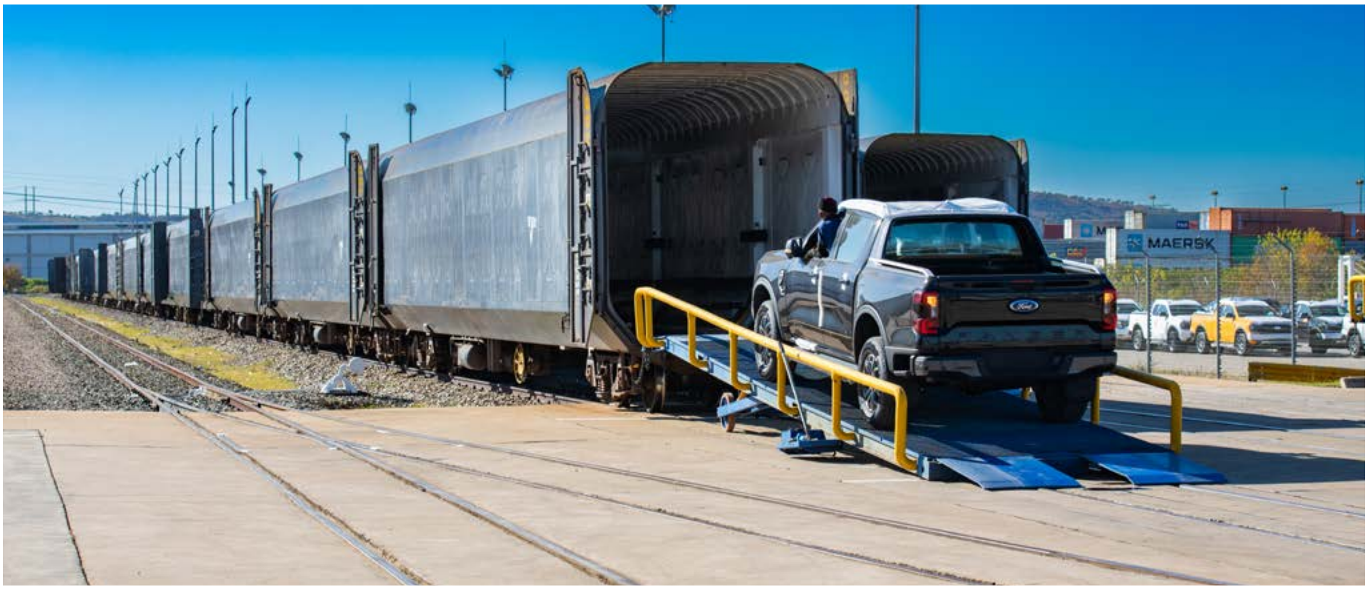
The automotive terminal at the Port of East London will also expand from 135 000 fully built units, to an end state of 185 000 fully built units in discrete tranches, clearly balancing the requirements of regional automotive OEMs and their appetite to invest in further parking capacity.

Automotive focus areas for 2024/25 include the implementation of the automotive volume Recovery Plan to 851 000 fully built units, and the optimisation of the throughput operating model and supporting private sector investment, primarily for the creation of back-of-port facilities at strategic locations in Durban, Port Elizabeth and East London, as well as the Kaalfontein Automotive Terminal in Gauteng. These private sector-driven developments are expected to contribute to supporting portside operations for off-site extended dwell day storage, thereby unlocking existing port terminal capacity, in addition to increasing the range of services provided in the back-of-port facilities to support the automotive industry. In addition, operational performance and existing asset utilisation will be the core priorities as articulated in the Recovery Plan.

Over and above expanding capacity on rail and at the ports, enabling this in the most efficient manner will require deeper partnerships at both inland and coastal back-of-port facilities. Transnet is also planning to invite third-party rail operators (through rail slot sales and an operational lease transaction) in alignment to rail reform onto both the Gauteng-Port Elizabeth (South Corridor) route and the Gauteng-Durban (Container Corridor) route, to create additional train operating capacity in the system. This process was initiated during 2023/24, and will continue to mature in 2024/25.

Transnet will pursue the following initiatives for the automotive segment:

Initiative	Description	2024/25 deliverable	Five-year deliverable
Project Ukuvuselela: Gauteng-Eastern Cape high-capacity rail corridor for automotive volumes	The objective is to leverage private sector investment, experience, and expertise to facilitate rail transportation of approximately 150 000 fully built units per annum through the South Corridor to the Port of Port Elizabeth by 2026	• Secure external funding to implement the rail loop expansion • Award the turnkey engineering, procurement and construction contract	• Completion of construction and operationalise rail
Operating model	Implementation of the throughput operating model in all automotive terminals	• Implement the operating model • Setup of pre-loading operational stack	• Reduction of dwell days on imports and exports • Implementation of dual-loading principles
Demolition of redundant infrastructure at point	The objective is to demolish the redundant superstructure in a phased approach to create flat open parking bays with the shortest travelling distance to and from the quayside	• Complete environmental studies • Commence the procurement process for the demolition • Undertake the engineering and design for pavement structures as well as utilities	• Completion of all demolition activities • Phased implementation of paving and services



02 CONTAINERS

The South African container freight system is a critical component of the national freight system, and directly impacts South African trade and export competitiveness. The outlook for container growth has declined but remains positive, bolstered by various investment opportunities.

Containerised trade remained weak in 2023 given the overall macroeconomic and operating landscape. Potential improvement in global economic conditions, the recovery of China post the pandemic and the consequent economic upswing, could support the container sector performance. Supply and demand rebalancing and reduced port congestion have played an important role in resetting container freight rate levels. Container ship carrying capacity expanded by 3,9% in 2022, creating a gap in demand and raising the prospect of supply overcapacity, with an expected influx in container capacity in 2023 through to 2025. Global container throughput is expected to decline by 1% of container traffic in 2023, while the 2024 forecast is expecting 3% growth.

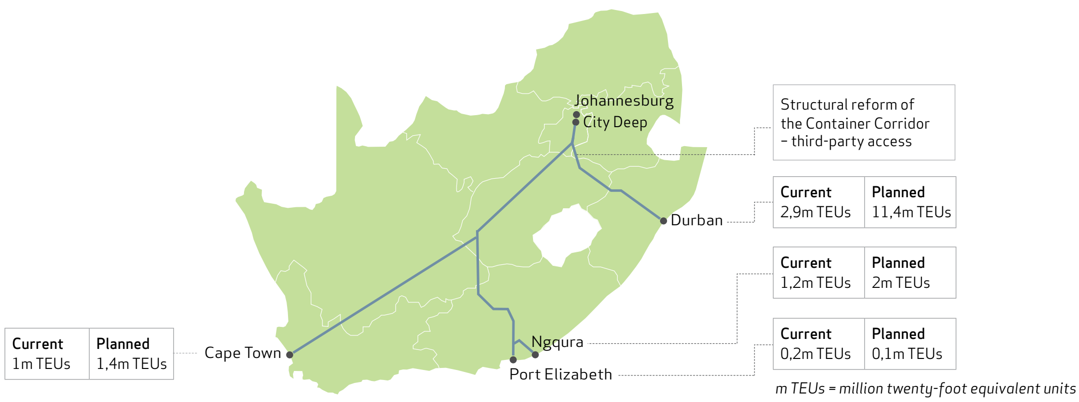
A key challenge for the container sector is that the maritime industry must embark on a transformative journey towards decarbonisation while sustaining economic growth. Balancing environmental sustainability, regulatory compliance and economic demands is vital for a prosperous, equitable, and resilient maritime transport future.

Investments in port infrastructure, terminal equipment, rolling stock and rail infrastructure have not kept pace with the changing logistics requirements of South Africa's industrial sectors, leading to underperforming export systems, directly impacting South Africa's regional and global trade competitiveness.

The market share of rail on the Durban-Gauteng Container Corridor has steadily dropped. The terminal-to-terminal service offered by rail has not been able to compete with the door-to-door service which is offered by road hauliers based on reliability, cost and convenience. Freight Rail has lost considerable traffic to road in market sectors focused on manufactured, processed goods and agricultural supply chains. The nature of these goods is such that they are part of complex just-in-time supply chains that are often controlled by logistics service providers that have an 'aggregation' role rather than a typical 'transporter' role, such as in traditional stockpile-to-stockpile commodity-based supply chains. Aggregators are often contracted for a vast array of products, with delivery required at several different end points (often termed as last mile traffic) by retailers, warehouses, and final customers.

A forward-looking and concerted plan to turn around and revitalise both port and rail infrastructure and operations has been developed. The Container Segment Strategy approach is illustrated in the following diagram:

CONTAINER SEGMENT STRATEGY



Rail routings are approximations for illustrative purposes.

The Container Segment Strategy is designed to collaboratively counter South Africa's maritime connectivity decline, through the establishment of an internationally competitive hub port system, while also leveraging PSPs to rejuvenate port terminal businesses and fundamentally reform the non-viable container rail business.

In particular, the Container Corridor linking Gauteng and eThekwini is intended to act as the backbone of South Africa's general freight rail transportation network, and its efficient and effective functioning is vital to the economic growth of the country. Currently, however, this corridor is performing sub-optimally. The benefits of a greatly improved rail service on the Container Corridor to support the growth aspirations of various industrial sectors, together with the parallel development of the Port of Durban as a container hub port, are widely recognised as critical enablers. As part of the Recovery Plan, Transnet will partner with private sector train operating companies to turn around suboptimal rail performance, and make investments in rail network restoration in alignment with rail reform. The targeted volumes are at least 500 000 twenty-foot equivalent units (TEUs) per annum. Planned partnerships at inland and port terminals are designed to increase capacity at these terminals, but more importantly, to raise productivity and efficiency and to increase the range of services provided by these terminals, which are key enabling elements of intermodal solutions.

On the port side, the principal initiatives are aimed at developing the Port of Durban as a modern, deep-water port playing the role of a southern hemisphere and Indian Ocean maritime hub, with an eventual 30-year envisaged capacity of 11,4 million TEUs. This is a long-term development plan aimed at focusing the Port of Durban primarily on containers and automotive exports, as codified in the Durban Port Master Plan.

Improving maritime connectivity is key to South Africa's manufacturing competitiveness, therefore, the Port of Durban is being further developed and positioned as the hub port to serve dominant shipping lines, and is forecast to reduce the cost of intercontinental shipping by 20% to 30% over time.

The current container capacity for the port is 2,9 million TEUs with aspirations to develop capacity to 11,4 million TEUs. Priority has been given to fast-track the DCT berth-deepening project and the development of a feasibility study to mature the Point Container Terminal. The end-state development over the long term will realise 4,4 million TEU capacity for the Pier 1 and Pier 2 infill, 1,8 million TEU capacity for the Point Terminal, 1,6 million TEU capacity at Maydon Wharf and 3,6 million TEU capacity for the future Island View development. The Durban Port Master Plan has further proposed the expansion of the current promulgated port limits to extend into the Ambrose Park land parcel (skirting Bayhead Road) and the inclusion of a land parcel beyond Shepstone Road (Cars for Africa site), adjacent to the Point Automotive Terminal. Transnet aims to conclude the partnership with an international terminal operator at DCT Pier 2. The expansion of the Point Terminal is also a priority project for which partners will be sought once the feasibility study has been concluded.

In parallel, the Ngqura Container Terminal will see a capacity development programme to 2 million TEUs (predominantly transshipments) and operational transformation undertaken in collaboration with a partner through a home berth partnering philosophy.

The Port of Port Elizabeth is transitioning to provide a complementary service to the Port of Ngqura. The repurposing of Charl Malan Quay will enable the extension of the automotive capacity into Berth 102, and the container volumes will migrate to the Port of Ngqura. However, a small-scale container footprint with a capacity of 100 000 TEUs will remain to service the local citrus and fresh produce industry in the short- to medium-term.

Transnet will continue to optimise and develop capacity at the Cape Town Container Terminal (1,4 million TEUs), offering a gateway to regional and European trade. This project will include landside capacity and rail and truck staging. Various near-port terminals are under investigation, including a potential cold storage-enabled container and refrigerated container facility at the BelCon Terminal, which alongside a rail shuttle service will support port decongestion.

Similarly, there are various container capacity creation initiatives underway at the Port of Richards Bay and the Port of East London to enhance the overall container system. The key enablers to improve the overall container handling equipment fleet's availability and reliability, are an important element of the Recovery Plan. These include improving procurement processes, leveraging OEMs for adequate spares, inventory holding of replacement components, the acquisition of new technology equipment and agile maintenance regimes to strengthen equipment availability and overall reliability.

Transnet will pursue the following initiatives for the container segment:

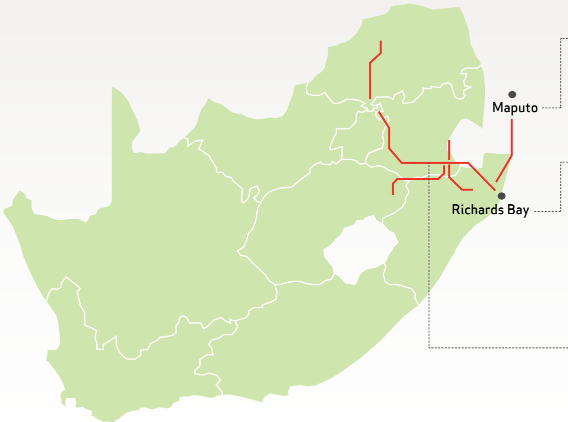
Initiative	Description	2024/25 deliverable	Five-year deliverable
DCT Pier 2	Partnership with an international terminal operator	• Conclude project agreements	• Operationalise a special purpose vehicle (SPV) to optimise operational productivity, efficiencies and effectiveness • Leverage investment capital for equipment upgrades and expand capacity to support additional volumes
Point Container Terminal	Development of a 1,7 – 1,8 million TEU per annum container handling facility	• Conclude a feasibility study for the marine works • Conclude a feasibility study for a private sector partner for terminal operations	• Operationalise an SPV to optimise operational productivity, efficiencies and effectiveness, investment capital for equipment upgrade and expanded capacity of 1,7 million TEUs per annum to support additional volumes
DCT berth-deepening	Deepening and lengthening Berths 203 to 205	• Obtain approval of the revised business case • Release a Request for Proposal (RFP) to the market • Award the construction contract for the marine works • Finalise the terminal works business case	• Operationalise deep-water berths
Richards Bay Container Terminal	Section 56 concession for the development and operation of a container handling facility	• Evaluate the RFP • Award the RFP to the successful bidder	• Construct and operationalise container handling
Container Corridor rail operations and the City Deep, KasCon and Kaalfontein terminals	PSPs for train operating companies and terminal operators	• Conclude the feasibility business case • Release a Request for Quotation (RFQ) to the market • Evaluate and release the RFQ to short-listed bidders	• Operationalise an SPV to optimise rail operational productivity, efficiencies and effectiveness, investment capital for network restoration and additional volumes to migrate road to rail
Ngqura Container Terminal	Partnership with an international shipping line	• Develop a conceptual business case for the home berth partnership	• Operationalise an SPV to optimise operational productivity, efficiencies and effectiveness, investment capital for equipment upgrade and expanded capacity of 2 million TEUs per annum to support additional volumes

03 COAL

Coal, particularly for export, has long been a cornerstone commodity for both Transnet and the South African economy. Transnet acknowledges the significant international and local movement away from coal towards green energy production and, as such, the priority for the segment is the operational optimisation of logistics chains to improve the return on invested capital as far as possible for both Transnet and the industry at large, while expanding operations in a sustainable and risk-averse approach.

The coal segment strategy approach is illustrated in the following diagram:

COAL SEGMENT STRATEGY



Current	Planned
2,0mtpa	2,0mtpa

Port	Current	Planned
Richards Bay Coal Terminal	91mtpa	85mtpa
RBT Grindrod Terminal	3,5mtpa	–
Multi-purpose terminal	1,8mtpa	TBC

Rail	Current	Planned
Richards Bay Coal Terminal	77mtpa	81mtpa
RBT Grindrod Terminal	3,5mtpa	–
Multi-purpose terminal	2mtpa	TBC

Rail routings are approximations for illustrative purposes.

Recognising the limited window of opportunity to keep the segment viable, Transnet is focused on reducing the cost of logistics and improving reliability and optimal use of assets already in service. This includes the co-funded consolidation of export coal volumes on the lowest cost supply chain possible, particularly the heavy haul coal rail line, and optimised sustaining investment in the existing asset base to ensure that operational stability and the ability to export against installed capacity is maintained in line with market demand.

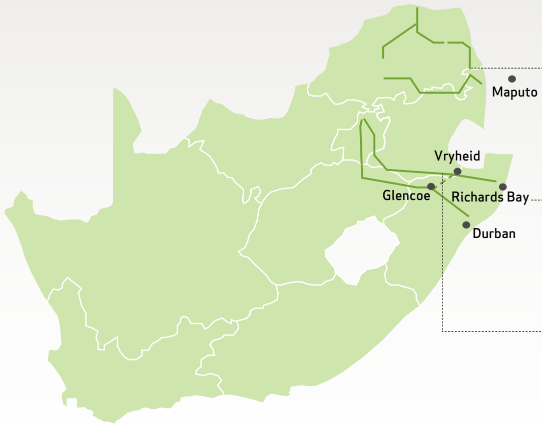
In addition to export coal, domestic coal utilised for power generation is an area where opportunities for optimisation will also be pursued. Coal focus areas for 2024/25, as outlined in the Recovery Plan, are primarily on operational efficiency initiatives, improving the rail network infrastructure, increasing the rolling stock fleet by returning to service long-standing locomotives, improving protection of assets against theft and vandalism, and creating an enabling environment for future consolidation of coal exports along the lowest-cost supply chain. This includes commercial and partnership-based arrangements regarding funding of required investments.

04 CHROME AND MAGNETITE

With South Africa producing half of the world's chrome ore, the clear focus is on stability, efficiency, and risk reduction of the broader supply chain. With magnetite being produced as a by-product of other mining, South Africa has huge stockpiles available for export, predominantly to China.

The chrome and magnetite segment strategy approach is illustrated in the following diagram:

CHROME AND MAGNETITE SEGMENT STRATEGY



Maputo	Current		Planned	
	9,5mtpa		>11mtpa	
Rail	Chrome	Magnetite	Chrome	Magnetite
	3,0mtpa	6,5mtpa	>4,0mtpa	6,5mtpa

Richards Bay	Current		Planned	
	16mtpa		25,3mtpa	
Port	Chrome	Magnetite	Chrome	Magnetite
	8,0mtpa	8,0mtpa	17mtpa	8,3mtpa

Richards Bay	Current		Planned	
	15,4mtpa		>21,4mtpa	
Rail	Chrome	Magnetite	Chrome	Magnetite
	8,0mtpa	7,4mtpa	>13,1mtpa	8,3mtpa

Rail routings are approximations for illustrative purposes.

With chrome ore being a strategic commodity utilised in the production of stainless steel among other products, it is imperative that capacity and resilience of the supply chains are prioritised.

Considering this, Transnet is primarily focused on a dual-channel approach for exporting chrome ore and the adjacent magnetite ore. This entails a partner-driven expansion of capacity at the Port of Richards Bay to 25,3mtpa, in addition to a strategic partnership with regional players to improve capacity and efficiency of exports through the Port of Maputo to over 11mtpa. The capacity expansion is planned to accommodate the potential migration of chrome and other bulk commodities from the Port of Durban, which will allow for additional rail servicing of the multiple commodities planned to be exported via the Port of Richards Bay.

Chrome and magnetite focus areas for 2024/25 include continued development of the initiative (feasibility studies) for the planned capacity expansion of export capacity via the Port of Richards Bay, simultaneously addressing delays in operational efficiency enhancements caused by fire damage sustained to the conveyor belt and related infrastructure. All fire-damaged infrastructure is scheduled to be replaced and become operational in 2024. In addition, Transnet will continue to strengthen collaborative ties with the Port of Maputo, driving volume growth and creating capacity in the short- to medium-term while repairs and capacity expansion at the Port of Richards Bay are effected.

Transnet will pursue the following initiatives for the chrome and magnetite segment:

Initiative	Description	2024/25 deliverable	Five-year deliverable
Dry Bulk Terminal (focused on chrome) at the Port of Richards Bay	Development of additional dry bulk export capacity specifically focused on chrome capacity, in conjunction with the private sector. This will likely entail a phased approach, involving both terminal and marine expansion over time	• Partner selection for terminal expansion • Feasibility studies for new berths and expansion of rail marshalling yards	• Developed capacity for the migration of volumes from the Port of Durban and capacity for the planned increased volumes aligned to customer demand • Terminal development/ expansion will be phased in and determined by the business case
Secondary export channel via the Port of Maputo	Collaboration with port and rail authorities in Mozambique to increase rail volumes via Maputo	• Embedding the run-through operating model (akin to bonded trains) to the Port of Maputo	• Expansion of capacity via the Maputo Corridor to >11mtpa

05 IRON ORE

The fourth biggest contributor to South African mining volumes, iron ore is the main ingredient in steel making. Steel is used in various applications around the world including structural engineering, manufacturing of cars and ships, and general machinery. According to the Department of Mineral Resources and Energy and the Minerals Council South Africa, iron ore sales account for R96,9 billion, with 95,9% of this value being exported, while the iron ore sector employs 23 439 direct employees.

In 2023, South African iron ore producers faced significant logistics challenges, resulting in annual iron ore exports reaching only 55mt. Consequently, the country experienced a loss of market share, relinquishing its position as the world's third-largest iron ore exporter to Canada. The Minerals Council South Africa's industry outlook in February 2024, highlighted that insufficient rail capacity and associated port inefficiencies will persist, keeping South African iron ore exports structurally lower in the short- to medium-term.

While rail and port infrastructure challenges are identified as the primary constraints, independent commodity research has underscored potential mine site challenges linked to the quality of reserves as a future risk. South Africa is renowned for its exceptionally high lump yield, but mines are confronting potential depletion, declining ore quality, and escalating mining costs. A recent mining report, titled 'Adapt to Thrive,' features analysis by PwC indicating that, based on current reserves, iron ore mining in the Northern Cape is anticipated to be depleted within the next two decades.

The iron ore segment strategy approach is illustrated in the following diagram:

IRON ORE SEGMENT STRATEGY

Current	Planned
60mtpa	67mtpa

Some rail and port assets in the channel are partially shared between manganese and iron ore.

Rail routings are approximations for illustrative purposes.

Prioritising the restoration of rail and port capacity, along with a substantial improvement in operational efficiencies in alignment with the Transnet Recovery Plan, stands as a key business objective in the short- to medium-term. Critical interventions encompass the enhancement of the rail network and rolling stock availability and reliability, optimising offloading processes at the ports (including the reliability of tipplers), and locking in the availability and reliability of bulk terminal equipment.

Simultaneously, considerable emphasis is placed on continuous monitoring of iron ore export demand and supply-side challenges, guiding a risk-based strategy for infrastructure investments, informed by the potential depletion rate of ore reserves. Despite uncertainties surrounding future demand, Transnet has advanced the amendment of the air emissions licence to 76mtpa. This amendment sets the framework for an optimised, tranche-based approach aimed at enhancing channel capacity. The initial phase is projected to achieve 67mtpa in the medium term. Aligned with rail and economic regulatory reforms, Transnet will actively seek innovative partnerships to fund the ongoing maintenance and construction of essential rail and port assets necessary for the respective capacity tranches.

Building upon the successful recovery of the iron ore export channel to contracted volumes of 60mtpa, Transnet will mature the following initiatives to further expand capacity in the iron ore segment:

Initiative	Description	2024/25 deliverable	Five-year deliverable
Sishen-Saldanha rail capacity expansion	Increase rail network slot capacity to accommodate iron ore export volumes at 60mtpa	• Completion of feasibility study inclusive of financing arrangements (infrastructure)	• Expansion of export capacity to 67mtpa
	Increase rolling stock capacity to accommodate iron ore export volumes at 60mtpa	• Completion of feasibility study inclusive of financing arrangements (operations)	• Expansion of export capacity to 67mtpa
Port of Saldanha capacity expansion	Increase berth capacity	• Completion of feasibility study and associated environmental assessment	• Construction of a new bulk berth at the Multi-purpose Terminal

06 MANGANESE

Manganese remains the fourth most-used metal globally (in terms of tonnage), following iron, aluminium, and copper. South Africa holds a commanding 80% share of global medium- to high-grade manganese ore reserves, firmly establishing itself as a lucrative global supply hub. This dominance is underscored by its noteworthy rise in global market presence, increasing its share of global production by more than 12% over the past 10 years. Notably, South Africa dominates manganese exports with a 48% stake in seaborne manganese trade. According to the Department of Mineral Resources and Energy and the Minerals Council South Africa, manganese ore sales account for R47,7 billion, with 97,1% of this value being exported, while the manganese ore sector employs 11 804 direct employees.

As the fourth most-widely used metal globally, the indispensability of manganese in steel production, coupled with its growing potential in clean energy applications, enhances its attractiveness to the mining sector. Factors driving and sustaining the growth trajectory for manganese demand include:

- **Steel production**

  Manganese enhances steel properties, crucial for infrastructure, construction and manufacturing;
- **Automotive sector**

  Manganese-containing steel is essential for car manufacturing, aligning with global demand for vehicles;
- **Infrastructure development**

  Manganese plays a vital role in constructing bridges, railways and buildings, aligning with emerging economies' infrastructure investments;
- **Industrial machinery and equipment**

  Manganese is vital in various industrial equipment, sustaining demand in construction, mining and agriculture;
- **Renewable energy technologies**

  Manganese is integral to wind turbines, contributing to increased demand for sustainable energy sources; and
- **Battery technologies**

  With rising demand for rechargeable batteries, manganese is crucial for electronic devices, electric vehicles and energy storage systems.

Manganese ore reserves are predominantly found in the Kalahari Manganese Fields (KMF) within the Hotazel region of the Northern Cape province. Currently, mined ore is exported through various channels, with a primary emphasis on utilising the Ports of Port Elizabeth, Ngqura and Saldanha. In the fiscal year 2022/23, South African ports collectively played a pivotal role in facilitating the export of 20,6mt of manganese ore. It is noteworthy that approximately 14,6mt, accounting for 71% of the total exports, were transported via rail.

Rail exports of manganese via the Cape Corridor experienced significant growth, almost doubling from 4,9mt in 2012 to 9,7mt in 2022. The remarkable volume growth was achieved through strategic investments in rail infrastructure capacity between Kimberley and De Aar, ensuring a gradual and continuous capacity increase over the past decade. This achievement underscores the results of meticulous long-term planning, ongoing enhancement of operational models, investment in the rail network to augment capacity, and collaborative partnerships with customers.

The global manganese market is poised for growth, characterised by anticipated increases in demand and a corresponding contraction in supply. Over the next 10 to 20 years, several long-standing incumbent manganese mines are expected to reach the end of their operational life. Consequently, by 2030, demand is projected to outstrip supply, necessitating substantial growth in manganese production to meet the rising demand.

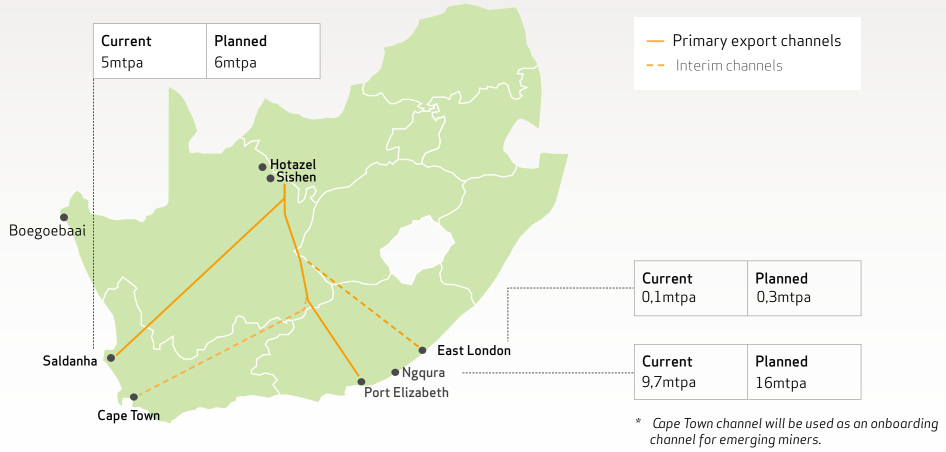
South Africa, already a leading manganese supplier, stands as the primary candidate to capitalise on this opportunity and boost export volumes. The KMF accounted for more than 30% of global manganese ore production in 2022. Additionally, South Africa possesses over 75% of global manganese reserves and many key mines in the KMF exhibit significant remaining mine life. Currently, the top five manganese mines globally, with production exceeding 1mtpa, are situated in the KMF.

Looking ahead, the medium-term outlook for manganese export capacity appears positive, with demand projections exceeding 25mtpa. A critical challenge lies in the current oversubscription of Transnet's rail and port export capacity, vital for transporting manganese from the Northern Cape to terminals at the Ports of Saldanha, Port Elizabeth, and Ngqura. Sustaining the favourable growth trajectory of the manganese sector hinges on the effectiveness of export logistics systems. Timely investments in railway and port capacity are, therefore, pivotal to catalyse and support the sector's continued positive development.

To reinforce South Africa's standing as a prominent producer of medium- to high-grade manganese ore, Transnet has proactively advanced feasibility studies directed at augmenting capacity beyond current levels. Significant investments in port and rail infrastructure, co-financed by the private sector, are foreseen. This includes the establishment of a new 16mtpa export terminal in the Port of Ngqura, accompanied by corresponding upgrades to the associated rail corridor. The enhancement of rail and port export capacity, reaching 67mtpa through the Port of Saldanha, is poised to address the short-term demand/supply disparity.

The manganese segment strategy approach is illustrated in the following diagram:

MANGANESE SEGMENT STRATEGY



Rail routings are approximations for illustrative purposes.

In total, Transnet aims to establish a minimum of 22,3mtpa of efficient bulk export capacity in the medium term.

This includes future expansion initiatives, such as introducing a new export channel through the planned Port of Boegoebaai, to be collaboratively developed with the manganese industry.

Key focus areas within the manganese segment for 2024/25 involve finalising financial agreements for equity partnerships. These partnerships will fund both the construction of the new 16mtpa bulk manganese export terminal at the Port of Ngqura, set to commence in the same fiscal period, and the expansion of rail capacity along the Cape Corridor to equivalent levels. Concurrently, incremental investments will continue to enhance manganese export capacity through the Port of Saldanha.

Transnet will pursue the initiatives, tabulated hereafter, for the manganese segment.

Initiative	Description	2024/25 deliverable	Five-year deliverable
Ngqura Manganese Export Terminal (NMET) capacity	Financing of the construction of the NMET	• Financial close of financing transaction • Engineering, procurement and construction contract award to commence with the design and construction planning of NMET	• NMET operational by December 2028
Ngqura rail capacity expansion	Financing the upgrade of the rail corridor between Hotazel and the Port of Ngqura	• Financial close of financing transaction • Engineering, procurement and construction contract award to finalise design and costs of rail upgrade prior to construction	• Rail capacity at 16mtpa by November 2028

07 ENERGY

The Transnet energy segment comprises traditional oil and gas products, and green hydrogen and its by-products. The liquid fuels and gas markets play key roles in the current and future energy mix for South Africa, and Transnet's role as a critical logistics enabler of the markets defines the Company's positioning and investment planning. Liquid fuels, which include traditional petroleum products (diesel, petrol, jet fuel, etc.) are highly impacted by trends such as the strong international trend away from fossil fuels to green energies, as well as an increase in electric vehicles. These trends have informed a projected flattening demand for liquid fuels, which, in turn, has led Transnet to review and reassess the step-up phased Multi-product Pipeline (MPP) expansion programme. Projections signal flattening demand post 2040, and a subsequent decrease post 2050. This has led to a review of capital investments in liquid fuels projects such as increasing the main line capacity of the MPP. Transnet is, however, seeking opportunities to broaden market access to its pipeline while minimising new investments.

Other capital investment projects such as the Transnet Fuel Import Terminal (TFIT) at the Durban Coastal Terminal, will be a partnership-delivered common-user liquid fuel import facility, aimed at maximising utility from installed assets and minimising the need for new investment. The TFIT initiative is intended to act as a catalyst for historically disadvantaged entrants into the market, driving volume uptake on the MPP, with increased volumes ultimately reducing the cost per litre of fuel to the market and driving growth in pipeline market share for Transnet. This will also reduce road tankers thereby contributing to Transnet's decarbonisation plans.

The natural gas segment is a fledgling market in South Africa, currently accounting for only 3% of South Africa's energy mix. This, however, is projected to evolve as a complementary power-generation source through the Gas-to-Power Programme, helping to close the gap between peaking capacity requirements and baseload capacity. Complemented by increasing projected volumes of gas available regionally, and the recent discovery of potentially significant offshore reserves, Transnet's role as an enabler of this fuel-efficient energy source is quickly increasing in significance. LNG is expected to play a major role in transitioning from fossil fuels to green fuels in the future. LNG emits up to 40% less carbon dioxide than coal and up to 30% less than oil (liquid fuels). Due to this property, LNG is considered an important fuel during the transition phase.

The energy segment strategy approach is illustrated in the diagram below.

ENERGY SEGMENT STRATEGY

Rail routings are approximations for illustrative purposes.

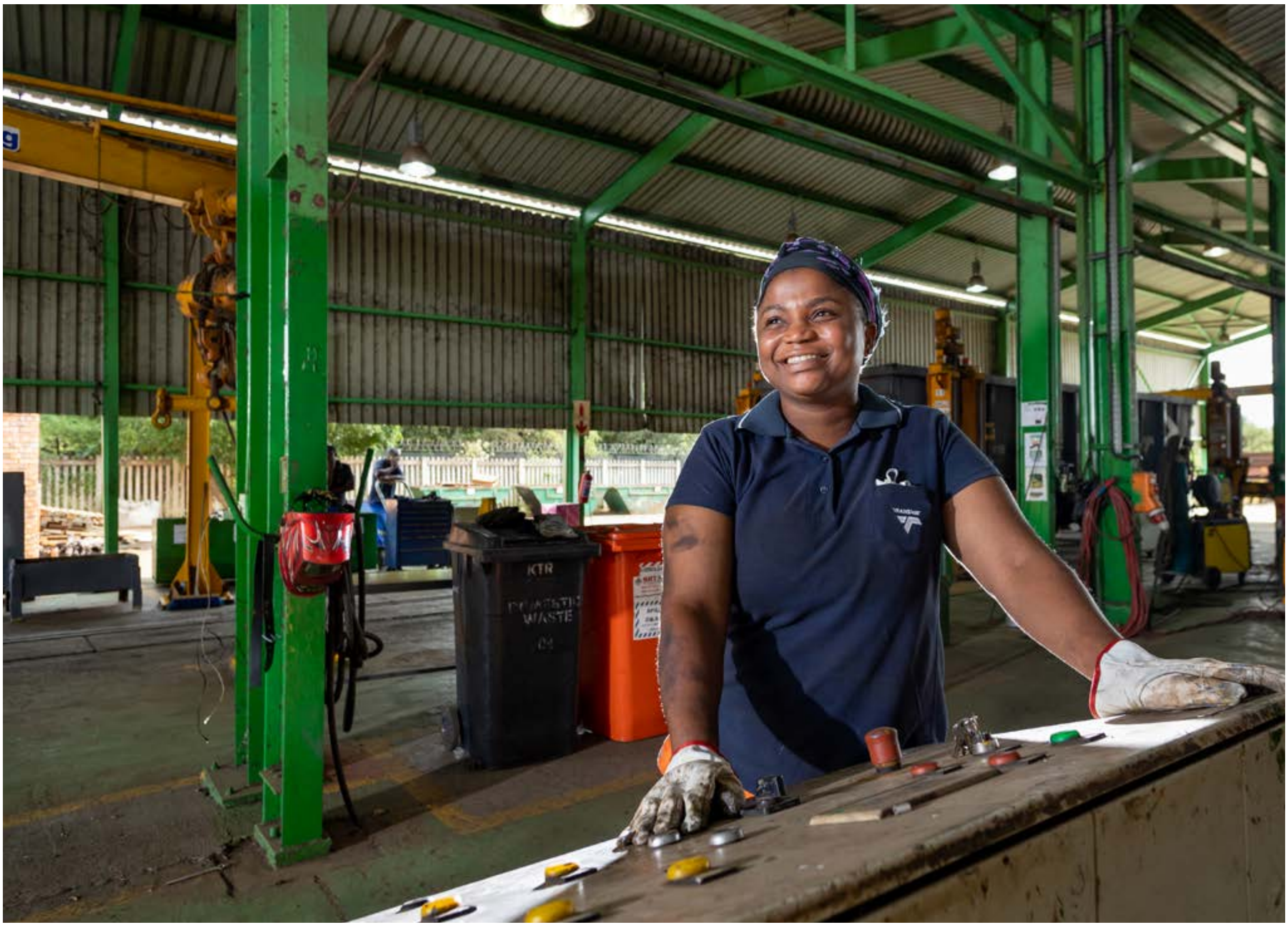
Currently, partnership-driven investments to support three key natural gas entry points are planned at the Ports of Richards Bay, Ngqura and Saldanha. The Richards Bay and Ngqura investments are currently being fast-tracked to align with planned anchor investments in peaking power-generation facilities in the respective industrial development zones, with the added potential to link to the Lilly Pipeline from the Richards Bay LNG Terminal. Virtual pipelines via rail or road are under consideration for the Ngqura and Saldanha investments, to enable inland and regional market access, with a multitude of potential applications to be facilitated through the Independent Power Producer Programme.

On the green fuels front, significant focus is being placed on the development of green hydrogen (and its by-products), with South Africa notably well positioned for both production and export of the in-demand commodity. According to a recent study, green hydrogen is expected to experience a compound annual growth rate of 54% from 2021 to 2030, growing from the current US$1,8 billion to an estimated market size of US$89 billion for the period. Investigations into options in the Northern Cape are underway, with vast renewable energy potential via solar power generation, paired with the potential development of manufacturing and export facilities at the Port of Boegoebaai, creating an ideal opportunity to play a role in the development of this market.

Energy segment focus areas for 2024/25 include the completion of the partner procurement or similar co-funding agreement processes for three transactions, namely the completion of the MPP system phase 1B development of the nine accumulator tanks, development of the TFIT Project at the Durban Coastal Terminal, the natural gas import facility at the Port of Ngqura and the natural gas import facility at the Port of Richards Bay.

Transnet will pursue the initiatives, tabulated hereafter, for the energy segment.

Initiative	Description	2024/25 deliverable	Five-year deliverable
Coastal Terminal in the Port of Durban	Develop the Coastal Terminal at the Port of Durban (also referred to as Terminal 1 or TM1) as a product accumulation and import terminal to enable security of fuel supply for existing and new entrants in the petroleum sector	• Appoint an engineering, procurement and construction management service provider for the Accumulator tanks by July 2024	• Operationalise the accumulator tanks to increase capacity and operational efficiency of the MPP • Operationalise the TFIT at the Port of Durban
Richards Bay natural gas import facility	Development of the LNG import facility (berthing, receiving and transmission infrastructure) at the Port of Richards Bay, potentially including the connection to the Lilly Pipeline	• Conclude the open season expression of interest non-binding phase with interested parties by September 2024 • Conclude the Terminal Operator Agreement by December 2024	• Operationalise the LNG Import Terminal Phase 1 by end 2027
Lilly Pipeline upgrades	Upgrade the Lilly Pipeline to include reversing the flow and welding activities to enable movement of LNG	• Finalise execution strategy by September 2024 • Obtain approval for the combine feasibility, detailed engineering and execution phase by March 2025.	• Operationalise the Lilly Pipeline from Empangeni to Secunda and Durban



08 AGRICULTURE

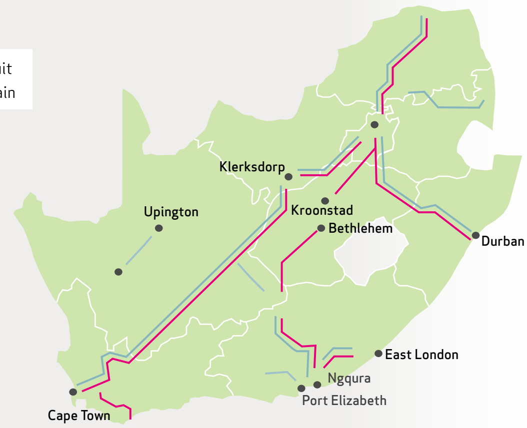
The agriculture segment is of national strategic importance, particularly when considering the Economic Reconstruction and Recovery Plan. The sector has unmatched potential for job creation, with strong economic growth potential in several subsectors. Maintaining the agriculture sector's growth requires drastic innovation in inland and port logistics systems that connect production areas to markets with rail, the only economically sustainable solution from a volume, compliance, and green transport perspective.

Lack of rail density and the seasonal nature of agricultural commodities, however, creates significant viability challenges for investment in rail infrastructure and equipment, with a sharp decline in rail market share evident over the past decade. In recognising the broader economic value of the sector, targeted agriculture logistics solutions will introduce the private sector to areas of operations, network, and asset management in the agricultural supply chain, traditionally provided by Transnet.

Partnership arrangements with the private sector will yield the efficiencies required to lower the cost of logistics in the agriculture sector in a sustainable manner, and create an enabling environment to support the growth of the sector, while catalysing an economic resurgence of many rural areas of the country.

The agriculture segment strategy approach is illustrated in the following diagram:

AGRICULTURAL SEGMENT STRATEGY



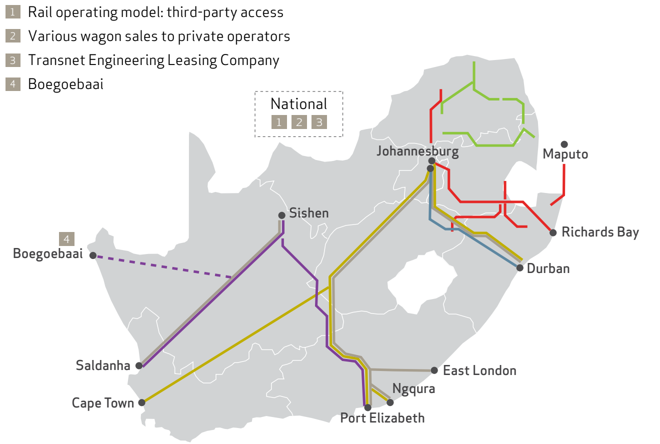
Rail routings are approximations for illustrative purposes.

The grain sector will be supported through a series of partnerships to revitalise branch lines connected to regional agricultural hubs. In addition to partnership-developed storage and loading facilities on underutilised Transnet land, third-party access for branch line operators and private wagon ownership will be encouraged. Port export capacity will be increased through a combination of containerised exports, and the upgrade and repurposing of grain elevators in Durban and East London.

The fruit export market is forecast to be severely constrained without a viable intermodal strategy to serve this high-growth and high-value export market. Responding to the needs of this market demands a collaborative approach, particularly taking account of the end-to-end cold chain accountability requirements. Value chain- and partnership-based initiatives include:

- Concessioning of specific branch lines supporting the industry;
- Partnership-based development of inland reefer terminals;
- Sales of slots to third-party operators; and
- Expanding reefer capacity at various port terminals including DCT, the Cape Town Container Terminal and the Ngqura Container Terminal.

MULTI-SEGMENT INITIATIVES



Transactions are presented as a conceptional portfolio, at various stages of project development and viability. Transnet will commit to execution once business cases are approved.

BOEGOEBAAI PORT AND RAIL DEVELOPMENT

Base metals from the Northern Cape are currently being exported via the Ports of Saldanha, Cape Town, Port Elizabeth, Ngqura, Richards Bay and Durban. Existing rail and port corridors, particularly the Eastern Cape and Saldanha as the primary export channels, are fully subscribed. Having reached existing infrastructure capacity limits, the rail network and port terminal capacity constraints in these channels prevent new and emerging market entrants from gaining access to export channels. As a result, any growth in dry bulk cargo from the Northern Cape mining region relies on road transportation over long distances to alternative ports (Ngqura, Port Elizabeth, Durban, Richards Bay and Cape Town), which is only viable under high commodity price regimes.

The Northern Cape province has identified a new deep-water port along its coastline as a critical enabler for unlocking mineral export growth in the region, as well as being a critical success factor for the establishment and realisation of the province's Green Hydrogen Master Plan. The new deep-water port was cited 20km south of the border, located adjacent to the Boegoeberg mountain peaks. This site is characterised by naturally deep water with the 20m depth contour situated only 250m offshore (hence no dredging necessary), extensive vacant land back of the water line, as well as adequate nearby rock sources for port construction material. Transnet performed a high-level concept exercise in 2022 to understand the rail route options available, and their corresponding cost estimates and delivery times. Three specific rail options that were identified were further refined through a RFQ process. A supplementary, optimised bulk export channel from the mining and industrial complex in the Northern Cape to a greenfield deep-water port in the same province was identified for a two-phased development.

A primary enabler to unlock both the mineral and green hydrogen developments in the Northern Cape, is the availability of a deep-water port capable of accommodating Cape-sized bulk carriers for the handling of some of the intended commodities.

Key project activities have been developed by the project team during the previously mentioned broad stages, and packaged to the Project Steering Committee for decision-making to move forward. Some of these include financial modelling to inform scope going forward, a funding strategy, project phasing informed by demand validation, governance approvals, project status control, cost control and cost validation, scope validation, quality observation, ongoing risk assessment, communications, human resources, integration and stakeholder management.

TRANSNET LEASING COMPANY

The evolving policy environment, which will, over time, create increased demand for rolling stock from private sector train operating companies, as well as the realignment of organisational objectives and operating models, will result in a shift of Transnet Engineering's business model to transition away from a reliance on rail maintenance, to focus primarily on its 'heavy engineering' element and, in particular, its rolling stock manufacturing and remanufacturing capabilities as the anchor service offering of the business. To support its strategy, the future Transnet Engineering is organised into four business units including rolling stock leasing. The establishment of the leasing company is an effective and sustainable global trend among rail and port operators. Opportunities exist where private sector operators access rail operations through slot sales and other initiatives, and require access to rolling stock through leases. This business unit will drive revenue diversification for Transnet Engineering, and potentially improve demand for the division's core business of manufacturing, remanufacturing, and engineering services.

BRANCH LINES

Branch lines represent a substantial portion (approximately 40%) of South Africa's railway infrastructure. These lines play a pivotal role in linking rural areas to the core network, supporting agriculture and facilitating economic activity. However, the sustainability and development of these lines pose growing challenges for Transnet, driven by affordability constraints, funding gaps, and the necessity to harmonise profitability with socio-economic goals.

Transnet has presented targeted branch line opportunities to the market through a competitive tender process, focusing on facilitating access and managing interfaces with the main line where necessary. The concession approach, however, has not yielded the anticipated results due to funding challenges associated with branch line rehabilitation, maintenance and operation. Government subsidies or capital injections are perceived as financially impractical and unsustainable.

The evolving Transnet Private Sector Participation Framework advocates collaboration with private entities to expand capital bases, provide value for money, leverage private sector skills and mitigate risks.

CONCLUSION

Notwithstanding the recent deterioration in performance that Transnet has encountered over the past years, the Company has developed a robust and forward-looking strategy, the R4G Strategy. This comprehensive plan not only seeks to halt the decline in performance and recover sustainability, but also aspires to revolutionise the entire organisation. Through the R4G Strategy, Transnet aims to achieve sustainable performance outcomes, while simultaneously positioning itself as a pivotal player in a rapidly evolving freight logistics sector. This strategic initiative goes beyond addressing internal challenges. It aspires to lead the transformation of the entire sector, contributing significantly to the overarching success of the South African economy. Importantly, the R4G Strategy positions Transnet to be agile and responsive to pivotal policy reforms, as exemplified by the NRP and the Freight Logistics Roadmap. By doing so, the Company not only safeguards its own future but also takes proactive steps to shape the future landscape of the industry, ensuring sustained success and positive contributions to the economic landscape.

OUR STRATEGY IN SEGMENTAL CONTEXT

STRATEGIC OPPORTUNITIES AND RISKS IMPACTING OUR STRATEGY

The various segments are provided below, with an explanation of the segmental context and an overview of the opportunities identified within the segment. Also detailed are the priority areas for the 2024/25FY and their anticipated outcomes. As these are forward-looking priorities and outcomes, we do not guarantee the results, however, we will endeavour to achieve against our listed priorities to support the strategy. Also provided with each segment, is an overview of the identified risks and Transnet's strategic response to them.

01 CONTAINERS

SEGMENTAL CONTEXT

In the dynamic global trade landscape, success hinges on strategically consolidating goods and establishing robust multi-modal transport connectivity. Within the container sector, adopting strategies such as increasing volume consolidation, connecting hubs, and feeder ports is essential for larger vessels. This approach leads to improved economies of scale, ultimately reducing container shipping costs and enhancing international competitiveness.

Aligned with the global trend toward larger vessels, South African ports have occasionally faced capacity constraints. Therefore, establishing global hub ports, which attract significant trade volumes due to lower unit container movement costs, presents a viable solution to this challenge.

Countries with hub ports benefit from reduced feeder service costs, solidifying their position in the global trade network. As trade flows in the South continue to evolve, Durban – accounting for 60% of South Africa's trade volumes – is poised to capitalise on this shift.

The development of a hub status port could significantly increase the handling of transshipment volumes destined for ports in the South African Development Community (SADC) region, thereby enhancing South Africa's presence in regional trade. This initiative requires careful planning and greater integration of the private sector into Transnet's rail business, necessitating an evolution of our operating model to allow third-party access, in line with ongoing rail regulatory reform efforts.

Mindful of our environmental responsibilities, we endorse the Slow Steaming initiative, aimed at reducing our carbon footprint and contributing to global sustainability endeavours, as we navigate the challenges and opportunities within the container sector.

OPPORTUNITIES IDENTIFIED

The container segment presents Transnet with various opportunities:

- Repositioning Durban Port as a global container shipping hub port, elevating South Africa's role in global trade;
- Enhancing rail operational performance between Durban Port and Gauteng to speed up container transfers in line with the recovery plan;
- Establishing a dedicated Durban Point Container Terminal to boost container handling capacity;
- Enhancing capacity and capabilities at trade entry points in response to trade growth;
- Increasing rail freight to South Africa's northern neighbours, capitalising on our strategic location; and
- Strengthening connectivity at Ngqura to enhance its role as a regional transshipment hub.

Priorities for 2024/25FY

- Contracting and final close on the DCT Pier 2 PSP, which enhances DCT Pier 2 by partnering with an International Terminal Operator (ITO) – including incorporating the terminal into the ITO's partner network;
- Execution of the feasibility study to explore options for potential partnerships with an ITO or shipping line to establish Ngqura as an international transshipment hub with installed capacity of 2 million TEU;
- Execution of a feasibility study to partner with the private sector, aimed at providing the necessary capital investments, operational expertise and market access to operate, maintain and upgrade the Container Corridor (inclusive of the back-of-port and inland terminals – Bayhead, City Deep and Kaalfontein) in a sustainable and mutually beneficial manner for a defined period; and
- Execute the feasibility study for Point Container terminal.

Key segmental risks directing Transnet's strategic responses

- Misaligned investment could result in either over- or under-capacity;
- Terminals run by international terminal owners could, over time, gradually erode existing Transnet terminals' business if the latter do not keep pace;
- Labour erroneously perceiving the proposed transactions as privatisation rather than industry mobilisation of joint resources through PSPs (in line with Government's Economic Reconstruction and Recovery Plan (ERRP)) and hence a potential threat to job security;
- Lack of engagement with environmentalists on Port of Durban expansion plans at the Port of Durban could result in significantly delayed environmental approvals and/or onerous environmental requirements; and
- Aggressive impact of climate change on key infrastructure.

Anticipated outcomes

- Significantly lower maritime shipping costs;
- Efficient and reliable container terminals (port and inland);
- Assets operating at design capacity;
- A container intermodal service that competes effectively with road supply chains as a viable alternative;
- Optimised network design to drive rail freight density;
- Ability to harness private sector skills and capabilities by mobilising joint resources in the segment's value chain;
- An ecosystem of specialist service providers, collaborating to develop, manage and operate the container supply chain;
- Enhance ports' and container terminals' positioning for greater maritime connectivity;
- Build regional and global container shipping connectivity;
- Include Port of Ngqura into a global network of ports and terminals and develop and operate associated industrial development zone-based value-added services;
- Create a rail-enabled industrial and logistics cluster to increase rail market share; and
- Expand container handling capacity in the Port of Durban.

Transnet's strategic responses

- Clearly define the role of the anticipated hub ports (Durban and Ngqura) both regionally and to international stakeholders to align strategic expansion plans and joint commercial aspects;
- Develop a strategy to attract and secure sustainable demand by ensuring Transnet is aligned with the medium- to long-term needs and expected deliverables from various customer segments in the Container sectors;
- Ensure an iterative, phased approach to developing additional capacity (port and rail) to ensure alignment of Transnet's plans with the pace and potential of sector growth;
- Ensure Transnet invests with discernment where its own capacity and capabilities are already proving efficient, with potential for improvement, and crowd-in private sector investment to augment the resource requirements in the medium- to long-term expansion of the Container sectors' value chains;
- Develop a robust stakeholder engagement and communications strategy to clarify Transnet's Segmental Strategy as one of joint segmental growth and industrial enablement, as aligned with the Government's ERRP, to ease stakeholder tensions – particularly Labour concerns;
- Ensure Transnet's PSP transactions incorporate the Company's existing labour policies and adjust policies where required to remain inclusive and sensitive to Labour's concerns, particularly in a post-COVID-19 and post-2021 unrest economic context; and
- Design of climate resistant infrastructure.

02 AGRICULTURE

SEGMENTAL CONTEXT

The agricultural sector represents a rapidly expanding area for Transnet, particularly given the meteoric rise of the fruit industry, which is quickly exceeding the capacity of road haulage. South Africa has established a strong position on the global stage as a noteworthy exporter of pomme fruit, citrus, and grapes. This reinforces robust export ties to European and Asian markets.

The sector has witnessed a substantial decrease in rail market share, a decline partially attributable to the sector's dispersed nature, which consequently poses challenges to branch line density and viability. As a response to these complexities, there is increasing consolidation and organisation within the industry, leading to a growing capacity and appetite for private sector involvement in logistic solutions. This evolution aligns well with our strategies and stands to enhance our operating model.

The agricultural sector has been identified as a crucial enabler for Government's ERRP, underlining its importance in national economic strategy. This positions Transnet at the heart of a significant growth area, with the potential to greatly influence the development of the country's economy.

In line with global trends, there has been considerable technological advancement within the agricultural sector, encompassing both tools and operating models. These advancements, however, have not yet been fully adopted by Transnet. Acknowledging this, we are actively looking to integrate such innovations into our operations to further enhance our efficiency and competitive advantage in the agricultural sector.

OPPORTUNITIES IDENTIFIED

Transnet recognises various opportunities within the agricultural sector:

- Implementing a value chain approach to tap into the sector's growth potential, both locally and internationally;
- Harnessing international cold chain standards and other key performance indicators to create rail-friendly solutions;
- Introduction of intermodal solutions across the agriculture sector commodities. This model, largely drawn from the fruit value chain, could radically transform the efficiency and capacity of our transport solutions within the sector; and
- Providing third-party rail access to encourage proactive industry participation, potentially fostering innovation and investment.

Utilising these opportunities, Transnet aims to:

- Capture a larger market share;
- Foster growth in the agricultural sector; and
- Contribute to South Africa's national economic development.

Priorities for 2024/25FY

The development and implementation of a value chain-based portfolio of initiatives based on:

- Inland consolidation points to drive rail density;
- The concessioning of supporting branch lines to allow private sector operators to manage associated costs;
- Third-party access rail operating model allowing for branch line operators to access port terminals for efficient operations;
- Potential use of near-port terminals as purpose designed back-of-port facilities; and
- Port terminals aligned to the value chain need (cool ports/grain elevators etc.) or utilised as throughput ports enhanced by back-of-port facilities.

Segmental risks directing Transnet's strategic responses

- Significant investment requirements for (in many instances) greenfield or brownfield inland consolidation facilities and in some cases mothballed branch lines;
- Investments required to reinstate and increase capacity in grain export/import facilities;
- Rail density causing viability challenges;
- Market volatility and peaking due to seasonal and easily disrupted production characteristics – planning for the peaks is not viable from an asset utilisation perspective.

Anticipated outcomes

- The migration of volumes from road to rail, with significant growth in the rail market share for the agricultural industry;
- The increased market access and reduced cost of logistics prompting further growth in the South African agricultural industry; and
- Efficient port terminal operations enabling greater volume throughput and improved financial results.

Transnet's strategic responses

- Partnership approach to investment, with the industry playing a key role in informing the planning of the solutions to support the value chain, and the private sector taking the financial risks associated with the investment in inland consolidation facilities and grain export/import facilities;
- Concession-based model for branch lines, with the private partner assuming the fixed cost responsibility for maintenance and restoration of the infrastructure while integrating with Transnet's rail operations either via hook-and-haul or third-party access operating models; and
- Integration with industry planning and forecasting processes to understand and capacitate according to realistic and appropriate target setting.

03 AUTOMOTIVE

SEGMENTAL CONTEXT

South Africa's automotive sector has experienced a remarkable resurgence in 2022, bouncing back from the global impact of COVID-19. There has been a notable 20,5% increase in local auto industry volumes compared to 2021, surpassing pre-pandemic peaks and indicating a positive trajectory. The export figures for transport equipment also reflect this growth in 2021: R167,9 billion and 2022: R192,6 billion.

However, despite this recovery, the sector continues to face challenges. These include disruptions caused by various factors such as restrictions on internal combustion engines in key markets, supply chain resilience issues, particularly concerning semiconductors, and the impact of the conflict in Ukraine on the supply of components to the German auto industry.

In response to these challenges, we anticipate that the outcomes of the new Automotive Production and Development Programme (APDP2) and the Pan-African Auto Pact will strengthen the automotive value chain centered around Gqeberha. Congestion in our export channels, particularly the rail haulage on the Container Corridor and import/export via the Port of Durban is also being addressed.

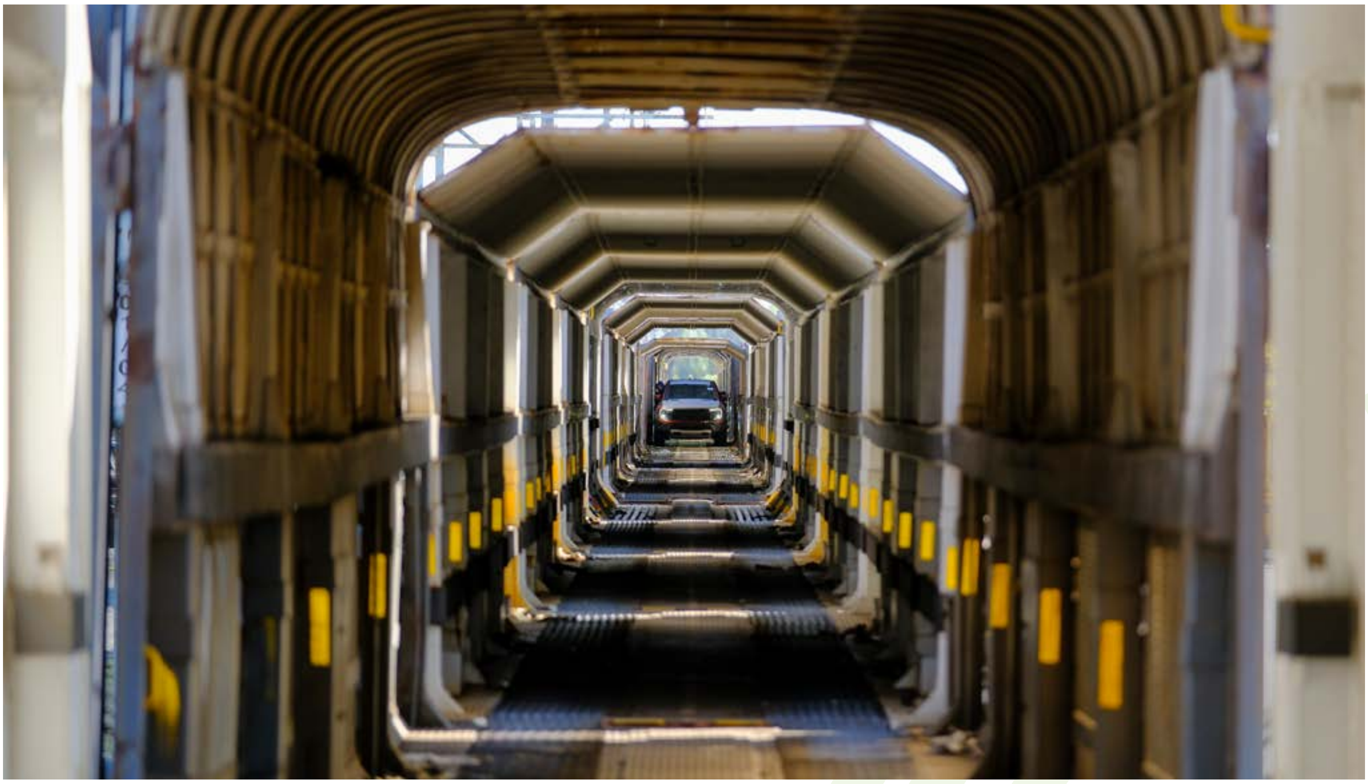
At our Kaalfontein terminal, we have identified areas for improvement, including the need for dedicated secure parking and better-integrated operations. The dynamic nature of the automotive sector demands ongoing adjustments to wagon configurations to avoid obsolescence and maintain efficiency.

Transnet acknowledges these complexities and is dedicated to promoting resilience, efficiency, and innovation within the automotive sector. We are committed to remaining a key player in South Africa's economic growth by addressing these challenges head-on and adapting to evolving industry demands.

OPPORTUNITIES IDENTIFIED

To align with the evolving needs of the automotive industry, Transnet is strategically positioned to seize several promising opportunities:

- Exploration of adapting the operating model for automotive port terminals to a throughput model, aimed at maximising the utilisation of port parking capacity. This initiative entails re-engineering the Port of Durban Ocean Terminal and T-Jetty Precinct to establish an open automotive footprint with optimised parking bays. The establishment of a dedicated preloading facility closer to the berth will facilitate streamlined processes and enhance efficiency.
- Identification of an opportunity to offer extended dwell days storage at various back-of-port facilities, in collaboration with the private sector. This endeavour could be augmented by providing value-added and ancillary services at these facilities through Public-Private Partnership (PSP) transactions. Furthermore, enhancing the integration of the automotive supply chain at the Kaalfontein terminal presents a significant opportunity. Through lease or concession arrangements, we can greatly support the road-to-rail strategy.
- Opportunity to redirect Hinterland Automotive OEMs auto flows to the Port of Port Elizabeth by enhancing the capacity of the SouthCor rail corridor and port. This measure will optimise the automotive flow and streamline operations.
- Commitment to enhancing automotive wagon availability, utilisation, and suitability. This includes revisiting automotive wagon ownership through potential PSPs and adopting an operating model centered on a "hook-and-haul" philosophy. These steps will bolster our capacity to meet the evolving demands of the automotive sector.
- Transnet is resolutely committed to realising these opportunities, thereby further solidifying our pivotal role in South Africa's automotive industry.



Priorities for 2024/25FY

- Pilot and optimise new operating model in the Ports of Durban and Port Elizabeth;
- Secure funding to award the Turnkey Engineering, Procurement and Construction contractor for the design, construction, and commissioning of the rail loop extension for the South Corridor for the relocation of the import and export of certain automotive segment supply chains for fully built-up units through the SouthCor to the Port of Port Elizabeth;
- Potential partnership to develop the BoP automotive export and import capacity as well as the development of "value-add and ancillary services" at the Port of Port Elizabeth, Port of Durban and Port of East London;
- Consider disposing of Transnet's current automotive wagon fleet to a wagon-owning LSP, while partnering with one or more wagon operators to collaborate with OEMs to ensure adequate wagon configurations for growth;
- Re-engineer and reposition the Point Automotive Terminal by relocating and demolishing components of Ocean Terminal operations and infrastructure; and
- Repurposing of the Charl Malan Container Terminal for automotive handling and retaining a smaller container terminal footprint for peak reefer handling and weather-related risks.

Key segmental risks directing Transnet's strategic responses

- The high unpredictability, volatility, and fluctuations of global demand in the automotive sector may result in export volumes not materialising, thereby rendering investments in the segment's supply chain infrastructure unsustainable in the short- to medium-term; and
- Due to the laggard nature of the South African Automotive Industry in the transition to smart electric vehicles and hybrid technology readiness, there is a risk that local South African original equipment manufacturers (OEMs) could miss out on the manufacturing contracting of electric and sustainable hybrid vehicle types, hence a reduction in export volumes and stranded assets.

Anticipated outcomes

- Economies of scale create opportunities for more rail-based inbound and outbound logistics by removing last-mile challenges to intermodal solutions;
- A range of co-sourcing investments and partnerships for both port and rail to support the automotive segment for growth;
- Changing automotive model configuration needs are constructively addressed by suitable wagon structures;
- The mitigation of significant operating expenses, risk and capacity constraints imposed by the existing limited wagon fleet and inland terminal constraints;
- Sustainable risk sharing of investments due to the high volatility of automotive demand;
- Unlocking of port capacity to meet the industry demand through business re-engineering of the operating model;
- Broaden the value proposition to incorporate value-add and ancillary services;
- Mitigation of security of supply risk of coastal and hinterland logistics; and
- Optimisation of rail capacity.

Transnet's strategic responses

- Promulgate and gazette the anticipated project for expanding capacity on the SouthCor rail for the accommodation of automotive volumes as a 'Strategic Infrastructure' project within the Presidential Infrastructure Coordination Commission. Further, apply for Government subsidy and crowd-in financing support to co-fund the project;
- Monitor global, regional and domestic automotive demand and trend capital investments to the most prudent investments on a just-in-time basis;
- Share investment risk with industry participants across the value chain;
- Influence Government's policy planning and effect policy change in the APDP and the SAAM masterplan to support the incentivisation of OEMs to start building capacity infrastructure, technology, and skills to embrace the smart electric vehicle production capability;
- Innovative wagon designs focused on flexibility, with an emphasis on creating wagons that can be tailored and modified seamlessly; and
- Private sector driven supply of rolling stock and haulage service to the automotive industry.

04 COAL

SEGMENTAL CONTEXT

The coal sector remains a dominant player in South Africa's energy landscape. Despite shifting global attitudes towards greener energy alternatives, coal's significance cannot be downplayed. Coal contributed 81,8% to our national energy mix during the first quarter of 2021. This increase came as an additional coal unit at the Kusile power station entered commercial operation. In comparison, renewable energy sources collectively contributed almost 11% to the energy mix during the same period. This includes contributions from solar PV, wind, hydro, Concentrating Solar Power, and other renewable sources. Zero-carbon energy sources, comprising renewables and nuclear, contributed 14,3%.

Yet, the global energy landscape is evolving, with numerous governments enacting legislation to limit the use of coal in electricity generation. South Africa is no exception to this trend, with the share of coal-generated power in our electricity mix expected to gradually reduce from 71% in 2019 to 43% by 2030, as projected by the IRP 2019. It must be noted, however, that the transition to renewables is not as straightforward as it might appear. In fact, coal-fired electricity generation reached an all-time high globally in 2021, underlining the challenges associated with completely phasing out coal from the energy mix.

Recent geopolitical tensions between Russia and Ukraine have posed challenges but also presented opportunities. The EU's energy supply has been under pressure as a large portion of its coal and gas is sourced from Russia. This has opened a unique window for South Africa to step in and accelerate coal exports to European markets faced with a coal supply deficit due to sanctions on Russia. Exxaro Resources and other major coal mines in South Africa have seen a surge in requests from European countries looking to secure supply contracts given the current climate.

Priorities for 2024/25FY

- Continued collaboration with industry to improve security along the export rail channel;
- Increase in available rail slots and reduction in temporary speed restrictions to enable more trains and shorter transit times;
- Continued collaboration with industry and customers to improve turnaround times on maintenance activities and spares; and
- Contracting with OEM's for returning to service the fleet of long-standing locomotives.

Key segmental risks directing Transnet's strategic responses

- With waning investment appeal for coal as a commodity sector globally, sources of funding from conventional investment houses to sustain and improve the existing export channel to the PoRB may not materialise;
- The lead time for re-engineering certain locomotive fleets may result in the continued poor reliability of the fleet in the immediate term; and
- The change in global supply dynamics and/or slower transition to renewable energy sources may lead to a spike in export coal demand from South Africa, resulting in missed opportunities on the export channel.

From a Transnet perspective, the coal export value chain has faced significant strain over the historic medium term. The Transnet export terminal at the Port of Richard's Bay has been constrained due to a series of fires damaging coal export conveyors. The rail channel, vital for the efficient transport of coal, has also been heavily affected by vandalism, theft of overhead cabling, and a shortage of locomotives due to a stalemate with the CRCC, along with other tactical and operational challenges.

Despite these challenges, Transnet remains committed to maximising opportunities and overcoming obstacles within the coal segment. The ongoing evolution of the energy landscape indeed presents a complex, but exciting path ahead.

OPPORTUNITIES IDENTIFIED

Transnet identified several key opportunities within the coal segment:

- **Joint security initiatives**
  Partnering with industry stakeholders to safeguard assets, mitigate risks, and ensure smooth, uninterrupted transportation of coal;
- **Reducing cycle times of limited rolling stock**
  This could increase capacity for coal transportation and enhance operational efficiency;
- **Improving asset utilisation**
  Optimising the use of available assets to drive productivity and throughput, maximising the value generated from resources;
- **Restoration of rail channels**
  Refurbishing and enhancing rail infrastructure to handle higher volumes of coal, facilitating more efficient transportation; and
- **Development of intermodal logistics**
  Exploring the integration of various modes of logistics systems to provide an end-to-end solution for moving coal.

By capitalising on these opportunities, Transnet aims to strengthen its position in the coal industry, contribute to South Africa's economic growth, and better meet the demands of customers and the broader industry.

Anticipated outcomes

- Outcomes relate mostly to the consolidation of activities, efficiency improvements and improved asset utilisation in a bid to increase export volumes; and
- Funding from customers will see increased maintenance activities to restore the network to nameplate operations sooner.

Transnet's strategic responses

- Structure financing transactions with coal exporters to secure joint capital resources to sustain operations and improve performance;
- Awarding of contracts to alternate Loco OEMs to re-engineer/modify the CRRC locomotives to return them to service; and
- Validate customer commitments to verify if expansion is ultimately viable and sustainable, via joint investment schemes with customers.

05 CHROME AND MAGNETITE

SEGMENTAL CONTEXT

The chrome and magnetite segments form a crucial part of the global mining landscape. A landscape in which South Africa is a key role player. Notably, the world's chrome resources are geographically concentrated, with a staggering 95% residing in Kazakhstan and southern Africa. South Africa's significance is underlined by the fact that it led the global production of chrome in 2021, producing 18 million metric tons out of a global mine production volume of 41 million metric tons.

The global chrome and ferrochrome markets are projected to grow at an annual rate of about 6% through 2027, driven by increasing demand from the stainless steel industry and rising industrialisation in emerging economies. Key factors include technological advancements and expanded mining activities, though challenges like environmental regulations and raw material price fluctuations may impact growth. This trend indicates a promising future for South Africa's chrome industry, given our dominant position in production. Demand for magnetite, primarily used in steel-making, is predicted to peak at 15 million metric tons per annum (mtpa), demonstrating a compound annual growth rate (CAGR) of 5%. The global magnetite market shows promising prospects, particularly within the iron and steel industries, as well as in the medication sector. Major growth drivers include the increasing demand for high-grade iron ore, the surge in steel production in China, rapid industrialisation, and an expansion in building and infrastructure development.

South Africa's export channels for chrome and ferrochrome include Maputo, Durban, and Richards Bay. Meanwhile, magnetite exports are shared between the Ports of Maputo and Richards Bay.

In terms of operations, Transnet and CFM – Mozambique's national railway operator – currently collaborate to provide export services for chrome and magnetite mined in South Africa. This is achieved using the Port of Maputo as a key export route. It is worth noting that, much like the coal channel, the chrome and magnetite channels have also experienced challenges. Such challenges have arisen, particularly in the form of locomotive reliability issues. This has been driven by the non-availability of OEM spares, as well as high incidents of theft and vandalism – areas that we are actively working to address.

OPPORTUNITIES IDENTIFIED

Transnet identified several strategic opportunities in the chrome and magnetite segments:

- **Strengthening cooperation with CFM**
  Continue with joint efforts to fortify the Maputo link to enhance export capacity and operational efficiency;
- **Responding to increasing demand**
  Operational improvements at the PoRB aim to capture more of the chrome and magnetite market;
- **Forming partnerships with the private sector**
  Partnerships could provide funding for operational interventions needed to sustain business operations and expand the value chain; and
- **Establishing a chrome mega terminal at the PoRB**
  This project could significantly increase export capacity, enhance operational efficiency, and meet growing global demand for chrome and magnetite.

Priorities for 2024/25FY

- Collaboration with CFM – continued efforts to ensure cooperation of the respective national governments and customs authorities as well as sharing of networks;
- Rail network restoration to reduce TSR's and manual authorisation thereby improving cycle times;
- Contracting with OEM's for returning to service the fleet of long-standing locomotives;
- Completion of the business turnaround plan at port terminals and marshalling yards in the PoRB to improve terminal operations' performance; and
- Embarking on a competitive process for the selection of a partner for the Dry Bulk Terminal in the Port of Richards Bay.

Key segmental risks directing Transnet's strategic responses

- Readiness of CFM to accept increased traffic may prevent seamless movement between SA and Mozambique;
- Freight Rail may not be adequately equipped to sustain and expand operations to feed the Transnet-operated terminals in the PoRB; and
- The lead time for re-engineering certain locomotive fleets may result in the continued poor reliability of the fleet in the immediate term.

Anticipated outcomes

- Shared utilisation of rail networks; rolling stock and streamlined customs process to improve regional integration, asset utilisation and export volumes;
- Increased rail network and rolling stock availability and reliability leading to reduced cycle times and increased volumes; and
- Increased export volumes through involvement of the private sector for increased productivity and capital investments at Richards Bay.

Transnet's strategic responses

- Continuous engagements with CFM for integrated train planning to ensure realisation of benefits of shared networks and rolling stock;
- Structure financing transactions together with customers to acquire the necessary capital especially for the rolling stock requirements for increased volumes; and
- Awarding of contracts to alternate Loco OEMs to re-engineer/modify the CRRC locomotives to return them to service.

06 IRON ORE

SEGMENTAL CONTEXT

The iron ore segment is South Africa's fourth largest mining contributor, and a key player in steel making. Steel is crucial across the globe for structural engineering, car manufacturing, shipbuilding, and general machinery.

In 2023, global iron ore trade rose 5% to 1,63 billion tons, driven by increased steel production and China's policy shifts. South Africa, the fourth largest iron ore exporter, held a 3,2% market share, exporting mainly high-quality hematite.

Key 2023 statistics for South Africa's iron ore industry[1] include 23 439 direct employees, 95,5% of value exported, and sales of R96,9 billion. A 6,7% export sales decrease was due to rail and port logistics issues, causing South Africa to fall behind Canada as the third-largest exporter.

The sector's future is influenced by global steel decarbonisation, pushing for electric arc furnaces (EAFs) needing high-grade iron ore. However, global iron ore quality is declining, raising production costs. South African mines face depletion, declining ore quality, and rising costs. The "Adapt to Thrive" report by PwC indicates Northern Cape reserves might deplete in two decades without large-scale exploration.

Challenges in rail and port infrastructure hinder exports. Mine-side issues include reserve quality and the cost of producing high-grade iron ore. Although demand for rail and port capacity exceeds 70 mtpa, medium- to long-term supply constraints threaten export sustainability and expansion plans.

The global market may shift to oversupply by 2028, reducing prices and affecting high-cost producers. Fitch predicts long-term prices might fall to US$50 per dry metric ton unit (dmtu), impacting expansion investments.

[1] *Sources: DMRE, SARS, Minerals Council of South Africa*

A risk-centred investment strategy is prudent. Key objectives include rehabilitating and maintaining rail and port assets, improving operational efficiencies per the Transnet Turnaround Plan, and collaborating with the iron ore industry and government through the National Logistics Crisis Committee and Freight Logistics Roadmap. This focuses on enhancing rail and port performance and exploring private sector investment opportunities.

OPPORTUNITIES IDENTIFIED

- Transnet recognises short-term growth potential within the iron ore sector, especially driven by the increasing presence of emerging miners. This trend is amplified as the global seaborne market experiences undersupply and demand for South Africa's higher-grade ore remains strong;
- Addressing short-term demand requires the restoration and optimisation of current port and rail capacity in the Saldanha export channel to meet contracted volumes effectively, serving as a foundational step;
- In the short term, partnering with the private sector will concentrate on initiatives and investments aimed at facilitating asset maintenance, reinstating operations to their intended capacity, and enhancing operational efficiencies;
- Exploring alternative operating models tailored to fulfil the logistics requirements of emerging miners is also on the agenda; and
- Monitoring market conditions in the medium term will guide the timing and approach to investments for future capacity expansions.

By leveraging these opportunities, Transnet envisages sustainable recovery of the iron ore sector.

Priorities for 2024/25FY

- Increase rail and port asset maintenance in the Sishen-Saldanha corridor to reduce operational disruptions;
- Collaborate with industry and NLCC structures to fund and execute interventions aimed at recovering to installed capacity;
- Consider alternative combined iron ore and manganese expansion scenarios for optimal utilisation of common logistics assets in the Saldanha channel; and
- Proceed with the pre-feasibility study for a future multi-product MPT bulk berth in Saldanha.

Key segmental risks directing Transnet's strategic responses

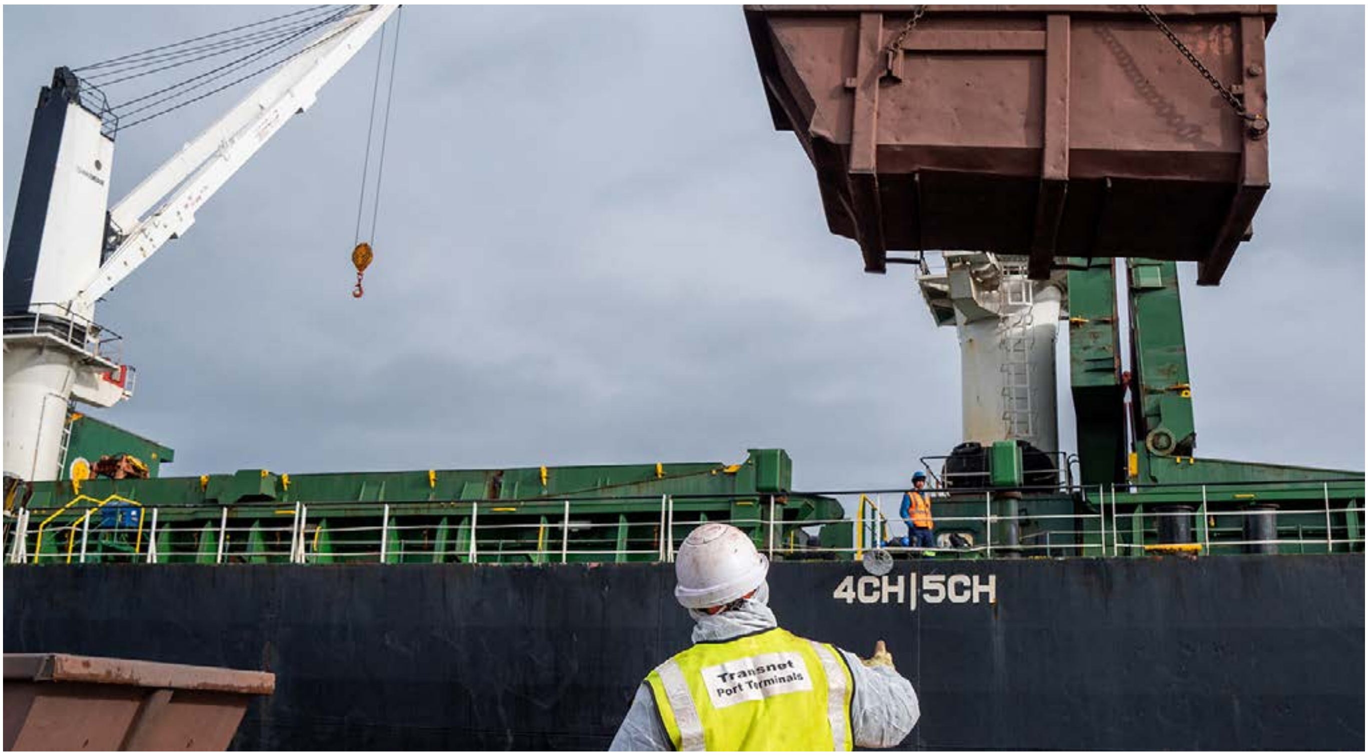
- Deteriorating port and rail asset condition is increasing operational disruptions and volume losses eroding current export capacity;
- SA iron ore production will steadily decline by avg. of -1,2% from 2023 to 2031, with a declining proportion of higher value lump ore;
- The possible depletion of reserves together with reduced quality of iron ore introduce uncertainty regarding life of mines and associated sustainability of medium- to long-term production output;
- Substantial investments to increase production capacity for exports combined with the volatile, negative price outlook will influence viability of investments; and
- Rail reform and broader economic regulation introduces uncertainty regarding current commercial contracts and structuring of private sector transactions.

Anticipated outcomes

- Reinstate installed capacity to meet contractual commitments and increase volumes and revenue;
- Reduce Transnet capital burden while increasing private sector partnerships to sustain the channel;
- Restore the condition of infrastructure assets and improve operational performance, deliver on contracted volumes, improve customer satisfaction and create incremental capacity (where possible);
- Alternative asset-use scenarios for iron ore and manganese is regarded as capital efficient; and
- Design development and securing of environmental authorisations for a new bulk berth will expedite expansionary investments if so required.

Transnet's strategic responses

- Elevate and support collaborative stewardship structures between Transnet and the industry to optimise operational performance and asset utilisation and asset condition management in the channel;
- Close monitoring of market conditions and commodity price movements to stay ahead of the curve on projected market volatilities and changes that could influence expansion tranches;
- Develop investment and operational risk-sharing models through PSP and attractive long-term commercial contracting methodologies in various elements of the export value chain;
- Broaden the technical asset condition assessment to include investment in the restoration of rail network and rolling stock and port handling equipment by the private sector; and
- Develop a strategic partnership and investment framework to guide the structuring of transactions in the various rail and port components in the value chain.



07 MANGANESE

SEGMENTAL CONTEXT

Manganese, the fourth most utilised metal worldwide, is crucial for steel manufacturing and automobile batteries. South Africa, with 75% of the world's reserves, plays a pivotal role in manganese production alongside Australia, Brazil, Gabon, and Ghana. The steel industry consumes 90% of global manganese, driven mainly by China, with emerging demand from electric vehicle (EV) batteries adding a new dimension.

According to the Minerals Council yearbook, the manganese sector employs around 12 000 people in South Africa, with significant economic multiplier effects. In 2023, the sector generated R48 billion in export sales. South Africa holds 30% of global production and 36% of seaborne trade, primarily to China, with market share growth from 24% in 2012 to 36% in 2022, driven by steel demand and the displacement of China's low-grade domestic volumes.

Transnet has expanded rail and port export capacity from 5,5 mt in 2012 to 16,1 mt in 2022, facilitating access for seven new miners. This reflects a commitment to growth and collaboration with the private sector.

Manganese demand is expected to rise due to its use in steel, batteries, and EVs. The transition to carbon-neutral steelmaking and the growth of the EV market are projected to drive a 10% annual increase in manganese ore demand for lithium-ion batteries over the next decade.

The global manganese market may face a supply shortfall as mines approach the end of their operational life by 2028, potentially resulting in a 30 mtpa deficit by 2040 without new investments. South Africa, with its vast reserves, successful exploration history, and strong ESG policies, is poised to secure at least 50% of the future manganese seaborne trade.

Priorities for 2024/25FY

- Targeted investment in rail network; rolling stock and port equipment maintenance to optimise manganese exports via current channels;
- Award the PSP contract to fund the development of a new 16mtpa manganese export terminal in Ngqura;
- Deliver further incremental capacity expansions in the Cape Corridor to deliver early capacity benefits; and
- Approach the market for the funding and development of rail upgrades in the Cape and Ore Corridors.

Key segmental risks directing Transnet's strategic responses

- Deteriorating operational performance due to asset condition and asset utilisation is a contractual and reputational risk for SA producers;
- Sub-optimal capital investments in the respective channels (Ngqura and Saldanha) erodes value;
- Cost of expansion could render SA's producers uncompetitive on the cost curve;
- Increasing commodity price volatility due to market oversupply poses an investment risk during the period of oversupply;
- Increasing environmental compliance could increase the cost of the solutions;
- Non-aligned rail and port expansions result in a capacity/ demand mismatch delaying volume uptake; and
- Rail reform and broader economic regulation introduces uncertainty regarding current commercial contracts and structuring of private sector transactions.

With over 78 years of remaining mine life, South Africa is well-positioned to meet future market demands.

OPPORTUNITIES IDENTIFIED

Transnet has identified numerous growth opportunities within the manganese ore sector:

- **Dual channel export strategy**
  Transnet is executing the strategy to boost export capacity to a minimum of 22 mtpa supporting the growth of the manganese industry;
- **Partnerships with the private sector**
  Crucial to developing the necessary terminal and rail capacity for the successful execution of the dual channel export strategy; and
- **Access for emerging miners**
  Transnet aims to further facilitate access to export capacity for new entrants, fostering industry inclusivity and growth.

These strategic actions reflect Transnet's commitment to strengthen South Africa's manganese sector and promote broader participation.

Anticipated outcomes

- Meet and exceed annually contracted volumes;
- Increase capacity to meet current contracted demand;
- Increase capacity to meet demand growth to a minimum of 22mtpa;
- Migrate volumes from road to rail;
- Increase customer service satisfaction;
- Increase contribution to the fiscus;
- Reduce burden on Transnet's balance sheet;
- Share risk with private sector where market appropriate; and
- Increase capacity for emerging miners to further transform the industry.

Transnet's strategic responses

- Prioritise increased maintenance of the rail network, rolling stock and port handling equipment to improve operational performance;
- Consider alternative combined iron ore and manganese expansion scenarios for optimal utilisation of common logistics assets in the Saldanha channel;
- Close monitoring of the market conditions, commodity price movements and cost curve adjustments to ensure Transnet adapts its activities and investments accordingly;
- Value engineering of capital investments for expansion initiatives to reduce the Rand per ton cost;
- Maintain integrated planning and programme execution/ oversight structures to ensure continuous alignment regarding port and rail project milestones;
- Develop a framework for expansion of capacity based on more sustainable technical solutions; and
- Utilise innovative partnership-based funding models with the private sector to secure funding for investments in rail infrastructure and rolling stock, inland loading terminals, and port terminals prior to construction.

08 ENERGY

SEGMENTAL CONTEXT

The energy segment now consolidates liquid fuels and natural gas, optimising Transnet's asset base and exploring its broader economic role in natural gas. It also includes developing strategies for the future of energy such as green hydrogen and its by-products.

Over the past 15 years, South Africa's refined product market has shifted from net export to net import, with domestic refinery capacity falling from 65% in 2019 to 35% in 2022. Over 60% of domestic fuel needs are now met by imports. Gauteng, a major economic hub, accounts for 35% of domestic liquid fuel demand, emphasising the need for investment in upgrading or building new refineries to secure fuel supply to these inland markets.

A priority is ensuring better access for historically disadvantaged individuals to competitive fuel import and storage facilities, aligning with inclusivity and economic empowerment goals. According to a Fitch Report on Liquids and Gas in South Africa 2022, liquid fuel transport demand may slow after 2031 due to increased efficiencies, gas, and electric vehicles. Natural gas, the fastest-growing alternative, is expected to reach 7% of the transport market by 2035, growing at 6,8% per annum.

Transitioning to cleaner fuels will be costly, requiring existing refineries to meet clean fuel specifications. A potential game-changer is the proposed USD 10 billion, 300 000 barrel-per-day crude oil refinery, expected online by 2028, which would be the largest regional refinery, servicing domestic and regional demand. This could lead to the retirement of existing refining capacity and increased reliance on imported finished products.

Changes to the current fuel distribution infrastructure are necessary, potentially including a new pipeline connecting to the NMPP or directly to Gauteng. A shift from road to rail is targeted for non-Gauteng inland markets and fuel supply to neighbouring countries, aiming to optimise fuel transport through rail's efficiency and capacity.

OPPORTUNITIES IDENTIFIED

Transnet's strategy in the energy sector provides several opportunities:

- **Lease renewals at the Island View Precinct in Durban**
  This strategic location, with direct links to fuel pipelines and nearby oil facilities, could enhance Transnet's role in the energy infrastructure network;
- **Efficient use of NMPP installed assets**
  Improving efficiency, reliability, and cost incentives for the market to utilise these assets can optimise existing infrastructure and enhance fuel supply reliability; and
- **Development of a fuel import terminal and accumulation facility at the Port of Durban**
  Wider access to the facility strengthens Transnet's position in the energy supply chain, accommodates increasing demand for refined product imports, and secures a larger role in the country's energy sector.

Priorities for 2024/25FY

- Progress the liquid fuels segment strategy to secure supply to the inland region, ensure optimal asset utilisation and secure access to market for new entrants through Transnet Fuel Import Terminal (TFIT);
- Increase independent operator participation, particularly from historically disadvantaged companies, in Transnet's Island View Precinct as a key developmental priority;
- Continue to develop a parallel solution revolving around the phased development of a Transnet fuel import and accumulation facility in partnership with a consortium of industry players; and
- Reactivating the Tarlton Export Facility to be able to export approximately 600 million litres of refined fuels to neighbouring countries such as Botswana and Lesotho.

Key segmental risks directing Transnet's strategic responses

- Due to the vandalism and fuel theft on the Durban to Johannesburg (NMPP) pipeline, the major customers may not be keen to enter long-term, volume-related contracts, resulting in further pipeline volumes being lost to road transport which further increases road traffic incidents and the national carbon footprint;
- An anticipated decrease in volume of liquid fuels demand post 2030 due to competing energy technologies, alternative green energies leading to long-term decrease in volumes;
- New entrants into the import market do not have the financial capacity and stability to co-invest in additional import capacity and associated infrastructure; and
- If the existing pipeline network and associated infrastructure cannot be re-purposed for long-term sustainability within a green energy portfolio, Transnet may need to commence with a strategy to dis-invest from the pipeline business to limit long-term financial exposure.

Anticipated outcomes

- Short term: A multi-pronged approach to growing market share using the current assets Transnet operates – mainly NMPP – and the targeted augmentation and optimal use of Transnet's current asset base;
- Long term: The inevitable transformation of the sector and Transnet's environmental stewardship role as SOC in the sector through enabling a shift towards repurposing of existing pipeline and associated infrastructure towards a broader and cleaner energy portfolio;
- Improved operational efficiencies and risk mitigation for supply security in developing the Island View Precinct accumulation facility as well as a fuel import facility to accommodate new entrants into the market; and
- Development of a sustainable energy portfolio in support of the decarbonisation transformation agenda of the South African Government.

Transnet's strategic responses

- Various market-appropriate interventions and leading-practice monitoring technology have been adopted to monitor and manage vandalism on the pipelines;
- Leverage the tariff to the maximum to incentivise the use of the pipeline over road transport;
- Apply for concessions to the pipeline tariff to drive the de-carbonisation initiative;
- Engage Government to intervene by providing financial support to previously disadvantaged organisations wishing to participate as bona fide partners in the value chain;
- Prioritise and expedite new value-chain opportunities to grow the import market within Transnet's operations and ensure appropriate competencies and infrastructure, tools and assets to support new tasks in the value chain; and
- Expedite research and development studies to repurpose the existing pipeline network and associated infrastructure given our knowledge of the competing energy technologies and international trends.

09 GAS

SEGMENTAL CONTEXT

Transnet's gas strategy is shaped by the evolving global gas market, which remains positive despite uncertainties. The shift towards cleaner fuels, including gas and renewables, drives this optimism. By 2040, natural gas demand is expected to grow by 1,5% annually, reaching 25% of the global energy mix.

In South Africa, gas currently makes up only 3% of the energy mix. Historically, the domestic gas industry has been dominated by Sasol and PetroSA. Sasol produces natural gas from the Temane/Pande fields, processes it at the Central Processing Unit (CPU), and transmits it via the ROMPCO pipeline to Maputo and Secunda. Additionally, Sasol transports 18 million gigajoules of methane-rich gas annually from Secunda to KwaZulu-Natal using the Lilly pipeline.

The Temane/Pande fields are expected to decline by 2024, and PetroSA has reported a significant reduction in gas reserves. In the 2019/20FY, Sasol sought to sell its gas infrastructure assets, including its share in the ROMPCO pipeline and all transmission and distribution assets in South Africa. This infrastructure serves industrial gas users in Mpumalanga, Gauteng, KwaZulu-Natal, and Free State. Concurrently, the International Group of Liquefied Natural Gas Importers (GIIGNL) noted a rapid increase in global gas supply.

LNG trade is projected to grow by over 4% annually over the next decade. This trend presents an opportunity for Transnet to strategically shift and capitalise on these market developments.

OPPORTUNITIES IDENTIFIED

Transnet's gas segment provides several growth and development opportunities:

- **Engagement with the industry on the renewal of LNG import**
  This includes the development of infrastructure for LNG terminals, LNG road-rail loading, and gas transmission pipelines at key ports like Ngqura, Richards Bay, and Saldanha Bay;
- **Active participation in LNG terminal and pipeline project**
  Transnet Business Development and Transnet Pipelines are involved in these projects at the Ports of Richards Bay and Ngqura, facilitating both physical and virtual pipelines; and
- **Development of a green port in the Northern Cape**
  This supports the production and export of green hydrogen and its by-products, such as green ammonia and green methanol, aligning with the global transition towards cleaner energy sources.

Priorities for 2024/25FY

- Finalise the incorporation of a Special Purpose Vehicle (SPV) partnership with Vopak for the development of the Richards Bay LNG Terminal for importation of LNG;
- Completion of pre-feasibility study for the RB-NGN LNG terminal and gas connection from terminal to Lilly pipeline and Eskom's 3000MW site at the RB-IDZ;
- Review of Gas Strategy to ensure optimal asset utilisation and cost optimisation;
- Ensure Pipelines is capacitated with resources with competencies in the gas sector; and
- Thorough and in-depth market analysis to ensure Transnet is fully abreast of gas market volatilities and able to respond appropriately.

Key segmental risks directing Transnet's strategic responses

- Natural Gas Networks: Gas demand is dispersed all around South Africa while the gas supply infrastructure is limited to certain parts of the country (certain parts of MP, GP, KZN and FS). The gas pipeline infrastructure development will, therefore, take long to implement and be expensive.

Anticipated outcomes

- Creation of a new commodity for Transnet and an opportunity to build expertise in this industry within the broader Energy Segment;
- Establishment of a gas department in the Pipelines OD, in anticipation of Pipelines involvement in delivering gas initiatives; and
- A new gas-oriented business within Pipelines will ensure diversified income streams for Transnet.

Transnet's strategic responses

- Develop a domestic LNG terminal Infrastructure at the three key ports (Port of Ngqura, Richards Bay and Saldanha Bay) as a critical contribution to South Africa's economic development; and
- Create a virtual pipeline infrastructure to enable the supply of gas to areas far from the pipeline, which will help accelerate gas market development in South Africa.

OVERVIEW

Transnet has formulated the Reinvent for Growth Strategy, which aims to strategically direct the Company to attain immediate sustainability as a prerequisite for medium-term growth. The recovery, transformation and growth programmes are integral components of this overarching strategy, delineated and represented in the capital overview summary tables.

The 2024/25FY aligns with the implementation of the recovery programme, wherein the primary objective of the included capital projects is to enhance operating performance. The high-level focus of the Transnet Recovery Plan per Operating Division (OD) is as follows:

FREIGHT RAIL

Transnet Freight Rail Operating Company

- Recovery of volumes;
- Effective allocation of existing equipment;
- Focusing on high-margin traffic; and
- Optimising the rolling stock asset portfolio.

Transnet Rail Infrastructure Manager

- Protecting the rail network;
- Restoring lost rail capacity (slots) on the commercially viable Tier A network through an effective maintenance programme; and
- Rolling out access to private train operating companies.

NATIONAL PORTS AUTHORITY

- Enhancing commercial performance by improving operational efficiencies across operations, finance and customer management.

PORT TERMINALS

- Improving operating efficiency to increase volumes by implementing continuous improvement and enhancing the reliability, availability, and effectiveness of key operating equipment.

TRANSNET ENGINEERING

Supporting Transnet Freight Rail Operating Company to deliver more effective maintenance by;

- Driving focus on rolling stock which has the greatest impact on the delivery of volumes; and
- Contracting for maintenance effectiveness.

Priority segments, leveraging private sector partnerships and the rapidly evolving rail reform agenda, form part of the Transformation Programme and are included in the mid-term of the corporate planning period. The portfolio of interventions is directed towards capacity creation and operational enhancements, facilitating the introduction of private train operating companies onto the freight rail network through a duly accepted access regime. Transnet's balance sheet is still severely constrained as operational and financial performance continue to trend below desired levels. This requires careful consideration in the identification and prioritisation of capital investments, trade-offs and seeking investment leverage. The Funding Plan outlines various off-balance sheet funding opportunities including projects with indicative costs, focusing on the on-balance sheet funded portfolio.

Concluding the trio of programmes under the Reinvent For Growth Strategy is the expansionary Growth Programme, with a longer-term focus towards building capacity and cultivating collaboration across key value chains, with the overarching goal of stimulating volume growth in crucial segments.

DELIVERING ON THE MANDATE

Transnet aims to fulfil its mandate of reducing the cost of doing business, ensuring security of supply and enabling economic growth by:

- Enabling competitive supply chains: Optimising the freight system is fundamentally about optimising industry supply chains as opposed to optimising transport modes. It is this perspective that principally informs the 2024/25 planning cycle and for this reason that the analytic lens for strategy, planning and capital allocation will mainly be the key strategic commodity segments and supply chains that Transnet supports;
- Enabling development; and
- Achieving commercial self-sustainability.

To deliver on its mandate in capital investment planning, the key focus areas to successfully execute the Company's mandate include:

- Fixing the core: Transnet continues to focus on its four key strategic customer service focus areas, being:
  - People;
  - Asset utilisation;
  - Safety; and
  - Cost optimisation.

  This targets priority segments and networks, addressing supply security concerns and restores the nameplate capacity of existing infrastructure and channels;
- Partnerships for growth: Strategic partnerships are key to Transnet's strategic objectives. As such, Transnet plays an important role in the formation of gross fixed capital, underpinned by strategic partnerships with the private sector;
- Requirements for long-term growth were identified as a modal shift from road to rail, a low-carbon energy-efficient freight system, the creation of an international hub port, increased maritime connectivity, a high-performing core transport network, a robust infrastructure funding model able to ensure capacity ahead of demand, targeted skills development strategies, co-ordinated investment across an international network, and supplier development plans linked to long-term infrastructure investment plans;
- Integrating South Africa in a local context, as well as globally; and
- Optimising the Company's socio-economic impact of interventions undertaken as we seek to achieve these objectives.

CAPITAL OVERVIEW

OPERATING DIVISIONS

Transnet plans to spend R152,8 billion on capital investment over the next five years, of which R124,4 billion (81,4%) will be spent on sustaining capital.

Key budget principles for the five-year planning cycle include, among others, the realisation of segment strategies and the incorporation of private sector partnership (PSP) to alleviate funding requirements. Transnet's Capital Investment Plan is largely centred on sustaining capital through maintenance and reinvestment, while the segment strategies aim for expansion and transformation. These two focus areas are harmonised in the overall investment planning approach. The capital tables below focus on the on-balance sheet funded portfolio, with the Funding Plan outlining various off-balance sheet funding opportunities.

The envisaged investment per OD over the next five years is tabled below:

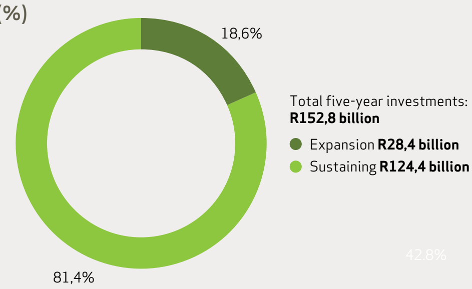
R million	Budget 2024/25	Projections 2025/26	2026/27	2027/28	2028/29	Total five years
Freight Rail	**17 266**	17 823	17 520	19 845	21 665	**94 119**
Transnet Engineering	**148**	–	–	–	–	**148**
National Ports Authority	**3 553**	5 747	5 613	4 689	4 694	**24 296**
Port Terminals	**3 962**	4 118	4 422	4 799	5 193	**22 494**
Pipelines	**973**	2 074	2 423	1 928	618	**8 016**
Property	**519**	312	330	350	370	**1 881**
Corporate Centre	**598**	450	301	336	188	**1 873**
Total	**27 019**	**30 524**	**30 609**	**31 947**	**32 728**	**152 827**

R28,4 billion (18,6%) of the total five-year investment is planned for expansion capital and R124,4 billion (81,4%) for sustaining existing volumes as illustrated in the following piechart.

Sustaining capital does not only include maintenance capital, but also the replacement of assets to sustain volumes.

The maintenance section addresses the maintenance plans.

FIVE-YEAR EXPANSION VERSUS SUSTAINING CAPITAL INVESTMENT (%)



ASSET TYPE (SUSTAINING)

An enterprise asset lifecycle methodology is used to manage assets and depreciate these over their useful lives. A benchmark study was conducted in 2015, evaluating and extending the useful life of Transnet's core operational assets. The current annual depreciation levels on core operational assets (both at asset and component level) are proportionate to the level of reinvestment in sustaining capital.

The high level of investment in sustaining capital is also due to a significant backlog in infrastructure and rolling stock, coupled with planned mid-life and cyclical maintenance. As depicted in the following table, a sizeable portion of the R124,4 billion will, therefore, be spent on permanent ways, locomotives, and wagons (R69,6 billion (56%)).

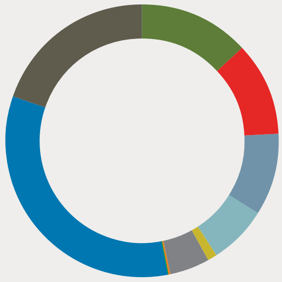
R million	Rail	Ports	Other	Total
Permanent ways	34 621	–	–	**34 621**
Locomotives	16 376	–	–	**16 376**
Wagons	18 592	–	–	**18 592**
Port facilities	–	28 812	–	**28 812**
Floating craft	–	3 225	–	**3 225**
Land, buildings and structures	697	2 922	2 546	**6 165**
Pipeline networks	–	–	2 011	**2 011**
Intangible assets and other	–	–	907	**907**
Machinery and equipment	8 765	1 621	3 288	**13 674**
Total	**79 051**	**36 580**	**8 752**	**124 383**

KEY STRATEGIC COMMODITIES

Transnet is planning to spend R72,0 billion (47,1%) of the total five-year capital investment of R152,8 billion on projects that support the strategic commodity segments of coal (13,1%), iron ore (9,7%), containers (11,3%), energy (6,9%), manganese (4,6%), chrome and magnetite (1,1%) and automotive (0,3%). The balance of R80,8 billion (52,9%) is planned for projects supporting General Freight and other non-strategic segment commodities.

FIVE-YEAR CAPITAL INVESTMENT BY COMMODITY SEGMENT (%)

Total five-year investments: **R152,8 billion**



GENERAL FREIGHT BUSINESS

General Freight business accounts for R50,9 billion (33,3%) of the total five-year capital investment. The following table reflects the five-year capital investment for the general freight business:

R million	Budget 2024/25	Projections 2025/26	2026/27	2027/28	2028/29	Total five years
Acquisition of 1 064 new locomotives	**1 323**	1 347	1 509	713	–	**4 892**
– Expansion	**1 323**	1 347	1 509	713	–	**4 892**
– Sustaining	**–**	–	–	–	–	**–**
Wagon new builds and renewals	**563**	858	667	951	1 301	**4 340**
– Expansion	**350**	608	392	676	899	**2 925**
– Sustaining	**213**	250	275	275	402	**1 415**
Capitalised operating expenditure	**6 019**	5 267	5 558	8 234	10 698	**35 776**
Capitalised operating expenditure – Infrastructure	**3 138**	1 329	2 470	3 401	5 472	**15 810**
Capitalised operating expenditure – Locomotives	**1 922**	2 642	2 072	3 106	3 213	**12 955**
Capitalised operating expenditure – Wagons	**959**	1 296	1 016	1 727	2 013	**7 011**
Other	**1 819**	1 349	1 271	728	673	**5 840**
– Expansion	**38**	154	213	132	80	**617**
– Sustaining	**1 781**	1 195	1 058	596	593	**5 223**
Total	**9 724**	**8 821**	**9 005**	**10 626**	**12 672**	**50 848**

A total of R4,9 billion will be allocated to locomotives and R4,3 billion to wagons. R35,8 billion will be allocated for capitalised operating expenditure on rail infrastructure, locomotives, and wagons. Most of the remaining R5,8 billion will be allocated to machinery and equipment, and additional sustaining capital on permanent ways and locomotives.

The term capitalised operating expenditure refers to maintenance costs that Transnet is able and allowed to capitalise and amortise over time when the maintenance activity has an enduring and long-standing benefit. This practice is in line with the International Financial Reporting Standards adopted by Transnet. The Transnet policy allows asset refurbishment with a lasting benefit of three to 95 years to be capitalised. Given the size of the investment, it is also critical that capitalised operating expenditure is appropriately spent. A maintenance policy was, therefore, drafted and approved by Transnet's governance committees. The maintenance principles of this policy are discussed in the maintenance strategy section.

The General Freight business environment presents numerous opportunities for Transnet to address the Government's objectives of:

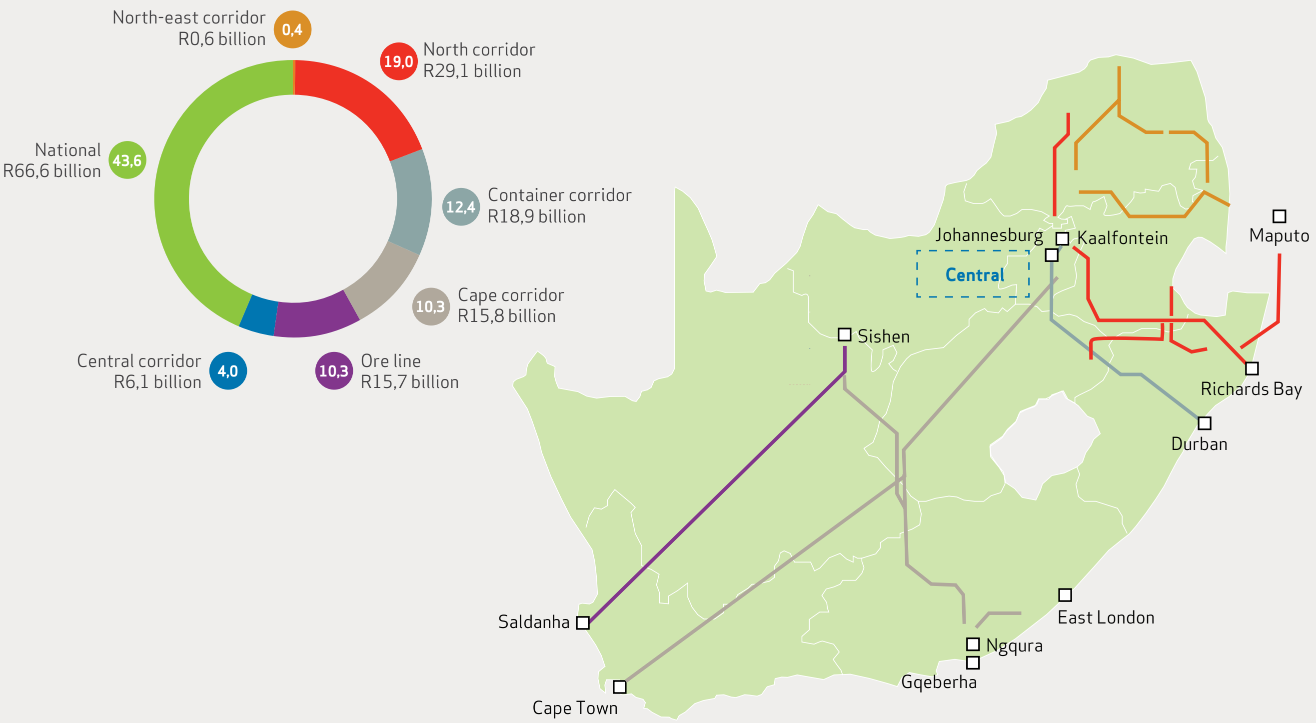
- Preserving road infrastructure through road-to-rail migration;
- Stimulating economic activity through growth in the commodities sector by creating the necessary logistics capacity; and
- Job creation through localisation.

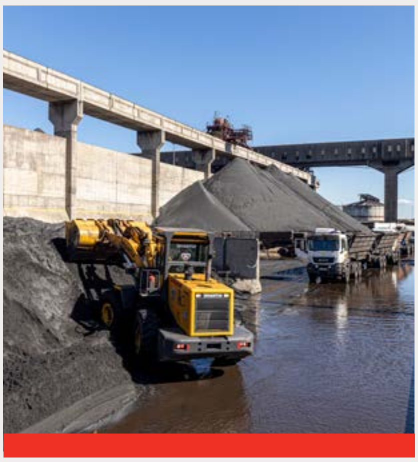
FIVE-YEAR CAPITAL INVESTMENT BY CORRIDOR

Transnet's railway track is structured into six corridors within the rail network, with each being associated with nodes and ports.

A sizeable portion of the R152,8 billion Transnet plans to spend over the next five years (R86,2 billion (56,4%)) will be spent on Transnet's six corridors, as illustrated in the following diagram. The remainder (R66,6 billion (43,6%)) will be spent on national country-wide investments. The diagram below depicts the six corridors:

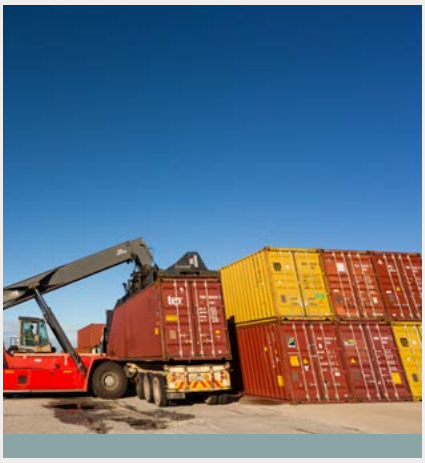
TOTAL FIVE-YEAR INVESTMENT: **R152,8 BILLION**





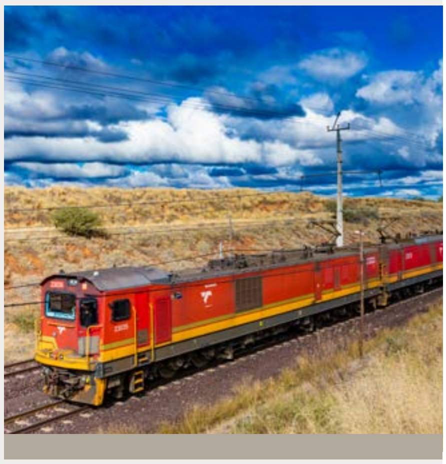
The North Corridor

This corridor utilises R29,1 billion (19,0%) of the five-year capital investment with the key focus on projects that support coal, chrome, magnetite and energy.



The Container Corridor

This corridor utilises R18,9 billion (12,4%) of the five-year investment with the key focus on containers.



The Cape Corridor

This corridor utilises R15,8 billion (10,3%) of the five-year capital investment with the key focus on projects that support manganese and containers.

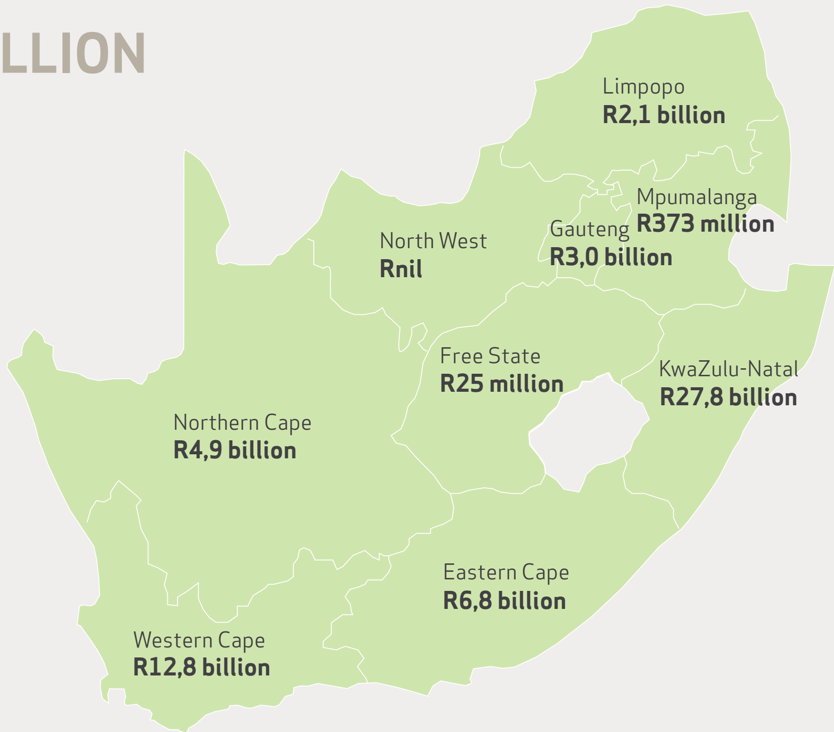
FIVE-YEAR CAPITAL INVESTMENT PER PROVINCE

Transnet supports regional and municipal development through deliberate, focused formal engagements and the alignment of development plans. The following table reflects the five-year capital investment per province:

Province	Total five years R million	%
National	95 289	62,4
KwaZulu-Natal	27 763	18,2
Western Cape	12 787	8,4
Eastern Cape	6 800	4,4
Gauteng	3 047	2,0
Mpumalanga	373	0,2
Northern Cape	4 862	3,1
Limpopo	2 061	1.3
Free State	25	–
North West	–	–
Total	**152 827**	**100,0**

This capital investment per province is further illustrated in the following diagram:

NATIONAL
R95,3 BILLION



FIVE-YEAR CAPITAL INVESTMENT BY OD BY KEY SEGMENT

Strategic commodity R million	Programme	Freight Rail	National Ports Authority	Port Terminals	Pipelines	Other	Total five years
Automotive		–	256	140	–	–	**396**
	Durban Car Terminal (expansion)	–	–	33	–	–	**33**
	East London Car Terminal (expansion)	–	–	30	–	–	**30**
	Point Automotive Terminal – Demolitions and relocations (expansion)	–	168	–	–	–	**168**
	Deepening and strengthening of N-Berth (sustaining)	–	88	–	–	–	**88**
	Other (expansion)	–	–	4	–	–	**4**
	Other (sustaining)	–	–	73	–	–	**73**
Agriculture		–	101	–	–	–	**101**
	Port Elizabeth – Refurbishment of Dom Pedro Jetty (sustaining)	–	98	–	–	–	**98**
	Marine infrastructure upgrade (sustaining)	–	3	–	–	–	**3**
Chrome and magnetite			29	1 646	–	–	**1 675**
	Material handling equipment (sustaining)	–	–	750	–	–	**750**
	Stacker replacement (sustaining)	–	–	243	–	–	**243**
	Replace IMG man (sustaining)	–	–	250	–	–	**250**
	General purpose loader 801 (sustaining)	–	–	135	–	–	**135**
	P-Gallery safety-critical work (sustaining)	–	–	100	–	–	**100**
	Upgrade of fire systems Phase 3 (sustaining)	–	–	88	–	–	**88**
	Richards Bay expansion project (expansion)	–	29	–	–	–	**29**
	Other (expansion)	–	–	10	–	–	**10**
	Other (sustaining)	–	–	70	–	–	**70**
Containers		1 708	2 578	13 014	–	–	**17 300**
	Durban Container Terminal berth deepening (expansion)	–	2 287	–	–	–	**2 287**
	Development of Durban Point Container Terminal – FEL 3 and 4 (expansion)	–	138	–	–	–	**138**
	Cape Town Container Terminal expansion Phase 2B (expansion)	–	–	267	–	–	**267**
	Durban Pier 1 – Replace six Liebherr cranes (sustaining)	–	–	1 274	–	–	**1 274**
	Remote operations – Cape Town Container Terminal and Pier 1 (sustaining)	–	–	852	–	–	**852**
	Cape Town Container Terminal – Replace six Liebherr cranes (sustaining)	–	–	1 274	–	–	**1 274**
	Replace 27 rubber-tyred gantries (sustaining)	–	–	1 624	–	–	**1 624**
	Ngqura other (sustaining)	–	6	933	–	–	**939**
	Port Elizabeth (sustaining)	–	–	771	–	–	**771**
	Security technology – Container Corridor (sustaining)	1 481	–	–	–	–	**1 481**
	Other (expansion)	–	136	67	–	–	**203**
	Other (sustaining)	227	11	5 952	–	–	**6 190**
Coal		19 239	775	36	–	–	**20 050**
	Copex – Infrastructure	9 971	–	–	–	–	**9 971**
	Copex – Locomotives	1 561	–	–	–	–	**1 561**
	Copex – Wagons	5 160	–	–	–	–	**5 160**
	Export coal line (81mtpa) (expansion)	92	–	–	–	–	**92**
	Export coal line (81mtpa) – Eskom work only (expansion)	1 675	–	–	–	–	**1 675**
	Wagon fleet renewal and optimisation – 2024/25 (sustaining)	87	–	–	–	–	**87**
	Other (expansion)	521	700	36	–	–	**1 257**
	Other (sustaining)	172	75	–	–	–	**247**

Strategic commodity R million	Programme	Freight Rail	National Ports Authority	Port Terminals	Pipelines	Other	Total five years
Iron ore		11 921	129	2 795	–	–	**14 845**
	Copex – Infrastructure	5 601	–	–	–	–	**5 601**
	Copex – Locomotives	1 041	–	–	–	–	**1 041**
	Copex – Wagons	4 818	–	–	–	–	**4 818**
	Iron ore infrastructure replacement (sustaining)	–	–	200	–	–	**200**
	Saldanha third tippler (sustaining)	43	40	763	–	–	**846**
	Other (sustaining)	418	89	1 832	–	–	**2 339**
Manganese		4 386	1 640	1 072	–	–	**7 098**
	Manganese expansion programme (expansion)	4 275	1 610	–	–	–	**5 885**
	Refurbishment of the Port Elizabeth Manganese Terminal (sustaining)	–	–	223	–	–	**223**
	Manganese expansion to 8mtpa (expansion)	–	–	514	–	–	**514**
	Other (expansion)	71	3	–	–	–	**74**
	Other (sustaining)	40	27	335	–	–	**402**
Energy		–	3 093	–	7 465	–	**10 558**
	MPP Phase 1 (sustaining)	–	–	–	447	–	**447**
	MPP Phase 2 (expansion)	–	–	–	2 222	–	**2 222**
	Bulk services for liquefied natural gas (expansion)	–	1 391	–	–	–	**1 391**
	Construction of liquid bulk Berth A100 (expansion)	–	992	–	–	–	**992**
	Fire upgrade (sustaining)	–	–	–	548	–	**548**
	Fuel Import Terminal (expansion)	–	–	–	633	–	**633**
	MPP PL6 (sustaining)	–	–	–	903	–	**903**
	Security upgrade (sustaining)	–	–	–	822	–	**822**
	Other (expansion)	–	247	–	–	–	**247**
	Other (sustaining)	–	463	–	1 890	–	**2 353**
General freight business		50 909	–	–	–	–	**50 909**
	Copex – Infrastructure	15 872	–	–	–	–	**15 872**
	Copex – Locomotives	12 955	–	–	–	–	**12 955**
	Copex – Wagons	7 011	–	–	–	–	**7 011**
	1 064 Locomotives (expansion)	4 892	–	–	–	–	**4 892**
	New wagon builds and renewals (sustaining)	1 415	–	–	–	–	**1 415**
	New wagon builds and renewals (expansion)	2 925	–	–	–	–	**2 925**
	Lennings rail – On-track machines (sustaining)	668	–	–	–	–	**668**
	Other (expansion)	616	–	–	–	–	**616**
	Other (sustaining)	4 554	–	–	–	–	**4 554**
Other commodities		5 956	15 695	3 791	551	3 902	**29 895**
	Operation Phakisa (sustaining)	–	1 969	–	–	–	**1 969**
	Dredging services (sustaining)	–	1 553	–	–	–	**1 553**
	Bayvue rail yard reconfiguration (expansion)	–	1 120	–	–	–	**1 120**
	Upgrade breakwater dolosse (sustaining)	–	981	–	–	–	**981**
	Network enterprise connectivity (sustaining)	–	–	–	–	590	**590**
	Two replacement tugs (sustaining)	–	509	–	–	–	**509**
	96 Rissik Street multi-storey parking (sustaining)	–	–	–	–	636	**636**
	20MW renewable energy electricity generating system – Saldanha (sustaining)	–	400	–	–	–	**400**
	East London (sustaining)	–	255	197	–	–	**452**
	Ngqura other (sustaining)	–	256	–	–	–	**256**
	Port Elizabeth (sustaining)	–	258	–	–	–	**258**
	Other (expansion)	–	239	189	233	75	**736**
	Other (sustaining)	5 956	8 155	3 405	318	2 601	**20 435**
Grand total		94 119	24 296	22 494	8 016	3 902	**152 827**

TRANSNET'S MAINTENANCE STRATEGIES

OVERVIEW OF THE TRANSNET ASSET MAINTENANCE POLICY AND GUIDELINES

Transnet invests heavily in assets and infrastructure to support logistics and freight handling services. To maximise return on assets, Transnet plans asset lifecycles and applies effective asset management principles, including:

- Ensuring assets are available for both operational and maintenance activities;
- Operating assets within specified standards;
- Maintaining assets according to OEM specifications, adapting to new technology and maintenance techniques; and
- Emphasising safe and efficient operation with an asset-care mindset.

Policy principles

Long-term Planning
Operating Divisions will compile 15- to 20-year asset requirement plans, updated annually to align with the Corporate Plan.

Asset Management
Develop detailed asset management plans to ensure smooth refurbishment and replacement cycles.

Maintenance Planning
Create rolling three- to five-year refurbishment and maintenance plans, costed using industry benchmarks.

Lifecycle Management
Apply lifecycle management principles during asset acquisition.

OEM Partnerships
Enter long-term agreements with OEMs for parts supply, equipment upgrades, and knowledge sharing.

Service Agreements
Establish long-term agreements for critical infrastructure maintenance.

Localisation
Drive localisation of components during asset procurement to support local supply chains.

Preventative Maintenance
Follow a preventative maintenance strategy, with some assets managed on a run-to-failure basis.

Adaptation
Modify maintenance plans based on local conditions and new technologies.

Predictive Maintenance
Implement predictive and reliability-centred maintenance for certain assets.

Legislated Standards
Maintain assets according to legislated standards and document activities.

Regular Reviews
Review maintenance plans every five years to incorporate new developments.

Coordinated Planning
Coordinate planning milestones among Maintenance/Engineering, Operations, and Procurement.

Shutdown Events
Coordinate periodic shutdowns to maximise maintenance and refurbishment opportunities.

Root Cause Analysis
Implement processes to identify and address recurring breakdowns and failures.

Maintenance Systems
Use computerised maintenance management systems for planning, scheduling, and tracking maintenance activities.

IMPLEMENTATION GUIDELINES

A guideline to Transnet's Asset Maintenance Policy assists Operating Divisions in embedding maintenance principles. Each division retains responsibility for maintenance and must develop its own policies, standards, and procedures to support the overarching Transnet policy.

FREIGHT RAIL MAINTENANCE STRATEGY

The Freight Rail Maintenance Strategy focuses on allocating the majority of maintenance capital to address market challenges and prioritise rolling stock delivery based on required capacity. The strategy aims to ensure essential commodities like maize, grain, fuel and containers are delivered efficiently, despite a shortfall in general freight corridors caused by prioritising more profitable flows like export coal and iron ore.

ROLLING STOCK INITIATIVES

The following table reflects some of Freight Rail's key maintenance initiatives:

Return to service of long-standing locomotives

Freight Rail currently has 385 locomotives out of service due to various reasons, primarily the lack of material and parts supply from OEMs suspended by Transnet. The strategy for bringing these locomotives back into service involves confining the work to OEMs without legal issues. For OEMs with suspensive conditions, Freight Rail plans to approach the market to find alternative OEMs, potentially involving the conversion of certain intellectually property-bound components.

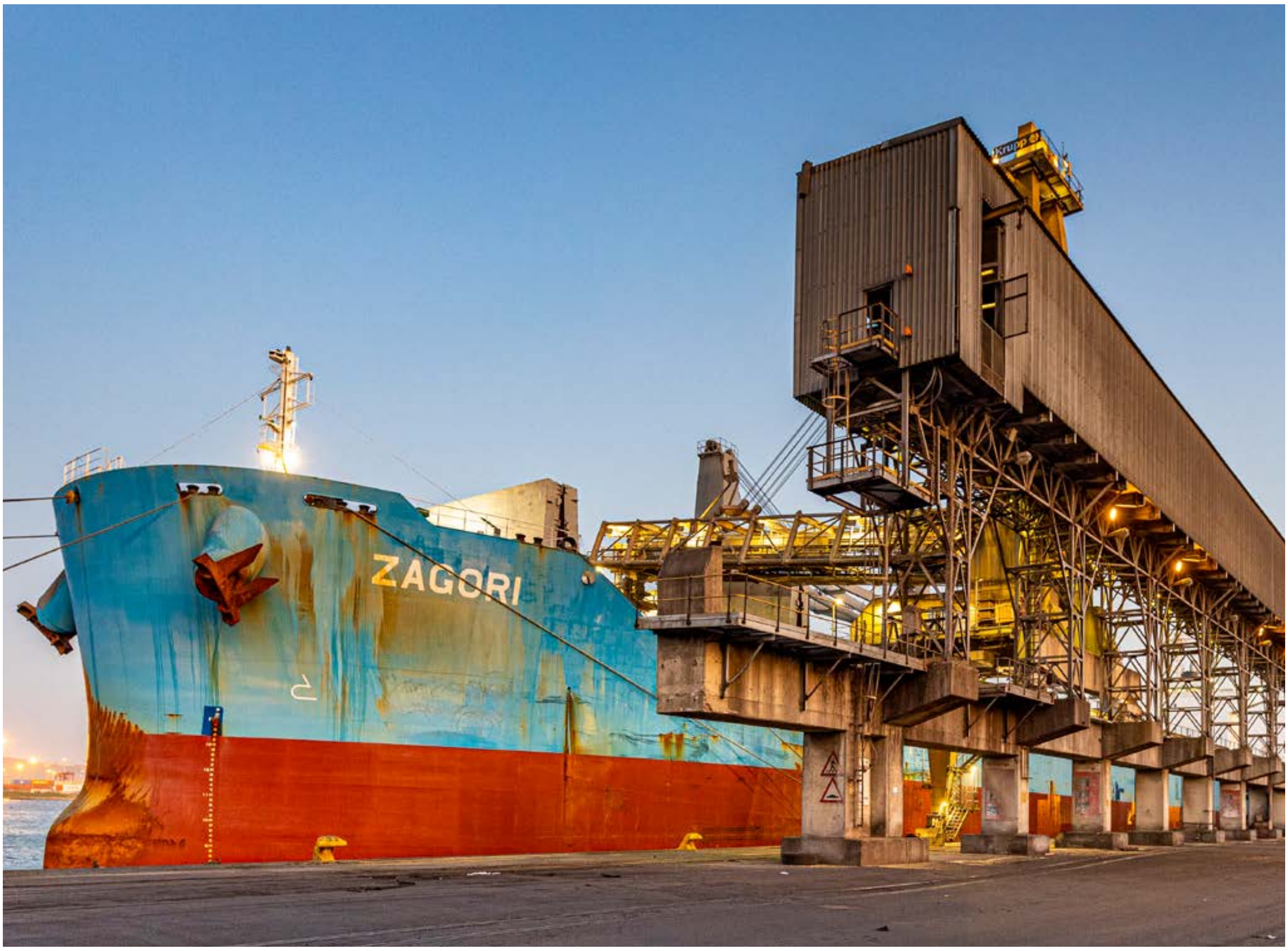
Maintenance framework agreements

Freight Rail is in ongoing negotiations with various OEMs to establish maintenance and reliability support agreements. These agreements encompass the supply of materials, spare parts, technical support, maintenance oversight, technical training, special tools and test equipment, along with a guarantee on the fleet's technical reliability. The advantages of implementing these agreements include enhanced fleet availability and reliability, quicker turnaround for spare parts and materials, knowledge transfer to Freight Rail, increased revenue from improved fleet availability, access to OEM intellectual property and a boost in mean time to repair assets.

Rail Network maintenance strategy

The Rail Network unit is committed to providing a cost-effective, reliable, available, affordable and safe network that is focused on performance efficiency to drive sustainable volume growth and performance. This will be done by reducing failures/mean time (faster reaction times and shorter repair times) and minimising temporary speed restrictions across the network.

The Rail Network investment profile is based on condition assessments of rail infrastructure components. The key components for infrastructure are rails, sleepers, overhead traction equipment, turnouts, ballasts, a fibre network, radio network, train authorisations and condition assessments. There are applicable standards and cycle times for the repair and maintenance of each component which are stipulated in the maintenance standards. The asset lifecycle needs to be maintained through periodical inspections, component/system renewals and preventative maintenance.



Maintenance initiatives	Description
People optimisation, productivity, and skills development	• A Freight Rail Engineering Development unit has been developed to create and enhance the capability of engineering employees in the Rail Network, Technology Management and Capital Programme departments and to further ensure proper development of engineering skills within Transnet • The programme will address engineers, technicians, artisans and sector-specific trainee needs for the business • The Engineering Development unit will create capacity and ensure optimal maintenance and availability of the rail network through competent employees, and create capacity and ensure optimal technology/system development and offer Freight Rail engineering personnel an opportunity to develop a career within the organisation as well as attract young engineering graduates who align themselves with the Transnet Culture Charter
• The approval of a long-term purchasing strategy for strategic materials and components was obtained (addressing shortage of spares and components for shutdowns and normal maintenance) • Infrastructure maintenance to improve the condition of the network • Freight Rail to prioritise funding for network maintenance • The provision of rail trains and wagons for delivery of maintenance material for the corridors • Maintenance tools, equipment and rail-bound transport vehicles (via cars)	• Freight Rail will finalise the procurement of materials and services for infrastructure maintenance: – Ballast and aggregate material: five years – Sleepers: five years – Fastening system: two years – Turnouts and turnout components: two years – Rails: 15 years – Earthmoving equipment: three years – On-track machines: seven years – Signalling material: three years – Overhead traction equipment components: three years – Substation (replacement and components): three years – Train radios and telemeters: three years – Concrete and steel mast poles: three years • Rationalisation and rehabilitation of vandalised relay rooms using the hybrid signalling system • This initiative will provide spares and components to complete shutdown maintenance and normal maintenance for all key infrastructure components mentioned above • Funding will be prioritised to adhere to network renewal cycles and maintenance of safety standards to improve network conditions by increasing capacity and resources for network renewal • Freight Rail will provide funding for the maintenance of rail trains and wagons for the successful delivery of maintenance material to corridors • Freight Rail will pursue projects to provide maintenance tools, equipment, and rail trains
Accounting separation	• Freight Rail has commenced the process of separating financial accounts to ensure the transparency that is required to enable third-party access on the rail network and will continue engaging stakeholders • This will enable new funding models for efficient maintenance of infrastructure in the future

PORT TERMINALS MAINTENANCE STRATEGY

Port terminals maintain and operate a large fleet of cargo handling equipment. To ensure reliable service, the maintenance strategy focuses on predictive and preventative measures, prioritising equipment reliability. A fleet replacement and refurbishment plan supports this, aligned with the multi-year capital budget.

KEY INITIATIVES (NEXT FIVE YEARS)

- Predictive and Condition-Based Maintenance: Prioritise terminal infrastructure maintenance as per the Transnet Asset Maintenance Policy;
- Enhancing Maintenance and Utilisation: Establish a comprehensive programme to improve key equipment maintenance, reinforcing internal capacity, and partnering with Transnet Engineering and Freight Rail; and
- Capital Project Development: Secure outsourced contracts for engineering and project management to enhance capital projects.

TECHNOLOGICAL INTEGRATION AND STAFFING

SAP System Utilisation

Use the SAP system for plant maintenance and material management.

Manning Levels Review

Ensure adequate staffing with the right skills, implementing a reliability terminal management structure.

OEM Partnerships

Establish long-term contracts with OEMs and stockpile key parts for major equipment maintenance and refurbishment.

Critical Spares Management

Maintain critical spares/component float levels for cost-effective and reliable maintenance.

FOCUS AREAS

- Smart Technology: Introduce smart technology and ensure quality assurance in maintenance paths; and
- Semi-Automation Projects: Focus on semi-automation at Cape Town and Durban Container Terminals.

KEY PROJECTS:

- Complete Saldanha Iron Ore Export Terminal Tippler 3;
- Rebuild infrastructure in Richards Bay;
- Develop Ngqura Manganese Export Terminal; and
- Replace and refurbish port equipment per the Fleet Plan.

The following table reflects some of port terminals' key maintenance initiatives:

Maintenance initiatives	Description
Condition monitoring	• Intensify condition monitoring activities (predictive maintenance) at all key ports
Service and spares contracts	• Effectively utilise the OEMs and original parts manufacturers frame-list contracts in the execution of planned maintenance activities and equipment reliability improvement initiatives
SAP optimisation	• SAP enhancements • Integration of the SAP Document Management module with the SAP Planned Maintenance and Materials Management modules in collaboration with Transnet Engineering
Semi-automation at key container terminals	• Improve productivity and efficiencies • Improve safety standard • Reduce equipment damage and maintenance costs
Equipment mid-life refurbishments	• Container handling equipment • Bulk handling equipment
Equipment replacements	• Regional container sector business cases, ship-to-shore and rubber-tyred gantry cranes, straddle carriers, port haulers and trailers • Long-term OEM collaboration for all container and break-bulk equipment

NATIONAL PORTS AUTHORITY MAINTENANCE STRATEGY

The National Ports Authority aims to enhance asset utilisation and operational efficiency by ensuring safe, reliable, and fit-for-purpose infrastructure. The strategy focuses on embedding asset management principles and complying with standards, such as ISO 9001, ISO 55000, and ISO 50001. It involves implementing technology-based remote monitoring systems and improving terminal oversight. The strategy includes refurbishing assets at the end of their lifespan, procuring multi-year contracts, utilising benchmarked condition assessments, and entering into service level agreements with other divisions. Multi-year contracts for labour and a new construction/maintenance unit for small- and medium-sized projects are also part of the plan.

The following table reflects some of the National Ports Authority's key maintenance initiatives:

Maintenance initiatives	Description
SAP Plant Maintenance training	• Train Marine Technical Officers/Managers/Chief Marine Engineering Officer/Tugmasters on SAP Plant Maintenance • SAP enhancements • Integration of the SAP Document Management module with the SAP Planned Maintenance and Materials Management modules
Fleet maintenance contract/s	• Fleet maintenance contracts with multiple OEMs to ensure spares availability and perform critical services on major equipment on board marine craft to improve reliability/availability
Mid-life on workboats	• Use capital funds to extend the lifespan of assets that have reached or are near the end of their lifespan
Dry-docking of tugs	• All ports are to utilise the East London dry-docking facilities to improve utilisation of their dry-docking facility and reduce or eliminate dry-dock waiting periods
Fuel monitoring system	• Installation of technology on board marine craft to monitor real-time fuel consumption and give early warning signals on irregular operations/conditions
Craft condition assessment	• Optimise and maintain physical condition of assets which will assist in budgeting and decision-making
Marine compliance inspection	• Compliance inspections will provide safe ship working practices and ensure comfortable working environments

PIPELINES MAINTENANCE STRATEGY

Pipelines employs world-class maintenance standards to ensure high asset availability, reliability and reduced maintenance costs. A SAP-based preventative, predictive, and a condition-based maintenance strategy is used. This includes short-, medium- and long-term plans developed and integrated into the SAP Planned Maintenance module for each equipment group.

The maintenance plan incorporates statutory, regulatory, OEM and applicable code/standard requirements, along with best practices and historical requirements. Approved maintenance budgets and organisational structures support the implementation of the maintenance plan.

Pipelines has implemented an infrastructure asset lifecycle management strategy to ensure that its infrastructure and equipment are in reliable and excellent condition. This strategy supports pipeline capacity, aligns with approved strategies, and anticipates future demand, ensuring that the infrastructure is well-prepared to meet growing needs.

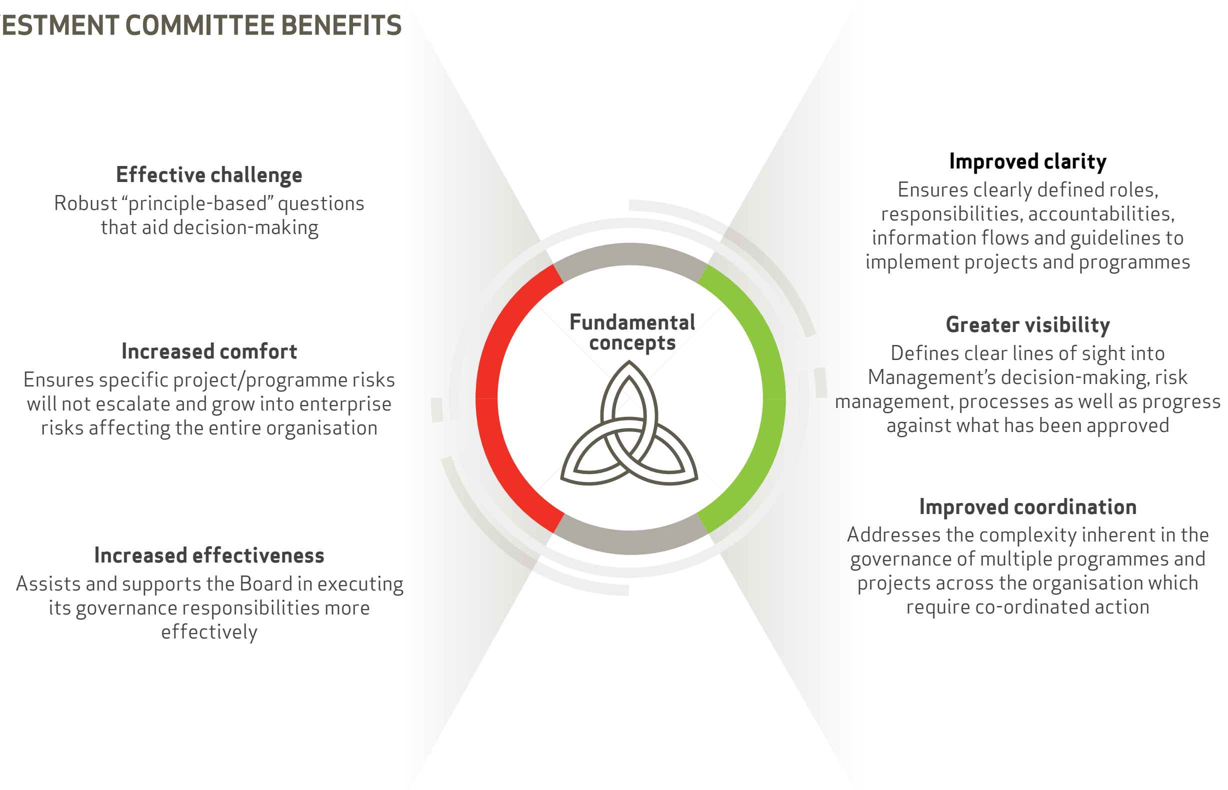
The following table reflects some of Pipelines' key maintenance initiatives:

Maintenance initiatives	Description
Infrastructure lifecycle management	• Reduce failure and downtime rate on the inland pipeline network by replacing the obsolete system with the new process control system in line with international standards • Replace end of lifecycle hardware equipment with updated equipment to ensure continued operations and operational efficiency – Crude Pipeline Variable Speed Drive and MPP24" obsolete PCS 7 version 8 to PCS 7 version 9 control system upgrade
Optimise pipeline availability	• MPP24" upgrade of cathodic protection system
Conduct timely preventative and statutory maintenance	• Refractionator statutory maintenance
Improve maintenance efficiency	• Implement quality assurance on all assets to ensure consistency and conformance to maintenance standards • Review SAP maintenance configuration and maintenance standards to ensure alignment with the current and future maintenance strategy • Introduce predictive maintenance technologies to improve maintenance efficiency and productivity

INVESTMENT GOVERNANCE AND ASSURANCE

Transnet's investment governance is an organisational framework that enables effective and transparent capital investment decision-making. This ensures that the projects and programmes are aligned to deliver on Transnet's strategic objectives and are progressed through their respective lifecycles. Investment decisions for projects and programmes are based on various factors which include risk, quality, viability, sustainability and portfolio fit to create maximum strategic value. Transnet's Investment Committees, underpinned by the DOA Framework and Terms of Reference, are used to enable and support effective decision-making. The benefits of the Investment Committees are reflected in the following diagram:

INVESTMENT COMMITTEE BENEFITS



In addition to the Group Investment Committee and the OD Investment Committees, Transnet has further strengthened its capital governance environment through the establishment of the Capital Management Forum. The Capital Management Forum provides a platform for the co-ordination of relevant aspects related to capital and infrastructure planning, investment, assurance and execution. It promotes a uniform approach to capital investment and governance throughout the Company and ensures the implementation of a clearly articulated combined capital assurance work plan informed by capital risk analysis. This plan streamlines and optimises the collective assurance efforts across three lines of assurance within the capital sphere of Transnet. The Capital Management Forum has representation from Group Capital, Group functions including Finance, Risk, Compliance, Strategy and Planning, Internal Audit, Procurement, Sustainability, the Transnet Academy, the Office of the Group Chief Executive and the ODs' capital governance and assurance functions as well as execution role players at OD level.

A comprehensive Capital Governance and Assurance Policy was developed and approved in 2021 to provide the overarching principles that all self-funded or debt-funded capital investments should comply with. This resulted in several older related policies being retired towards the end of 2022.

The policy has established a capital value chain for Transnet. The value chain is a segmented approach to ensure that capital investment proposals and decisions are aligned to the Company's mandate and strategy. It involves a series of activities that ensure that capital outputs create value for Transnet's customers and other key stakeholders. As depicted in the following diagram, it consists of the following five elements:

- Strategy and portfolio alignment;
- Capital development;
- Business case evaluation and assurance;
- Capital execution; and
- Benefits realisation.

CAPITAL GOVERNANCE AND ASSURANCE LANDSCAPE

Capital Governance and Assurance Policy

Capital Governance and Assurance Framework

STRATEGY AND PORTFOLIO ALIGNMENT

- Portfolio planning
- Portfolio scoring and ranking
- Portfolio balancing
- Corporate Plan update
- Portfolio management
- Portfolio and strategy evaluation

CAPITAL DEVELOPMENT

- Project classification
- Sponsor appointment
- Solution development (including concept and pre-feasibility study)
- Gate review

BUSINESS CASE EVALUATION AND ASSURANCE

- Business case compilation
- Business case assurance review
- Business case support and approval
- Issue capital approval number

CAPITAL EXECUTION

- Feasibility studies
- Bankable feasibility studies
- Gate reviews
- Asset construction (execution)
- Commissioning and handover (close-out)

BENEFITS REALISATION

- Feasibility studies
- Bankable feasibility studies
- Gate reviews
- Asset construction (execution)
- Commissioning and handover (close-out)

Elements of the capital value chain

ELEMENTS OF THE CAPITAL VALUE CHAIN

The policy has been further elaborated in the Capital Governance and Assurance Framework and manuals for each of the five elements. Further, several standard operating procedures have been developed to enable clear and effective capital investment processes throughout the lifecycle. The Group Capital Risk, Governance and Systems function is the custodian of the capital governance universe and policy.

In accordance with the aforementioned policy, framework and manuals, the Group Capital Assurance and Technical Assurance functions have been established and provide assurance on key projects and programmes that require approval at Group and/or Board level in terms of the DOA Framework.

The assurance functions include:

- Gate reviews as a means of reviewing compliance with the approved programme/project methodology, alignment with set objectives, viability of the proposed investment and making recommendations on proceeding to the next phase. Gate reviews occur at the end of a programme/project phase and assess overall completeness, quality and governance of the submission for capital investment decision-making;
- Business case validations that serve to provide assurance to relevant Transnet approval committees that the investment business case developed is comprehensive and aligned to the Company strategy. The business case validation process is an independent assessment of the capital investment/business case, which looks at:
  - Strategic alignment;
  - Commercial viability;
  - Financial viability and intended benefits;
  - Risk management and the project management plan;
  - Execution and operational readiness; and
  - Procurement planning and other relevant facets that pertain to the business case document;
- Interim reviews that assess actual performance (overall health) of a project/programme and the project's continued relevance and viability in relation to business case baseline objectives. Interim reviews also assist in controlling and escalating unacceptable deviations to decision-makers;
- Post-implementation/benefit realisation reviews that are conducted on a project/programme to evaluate whether objectives were met and to determine how effectively the project/programme was run, whether intended benefits were achieved and to capture learning points for future improvements;
- Asset care that is activity conducted on existing infrastructure to provide the business with an independent assessment on the state of its infrastructure assets;
- Shutdown assurance that is an activity that allows for an independent view on business performance during shutdown activities, which evaluates the effectiveness of the shutdown activities from a cost, schedule and quality point of view;
- It provides feedback to business units on their effectiveness during shutdown activities;
- Technical oversight that provides the business with an independent technical assessment on capital expenditure, capitalised operating expenditure and engineering activities related to maintenance; and
- Technical assurance that provides the business with independent technical assessments on projects at any given stage – from development through to execution.

ABRIDGED GOVERNANCE

INTRODUCTION

KING IV™. P1, 3 and 12

The Company, guided by its Board of Directors, continues to uphold sound governance practices pursuant to the Public Finance Management Act, 1999, the Companies Act, 2008, the JSE rules and relevant sectoral regulatory provisions. Having adopted the King IV Report on Corporate Governance for South Africa, 2016 (King IV™), the goal is to foster an ethical culture, achieve good growth-driven performance, maintain effective control, and ensure transparent operational and social legitimacy.

The Board, as custodians of governance, oversee the execution of the Company's strategy and monitor delivery of operational, commercial, and statutory objectives. In doing so, the Board ensures the Company's long-term financial, socio-economic, and environmental sustainability while balancing the interests of stakeholders.

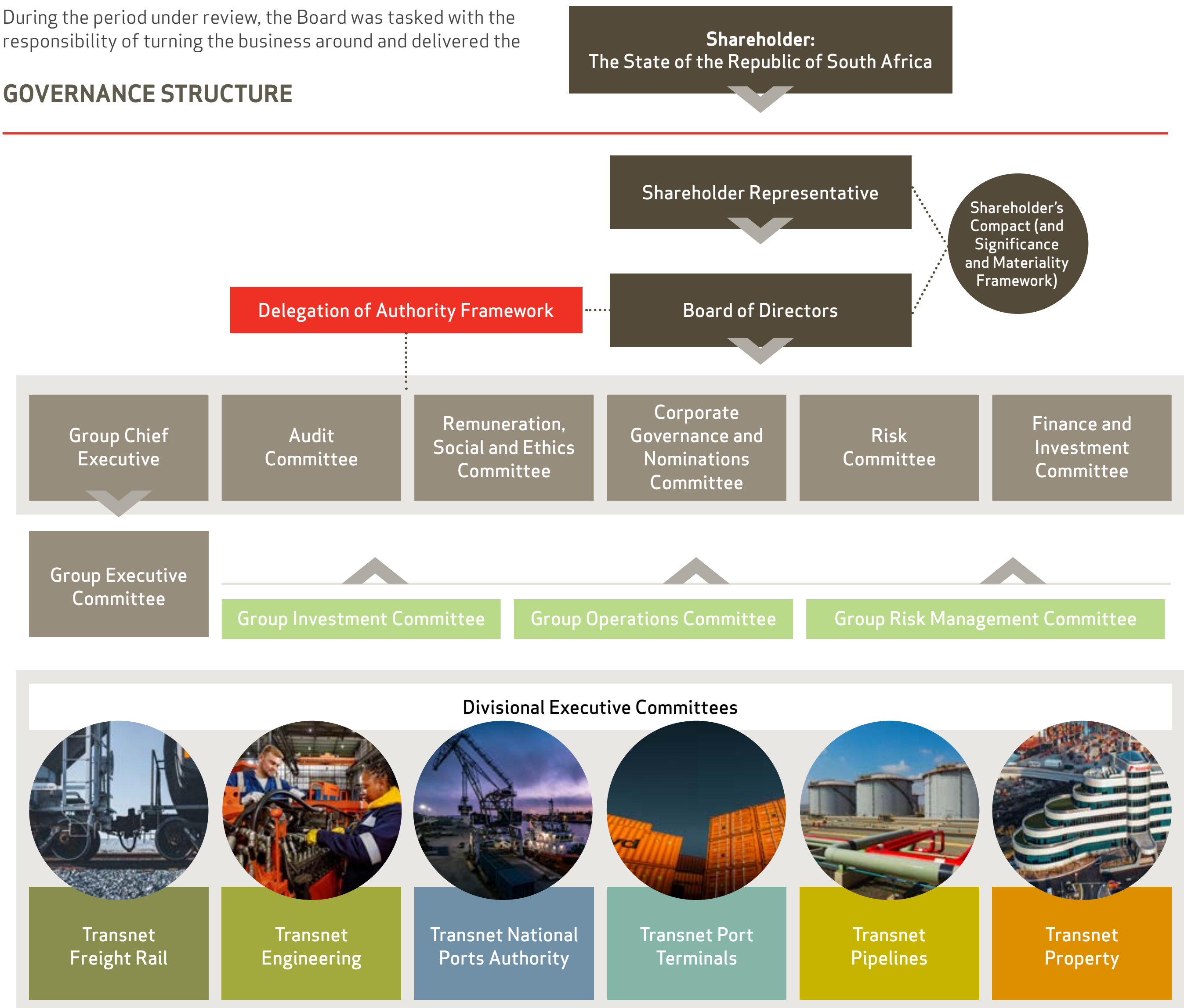
Annually, the Board enters into a Shareholder's Compact with the Shareholder Representative. The Shareholder's Compact outlines the Shareholder's Strategic Intent and the key performance measures and indicators that support the Company's Strategy and Corporate Plan. The Board meets its statutory meeting requirements to advance the mandate of the Company. In this regard it oversees and monitors the performance of the Company against the agreed targets and ensures that adequate processes are in place for budget planning and allocation.

During the period under review, the Board was tasked with the responsibility of turning the business around and delivered the Recovery Plan with predetermined and regularly monitored operational performance targets focusing on volume and revenue improvements. Several other initiatives, including cost controls and sectoral transformation measures to comply with Government guarantee conditions were undertaken in an effort to put the business on a sustainable footing.

The Company is the sole Shareholder of Transnet International Holdings SOC Ltd, incorporated on 29 August 2017. Transnet National Ports Authority, currently an OD of the Company, is undergoing a corporatisation process in accordance with the National Ports Act, No 12 of 2005, and as agreed in the Guarantee Framework Agreement.

The TNPA Board serves as a transitional structure towards the corporatisation process and drives separate accountability for the division. The TNPA Board is deemed to be independent even though it reports to the main Board to ensure that decision-making is aligned with Company's overall strategy. The TNPA Board does not constitute a Board of Directors in accordance with the Companies Act, 2008, but functions as a divisional Board until conclusion of the corporatisation process. The finalisation of the corporatisation process will ultimately result in the formation of a wholly owned subsidiary with an independent Board for TNPA.

GOVERNANCE STRUCTURE



SPECIFIC CORPORATE GOVERNANCE REQUIREMENTS

The PFMA designates the Board as the Company's Accounting Authority, outlining their fiduciary duties and responsibilities. The Company is classified as a major business entity and is listed under Schedule 2 of the PFMA. The Board ensures adherence to the requirements of the PFMA, including the management of risk, annual budget submissions, and conclusion of the annual Shareholder's Compact. The Board further ensures adherence to all Company procedures for onward reporting to the Shareholder Minister. This occurs each quarter as prescribed by the PFMA.

THE COMPANIES ACT NO. 71 OF 2008, AS AMENDED (THE COMPANIES ACT)

The Company is established in terms of the Companies Act and operates in accordance with its provisions. The Company is required to, among others, complete and submit a compliance checklist to the Companies Intellectual and Property Commission (CIPC) as a means to certify compliance with the mandatory requirements of the Companies Act annually.

THE PFMA, COMPANIES ACT, AND PROTECTION OF PERSONAL INFORMATION ACT, NO 4 OF 2013 (POPIA)

The Company is required to manage and align its information, data, and records management practices with the requirements of the PFMA, the Companies Act, and POPIA. The Board is satisfied that the requirements have been met for the reporting period.

KING IV™ REPORT

As part of its annual reporting, the Company produces a Governance Report that outlines, in detail, its application of King IV™ recommended principles.

INTERNAL CORPORATE GOVERNANCE INSTRUMENTS OF CONTROL

THE MEMORANDUM OF INCORPORATION (MOI)

The Company has an existing MOI that defines the rights, duties, and responsibilities of the Shareholder, the Board, and Management. It also specifies matters that are reserved for each of these roles.

DELEGATION OF AUTHORITY POLICY AND FRAMEWORK

The Board-approved Company DOA Policy and Framework outlines Board-reserved matters, those delegated to Board committees, the Group Chief Executive and Prescribed Officers. The ultimate accountability rests with the Board of Directors as the governing body responsible for the management of the Company. The DOA Framework is periodically reviewed to ensure its adequacy, relevance, and alignment with business purposes and requirements.

BOARD AND ITS COMMITTEES CHARTERS

The Charters outline the mandate given to the Board and its committees in providing and maintaining effective governance. They define the roles and responsibilities, composition, and standard protocols for the Board and its committees, among other things. The Charters are periodically reviewed to ensure they remain aligned with the Company's governance controls, regulatory requirements, and evolving business needs.

BOARD-APPROVED POLICIES AND PROCEDURES

The Company has Board-approved policies and procedures that promote an ethical culture, guide daily operations and decision making, ensure legal compliance, and streamline internal processes.

APPOINTMENT OF DIRECTORS AND COMPOSITION OF THE BOARD

COMPOSITION OF THE BOARD

The Board of Directors is composed of twelve members, including ten independent Non-Executive Directors (NEDs), with the Chairperson among them, and two Executive Directors (EDs). Each member brings a unique skill set, expertise and experience to the table. This diversity ensures a comprehensive perspective and fosters a collaborative environment that enhances effective decision-making.

NON-EXECUTIVE DIRECTORS

In the year under review, NEDs were appointed to three-year terms starting 12 July 2023. An interim member was appointed effective 1 September 2023, and the appointments were conducted in accordance with the Company MOI and the Companies Act.

The Board currently consists of ten NEDs:

- Mr AH Sangqu *(Chairperson)*
- Mr CS Benjamin
- Ms SRM Buthelezi
- Mr MAW Debel
- Mr BM Jiya
- Prof. FS Mufamadi
- Ms LM Letsoalo
- Mr DD Patel
- Ms BG Sedupane
- Ms MP Zambane

EXECUTIVE DIRECTORS

During the period under review, two Executive Directors were recruited and in line with the MOI, recommended to the Shareholder Representative for appointment by the Board following the departure of the previous incumbents. The following recommendations were accordingly approved by the Shareholder Representative:

- Ms MJ Phillips as *Group Chief Executive* (effective 1 March 2024).
- Ms RNM Maphumulo as *Group Chief Financial Officer* (effective 1 April 2024).

These appointments follow the departure of Ms Portia Derby and Ms Nonkululeko Dlamini, the *Group Chief Executive* and *Group Financial Officer*, respectively. Ms Dlamini joined the Company in July 2020 and departed on 29 September 2023. Ms Derby stepped down in October 2023, having served from February 2020. Acting incumbents were appointed on an interim basis until finalisation of the recruitment process for a permanent GCE and GCFO to ensure continued stability.

RESIGNATIONS AND ROTATIONS

Effective 11 July 2023, the following Directors were retired by rotation as NEDs of the Company:

- Ms UN Fikelepi
- Ms ME Letlape
- Ms DC Matshoga
- Mr AP Ramabulana

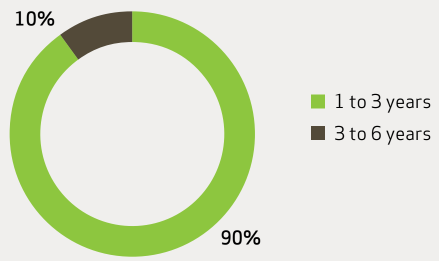
Following Dr Molefe's reappointment by the Shareholder, he resigned as a NED of the Company, effective 31 October 2023.

PRESCRIBED OFFICERS

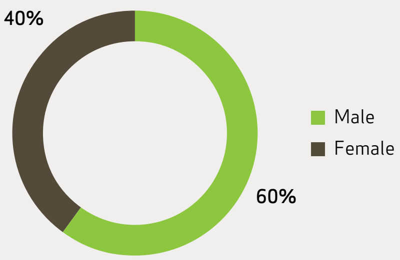
The Company defines its Prescribed Officers as executives who are members of the company's group executive committee. Post 31 March 2024, the Company has restructured its Executive Committee to align with areas of strategic focus to deliver on the Recovery Plan.

NON-EXECUTIVE DIRECTORS' DEMOGRAPHICS

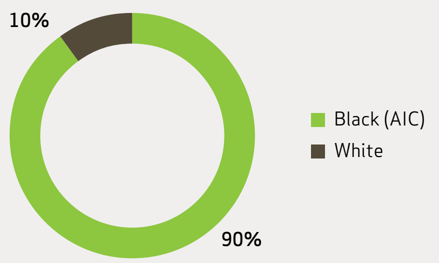
LENGTH OF TENURE



GENDER REPRESENTATION



RACE REPRESENTATION



THE BOARD: KEY CHALLENGES AND FOCUS AREAS

THE BOARD OF DIRECTORS

KING IV™. P1, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15 and 16

The Board's primary mandate is to ensure the sustainable and successful continuation of business activities by providing strategic direction to the Company.

The Board believes that it has successfully carried out its mandate and fulfilled its fiduciary duties over the past year and is satisfied that the Non-Executive Directors of the Company meet the independence criteria set out in Principle 7 of the King IV™ Report.

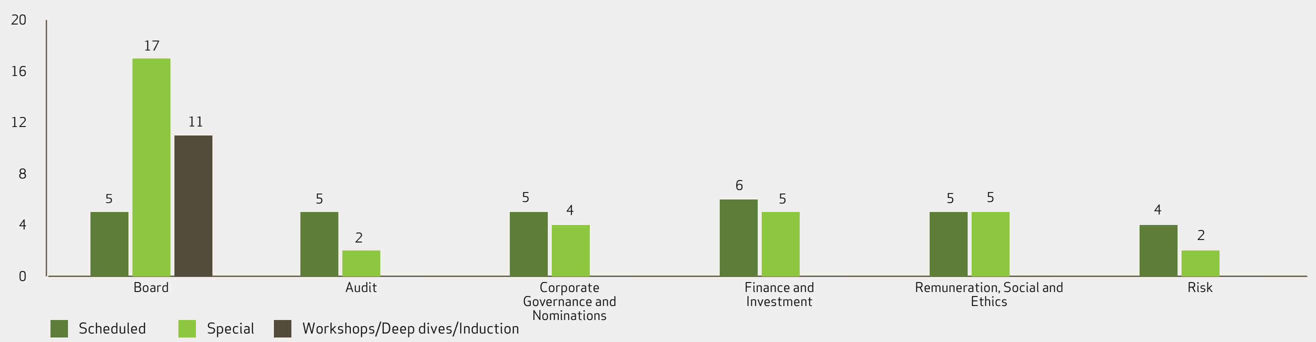
Key challenges facing the Board

- Poor operational performance resulting in decline in revenue
- Alignment of the Shareholder Compact Targets and the Recovery Plan
- Ensuring that the targets outlined in the Board approved Recovery Plan are met
- Under performance in safety and security of infrastructure
- Gaps in leadership following the departure of key Executives
- Ensuring Government Guarantee Agreement Framework compliance
- Preparing for and aligning with sectoral transformation and required corporate structuring while embedding a high-performance culture
- Ethical decision-making and strengthening Stakeholder engagement

Focus areas for the 2024/25FY

- Embedding improved financial and operational performance through the Recovery Plan while complying with the Government Guarantee Agreement Framework
- Oversee the reforms as required by the Shareholder
- Inculcating a strong performance culture and ethical values across the business
- Strengthening an effective internal control environment during the transition
- Rationalisation of Company policies and aligned and sound governance processes
- Improvement in safety performance and maintenance
- Ensuring security of infrastructure
- Strengthening stakeholder engagement and partnership to uplift stakeholder confidence in the Company
- Adopting a holistic economic view that focuses on the global changing business environment and consider new industry developments

BOARD AND COMMITTEE MEETINGS FOR THE 2023/24FY



THE BOARD SUBCOMMITTEES: KEY CHALLENGES AND FOCUS AREAS

The Board has established the following committees as provided for in the MOI:

STATUTORY COMMITTEES

- Audit Committee; and
- Remuneration, Social and Ethics Committee.

NON-STATUTORY COMMITTEES

- Corporate Governance and Nominations Committee;
- Finance and Investment Committee; and
- Risk Committee.

CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE

KING IV™. P6 and 8

The committee provides governance support to the Transnet Board and sub-committees. It is responsible for developing and maintaining the Company's Corporate Governance Policies, Frameworks, and processes. The committee also ensures that the Board comprises members with sufficient skill sets to support the fulfilment of its mandated obligations.

Key challenges facing the committee

- Ensuring that the targets of the Board-approved Recovery Plan are met;
- Alignment of the Shareholder Compact Targets and the Recovery Plan;
- Driving an orderly TNPA Corporatisation while balancing the interests of all parties;
- Rationalisation of Board committees roles and responsibilities amid the reforms taking place while achieving the recovery and related business transformation; and
- The uncertainty of the impact of the National State Enterprises Bill Presentation on the business.

Focus areas for the 2024/25FY

- Better alignment and streamlining of all governance instruments;
- Streamlining of governance processes to increase efficiencies;
- Streamlined policy review to ensure alignment to the changing environment;
- Improved and streamlined ICT governance;
- Oversee TNPA Corporatisation; and
- Oversee the orderly establishment of the TRIM.

FINANCE AND INVESTMENT COMMITTEE

KING IV™. P6 and 8

The Finance and Investment Committee is tasked with advancing and upholding the Company's financial and investment policies and processes. This ensures financial sustainability in decision making while adhering to best practices and regulatory requirements. The committee considers strategic growth investments and partnerships, recommending divestments where appropriate through approved procurement strategies.

Key challenges facing the committee

- Procurement transformation and reorganising the procurement function to meet business requirements;
- Securing private sector participation in major projects and identified areas;
- Proper management of capital investment related matters;
- Prioritisation efforts to ensure optimum investments; and
- Balance sheet optimisation advancement.

Focus areas for the 2024/25FY

- Revenue growth and diversification;
- Improved and refocused capex spending;
- Securing optimised funding efforts for capital projects;
- Implementation of major projects and funding initiatives that will contribute to the financial sustainability of the Company;
- Improve collaboration efforts with industry and key stakeholders such as lenders;
- Procurement digitalisation to enable agile procurement processes; and
- Balance Sheet Optimisation to meet the business funding requirements.
- Controlled investments in line with the requirements and objectives

RISK COMMITTEE

KING IV™. P6 and 8

The Risk Committee provides risk management support to the Board, overseeing the development, assessment, and review of risk strategies and policies aligned to the risk appetite. This includes the integrity of the risk control processes, systems, and insurance. The committee assesses any significant risk control failings or weaknesses and their potential impact, and ensures that action is taken to remedy such risks, including reducing opportunities for fraud and other operational losses. The committee ensures effective communication with internal and external auditors, the Audit Committee, the Board, Management, and regulators on risk management. The committee, in consultation with Audit Committee, may introduce measures to enhance the adequacy and efficiency of the financial, compliance and risk management policies, procedures, practices and controls applied within the Group.

Key challenges facing the committee

- Reputation, customer and stakeholder confidence-related risks;
- Funding and capital-related risks contributing to key financial ratios being at risk;
- Risks related to operations and the overall impact on the tonnages and revenue;
- Mitigating risks related to operations and their overall impact on the tonnages and revenue.
- Developing an efficient and effective insurance strategy.
- Ensuring risk management provides assurance to contribute towards an improved control environment.
- Addressing ICT Risks, including unclear digitisation strategy.
- Contributing to the national objective of South Africa as a parastatal company.

Focus areas for the 2024/25FY

- Mitigating funding and capex-related risks impacting key financial ratios;
- Improving insurance strategies to enhance resilience against operational and strategic risks,
- Implementing structured reporting and monitoring mechanisms for operational risk losses, along with robust mitigation measures
- Implementing adequate and complete Standard Operating Procedures (SOPs) and proactive assessment of significant risk control weaknesses to enhance operational efficiency
- Enhance the role of risk management as the second line of defence within the organisation;
- Streamline the roles of combined assurance providers; and
- Monitor reforms-related risks including TNPA corporatisation, TRIM, Transnet Freight Rail Operating Company establishment risk, etc.
- Strengthening and streamlining ICT governance frameworks to effectively support digital transformation initiatives and enable achievement of business objectives.

AUDIT COMMITTEE

KING IV™. P8

The Audit Committee is a statutory body responsible for overseeing the financial reporting process, internal controls, and compliance with regulatory requirements. It is made up of independent NEDs who are duly elected and appointed by the Shareholder at the Annual General Meeting, in accordance with legislative requirements.

Key challenges facing the committee

- Addressing challenges to resolve PFMA matters that previously gave rise to qualified audits in previous financial years;
- Engaging stakeholders to collaborate on addressing the operational challenges impacting the company including revenue and cash flows;
- Positioning of internal audit work to get external audit to place reliance on it;
- Improving the control environment to the desired level;
- Addressing irregular expenditure and other non-compliance with PFMA/procurement requirements and recurring audit findings; and
- Addressing issues related to waiver and covenant breaches.

Focus areas for the 2024/25FY

- Ensure adequate funding for operational turnaround and continued investments;
- Oversee operational performance and revenue improvement to contribute to overall sustainability;
- Position internal audit to a level that its work can be relied on by external audit;
- Oversee the audit function to improve the control environment;
- Oversee the reduction of irregular expenditure and implement preventative measures in this regard;
- Improve debt collection efforts;
- Improve financial management and reporting linked to ESG; and
- Address cash flow and going concern assessment-related matters.
- Monitor internal procedures and processes to ensure that they are aligned with best practices.

REMUNERATION, SOCIAL AND ETHICS COMMITTEE

KING IV™. P6 and 8

The committee is a statutory committee that provides support to the Board as prescribed and advises the Board regarding responsible corporate citizenship, ethical leadership as well as safety and security-related matters. It also assists the company in considering matters related to ESG and it ensures that all human capital related matters from cradle to grave are attended to. The committee also considers matters related to the restructuring of Transnet and deals with matters related to the Succession Planning for Extended Executive Committee members, save for Executive Directors.

Key challenges facing the committee

Employee and public safety, and related fatalities incidences:

- The safety function was elevated to create focus across the business, and to undertake and oversee initiatives on public safety with stakeholders, which include employees and communities;
- The appropriate restructuring of the business amid the many reforms and changes that impact it;
- Appropriately elevate the ESG programme to ensure its proper governance; and
- Effecting consequence management measures in accordance with the PFMA.

Focus areas for the 2024/25FY

- Support a Company-wide safety project;
- Oversee the ethics programme as part of the integrated culture journey;
- Oversee Organisational Restructuring in line with the reforms required of the company; and
- Ensure a stable labour environment amid the reforms.

TRANSNET BOARD AND COMMITTEE MEETINGS

KING IV™. P1, 2, 6, 12 and 13

Board/Committee	Board	Audit Committee	Corporate Governance and Nominations Committee	Finance and Investment Committee	Remuneration, Social and Ethics Committee	Risk Committee
Number of meetings held	22	7	9	11	10	6
Mr AH Sangqu[#]	17	–	8	–	–	–
Ms MJ Phillips (GCE)[2]	9	–	–	–	–	–
Mr CS Benjamin[3]	12	4	7	6	–	–
Ms SRM Buthelezi[#]	13	6	2	6	–	–
Mr MAW Debel[#]	17	6	–	8	–	4
Ms LM Letsoalo[#]	15	–	–	7	9	4
Mr BM Jiya[#]	17	2	–	3	9	2
Ms H Makhathini[1]	10	–	–	–	–	–
Mr DD Patel[#]	14	6	6	8	–	–
Ms BG Sedupane[#]	16	3	–	–	9	4
Ms MP Zambane[#]	17	3	8	–	9	4
Dr PS Molefe[$]	12	–	1	–	–	–
Ms PPJ Derby[@]	13	–	–	–	–	–
Ms NS Dlamini[!]	14	–	–	–	–	–
Ms UN Fikelepi[*]	3	1	1	–	–	2
Ms ME Letlape[*]	5	1	–	3	1	2
Ms DC Matshoga[*]	3	–	1	1	–	–
Prof FS Mufamadi	15	–	7	–	10	–
Mr AP Ramabulana[*]	5	1	–	3	–	1

* *Rotated as a Non-Executive Director effective 11 July 2023*
\# *Appointed as Non-Executive Director of the Company effective 12 July 2023*
3 *Appointed as a Non-Executive Director of the Company effective 1 September 2023*
! *Resigned as Executive Director of the Company effective 29 September 2023*
@ *Ceased to be an Executive Director of the Company effective 31 October 2023*
$ *Resigned as a Non-Executive Director of the Company effective 31 October 2023*
1 *Appointed as an Executive Director of the Company effective 30 September 2023*
2 *Appointed as an Executive Director of the Company effective 1 November 2023*

REMUNERATION REPORT

Remuneration is an important instrument for reinforcing corporate culture, promoting the right behaviours and supporting the achievement of the organisation's strategic objectives. Transnet strives toward the effective design of the remuneration strategy to enhance the employee value proposition and brand awareness.

STRATEGIC INTENT

The strategic intent of Transnet's Remuneration framework is to:

- Compensate employees according to seniority and job level
- Attract and retain talented individuals
- Reward superior performance
- Ensure implementation of equitable and fair remuneration policies and practices
- Ensure that remuneration is market related
- Promote excellence through fit-for-purpose incentive schemes
- A team-based reward approach in terms of variable pay – driving cohesiveness and alignment
- Encourage and reward behaviours aligned with Transnet values
- Manage and facilitate employee performance based on results
- Ensure fit-for-purpose differentiation in remuneration practices
- Cater to uniqueness in employment category, environment and circumstances
- Safeguard the financial position of Transnet

STRATEGIC PILLARS

Elements informing the Remuneration strategy:

- Guaranteed pay
- Variable pay
- Recognition schemes
- Job evaluation and sizing to inform pay scales
- Remuneration benchmarking
- Collective Bargaining Agreements
- External market and economic conditions to inform annual increase processes
- Alignment with the DPE remuneration guide
- Benefits:
  - Leave
  - Retirement fund
  - Medical subsidy
  - Funeral fund
  - Housing allowance
- Reliable monitoring systems for reward, benefits and payroll-related processes
- Adherance to applicable legislation

REMUNERATION ELEMENTS LINKED TO EMPLOYEE CATEGORIES

KING IV™. P6 and 8

The tables below depict the various remuneration elements linked to employment categories.

Reward element	Management category	First-line management, specialists, technicians	Junior employees
Guaranteed pay	• Total cost to company (TCC), inclusive of medical aid, pension fund and UIF contributions • Option to structure pensionable ratio (60/40, 70/30 or 80/20) • 13th cheque can be structured as part of the package • Option to structure travel allowance if frequent business travel is conducted • Annual salary increases based on mandate from RemSEC	• CTC package, inclusive of pension fund (excludes medical subsidy) • Housing allowance for permanent employees. • Structuring of 13th cheque as part of the package is mandatory • Increases are negotiated with recognised labour representatives/unions	• Basic salary • Service bonus (13th cheque) • Increases are negotiated with recognised labour representatives/unions
Other benefits	• Personal protection based on a threat and risk assessment • Funeral fund membership • Leave as per policy • Employee Wellness Programme • Relocation and remote area assistance allowances, as per policy	• Medical subsidy for permanent employees who are the principal member of a recognised medical scheme • Funeral benefit (premium funded by Transnet) • Leave as per applicable variation agreement • Employee Wellness Programme • Relocation and remote area assistance allowances as per policy	• Employer portion of pension fund contributions, inclusive of risk and administration expenses • Housing allowance for permanent employees • Medical subsidy if employee is permanent and a member of a recognised medical scheme • Funeral benefit (premium funded by Transnet) • Leave as per applicable variation agreement • Employee Wellness Programme • Relocation and remote area assistance allowances as per policy
Circumstantial allowances	• Not applicable	• Overtime • Standby allowance • Night shift allowance • Call-out allowance	• Overtime • Standby allowance • Night shift allowance • Call-out allowance
Tools of trade	• Cellular phone • Computer/Laptop	• Cellular phone (if a job requirement) • Computer (if a job requirement)	• Cellular phone (if a job requirement) • Computer (if a job requirement)

Reward element	Management category	First-line management, specialists and technicians and junior employees
STI Scheme	• Short-term management incentive scheme to support Transnet's Recovery Plan	• Unique fit-for-purpose productivity incentive schemes designed for each of the ODs • Support and reinforce the desired behaviour to ensure reward for achievement of business objectives • Increased line of sight • Payments made monthly/quarterly (as applicable)
Recognition programme	• All eligible employees • Promote and reward behaviours aligned with Transnet values • Recognise long service • Support a culture where success is celebrated, and employees feel valued for their contributions to the business	

REVIEW OF REMUNERATION

Remuneration increases occur under the following circumstances:

- Annual remuneration review process
- In the event of a promotion
- Progression for Bargaining Unit Employees
- When there is a need to make a counter offer to an employee
- On an *ad-hoc* case-by-case basis, informed by business requirements and talent retention

The mandate for annual increases applied for management category employees considers:

- The national economic and business outlook;
- External market predictions and history of market movements and increases granted;
- Level of settlement reached for bargaining unit employees;
- External parity and market benchmarks based on market median;
- Internal parity; and
- Company affordability.

The annual increase for management category employees was 5,5% and was implemented with effect from 1 April 2023. The annual increases for bargaining unit employees are based on wage negotiations with the recognised labour unions.

In 2022, Transnet entered into a three-year wage agreement – set to expire March 2025. In terms of the agreement conditions, bargaining unit employees were entitled to an increase of 5,5% effective 1 April 2023 and 6,0% effective 1 April 2024.

Annual salary increase mandates are approved by:

- The Shareholder Minister at the Annual General Meeting for Executive Directors and Prescribed Officers;
- The Remuneration, Social and Ethics Committee for employees in the management category; and
- The Remuneration, Social and Ethics Committee for bargaining unit employees, and then negotiated in the Transnet Bargaining Council.

INCENTIVE SCHEMES

Short-term incentive for management category employees

Following the non-achievement of financial and operational results of the 2022/23FY, Transnet implemented urgent measures to address the business performance – giving rise to the Transnet Recovery Plan.

To support the Plan, a recovery incentive scheme for management employees was developed. This included specific targets for achievement by the end of the 2024/25FY. Performance is continually measured to to track progress against the set objectives.

Payment will be effected at the end of the 2024/25FY, subject to the achievement of the targets, finalisation of the year-end audit, and final approval by RemSEC.

Productivity incentive for bargaining unit

Effective 1 April 2022, Transnet implemented productivity incentive schemes for the bargaining unit employees in each OD. The Schemes are self-funded, based on the employees meeting of, or exceeding, the OD productivity targets.

In the 2023/24FY, these schemes were refined to support the Recovery Plan objectives and increase line of sight. Also during the FY, incentive payments were made to bargaining unit employees by TPT, TNPA and TPL.

FEE STRUCTURE FOR NON-EXECUTIVE DIRECTORS

The Shareholder Representative appoints NEDs for a three-year term and, in compliance with the MOI, must be re-elected at the AGM annually.

In August 2023, a new fee structure for the NEDs was implemented in alignment with the 2018 Remuneration Guide (approved by the Shareholder Minister). Fees are based on the benchmark median guaranteed package for a CFO plus 35% incentive charge – equivalent to the SOC size.

The annual corporate calendar is approved by the Board and agreed with the Shareholder Minister. Should the number of Board and Committee meetings exceed those specified in the approved corporate calendar by 20%, permission must be sought from the Minister.

The NED fees, encompassing Board duties, are calculated as 8% of 65% of the median remuneration of the CFO, and the proposed fee structure consists of an annual Board member and meeting attendance fee – requiring members to attend at least 50% of meetings scheduled. The Board member fee, paid quarterly, compensates for meeting preparation, research, and official activities. If attendance exceeds 50% of the Board-related meetings in the quarter, the Board member fee is pro-rated based on the number of meetings attended. Meeting fees relate to time spent on meetings and are calculated as 8% of 35% of the median remuneration of the CFO, divided by five, multiplied by 1,2. The meeting fee will be pro-rated based on the number of hours (per the pre-approved corporate calendar) to a maximum of eight hours per day.

The meeting fee is differentiated between the Chairperson and a member. The designated Board, and other committee chairpersons, receive a higher meeting fee.

Despite the provision of a meeting cap of 20% above scheduled meetings, the Shareholder Minister approved that the Transnet NEDs be remunerated for all meetings where decisions were taken and/or resolutions passed. This is against a backdrop of a leadership vacuum at the time, the fact that the Board was newly appointed, the development and implementation of the Transnet Recovery Plan, and the time spent steering the Company towards sustainability and profitability.

The fee structure, aligned with the 2018 DPE Remuneration Guideline

Fee component	Fees per annum
Board retainer fee	**Paid quarterly**
Chairperson Board fee	**R1 116 872**
Member Board fee	**R446 749**
Per meeting fee*	**Paid quarterly**
Chair Meeting fee	**R86 601**
Committee Membership	**R57 734**

** Based on number of meetings attended.*

SUMMARY OF THE NON-EXECUTIVE DIRECTORS' FEES

The table below depicts the Directors' fees for the Financial Year 2023/24FY.

Member	Total 2024 R'000	Total 2023 R'000
PS Molefe *(Chairperson)*[2, 3]	**731**	1 329
LL Von Zeuner[1]	**–**	840
DC Matshoga[2]	**196**	604
UN Fikelepi[2]	**252**	729
GT Ramphaka[1]	**–**	475
FS Mufamadi	**1 240**	699
AP Ramabulana[2]	**224**	612
ME Letlape[2]	**224**	798
A Sangqu *(Chairperson)*[3, 5]	**2 195**	–
BG Sedupane[3]	**1 497**	–
BM Jiya[3]	**1 473**	–
CS Benjamin[4]	**1 237**	–
DD Patel[3]	**1 628**	–
L Letsoalo[3]	**1 548**	–
MAW Debel[3]	**1 655**	–
MP Zambane[3]	**1 729**	–
SRM Buthelezi[3]	**1 309**	–
Total	**17 138**	6 086

* *Resigned during the prior financial year.*
1 *Stepped down as Chairperson but remained as a non-executive director on 12 July 2023 and then subsequently resigned from the Board of directors during the financial year.*
2 *Resigned during the financial year.*
3 *Appointed as non-executive director on 12 July 2023.*
4 *Appointed as non-executive director on 1 September 2023.*
5 *Appointed as Chairperson of the Board of directors on 12 July 2023.*

REMUNERATION OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

Leadership is crucial in delivering sustainable value to stakeholders. Executing the Recovery Plan requires persistent effort and high performance, together with a sustainable and profitable long-term growth path.

Transnet aims to be an employer of choice. Attracting and retaining high-calibre individuals is, however, a challenge given the history of state capture and talented individuals are reluctant to be associated with the Company. As part of the Transnet Strategy, and to support the Recovery Plan, a new remuneration policy for Executive Management was implemented. This also seeks to retain key members and aligns with the DPE's Remuneration Guide.

Transnet is committed to workplace and in societal diversity, supporting job creation in South Africa, and practising equal opportunity in recruitment and promotions.

GUARANTEED PAY OF THE TRANSNET GROUP EXECUTIVE TEAM

The Executive Directors and Prescribed Officers have, since 2020, not received an annual increase.

TRANSNET GROUP EXECUTIVE COMMITTEE

Fees of the Executive Directors and Prescribed Officers for the 2023/24FY.

Member	Total 2023 R'000	Salary R'000	Retirement benefit fund contribution R'000	UIF contribution R'000	Other payments R'000	Total 2024 R'000
PPJ Derby[1,5]	8 500	**4 541**	**417**	**1**	**11 923**	**16 882**
M Phillips[1, 2, 3]	4 200	**4 813**	**343**	**2**	**417**	**5 575**
P Munyai	4 500	**4 174**	**324**	**2**	**–**	**4 500**
V Nemukula	4 500	**4 120**	**378**	**2**	**–**	**4 500**
N Dlamini[1,5]	5 800	**2 899**	**–**	**1**	**770**	**3 670**
A Shaw	5 100	**4 731**	**367**	**2**	**–**	**5 100**
S Coetzee	5 400	**5 398**		**2**	**–**	**5 400**
B Kani	4 100	**3 803**	**295**	**2**	**–**	**4 100**
S Mzimela[5]	6 100	**3 558**	**–**	**1**	**9 220**	**12 779**
R Mills	5 100	**4 646**	**452**	**2**	**–**	**5 100**
M Silinga[6]	5 900	**5 375**	**523**	**2**	**–**	**5 900**
K Phahlamohlaka	4 600	**4 267**	**331**	**2**	**–**	**4 600**
IK Matsheka	5 100	**4 731**	**367**	**2**	**–**	**5 100**
S Khan	4 300	**3 937**	**361**	**2**	**–**	**4 300**
DJ Mdaki	5 100	**4 646**	**452**	**2**	**–**	**5 100**
HS Chetty	4 500	**4 066**	**432**	**2**	**–**	**4 500**
A Pillay	4 217	**4 501**	**349**	**2**	**–**	**4 852**
HT Makhathini[3]	–	**1 284**	**100**	**1**	**346**	**1 731**
RL Baatjies[4]	–	**1 320**	**111**	**1**	**54**	**1 486**
MP Difeto[7]	–	**642**	**46**	**0**	**27**	**716**
SW Khati[7]	–	**1 123**	**80**	**1**	**71**	**1 275**
Total	**87 017**	**78 575**	**5 728**	**34**	**22 829**	**107 166**

1 *Group executives who are members of the Board of directors.*
2 *Appointed as a member of the Board of directors.*
3 *Acted as a member of the Board of directors.*
4 *Acted and was then appointed as an Exco member during the financial year.*
5 *Terminated during the financial year. Other payments included payments made in accordance with the termination agreements entered into between the parties, after the necessary approval by the relevant governance structures.*
6 *Suspended during the financial year.*
7 *Acted as an Exco member during the financial year.*
8 *Retired, effective 1 May 2024.*

NEW REMUNERATION POLICY

Transnet engaged the DPE to ensure compliance with its Remuneration Guide when drafting the new Remuneration Policy.

The Board approved the new remuneration policy for Management employees on 27 March 2024.

Effective 1 April 2024, the policy includes:

Purpose

Provide a framework of principles and guidelines for remuneration, ensuring fair and consistent application of remuneration related practices.

Policy statement

Aligns with, and is derived from, the People Management Remuneration Philosophy and strategic intent of the Company.

REMUNERATION PHILOSOPHY

Job evaluation

Evaluates jobs based on judgement, planning, leadership, communication, job impact, acquisition, application of knowledge, skills acquisition, and practice.

Pay principles

Ensure alignment of the remuneration policy and practices with the strategy, long-term sustainability, and compliance with King IV™ Principle 14.

Remuneration benchmarking

Methodology used to benchmark remuneration.

Reward methodology

Describes how remuneration is determined and aligned with specific pay scale.

Remuneration review

Details the remuneration review process.

Restraint of trade agreement

Provides the conditions for entering an agreement between Transnet and an employee.

Pay scales

Determined annually according to affordability, market benchmarks and movement, wage negotiations, CPI, payscale range, or a combination of these. Pay scales are confidential and may not be disclosed to unauthorised parties.

Staff movements, appointments and remuneration adjustments

Effective from the first of the month after the approval is obtained. No backdated adjustments are permitted.

Variable pay

This is considered important, and is subject to approval by the Remuneration, Social and Ethics Committee and the Board. Cash settled incentive schemes are reviewed regularly.

Mutual separation agreement

Provides the conditions applicable in the event of a mutual separation.

Notice period for executives

The notice period for certain categories of Management employees has changed – for both voluntary resignation and termination of employment relating to capacity, operational requirements, or any reason under law.

Affected employees include members of the Group and extended Group Executive Committee, and managers with scarce and critical skills pertaining to business objectives – requiring an extended recruitment process.

The termination of employment is covered in more detail in the Remuneration Policy.

GOVERNANCE RISK AND COMPLIANCE

Internal control system and risk management processes are essential for effective corporate governance and sustainable business development. Transnet has developed an internal control system to meets corporate governance objectives and comply with the PFMA and other applicable legislation. According to the PFMA section 51(1)(a)(i) Transnet's Board must maintain effective, efficient, and transparent financial and risk management systems.

To enhance the Company's control environment, Management has increased efforts to embed, measure, and monitor these controls. Transnet adopted the Committee of Sponsoring Organisations of the Treadway Commission (COSO) principles to design and implement its risk-based internal control systems. These principles are integrated throughout the organisation to support key objectives, including those in the Recovery Plan. The five components of the internal control have been integrated as follows:

Internal control environment
Management's attitude towards internal controls and the tone set by the Board with regards to the Company's cultural environment and corporate values.

Risk assessment
Process used to identify, analyse and manage the potential risks that could hinder or prevent Transnet from achieving its objectives, with the key focus on putting measures in place to minimise identified risks from materialising.

Internal control activities
Focusing on the adequacy and implementation of policies, techniques, mechanisms and procedures that help ensure Management directives are carried out including the timely implementation of the PFMA Remedial Plan.

Information and communication
Ensuring that the internal control environment, risk assessment and internal control activities are communicated with the necessary internal and external stakeholders, including the provision of both operational and financial data in a relevant, reliable and timely manner.

Monitoring activities
Reviewing whether internal controls are adequately designed, properly executed and are effective at any given point in time. The process also includes developing ongoing monitoring and evaluating tools to ensure that effective controls exist and are functioning properly. The monitoring of the effectiveness of internal control has been strengthened and includes close collaboration with key stakeholders within the combined assurance community.

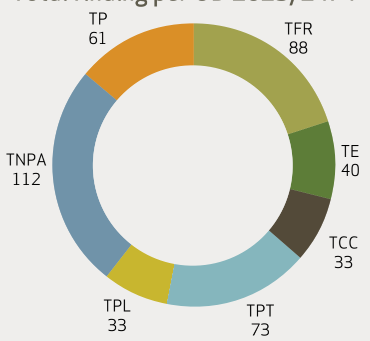
CURRENT STATE

We believe that the Company's strength and growth will come from our continuous effort, dedication, and determination to achieve a mature internal control environment. Management has intensified follow-up processes through detailed audit action plans, and continues to monitor progress on addressing external audit findings. There is a notable reduction in the number of findings from 680 in the 2021/22FY, 535 (21 %) in the 2022/23FY, to 428 (20 %) in the 2023/24FY. The organisation is working on long-term projects to improve efficiency in resolving applicable issues. Shown hereafter, is a summary of the status of closed versus open findings.

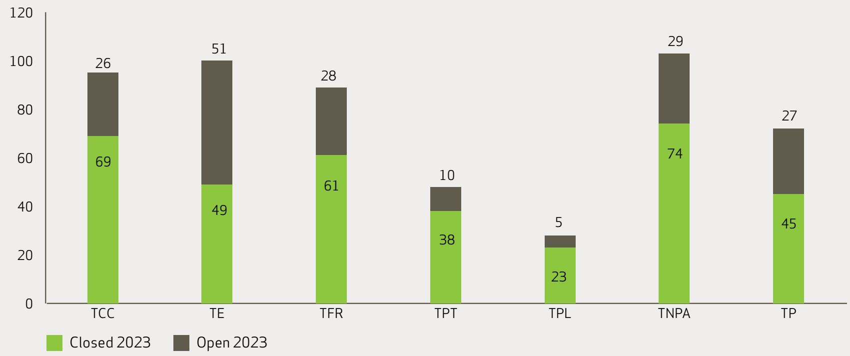
As of 31 March 2024, Transnet had closed 67% (359/535) of the 2022/23FY external audit findings, with continuing efforts to addressing the remaining 33%. Significant progress has been made on older findings, with 95% (649/680) of the 2021/22FY external audit findings closed as at the same date. The remaining findings are expected to be resolved during the 2024/25FY.

2023/24FY EXTERNAL AUDIT FINDINGS

Total finding per OD 2023/24FY



CLOSED VS OPEN 2023



INTERNAL AUDIT FINDINGS

In the 2022/23FY, TIA collaborated with Management to resolve internal audit findings through accelerated development workshops. This initiative helped bridge gaps caused by Management changes and set a strong foundation, closing findings in the 2023/24FY. TIA has scheduled follow-up engagements for 2024/25FY to evaluate the resolution of audit findings per focus area.

PROGRESS MADE

Transnet aims to constantly manage risks and achieve business, quality, and strategic objectives. With a fully capacitated Group Internal Control unit, through the Group Internal Control Steering Committee, supports and assures Management of internal control adequacy, while continuously reviewing and assessing these controls.

Combined Assurance providers, i.e., TIA, Risk, Regulation and Compliance, and Governance, Risk and Compliance (GRC) units, have enhanced knowledge transfer and efficiency within the Company.

Transnet is successfully using the SAP GRC system to automate and streamline risk, internal control, and compliance management. A Control Self-Assessment plan has been finalised and will be implemented throughout the 2024/25FY.

Shared Services has developed a document management solution to address the root causes of scope limitations. This solution aims to improve record-keeping, ensure compliance with retention regulations, and prevent issues that could lead to adverse audit findings.

PFMA COMPLIANCE

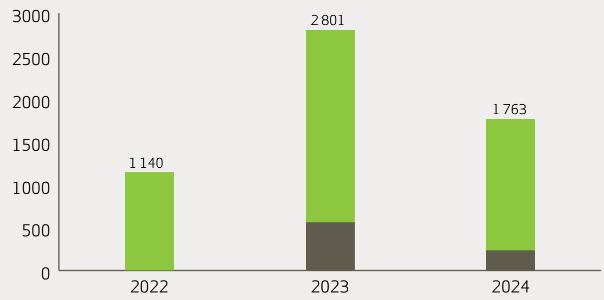
Sections 51 and 55 of the PFMA require the Company to prevent, identify, and report non-compliant expenditure, losses through criminal conduct, and revenue collection. Irregular expenditure includes any spending that violates legislation or policies, regardless of intent or benefit received. This differs from fruitless and wasteful expenditure, which refers to avoidable expenses made without reasonable care.

On 31 March 2022, NT granted Transnet an exemption from the specified PFMA provisions and the National Treasury Instruction No. 2 of 2019/2020. The exemption afforded Transnet an opportunity to focus on internal control improvement for accurate and complete reporting of irregular, fruitless and wasteful expenditure (IFWE). This exemption permitted reporting IFWE in the Integrated Report (IR) instead of the Annual Financial Statements (AFS) for the financial years ended 31 March 2022 up to 31 March 2024.

The organisation launched initiatives to improve the internal control environment. The initiatives included a PFMA remediation plan to address the root causes of irregular expenditure. A PFMA framework and directive were developed to ensure adherence to PFMA and NT regulations.

During the exemption period, the ODs conducted tests on contracts entered from the 2022 to 2023 financial years to ensure accurate and complete IFWE registers. Some pre-exemption contracts were not, however, tested due to capacity constraints. Some improvement was noted though, these were ascribed to consequence management for PFMA violations, but no condonation requests were submitted to NT.

IE decreasing trend since the exemption
(R million)



A slight improvement was noted in consequence management of PFMA violations in the current year. The PFMA exemption expired on 31 March 2024, and the IFWE will be reported in the AFS and subjected to rigorous audits.

PFMA REPORTABLE ITEMS FOR THE YEAR ENDED 31 MARCH 2024

1. Irregular expenditure

(a) Details of current and previous year irregular expenditure (confirmed and under assessment)

	2024 R million	Restated 2023 R million
Irregular expenditure confirmed*	**1 763**	2 801
• Non-compliance to National Treasury requirements	**878**	1 228
• Non-compliance to the Preferential Procurement Policy Framework Act	**649**	619
• Other(N1)	**236**	954
Irregular expenditure under assessment(N2)	**2 480**	1 149
Total	**4 243**	3 950

* *FY2023/24FY IE confirmed includes new IE of R229m (FY2023: R556 million, restated) due to new contracts entered into in the current financial year. This represents 59% reduction in new IE. The remaining IE of R1.53 billion (FY2023: R2.24 billion) relates to multi-year contracts.*

N1: Other matters include:
- *Services rendered/goods received prior to going through procurement processes and issuing purchase orders;*
- *Services/goods procured through expired contracts; and*
- *Contraventions of other applicable legislation, which resulted in irregular expenditure.*

N2: The irregular expenditure under assessment includes matters that are under investigation as well as those that are being disputed.

Prior year adjustments – Movement in comparative figures of Confirmed and IE under assessment

	Confirmed IE	IE under assessment	Total IE
Comparative as previously reported	2 268	952	3 220
Changes due to further verifications	501		501
Transferred to Confirmed	32		32
Potential IE identified in the current year		197	197
Restated comparative	2 801	1 149	3 950

Majority of the IE reported since the exemption relate to multi-year contracts that are undergoing condonation processes. Total IE from FY 2021/22 – FY 2023/24 amounts to R5.70 billion; of which R1.90 billion (33%) relates to transversal contracts IE that arose mainly from non-compliance with PPR regulations.

Prior year adjustments – Movement in comparative figures of Confirmed and IE under assessment

(b) Details of current and previous year irregular expenditure (under determination and investigation)

	2024 R million	Restated 2023 R million
Irregular expenditure under determination	1 057	726
Irregular expenditure under investigation	204	206

Note: There were no condonations, write-offs and recoveries of irregular expenditure that were processed in the current and previous financial years.

(c) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

Disciplinary steps taken	2024 R million	Restated 2023 R million
Matters where no action was required	116	220
Counselling	1	6
Training	45	79
Verbal warnings	1	9
Written warnings	2	25
Suspended without pay	–	11
In progress[N1]	15	95
Not started[N2]	1 583	2 356
Total	1763	2 801

N1: Cases in progress include cases where line management or the Employee Relations (ER) function is in the process of disciplining the employee(s) responsible.

N2: Cases that are not started relate to matters that ER has received from line management/PFMA champions, but has not started with the disciplinary process as well as those matters in relation to which determination tests have not yet been concluded.

2. Fruitless and wasteful expenditure

(a) Details of current and previous year fruitless and wasteful expenditure (confirmed and under assessment)

	2024 R million	Restated 2023 R million
Fruitless and wasteful expenditure confirmed	15	16
• Poor contract management	1	4
• Poor management oversight	–	2
• Fines and penalties	1	4
• Other [N1]	13	6
Fruitless and wasteful expenditure under assessment	560	15
Total	575	31

N1: The nature of these transactions relates mainly to losses suffered due to inadequate internal controls in place.

Prior year adjustments– Movement in comparative figures of Confirmed FWE and FWE under assessment	Confirmed FWE	FWE under assessment	Total FWE
Comparative as previously reported	16	9	25
Changes (increases) due to further verifications	–	3	3
Potential IE identified in the current year	–	3	3
Restated comparative	16	15	31

(b) Details of current and previous year fruitless and wasteful expenditure (under determination and investigation)

	2024 R million	Restated 2023 R million
Fruitless and wasteful expenditure under determination	300	2
Fruitless and wasteful expenditure under investigation	–	–

(c) Details of current and previous year disciplinary or criminal steps taken as a result of losses and fruitless and wasteful expenditure

Disciplinary steps taken	2024 R million	Restated 2023 R million
Written warnings	2	5
In progress	–	4
Matters where no action was required	–	4
Not started		
Other[N1]	13	3
Total	15	16

N1: These are other disciplinary steps that are immaterial in Rand value in isolation, which include counselling, training, verbal warnings and dismissals.

3. Details of material losses through criminal conduct

(a) Details of current and previous year Material Losses through criminal conduct

	2024 R million	Restated 2023 R million
Material losses through criminal conduct	**1**	5
Theft[N1]	**1**	5
Written off	**–**	–
Recovered	**(–)**	(–)
Total	**1**	5

N1: Material losses through criminal conduct relates to criminal matters for which Transnet opened a case with the South African Police Service. These include, in the main, theft of heavy-duty copper cable.

SUPPLY CHAIN MANAGEMENT

The Transnet SCM Policy aims to:

- Adhere to section 217 of the South African Constitution and section 51(1)(a)(iii) of the PFMA by ensuring fairness, equity, transparency, competitiveness and cost effectiveness;
- Promote transformation, empowerment and economic development in South Africa;
- Define value for money within Transnet;
- Ensure business continuity and operational efficiency;
- Implement clear and flexible Procurement systems;
- Comply with relevant Transnet policies and NT standards;
- Prevent SCM-related fraud, corruption, and economic crimes;
- Avoid irregular or wasteful expenditure; and
- Reduce audit findings in the SCM system.

(a) Key initiatives from Group SCM Governance

SCM Governance Architecture

Roll out SCM-related policies and standards	• Embed and monitor the implementation of the Preferential Procurement Policy on a quarterly basis. • Develop a working guide to monitor and report risks associated with politically exposed persons. • Conduct training on critical SCM policies and internal controls. • Digitalise SCM processes (procurement process automation, e-tender, online complaint system, reverse auctions, etc.).
Implement Compliance Monitoring Mechanisms	• Centralise and implement an effective audit finding dispute resolution process. • Consolidate the implementation of SCM second line of defence activities as part of combined assurance. • Introduce and roll out control assessments. • Conduct bid contract file review to determine extent of compliance and non-compliance. • Conduct real-time reviews of procurement by other means to ensure compliance. • Provide advisory on SCM-related matters to executives and bid committees to improve compliance.
Manage SCM risks	• Implement the SCM complaints or allegations management process and system. • Identify, assess, mitigate, monitor, and report risks on a quarterly basis. • Implement the Audit Readiness Strategy and monitor and report resolutions of audit findings on a quarterly basis. • Monitor and implement the restriction of suppliers on a quarterly basis. • Conduct probity checks on all high-value and high-risk tenders.
Implement Measures to Improve Operational Efficiency and Effectiveness	• Finalise structure and reporting lines for governance and compliance teams in ODs. • Develop the SCM Governance and Compliance Strategy. • Develop and roll out a methodology for bid review to all ODs. • Capacitate SCM Governance and Compliance function. • Provide secretariat support to the Division Bid Adjudication Committee (BAC) and Central Adjudication Committee on a weekly basis.

Despite ongoing procurement digitisation efforts, manual controls remain in place to ensure compliance and proper segregation of duties. These controls adhere to relevant regulations and involve both first and second lines of defense. Additionally, Transnet Internal Audit offers real-time assurance on all high-risk and high-value tenders.

Compensating Manual Controls

Tender Management Process	• There are controls embedded in every step of the tender management process. • The controls in the process are aligned with all applicable prescripts and updated as and when required. • Real-time assurance is conducted by TIA on high-value and high-risk tenders.
End-to-end Checklist BAC Submission Checklist	• End-to-end procurement checklist requires manual verification of compliance in all procurement stages and is reviewed by the line manager. • BAC submission checklist ensures that all submissions to BAC comply with all applicable legislation and controls identified in the procedure manuals.
Implementation of Committee System	• Bid Specification Committee (BSC) review and approval of the bid specification/scope of work and evaluation criteria to ensure compliance. • Bid Evaluation Committee (BEC) ensures that bids are evaluated in accordance with criteria stated in documents. BEC evaluation is conducted in a controlled environment. • BAC ensures that Transnet's supply chain management system policies, procedures, and processes are fair, transparent, equitable, competitive, and cost-effective. • SCM governance provides ongoing support to bid committees to ensure compliance.
All SCM-related approvals are linked to the DOA	• Compliance with DOA Framework is enforced in all procurement stages as a control measure. • There are clear segregation of duties between officials responsible for recommendation and final approval.

Departures granted by National Treasury:

In terms of section 79 of the PFMA, "the National Treasury may on good grounds approves a departure from Treasury regulation or instruction or any condition imposed in terms of the Act and must promptly inform the AGSA when it does so".

National Treasury has granted Transnet critical departures under Section 79 of the PFMA, allowing it to differentiate between procurement for normal administration and procurement impacting revenue-generating commercial contracts. To implement this, several actions are being initiated:

Review and amendment of the SCM Policy to align with the granted departures.

Revision of the Transnet Preferential Procurement Policy (TPPP) to establish a practical framework for achieving transformational objectives in revenue-focused procurement.

Development of a Manual for Procurement directed at revenue generation, ensuring compliance with the conditions set by the departures.

Adjustment of SCM delegations within the Delegation of Authority (DoA) Framework to streamline procurement processes and eliminate bottlenecks in revenue-generating activities.

Creation of a training plan for the SCM community to prepare for the implementation of the new procurement manual.

Modification of procurement templates to align with the updated procurement methods under the revenue generation-focused regime.

National Treasury's departures under Section 79 of the PFMA from certain SCM Instruction Notes are set to accelerate key objectives and streamline procurement, reducing inefficiencies and bottlenecks. Key changes include:

01 **Reporting Adjustments**

Departures from paragraphs 4.6 and 5.4 of SCM Instruction Note 03 of 2021/2022 allow monthly reporting instead of every 14 days.

02 **Annual Procurement Plan**

Transnet is no longer required to submit and report on its annual procurement plan as per Instruction Note 2 of 2016/2017.

03 **Bid Committee System**

Paragraph 8.1 departures allow flexibility in procurement-related to customer service and revenue generation, bypassing the bid committee system.

04 **Customised Procurement Policy**

Paragraph 4 departures enable Transnet to establish its own procurement policies for operations and customer delivery, enhancing efficiency and revenue generation.

05 **Budget Confirmation Flexibility**

Paragraph 8.4(a) departures allow transactions without upfront budget confirmation, applicable to capital market bids, long-term agreements, and EPC procurement events.

06 **Emergency Supplier Appointments**

Departures from paragraphs 4.1 and 4.2 of PFMA SCM Instruction Note 09 of 2017/2018 allow immediate appointment of non-compliant suppliers in emergencies, with payments withheld until tax compliance is achieved.

These departures require Transnet to establish alternative rules and controls, updating SCM policies, the Goods and Services Procurement Manual, and the DOA Training for SCM practitioners is also necessary to ensure proper implementation.

(b) Procurement Digitalisation

e-tender Submission Platform	• This is a system that focuses on the electronic submission of tenders by prospective bidders and forms part of the bigger programme to automate and transform Transnet's procurement processes. • It serves to ensure standardisation in the issue and receipt of bids and to enhance controls in the security of documents and procurement processes. It also guards against potential irregularities pertaining to the physical handling of tender submissions. • The submission platform has been rolled out and implemented across the organisation.
Procurement Process Automation	• This long-term initiative focuses on digitally enabling the standardised procurement processes across Transnet, improving procurement efficiency, reducing legislative and internal policy non-compliance, and improving communication, collaboration, visibility, tracking, and reporting of critical parameters. • Business rules will be embedded in the system to ensure controls are applied uniformly across all ODs. • Document security will be ensured by having all procurement documentation located in a secure system.
Reverse Auctions	• Transnet is pursuing the implementation of reverse auctions in procurement processes through a system with bidders that have complied with mandatory and functional requirements. This will enable Transnet to implement a more competitive bidding process to drive down costs.

Transnet's digitisation initiatives focus on automating the entire procurement process to enhance PFMA controls. This includes upgrading outdated systems and procuring adequate PFMA reporting tools. This year, efforts were concentrated on improving the e-tender submission platform, which automates the issuance and receipt of tenders within the legislative framework. The e-tender system, considered a game-changer, streamlines RFP issuance and tender submissions across all ODs.

In the procure-to-pay landscape, process automation has been implemented to reduce PFMA violations. The next step in Transnet SCM's digital transformation is the Procurement Process Automation (PPA) project. This project aims to automate pre- and post-e-tender phases, from demand planning to contract management, reducing manual processes and enhancing efficiency, time, and cost savings. The system will also improve auditability.

Transnet is implementing the digitisation programme in phases, prioritising high-impact modules and activities. The PPA tender was issued in FY23/24, and a service provider was selected through a competitive bidding process. The full PPA project is expected to be implemented over three years, with efforts underway to expedite its completion for rapid organisational benefits.

(c) SCM performance management and continuous improvement key initiatives

- Automating the monthly performance process to provide reliable dashboards to track and monitor the performance of strategic KPIs;
- Develop a scorecard to track turnaround times for high-value, high-risk (HVHR)/strategic tenders, focusing on key milestones and improvement targets;
- Implementing high-impact initiatives to improve turnaround times of HVHR transactions, and reduce contract extensions and non-awards;
- Re-engineering the procurement process to enhance efficiencies and reduce non-value-adding steps, improving turnaround times.

(d) Business Unusual Process

Transnet's current performance and Turnaround Plan have led SCM to develop initiatives in response to the Recovery Plan. A key addition is the implementation of a Procurement Business Unusual Process (BUP) until March 2025 to create an enabling environment for Transnet to address the current crisis. The BUP aims to drive efficiencies and achieve the strategic objectives of the recovery and Turnaround Plan.

Under current governance policies, a transparent business process has been implemented to address critical rail and port requirements at risk of immediate failure. These failures:

- Pose significant risks to employee safety, operational stability, asset operability, volumes, and revenue;
- Cannot be mitigated through normal business processes within an acceptable time-frame;
- Require extraordinary, immediate executive intervention; and
- May necessitate non-compliance with current policies, processes, and legislation, justified by the associated business and reputational risks.

SCM's plans focus on the quick procurement of critical goods and services to support the turnaround strategy. These transactions are monitored and tracked weekly through an e-war room to ensure the BUP objectives are met.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44 060

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

MS NOSIPHO MAPHUMULO
Group Chief Financial Officer

> "Additional measures have been put in place to mitigate and improve operational performance – as per the Transnet Recovery Plan – and improve the Group's financial position."

INTRODUCTION

During the 2023/24FY, Transnet embarked on a Recovery Plan to return the Company to a financially viable and sustainable path. Remarkable progress was made towards achieving the strategic objectives, as outlined on the Recovery Plan. This resulted in an improved financial performance despite current operational challenges and the economic environment. The Recovery Plan was initially implemented on 1 November 2023 for the 2023/24FY and 2024/25FY. To enable the implementation of the Recovery Plan, Transnet obtained Government support and entered into a Guarantee Framework Agreement with the National Treasury/DPE in terms of which the NT issued Transnet with a financial guarantee to the value of R47 billion. The financial challenges experienced by the Company were mitigated by Government's financial support of the Recovery Plan.

Our focus on stabilising and improving Transnet operations has yielded some promising results, evidenced by the 11,6% growth in revenue to R76,7 billion (2023: R68,7 billion). The net operating expenditure for the year came in at R54,7 billion reflecting an 19,2% increase from the prior year. The EBITDA margin has declined by 4,6%, reaching 28,6% (2023: 33,2%). Despite the improved revenue performance, the Group reported a loss of R7.3 billion for the year. The increase in the loss from the previous year is primarily due to the R4.8 billion expense in the Total and Sasol third-party claim, following the High Court judgment in June 2024. After evaluating the judgment, Transnet has decided to appeal on several grounds. We have successfully partnered with key private sector players in the logistics industry to strengthen our current business segments and actively pursue further growth opportunities, in accordance with the Reinvent For Growth Strategy.

As part of our ESG-related SDOs, Transnet actively pursues revenue diversification through regional integration within the Southern African Development Community (SADC). This effort has led to an impressive 51,3% increase in total Cross-Border revenue, contributing R3,6 billion to Group revenue (up from R2,4 billion in 2023). Despite facing infrastructural gaps and slower-than-expected infrastructure development, Transnet continues to leverage its extensive freight transport and logistics capabilities to support the development of major transport corridors in Africa, thereby enhancing intra-African trade.

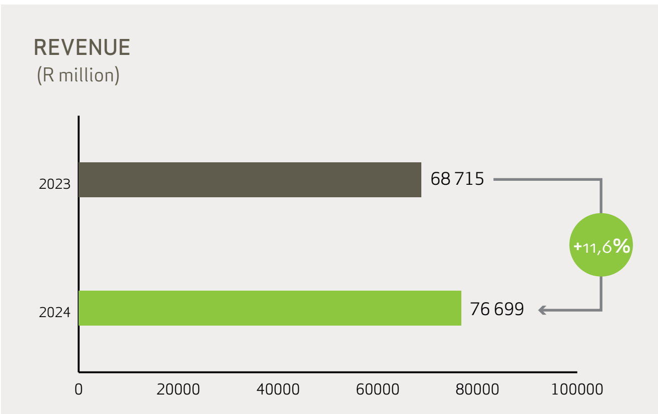
Transnet continues to invest in assets and infrastructure to support the economy. The priority is the allocation of capital expenditure to maintain and expand assets within the available resources. For the year under review, Transnet spent R 16,7 billion in capital expenditure – a 20.1% improvement year-on-year.

The Company raised about R30 billion to support capital investment and other funding requirements. The current Transnet funding strategy is a combination of commercial papers, loans and domestic medium-term notes programme. The funding strategy focuses on sourcing long-term funding to reduce cost of debt.

OVERALL FINANCIAL PERFORMANCE

Transnet's performance for the year ended 31 March 2024, showed improvement when compared to the prior year, in spite of various challenges and the current economic climate.

Revenue for the year increased by 11,6%, to R76,7 billion (2023: R68,7 billion), in line with weighted average tariff increases throughout the business, marginally higher volumes from the rail and container businesses, partially offset by lower pipeline volumes. Rail volumes were, however, impacted by various operational challenges (including collisions and community unrest on the coal line, and equipment challenges on the ore line), derailments, Eskom power outages – affecting all lines – as well as customer challenges on the coal and general freight business (GFB) lines. Petroleum volumes decreased largely due to a refinery shutdown during the first quarter of the year.



Revenue for the year increased by
11,6%
to R76,7 billion
(2023: R68,7 billion)

EBITDA has decreased by
3,6%
to R22,0 billion
(2023: R22,8 billion)

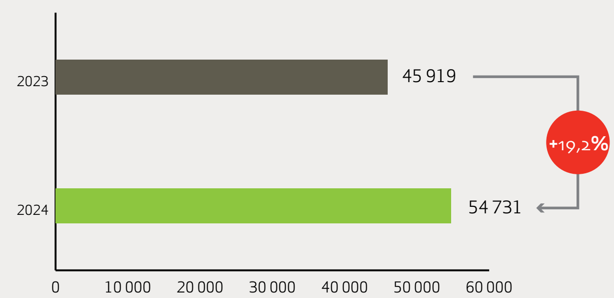
Net loss for the year increased by
43,4%
to R7,3 billion
(2023: R5,1 billion)

NET OPERATING EXPENSES

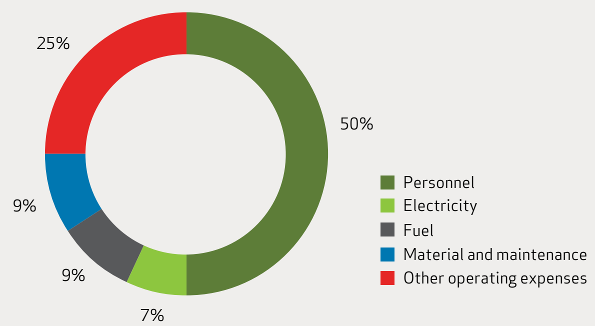
Net operating expenses increased by 19,2% to R54,7 billion, (2023: R45,9 billion) largely due to increased personnel (salary increases, bargaining council wage agreements, lower labour costs capitalised to projects, and increased headcount at the ports), electricity (tariff increases), security (rail related and pipeline theft and vandalism incidents) and material costs compared to the prior year. Net operating expenses were also driven up by the R4,8 billion increase in the Total and Sasol third party claim, as a result of the High Court judgement in June 2024. This is a once off expense.

The persistent incidents of theft and vandalism across the business have resulted in increased security expenses due to contracts entered with private security companies to safeguard Transnet's infrastructure.

TOTAL NET OPERATING EXPENSES
(R million)



OPERATING EXPENSE CONTRIBUTION BY CATEGORY



EBITDA

EBITDA has declined by 3,6% to R22,0 billion (2023: R22,8 billion). The revenue gains have been eroded by the rise in net operating expenses, leading to a decline in the EBITDA margin to 28.6%, from 33.2% in the prior year.

DEPRECIATION AND AMORTISATION

Depreciation, derecognition and amortisation of assets increased by 9,9% to R17,7 billion (2023: R16,1 billion) largely attributable to the re-valuation of port facilities, rail infrastructure and pipelines, and capital expenditure for the year.

FAIR VALUE ADJUSTMENTS

The investment property portfolio consists of commercial properties (such as office and retail) and industrial properties across South Africa. The valuation of the Group's investment properties on 31 March 2024, was conducted by independent external valuers and conforms to the Property Valuers Profession Act, No. 47 of 2000. A full valuation was performed for one third of the investment property portfolio and a desktop valuation was undertaken for the remainder of the property portfolio.

The fair value was derived by capitalising the normalised net annual income at market derived capitalisation rates, which are adjusted where appropriate, to reflect the risk profile of each individual property. The capitalisation rate is calculated by dividing the net annual return from rental by the purchase price or market value of a property. The fair value of investment property is sensitive to the capitalisation rates, which is a measure of the perceived risk associated with the stability of the income stream produced by the property. The higher the capitalisation rate, the higher the perceived risk and the lower the fair value; and conversely for a lower capitalisation rate. Factors that affect the capitalisation rates include the expected return on the property, the income growth rate, lease duration, property type, location, and the replacement cost of the property (among others). A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

A fair value gain of R0,4 billion was recognised in the current year, a 82,3% decline from a gain of R2,4 billion in 2023.

NET FINANCE COSTS

Net finance costs increased by 14,8% to R13,8 billion (2023: R12,0 billion) resulting mainly from interest rate hikes and the increase in total borrowings compared to the prior year.

TAXATION

The Income Tax credit of R2.5 billion is attributable to the taxable loss calculated. The deferred tax liability has decreased from the prior year. The decrease was mainly due to the deferred tax impact on the devaluation of property, plant and equipment – recorded directly in equity and the deferred tax impact on the loss for the year. The effective tax rate for the Group is 25,33% (2023: 22,73%).

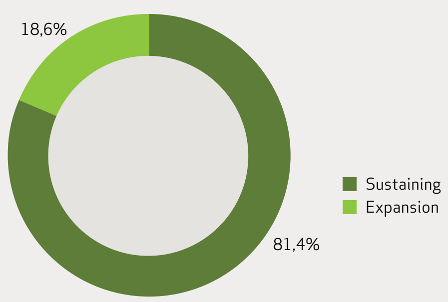
NET LOSS MOVEMENT FROM MARCH 2023 TO MARCH 2024

Transnet Group remains in a loss-making position, with a reported loss of R7,3 billion in the current year. The 19,2% increase in net operating expenses eroded the 11,6% revenue gain which ultimately led to the loss for the year.

CAPITAL EXPENDITURE

For the year under review, Transnet spent R 16,7 billion on capital expenditure, a 20,1% improvement year-on-year. Transnet plans to invest R152,8 billion in capital expenditure over the next five years, with R124,4 billion (81,4%) allocated to sustaining capital. This includes not only maintenance capital, but also the replacement of assets to maintain volume levels. Each OD has a set of maintenance initiatives designed to address the maintenance backlog, which negatively impacts operations and ultimately compromises the Group's financial performance.

PLANNED CAPITAL EXPENDITURE



Key Strategic Commodities

Transnet plans to spend R72,0 billion (47,1%) of the total five-year capital investment of R152,8 billion on projects that support the following key strategic commodity segments:

- Coal (13,1%);
- Iron ore (9,7%);
- Containers (11,3%);
- Energy (6,9%);
- Manganese (4,6%);
- Chrome and magnetite (1,1%); and
- Automotive (0,3%).

The balance of R80,8 billion (52,9%) is planned for projects supporting General Freight and other non-strategic segment commodities.

FUNDING PERSPECTIVE

As at 31 March 2024, the Group's total borrowings amounted to R137,7 billion (2023: R130,1 billion), an increase of R7,6 billion from the previous year. The gearing level resultantly rose to 46,2% (2023: 43,6%) due the Group actively seeking funding to support the initiatives in the Recovery Plan. Despite this increase, the current gearing level is well within debt covenant requirements. The Group remains cash generative and well positioned to service its debt obligations, as evidenced by the appreciation in the cash generated from operations, cash and cash equivalents balance.

Transnet expects continued access to debt capital markets, primarily through its Domestic Medium-Term Note (DMTN) programme and long-term loans to satisfy its funding requirements. The funding pipeline has been bolstered by the approved R47 billion Government guarantee facility that was concluded on 1 December 2023. Transnet has since, under the guarantee, secured R15 billion in funding from the DMTN programme and secured a short-term facility of R6,4 billion. This is in line with the funding plan to allow for prefunding for the coming financial year to support a positive liquidity position, which has improved from the prior year.

In the current reporting period, Transnet achieved a CIC of 1,9 times. Several loans require Transnet to maintain the CIC covenant at a minimum of 2,5 times and 2,0 times at each reporting period. A CIC below 2,5 times and 2,0 times constitutes a breach of the CIC loan covenant. The breach, which was an event of default, affected loans with a total capital balance of R45,4 billion. Transnet is confident that the waivers will be received once the lenders have completed their internal approval processes.

CREDIT RATINGS

In January 2024, Moody's downgraded Transnet's baseline credit assessment (BCA) to b3 from b2. While all other ratings were maintained, a negative outlook was assigned. This downgrade resulted in an event of default on two loans, with a total outstanding capital balance of R6 billion. Fortunately, the required waiver has been obtained from the lender.

On November 13, 2023, S&P lowered Transnet's Standalone Credit Profile (SACP) by one notch to 'b' from 'b+'. Despite this, all other ratings were affirmed, with a negative outlook assigned.

GOING CONCERN ASSESSMENT

After conducting a thorough assessment and considering all associated risks, the directors acknowledge the existence of material uncertainties related to events or conditions that could cast significant doubt on the entity's ability to continue as a going concern. However, these uncertainties have been adequately mitigated.

The directors, after carefully evaluating the progress of the recovery plan and the financial support from the government, including the provision of guarantees, remain confident that the Group will continue to have access to sufficient resources and facilities to sustain its operations and fund its capital investment programme in the foreseeable future as a going concern. Consequently, they have maintained the going concern assumption in the preparation of Transnet SOC Ltd's financial statements.

PFMA COMPLIANCE

KEY FOCUS ON THE EXEMPTION

During the 2021/22FY, the NT issued PFMA Instruction Note 03 of 2021/2022, aimed at strengthening compliance, transparency, and accountability in SCM. This directive had a profound impact on our procurement procedures, outlining specific guidelines for handling procurement through alternative means and contract variations. As a result, significant adjustments were required in our procurement strategies and operations. Transnet conducted thorough reviews and realigned its processes to ensure complete adherence to the new regulations.

The NT also introduced the Preferential Procurement Regulations (PPR) 2022, ushering in significant changes to the public procurement arena. Transnet effectively addressed the majority of the new compliance requirements. A request was submitted to NT for departures in accordance with section 79 of the PFMA. These departures were requested with the aim of improving the response time to urgent maintenance requirements and other operational needs. The National Treasury has granted Transnet all the critical departures in terms of 79 of the PFMA.

Transnet maintained a robust procurement process that supports our strategic goals and operational needs. Our commitment to innovation, efficiency, and sustainability has been unwavering, enabling us to navigate these changes effectively and continue delivering value to our stakeholders.

ENHANCING TRANSNET'S CONTROL ENVIRONMENT

Transnet disclosed R4 818 million of PFMA reportable items in its 2024 Integrated Report, which included R4 243 million of irregular expenditure and R575 million of fruitless and wasteful expenditure. These amounts were inclusive of prior year's re-stated opening balances.

The details of the PFMA compliance environment and improvements made are included in the compliance section of this report.

OPERATING DIVISION FINANCIAL PERFORMANCE OVERVIEW

TRANSNET FREIGHT RAIL

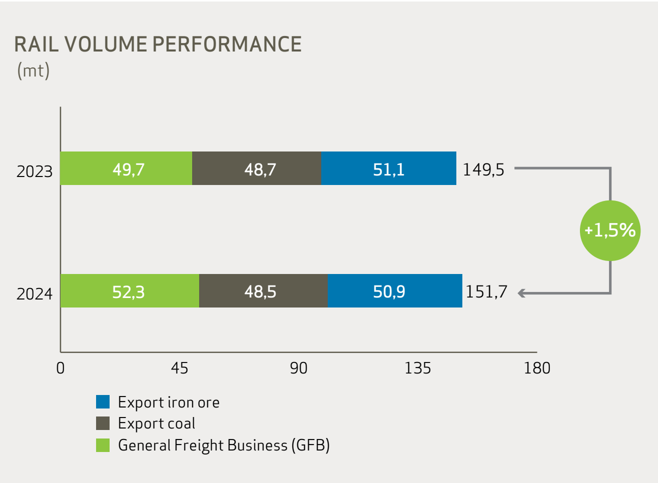
Revenue for the period under review increased by 12,3% to R39,1 billion (2023: R34,8 billion). The growth was driven by current strategic initiatives aimed at boosting volumes transported by TFR. Volumes increased slightly to 151,7 million tonnes, up from 149,5 million tonnes in the prior period.

Operating expenses increased by 10,8% to R31,1 billion (2023: R28,1 billion). Energy cost increased by 10,5% to R6,6 billion (2023: R6,0 billion) due to higher electricity and diesel costs. This outcome was anticipated due to the heightened business activity mandated by the Recovery Plan. Maintenance cost increased by 13,6% to R3,2 billion (2023 R2,8 billion) in line with the division's key maintenance initiatives.

EBITDA increased to R8,0 billion from R6,7 billion in the prior financial year. This achievement is notable, considering the frequent operational challenges experienced in the year.

TRANSNET ENGINEERING

Revenue increased by 22,0% to R9,8 billion, up from R8,0 billion in 2023. This is partly due to an uptake in external order sales as part of the regional integration initiative. The division recorded Cross-Border revenue of R261 million (2023: R106 million) which is a commendable achievement.



Net operating expenses decreased by 0,4% to R 10,0 billion (2023: R10,1 billion) due to stringent cost saving initiatives.

EBITDA loss improved by a significant 90,7% to R0,2 billion, from a previous R2,0 billion EBITDA loss in 2023.

TRANSNET NATIONAL PORTS AUTHORITY

Revenue improved by 6,1% to R14,0 billion (2023: R13,2 billion), due to improved cargo dues and real estate revenue streams.

Net operating expenses increased by 8,6% to R6,4 billion (2023: R5,9 billion) due to increased fuel, maintenance, and other overhead costs.

EBITDA resultantly rose to R7,7 billion from R7,4 billion in the prior year.

TRANSNET PORT TERMINALS

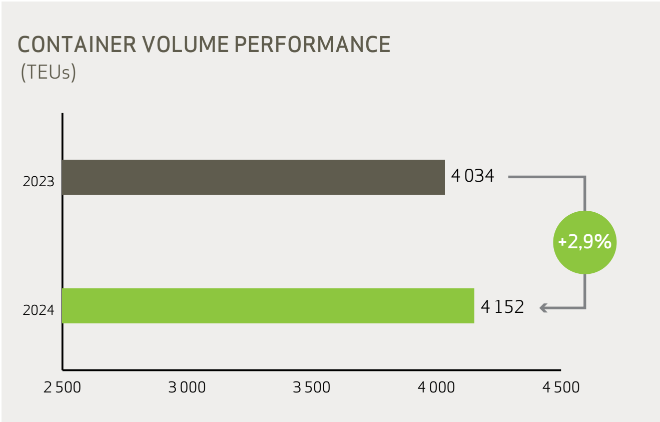
Revenue improved by 9,7% to R18,5 billion (2023: R16,8 billion). The favourable revenue performance was mainly propelled by the strong performance in the break-bulk sector, alongside tariff hikes and increased storage revenue in the automotive sector. Container volumes recorded a 2,9% growth to 4 152 million TEUs (2023: 4 034 million TEUs).

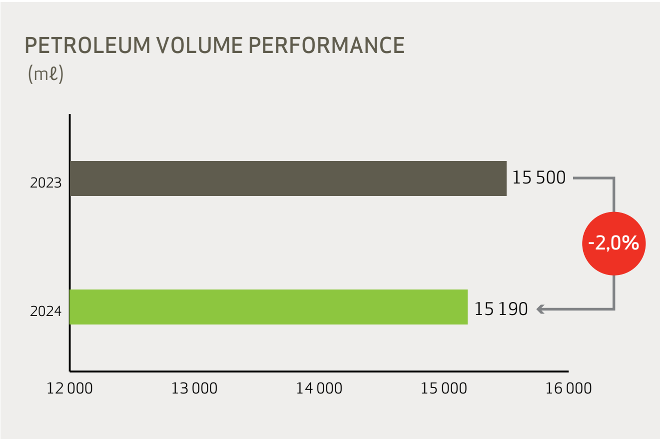
Net operating expenses rose by 10,9% to R12,1 billion in comparison to R10,9 billion in 2023. The uptick in costs primarily stems from increased labour expenses resulting from the implementation of a fourth shift and annual wage hikes. The elevated materials, repairs, and maintenance costs are attributable to ageing equipment. Other overhead expenses increased in line with operational requirements. Savings, however, were realised in fuel costs, which can be attributed to a decrease in volumes handled in the bulk sector.

The resultant impact on Port Terminals' EBITDA is a 7,5% growth to R6,3 billion (2023: R5,9 billion).

TRANSNET PIPELINES

Revenue increased by 15,5% to R6,7 billion in 2024 (2023: R5,8 billion), as it was positively impacted by the higher jet fuel and gas volumes. Storage volumes have also significantly improved. However, all other volumes have declined, resulting in the total volumes transported reducing by a marginal 2,0% to 15 190 million litres (2023:15 500 million litres).





In 2024, net operating expenses surged to R6,8 billion, compared to R0,9 billion in 2023. This increase is primarily due to prior period adjustments which involved a decrease in litigious claims and revisions to the environmental provision following an evaluation of the necessary remediation activities for sites affected by product theft.

Consequently, EBITDA was significantly eroded down to a loss of R0,01 billion (2023: R4,9 billion).

AUDIT OPINION

The Auditor-General of South Africa, the Company's independent statutory external auditor, has expressed an unmodified audit opinion on the annual financial statements for the year ended 31 March 2024.

OUTLOOK

Transnet is fully committed to ensuring its operational and financial sustainability in the foreseeable future. In the short term, the Recovery Plan takes precedence as it seeks to stabilise the Group. The Board regularly evaluates and adapts operational strategy to align with Transnet's medium- to long-term strategic goals. The latest initiative in this direction is the Reinvention Strategy – designed to position Transnet as a reliable and efficient logistics partner in the industry. We remain steadfast in our dedication to serving our customers and fostering enduring relationships with them and our trade partners. To achieve this, we are decentralising operations and embracing a more segmented approach, driven by revenue streams. We continue to explore collaboration opportunities with the private sector through the PSP initiative. The invitation to participate in any of the programmes remains open.

APPRECIATION

I would like to express my heartfelt gratitude to all our stakeholders for your steadfast support and dedication. Your contributions have played a pivotal role in the successful execution of the Recovery Plan. I am especially grateful to our Shareholder Minister (DPE) and NT for their continued support in the Company.

Ms Nosipho Maphumulo
Group Chief Financial Officer

OPERATING DIVISIONS' REVIEW

		Revenue (R million)	Operational expenditure (R million)	EBITDA (R million)	ROTA/ROIC (%)	Capex (R million)
Freight Rail	**2024**	↑ **39 105**	↓ **(31 134)**	↑ **7 971**	↑ **(2)**	↑ **12 268**
	2023	34 810	(28 088)	6 722	(3)	11 288
Engineering	**2024**	↑ **9 817**	↑ **(10 004)**	↑ **(187)**	↑ **(4)**	↑ **168**
	2023	8 045	(10 048)	(2 003)	(13)	11
National Ports Authority	**2024**	↑ **14 041**	↓ **(6 386)**	↑ **7 655**	= **5**	↑ **1 746**
	2023	13 230	(5 880)	7 350	5	1 551
Port Terminals	**2024**	↑ **18 456**	↓ **(12 123)**	↑ **6 333**	↑ **28**	↑ **2 009**
	2023	16 826	(10 934)	5 892	27	1 037
Pipelines	**2024**	↑ **6 697**	↓ **(6 698)**	↓ **(1)**	↓ **(3)**	↑ **191**
	2023	5 800	(937)	4 863	10	32
Property	**2024**	↓ **1 552**	↑ **(1 304)**	↑ **248**	↑ **2**	↑ **131**
	2023	2 242	(2 544)	(302)	(7)	64

KING IV™. P15

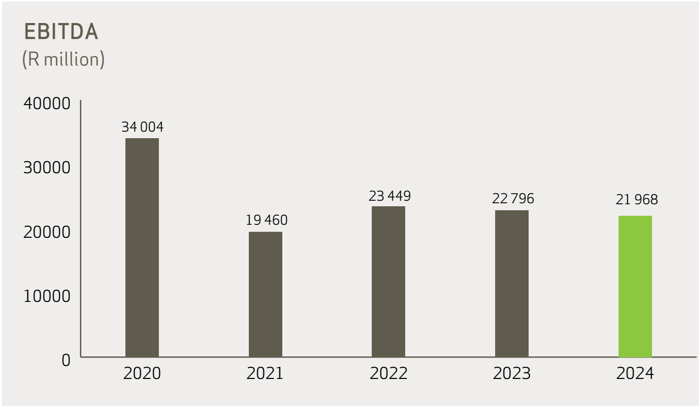
Performance key

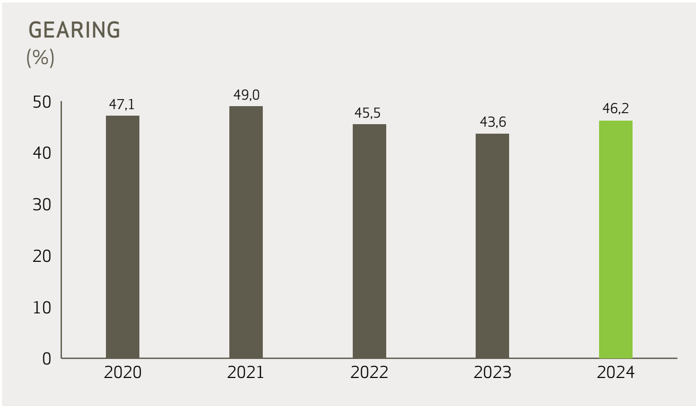
↑ Improvement on prior year performance

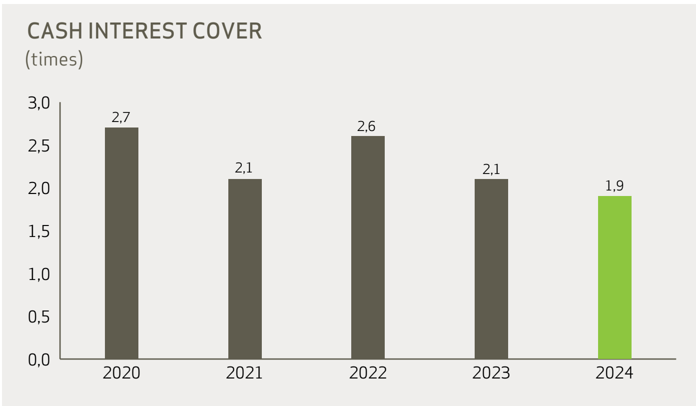
↓ Decline compared to prior year performance

= Equivalent performance to prior year

FIVE-YEAR REVIEW: KEY PERFORMANCE INDICATORS







INCOME STATEMENT

for the year ended 31 March 2024

	GROUP 2024 R million	GROUP Restated 2023 R million
Revenue	**76 699**	68 715
Net operating expenses excluding depreciation, derecognition and amortisation	**(54 731)**	(45 919)
Profit from operations before depreciation, derecognition, amortisation and items listed below	**21 968**	22 796
Depreciation, derecognition and amortisation	**(17 689)**	(16 098)
Profit from operations before the items listed below	**4 279**	6 698
Profit on disposal of discontinued operations, net of tax	**–**	–
Impairment of financial assets	**(772)**	885
Impairment and devaluation of non-financial assets	**193**	(4 492)
Dividends received	**–**	–
Post-retirement benefit obligation expense	**(179)**	(157)
Fair value adjustments	**432**	2 442
Income/(loss) from associates and joint ventures	**10**	14
Profit from operations before net finance costs	**3 963**	5 390
Finance costs	**(14 284)**	(12 187)
Finance income	**509**	186
(Loss)/profit before tax	**(9 812)**	(6 611)
Tax	**2 485**	1 503
(Loss)/profit for the year	**(7 327)**	(5 108)

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2024

	GROUP 2024 R million	GROUP Restated 2023 R million
(Loss)/profit for the year	**(7 327)**	(5 108)
Other comprehensive income		
Net items that will not be reclassified subsequently to profit or loss	**(3 287)**	3 386
Items that will not be reclassified subsequently to profit or loss	**(4 592)**	4 521
– Profit/(loss) on revaluation	**(4 663)**	4 508
– Actuarial gain on post-retirement benefit obligations	**71**	13
tax relating to components that will not be reclassified subsequently to profit or loss*	**1 305**	(1 135)
Net items that may be reclassified subsequently to profit or loss	**481**	396
Items that may be reclassified subsequently to profit or loss	**655**	544
– Profit/(loss) on cash flow hedges	**642**	537
– Gain on revaluation	**13**	7
Tax relating to components that may be reclassified subsequently to profit or loss	**(174)**	(148)
Other comprehensive income/loss for the year, net of tax	**(2 806)**	3 782
Total comprehensive loss for the year	**(10 133)**	(1 326)

HEADLINE EARNINGS

for the year ended 31 March 2024

	GROUP 2024 R million	Restated 2023 R million
(Loss)/profit for the year attributable to equity holder	**(7 327)**	(5 108)
Loss on disposal of property, plant and equipment (refer note 2)	**169**	82
Loss on disposal of intangible assets (refer note 2)	**–**	4
Fair value adjustments on investment properties (refer note 5)	**(615)**	(1 930)
Impairment of non-financial assets (refer note 4.2.2)	**(193)**	4 492
Headline earnings before tax effects	**(7 966)**	(2 460)
Tax Effects		
Loss on disposal of property, plant and equipment	**(46)**	(22)
Loss on disposal of intangible assets	**–**	(1)
Fair value adjustments on investment properties	**133**	417
Impairment of non-financial assets	**52**	(1 206)
Headline earnings	**(7 827)**	(3 272)

CONDENSED STATEMENT OF FINANCIAL POSITION

as at 31 March 2024

	GROUP 2024 R million	Restated 2023 R million
Non-current assets	**336 148**	337 438
Current assets	**28 488**	27 353
Total assets	**364 636**	364 791
Capital and reserves	**138 095**	148 228
Non-current liabilities	**135 609**	138 157
Current liabilities	**90 932**	78 406
Total Equity and liabilities	**364 636**	364 791

SEGMENT INFORMATION

for the year ended 31 March 2024

	Freight Rail		Rail Engineering R milliion		National Ports Authority	
	Audited 31 March 2024 R million	Audited 31 March 2023 R million	**Audited 31 March 2024 R million**	Audited 31 March 2023 R million	**Audited 31 March 2024 R million**	Audited 31 March 2023 R million
External revenue*	**38 477**	34 284	**553**	210	**11 503**	10 871
Internal revenue	**628**	526	**9 264**	7 835	**2 538**	2 359
Total revenue	**39 105**	34 810	**9 817**	8 045	**14 041**	13 230
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**7 971**	6 722	**(187)**	(2 003)	**7 655**	7 350
Total assets##	**171 670**	173 380	**11 380**	16 437	**103 790**	101 750
Total liabilities##	**139 809**	133 211	**11 601**	15 431	**25 249**	26 003
Capital expenditure***	**12 268**	11 288	**168**	11	**1 746**	1 551
Cash generated from operations after working capital changes	**5 618**	12 479	**3 515**	(3 942)	**7 457**	6 687
EBITDA Margin (%)	**20.4%**	19.3%	**(1.9%)**	(24.9%)	**54.5%**	55.6%
Number of employees	**22 307**	22 995	**7 770**	8 126	**3 925**	3 911

STATEMENT OF CASH FLOWS

for the year ended 31 March 2024

	GROUP	
	2024 R million	2023 R million
Cash flows from operating activities	**14 246**	22 196
Cash generated from operations	**28 920**	21 851
Changes in working capital	**(118)**	3 500
Cash generated from operations after working capital changes	**28 802**	25 351
Finance costs	**(14 282)**	(10 963)
Finance income	**509**	186
Tax refunded	**2**	–
Settlement of post-retirement benefit obligations	**(107)**	(122)
Derivatives settled and raised	**(678)**	7 744
Cash flows utilised in investing activities	**(16 969)**	(15 705)
Investment to maintain operations	**(13 576)**	(13 536)
Investment to expand operations	**(3 393)**	(2 169)
Cash flows from/(utilised in) financing activities	**3 067**	3 113
Borrowings raised	**34 435**	50 273
Borrowings repaid	**(31 368)**	(52 997)
Ordinary share issuance	**–**	5 837
Net increase in cash and cash equivalents	**344**	9 604
Cash and cash equivalents at the beginning of the year	**13 540**	3 936
Total cash and cash equivalents at the end of the year	**13 884**	13 540

Port Terminals		Pipelines		Total for reportable segments		All Other Segments		Total	
Audited 31 March 2024 R million	Audited 31 March 2023 R million	**Audited 31 March 2024 R million**	Audited 31 March 2023 R million	**Audited 31 March 2024 R million**	Audited 31 March 2023 R million	**unaudited 31 March 2024 R million**	Audited 31 March 2023 R million	**Audited 31 March 2024 R million**	Audited 31 March 2023 R million
18 456	16 826	**6 692**	5 795	**75 681**	67 986	**1 018**	729	**76 699**	68 715
0	0	**5**	5	**12 435**	10 725	**(12 435)**	(10 725)	**0**	0
18 456	16 826	**6 697**	5 800	**88 116**	78 711	**(11 417)**	(9 996)	**76 699**	68 715
6 333	5 892	**(1)**	4 863	**21 771**	22 824	**197**	(28)	**21 968**	22 796
							0		
34 519	29 939	**44 498**	42 090	**365 857**	363 596	**(1 620)**	869	**364 237**	364 465
8 043	7 655	**21 220**	17 527	**205 922**	199 827	**20 619**	16 736	**226 541**	216 563
2 009	1 037	**191**	32	**16 382**	13 919	**280**	(48)	**16 662**	13 871
6 715	6 212	**4 766**	3 773	**28 071**	25 209	**731**	142	**28 802**	25 351
34.3%	35.0%	**0.0%**	83.8%	**24.7%**	29.1%	**n/a**	n/a	**28,6%**	33.2%
8 982	7 690	**640**	648	**43 624**	43 370	**2 630**	2 267	**46 254**	45 637

TRANSNET'S **ESG** PERFORMANCE

Transnet considers sustainability central to its mission and strives to ensure that all Environmental, Social, and Governance (ESG) efforts align with global best practices, meet stakeholder expectations, and preserve resources for future generations. Moving beyond compliance, we actively adopt practices to reduce our environmental footprint and enhance social impact.

Transnet operations and strategic objectives align with:

01 ENVIRONMENTAL STEWARDSHIP

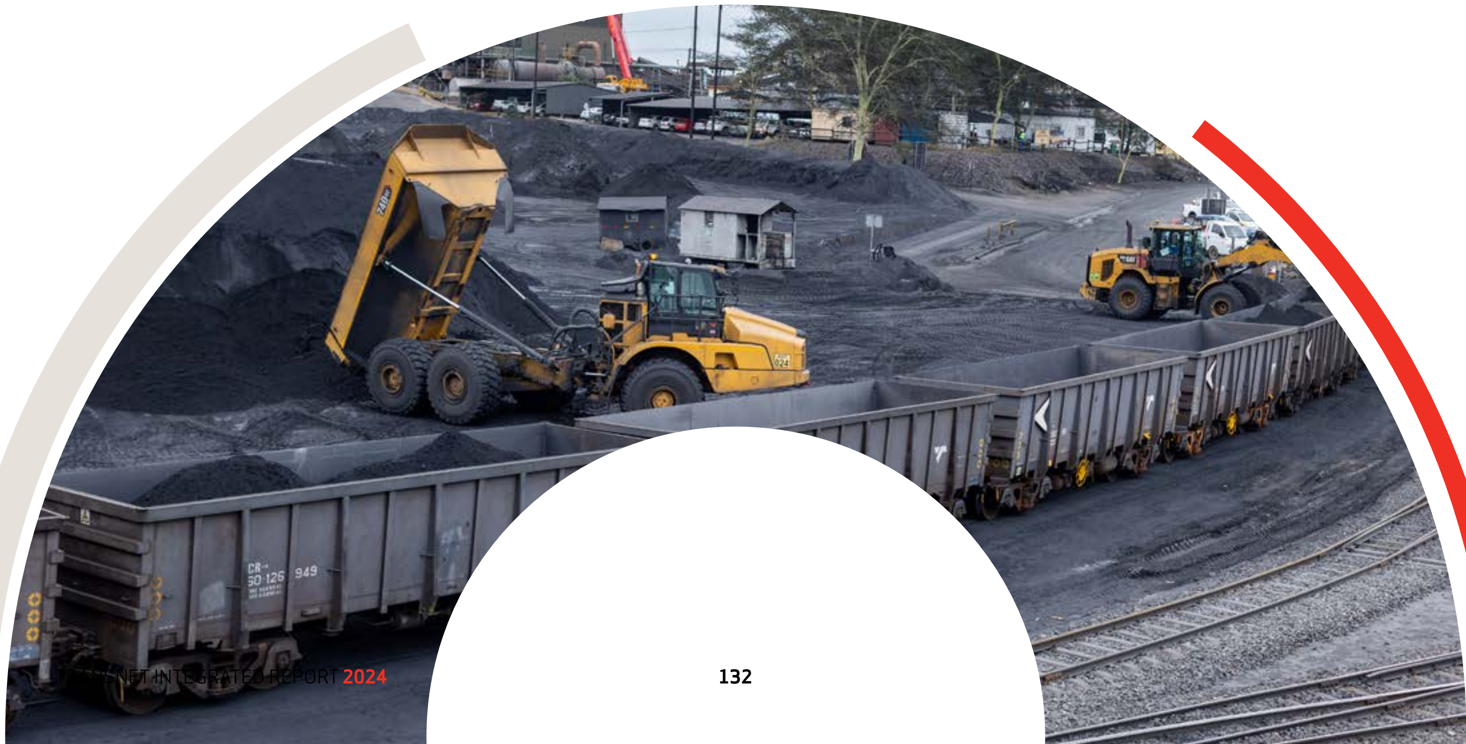
02 SOCIAL EQUITY

03 ECONOMIC GROWTH

04 JUST GOVERNANCE

The Key ESG initiatives for Transnet (as per the approved ESG Strategy) are:

01 Enhancing energy efficiency and reducing carbon emissions
02 Strengthening stakeholder engagement and issue resolution
03 Embedding ethical and sustainable practices in procurement processes
04 Ensuring transparency, data security, and regulatory compliance
05 Promoting safe, healthy, and secure operational environments



OPERATIONAL LANDSCAPE AND SUSTAINABLE DEVELOPMENT

Transnet's operation across ports, terminals, rail systems, and pipelines, are the backbone of South Africa's transport infrastructure, playing a key role in regional and global supply chains. Our presence in key economic hubs and corridors drives socio-economic development throughout the African continent.

We facilitate the movement of essential goods, supporting industries from mining and agriculture, to manufacturing and retail. This integration places us in a unique position, with our operations impacting social development and environmental stewardship.

Transnet integrates sustainability into its business model to create sustainable value for stakeholders. We aim to foster a resilient and sustainable economic ecosystem benefitting customers, employees, communities, and the environment (among others).

Our commitment to sustainability is reflected in our adoption of ESG principles across all operations. Our ESG Strategy and initiatives ensure our business model actively supports sustainable development.

ESG VISION, MISSION AND GOAL

ESG VISION

Lead the transformation of ports, rail, and pipelines with pioneering ESG practices, driving South Africa's economic growth, reducing business costs, and innovating efficient supply chain solutions.

ESG MISSION

Champion a robust ESG framework tailored to our core operations in ports, rail, and pipelines, ensuring we connect economies and communities across Africa with excellence, inclusivity, ethical business practices and transparent governance at every touchpoint of our value chain.

OVERARCHING GOAL

Conduct a thorough evaluation of ESG factors intrinsic to Transnet's value creation and preservation. Design and implement a holistic programme that not only meets but exceeds the ESG expectations of our stakeholders, reinforcing our commitment to sustainable growth and operational excellence.

ESG COMMITMENTS

ENVIRONMENTAL

Minimise our ecological impact by reducing our carbon footprint and ensuring climate-resilient operations.

SOCIAL

Foster safe workspaces, meaningful stakeholder engagement, timely grievance redressal, and socially responsible procurement.

GOVERNANCE

Stringent governance protocols to uphold an anti-corruption stance, and intensified cybersecurity defences to protect operational integrity and data confidentiality.

Transnet aims to lead the transformation of ports, rail, and pipelines with innovative ESG practices, driving South Africa's economic growth and providing efficient supply chains. Our ESG framework seeks to connect economies and communities across Africa with excellence, inclusivity, ethical practices, and transparent governance. The strategy, furthermore, integrates sustainability to the corporate framework, aligning with global goals, including Government's National Development Plan (NDP), UN's Sustainable Development Goals (SDGs), and the Paris Agreement. This alignment demonstrates our commitment to address global challenges (climate change, responsible consumption and production) and ensure sustainable economic growth.

During the 2023/24FY, Transnet launched its official ESG Strategy, reflecting over a decade of commitment to sustainability. This strategy is central to our purpose and a key differentiator in the value delivered to our stakeholders. The strategy ensures that defined goals are robust and impactful, and includes clear direction for the achievement of the set goals. Periodic reviews of this strategy are planned to ensure alignment with ever-evolving regulatory requirements and stakeholder expectations – adapting to regional and global ESG trends.

STRATEGIC SUSTAINABILITY INITIATIVES

Approved by the Remuneration Social and Ethics Committee (RemSEC) on 15 November 2023, the strategy comprehensively outlines the approach to managing ESG risks, impacts, and opportunities.

The strategy identifies ten priority focus areas under four main pillars:

Natural environment stewardship	Investing in sustainable business
Strengthening stakeholder orientation	Advocating for just and effective governance

Our top five key focus areas include:

01 Climate Response

GOALS

Mitigate our carbon footprint and address climate change through targeted and proactive strategies

SDG ALIGNMENT

SDG 13: Climate Action
- Transnet is committed to progressively reduce carbon emissions, increase renewable energy use, and adopt climate adaptation strategies to mitigate environmental risks and enhance resilience

SDG 7: Affordable and Clean Energy
- Transnet is progressively increasing its reliance on renewable energy and pursuing funding opportunities for energy efficiency and clean technology projects

OUR KEY OBJECTIVES

- Aim to significantly reduce carbon emissions by 2030 with a long-term vision to achieve Net Zero emissions by 2040
- Conduct a thorough **Climate Change Risk Assessment** across our value chain by **2025**
- Pursue funding for decarbonisation initiatives, with a goal to secure substantial financing by 2026, and progressively increasing to full financing by 2030
- Gradually secure financing for **climate change** adaptation initiatives, targeting incremental goals of 25% by 2026, 50% by 2030, and 100% by 2040

ACHIEVEMENTS 2023/24FY

- **Carbon emission intensity** was recorded at 848 kgCO_2e/tonne in 2023/24FY, reflecting a reduction from previous years, indicating progress towards decreasing emissions intensity
- From 2014/15FY to 2023/24FY, **carbon emissions** were reduced from 4,34 MtCO_2e to 2,65 MtCO_2e, demonstrating significant progress in reducing overall carbon emissions
- Transnet has embarked on **renewable energy initiatives**, including the development of a green hydrogen strategy and investments in various decarbonisation solutions such as energy efficiency and LNG projects

02 Safe and Secured Operations

GOALS

Achieve zero employee harm, enhance safety, reduce losses, improve housekeeping, and minimise encroachments and theft to ensure community safety

SDG ALIGNMENT

SDG 15: Life on Land
- Transnet is committed to protect and enhance biodiversity through site remediation, invasive species control, and comprehensive ecosystem impact assessments

SDG 6: Clean Water and Sanitation
- Transnet is dedicated to enhance water security by installing flow metres and develop water balance systems
- We collaborate with authorities to prevent fuel pipeline breaches and discharge into watercourses, ensuring water resource safety
- We ensure that employees have access to clean water, supporting hygiene, health, and workplace wellbeing

OUR KEY OBJECTIVES

- Aim to progressively reduce incidents of theft and vandalism at TFR and product theft at TPL, using 2022/23FY as the baseline
- Implement targeted measures to address incidents of encroachment at both TFR and TPL reserves from 2023 to 2030
- Strive to reduce incidents of **Lost Time Injuries (LTI)** for employees and contractors, aiming for a significant reduction by 2025
- Promote health and wellness programmes to encourage healthy living and lifestyles for employees, with ongoing initiatives towards 2030/31FY
- Develop and implement a comprehensive **good housekeeping** programme by 2024/25FY to maintain clean, organised, and hazard-free operational environments

ACHIEVEMENTS 2023/24FY

- **LTIF rate** for 2023/24FY reduced by 0,2%, staying below tolerance level
- Security measures like **drones and cameras**, reduced fuel theft incidents by 52% in 2023/24FY
- Engaged communities and stakeholders to address **encroachments** on TFR and TPL servitudes, including awareness campaigns on infrastructure encroachment risks
- Initiated **Dust Management Strategies** and SOPs at ports and terminals that handle critical commodities

03 Stakeholder Expectations and Grievances

GOALS

Enhance stakeholder engagement and address grievances effectively to secure social licence to operate

SDG ALIGNMENT

SDG 17: Partnerships for the Goals
- Transnet is committed to collaborating with stakeholders to foster sustainable development, adopt best practices, and leverage collective resources for greater impact

OUR KEY OBJECTIVES

- Aim to strengthen stakeholder engagement processes for more effective issues management by 2025/26FY
- Work towards expediting stakeholder issues resolution by 2024/25FY
- Continuously invest in programmes to enhance Transnet employees' morale and engagement levels, thereby improving performance and productivity from 2024/25FY onwards

ACHIEVEMENTS 2023/24FY

- Implemented the **Stakeholder Engagement Policy and Procedure**
- Aligned with benchmarks like King IV™, <IR>, Global Reporting Initiative (GRI) G4 Guidelines, and AA1000 Standard
- Established and analysed **Regional Engagement Forums** for assurance
- Enhanced bargaining engagements through regional engagement forums and initiatives

04 **Sustainable and Ethical Procurement**	05 **Transparency, Accountability, Ethics, and Compliance**
Ensure procurement processes are sustainable, ethical, and free from malpractices	Uphold ethical operations, transparency, accountability, responsible data management, and strict compliance with environmental laws
SDG 12: Responsible Consumption and Production • Transnet is committed to integrate ESG principles into procurement processes, promote sustainable practices among suppliers, and enhance operational sustainability	SDG 16: Peace, Justice, and Strong Institutions • Transnet is dedicated to foster a culture of integrity through enhanced governance, anti-corruption policies, and comprehensive ethics training. These initiatives aim to strengthen accountability, promote transparency, and support sustainable societal development
• Aim to embed ESG due diligence tools in procurement and contracting processes **by 2024/25FY** • Enhance processes to intercept and eliminate **fraud and corruption** in procurement **by 2024/25FY**	• Ensure timely action on reports of fraud, corruption, and unethical conduct • Initiate appropriate **civil recovery actions** based on forensic or special investigations • Implement the vetting prioritisation model by the targeted date • Strive to maintain robust **information security, data privacy, and cybersecurity measures** • Progressively increase the digitisation of ESG data to enhance data management • Continuously improve to reduce environmental contraventions. • Aim to decrease **reportable environmental** incidents over time • Collaborate with authorities to address and close action plans for pre-directives and directives
• ESG topics are being integrated into **procurement screening** and scoring systems • Implemented a **preferential procurement policy** promoting B-BBEE, localisation, and support for marginalised groups • Introduced an **Enterprise Supplier Development (ESD) policy** • Issued a **Supply Chain Management Policy** supporting Transnet's sustainability goals and zero tolerance of fraud and corruption • Revised **Contract Management Policy** to enhance control and compliance • Strengthened controls in supply chain, achieving visible improvements in procurement	• Anti-corruption policies and data ethics systems in place • **Fraud and corruption prevention plan** has reduced ongoing investigations • Initiated Phase 2 of lifestyle audits on 5 300 employees to assess income consistency • Advanced **cybersecurity measures** resulted in no significant incidents during 2023/24FY • A digital **integrated management system** is being investigated • Environmental **contraventions** decreased due to management and monitoring programmes • **Environmental non-compliance notices and directives** decreased when compared to 2022/23FY.

ESG REPORTING EVOLUTION

Transnet's sustainability reporting journey began in 2010, initially focusing on the SDGs and evolving to include Transnet's self-defined Sustainable Development Outcomes (SDOs).

2010-2013	2014-2019	2020 AND BEYOND
Global Reporting Initiative (GRI)	Global Reporting Initiative (GRI)	SDGs
Transnet Economic, Social and Environmental	Sustainable Development Outcomes Framework (SDO)	Task Force on Climate-related Financial Disclosures (TCFD)
Dividends Famework	Sustainable Development Goals (SDGs)	Carbon Disclosure Project (CDP)
Principles of the UN Global Compact	King IV™	GRI
ISO Standards	Integrated Reporting Framework <IR>	Sustainability Accounting Standards Board (SASB)
King III	AA1000 Stakeholder Engagement Standard	International Financial Reporting Standards (IFRS)
		Transnet ESG Strategy

Implementing Transnet's ESG Strategy aligns our reporting with international frameworks and standards, enhancing the credibility, comparability, and relevance of our sustainability disclosures. This benefits stakeholders, such as investors, customers, and regulators.

FRAMEWORKS THAT GUIDE REPORTING

Transnet's ESG Programme addresses impact materiality and associated opportunities.

Principles that guide our ESG/Sustainability disclosure approach

- We have adopted the IFRS S1 guideline core content reporting and disclosures, encompassing governance, strategy, risk management, and metrics for each ESG material topic. IFRS S1 helps us identify sustainability-related risks, opportunities, and disclosure requirements (metrics) from sources such as Sustainability Accounting Standards Board (SASB), CDSB, IFRS S2, Taskforce on Climate Financial Disclosure (TCFD) – among others;
- We rely on GRI's sustainability standards for impact materiality metrics in areas such as climate change, the environment, human rights, corporate governance, and the economy;
- Our use of IFRS S1 and GRI for financial and impact reporting is supported by the GRI-IFRS MoU, signed in March 2022, which recognises these as interconnected sustainability reporting approaches; and
- The development of Transnet's Materiality Assessment process is guided by GRI guidelines.

These frameworks help articulate our sustainability journey, offering stakeholders a clear view of our progress, challenges, and future directions – reinforcing our alignment with the SDGs.

ESG RISK GOVERNANCE AND REPORTING

Transnet operates within a Board-approved risk appetite framework to monitor and mitigate significant exposures. ESG risk management is embedded in the ERM framework.

Detailed risk management process available under Enterprise Risk Management

ESG feedback and concerns are escalated through governance channels, including the Corporate Sustainability report to the Chief Legal Office. Material ESG risks are integrated in multi-disciplinary processes to ensure Company-wide risk oversight.

Transnet Management, the second line of assurance, monitors ESG aspects. ESG champions and subject matter experts identify and escalate potential ESG risks and opportunities through the Corporate Sustainability function. We continually improve processes to identify, assess, manage, and integrate ESG risks and opportunities into strategic planning. By leveraging insights and feedback from our operations, we proactively address these critical areas.

STRATEGIC MATERIALITY DETERMINATION

A well-directed materiality assessment is vital for Transnet. Transnet's ESG materiality assessment follows five practical steps to ensure comprehensive and authentic outcomes.

ESG MATERIALITY ASSESSMENT PROCESS

1 Understand	Transnet's context
2 Identify	Key ESG stakeholders and their perspectives
3 Identify	ESG impacts, risks, and opportunities
4 Assess	Materiality of ESG impacts, risks, and opportunities
5 Prioritise	ESG impacts, risks, and opportunities

The materiality of an ESG matter is determined by its overall impact on stakeholders and enterprise value. We focus on ESG matters that meaningfully affect our long-term value creation and which are relevant to Transnet and its stakeholders.

Using a quantitative methodology guided by GRI guidelines and enterprise risk management (ISO 31000), we assess and prioritise ESG issues. These are managed and disclosed by considering the business risk and stakeholder importance.

GOVERNANCE STRUCTURES

Transnet's governance structure ensures strategic alignment, diligent oversight, and the integration of sustainability and ESG initiatives across the organisation. The structure consists of the Board of Directors, Board Committees, Executive Management, and the Sustainability Forum.

BOARD OF DIRECTORS

Responsible for steering Transnet's sustainability vision and integrating it to the corporate strategy.

BOARD COMMITTEES

The Board delegates ESG-related authority to Board Committees through the DOA Framework and Committee Charters. This promotes independent judgement and balance of power, facilitated through annual work plans, meetings, Board strategy workshops, site visits, and deep dive sessions.

MANAGEMENT OVERSIGHT

Management Committees ensure that organisational activities support Transnet's vision, purpose, and aims – including ESG matters.

ROLES AND RESPONSIBILITIES

BOARD OF DIRECTORS

Sets the strategic direction for sustainability and ESG across the organisation.

PRIORITY RATING FOR ESG MATERIAL TOPICS

Priority Rank	Score	Focus Area Rank	Management Plans and Actions
Extremely High (Significant)	15 – 25	Key Focus Area	• Establish strategic objectives and programmes • Material topic included in the ESG disclosure report
High (Significant)	10 – 14	Important Focus Area	• Establish strategic objectives and programmes • Material topic to be included in ESG disclosure reporting
Medium	5 – 9	Moderate Focus Area	• Establish performance objectives and action plans outside the strategy • Selected material data to be included in the ESG disclosure report for noting
Low	0 – 4	Low Focus Area	• Maintain and monitor current material topic through management plans • May only be included in the ESG disclosure report upon special request by a stakeholder; otherwise exclude from the disclosure

The model above is used to rate the priority of ESG issues/topics, and the action plans required to manage them.

RemSEC

Approves the overarching ESG strategy and ensures its integration into the corporate strategy.

Monitors ESG initiative implementation, and reviews progress against targets to ensure adherence with relevant standards and regulations. RemSEC oversees climate-related matters, evaluates the climate change strategies, ensures effective management of climate risks, and verifies alignment with national and international environmental goals.

SUSTAINABILITY FORUM

Comprises members from diverse backgrounds who develop, guide, and implement the ESG strategy. The forum identifies sustainability risks and opportunities, sets specific targets, and monitors performance. It bridges strategic oversight and operational execution, ensuring effective implementation of sustainability initiatives across the organisation.

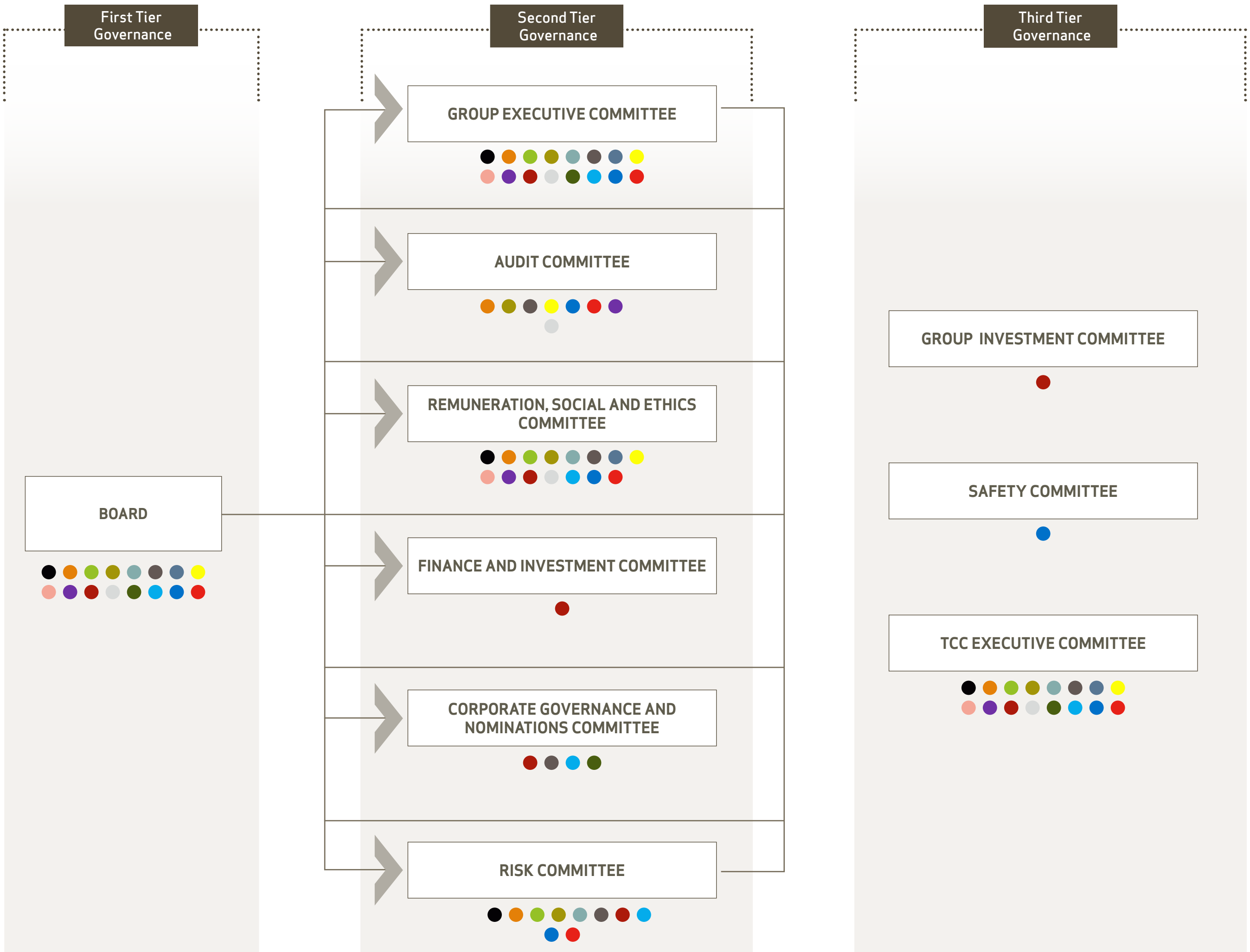
EXECUTIVE MANAGEMENT AND OPERATIONAL TEAMS

Responsible for integrating sustainability and ESG into their operations, aligning daily activities with the organisation's sustainability objectives. They execute sustainability initiatives, monitor progress, and report to the Sustainability and ESG Forum on performance.

EMPLOYEES

Encouraged to adopt sustainability principles in their work and personal actions, contributing to the collective achievement of Transnet's sustainability goals.

The governance framework includes rigorous monitoring, reporting, and evaluation mechanisms. This encompasses sustainability performance reviews, transparent reporting to stakeholders, and integrating sustainability metrics into corporate performance scorecards. Accountability is reinforced through a structured reporting mechanism flowing from operational teams to the Sustainability and ESG Forum, to REMSEC and the Board.



Environment		Social		Governance	
Energy management	1	Remuneration and benefits	7	Assurance of ESG matters	12
Climate change	2	Community development	8	Ethics and anti-corruption	13
Environmental compliance	3	Stakeholder engagement	9	Collective bargaining	14
Biodiversity and land management	4	Transformation	10	Document data and records management	15
Water stewardship	5	Health, safety and wellness	11	Cybersecurity and data privacy	16
Contaminated and waste management	6				

ADVANCING INTEGRITY AND ETHICAL STANDARDS

At Transnet, maintaining high ethical standards and sound whistle-blower protection is crucial for operational integrity and corporate governance. This aids in mitigating risks associated with fraud and corruption, which can significantly impact the Company's financial stability and reputation. By strengthening whistle-blower protections, we ensure that stakeholders can report unethical behaviours without fear of reprisal. These ethical standards are securely integrated into Transnet's ESG Strategy, ensuring that every aspect of our operations upholds the highest levels of integrity.

The rise in disciplinary actions and legal proceedings in the 2023/24FY underscores our commitment to ethical standards, and recent advancements highlight our dedication to integrity. Concluded matters are forwarded for consequence management purposes, and civil recovery proceedings are initiated where relevant, following forensic or specialised Investigative Unit referrals. We will continue to enhance whistle-blower mechanisms and strengthen our ethical practices. A new dashboard for real-time tracking of case statuses will be rolled out in the 2024/25FY – enhancing transparency and oversight across the Company. The dashboard will enable proactive monitoring and investigation of corruption allegations to enable decisive action.

A key ESG objective is to investigate allegations of fraud and corruption activities, ensuring investigations are conducted within the applicable financial year. Updates on fraud investigations are regularly communicated to ensure transparency and maintain stakeholder trust.

During the 2022/23FY and 2023/24FY, Transnet centralised its investigation process, addressing previously unattended whistle-blower reports, ensuring all were reviewed and closed according to governance principles. The whistle-blowing policy was reviewed to enhance protections for whistle-blowers. The successful management of the reporting process reduces potential financial losses and enhances our credibility with stakeholders. These measures are part of our broader strategy to align our ethical standards with global best practices, thereby reinforcing our commitment to maintain the highest standards of corporate governance.

WHISTLE-BLOWING REPORTS AND ACHIEVEMENTS

KPI	2023/24FY	2022/23FY (PY)
Total reports received	**169**	264
Reports within mandate	**95**	171
Reports outside of mandate	**74**	93
Closed after preliminary investigations	**76**	83
Closed at full investigations	**Unfounded: 38 reports Founded: 16 reports**	Unfounded: 111 reports. Founded: 21 reports
Anonymous vs non-anonymous reports	**31 vs 64**	72 vs 28

RESOLUTION TIMES

KPI	Metric
Touch time	Average time from report receipt to initial action: five days
Acknowledgement of receipt	Time from report receipt to acknowledgement sent to the whistle-blower: seven days
Allocation time	Average time from receipt to allocation of the case to an investigator: eight days
Case closure or resolution time	Average time to close a case: 57 days (2022/23FY: 55)
Per preliminary inquiry (PI)	Average time to close a preliminary inquiry: 37 days
Per full investigation (INV)	Average time to close a full investigation: 77 days

Operating Division	Closed at preliminary investigation	Full investigation: Unfounded	Full investigation: Founded
Corporate	4	5	0
Engineering	6	8	5
Freight Rail	46	17	5
National Ports Authority	7	1	1
Pipelines	0	2	1
Port Terminals	9	3	2
Property	4	2	2
Total	76	38	16

CASE ALLOCATION AND STATUS

Status	
Cases currently under PI	66
Cases currently under full investigation (Inv)	87
Cases concluded	54
Founded cases	16
Unfounded cases	38

SECURITY AND INTEGRITY

SECURITY VETTING AND COMPANY SCREENING

To proactively root out corrupt activity, we vet:

- High-risk positions (security, procurement, information, communications, and technology);
- Level A–C employees;
- Service providers;
- All Security Contacts, ICT and shared services contracts that access Transnet confidential information.

Our enhanced vetting processes, in line with the Board-approved Security Vetting Implementation Plan, reflect recent improvements in our governance structures, ensuring that all individuals and entities associated with Transnet meet the highest standards of security and integrity. These improvements have been driven by our commitment to continuously strengthen our governance framework.

The critical role of pre-employment screening and the thorough vetting of suppliers and security service providers are emphasised to maintain our security standards and protect sensitive information. Comprehensive screening of suppliers and personnel is integral to our approach to people management, reinforcing our organisational integrity.

In accordance with the Board-approved framework, we classify information security into various levels to ensure that all data and communications are adequately protected. This includes the implementation of rigorous information vetting procedures.

In doing so, we minimise leakage of sensitive information and mitigate reputational and financial risks, ensuring that potential service providers do not pose a reputational and financial risk to Transnet.

PROCUREMENT MANAGEMENT

Transnet is committed to sustainable and ethical procurement practices, and has integrated ESG principles in SCM. We focus on strengthening internal controls to comply with procurement policies and enhance transparency. These initiatives uphold high accountability standards and to drive positive change – aligning procurement strategies with the Growth and Reinvention Strategy and broader sustainability goals. In our pursuit of ethical procurement, we have implemented stringent measures to prevent corruption, and ensure that our supply chain operations are transparent and fair.

MANAGEMENT OF IRREGULAR EXPENDITURE

Irregular expenditure presents significant reputational and operational risks for Transnet, often due to non-compliance with procurement and contract management policies. Such expenditures, noted across various ODs and departments, are linked to weak systems that present opportunity for unethical financial behaviours, including fraud and corruption.

Our objectives include reinforcing the integrity of procurement processes by strengthening internal controls to prevent and detect irregular expenditure. We ensure that all expenditures align with approved budgets and procurement policies, to enhance transparency. We promote ethical practices in all procurement activities to safeguard our corporate integrity.

During the 2023/24FY, Transnet established the SCM Complaints Office to proactively monitor and intercept fraudulent activities. By implementing an automated system, our efforts in this area have been bolstered and suspicious activities were referred to the Forensics department for in-depth investigation.

Irregular expenditure undermines financial stability and damages Transnet's reputation. Effectively managing this issue enhances operational integrity, supports sustainable financial performance, and fosters stakeholder trust. KPIs include a reduction in incidents of irregular expenditure, improvements in audit outcomes, and higher compliance rates with procurement policies.

Our strategy includes stringent internal controls and regular training for procurement personnel on ethical procurement and compliance. Enhanced monitoring mechanisms and advanced technological solutions seek to improve early detection and management of irregularities. In the 2024/25FY, Transnet plans to expand the SCM Complaints Office and enhance its automated systems. By incorporating ESG evaluations into our universal due diligence checklist (probity form), supplier evaluation framework is strengthened.

DUE DILIGENCE IN SUPPLY CHAIN MANAGEMENT

Integrating ESG factors into SCM is essential for managing environmental and social risks across supply chains, and Transnet is developing an ESG integration framework within SCM. This enables the Company to leverage its purchasing power to drive positive change with our suppliers.

> Transnet remains committed to ethical and responsible business practices.

Integrating ESG principles into SCM mitigates risks associated with environmental non-compliance, social accountability, and governance failures. This, simultaneously, opens new market opportunities in an environmentally-conscious global market.

Performance metrics will track:

- The percentage of suppliers assessed on ESG criteria;
- The value of supplier contracts; and
- The improvement of suppliers' ESG performance scores.

To further embed ESG principles, Transnet is will:

- Fortify ESG assessments and audits;
- Develop supplier capacity-building programmes; and
- Enhance transparency in SCM.

Transnet is also committed to integrate community development initiatives into procurement contracts. This approach ensures that our procurement activities contribute to the socio-economic upliftment of the communities we operate in. By including community development clauses in supplier contracts, we promote local employment, skills development, and support for local businesses. This initiative aligns with our broader ESG goals and enhances the positive impact of our supply chain management.

DATA PRIVACY AND INFORMATION AND CYBERSECURITY

As Transnet undergoes its digital transformation, robust cybersecurity becomes increasingly crucial. The severe ransomware attack in July 2021, which disrupted container terminals and forced a shift to manual operations, underscored our system vulnerabilities, its impact on stakeholders and South Africa's trade flow. In response, we are adopting the National Institute of Standards and Technology (NIST) cybersecurity framework to fortify our defences, ensure data privacy, and prevent cybersecurity breaches.

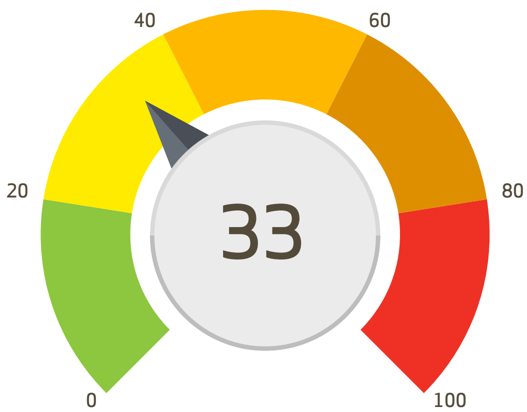
We aim to achieve zero information security, data privacy, and cybersecurity breaches; maintaining high standards and protecting stakeholders' personal information.

In our ongoing efforts, we have made significant improvements to our information security and cybersecurity measures, addressing challenges with reporting systems and data processing. Steps have been taken to mitigate these challenges, to ensure the robustness of our data infrastructure.

STRATEGIC CYBERSECURITY ENHANCEMENTS

Under the Board's oversight, we have prioritised cybersecurity. Key initiatives include:

- **Empowering our cyber workforce**
  Strengthening personnel skills and building a talent pipeline through our Young Professionals Training programme;
- **Virtual Security Operations Centre (vSOC)**
  Our vSOC provides real-time monitoring, threat detection, and incident response capabilities;
- **Network and endpoint security**
  Implementation of robust Network Access Control systems and an advanced endpoint detection and response solution has enabled us to mitigate unauthorised access and quickly neutralise potential threats;
- **Incident response plan enhancement**
  The Incident Response Plan was updated for swift, co-ordinated cyber incident responses – proactively identifying and mitigating vulnerabilities;
- **Enhanced device security measures**
  User device security was strengthened with USB port blocking and Local Administrator Password Solutions (LAPS); and
- **Comprehensive cybersecurity training**
  Extensive cybersecurity awareness training and use of the KnowBe4 tool has empowered the workforce to recognise and respond to cybersecurity challenges. This has improved the Transnet User Risk Score from 47 to 33 over the past year, indicating increased awareness and lowered risk of cyber incidents.



ADVANCED SECURITY MEASURES AND DIGITAL INNOVATION

Enhanced Digital Safeguards
We have implemented a robust Web Application Firewall and comprehensive brand protection solutions to defend against fraudulent online activities.

Innovative Security Solutions
The deployment of Microsoft E5 Security across our platforms has bolstered our defences and shielded the digital environment against cyber threats.

Strategic Policy Updates
Security policies and standards were reviewed, to ensure alignment with current best practices and regulatory requirements.

Panel of Security Service Providers

A panel of service providers were onboarded to assist with security assessment services, such as penetration testing, application assessments, and security infrastructure assessments.

By enhancing our cybersecurity measures, we protect our assets and offer assurance of operational resilience and data integrity to our stakeholders.

Cyber incident management and prevention

Throughout the year, our systems have proactively identified and neutralised malware and external attacks.

System	Description	FY2023 – 2024
Cybereason	Attempted threats blocked	43 499
Cybereason	Attempted malware attacks mitigated	412
Microsoft Defender for Endpoint	Malicious URL attempts blocked	2 400 000 +
Microsoft Defender for Endpoint	Malicious URL attacks mitigated	43
Mimecast	Attempted e-mail threats blocked	22 300 000+

We have implemented tools like Brand Exploit Protect and DMARC to proactively detect and counteract suspicious activities. These tools have proven effective, as evidenced in the monitoring results shown hereafter.

Statistics related to identifying and taking down fake Transnet social media pages and websites:

Brand Exploit Protect	2021/22FY	2022/23FY	2023/24FY
Taken down	6	47	57
Pending takedown	2	0	11
Suspicious	1 616	256	376
Not suspicious	417	183	260
Trusted	94	19	44
Total detected	2 135	505	748

Number of fake Transnet e-mails prevented from being delivered

Spoofed Transnet domain	2023/24FY
...@transnet.net	7 256 507
...@spoornet.co.za	3 785
...@transnet.co.za	2 743
...@bluetrain.co.za	1 123
...@transnetportterminals.net	22
...@transnet-tpt.net	16
...@transnetfreightrail-tfr.net	15
...@portsonline.co.za	13
...@transnetfreightrail.co.za	7
...@transnetfoundation.co.za	–

Looking ahead to the 2024/25FY, we plan to expand our cybersecurity capabilities. We will deploy advanced security solutions, update policies, and continue to monitor and proactively manage emerging threats.

ENVIRONMENTAL MANAGEMENT AND SUSTAINABILITY

Transnet aligns its practices with globally recognised sustainability reporting frameworks and standards such as GRI, SASB, TCFD, Carbon Disclosure Project (CDP), and initiatives like the Science Based Targets and the Ellen MacArthur Foundation's principles for a circular economy.

RESPONSE TO CLIMATE CHANGE

All Transnet ODs are energy-intensive, relying on fuel and electricity, which results in direct and indirect Greenhouse Gas (GHG) emissions (Scopes 1, 2 and 3). TFR has the highest carbon footprint, followed by TPT, TPL, TP, TE and TNPA. With the introduction of Carbon Tax and South Africa's obligations under the United Nations Framework Convention on Climate Change (UNFCCC), Transnet has set ambitious climate and energy goals. We aim to achieve significant 50% decarbonisation by 2030, and Net-Zero by 2040, using the 2020/21FY performance results as a baseline.

To support this goal, we are stress testing our Net-Zero pathways, and are exploring and developing renewable energy and clean fuels projects. These include utility scale Solar PV systems (with battery storage), wind energy, and Power Purchase Agreements (PPAs) with private power producers. Our green hydrogen initiatives are currently in concept stages.

ENERGY MIX AND SECURITY

South Africa's primary energy supplier, Eskom, faces serious constraints, causing nationwide energy insecurity. Delayed transition in our energy mix could lead to regular supply interruptions, high carbon emissions, increased costs and climate impacts. Currently, 52% of our energy requirements comes from electricity supply through Eskom and Municipalities. The remaining 48% of our energy needs are serviced through the consumption of various types of fuels such as diesel, petrol, and jet fuel.

In FY23/24 Transnet saw an overall marked increase in fuel usage by approximately 2.7 million litres. This was attributed to business continuity measures which saw an increase in both diesel locomotive usage and stand-by generation which aimed to improve operational reliability and mitigate the impact of loadshedding.

In response to South Africa's Carbon Tax and our commitments under the United Nations Framework Convention on Climate Change (UNFCCC), Transnet aims to achieve significant decarbonisation. Transnet aims to achieve 25% reliance on renewable energy sources by 2028, and 50% by 2033 to ensure climate mitigation, adaptation, and energy security.

Transnet has made significant progress in its sustainability and decarbonisation initiatives. Notably, we have appointed a preferred bidder for constructing a 20 MW solar PV plant at the Port of Richards Bay. This project is the first step in a planned 100 MW solar PV programme, which will help Transnet move closer to its Net-Zero objectives while providing some level of energy security and cost containment. This is in addition to the 212 KWp PV we currently operate.

In parallel to the work being undertaken in the renewables space, Transnet has also embarked on laying the groundwork for initiatives and studies involving the use of green hydrogen throughout its operations, which will support its vision of the use of clean fuels in the future.

In the 2023/24FY Transnet enhanced its energy management portfolio, focusing on decarbonisation, cost containment and energy security. Smart metering has been implemented to monitor energy use, understand load profiles, verify bills, and assess savings. Operations are at various stages of compliance with EPC regulations, including facility registrations and certifications.

BASELINE UPDATES

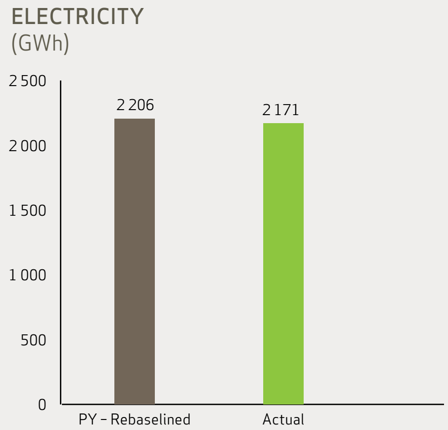
In the 2023/24FY, Transnet undertook an internal assurance audit on Transnet Property to ensure the veracity of the information reported. During the assurance audit, it was found that the 2022/23FY electrical consumption figures reported on was inaccurate and corrected. This resulted in a 2.19% increase in Transnet's total electrical consumption for the 2022/23FY, which by virtue, also affected all previously disclosed metrics relating to electricity usage and carbon emissions during the 2022/23FY.

Hence, the updated 2022/23FY baseline has been incorporated into the following sections:

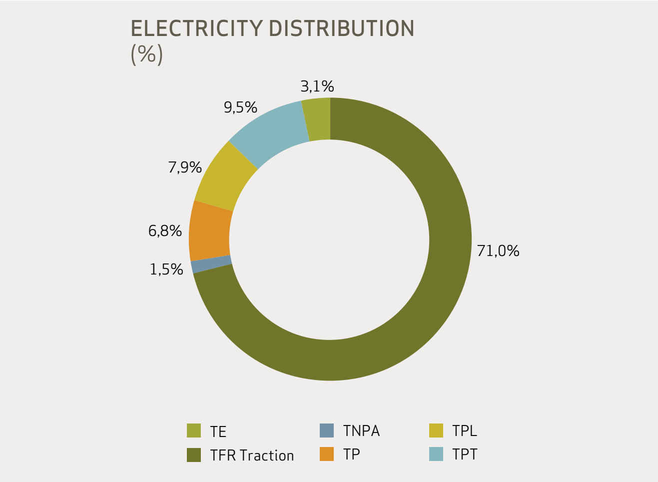
- Electrical Consumption;
- Energy Efficiency;
- Carbon Footprint; and
- Carbon Emissions Intensity.

ELECTRICITY CONSUMPTION

Transnet consumed a total of 2 171 GWh of electricity during the 2023/24 FY. When compared to the previous year's consumption of 2 206 GWh*, an overall decrease of 1,61% is observed. In order of electrical usage, TFR is the largest consumer, accounting for 71,0% of the total electricity consumed. TPT follows at 9,5%, TPL at 7,9%, and TP at 6,8%. TE and TNPA are the smallest consumers, using 3,1% and 1,5%, respectively.

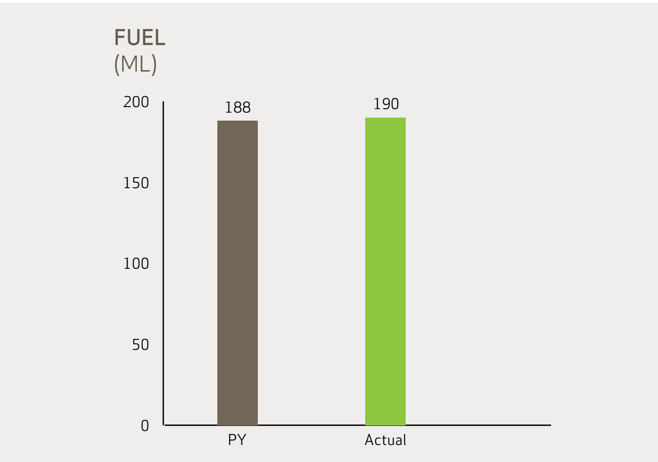


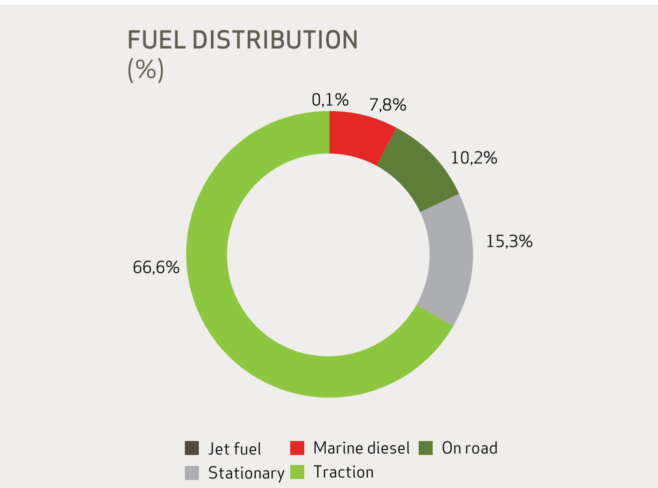
* *Values based on updated baseline*

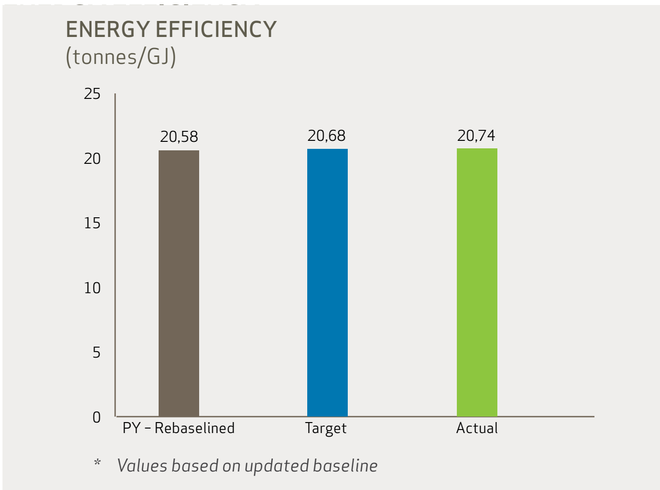


FUEL CONSUMPTION

Throughout the 2023/24 FY, a total of 190 megalitres (ML) of fuel was consumed. Compared to the 188 ML consumed in the previous financial year, this equates to a 1,44% increase in fuel consumption. This increase is attributed to business continuity measures such as the higher use of diesel locomotives due to infrastructure vandalism and the use of standby generation to mitigate the impact of load shedding. Overall, during the 2023/24 FY, 66,6% of Transnet's total fuel consumption was attributed to diesel traction, 15,3% to stationary fuel, 10,2% to on-road vehicles, 7,8% to marine diesel, and 0,1% to jet fuel usage.







Our commitment to improve our reporting scope led us to include Methane Rich Gas (MRG) usage at TPL in this year's energy consumption portfolio, which was not accounted for in the previous year. This inclusion negatively impacted our performance metrics. In the financial year ending March 2024, Transnet's total energy efficiency was assessed to be 20,74 tonnes/GJ, reflecting a 0,81% increase compared to the 20,58 tonnes/GJ* recorded in the previous year, and a 0,31% increase against our target. This performance was driven by a 0,02% decrease in energy consumption coupled with a 0,79% increase in volumes.

Looking ahead – the 2024/25FY focus initiatives

- Develop an energy management and renewable energy programme by March 2025, in line with decarbonisation objectives
- Accelerate and support the procurement of renewable energy, aiming for at least 30% of our energy needs from IPPs by 2030

TNPA is developing a renewables portfolio and has already engaged markets for the development and installation of renewables across its ports. TNPA operates 100 kWp of renewables at the Port of Cape Town. TPL operates a 112 kWp PV plant at Pinetown and has appointed contractors to install approximately 380 kWp at some stations. TPL plans to roll out solar PV across its sites before 2030.

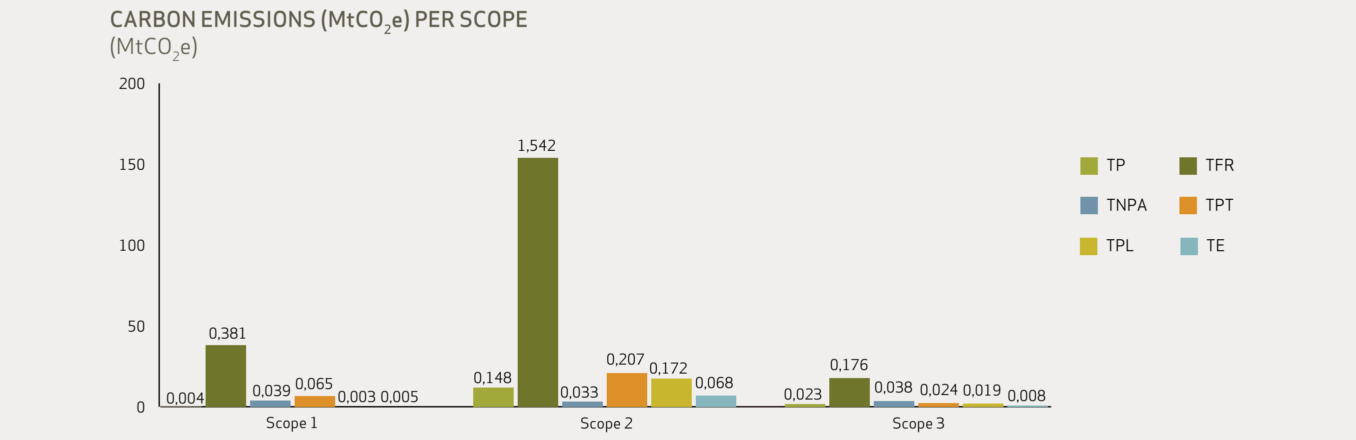
Additionally, TP has identified sites for initial renewables installations and plans further expansion. TFR has identified corridors for renewables, with developments progressing rapidly. These collective initiatives contribute to Transnet's Net-Zero goal. TNPA has appointed its preferred bidder for constructing a 20 MW solar PV plant at the Port of Richards Bay. This is the first step in a planned solar PV programme of about 100 MW that will be implemented cumulatively across South Africa's eight commercial seaports.

TRANSNET EMISSIONS PERFORMANCE

SCOPE 1, 2, AND 3 EMISSIONS

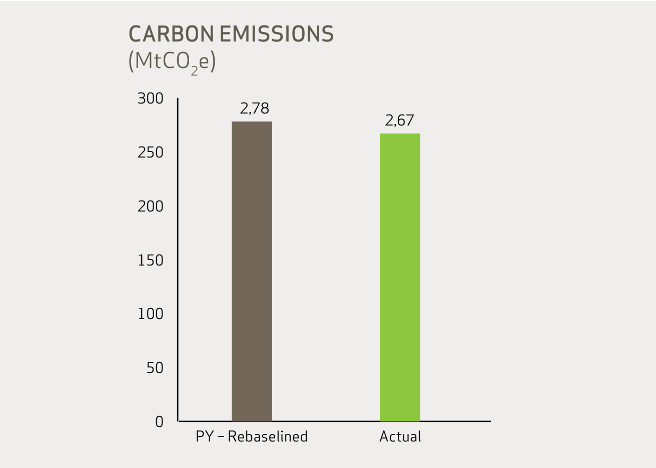
Transnet continues to enhance its GHG emission management across the ODs, focusing on capacity building, resourcing, and declarations. In the 2023/24FY, additional decarbonisation progress made includes:

- Assessing our GHG inventory to ensure compliance with the Carbon Tax Act, and South African Greenhouse Gas Emissions Reporting System (SAGERS);
- Scope 3 carbon emissions reporting is progressing and Transnet continues to add areas to report on across the value chain; and
- Disclosure of GHG emissions through various voluntary platforms such as CDP is ongoing. In 2023, Transnet obtained a CDP score of -B.



Scope 1 Emissions - 0,50 ($MtCO_2e$) -16,83%	Scope 2 Emissions - 2.17 ($MtCO_2e$) - 73,41%	Scope 3 Emissions - 0,29 ($MtCO_2e$) - 9,76%
Scope 1 accounts for 16,83% of Transnet's total emissions and comprises of all fuel, ranging from diesel to jet fuel, consumed during operational activities. Due to the increase in fuel usage noted for the 2023/24FY, so too has there been a proportional increase in direct emissions.	Scope 2 accounts for 73,41% of Transnet's total emissions and stems from the consumption of electricity sourced from the national grid. This electricity consumption highlights the dependency that Transnet operations have on the national grid, and by extension, part of the challenge Transnet faces on its journey to Net-Zero.	Scope 3 currently accounts for 9,76% of Transnet's overall emissions. It represents emissions from the supporting value chain, and which currently accounts for business travel, transmission and distribution losses, and downstream leased assets. More categories are being added yearly in a phased approach.

CARBON FOOTPRINT

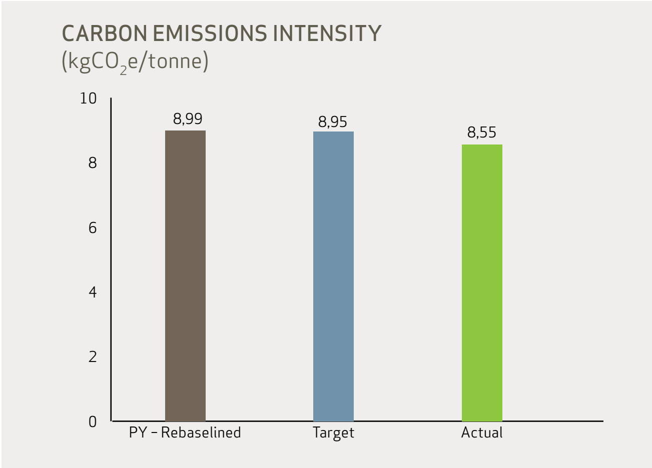


In the 2023/24 FY, Transnet's total emissions profile for Scope 1 and 2 was assessed at 2,67 $MtCO_2e$. When compared to the 2,78 $MtCO_2e$* emitted in the previous year, this represents a 4,15% reduction in carbon emissions.

- **Scope 1 Emissions** increased by 1,75% due to higher fuel usage; and
- **Scope 2 Emissions** decreased by 5,4%, attributed to lower electricity usage and changes in the grid emissions factors used.

** Values based on updated baseline*

CARBON EMISSIONS INTENSITY



Transnet's emissions intensity performance in the 2023/24FY was assessed at 8,55 $kgCO_2e$/tonne, a 4,90% improvement compared to 8,99 $kgCO_2e$/tonne* recorded during the previous FY. This improvement is due to a 4,15% reduction in carbon emissions and a 0,79% increase in volumes.

** Values based on updated baseline*

ROAD-TO-RAIL MODAL SHIFT

In the 2023/24FY, Transnet moved an additional 10,69 million tonnes linked to road volumes, which saved an estimated 277 675 tCO_2e from being emitted by the road transportation sector. When compared to the loading capacity of a 34 tonne superlink truck, this is equivalent to removing 314 677 truckloads from the national roads.

FUTURE INITIATIVES FOR THE 2024/25FY

To achieve our Net-Zero ambition, Transnet plans to:

- Implement decarbonisation initiatives, including energy efficiency, renewables, green hydrogen, as per the Green Freight Strategy by March 2025;
- Establish an operating model for GHG emission management across ODs, with a focusing on capacity building and resourcing (for achievement by March 2025);
- Review Net-Zero pathways to ensure the 2040 Net-Zero commitment is met; and
- Implement projects to address funding needs, identify gaps, recommend alternatives, and align with the Science Based Targets initiative (SBTI) for independent verification of our decarbonisation efforts.

Investments in decarbonisation solutions, such as renewable energy, energy efficiency, green hydrogen projects, and carbon in- and off-setting will drive us closer to our 2030 goal of 50% decarbonisation.

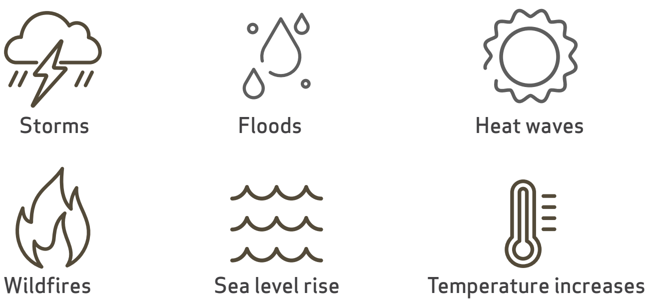
CLIMATE CHANGE IMPACT AND ADAPTATION

RISK AND VULNERABILITY ASSESSMENTS

Transnet operations are prone to acute physical climate risks, such as increasing intensity and frequency of storms, floods, heat waves, and wildfires, as well as chronic physical climate risks, including sea level rise and longer-term temperature increases. These risks affect our extensive rail network and pipelines spanning 31 000 track km and 3 114 km across South Africa, including remote areas which are difficult to access.

Recent years have seen unprecedented weather events, particularly in coastal locations, disrupting and halting port and rail operations for prolonged periods. These events have caused injuries, loss of life, and billions of Rands' worth of loss and damage, significantly impacting revenue. To address these challenges, Transnet has developed a Risk and Vulnerability Assessment Framework during the 2023/24FY to continually assess and respond to these occurrences across Transnet's different assets.

Climate risks faced by our operations



Impact of climate risks

Disruption
Unprecedented weather events disrupting port and rail operations

Consequence
Events have caused injuries, loss of life, and reduced revenue generation

Adapt to climate risks

Imperative Actions
Develop and implement adaptation measures

ESG Objective
Establish climate change vulnerability and risk assessments across the value chain (2024/25FY)

Importance of adaptation

Water needs
Vital to ensure ongoing, reliable water supply

Adhere and engage
Enhance adaptability through the Framework; meaningfully engaging stakeholders

Assessment Framework

Develop
A Risk and Vulnerability Assessment Framework created in the 2023/24FY

Assess
Continue to assess and respond to climate risk impact on Transnet's assets

Water supply stress

Desalination
Transnet is addressing water supply stress through the implementation of water desalination programmes at all ports

Advanced plans
TNPA has advanced plans to operate a solar-powered, seawater desalination plant at the Port of East London

Strategy approval

Adaptation strategy
Approved for the Port of Richards Bay and Durban, with works being conducted across additional ports

Plans for the 2024/25FY

The following initiatives will be actioned to augment our climate change resilience

Review and enhance resilience and adaptability early warning systems to ensure:

- People safety
- Asset protection
- Infrastructure interface with customers and operations

Incorporate potential climate change risks into:

- Operational emergency response
- Disaster management plans
- Rollout climate adaptation awareness

Transnet participates in national adaptation workgroups to gain and share knowledge. We acknowledge the financial implications of exposure to events and will explore national and global funding mechanisms in regard to loss and damage.

JUST TRANSITION

Transnet has developed a Just Transition, and Risk and Vulnerability Frameworks, reinforcing our commitment to climate change response, and aligning with local and global agreements and legislation.

We recognise that transitioning to low carbon requires significant shifts to clean energy sources across our operations, potentially affecting our revenue and critical stakeholders. Many Transnet employees work in the rail and ports elements of our operations – particularly in segments like coal or automotive. Changes in these areas have the potential to impact employees, communities and suppliers who support these areas.

To address these challenges, Transnet's Just Transition seeks to support areas and communities reliant on fossil fuels. We have established an ESG strategic objective to develop the Just Transition Framework by 2024 for implementation between 2025 and 2040 aligned with our Net-Zero ambition.

Our Just Transition principles consider Transnet's connectivity to various economic sectors and align with broader actions on Net-Zero and climate vulnerability. Key external factors driving Just Transition risks include investor expectations for rapid climate action, increased physical climate risks, divestment from fossil fuels, and advancements in renewable energy technology. We have conducted an initial analysis of the broader risks and opportunities related to our climate response.

The summary below outlines these risks and opportunities:

Transition drivers	Transition driver ratings (likelihood to occurrence) CURRENT–2030	2030–2040	2040–2050	Response action/ deployment of alternatives	Likelihood to occurrence CURRENT–2030	2030–2040	2040–2050
Decline in coal demand in particular exports	HIGH	SEVERE	SEVERE	Green renewable technology developments	HIGH	SIGNIFICANT	SIGNIFICANT
Reduced demand for oil and gas	MEDIUM	HIGH	SEVERE	Green hydrogen developments and LNG	MEDIUM	HIGH	SIGNIFICANT
Reduced demand for ICE cars	MEDIUM	HIGH	SEVERE	Proliferation of BEVs and FCEVs and increased use of freight rail services compared to road	MEDIUM	HIGH	HIGH
Limited or no access to finance tied to high emitting sectors	MEDIUM	HIGH	HIGH	Green bonds/ Sustainability-linked funding			
Increased physical climate risks	MEDIUM	HIGH	HIGH	Adaptation strategies to achieve climate resilience	MEDIUM	MEDIUM	MEDIUM
Rapidly changing national and international regulatory environment	MEDIUM	MEDIUM	HIGH	Comply with regulations and commitments e.g. GHG reporting, Climate Change Bill, etc.			
Fast-paced transition putting jobs at risk	HIGH	HIGH	HIGH	Capacity building, training and reskilling – adoption of technologies	HIGH	HIGH	SIGNIFICANT
Management of negative impacts on stakeholders affected by transition	MEDIUM	HIGH	SEVERE	Engagement with key stakeholders e.g. workforce, communities and suppliers on the Just Transition plan/process	HIGH	HIGH	SIGNIFICANT
Transition of infrastructure to meet expectations for carbon neutral logistics	HIGH	HIGH	SEVERE	Increase in the use of renewable energy and implementation of energy efficiency initiatives	HIGH	SIGNIFICANT	SIGNIFICANT

Transnet envisaged Just Transition Timeline

2021	Transnet commits to Net-Zero
2023	– Just Transition Roadmap Development – Procurement of Transnet Renewables commences
2026	CBAM applies to 6 commodities
2030	Peak coal Green hydrogen is commercially viable
2035	ICE EU Ban GH_2 Locomotives
2040	Transnet Net-Zero

Transnet's ability to deliver a Just Transition depends on several internal and external factors, including market, regulatory and technology developments. Our Just Transition programme is still developing, contingent on progress in stress testing our Net-Zero Pathways. We are exploring various opportunities like Liquified Natural Gas (LNG) and natural gas, which offer flexible gas-to-power solutions and can improve the reliability of renewable energy.

Transnet is developing an LNG Terminal and Facilities at the Port of Richards Bay in a Private Sector Participation (PSP) arrangement.

Green hydrogen is another promising use option, potentially contributing to 50% of our decarbonisation – being a natural gas considered suitable as a transition fuel for a lower-carbon economy. We are testing green hydrogen's sustainability for our assets and operations, particularly for heavy haul locomotives, though this may not be feasible until after 2030.

Transnet's approach is anchored in delivering both the Just and the Transition aspects, aligning with South African and international concepts of Just Transition – guiding Transnet's strategy in this area.

TRANSNET'S JUST TRANSITION FRAMEWORK COMMITMENTS AND FOCUS AREAS

JUST

Commitment

Transnet is committed to ensuring a Just Transition for our stakeholders, especially our employees, the communities in which we operate, customers, and our suppliers. We will engage with stakeholders to understand the potential impacts of our plans and proactively seek to address risks and seize opportunities that may exist to deliver a fair outcome.

Focus

- **Understand the impact of transitions** related to climate on our key stakeholders, especially our employees, the communities in which we operate and our value chains
- Actively **engage our stakeholders** to ensure a "just" and equitable transition, especially our most vulnerable stakeholders
- Develop plans to **mitigate the transition impacts** on our stakeholders and to seize the opportunities which might arise from the Just Transition, including through **reskilling, economic diversification and new ecosystem and sector development**

TRANSITION

Commitment

Transnet is committed to a Net-Zero journey by 2040. We are stress testing our pathways to achieve our commitments, while we monitor the impact of our external environment on our plans and adjust as required to minimise the impact. We will coordinate our response across the business and seek opportunities to repurpose and shift to segments of the future including supporting South Africa's transport sector decarbonisation especially through modal shifts.

Focus

- Ensuring the **business remains resilient** through the transition
- Achieve a **Net-Zero Paris-aligned** green logistics/freight service for our stakeholders, and continually align our pathways plan to ensure it is fit for purpose
- Access the **right financing options** to enable our transition plans and to **support South Africa's transport sector decarbonisation** through modal shifts
- Seek out opportunities to invest in rail, pipelines, and port infrastructure to improve reliability and efficiency at the same time **repurposing existing infrastructure to support the transition and development of new technologies around cleaner fuels, and contribute to the broader green economy**

Supported by

- Proactive, transparent, and open internal and external **communications**
- **Governance**, including risk management, policies, and management systems
- **Change management** ensuring right capacity, competency, and organisational focus to deliver
- **Alignment** across the organisation, our processes, and systems to address priorities and preserve value

INTEGRATED INTO THE DECARBONISATION AND VULNERABILITY/RESILIENCE PLANS

As it works toward its 2040 Net-Zero commitments, Transnet will ensure the shift aligns with its Just Transition approach, which considers steps to be included in Transnet's roadmap, so that it may align with all stakeholder expectations.

AIR QUALITY MANAGEMENT

Controlling atmospheric pollution is crucial. It is informed by international standards and South Africa's National, Provincial and Local environmental legislation. Transnet's activities that contribute to air pollution include the handling of petroleum products, foundry operations, storage, and transportation of various minerals. We aim to reduce pollution and improve air quality for our employees and local communities. We have developed ESG objectives to enhance air quality monitoring at Richards Bay and Saldanha Bay. Our Atmospheric Emissions Licences (AELs) require us to monitor emissions and keep pollutants within the legal thresholds. We continually measure emissions from our operations and share data with authorities and other stakeholders through our established engagement platforms.

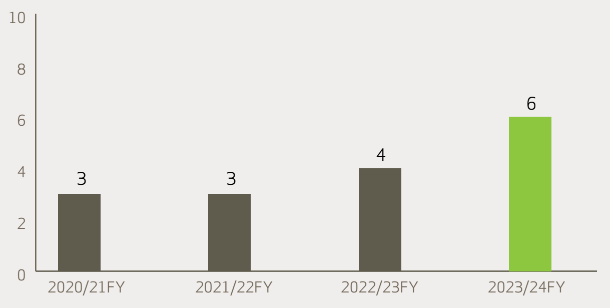
Risks associated with air quality, exceeding allowable air pollution limits, may result in:

- The regulator rejecting Transnet's application for production capacity expansion linked to the AELs;
- Loss of operational licence, impacting business continuity;
- Non-achievement of production quotas; eroding the Company's financial value;
- AELs with strict conditions being challenging and costly to comply with;
- Increased environmental remediation costs;
- Incurring costs through environmental fines, and possibly Executive imprisonment;
- Community class action claims;
- Community and civil unrest; and
- Loss of key customer contracts.

ATMOSPHERIC EMISSIONS LICENCES

Six AELs were applied for, and outcome noted below:

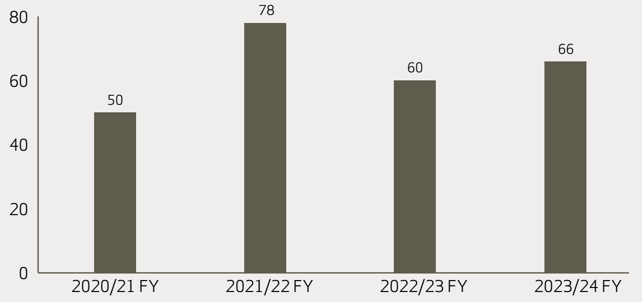
NUMBER OF AELs RECEIVED



TFR	TE	TPT	TPL
Two received	One received	One received/ One outstanding*	One received

** Outstanding in King Cetshwayo Municipality – outcome soon expected.*

NUMBER OF QUALITY COMPLAINTS



We received 66 air quality-related complaints, from stakeholders situated close to our operations. To address these, we implemented dust control measures, including tippler sprayers, dust extraction systems, wetting sprays on conveyor belts, and mobile water cannons at strategic points. We continued consultations with the public stakeholder forum to promptly resolve complaints. In addition to complaints in Saldanha, there has been an increase in the Port of Richards Bay and Nelson Mandela Bay, driven by increased demand for SA coal (attributable to the Ukraine war). This led to more cargo arriving by road, resulting in cargo spillage and increased dust around the city.

Response plan – we have, or are:

- Developed Dust Management Strategies and SOPs for ports and terminals handling coal, chrome, magnetite, manganese, and Iron ore
- Implementing top 10 key initiatives at the Port of Saldanha as per the AEL, including haul road cleaning, block chutes and ore overflow, sludge handling, fitting scrappers or rollers to centre belt, and vehicle wash bays (among others)
- Commissioned a Strategic Environmental Assessment (SEA) study which included a health impact assessment along the Ore line, to evaluate future levels of dust exposure for Iron Ore and Manganese Segment Strategy
- Tippler 3 at the Port of Saldanha, due for commission in the 2024/25FY, will feature a wet and dry extraction system to reduce emissions
- Strategically placed mobile dosing plants around the conveyor system to add a binding agent to the wetting system, minimising emissions. Ongoing activities include continuous dust suppression on road surfaces, retrieving and recovering spillages, industrial sweeping, covering cargo in transit, and requesting customers to tarp stockpiles within the terminal
- Installing a dust suppression netting system at the Port of Richards Bay, with effectiveness to be monitored in the 2024/25FY

OUTLOOK

Our atmospheric emissions will decrease as we implement response measures. Our investment in innovative research and the latest dust management technology reflects our commitment to continuous improvement and long-term solutions.

RESPONSIBLE WATER USE AND MANAGEMENT

WATER MANAGEMENT

We manage water use efficiently, understanding South Africa's water scarcity. Our efforts focus on reducing water impacts internally and externally.

SUSTAINABILITY

Our approach supports community development and ecosystem protection. We adopt a risk-based approach to water stewardship and are a key stakeholder in the National Water Conservation and Demand Strategy.

CHALLENGES

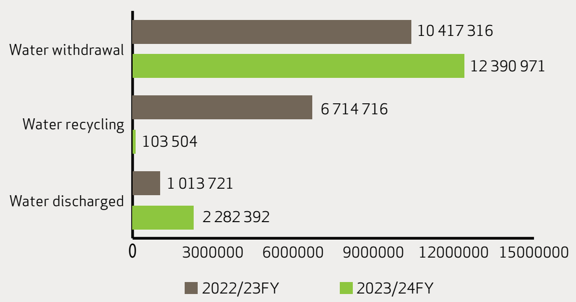
Transnet faces water-related risks, including:

- Climate-induced floods causing stormwater issues at port terminals;
- Droughts affecting water availability and dust suppression;
- Inefficient water use impacting climate change adaptation;
- Increased water tariffs due to scarcity;
- Water restrictions impacting operations; and
- Poor water governance leading to community unrest.

STRATEGIC OBJECTIVES

Establish effective water governance to promote water efficiency. Water recycling initiatives include a reverse osmosis plant at Port of Saldanha and water treatment plants, re-using the water across operations.

WATER USAGE ACROSS THE BUSINESS
(kl)



INITIATIVES

- Reverse osmosis and water treatment plants at the Port of Saldanha;
- Seawater desalination plants in development, providing treated water for operations and communities; and
- Leak detection, municipal water supply and groundwater augmentation, low-flow shower head with timer installation, rainwater harvesting, water recycling, and waterless pressure testing.

LOOKING AHEAD

Invest in water recycling technologies like reverse osmosis and lime softening plants. Continue to participate in the CDP, maintaining (and improving) our 'C', which indicates our awareness and impact knowledge of our water matters.

DESALINATION PROJECTS

- Desalination plants at ports to reduce reliance on municipal water;
- R60 million contract awarded for a plant at the Port of East London, producing 0,5 megalitres of potable water daily; and
- Use of solar power at plants, reducing carbon emissions and costs.

WASTE MANAGEMENT AND CIRCULAR ECONOMY

WASTE REDUCTION

We strive to reduce waste generation, aligning with SDG 12 and the National Waste Management Strategy 2020.

Priorities

- Address historical contamination
- Recover, recycle, and re-use waste materials
- Avoid and minimise waste, aligned to the waste management hierarchy

INDUSTRIAL WASTE

As a highly industrialised company, Transnet generates various waste types. Waste tyre management is a priority to avoid non-compliance.

ESG Strategy:

- Evaluate and remediate 50% of historic contaminated sites by 2028
- Achieve 100% remediation by 2033

Risks

- Non-compliance with asbestos phase-out and other waste obligations, leading to penalties
- Incorrect waste storage triggering the need for a waste management licence and potential contravention notices (National Environmental Management Waste Act, 59 of 2008)
- Illegal dumping resulting in remedial costs and penalties
- Lack of effective recycling and recovery programmes for metals, copper, and other waste, leading to financial losses

SCRAP METAL MANAGEMENT AND SECURITY MEASURES

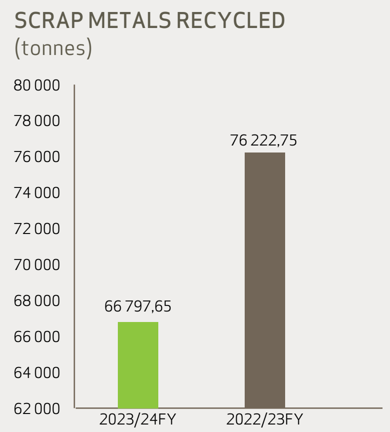
Transnet continues to engage with external stakeholders such as the Department of Trade, Industry and Competition (*dtic*) and other forums in relation to the management of scrap metal, addressing its negative impact on theft and vandalism of Transnet's critical and essential infrastructure. Although the ban on the export of scrap metal expired in December 2023, our ongoing engagements with the ***dtic*** and other stakeholders aim to identify alternative instruments to better manage scrap metal demand and mitigate its negative impact on Transnet.

Internally, Transnet has implemented stringent controls for the disposal of scrap metal. We only dispose of scrap metal to approved foundries, a measure commended by the ***dtic*** as part of initiatives to combat the crime associated with scrap metal and its detrimental effects on our infrastructure.

Transnet Group Security is actively involved with the National Logistics Crisis Committee (NLCC) Security Workstream, established as a Priority Committee of the National Joint Operational and Intelligence Structure (NAJOINTS), focusing specifically on addressing crimes related to rail infrastructure. Through the NLCC, various crime combatting initiatives are coordinated to safeguard our assets.

Scrap Metal Recycling

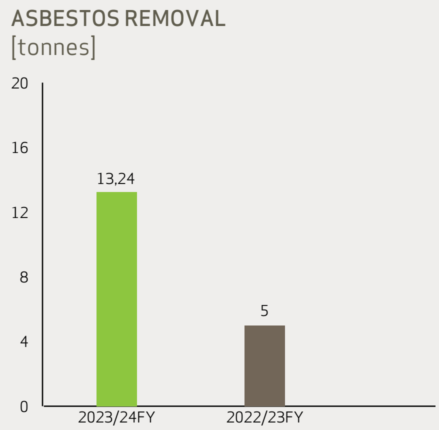
- Committed to diverting waste from landfills by recycling metals and steel, reducing greenhouse gas emissions, and conserving resources;
- Scrap metal primarily generated at TNPA, TE, and TPT; and
- Selling scrap metals transforms a liability into an asset.

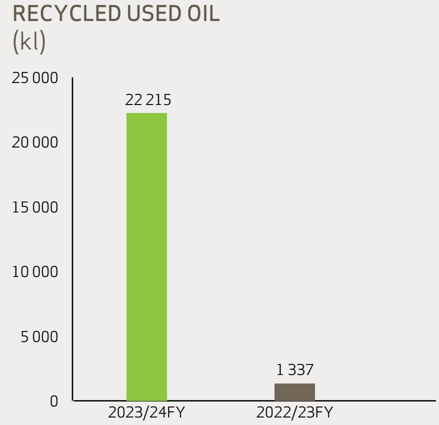


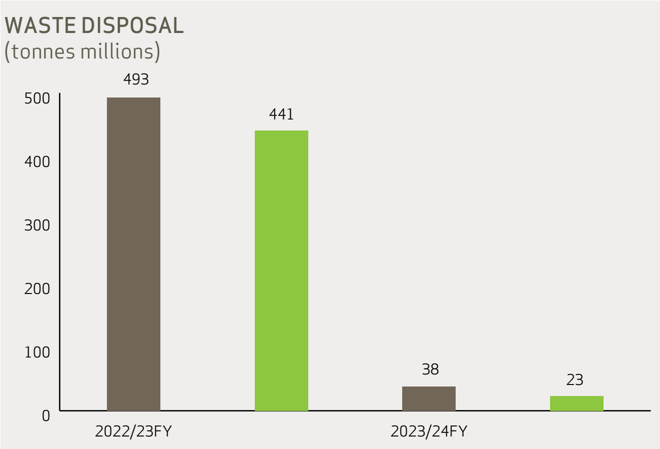
RECYCLED GENERAL WASTE

The increase in general waste recycled in the 2023/24FY was attributable to higher scrap metal recycling initiatives

ASBESTOS REMOVAL FROM HISTORICAL CONTAMINATION







Contaminated Land Management

Transnet developed a Contaminated Land Management and Remediation Framework with an Implementation Plan, which:

- Provides guidelines and a co-ordinated approach for managing contaminated land;
- Outlines a practical action plan with necessary resources; and
- Aims to meet environmental pollution abatement obligations under the National Environmental Management Waste Act, 2008, as amended.

LOOKING AHEAD

We aim to implement the Framework to reduce contaminated land within Transnet operational areas, and to mitigate associated impacts.

CONTAMINATED LAND MANAGEMENT AND RESTORATION

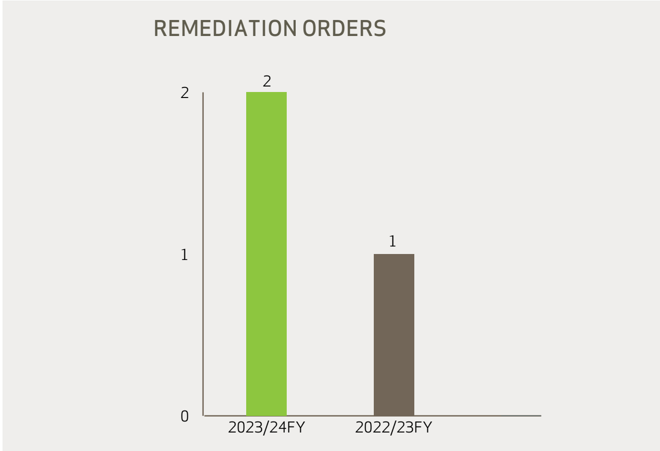
At Transnet, we have adopted a risk-based framework which aligns with local and international best practice for restoration of contaminated land. The framework is designed to systematically manage the risk of contaminated land across ODs.

The approved Contaminated Land and Remediation Framework guides efforts to identify, assess, and remediate contaminated sites and provides guidelines for a cohesive strategy across Transnet for effective management of contaminated land.

During the 2023/24FY, we conducted risk assessments of historically contaminated areas for all ODs, uncovered potential pollution liabilities and prioritised them based on their environmental and health impacts. Remediation efforts are phased and risk-centric – focusing on high-risk sites that have implications for Transnet and its stakeholders. Financial planning integration meets varying environmental compliance obligations across ODs for sustainable remediation efforts.

REMEDIATION ORDERS

In the FY 2023/24, two remediation orders were received (FY 2022/23: 1). Remedial actions are being implemented.



Our approach to managing contaminated land involves several key strategies. Depending on the nature and extent of contamination, techniques may include soil excavation, *in-situ* treatment, or containment strategies to prevent further environmental impact.

Transnet is dedicated to advancing its contaminated land management practices by exploring new technologies and methodologies for efficient land assessment and remediation. Strengthening partnerships with environmental agencies and community organisations will enhance our ability to address land contamination challenges.

BIODIVERSITY PROTECTION AND ECOSYSTEM SERVICES

In line with global sustainability and the 2021 UN Biodiversity Conference of Parties (COP 15), Transnet values biodiversity's role in ecological balance and sustainable development. Our operations span diverse ecological systems across South Africa, and we are committed to managing biodiversity effectively.

STRATEGIC APPROACH

International alignment

We align with international frameworks, notably the Taskforce on Nature-related Financial Disclosures (TNFD). Integrating biodiversity considerations into our financial and operational planning. Our strategies are informed by the SDGs 14 and 15.

Risk mitigation

Invasive species

Managing alien invasive species to protect native biodiversity and reduce our liability footprint.

Monitoring and protection

Addressing insufficient biodiversity monitoring to prevent de-forestation and to manage our carbon footprint.

Opportunities for positive impact

Land management

Promoting indigenous flora and eradicating invasive species on redundant land.

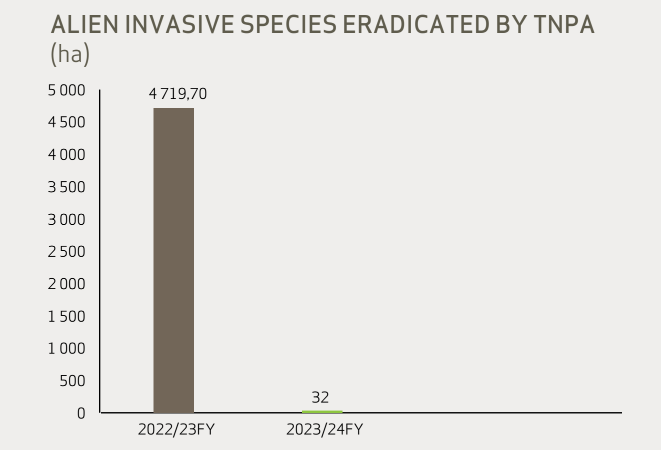
Tree planting campaigns

Supporting biodiversity and carbon sequestration.

Biodiversity offsets

Balancing ecological impacts with development needs through offset initiatives.

Performance highlights



LOOKING AHEAD

Partnerships

Collaborating with biodiversity groups and stakeholders to refine our approach.

Continuous improvement

Expanding biodiversity monitoring and protection programmes.

Knowledge enhancement

Strengthening our institutional knowledge through alignment with frameworks like the TNFD.

Transnet's commitment to biodiversity management demonstrates our dedication to environmental stewardship and sustainable development. By mitigating risks, leveraging conservation opportunities, and aligning with global standards, we contribute positively to biodiversity and ecosystem resilience.

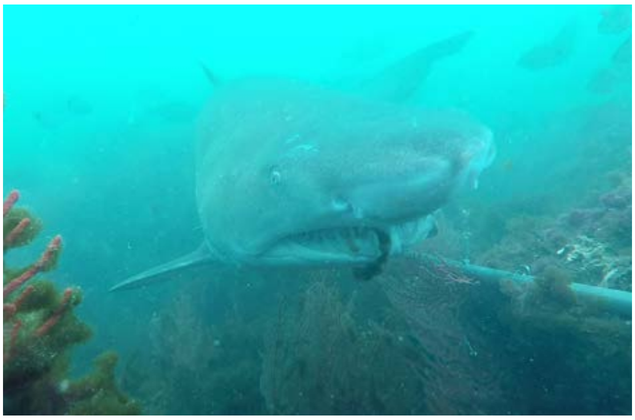
CASE STUDY

BIODIVERSITY CASE STUDY: NGQURA FISH BIO-MONITORING PROJECT

The Ngqura Fish Bio-Monitoring Project, started in 2006, focuses on understanding and preserving biodiversity in the Port of Ngqura. This initiative led by the KwaZulu-Natal Sharks Board and the Bayworld Centre for Research and Education, monitors fish populations and environmental health and it is significantly contributing to conservation efforts in the region and assessing the environmental health of the port. Transnet National Ports Authority (TNPA) has played a crucial role in implementing and maintaining the environmental management practices that allowed the Port of Ngqura to serve as a thriving habitat for diverse fish species. Their commitment to preserving the ecological integrity of the port is a key factor in the project's success. It aligns with the Taskforce on Nature-related Financial Disclosures (TNFD) and UN Sustainable Development Goal 15, aiming to protect and promote sustainable ecosystems.

The project's main objectives include documenting fish species and abundance, investigating the port's role as a nursery for juvenile fish, and identifying spatial distribution patterns. Data collection involved experienced fishermen using standardised methods, and fish were tagged to track movement and growth. Between 2006 and 2022, 16 302 fish from 71 species were caught, with notable migratory patterns observed.

The project has demonstrated the port's importance as a habitat for diverse fish species, contributing to scientific knowledge and training opportunities, including a PhD student studying fish assemblages. The results highlight the port's ecological role and its potential to support local fisheries. The Ngqura Fish Bio-Monitoring Project emphasises the need for ongoing environmental monitoring and adaptive management to maintain healthy marine ecosystems and serves as a model for future conservation initiatives.



Images depicting different species of sharks at the Port of Ngqura (Dicken, 2022). Port of Ngqura Fish Bio-monitoring Project

ENVIRONMENTAL COMPLIANCE

Transnet is committed to upholding local, national, and applicable international environmental regulations.

A strategic ESG objective to achieve zero legal contraventions is in place.

COMMITMENT TO ADHERENCE

We enforce our commitment to environmental compliance through continuous monitoring, reporting, and managing compliance. Despite our efforts, we noted an increase in environmental contraventions during the reporting period – negatively impacting the Company value and reputation. This highlights the need for increased environmental governance. To address this, we have employed mechanisms to ensure adherence to environmental regulations.

- Reduce environmental contraventions to zero legal violations;
- Decrease Levels 1 and 2 reportable environmental incidents; and
- Ensure closure of all agreed action plans with authorities within stipulated timeframes.

COMPLIANCE ASSURANCE PROCESSES

Engagement with regulatory authorities

What

Maintain regular dialogue with environmental authorities at local, provincial, and national levels.

Why

Ensures awareness of legal requirements and affords anticipation of regulatory changes. Facilitates co-operative relations with regulatory bodies.

Environmental Compliance Assurance Framework

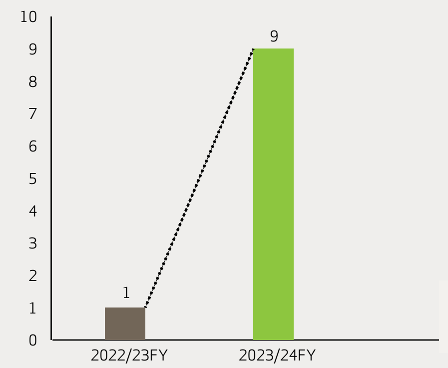
What

Manages and categorises compliance notices, warning letters, pre-directives, and directives.

Why

Manage and categorise compliance notices. Central for aligning Transnet policies with governance requirements.

DIRECTIVES RECEIVED



The following ODs were received directives from the DFFE

Operating division	Directive(s) issued	Directive(s) closed	Directive(s) ongoing	Corrective actions in place
Transnet Freight Rail	Three	One	Two	Developed comprehensive CAPs, with two being implemented.
Transnet Pipelines	Four	Three	One	Developed CAPs to track directives, with three being closed.
Transnet Port Terminals	Two	Zero	Two	Detailed CAPs were prepared for each notice and are currently being implemented.

LEGISLATIVE NON-COMPLIANCE

Eight Instances	One instance
National Environmental Management Act, 1998 (Act No. 107 of 1998)	eThekwini Municipality: Sewage Disposal By-Law, 2015 (Chapter 2/6)

Structured compliance process

- Promptly **acknowledge** and categorise each directive
- **Develop CAPs** outlining specific actions for each case
- **Regular engagements** with affected ODs and continuous monitoring of CAP implementation

Commitment to sustainable development

- By **embedding these strategic enhancements** into business processes, Transnet ensures alignment with sustainable development and operational excellence

Preventative strategy

- **Integrate lessons** from non-compliance incidents into operational practices
- **Train** and ensure staff at all levels are aware of compliance requirements and latest environmental standards
- **Regularly update** internal procedures to reflect new regulations and insights
- **Improve monitoring** systems to detect and address potential non-compliances early

FLOW OF ACTION WHEN DIRECTIVES ARE RECEIVED

Directive received from regulatory body → Transnet acknowledges and categorises directive → Develop CAPs for each case, outlining specific actions required to address findings → Regularly engage the affected OD and continually monitor the CAP implementation → Ensure that all non-compliances are addressed and closed out

Transnet integrates lessons learned from non-compliance incidents into operational practices – preventing future occurrences. This strategy ensures:

- That staff are trained and aware of compliance requirements and environmental standards;
- That procedures are updated to reflect new regulations; and
- That internal controls and monitoring systems are improved for early detection of non-compliance matters.

> Transnet aims to align its environmental responsibilities with its commitment to sustainable development and operational excellence

SAFETY, OCCUPATIONAL HEALTH, AND WELLNESS

Transnet's business operations prioritise the health and safety of employees and all stakeholders. Group Safety, Occupational Health and Wellness function was formed by the merger of the previous Group Safety and the Group Occupational Health and Wellness teams. This integration aimed to consolidate the health and safety competencies and make efficient use of resources. The Safety, Occupational Health and Wellness function plays a vital role in enabling the overall Transnet People Management Strategy.

Transnet recognises that a safe and hazard-free workplace, along with a physically and mentally healthy workforce, is critical for achieving strategic business objectives. The three distinct portfolios, Safety, Occupational Health (medicine and hygiene) and Wellness, are essential for enhancing employee engagement, culture, and morale. The strategic goal of Group Safety, Occupational Health and Wellness is to deliver an integrated approach to manage these areas across Transnet while ensuring governance, oversight and assurance.

In the 2023/24FY, emphasis was placed on developing and implementing plans and programmes to establish a baseline for measuring the future performance of safety, occupational health and wellness.

Notable achievements

- The Health and Safety agreement was adopted by Transnet's Labour and Management and is being implemented throughout Transnet
- Critical training interventions have been implemented to support the Safety Excellence Culture. The top five training areas are First Aid, SHE Rep, Working at Heights, Fire Fighting, Hazard Identification and Risk Assessment
- A 90% acceptance level of occupational injuries claims filed with the Compensation Fund
- The Safety 10 Point Plan Programme was launched to build the desired Safety Culture, driving key initiatives through a focused Safety agenda
- The approved Safety Matrix monitors operational Safety targets and commitments
- Executive-approved policies and procedures ensure consistent governance, including policies on Group Safety, Occupational Health and Wellness, Ill Health Income Protection Benefit, Substance Abuse, Anti-Harassment, Discrimination, Workplace Bullying, and other enabling procedures
- To address employees' financial challenges and enhance their capacity for financial management, training interventions were provided on debt relief solutions, consumer rights, and financial safety awareness
- An Absenteeism Management Dashboard has been implemented to proactively manage high-risk areas and reduce employee absence costs

SAFETY PERFORMANCE

LTI and LTIFR

- Public fatalities, and other key incidents were reduced, however, the high number of employee fatalities remain a concern
- Various initiatives are ongoing, seeking to minimise railway safety incidents
- Regular safety programme monitoring, evaluation, and targeted interventions are prioritised to improve Transnet's safety performance indices
- The Lost Time Injury Frequency Rate (LTIFR) for 2023/24FY is 0.71 (compared to 0.66 for 2022/23FY) indicating a declining safety performance but remaining below the 0.75 tolerance level
- 425 Lost Time Injuries (LTIs) were reported in 2023/24FY compared to 417 LTIs in 2022/23FY

Employee fatalities

- Employee fatalities have decreased by 40%, although the 3 fatal injuries in the 2023/24FY are deeply regrettable
- Board of Inquiry (BOI) investigations have thoroughly examined root causes to tackle them effectively, which is crucial to the Safety Management Plan
- A continuous learning approach ensures employees have the knowledge and skills needed to maintain a safe working environment. In the 2023/24FY, the Safety training curriculum was reviewed with the Transnet Academy. This updated curriculum establishes a solid foundation for basic safety training programmes, aiming to improve safety competencies across all levels of the organisation

PUBLIC FATALITIES

Public fatalities related to Transnet operations continue to decline, with a 14% reduction (from 81 fatalities in 2022/23FY to 70 in 2023/24FY). This improvement is largely due to targeted interventions, safety campaigns, and partnerships involving Transnet's ODs and multiple stakeholders such as local and provincial government authorities, media houses, communities, collaboration with Eskom, and the Railway Safety Regulator. These collaborations have helped amplify safety initiatives, raising awareness and communication to create a safer environment for the public.

Railway safety and public fatalities	2023/24FY	2022/23FY
Level crossing accidents resulting in fatalities	**8**	4
Public fatalities	**70**	81

Group overall LTI and LTIFR per operating division

	Lost Time Injury (LTI)		Lost Time Injury Frequency Rate (LTIFR): tolerance 0,75	
Operating division	2023/2024FY	2022/2023FY	2023/24FY	2022/2023FY
Transnet Group	**425**	417	**0,71**	0,66
TFR	**229**	249	**0,71**	0,74
TP	**6**	2	**0,84**	0,28
TE	**75**	79	**0,93**	0,85
TCC	**1**	8	**0,05**	0,19
TPL	**10**	8	**1,39**	0,43
TNPA	**35**	22	**0,74**	0,47
TPT	**69**	49	**0,59**	0,43

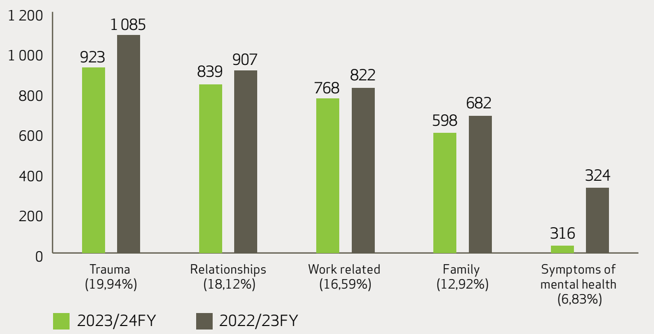
Occupational health and wellness performance

Performance area		2023/2024FY	2022/2023FY
Unplanned absenteeism rate	(% target)	**3,40**	2,68
Unplanned absenteeism rate	(% actual)	**1,89**	3,76
Total cost of unplanned absence	(R million)	**457,4**	427,7
Sick absenteeism	(% target)	**2,00**	2,10
Sick absenteeism	(% actual)	**1,56**	3,20
Total cost of sick leave	(R million)	**371,2**	350,3
EAP sessions: face-to-face	(number)	**5 139**	5 039
EAP sessions: virtual/telephonic	(number)	**4 630**	3 232
Wellness awareness sessions conducted	(number)	**143**	93
Wellness health and education training engagement	(hours)	**300**	300
Annual/periodic medicals performed	(number)	**33 053**	34 181

EMPLOYEE ASSISTANCE PROGRAMME (EAP) AND WELLNESS

- The utilisation of EAP services by our employees and their dependents increased compared to 2022/23FY;
- Four of the top five EAP categories remained consistent with those reported in 2022/23FY. There was a decrease in mental health issues reported. The wellness interventions implemented included mental health awareness campaigns, anti-harassment and bullying interventions and self-care initiatives; and
- To align with wellness objectives and employee needs, 143 wellness sessions were conducted in partnership with service providers during 2023/24FY, an increase from the 93 sessions reported in 2022/23FY.

TOP EMPLOYEE ASSISTANCE PROGRAMME REPORTED CATEGORIES



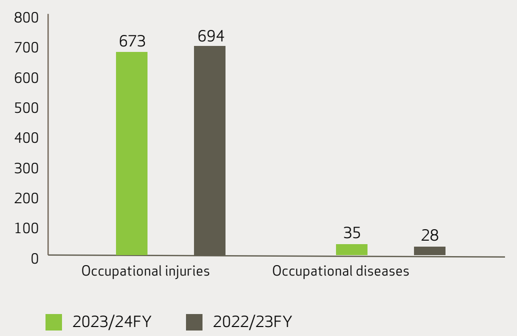
OCCUPATIONAL INJURIES AND DISEASES

Transnet has maintained its good standing with the Compensation Fund for workplace injuries and diseases, securing a Letter of Good Standing for the current financial year. A total of 673 occupational injuries were reported, compared to 694[1] the previous financial year. In 23/24FY, noise-induced hearing loss was the most common occupational disease, affecting 35 employees. The slight increase in occupational diseases is attributed to the early detection of health risks through medical surveillance and occupational hygiene programmes.

Medical surveillance is conducted periodically, with a higher frequency for employees in safety-critical positions to minimise potential risks. The surveillance results inform the required health risk interventions.

[1] *704 occupational injuries and 29 occupational diseases incorrectly reported in 2022/23FY.*

OCCUPATIONAL INJURIES AND DISEASE



Transnet's key focus going forward is to continue with the Implementation of the Group Safety 10-Point Plan to ensure an improved safety performance, compliance with legal safety statutes, and alignment with best practice ISO 45001 standards. The primary objective is to gradually reduce the year-on-year Lost Time Injuries across the operations.

SECURITY MATTERS

Transnet's operational performance is substantially impacted by security issues such as encroachment, theft and vandalism. This particularly affects TFR (by way of servitude encroachment, cable theft, and vandalism) and TPL (fuel product theft). Such criminal activities disrupt operations, hinder production (resulting in unachieved targets), reduce revenue, and strain customer relationships.

STRATEGIC RESPONSE

As unpacked earlier in the section, strategic objectives, integrated to strategy, seek to combat cable theft, vandalism, product theft, and encroachment. As part of the Recovery Plan, a comprehensive Physical Security Strategy was developed and implemented.

COLLABORATION

Both government and the private sector – through the National Logistics Crisis Committee (NLCC) Security Workstream – actively support our safety efforts. Such collaborations aim to improve operational performance by focusing security resources on high-priority areas.

Key achievements

- **Outcomes-based security**
  Transnet rolled out an outcomes-based security solution at TFR. This ensured that contractual obligations are subject to the completion of pre-defined outcomes.
- **Technological advancements for early detection**
  The deployment of drones, IoT devices, and enhanced block valve security at TPL resulted in a 54% reduction in fuel theft incidents. TFR is adopting similar technologies for the 2024/25FY.
- **Rollout of the Security Incident Management Application (SIMA)**
  SIMA is now the primary source of security information, facilitating collection and storage of business intelligence, case management and tactical deployment – empowering data-driven-decision making.
- **Partnerships for enhanced security**
  Our collaborative efforts with law enforcement agencies and partnerships have been instrumental in strengthening Transnet's security posture. These collaborations are part of Transnet's multi-faceted approach to security and act as a force multiplier leveraging collective resources and intelligence for enhanced protection.
- **Community engagement for security awareness**
  Community engagement raises awareness about encroachment, theft, and vandalism of Transnet's infrastructure, with plans to expand this initiative in the 2024/25FY.
- **Security Personnel Training and Development**
  During the 2023/24FY, we have continued to train and develop 600 peace officers, security analysts, and managers. This ensures a highly skilled and responsive security force.

IMPACT

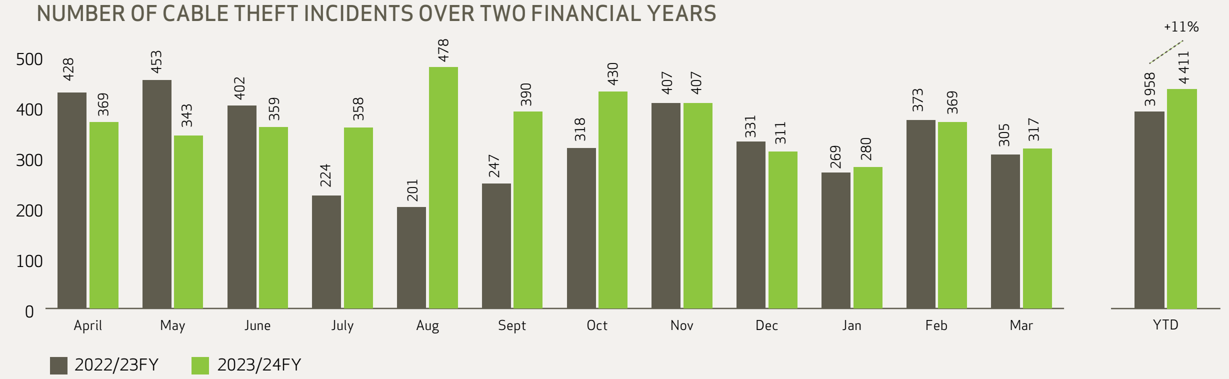
Overall community incidents have decreased:

2% decrease
compared to 2022/23FY

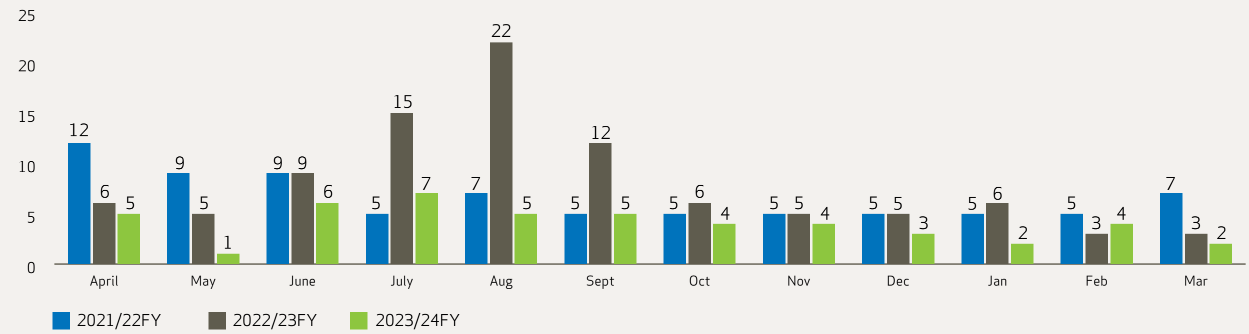
15% decrease
compared to 2021/22FY

TFR, which experiences the greatest rate of security challenges, recorded an 11% increase in cable theft incidents. It has, however, noted a 1% decrease in overall security incidents – from 8 559 in 2022/23FY to 8493 in 2023/24FY.

NUMBER OF CABLE THEFT INCIDENTS OVER TWO FINANCIAL YEARS

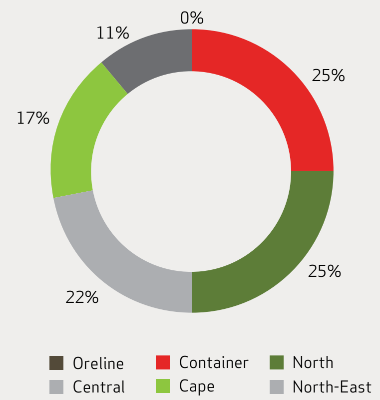


TPL PRODUCT THEFT INCIDENTS OVER THREE YEARS



TPL product theft incidents, as illustrated hereafter, reduced by 54% in 2023/24FY.

INCIDENTS (%)



LOOKING AHEAD

As we advance our security strategies, we remain committed to enhancing our control systems through several planned initiatives.

Outcomes-based security initiatives

These initiatives continue to yield positive results. We will continue to implement and support these, ensuring robust security measures.

Physical security strategy

Developed as part of the Recovery Plan, this strategy provides a comprehensive roadmap to address current security challenges and risks. Strengthening partnerships and deepening collaborations are key components of this strategic framework.

Several elements have been established to bolster our security posture.

Reviewed physical security strategy and standardised risk management framework

These form the backbone of our proactive security measures, ensuring alignment with corporate objectives and risk management protocols.

SIMA

This tool centralises the capture and analysis of all security incidents, providing detailed insights and facilitating responsive measures based on real-time data.

Collaboration with law enforcement

We are enhancing cooperation with law enforcement agencies to focus on investigations into theft and vandalism of infrastructure and assets.

These initiatives are continuously evaluated to ensure they meet our strategic objectives and effectively reduce security incidents. Transnet is dedicated to maintaining a proactive approach in managing security risks, aiming for ongoing improvement and resilience in our operations.

SOCIAL INVESTMENT AND COMMUNITY ENGAGEMENT

TRANSNET FOUNDATION

The Transnet Foundation, Transnet's Corporate Social Investment (CSI) component, drives community development initiatives across South Africa, aligning with the NDP and SDGs. The Foundation addresses socio-economic challenges faced by marginalised groups, ensuring sustainable community development and supporting Transnet's broader corporate objectives.

The Transnet Foundation aims to:

- Improve access to quality healthcare services and infrastructure;
- Enhance educational outcomes and support vulnerable youth;
- Foster socio-economic development through capacity-building programmes;
- Promote sports and physical education in rural and underserved communities;
- Support victims and survivors of gender-based violence; and
- Build strategic partnerships to enhance the impact and reach of our programmes.

Total CSI Investment R127,58 million

The investment of R127,58 million is down from R130,70 million in the previous year. This is due to economic constraints and budget reallocations.

HEALTHCARE SERVICES

Phelophepa Healthcare Trains I and II – Trains of Hope

Served 640 776 patients, up from 434 837 in the previous reporting period. Medication was distributed to 47 095 patients, up from 35 418. Health clinics served 224 188 patients, up from 139 564. Investment made was R62,45 million – down from R69,59 million.

Community Outreach

Supported 481 476 individuals, up from 321 077 the previous year. Established 72 food gardens, a slight decrease from 77, and trained 6 313 volunteers, down from 6 581.

TEENAGE AND YOUTH HEALTH AND DEVELOPMENT PROGRAMME

Adolescents reached

Reached 12 500 adolescents, up from 9 500. Programme spending was recorded at R3,68 million, down from R3,99 million in the previous reporting term.

EDUCATION DEVELOPMENT

Learners supported

Supported 16 learners, down from 23 in the previous reporting term. An investment of R1,4 million was recorded (consistent with the previous year). The spend remained consistent, even with seven fewer students – highlighting the need to re-evaluate selection criteria and support mechanisms.

FARM AND RURAL SCHOOL SPORTS DEVELOPMENT PROGRAMME

Investment in sports

Invested R2,72 million, up from R1,63 million, to promote sports and physical education in rural schools.

SAFA/TRANSNET SCHOOL OF EXCELLENCE

The SAFA/Transnet School of Excellence, a flagship programme of the Transnet Foundation, is dedicated to academic and football development for young boys across South Africa.

Funding

Funding to the value of R16,90 million was obtained, up from R16,69 million in the previous reporting period. The school supported 120 boys, improving their lives and increasing their chance of future success. The Grade 12 pass rate, unfortunately, dropped to 85% (from 97,45%).

During the 2023/24FY, we began a phased exit from fully supporting the SAFA/Transnet School of Excellence. This is part of a strategic review of community development investments. To ensure a smooth transition for students, a request was made for support to extend to December 2024. This is pending Board approval. The goal is to maintain high-quality education and training during this period.

Despite these challenges, the school remains a beacon of hope, consistently producing graduates who excel in national teams and international events. In the 2023/24FY, four graduates participated in national football teams, upholding the school's reputation for football excellence.

LIVELIHOODS

Investment in Socio-Economic Development (SED)

Invested R14,42 million in supporting various socio-economic development initiatives, an increase from the previous year.

Operational model changes and new initiatives

During the 2023/24FY, the Transnet Foundation revised its operational model to enhance efficiency and impact. This included centralising its processes and adopting a more strategic approach to selecting and managing initiatives.

New projects and focus areas

New initiatives were undertaken to address healthcare, education, and social programmes, focusing on marginalised and vulnerable groups. These included expanding healthcare services through mobile clinics, launching new educational support programmes, and increasing efforts to support victims of gender-based violence. The Transnet Foundation ensures effective management through programme evaluations, strategic partnerships, and continuous improvement. Evaluations provide insights for necessary adjustments, maintaining programme relevance and impact. Partnerships with government agencies, NGOs, community organisations, and the private sector enhance effectiveness. Continuous improvement involves updating methodologies, adopting new technologies, and staff training.

Monitoring and reporting systems track key performance indicators, ensuring transparency and accountability. Community engagement through consultations and feedback tailors initiatives to local needs. Risk management addresses potential social, economic, and environmental risks. The Foundation aligns with Transnet's strategic goals and sustainability objectives, measuring and communicating impact using standardised frameworks.

Future focus areas include vulnerable groups, especially women and children, through strategic partnerships and collaboration. Key initiatives involve healthcare, education, sports development, and socio-economic transformation. In 2023/24 FY, the Foundation demonstrated a commitment to social investment and community development, significantly improving the quality of life for South Africans. The goal remains to create lasting, meaningful change in communities.

LEVERAGING INNOVATION

Transnet is dedicated to investing in R&D to develop innovative products, expand its scope of the manufacturing business, and drive business performance, growth, and competitiveness.

Previously, the focus was held on exploiting technological trends in the rail environment – allowing us to be a customer-centric, sustainable Company. The division expanded its focus to encompass the transport sector. We use technological opportunities, such as user-connected systems, big data, machine learning, and IoT to improve operational/maintenance efficiency. Utilising the opportunities allows us to improve efficiency and customer experience while supporting sustainability goals.

Key products developed and delivered in the 2023/24FY

- A locomotive reliability service with the data analytics of the fleet to support TFR's performance;
- An automated declaration of interest platform to improve TE's compliance to corporate governance; and
- Standard Gauge Wagon Bogie which is well positioned for the potential transition to standard gauge.

The objectives of R&D for the 2024/25FY

- Expanding R&D to other divisions;
- Increasing technology demonstration rates;
- Enhancing EBITDA through tax incentives; and
- Developing commercial products.

Upcoming initiatives

- Acoustic Cracked Wheel Detector to prevent costly derailments;
- Power conversion systems for motor control and energy efficiency;
- Alternative energy technologies for rolling stock and port applications;
- Machine vision for security and monitoring;
- In-house development of AC traction motors; and
- High site monitoring for telecommunications towers.

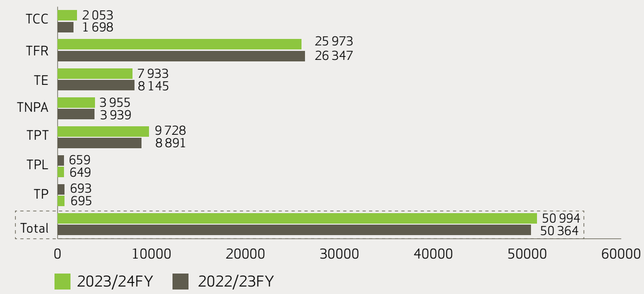
EMPLOYMENT

At Transnet, the success of the business relies on the dedication of its employees. They are considered to be the Company's most valued asset, shaping the perception of the Transnet brand.

Transnet is committed to fostering employment and providing opportunities for a diverse workforce. A stable employment rate has been proudly sustained, with emphasis placed on age diversity and employee retention. Fair remuneration and healthy employee relations underscore the Company's dedication to its workforce.

Strategic workforce planning and talent management is prioritised to attract, retain, and develop high-performing employees while creating sustainable job opportunities. In 2024, the employee headcount increased from 50 364 to 50 994, filling strategically vital positions for the Transnet Recovery Plan.

HEADCOUNT BY OPERATING DIVISION



EMPLOYEE RETENTION

Employee turnover isn't just costly in terms of resources, but also impacts morale for both employees and customers.

Notably, Transnet's turnover rate remained steady at 3,3% from 2023 to 2024. In 2024, turnover was lowest among those aged 46 to 55, while the highest was among those over 60 years, which is to be expected due to retirement. Among racial groups, white employees had the highest turnover, with African employees having the lowest. Transnet actively addresses turnover in specific employment categories; especially in critical and strategic positions.

Transnet successfully retains staff through:

- Competitive remuneration;
- Change management;
- Communication and engagement programmes;
- Training; and
- Career development opportunities.

Female	Male	Total
headcount 16 571	headcount 34 423	headcount 50 994
32,5%	67,5%	100%

EMPLOYEES BY RACE

AFRICAN	COLOURED	INDIAN	WHITE
headcount 40 967	headcount 5 035	headcount 1 538	headcount 3 454

EMPLOYEES BY AGE DISTRIBUTION

Transnet recognises the diversity in its workforce, having a well-balanced and diverse age distribution among staff.

Age group	Headcount
18 to 25	714
26 to 35	11 212
36 to 45	22 995
46 to 55	12 031
56 to 60	2 889
61+	1 153

NEW HIRES

The average age of a Transnet employee is 41 years, with most falling in the 36 to 45 age bracket. While employees aged 18 to 25 years count for the minority of employees, new hires predominantly come from the 36 to 45 and 46 to 55 age groups. This strategy aims for a fine balance between experience and potential for growth.

- Average age of employees 41;
- Average age category of new hires 36 to 45 and 46 to 55;
- Greatest employee age category 36 to 45; and
- Fewest employee age category 18 to 25.

Looking ahead, Transnet will continue investing in employee development and retention, especially within the 36 to 45 age group, who can mentor the younger talent. Simultaneously, programmes are being established to integrate older employees into talent management initiatives, ensuring they play a vital role in transferring skills to the younger generation.

EMPLOYEE RELATIONS

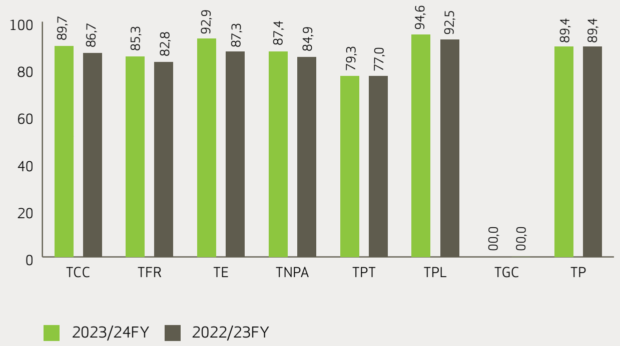
At Transnet, we recognise the critical role that unions and collective bargaining play in fostering a fair and collaborative work environment.

We manage freedom of association and collective bargaining through the Transnet Recognition Agreement which we have concluded with two recognised unions, South African Transport and Allied Workers Union (SATAWU) and United National Transport Union (UNTU). Negotiation of collective agreements as well as dispute resolution takes place under the auspices of the Transnet Bargaining Council (TBC), which is established under the auspices of the CCMA. The TBC handles approximately 200 disputes every financial year. The Transnet Bargaining Council is also responsible for the management and verification of union membership.

Transnet is a highly unionised workplace which has been advantageous for sound collective bargaining practices. As at the end of March 2024, 81% of 45 661 bargaining unit employees in Transnet belonged to a union.

- SATAWU: South African Transport and Allied Workers Union;
- UNTU: United National Transport Union;
- NTMN: National Transport Movement;
- RETUSA: Revolutionary Transport Union of South Africa; and
- NUMSA: National Union of Metalworkers of South Africa.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING (% OF WORKFORCE)



Transnet and its stakeholders are busy reconfiguring the Transnet Bargaining Council from a single-employer bargaining council to a multi-employer bargaining council. This will allow those who will be participating in the private sector initiatives to form part of the bargaining council and employer's organisation. This process includes the changing of the current constitution of the Transnet Bargaining Council to include other employers in the sector. To this end, we have been in discussions with the Passenger Rail Agency of South Africa (PRASA) to join forces not only to join the council but also to establish an Employer's Organisation. These discussions have been held with our stakeholders, the South African Transport and Allied Workers Union (SATAWU) and the United National Transport Union (UNTU) who both are representative trade unions at PRASA. Transnet has established a consultative structure to deliberate on the impact of the separation of Transnet Freight Rail into Transnet Freight Rail Operating Company (TFROC) and Transnet Rail Infrastructure Manager (TRIM). Engagements with Organised Labour on various projects emanating from the National Freight Logistics Roadmap and National Rail Bill are ongoing and several management-labour task teams have been set up to engage on these issues.

We continue to enjoy good relations with trade unions supported by various engagements that have happened in the last few years. Amongst these is the signing of a shift agreement at Transnet Port Terminals that ensures standardisation of working arrangements thus allowing seamless response to our customers who call at our ports, the cancellation of a legacy permanent shift allowance at Transnet Pipelines that wasn't aligned to wage agreement in how it was paid, transport guidelines that harmonise the payment for transportation of employees across Transnet, and is currently reviewing other agreements at our Freight Rail and Engineering businesses. During the period in review, no stoppages or major disputes were recorded.

SKILLS DEVELOPMENT

Recognising the importance of skills development for long-term sustainability and socio-economic impact, Transnet invests in its workforce and supports youth development through various programmes.

E-LEARNING PLATFORMS

At Transnet, the workforce is being prepared for the future through new technology training programmes. Collaborating with the Transnet Academy and other training providers, these programmes ensure employees are equipped to adapt to the rapidly evolving technology landscape. This suite of training programmes prepare employees for the fast-changing technology environment.

STUDY ASSISTANCE

Transnet offers financial aid to deserving students pursuing tertiary education in fields related to the Company's operations, such as engineering, logistics, and information technology. This helps maintain a talent pipeline for Transnet and offer students the opportunity to enhance their career prospects.

With a strong focus on youth development in South Africa, Transnet provides various programmes to give unemployed youth the chance to acquire skills or gain experience for further employment opportunities.

YOUNG PROFESSIONALS-IN-TRAINING (YPT) PROGRAMME

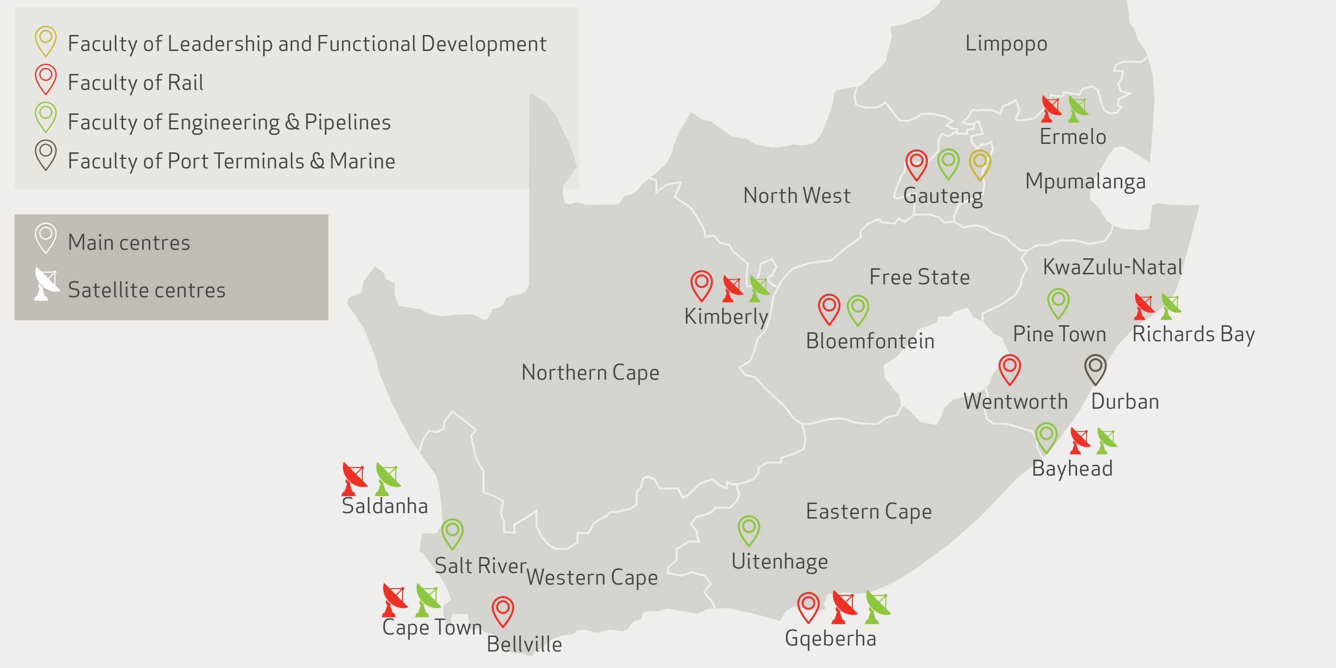
The YPT programme addresses the challenge of youth unemployment, and has continued to provide opportunities for work experience, on-the-job training, mentoring, and coaching, supporting the development of young professionals.

Transnet skills development is delivered by the Transnet Academy.

TRANSNET ACADEMY FOOTPRINT

The Transnet Academy has a wide geographic reach, with 16 primary and 21 satellite faculties. The main faculty is at Esselen Park and supports the regions. Transnet aims to empower both its workforce and the broader community to acquire the necessary skills at the right time.

Transnet Academy's geographic presence



EMPLOYEE RETENTION

		As at 31 March 2024 23/24 FY ZAR	22/23 FY ZAR	21/22 FY ZAR
SDO: SKILLS DEVELOPMENT				
SKILLS DEVELOPMENT PERFORMANCE				
S-2.2	Total Spend on skills development (R)	**836 989 000**	735 192 648	669 000 000
	B-BBEE Skills Development points achieved	**14,75**	22	22
SKILLS DEVELOPMENT PROGRAMME: SPENDING				
	Training Spend		735 192 648	655 000 000
	Apprentice programme	**41 640 510**	28 926 328	15 224 134
	Technicians-in-Training (TIT)	**96 109 243**	62 752 661	82 931 949
	Engineers-in-Training (EIT)	**96 066 107**	84 452 627	92 743 077
	Young Professionals-in-Training (YPT)	**87 335 849**	104 558 808	39 774 540
	Chartered Accountants in Training	**2 499 088**	–	1 970 127
	Technical Learner	**26 050 550**	17 069 026	–
	Engineering bursars			
	Non-technical bursars	**11 005 967**	68 249 000	–
	Other bursaries			
	Learnership Development	**414 125**	972 428	1 802 820
	Marine Cadet*	**10 366 512**	–	6 951 615
	Sector-specific training	**14 424 017**	31 447 093	13 855 775
	Percentage (%) of training spend (actual)	**2,7**	2,5	2,1
	Percentage (%) of training spend (target)	**2,5**	2,5	2,5
SKILLS DEVELOPMENT PROGRAMME: PEOPLE				
	Apprentice programme			
	Number of new trainees (actual)	**213**	200	200
	Number of new trainees (target)	**200**	200	200
	Number of artisans that completed training		176	45
	Technicians-in-Training (TIT)			
	Number of new trainees (actual)	**52**	45	111
	Number of new trainees (target)		18	100
	Engineers-in-Training (EIT)			
	Number of graduates (actual)	**37**	54	321
	Number of graduates (target)		18	250
	Young Professionals-in-Training (YPT)			
	Number of graduates (actual)	**154**	728	341
	Number of graduates (target)	**150**	750	150
	Chartered Accountants in Training			
	Number of chartered accounting trainees (actual)	**8**	0	6
	Number of chartered accounting trainees (target)		0	10
	Chartered Accountants completing training		0	

	As at 31 March 2024 23/24 FY ZAR	22/23 FY ZAR	21/22 FY ZAR
Technical Learners			
Number of new technician learners (actual)	**204**	202	203
Number of new technician learners (target)	**200**	200	200
Number of technician learners completed		2	141
Engineering bursars			
Engineering: New bursars (actual)	**54**	50	42
Engineering: New bursars (target)	**50**	50	50
Engineering bursars in the system		284	311
Other bursars			
Non-technical and National Diploma bursars (actual) (this includes trainees across all ODs)		0	60
Non-technical and National Diploma bursars (target)		0	40
Learnership Development			
Number of youth enrolled in the programme (actual)		3	49
Number of youth enrolled in the programme (target)		10	40
Marine Cadets*			
Number of marine cadets trained (actual)	**3**	0	153
Number of marine cadets trained (target)		0	150
Sector-specific training (Transnet Schools)			
Number of trainees who completed training within Engineering, Rail, Pipelines, and Ports			
Total (actual)	**4 930**	1 220	1 229
Total (target)	**1 218**	1 160	1 105
On-the-job training, mentoring and coaching opportunities for unemployed youth with disabilities through targeted training via TVET Colleges (Technical and Vocational Education and Training).		0	39

EMPLOYMENT

* *A new approach for target setting with reference to Marine Cadets was to be developed and effected in the reporting period (2021/22).*

TRANSFORMATION

Paving the path to an inclusive future

Transnet's commitment to workforce transformation goes beyond statutory compliance, reflecting core values of fostering a vibrant, diverse, and inclusive community. The 2023/24FY marks significant progress towards a more representative workforce, alongside challenges demanding our attention and innovation.

Hereafter, data represents the living dialogue between the Company's policies and the impacted individuals. It establishes a more nuanced and engaging narrative that reflects Transnet's ongoing transformation journey, focusing not only on numbers, but what they signify in the context of the Company's aspirations and societal responsibilities.

DATA-DRIVEN AND HUMAN-CENTRED

A balanced analysis

Transnet couples quantitative data with qualitative initiatives.

Employment Equity across the Occupational Levels

Target per designated group	**Black**	**92,0%**
	Female	**33,0%**
	Persons with disabilities	**3,0%**
	Youth	**25,0%**
Top management	Black	**86,6%**
	Female	**44,9%**
	Persons with disabilities	**1,6%**
	Youth	**0,8%**
	Foreign nationals	**(2,4%)**
Senior management	Black	**90,2%**
	Female	**38,6%**
	Persons with disabilities	**0,5%**
	Youth	**5,3%**
	Foreign nationals	**(1,2%)**
Professional	Black	**91,2%**
	Female	**41,7%**
	Persons with disabilities	**1,7%**
	Youth	**24,9%**
	Foreign nationals	**(0,5%)**
Skilled	Black	**89,0%**
	Female	**36,6%**
	Persons with disabilities	**3,6%**
	Youth	**16,9%**
	Foreign nationals	**(0,03%)**
Semi-skilled	Black	**96,5%**
	Female	**28,9%**
	Persons with disabilities	**1,2%**
	Youth	**25,3%**
	Foreign nationals	**(0,01%)**
Unskilled	Black	**99,1%**
	Female	**21,2%**
	Persons with disabilities	**0,6%**
	Youth	**39,9%**
	Foreign nationals	**(0,5%)**

The figures shown are the start of an extensive story crafted daily within Transnet. As it tackles the complexities of building a diverse and unified workforce, focus is on the real experiences of its employees, striving for harmony and mutual respect.

During the 2023/24FY, Transnet prioritised strategies to break down systemic barriers and cultivate an inclusive environment where women, people with disabilities (PWDs), and youth are represented and actively encouraged and supported in their aspirations towards leadership and management roles. Initiatives like the Transnet Employee Network Groups were launched to enhance connectivity and promote a culture of collective transformation. Internal learnership programmes for PWDs have provided essential tools and confidence to employees, helping them move beyond traditional roles.

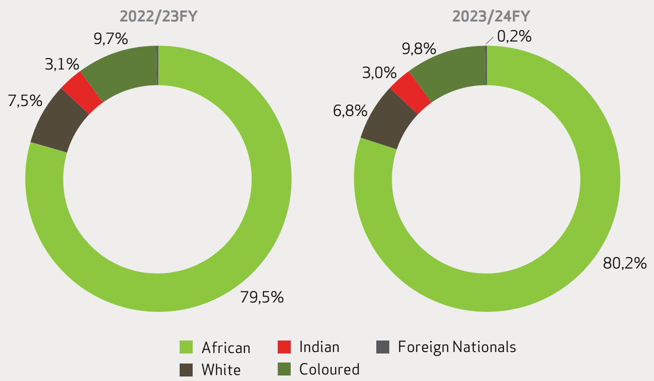
Leadership Development programmes have been key in developing a new generation of inclusive leaders, and a collaborative partnership has been forged with the National Youth Development Agency to attract and respond to the needs and aspirations of young professionals in South Africa.

These are not mere initiatives; they are the groundwork for a fundamental shift towards an organisational culture that thrives on diversity, equity, and unity. They are the tangible expressions of the Company's commitment to growth and inclusion, which the numbers reflect and which are noted in the day-to-day triumphs and progressive integration of each employee's potential.

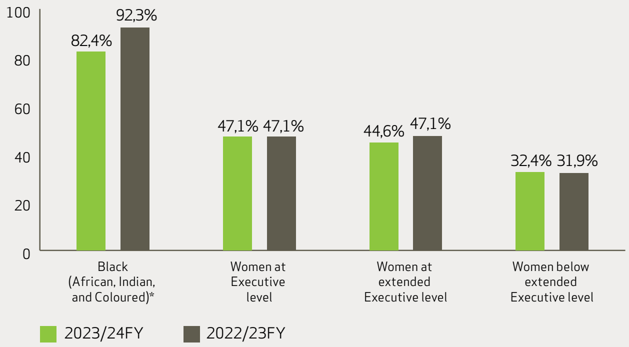
PROGRESS AND PERSPECTIVES

Key measures of success	2023/24FY	2022/23FY
Black employees (headcount)	**47 540**	46 488
Black employees (%) (actual)	**93,2**	92,3
Black employees (%) (target)	**92,0**	91,0
Female employees (headcount)	**16 571**	16 108
Female employees (%) (actual)	**32,5**	32,0
Female Employees (%) (target)	**33,0**	39,0
People with disabilities (headcount)	**1 110**	1 119
People with disabilities (%) (actual)	**2,2**	2,2
People with disabilities (%) (target)	**3,0**	2,5
Youth (headcount)	**11 926**	12 808
Youth (%) (actual)	**23,4**	25,4
Youth (%) (target)	**25,0**	32,5

EMPLOYEE EQUITY PERFORMANCE (%)



GENDER AND EQUITY PERFORMANCE IN LEADERSHIP CATEGORIES[1]



[1] *Including contract employees (permanent headcount 2022/23: 50 364).*

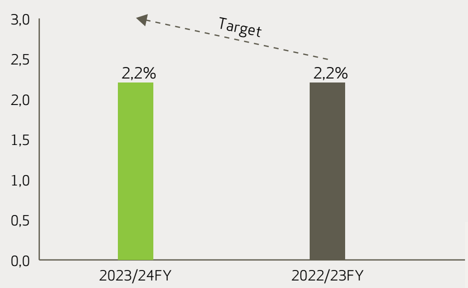
* *Black employees' target: 91%*

Transnet adheres to South African legislation, including the Employment Equity Act, which shapes its initiatives. Yet, its ambitions extend beyond compliance; the aim being to catalyse a societal shift. The Company has set specific targets for the inclusion of designated groups: Black employees, female employees, PWDs and youth. Notably, the representation of Black employees (African, Coloured, and Indian) has reached 93,2%, showcasing Transnet's commitment and success in this area, with targets not only met but exceeded.

There has been a modest increase in the representation of African and Coloured employees across the management category, indicating progress in aligning with the National Economically Active Population (NEAP) and advancing workforce transformation at Transnet. Additionally, there is improvement in female representation within the Company, highlighting effective targeted efforts, though gains remain slight. However, Transnet acknowledges areas where progress is lacking: the numbers for PWD have remained unchanged year after year, and the representation of youth has declined.

Transnet actively addresses areas requiring improvement, notably the below-target figures for PWD and youth. It is committed to transparency and actionable plans, focusing on enhancing workplace accessibility, learning and development opportunities, and support systems.

EMPLOYEES WITH DISABILITIES

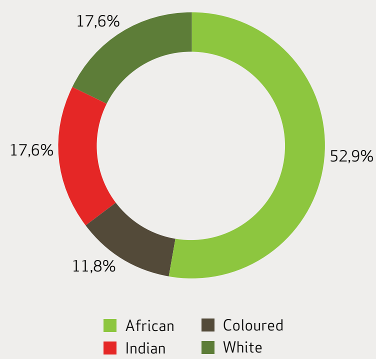


Transnet's Equity, Diversity, Inclusion, and Transformation (EDIT) performance highlights its success, particularly in achieving above-target representation of Black employees and maintaining strong female leadership. It continues to engage younger workers and the LGBTQI+ community through employee networks, which facilitate intersectional analysis to address the complex effects of multiple identities.

Transnet is implementing tailored solutions for female, PWD and youth inclusion, including career development plans and accessibility enhancements. Moving forward, Transnet aims to go beyond mere numbers, taking deliberate steps to develop leadership potential across all demographics and create a leadership pipeline that mirrors the nation's diversity.

Current executive leadership demographic is depicted in the tables below:

EXCO BY RACE (%)



Transnet's transformation journey is continuous, marked by learning and adaptation. In preparation for the next financial year, achievements and challenges are being assessed, renewing the pledge to establish a workplace where diversity thrives, equity is the norm, and inclusion is the culture.

INDUSTRIAL CAPABILITY BUILDING

Transformation, job creation, skills development, and industrial capability are at the core of the nation's economic initiatives and government-related procurement. Such procurement is supported by the rail sector, which has been the source of core industrial development in South Africa.

Our Enterprise Supplier Development and Localisation (ESDL) Strategy seeks to leverage economic opportunity by developing industrial capabilities, and by maximising investments in plant, skills, and technologies within the country.

Transnet's Enterprise and Supplier Development Programme is informed by the B-BBEE Codes of Good Practice. It has been designed to help local businesses and suppliers, especially those owned by Black individuals and people from various groups like the youth, women, small businesses, individuals with disabilities, and people from rural areas. The goal is to enhance their competitiveness and ability to operate effectively, promoting local business and industry growth. The programme offers a wide range of support, including financial and other types of help, to encourage development and empowerment. ESD initiatives support Black entrepreneurs across various developmental levels, such as business case development, business incubation, Transnet's Black Industrialist Programme, along with regional and global export and trade programmes.

The strategy supports procurement initiatives, which involves procurement of goods and services from B-BBEE compliant suppliers as a percentage of total procurement. This aims to provide access to procurement opportunities for previously disadvantaged suppliers, ultimately promoting socio-economic development.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

We have made significant improvements in procurement spend towards B-BBEE-compliant entities, Black-, Black women-, and Black youth-owned businesses. The enabled consistent achievement of a B-BBEE Certification Level of 2.

B-BBEE PROCUREMENT SPEND

Transnet's B-BBEE spend as a percentage of the Total Measured Procurement Spend (TMPS) has shown a consistent upward trend from 112,55% in 2022/23FY to 112,59% in 2023/24FY.

Procurement spend	2023/24FY	2022/23FY
Overall Procurement Spend (R billion)	**R31,05**	R30,19
Total measured procurement spend (TMPS) (R billion)	**R27,58**	R26,82
B-BBEE as % of TMPS	**112,59%**	112,55%

B-BBEE spend	2023/24FY	2022/23FY
B-BBEE		
Target (%)	**60%**	60%
% of TMPS	**112,59%**	102,49%
Spend (R billion)	**R31,05**	R30,19
Black-owned		
Target (%)	**9%**	40%
% of TMPS	**56,75%**	54,80%
Spend (R billion)	**R15,65**	R14,70
Black women-owned		
Target (%)	**6%**	12%
% of TMPS	**33,89%**	33,56%
Spend (R billion)	**R9,35**	R9,00
Black youth-owned		
Target (%)	**2%**	1%
% of TMPS	**7,64%**	7,64%
Spend (R billion)	**R2,12**	R2,05
EME		
Target (%)	**15%**	9%
% of TMPS	**17,35%**	17,56%
Spend (R billion)	**R4,78**	R4,32
QSE		
Target (%)	**15%**	15%
% of TMPS	**9,60%**	13,12%
Spend (R billion)	**R2,65**	R3,52
Black PWD		
Target (%)	**1%**	1%
% of TMPS	**0.15%**	0,17%
Spend (R million)	**R40,0**	R45,0
B-BBEE status level		
Certification Level (actual)	**2**	2
Certification Level (target)	**2**	2

ESD

ESD initiatives are crucial for the growth and sustainability of SMMEs and fostering an inclusive economy. We have made significant strides in implementing our ESD objectives. Although the ESD spend decreased from R407 million in the 2022/23FY to R254 million in the 2023/24FY (resulting from economic and project-specific requirements) we consistently achieved the full 15 points available for Code 600 Enterprise Development. Our ESD Hubs serve as valuable resources for SMMEs, providing essential services such as company registration, procurement training, and Central Supplier Database registration. Walk-ins and services provided at ESD Hubs in 2023/24FY, rose to 388 from 362 in the 2022/23FY.

The Preferential Procurement Regulations (PPR) 2022, which replaced the PPR 2017 (effective 16 January 2023) do not include local content as a prequalification criterion. The new Transnet Preferential Procurement Policy (TPPP), effective 1 June 2023, has incorporated local content as a specific goal for which preference points may be awarded.

In the 2023/24FY, the total value on local content was R4 655 million. We are committed to prioritising local content and supplier development – supporting South African industries and creating jobs. As part of the ESD Strategy, we will focus on promoting skills development, increasing procurement from Black-owned businesses, and strengthening partnerships with industry stakeholders. This aims to promote sustainable growth to develop South Africa's developmental priorities, fostering an inclusive economy.

ESD Hubs (five hubs nationally)	2023/24FY	2022/23FY
Walk-ins at ESD Hubs	**389**	362
Males	**177**	178
Females	**212**	184
Youth (male and female)	**190**	197
Services provided to walk-ins at ESD Hubs	**449**	303
CIPC-related services	**254**	75
Central Supplier Database (CSD) registration	**163**	149
Training on public procurement	**32**	79

REGIONAL INTEGRATION

As part of our ESG-related SDOs, Transnet actively pursues revenue diversification through regional integration within the Southern African Development Community (SADC). This effort has led to an impressive 51,3% increase in total Cross-Border revenue, contributing R3,6 billion to Group revenue (up from R2,4 billion in 2023). Despite facing infrastructural gaps and slower-than-expected infrastructure development, Transnet continues to leverage its extensive freight transport and logistics capabilities to support the development of major transport corridors in Africa, thereby enhancing intra-African trade.

	2024 R million	2023 R million	2022 R million	2021 R million	2020 R million
REGIONAL REVENUE					
TFR cross-border revenue					
Actual	**2 721,44**	2 090,20	2 162,73	1 966,08	2 269,96
% change year on year	**30,2%**	(3,4%)	10,0%	(13,4%)	(100,0%)
TE export revenue					
Actual	**261,19**	106,44	260,31	172,66	363,45
% change year on year	**145,4%**	(59,1%)	50,8%	(52,5%)	(100,0%)
TNPA Africa revenue (transshipments)					
Actual	**45,28**	64,25	53,97	45,53	59,86
% change year on year	**(29,5%)**	19,0%	18,5%	(23,9%)	(100,0%)
TPT Africa revenue (transshipments)					
Actual	**137,99**	148,79	143,20	187,00	204,00
% change year on year	**(7,3%)**	3,9%	(23,4%)	(8,3%)	(100,0%)
Total regional revenue					
Actual	3 644,66	2 409,67	2 620,21	2 371,28	2 897,28
Variance (%)	51,3%	(8,0%)	10,5%	(18,2%)	(100,0%)
GEOGRAPHIC EXPANSION					
Zimbabwe					
Actual	**318,33**	–	58,48	79,40	67,18
% change year on year	**–**	(100,0%)	(26,3%)	18,2%	(100,0%)
Benin (Benisa 1) (Complete)					
Actual	**–**	–	–	5,99	7,83
% change year on year		–	–	(24%)	(100%)
Zambia					
Actual	**160,43**	–	28,84	35,98	29,37
% change year on year	**–**	–	(19,8%)	22,5%	(100%)

	2024 R million	2023 R million	2022 R million	2021 R million	2020 R million
GABCON* (Dividends)					
Actual	**–**	–	5,42	–	–
% change year on year	**–**	–	–	–	–
Total geographic expansion					
Actual	**0,00**	–	0,00	121,37	104,38
% change year on year	**–**	(100,0%)	(100,0%)	16%	(100,0%)
TOTAL REVENUE CONTRIBUTION					
Actual	**3 644,66**	2 409,67	2 620,21	2 492,64	3 001,66
% change year on year	**51,3%**	(8,0%)	5,1%	(17,0%)	(100,0%)
AFRICA VOLUMES					
Freight Rail – over-border freight (mt)					
Actual	**9 198 788**	7 647 947	8 704 731	8 350 999	9 614 570
% change year on year	**20,3%**	(12,1%)	4,2%	(13,1%)	5,4%
Transshipments ('000 TEUs)					
Actual	**129 875**	6 834 986	148 793	202 448	255 180
% change year on year	**(98,1%)**	>100,0%	(27%)	(20,7%)	(80,0%)

GLOSSARY OF TERMS

ASSET TURNOVER (TIMES)
Revenue divided by total assets (total assets excluding capital work in progress).

CASH INTEREST COVER (TIMES)
Cash generated from operations after working capital changes, divided by net finance costs (net finance costs include finance costs, finance income and capitalised borrowing costs from the cash flow statement).

DEBT (FOR GEARING CALCULATION)
Long-term borrowings, short-term borrowings, employee benefits, derivative financial liabilities plus overdraft, less other short-term investments, less derivative financial assets and less cash and cash equivalents.

EBITDA
Profit/(loss) from operations before depreciation, derecognition, amortisation, impairment of assets, dividend received, post-retirement benefit obligation (costs)/income, fair value adjustments, income/(loss) from associates and net finance costs.

EBITDA MARGIN
EBITDA expressed as a percentage of revenue.

EQUITY
Issued capital and reserves.

GEARING
Debt expressed as a percentage of the sum of debt and Shareholder's equity.

HEADLINE EARNINGS
As defined in Circular 2/2013, issued by the South African Institute of Chartered Accountants, all items of a capital nature are separated from earnings (by headline earnings).

OPERATING PROFIT
Profit/(loss) from operations after depreciation, derecognition and amortisation but before impairment of assets, dividends received, post-retirement benefit obligation (expense)/income, fair value adjustments, income/(loss) from associates and net finance costs.

OPERATING PROFIT MARGIN
Operating profit expressed as a percentage of revenue.

RETURN ON TOTAL AVERAGE ASSETS
Operating profit expressed as a percentage of total average assets (total average assets exclude capital work in progress).

TOTAL ASSETS
Non-current and current assets.

TOTAL AVERAGE ASSETS
Total assets, where average is equal to the total assets at the beginning of the reporting year, plus total assets at the end of the reporting year, divided by two.

TOTAL DEBT
Non-current and current liabilities.

ACRONYMS

AEL	Atmospheric Emissions Licences
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
AIA	Approved Inspection Authority
AIS	Alien Invasive Species
APDP	Automotive Production and Development Programme
BEM	Behaviour Engineering Model
BEP	Brand Exploitation Protection
BR	Botswana Rail
CAGR	Compound annual growth rate
CAP	Corrective Action Plan
CBD	Central Business District
CDP	Carbon Disclosure Project
CF	Compensation Fund
COID	Compensation for Occupational Injuries and Diseases
COIDA	Compensation for Occupational Injuries and Diseases Act
CSD	Central Supplier Database
CSI	Corporate Social Investment
DCT	Durban Container Terminal
DFFE	Department of Forests, Fisheries and Environment
DOA	Delegation of Authority
DoT	Department of Transport
DPE	Department of Public Enterprise
EAP	Employee Assistance Programme
ECD	Early Childhood Development
EDIT	Employment, Diversity, Inclusivity, and Transformation
EME	Exempted micro enterprises
EOI	Expression of Interest
ERM	Enterprise Risk Management
ERRP	Economic Reconstruction and Recovery Plan
ESD	Enterprise Supplier Development
ESG	Environmental, Social, and Governance
EU	European Union
EV	Employee Volunteering
FRM	Fraud Risk Management
FRMP	Fraud Risk Management Plan
GBV	Gender-based violence
GDP	Gross domestic product
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HLC	Healthy Living Consulting
IFRS	International Financial Reporting Standards
IoT	Internet of Things
IREC	Interim Rail Economic Regulatory Capacity
IRMP	Integrated Risk Management Plan
ISSB	International Sustainability Standards Board
ITO	International Terminal Operator
JSE	Johannesburg Stock Exchange
KPI	Key Performance Indicators
KRI	Key Risk Indicators
LAPS	Local Administrator Password Solution
LCMS	Locomotive Condition Monitoring System
LNG	Liquified Natural Gas
LSP	Logistics service providers
LTI	Lost Time Injuries
LTIFR	Lost Time Injury Frequency Rate
MBA	Masters in Business Administration
MBL	Masters in Business Leadership
MECA	Manganese Export Capacity Allocation
MISS	Minimum Information Security Standards
MPP	Multi Product Pipeline
MRG	Methane Rich Gas
MRSA	Maintenance and Reliability Support Agreements
NDP	National Development Plan
NGO	Non-Governmental Organisations
NIHL	Noise-induced hearing loss
NIST	National Institute of Standards and Technology
NLCC	National Logistics Crisis Committee
NMBM	Nelson Mandela Bay Municipality
NMPP	New Multi-product Pipeline
NPO	Non-Profit Organisations
NRP	National Rail Policy
NT	National Treasury
OD	Operating Division
OELP	Oxford Executive Leadership Programme
OEM	Original Equipment Manufacturer
OHSA	Occupational, Health and Safety Act
PFMA	Public Financial Management Act

PMBOK	Project Management Body of Knowledge
PMI	Project Management Institute
PoRB	Port of Richards Bay
PPA	Power Purchase Agreements
PPE	Personal Protective Equipment
PSP	Private sector participation
PWD	People living with disabilities
QCTO	Quality Council for Trades and Occupations
QSE	Qualifying small enterprises
R&D	Research and Development
RBM	Richard's Bay Minerals
RE	Renewable energy
REMSEC	Remuneration, Social and Ethics Committee
RFI	Request for information
RFP	Request for Proposal
RIMF	Risk and Integrity Management Framework
RSR	Railway Safety Regulator
SADC	South African Development Community
SAGERS	South African Greenhouse Gas Emissions Reporting System
SANAS	South African National Accreditation System
SAPS	South African Police Service
SAPVIA	South African Photovoltaics Industry Association
SAYEC	South African Youth Economic Council
SASB	Sustainability Accounting Standards Board
SBIDZ	Saldanha Bay Industrial Development Zone
SCM	Supply Chain Management
SDG	Sustainable Development Goals
SDO	Sustainable Development Outcomes
SEA	Strategic Environmental Assessment
SEID	Socio-Economic Infrastructure Development
SEM	Specific environmental management
SETA	Sector Education and Training Authority
SIEM	Security information and event management
SIU	Special Investigation Unit
SME	Small- and medium- enterprises
SMME	Small-, micro-, and medium-enterprise
SOC	State-owned Company
SOE	State-owned Enterprises
SRO	Stakeholder Relationship Owners
SSA	State Security Agency
SSI	Statement of Strategic Intent
TCC	Transnet Corporate Centre
TCFD	Taskforce on Climate Financial Disclosure
TCMS	Train Control Management System
TE	Transnet Engineering
TEU	Twenty-foot equivalent units
TFIT	Transnet Fuel Import Terminal
TFR	Transnet Freight Rail
TIA	Transnet Internal Audit
TMPS	Total Measured Procurement Spend
TNFD	Taskforce on Nature-related Financial Disclosures
TNPA	Transnet National Ports Authority
TPT	Transnet's Port Terminal
UNFCCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact
VVP	Virtual Volunteering Platform
YPT	Young professionals-in-training
ZCCI	Zululand Chamber of Commerce and Industry

CORPORATE INFORMATION

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EXECUTIVE DIRECTORS

Ms MJ Phillips
(Group Chief Executive)
Ms RNM Maphumulo
(Group Chief Financial Officer)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr AH Sangqu *(Chairperson)*
Mr CS Benjamin
Ms SRM Buthelezi
Mr MAW Debel
Mr BM Jiya
Prof. FS Mufamadi
Ms LM Letsoalo
Mr DD Patel
Ms BG Sedupane
Ms MP Zambane

Effective 11 July 2023, the following Directors were retired by rotation as non-executive directors of the Company:

Ms UN Fikelepi
Ms ME Letlape
Ms DC Matshoga
Mr AP Ramabulana

Following Dr Molefe's reappointment by the Shareholder, he resigned as a non-executive director of the Company, effective 31 October 2023.

GROUP COMPANY SECRETARY

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