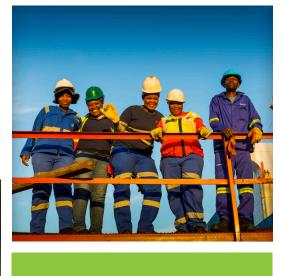
TRANSNE























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Executive summary

Transnet SOC Ltd (Transnet) is the largest freight logistics company in the region which is a custodian of ports, rail and pipelines. It enables and contributes to South Africa's sustained economic growth and development.

The company engages with internal and external stakeholders by building stakeholder relations that allow Transnet to meet the needs of its stakeholders, while addressing key areas of its corporate strategy, business operations, improving risk management and enhancing its reputation.

Transnet's stakeholders include the South Africa Government, Investors, Funders and Credit Rating Agencies, Board and Management, Employees, Organised Labour, Regulators, Customers, Suppliers, Communities, and the Media.

Transnet views all its stakeholders as important to the success of the business.

As a state-owned company, Transnet continues to have a positive impact on the lives of all South Africans. With a geographical footprint that covers the whole country, the company, is positioned to provide integrated, seamless transport solutions for its customers.

In its drive to improve the efficiency and competitiveness of its business operations, the Board of Directors introduced changes designed to rebuild, regain and enhance the confidence stakeholders have in Transnet.

In the 2019/20FY, a new Group Chief Executive (GCE) and EXCO were appointed to ensure that the company's vision and turnaround strategy is realised. The new EXCO has prioritised the need to be responsive to the needs of business through improving overall performance.

During the year under review, the focus was on the importance of strengthening the capabilities of our stakeholder engagement functional personnel.

The first ever stakeholder engagement workshop was held with the aim of repositioning the stakeholder engagement strategy and plans. This will contribute to the business imperative of enhancing the competitive advantage.

The workshop provided an insight into gauging the level of stakeholder relationship maturity across the company. The results of the assessment revealed a fragmented approach to stakeholder engagement and management across the organisation.

While there is a fair understanding of stakeholder engagement practices and benefits across Transnet's operations, there is a need to effectively effectively use inputs from stakeholder engagements for both analytical purposes and to inform the Organisation strategy.

Efforts should also be channeled towards ensuring that Division specific and function-specific stakeholder engagement plans are developed across the Organisation.

There is a need to include stakeholder engagement targets in the performance contracts of Exco members across the operations. This will improve overall accountability of stakeholder engagement practices in the organisation.

During the financial year under review, in December 2019, the world was faced with the deadly Coronavirus (Covid-19) pandemic. South Africa was not immune to the human and economic impact of Covid-19.

Transnet had to respond with agility, and in consultation with our various stakeholders we scaled down some of our operations when the country went into a State of Disaster, while prioritising essential services.

We ensured that all our stakeholders were kept abreast of Transnet's business continuity plans, especially our customers and suppliers. We are cognisant of our widespread operational activities that stretch across remote areas, and in the most vulnerable communities.

We heeded government's call to lend-a-hand by offering some of our properties across Gauteng, KwaZulu-Natal, and the Free State provinces to be used as temporary shelters for the homeless and as quarantine sites. Further, the company also offered the Phelophepa Health Trains for Covid-19 testing and screening in both the Eastern Cape and KwaZulu/Natal.

Since the beginning of the Covid-19 pandemic, we remain focused on prioritising the health and wellness of our employees by increasing daily awareness and communication in all languages.

Our employees are high priority stakeholders.

Material concerns emanating from the Shareholder as well as the Board of Directors, whether such concerns pertain to operational efficiency, financial sustainability or otherwise are being addressed systematically and with care. Ultimately, the collective goal of creating an efficient and responsive Transnet will be met, and we will ensure that stakeholders are well-informed and engaged as we embrace the role of being a responsible corporate citizen that we can all be proud of.

Engagement principles

Transnet engages with internal and external stakeholders that have the potential to influence and impact our business. Transnet's engagements are based on the following framework:

Figure 1: Transnet's Stakeholder Engagement Framework

OBJECTIVES



Effectively engage our stake-holders with a view to understand their issues and concerns.



Integrate stak-eholder input into business plan and processes to create alignment and a shared vision.



Effectively manage and respond timeously to stake-holders' issues and concerns.



Use stakeholder input in decision making for our mutual benefit.

PRINCIPLES

Inclusivity

Stakeholders participate in developing and achieving an accountable, strategic response to sustainability. We accept our accountability to those we impact and those who have an impact on us.

Materiality

Topics and indicators that reflect key economic and sustainability impacts or that may substantively influence stakeholder assessments and decisions.

Consistency

Maintain regular and consistent communication to ensure continuity.

Responsiveness

Our response to stakeholder issues that affect our sustainability performance, and is realised through decisions, actions, performance, and communication.

Accountability

Being accountable for and transparent about the impacts of our policies, decisions, actions, products and performance.

ENABLERS

Policy



The SE Policy is core to our engagements.

Procedures



The SEMP provides a systematic approach to our engagements.

Plan

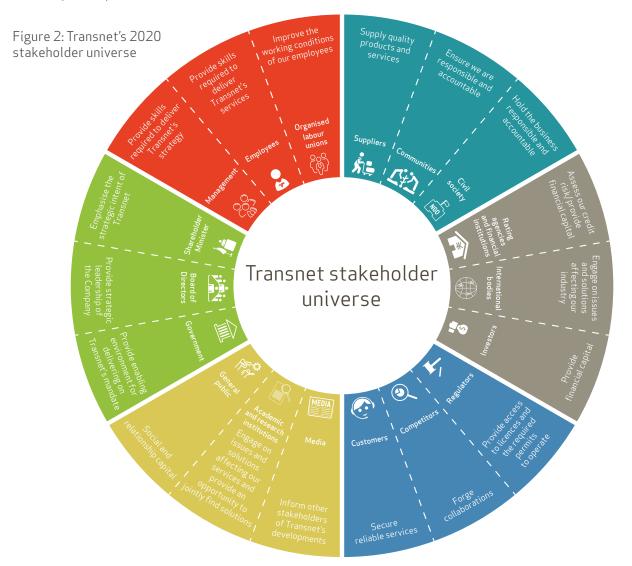


The SE Plan provides for actions and improvements required to enhance our relations.

Our stakeholder ecosystem

Transnet engages with internal and external stakeholders across the Company to address key areas of its corporate strategy and operations and to build its relational capital. We ensure that our stakeholder engagement practices actively support the Company's strategy and business operations, improve risk management, enhance reputation, prioritise stakeholders' needs and build

sustained business value. Understanding the role of our stakeholders is important to us, as it enables us to ensure we meet reasonable and material expectations when they arise. Below is a figure depicting our stakeholders in relation to our understanding of the key role they play within our organisation.



Measuring our maturity

Transnet acknowledges that effective relationships within our network of stakeholders is essential for our long-term survival. These relationships must be managed in ways that best meet both the reasonable needs and expectation of our stakeholders as well as Transnet's needs. In order to ensure that we continually enhance our relations, we measure our stakeholder relationship management maturity (SRMM) on a three-yearly basis. We undertook an SRMM assessment in the 2013/14FY and 2016/17FY, however, we will not draw comparisons with the findings for the 2019/20FY owing to the change in Transnet's stakeholder engagement and management approach that aligns to new developments in the discipline. The SRMM assessment covered all operating division with the exception of Transnet Pipelines. The respondents for the assessment were stakeholder engagement functional personnel across the organisation who were purposefully selected to ensure that they are representative. Each participant responded only for their Operating Division (OD).

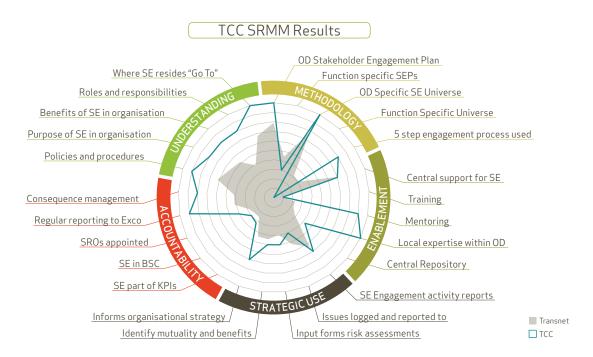
- 1. General understanding purpose of stakeholder engagement, roles and responsibilities
- 2. Application of methodology and processes
- 3. Enablement resourcing, coordination, support and systems
- 4. Strategic use of stakeholder input to inform decision-making
- Accountability for stakeholder engagement, i.e inclusion as key performance indicators into the Balanced Scorecard

SRMM enables an organisation to understand the current levels of stakeholder relationship management to inform the appropriate management processes, practices and improvement plans. We adopted the five levels of SRMM stages, however, we adapted and added more features on the description to guide the maturity assessment at Transnet, presented in Table 1 on page 4.

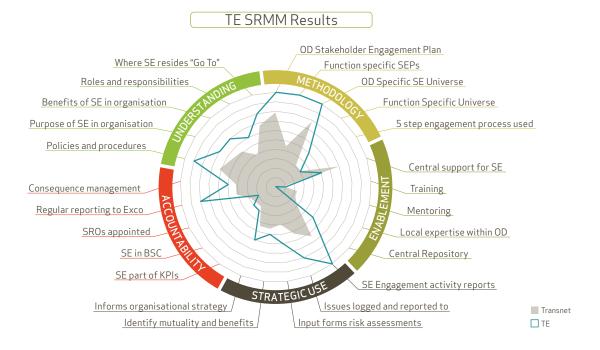
Table 1: SRMM stages

SRMM stages	Levels	Description
Ad hoc: some use of processes	1	This level refers to stakeholder engagement practices that: seldom have stakeholder engagement plans in place; sometimes use standard processes instead of at all times; have no central support; seldom recognise stakeholder relationship management; do not include stakeholder relationship management as part of their KPIs and Balanced Scorecard; do not have a repeatable methodology in place; do not formally use stakeholder intelligence for risk management or 'health reviews' of relationships; and use stakeholder relationship management on an ad hoc basis when issues arise.
Procedural: focus on processes and tools	2	This level refers to stakeholder engagement practices that: have a stakeholder engagement plan; have standardised processes, however, these are not applied consistently across the OD; use stakeholder relationship management as part of their Balanced Scorecard and the KPIs of their stakeholder engagement functional personnel only; have central support available but do not effectively utilise this; sometimes recognise stakeholder relationship management; use stakeholder information for diagnostic analytics as issues arise; do not have a repeatable methodology in place (across OD or Group function); and do not formally use stakeholder intelligence for risk management or 'health reviews' of relationships (across OD or Group function).
Relational: focus on the stakeholders and mutual benefits	3	This level refers to stakeholder engagement practices that: • have standardised processes across the organisation; • have central support that is often leveraged effectively; • include stakeholder relationship management as part of the Balanced Scorecard and KPIs of a few functional heads; • appoint stakeholder relationship owners (SROs) in some functional areas for selected stakeholder categories; • sometimes have systems and a repeatable methodology applied across the organisation; • use stakeholder information for diagnostic and descriptive analytics; • sometimes inform strategy and risk assessments; and • sometimes form part of the agenda of the highest governance structure.
Integrated: methodology repeatable, integrated	4	This level refers to stakeholder engagement practices that: • have standardised processes across the organisation; • have central support at all times; • include stakeholder relationship management as part of the Balanced Scorecard and KPIs of most of the functional heads; • appoint SROs in most of the functional areas for most of the stakeholder categories; • often have systems and a repeatable methodology applied across the organisation; • use stakeholder information for predictive and prescriptive analytics; • often inform strategy and risk assessments; and • often form part of the agenda of the highest governance structure.
Predictive: health checks and other predictive assessments	5	This level refers to stakeholder engagement practices that: have standardised processes across the organisation; have central support at all times; include stakeholder relationship management as part of the Balanced Scorecard and KPIs of Exco; appoint SROs across all stakeholder categories per function; always have systems and a repeatable methodology applied across the organisation; use stakeholder information for predictive, prescriptive and inductive analytics; always inform strategy and risk assessments; and always form part of the agenda of the highest governance structure.

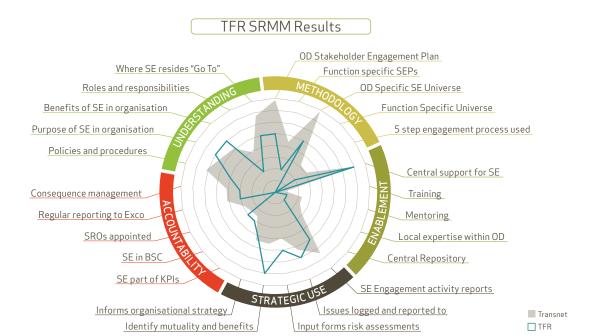
What we learnt



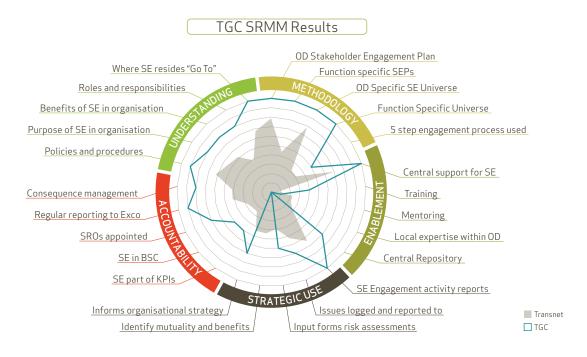
The stakeholder engagement performance of the Transnet Corporate Centre (TCC) is above Transnet's overall performance across all the attributes. There is adequate understanding as well as some level of enablement. However, more work is required, especially with respect to the strategic use of stakeholder information, ensuring accountability on stakeholder management matters and application of the methodology. There is a need to ensure that stakeholder engagement KPIs are part of the performance contracts of TCC's Exco members. Furthermore, there is a need to develop function-specific stakeholder universes as well as function-specific stakeholder engagement plans across all TCC functions.



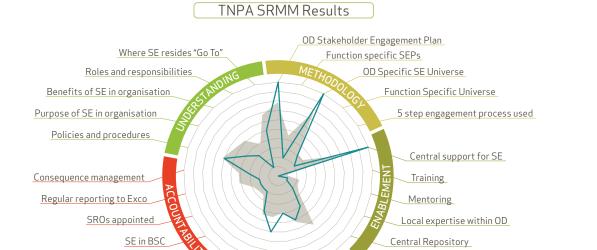
The stakeholder engagement performance of Transnet Engineering (TE) is also above Transnet's overall performance across all attributes, except enablement. TE has developed an OD-wide engagement plan and universe. TE also generates stakeholder engagement activity reports. There is a fair understanding of organisational stakeholder engagement policies and procedures. Areas of improvement include the use of stakeholder information for strategic purposes such as informing risk assessments and the OD strategy, and providing stakeholder engagement training across the organisation. There is also a need to appoint Stakeholder Relationship Owners (SROs) and include stakeholder engagement KPIs in the performance contracts of their Exco members.



The stakeholder engagement performance of Transnet Freight Rail (TFR) is well below Transnet's overall performance across most of the attributes. There is elementary overall understanding of stakeholder engagement especially the roles and responsibilities of stakeholder engagement functional personnel. Although there is central support, there is however overall minimal level of enablement with close to no central repository for stakeholder engagement data. There are no function-specific engagement plans and universes. There is also a lack of accountability especially because SROs have not been appointed, and stakeholder engagement does not form part of their Exco members' performance contracts.



The stakeholder engagement performance of Transnet Group Capital (TGC) is also above Transnet's average. This could be attributed to the nature of TGC's business being project based, and as such requiring extensive engagement as per regulations in many forms including public participation. Stakeholder engagement plans are developed for each project, and TGC recently adopted a programme approach to stakeholder engagement plans. However, TGC could improve in respect of enablement by mentoring and sharing expertise across the OD, and strategic use of stakeholder engagement information to understand mutual benefits for both Transnet and the stakeholders across the projects.



SE Engagement activity reports

Transnet

☐ TNPA

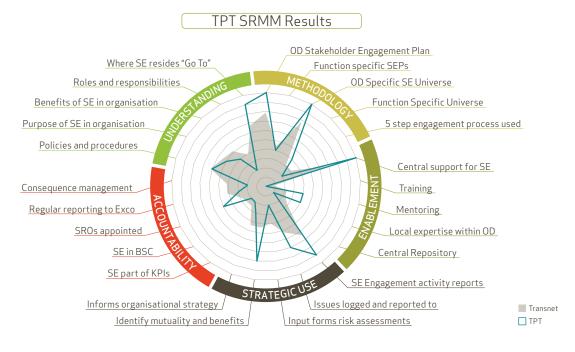
Issues logged and reported to

Input forms risk assessments

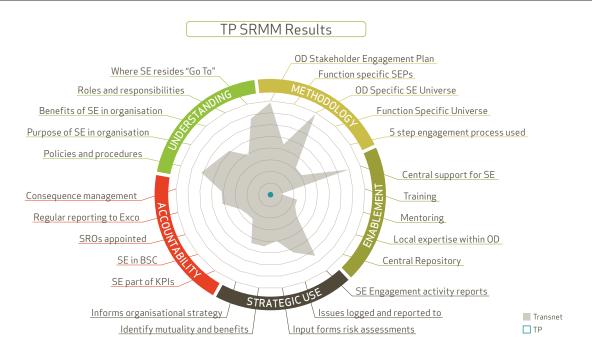
The stakeholder engagement performance of Transnet National Ports Authority (TNPA) is partially below Transnet's overall performance across most of the attributes. There are gaps on the understanding of the stakeholder engagement roles and responsibilities and the application of the five-step engagement process as defined by the organisation. In addition to ensuring understanding and application of the stakeholder engagement methodology, targeted efforts need to be channelled towards ensuring accountability for stakeholder engagement matters is taken at the highest governance structures of the OD through performance contracting, including stakeholder engagement on the agenda of Exco meetings. Furthermore, the appointment of SROs and training need to be prioritised.

Informs organisational strategy

Identify mutuality and benefits



The stakeholder engagement performance of Transnet Port Terminals (TPT) is above Transnet's overall performance across most of the attributes. Although TPT has developed its stakeholder engagement plan and universe, there is a need to develop function-specific plans across universes across the OD. Although there is central support, there is however overall minimal level enablement especially in the form of training and the use of a central repository for stakeholder engagement reporting. The level of accountability could also be improved by ensuring that stakeholder engagement activities are regularly reported on at Exco meetings and form part of their Exco members' performance contracts. TPT also needs to use stakeholder engagement information for strategic purposes such as the OD strategy and risk assessments.

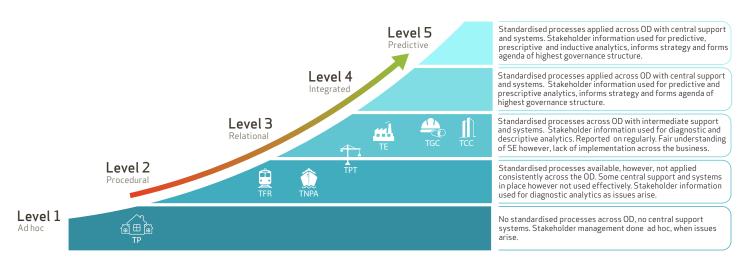


The stakeholder engagement performance of Transnet Property (TP) is below Transnet's average across all five attributes. There is a need to develop stakeholder engagement capacity within the OD.

The figure below shows the levels of stakeholder maturity per OD.

Figure 3: Levels of stakeholder maturity

Levels of Stakeholder Management Maturity



In summary, there is a fair understanding of stakeholder engagement practices and benefits across Transnet's operations. There is also a good sense of application of the methodology. However, there is a need to include stakeholder engagement targets in the performance contracts of Exco members across the operations. This will improve overall accountability of stakeholder engagement practices in the organisation. Furthermore, there is a need to effectively use stakeholder engagement information to inform strategy and for analytical purposes (predictive, prescriptive and inductive analytics). Efforts should also be channeled towards ensuring that OD-specific

and function-specific universes and stakeholder engagement plans are developed across the organisation.

When assessing the maturity levels of stakeholder engagement practices across the organisation, we found that TE, TGC and TCC are in the relational stage (level 3) of maturity, TFR and TNPA are in the procedural stage (level 2), while TPT is in between the two stages. Now that we understand our shortcomings, we will implement targeted initiatives to ensure that our maturity levels improve throughout the organisation.

Stakeholder issues and our responses 2019/20FY

Shareholder

Minister

Stakeholder categories

Shareholder Minister



Engagement frequency and communications vehicles

Frequency: As and when required, weekly, monthly, quarterly and annually

Vehicles: Meetings, telecons, emails, site visits, quarterly review sessions, ad hoc sessions, project briefs, letters and Memorandum of Understanding (MOU)



Key engagements in 2020

- Negotiations and agreement on the 2020/21 Shareholder's Compact.
- Monthly, bilateral and quarterly meetings to update the Department of Public Enterprises (DPE) on Transnet's performance against the targets in the Shareholder's Compact.
- Reporting of interim results for the 2019/20FY.





- Provide updates on the Shareholder's Compact performance, operations performance, financial performance, capital expenditure performance and regulatory matters.
- Discuss and agree on the Shareholder's Compact framework as well as KPAs and KPIs
- Report on the Company's performance against the Shareholder's Compact and share the strategic direction and goals of the Company.
- Address the regulatory matters that could have an impact on our reputation.

Key issues/areas of interest



- Performance against the Shareholder's Compact.
- Financial and operational sustainability.
- Mitigating actions implemented to improve performance.
- Concerns with respect to the effectiveness of mitigating actions.
- · Governance and leadership issues.
- Strategic focus areas for the 2020/21FY based on the Statement of Strategic Intent.
- Inclusion of strategic initiatives relating to the structural alignment of the Company.

Our strategic responses



- The Board has started a process to track the Shareholder's Compact KPIs at the various subcommittees of the Board to continuously monitor and evaluate performance.
- The Board's review of the Shareholder's Compact methodology focuses on strategic KPIs and aligns the Shareholder's Compact to the Statement of Strategic Intent.
- The Board is implementing measures to focus the Shareholder's Compact on initiatives that are central to the structural reform of the organisation.
- The Board will strengthen KPIs to balance the focus so that it is more inclusive and reflective of Transnet's' overall outcomes.

Board of Directors



Engagement frequency and communications vehicles

Frequency: Weekly, monthly, quarterly and ad hoc

Vehicles: WhatsApp, scheduled meetings, telephone calls and emails



Key engagements in 2020

- Annual meeting with the Board to discuss and approve this financial year's Corporate Plan.
- Strategic Board workshops focusing on strategic planning and reviewing the Corporate Plan as well as the strategy which incorporates a capital programme and budgets.
- Biannual deep dive sessions to extensively review specific topics and strategic projects for adequacy and completeness.
- Regular Board and committee meetings as prescribed to interrogate matters within their respective mandates
- · Site visit to NMPP in Heidelberg.





- Discuss the organisation's strategy and advance the objectives thereof.
- Discuss the organisation's overall performance.
- Develop the Annual Work Plans and mandates of the Board and its committees.

Key issues/areas of interest



- The approval of the Shareholder's Compact.
- The approval of the Company's annual financial statements and integrated report.
- The approval of the Annual Strategy, the Corporate Plan and the KPIs.
- Review of the organisation's performance.
- The approval of the Company's Delegation of Authority Framework.
- To deliver on the Company's respective mandates.
- · Accountability.
- Vacancies on the Exco.
- Governance and corruption issues within the Company.

Our strategic responses



- The Board has started engaging and addressing stakeholders on the new changes in the organisation's leadership.
- The Board has prioritised information sharing on employee and operational matters.
- The Board has approved the negotiations on the new productivity incentive schemes for bargaining unit employees with the support of the labour union.

Board of Directors

- The Board has appointed a new GCE to stabilise the organisation and also to provide strategic direction.
- The Board has supported management with respect to safety and occupational awareness and campaigns on the Covid-19 pandemic.
- The Board has acted decisively in dealing with executives who have been implicated in acts of corruption and malfeasance.

Government



Engagement frequency and communications vehicles

Frequency: As and when required, weekly, monthly, quarterly and annually

Vehicles: Meetings, telecons, emails, site visits, quarterly review sessions, ad hoc sessions, project briefs, letters and MOU



Key engagements in 2020

- Engagements to align our health initiatives to both national and provincial spheres of government.
- Discussions with local, provincial and national government on compliance portfolios for Transnet projects.
- Engagements on our education and sports interventions with the Department of Basic Education also also sporting bodies.
- Approval of the MOU between Transnet Foundation and students funded by the foundation.
- Engagements on procurement and treasury regulations.
- Engagements with law enforcement authorities regarding incidents of cable and petroleum theft and vandalism.



- Discussions on project prioritisation and collaboration with other government entities and the private sector to advance regional integration.
- Address challenges and obstacles experienced within infrastructure development.
- Raise awareness to government departments on the opportunities worth pursing within the African region for collaboration.
- Collaborate with government institutions to advance an integrated approach to socioeconomic development.
- Seek support and approval on the plans to implement the revised community development programmes.
- Engage on policy positions and development.
- Discuss governance and leadership issues.
- · Discuss procurement processes.
- To seek partnerships/collaboration with law enforcement agencies with regards to acts of malfeasance and corruption.

Key issues/areas of interest



- Job opportunities for local communities.
- Adherence to procurement policies and treasury regulations.
- Licencing, compliance, environmental authorisation and issues.
- Undertake a social needs analysis in communities and schools to identify beneficiaries.
- Leveraging partnerships and resources to deepen the impacts on community services
- Engagements on community health and safety awareness and workshops.
- Awareness on the plans and commitment for WSDP for the 2020/21FY.
- Business opportunities worth pursing within the region for the Transnet International Holdings (TIH) collaboration.
- Infrastructure development challenges and issues experienced across the organisation.
- Establishment of sports development across the nine provinces and the rollout of the teacher's development programme.
- Security incidents contributed to service disruptions.

Our strategic responses



• We have prioritised our engagement and collaboration with government to the Africa Steering Committee and within TIH.

Government

- · We have engaged with government institutions through regular workshops and awareness to reinforce our relationship.
- $\bullet \ \ \text{We have partnerships with healthcare service providers to advance our contributions into the community and schools.}$
- We have expanded the footprint of our whole school and sports programmes into all nine provinces to offer opportunities to schools and pupils across the country.
- $\bullet \ \ \text{We have regular engagements to ensure seamless compliance and regulatory alignment to all promulgated legislation}.$

Employees

Management



Engagement frequency and communications vehicles

Frequency: Periodically, monthly and ad hoc Vehicles: Face to face, campaigns, emails, newsletters, letters, roadshows, workshops and surveys



Key engagements in 2020

- The acting GCE shared the interim financial results to inform the employees of the organisation's overall performance.
- The acting GCE held leadership engagement sessions to afford a platform for leaders to provide strategic insights on organisational challenges and chart a way forward.
- Our newly appointed GCE held several engagement sessions across the organisation with employees to discuss and understand eminent issues that are affecting productivity and employee morale.
- The GCE hosted International Women's Day to deal with organisational cultural issues affecting women in general and those who fall within designated groups (particularly the LGBTQI and PWD communities).
- Campaigns and awareness on bullying at work, safety, occupational health, national and international commemoration days.
- Our senior management teams shared knowledge and mentored young professional graduates.

employees



- Briefings on operational and strategic issues that have an impact on productivity as well as other developments in the organisation.
- Share the organisation's overall performance.

Reasons for engaging with the

- Raise awareness on issues that could affect employee safety, health and wellness (such as Covid-19) and other HR-related matters, and undertake campaigns (such as anti-bullying).
- Commemorate events of importance to our employees, organisation and stakeholders both nationally and internationally.
- Solicit new ideas/pain points from employees.

Key issues/areas of interest



- Employee morale and underutilisation of resources.
- Job security.
- Operational and infrastructure issues affecting productivity.
- Human resources and labour-related matters such as uniform application of HR procedures and lack of consequence management.
- Leadership instability.
- Safety and occupational health concerns.
- Bullying and intimidation in the workplace.
- The Covid-19 pandemic and the national lockdown.

Our strategic responses

- · We are relocating employees to areas where projects are, in order to fully absorb underutilised employees.
- We have initiated a process to create an integrated People Management team.
- We have established programmes and an anonymous hotline to give employees a platform to report bullying and intimidation at the workplace to proactively implement the harassment and intimidation policies.

Employees

& Management

- We have finalised the new organisational structure and are filling vacant top management positions.
- We have identified a Transnet-wide project team to focus on Covid-19 awareness and communication.
- We have collaborated with external healthcare service providers to provide case management, medical advice, counselling, education and awareness support in order to contain the spread of Covid-19.
- We have ensured that our 24-hour Employee Assistance Programme is always available to assists employees with telephonic counselling to managing any form of mental, physical and emotional wellness challenges that Covid-19 has caused.
- We have partnered with institutions of higher learning to advance the GCE's talent nurturing programmes to provide opportunities for our employees' career growth.

Organised Labour Unions



Engagement frequency and communications vehicles

Frequency: As and when required. monthly and quarterly

Vehicles: Meetings, emails and



Key engagements in 2020

- Monitoring and evaluating Transnet's Employment Equity Plan from 2017/18 to 2019/20.
- Consultations regarding Transnet's 2018/19 employment equity report to the Department of Labour.
- Consultations regarding the S19 Analysis and the new Transnet ${\sf Employment Equity Plan from 2020/21}$ to 2022/23.
- Terms of Reference for National Employment Equity Forum and diversity forums.
- Quarterly national employment equity forums
- Quarterly OD employment equity forums.
- Engagement with labour on the Transnet Annual Results.





- Discuss policy matters that have a potential to impact on employees.
- Engage on legislated requirements.
- Discuss matters relating to employee benefits.
- Discuss matters relating to working conditions.
- Discuss all other issues and concerns relating to bargaining employees.
- Build inclusive and participatory culture.

Key issues/areas of interest



- Forums must be representative of the constituencies as per legislation.
- Transnet must abide by the Employment Equity Plan and targets.
- Lack of ownership and accountability on matters relating to employees.
- · Lack of consequence management.

Our strategic responses



· Workforce transformation is a national and Company imperative and we have therefore developed a transformation strategy that will form part of the strategic objectives contained in the Corporate Plan.

Organised

Labour Unions

- · We continue to engage Organised Labour Unions through the National Employment Equity Forums.
- · We have approved the conclusion of the negotiations on the new productivity incentive schemes for bargaining unit employees with the support of the labour unions.

Communities



Engagement frequency and communications vehicles

Frequency: As and when required. monthly, quarterly, annually

Vehicles: Meetings, telecons, emails, site visits, career exhibitions, breakfast sessions, roundtable discussions, workshops and MOUs



Key engagements in 2020

- Community awareness on upcoming projects to create job opportunities.
- Engagements with business forum leaders to outline the organisation's
- Public participation for various projects.
- Engagements on community unrests.
- Engagements held with the West Coast (Saldanha Bay), Mossel Bay Municipality and Community to provide feedback on matters raised, discuss future opportunities and to build sustainable partnerships.



operate within the area.





- Raise awareness on the community development programmes that aim to advance job opportunities.
- Provide information on careers and bursary opportunities available at Transnet for youth and learners.
- Provide feedback on pressing developing issues and issues raised in the communities.
- Provide awareness campaign on rail safety and pipelines safety,





- Job opportunities for communities in close proximity to our operations.
- Small business development opportunities for local businesses.
- Whole School Development Plan for both teachers and learners (education and sports).
- Development of community infrastructure.

Our strategic responses



· We have embarked on a process to prioritise budgets for the supplier development initiatives and monthly targets for the monitoring and evaluation process.

Communities

- · We are exploring options to address ongoing business-related matters to improve our products and social footprint.
- · We have distributed and facilitated career exhibitions to raise awareness on bursaries and career opportunities available in the organisation to empower the youth.
- · We engage with communities on upcoming projects that will provide jobs and business opportunities for the locals.
- We hold sessions with communities in close proximity to our operations to address pressing issues.
- · As part of our efforts to contain and minimise the spread of Covid-19, Transnet has designated some of its properties across Gauteng, KwaZulu-Natal and the Free State provinces to be used as temporary shelters for the homeless and also as quarantine sites.
- We are rolling out the Transnet-Yes Hub, with the first Hub under construction in Saldanha Bay.



Suppliers



Engagement frequency and communications vehicles

Frequency: Ad hoc

Vehicles: Meetings, tender briefing sessions, letters, e-mails and panel discussions



Reasons for engaging with suppliers



- Undertake tender briefings.
- Negotiate contracts and conditions thereof.
- Contract Management (including Performance Management).
- Resolve operational matters.
- Communicate procurement event status and outcomes.



Key engagements in 2020

- · Due diligence site visits.
- · Ad-hoc email requests to various Group Strategic Sourcing (GSS) contracted suppliers e.g. issuing of non-conformance letters to suppliers who have not complied with their Supplier Development (SD) contractual commitments.
- Responses to Promotion of Access to Information Act and Promotion of Administrative Justice Act requests for bid information (including pricing).
- Held a Transnet Supplier Summit.

Key issues/areas of interest



- Ombudsman complaints for Executive Search Request for Proposal for unfair process (Ombudsman found no substance in the complaint and ruled in favour of Transnet).
- Alleged tender irregularities for the Refined Bulk fuel tender.
- Lack of Access to Enterprise and Supplier Development Initiatives.

Our strategic responses



- The Procurement process followed by GSS fully complied with the principles of the Constitution and PFMA of using a Procurement system which is fair, equitable, transparent, competitive and cost effective.
- Refined Bulk fuel tender is under forensic investigation due to alleged tender irregularities.
- · Launched a Transnet Supplier Summit incorporating both existing small and medium suppliers and emerging and potential customers, as a platform to interact and gain first-hand experience on the challenges and ease of doing business with Transnet.
- Prioritizing Enterprise and Supplier Development as a key lever to display our genuine commitment to addressing the economic transformation challenges and building a strong responsible local sourcing supply chain.

Investors

Credit Rating Agencies



Engagement frequency and communications vehicles

Frequency: Continuous, as and when required

Vehicles: Letters, meetings, emails and telecons



Key engagements in 2020

- · Engagements to explain the causes of the 2019 AFS qualified audit opinion and to negotiate for a waiver.
- Engagements with Ratings Agencies to seek clarity to understand their downgrade action and to put mitigation plans in place for financial stability
- Engagements to request waivers or to negotiate margin increases as a result of Ratings' downgrade.
- Discussions with Development Finance Institutions to discuss Transnet's Environmental, Social and Governance (ESG) Framework.

Reasons for engaging with investors and Credit Rating Agencies



- Inform investors about our strategy, governance, capex plans, funding needs and credit information.
- Negotiate any new funding and provide credit information as may be requested from time to time by investors.
- Manage investor expectations and reputational risk.
- Provide credit information, such as governance and financial performance, as may be requested from time to time.
- Conduct the biannual management review meetings.
- Ensure good governance and deepen
- Meet with Credit Rating Agencies twice a year or quarterly for liquidity reviews.

Key issues/areas of interest



- · Credit downgrades.
- · Liquidity and funding.
- Governance.
- Audit qualification.
- Adequacy of Transnet's Environment Social and Governance Frameworks.

Our strategic responses



- We have started raising long-term funding to address rating agencies' issues.
- We have started carving out the PFMA-related audit qualification on all new loans.
- We have engaged with our investors to discuss and provide input on the draft overview of Transnet's Environment & Social framework, as part of the investor relations requirements.
- We have shared our quarterly interim financial results to provide transparency to our stakeholders that we are putting effort into servicing our debts.

Investors &

Credit Rating

Agencies

· We regularly provide progress updates on where the organisation stands with regard to issues of state capture to reassure our stakeholders that we seek to improve our governance processes.

Regulators



Engagement frequency and communications vehicles

Frequency: Ad hoc, periodically, quarterly and annually

Vehicles: Meetings, emails and letters



Key engagements in 2020

- Engaged the Rail Safety Regulators to seek approval of a three-year valid Railway Safety Permit.
- Quarterly meetings held with the Department of Environment, Forestry and Fisheries and the Department of Human Settlements, Water and Sanitation to discuss pending permits and licences as well as compliance with existing authorisations.
- Engagements on tariff applications across Operating Divisions.
- Engagements on the application for amendment on the NMPP project construction licence and assets acquisition, and the gas transmission for 2020 to 2023.

Reasons for engaging with regulators



- Discussions and alignment to compliance issues, input and comments into the development of regulatory approaches and tariff methodologies.
- Negotiate the permit fees as well as penalties on the contravention notices issued against the organisation.
- Discussions on the proposed Transport policies, compliance, railway permits and tariff methodologies and approaches
- Track progress and status of Transnet Environmental Impact Assessment applications that have been lodged with the Department of Environment, Forestry and Fisheries.
- Track progress and status of Transnet's water use licence and general authorisation applications that have been lodged with the Department of Human Settlements, Water and Sanitation.
- Ensure compliance with regulatory requirements.

Key issues/areas of interest



- · Compliance with special conditions of Special Permits.
- Prioritisation of prohibition notices issued by the regulator.
- Compliance with Record of Decision and tariff methodologies.
- Compliance with legal and other requirements including permit and licence conditions.

Our strategic responses



- We have received the closure of the two special conditions attached to our Railway Safety Permit, namely Human Factors Management and PRASA/Transnet Safety Interface Management Agreement.
- We have started to use the Transnet Regulator Engagement Protocol to guide the engagements that we have with stakeholders to align with regulations.

Regulators

- We have collaborated with government entities to advance partnership on Railway Safety to improve initiatives across the organisation.
- · We have embarked on a process to develop the legislated Safety Permit application process for a period of three years.
- · We are engaging stakeholders to discuss the Reasons for Decision and Record of Decision tariff methodologies.

Customers

Engagement frequency and communications vehicles

Frequency: Monthly, biannually, annually,

Vehicles: Meetings, emails, letters, workshops, events and surveys

Key engagements in 2020

- Engaged with customers to build and improve relations and service offerings
- Participated in national events as a platform to facilitate engagements with stakeholders.
- Regular engagements with provincial governments like the Western Cape and Eastern Cape to facilitate growth in these regions.
- · Engagements with the Durban Chamber of Commerce and related parties to provide progress reports on measures to address and reduce congestion at the Port of Durban.
- The newly appointed GCE spoke at the African Mining Indaba where she shared the Company's long-term vision to facilitate an integrated freight logistics system in Africa.
- Export coal forum with Richards Bay Coal Terminal and export iron ore channel meetings with Sishen-based

Reasons for engaging with customers



- · Engage with customers to build and improve relations and understand gaps in the service offerings.
- Provide regular updates on our organisational performance and progress updates on customers' issues and concerns.
- Engage with business and industry leaders to encourage information sharing to understand how the organisation can improve.
- Obtain feedback on perceived service quality through the Customer Satisfaction Survey.
- Participate in sector events, such as the African Mining Indaba and Nedbank Golf Challenge, to connect with current and potential customers.
- Engage customers through customer breakfast sessions to demonstrate commitment to gauging and responding to their needs and concerns.
- Engage industry forums with all customers from the major commodities to identify and pursue new business opportunities with distinctive value propositions per market segment.

Key issues/areas of interest



- Customer concerns with project pricing and service offerings.
- · Quick win turnaround to improve turnaround
- Management of decongestion at the Port of Durban.
- Building and improving relationships with stakeholders.
- · Competitive pricing.
- Convert business enquiries into freight solutions across all Operating Divisions.
- Reduce the cost of logistics.
- Customer service.
- Regional economic growth.
- · Road-to-rail migration.

Our strategic responses



• We held various engagements to address traffic congestion at the Port of Durban and to explore proposed solutions and mitigation plans that could be used to resolve this issue.

Customers

- We are focusing on integrated initiatives to increase volume growth by providing customer-centric, end-to-end freight solutions with improved service delivery to current and new customers.
- We are exploring new business opportunities that will reduce the cost of doing business, migrate traffic from road to rail and increase economic growth in the southern African region.
- The Customer Nerve Centre serves as a centralised touchpoint that will facilitate the understanding, internal alignment, drive and ownership required to fulfil customers' desires and resolve issues timeously.
- · We continue to conduct customer engagements such as industry meetings, commodity steering committees and site visits to identify customer needs to service execution
- We continue to foster a customer-centric culture in the entire value chain, in order to enhance customer service and in turn achieve the desired customer satisfaction levels.
- The Board continue to pursue cross-border opportunities emanating from engagements with our African counterparts.

Media



Engagement frequency and communications vehicles

Frequency: Ad hoc

Vehicles: Media updates, media briefings, publications (one magazine), press releases, holding statements and interviews



Key engagements in 2020

- Interim results.
- Annual results.
- Launch of the longest manganese train in the world in Saldanha Bay (375 wagon train).
- Announcement of the preferred bidder for the Tambo Springs Intermodal Terminal
- Transnet's bilateral loan agreement with international investor, German KfW Ipex-Bank.
- Cost sharing agreement between Transnet and International Finance Corporation.





- Foster and build relationships with the media.
- Updates on financial performance.
- Updates on large scale acquisitions or disposals.
- Capital expenditure.
- Sharing CSI initiatives.
- Labour relations (strikes, wage agreements, etc.).
- Communication of major crises.
- Communicate cross-divisional issues.
- Governance issues (Board-related issues and appointment of new GCE and other executives).

Key issues/areas of interest



- Suspension of Exco members.
- Update on the Durban Berth Deepening project following suspension of the contract.
- Response to the impact of heavy rain on the organisation, particularly in the K7N area
- Appointment of the new Transnet and other senior executives.
- Access to information.
- Transnet's response to strike actions.
- Public safety incidents in and around rail and pipeline infrastructure.

Our strategic responses



- We are amplifying OD stories through OD communication teams.
- We are reactivating Transnet's visibility through Parliamentary committees.
- Defining a Pipelines engagement strategy and subsequent awareness campaign across various media platforms.

General Public



Engagement frequency and communications vehicles

Frequency: Ad hoc and annually

Vehicles: Media updates, media briefings, annual reports, mass and social media platforms, exhibitions



Key engagements in 2020

- Year-end results announcement.
- Half-year results announcement.
- Investing in African Mining Indaba.

Reasons for engaging with public



- Reputation management.
- Updates on financial performance.
- Updates on large scale acquisitions or disposals.
- Sharing CSI initiatives.
- Labour relations (strikes, wage agreements, etc.).
- Communication of major crises.
- Engagement on Governance issues (Board-related issues and appointment of new GCE and other executives).

Key issues/areas of interest



- Suspension of Exco members.
- Update on the Durban Berth Deepening project following suspension of the contract
- Response to the impact of heavy rain on the organisation, particularly in the KZN area.
- Tender and job scams.
- Appointment of the new Transnet GCE.
- Access to information.
- Transnet's response to strike actions.
- Bursaries .

Our strategic responses

• We are implementing the recommendations of the Fundudzi Report, MNS and Werksmans' report related to acts of malfeasance.

General Public

• We are developing awareness campaigns to create visibility of the brand.

Our specific response to Covid-19

Transnet's primary concern is the health, wellness and safety of our employees and the communities near our operations. The Covid-19 pandemic has called on us to increase our efforts to support the well-being of fellow South Africans - both, our employees as well as part of the broader citizenry.

Transnet remains committed to providing support to communities in areas in which it operates, and we express our sincere gratitude to the various spheres of government for responding by partnering with us and sharing in common the humanity which holds us accountable to each other. During this period, we acknowledge our employees who continue to show resilience and commitment to their work. We take our hats off to our colleagues who are in the frontline during this unprecedented time, as our operations remain at the forefront of facilitating trade.

Covid-19 Covid-19 Measures Measures Internal External Support health and safety awareness through regular communication in all languages Made available several properties across Gauteng, KwaZulu-Natal and the Free State provinces for use as temporary shelters for the homeless and also as quarantine sites Provision of effective personal protective equipment Designated facilities have the capacity to accommodate more than 600 people during the lockdown period while the local government provides for food, security and waste removal Temporarily halting the use of biometric access in favour of employee access cards for admittance into our facilities We handed over our world-renowned Phelophepha Healthcare Train to the Department of Health to grow capacity for the free screening and testing of global pandemic Covid-19 for the remote rural communities in Mpumalanga, KZN and the Free State Installation of thermometer scanners at our entrances (people with temperature of 37.3°C + are referred to occupational health clinics for further screening and support) We delivered medical-grade PPE at the value of R5, 2 million for health workers at the Baragwanath Hospital and donated food parcels to NPOs valued at R4,5 million Restrictions on the number of employees in face-to-face We created a support structure for employees to make voluntary donations into the Solidarity Fund to help communities during the pandemic period A 24-hour Employee Assistance Programme is available to (24) support employees with telephonic counselling We have implemented a customer crisis management plan which includes a specialised customer nerve centre to provide a single point of contact during this crisis Collaboration with external healthcare providers for case management, medical advice and counselling support, as Transnet partnered with other SOEs, fibre providers and network well as educating employees on precautionary measures to operators to make the available spare fibre-optic network contain the spread of Covid-19 capacity to connect hospitals, quarantine sites and rural schools to enable distance/e-learning to communities that is of proximity to the available infrastructure **Essential services**

We take cognisance of the essential services that we provide to our critical stakeholders and it is our priority to ensure that Transnet continues to provide essential services across the country.

We acknowledge all of our employees: the train drivers, health workers, security personnel, maintenance workers, mariners, crane operators – and the list goes on – who continue to work during this challenging period so that we can deliver on promises made to our stakeholders.

Approach

- Transnet scaled down some of its operations during the lockdown and prioritised essential services
- We have implemented measures to maintain our business operations by identifying several employees as essential workers to continue to provide essential services
- Our specialised business units are working remotely to provide continuous support for essential services
- · Our essential workforce goes through closely monitored safety measures to ensure that they go back to their families healthy and safe

Ranking our stakeholders for the 2020/21FY

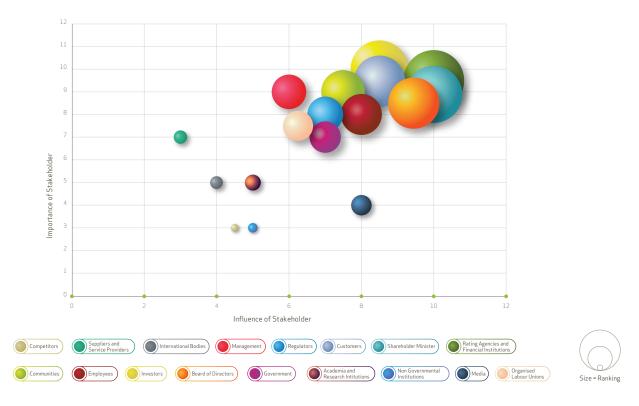
Transnet views all its stakeholders as important to the success of the organisation. In dealing with stakeholder concerns, we operate on the basis of ranking our stakeholder in terms of the materiality of their needs. This annual ranking also forms the basis of understanding their interests, expectations and influence. Also, annual review of ranking is important as we understand that stakeholder needs, concerns and expectations are dynamic and therefore may change from time to time. We further undertake the ranking on a prospective basis so that we can devise the appropriate engagement plans for the upcoming year. This enables the organisation to proactively identify the appropriate methods, levels,

vehicles and frequency of engagement relative to the ranking for the prospective year. The following are the factors we consider during the ranking:

- The organisation's strategic direction for the prospective year
- Stakeholder issues emanating from the preceding year
- · Level of stakeholder influence
- Level of stakeholder importance

Depicted in figure 4 below is the stakeholder matrix for the 2020/21FY.

Figure 4: Stakeholder Matrix



As seen on figure 4 above, Investors, Rating Agencies and Financial Institutions Shareholder Minister and Board of Directors were the highest ranked stakeholders. These were followed by Employees, Management and Organised Labour; Customers; Communities and Regulators. Efforts will be targeted as follows:

Investors, Rating Agencies and Financial Institutions: ensuring good governance and deepen trust especially following the South Africa's sovereign downgrade and subsequently that of Transnet.

Shareholder Minister and Board of Directors: ensure continuous engagement regarding performance especially following the arrival of COVID 19 and impact of lockdown on performance.

Employees, Management and Organised Labour Unions: ensure continuous engagement on issues relating to job security, organizational structure changes and employee health amid COVID 19.

Customers: ensure continuous engagement regarding Transnet's Business Continuity Plans amid COVID 19, as well as overall customer experience.

Communities: ensure corporate social responsibility to safeguard social license to operate.

Regulators: ensure compliance to rapidly evolving regulatory requirements

Conclusion

Targeted efforts have been made to enhance stakeholder engagement during the year under review.

Stakeholder engagement is a vital component to understanding your shareholders and customers' needs. Ignoring it would be to your own peril.

The Multi-stakeholder Perception Survey conducted a year ago, indicates that the quality of engagement with our stakeholders is uneven across the organisation and leaves room for improvement.

This called for a stakeholder engagement workshop to review and further improve on the quality of engagement with our stakeholder and enhance the organisation's reputation.

Based on the stakeholder engagement workshop held in the financial year under review, it is imperative for Transnet to implement the following:

- Ensure a more coordinated approach to stakeholder engagement and management across the organisation. Currently the operational divisions and other units are working in silos.
- Provide access to training designated personnel on stakeholder engagement and management across the organization.
- There is also a need to effectively use stakeholder engagement information to inform strategy and for analytical purposes.
- Stakeholder engagement plans should be developed across the organisation and include stakeholder engagement targets in performance contracts of Exco members across all operations of the organisation.

The SRMM assessment has provided a detailed understanding of our stakeholder engagement maturity, which will be enable us to develop a plan to achieving the desired level of maturity. We now know where to focus our efforts!

The actions of the Board together with the appointment of the new GCE and other critical senior executives, has created stability in the organisation.

We continue to monitor the implementation of the Stakeholder Improvement Plan 2019–2021 and will report on progress thereof in the 2020/21FY report.









Corporate Information

Transnet SOC Ltd

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

Waterfall Business Estate 9 Country Estate Drive Midrand 1662

PO Box 72501 Parkview, Johannesburg South Africa 2122

T+27 11 308 3001 F+27 11 308 2638

