

Sustainability report

2009 highlights

R1,86 billion
sustainable savings
through strategic sourcing

Page 83

The Transnet Foundation invested

R72,9 million in education,
health, sports, containerised assistance, arts
and culture, discretionary sponsorships
and donations

Page 101

Transnet **culture**
charter launched

Page 87

The establishment of **Transnet**
Environmental Forum

Page 102

R420 million
invested in **skills development**

Page 89

2009 awards

Phelophepa United Nations
Public **Service Award** for
“Improving Service Delivery”

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Rural and Farm Schools programme

Recognition in the **Mail &**
Guardian “Investing
in the Future” programme

Page 100

2009 lowlights

fatalities employees: 13
public: 179

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Hydrocarbon
seepage at **Dom Pedro**
Quay in Port Elizabeth

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key challenges for 2010

Reducing the number of
safety incidents and
cost of losses by **33%**
in the **medium term**

Page 99

Improving
environmental
compliance

Page 102

Conducting a **study** that
will result in an **integrated**
climate change strategy

Page 104

Reference guide

- AR** Throughout Annual Report
- ES** Executive Statements pages 24 - 62
- CG** Corporate Governance pages 64 - 74
- SR** Sustainability Report pages 76 - 105
- OR** Operational Report pages 108 - 174

Integrated sustainability management at Transnet

With operations positioned throughout the country, Transnet understands the importance of integrating long-term economic goals with a solid platform for social and environmental sustainability. Sustainability principles are particularly pertinent for the Company as it steers the business through the global economic downturn. As economic challenges continue to impact Transnet’s business, employees, customers and operational communities, the Company continues to find ways to optimise resources and enhance service value whilst simultaneously reducing the impact of its operations on the environment. It further considers the long-term impact of social and economic imbalances in growing its future employee talent base. This includes fostering collaborative partnerships with the Government as well as business and academic institutions to create a labour environment conducive to positive job creation and continued learning. Strong emphasis continues to be placed on cultivating a workplace that promotes fair, ethical and safe business practices, whilst encouraging the highest standards in operational and financial achievement.

Transnet’s sustainability platform, developed and refined over several years, offers a foundation from which to integrate the management of business and sustainability performance. As a “community of practice” hub, this platform helps to balance sound profits with environmental and social accountability at all levels of the Company.

With a company-wide focus on sustainability performance, leadership from all functional areas work to ensure that business functions are focused on increased accountability, stakeholder engagement, world-class performance, transparent reporting and environmental custodianship.

Although Transnet did not seek external assurance for the reliability of the sustainability information, a rigorous internal assurance process is in place, as well as involvement of Transnet’s internal auditors in the benchmarking of the Company’s Annual Report.

The Corporate Governance and Nominations Committee of the Transnet Board of Directors has strategic oversight of the sustainability performance of the Company.

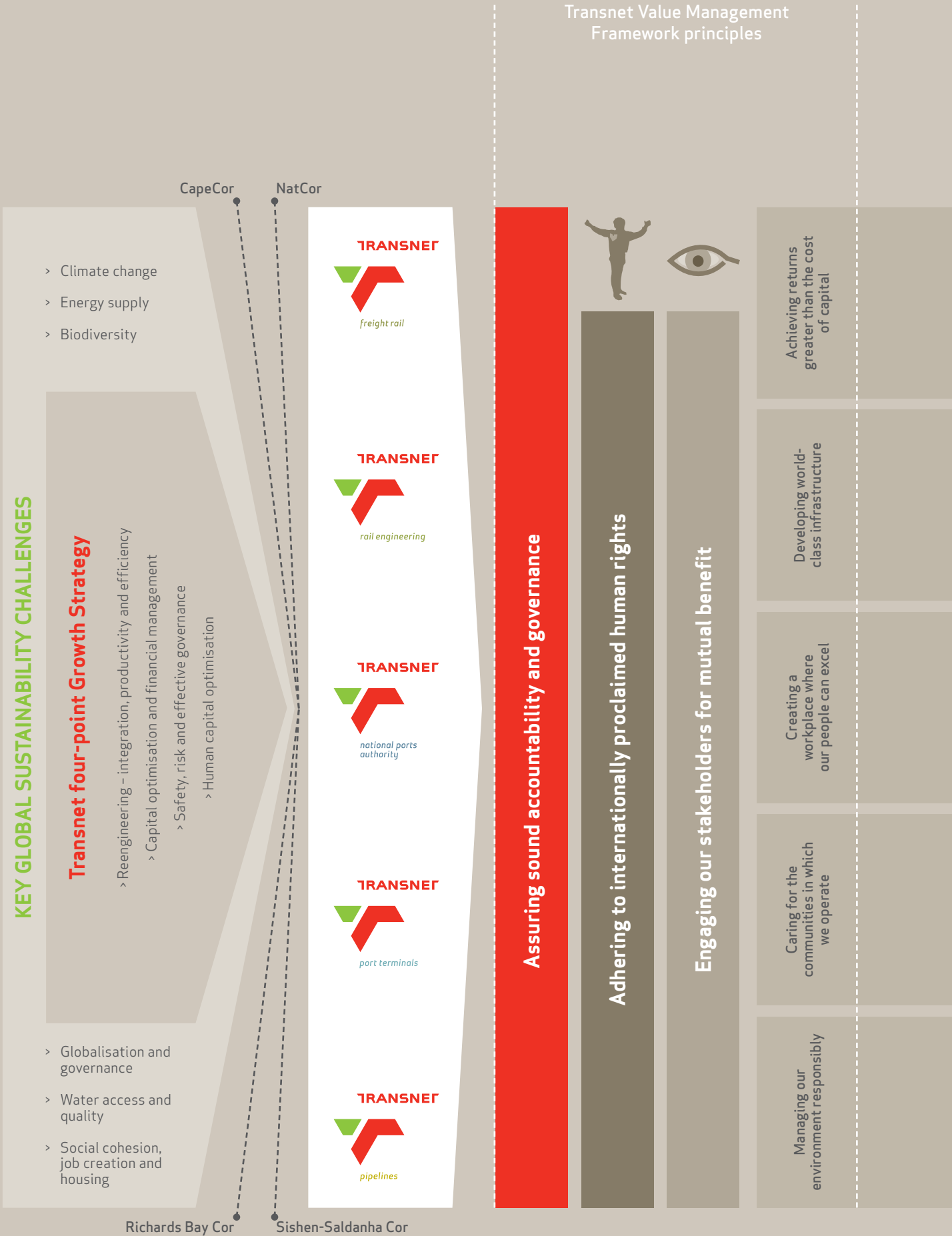
The Transnet value measurement framework

Transnet is accountable to its stakeholders for sustainable decision-making processes, which integrate principles of economic prosperity, social equity and environmental sustainability. To deliver on this commitment, the Transnet Value Measurement Framework (TVMF) below aims to strengthen the accountability chain, encourage stakeholder trust and measure Transnet-specific sustainability performance across the Company.

Stakeholder engagement mechanisms are integrated into Transnet’s decision-making process. A core focus of each functional area is to engage stakeholders in ongoing communication, consultation, dialogue and partnerships in order to pursue mutually beneficial solutions and determine material concerns. The TVMF distills these material concerns into a central framework for measuring and reporting performance on key material issues.

The TVMF is consistent with the integrated reporting requirements of the draft King III Report and recognises the GRI Guidelines as a global benchmark. It also takes into account the unique South African business landscape.





Growing value for stakeholders in an integrated way
 "delivering on our commitment to you"

Shareholder and other state-owned enterprises	Regulators and other Governmental agencies	Customers	Suppliers	Employees and labour unions	The public, financiers and media	Society and local communities
Sustain return on investment	Ensure compliance with IFRS	Provide cost-effective and reliable service	Establish ethical procurement systems	Secure employment through financial performance	Build financial stability and brand value	Lower the cost of doing business
Monitor efficiency of infrastructure investment	Mitigate adverse social, environmental and economic impact	Deliver infrastructure capacity ahead of demand	Embed supplier data integrity	Enable the workforce through infrastructure programmes	Earn returns commensurate with infrastructure investments	Address community impact concerns
Maximise equitable human resources potential	Comply with labour standards and legislation	Enable customer centric service delivery	Encourage a healthy relationship between staff and suppliers	Become an employer of choice	Value sound working relationship with organised labour	Protect job security
Drive joint socio-economic objectives	Contribute to social cohesion through compliance	Foster relationships through cultural awareness	Advance competitive supplier development	Empower employees as productive roleplayers in society	Earn a reputation as a good corporate citizen	Enhance corporate social investment in education, health, sports, arts and culture
Prioritise material environmental concerns	Increase focus on environmental compliance	Build trust through environmental best practice	Promote environmental stewardship throughout the value chain	Inculcate a culture of resource conservation and responsible environmental management	Respond to environmental issues in a transparent way	Engage communities in mutually beneficial solutions

SUSTAINABLE CAPITAL GROWTH: financial, physical, human, natural, social and cultural



Assuring sound accountability and governance

TVMF

Assuring sound accountability and governance

Corporate governance and ethical conduct	ES CG
Executive management and corporate strategy.....	CG ES
Enterprise-wide risk management	ES SR CG
Integrated reporting.....	ES AR SR

Raising the bar on security management

During the year, the Transnet Security Management (TSM) strategy was developed through a robust, interactive and integrated process incorporating input from key internal and external stakeholders, such as the South African Police Service (SAPS) and the National Intelligence Agency.

As a minimum, the overall strategy development took into consideration applicable legislative requirements and international codes, including the International Ship and Port Facilities Security Code (ISPS Code) of 2004 and the National Ports Act No. 12 of 2005, both of which are applicable to the port environment; and the National Key Points Act No. 102 of 1980, which is applicable to the pipelines environment. Other key drivers in the security environment are the Transnet Enterprise-wide Risk Management (ERM) framework and the Transnet Freight Corridor strategy.

Human rights

Transnet is committed to upholding the human rights and dignity of individuals in its dealings, including when addressing challenges that confront it, arising from trespassers, stowaways, illegal immigrants and inhabitants of informal settlements built within the rail reserve.

Transnet Security Management is aware of the need to uphold constitutionally sound principles of human rights in managing the Company's security risk. During the year no claims regarding human rights violations were instituted against the Company.

In the year ahead, human rights training and awareness campaigns will be initiated amongst the security fraternity including internal and external security service professionals.

The TSM strategy aims to protect Transnet's customers and employees, as well as to secure the Company's assets, income and infrastructure. This is achieved by integrating and focusing TSM through intelligence based operations; the application of technology; and the collective inputs of the Company's internal and external stakeholders. In implementing the TSM strategy, operational frameworks have been developed in all the operating divisions in line with the security strategy.

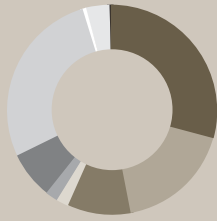
In the year ahead, TSM standards will be developed in conjunction with the Company's internal and external stakeholders. These security standards will include the Minimum Information Security Standards, the National Key Point Standards and the recently approved Minimum Physical Security Standards.

In the implementation of the TSM strategy, greater focus will be given to the following activities:

- Embedding security structures and plans within the operating divisions;
- Implementing a security information management and communication support system, which includes training, awareness campaigns and technology;
- Reassessing identified 'sensitivity' areas through an analysis of material risks, threats and vulnerabilities; and
- Initiating an education and training programme to increase security talent management, leadership and skills development.

CCTV security project. Surveillance control room at the Port of Ngqura.

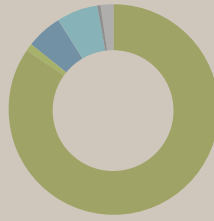




Security incidents per category*

Total incidents 4 886

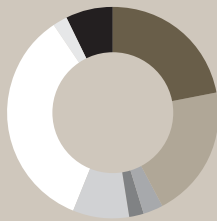
Cable theft	1 432
General theft	869
Trespass	474
Stowaways	89
Goods in transit theft	101
Tarpaulin theft	348
Battery theft	1 345
Theft of product	44
Sleeper theft	161
Motor vehicle theft	23



Security incidents per division*

Total incidents 4 886

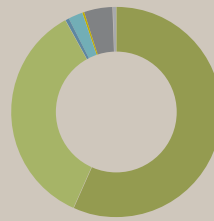
Freight Rail	4 133
Rail Engineering	50
National Ports Authority	286
Port Terminals	315
Pipelines	8
Capital Projects	12
Corporate services and support centre	82



Security rand value loss (million)*

Total R38,39

Cable theft	8,48
General theft	7,81
Goods in transit theft	1,19
Tarpaulin theft	0,84
Battery theft	3,27
Theft of product	13,22
Sleeper theft	0,82
Motor vehicle theft	2,76



Security rand value loss (million)*

Total R38,39

Freight Rail	21,86
Rail Engineering	13,45
National Ports Authority	0,23
Port Terminals	0,92
Pipelines	0,05
Capital Projects	1,73
Corporate services and support centre	0,15

*Baseline – first year of reporting

Reality story

Container-theft syndicate apprehended

With the change-over from a manual to an automatic gate system at Durban's Pier 1 Container Terminal in August 2008, criminals exploited the opportunity and escaped with five containers brimful of Samsung appliances. Given the limited investigation capacity of Maydon Wharf SAPS, Port Terminals set up an internal investigation team to assist the SAPS. Without impacting the business or the morale of clients and employees, the internal team constructed an informer base with strategic sources in the operating division's supply chain and evaluated possible gaps where information could have been leaked to perpetuate the crime.

Port Terminals' security department, in conjunction with MOL Shipping, each appointed a dedicated resource to assist the SAPS. Following a month of focused investigation, and the internal team working an average of 14 to 16 hours a day, the case was resolved and the criminals apprehended. The Port Terminals' internal investigating team was able to pinpoint where internal controls had failed and identified possible suspects through its informer base.

In addition to apprehending the suspects and recovering at least 95% of the stolen goods, the SAPS were also able to recover the five empty containers, which were sold by the criminals after stockpiling the contents in the warehouse. The best practices achieved in the investigation have been applied to existing operational procedures and the security measures at the terminals have been strengthened. These include specific functionalities being activated on the NAVIS container operating system to enhance existing control measures. An awareness strategy has been initiated throughout the operating division to alert employees to potential criminal activities and to offer guidance on how staff can assist the operating division and the SAPS responsibly in resolving similar cases in future, without placing themselves at risk.



Achieving returns greater than the costs of capital

TVMF

Achieving returns greater than the costs of capital

Financial management..... ES AR

Commercial management with a marketplace and customer focus.. ES AR

Operations and freight corridor management..... ES OR SR

Procurement, supply management and BBBEE..... ES SR

Commercial management with a marketplace and customer focus

For 2009 the primary focus of Transnet Group Commercial (TGC), in conjunction with the operating divisions, remained the provision of an improved and seamless service to customers across the supply chain.

During the year, numerous policies and practices were implemented to enhance commercial management within the Company. A commercial interaction routine was introduced to guide interactions between Transnet professionals, both within the Commercial team and the operating divisions, and their customers. The routine specifically helps to standardise the quality of customer engagement across the Company to ensure the provision of the highest service value throughout Transnet's operations. The introduction of management forums streamline commercial decision-making and creates platforms for designing inclusive service solutions. These forums include:

- The Commercial Subcommittee reporting to the Transnet Group Exco;
- The TGC Exco, whose members include representatives of TGC and the operating divisions; and
- Councils for various Commercial disciplines, such as the Marketing Council and Pricing Council. More such councils will be established to address specific commercial focus areas.

TGC is also represented on the COPCOs of the respective freight corridors. To ensure that potential new market entrants are afforded the same opportunities as existing customers, and that competition regulations are complied with, a tender process has been initiated for service provision within the Manganese Export Channel.

Continuous alignment with the operating procedures and performance targets of the operating divisions is a priority for TGC. A sales conference was held to ensure that all members of the Commercial sales team are appraised of and support Transnet's commercial vision and objectives.

During the year the effects of the deteriorating global economic climate were experienced by Transnet's major customers and were further reflected in the declining volumes transported for most strategic commodities. Specific initiatives have been introduced to ensure that volumes are maintained, and even increased, during this period. Initiatives include a specific focus on increased container volumes and actions to gain market share from the road hauliers.

we said

AR 2008, p64

Transnet will continue the implementation of the strategic sourcing programme and associated operational efficiencies to promote further cost reductions.

we did

Achieve R1,86 billion in sustainable savings through strategic sourcing during the year, this being the final of a three-year programme where cumulatively R3,5 billion in savings were banked.

Each operating division, with the assistance of Transnet SSM, identified key areas where Transnet could realise savings. These savings were achieved through focused negotiations and improved demand management, which entailed better service or product usage and forecasting. Several sourcing teams worked on approximately 26 commodities to achieve the savings target.

we will

Focus on maintaining and expanding supply sources, and identify opportunities for further cost reductions.

The planning for the implementation of an enterprise-wide customer relationship management (CRM) system has commenced, which should significantly enhance customer knowledge and interaction between Transnet and its major customers.

In the year ahead, Transnet's primary commercial focus will be to further improve the service offering to corporate customers through direct customer engagement. Volume growth in a difficult economic climate will be a specific challenge. Growth plans for the year ahead include:

- Developing, implementing and tracking detailed and integrated corporate account plans for all corporate customers, which will form the basis for all customer initiatives and engagements;
- Introducing volume-growth initiatives in respect of specific strategic commodities;
- Implementing the roll-out of an enterprise-wide CRM system;
- Implementing an integrated marketing strategy and plans, which will include a brand campaign in order to ensure alignment of all signature events and marketing initiatives across operating divisions;
- Implementing a new contracting dispensation with corporate customers whereby uniform and commercially focused contracts will be entered into;
- Implementing a new pricing framework and philosophy, which is a specific challenge due to the inability of some customers to absorb market-related price increases; and
- Researching, reviewing and tracking corporate customer satisfaction levels, which will be aligned with the corporate account plans.

Operations and freight corridor management

During the year, the Company formally resolved to focus management attention and investment on the primary freight corridors conveying the majority of Transnet's freight volumes, namely the Cape, Natal, Richards Bay and Sishen-Saldanha corridors. A Group Executive has been appointed with oversight of the freight corridors and the Company is in the process of assembling specialist teams to support operations within the four primary corridors.

The teams' key focus is to ensure a coordinated approach to planning, investment and operational strategies within each corridor. This requires alignment between Transnet's operating divisions and the requirements of customers utilising the channel. The team will track volume flows from source through to the port for export and vice versa, unlocking bottlenecks and creating a culture of continuous improvement in the system.

Whilst the corridor structure is still being implemented, the focus on major commodity flows within priority corridors has already resulted in visible improvements in the integration of planning and operations, both within Transnet and between the Company and its customers. As the freight corridor structures become fully embedded, the Company expects further improvements in efficiency and economies of scale.

With key commodities being impacted by the recent downturn in global demand, operations need to be flexible and efficient to accommodate future volatile market conditions.

A number of interventions will focus on maximising volumes on export and domestic coal, magnetite, iron ore and growing rail market share for containers. Provided demand in these areas remains strong, these interventions will enable the operating divisions to exceed their volume targets for these commodities. If, however, there is a further drop in demand, the improved flexibility of operations will enable the Company to limit the impact of reduced volumes.

Procurement, supply management and BBBEE

The objective of Transnet Strategic Supply Management (SSM) within Transnet is to become an integrated value-added professional partner to Transnet's stakeholders, providing a reliable, cost-effective and customer focused service. In uncertain economic times, meeting this objective is critical to attaining Transnet's overall strategy and reducing the cost of doing business for the Company's customers.

At Transnet SSM's request, an internal review of its policies and procedures was conducted to help identify areas for improvement. This resulted in a refinement of policies and the standardisation of procedures across Transnet. Going forward, this will improve the Company's relationship with suppliers and assist in generating more value for money. Transnet SSM also focused on how best to implement the Company's Competitive Supplier Development Programme (CSDP), which encourages international suppliers to focus on long-term investment in South Africa in a way that promotes enterprise development and black economic empowerment within the infrastructure and logistics industry.

The optimisation of Transnet's supply chain helps to improve its fleet availability which, in turn, improves the Company's service to customers. Several initiatives commenced during the year to reduce inventory, improve distribution and to close underutilised warehouses. In the long term, this will result in improved service delivery and reduced costs.

To ensure that Transnet SSM personnel are professional partners to their stakeholders, employee training and development remains a high priority for the Company. During the year, more than 30 000 hours of staff training was performed across the country. Intense training has been performed in the areas of policy, contract management, strategic sourcing, basic procurement procedures, and standards pertaining to the Construction Industry Development Board (CIDB). The first round of participants in a fast-track programme have received their MCIPS, an Honours degree in Procurement issued through the UK based Chartered Institute of Procurement and Supply (CIPS). In addition, the "eLearning" programme is being expanded.

plans and progress

Establishment of the Transnet Group Commercial department

Most positions have been filled. The strategy for Transnet Group Commercial was developed and approved by Transnet Group Exco.

Corporate account-integrated account management

Three corporate account plans for Transnet's largest customers were developed and account teams established. Work on remaining corporate accounts has commenced.

Corporate account reporting

Reporting systems have been developed and implemented. System automation is currently being developed.

Development of pricing strategy

A Transnet pricing framework and philosophy has been developed and approved.

Development of a marketing communication strategy

Transnet's marketing strategy has been finalised. Major marketing events within the operating divisions have been aligned.

Contracting

A review of existing contracts has been finalised. New contracting standards with improved commercial focus are being developed.

Market research

Existing material has been consolidated and reviewed. This will help to improve access to research material and avoid duplication.

Private sector participation

Areas of priority participation are being identified and reviewed.

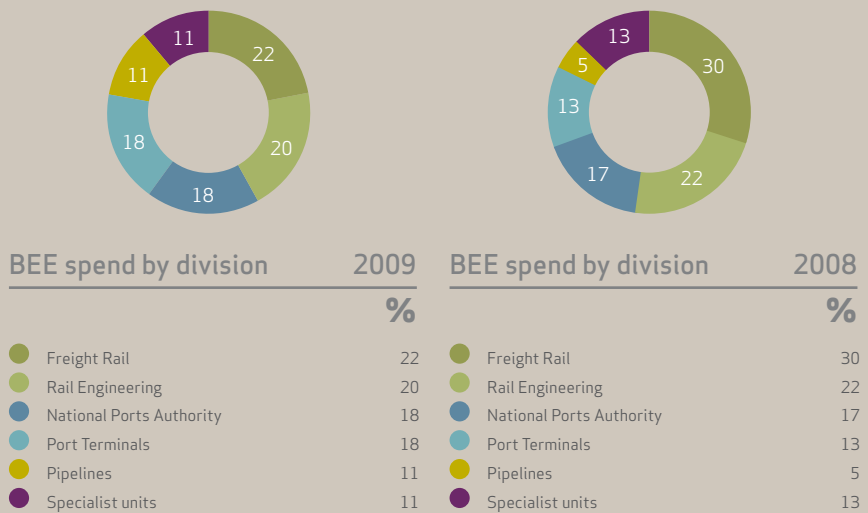
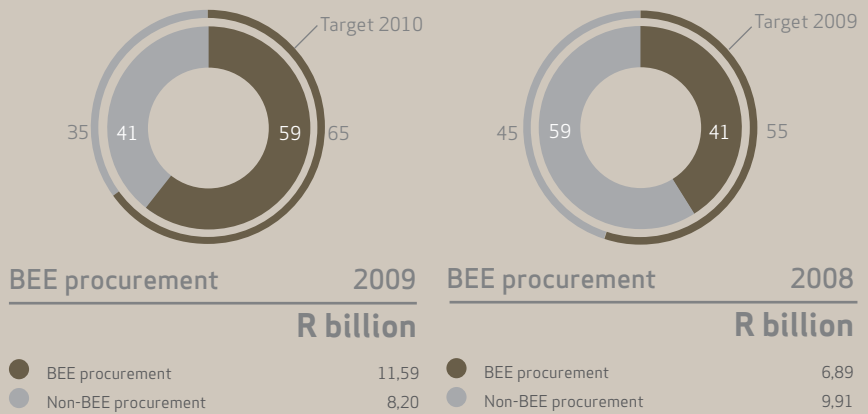


Human rights

Transnet actively promotes and upholds the principles contained in the South African Bill of Rights. This commitment is underlined by the fact that there have been no reported incidents of human rights violations pertaining to Transnet SSM's contracts. The following initiatives illustrate Transnet's commitment to its human rights obligations:

- As from 2009, contractual provisions relating to the prohibition of child labour will be included in all Transnet's international contracts. Local contracts are subject to South Africa's labour laws, which prohibit child labour and forced labour practices. Transnet incorporates minimum wage requirements into the terms of its service contracts and may terminate a contract if it is alerted to a supplier breaching any of the provisions;
- Transnet will ensure that its suppliers strictly apply and observe all environmental legislation that pertain to a particular contractual relationship. The Company will include provisions in all its supplier contracts that mandate suppliers to abide by all relevant environmental legislation, including the rehabilitation of sites;
- Transnet abides by all BEE related legislation and actively procures goods and services from BBBEE companies, as well as qualifying small enterprises and exempted micro-enterprises to promote the empowerment principles of the South African Government. Transnet also actively promotes the procurement of goods and services from women-owned companies and from businesses owned by people with physical disabilities; and
- During the year, Transnet SSM embarked upon several enterprise development initiatives to develop and uplift local suppliers, thereby, broadening the local supplier base and creating more local jobs.

The current economic crisis provides the Transnet SSM team with an even greater opportunity to provide an invaluable contribution to Transnet through strategic sourcing and demand optimisation. This will require the development and expansion of supply sources as well as stricter contract lifecycle management through the implementation of a new supplier relationship management strategy and system.



Reality story

Enabling enterprise development

Transnet supports and assists in the development of SMMEs and creates an enabling environment for BBBEE enterprises to access available procurement opportunities within the Company. Freight Rail's commitment, not only to the enablement of BEE business initiatives, but also to ensure opportunities for service providers with physical disabilities, was demonstrated in the awarding of a tender contract to Mr Ben Rahlao for general maintenance work in Bloemfontein.

Mr Rahlao, a wheelchair-bound entrepreneur, together with his team ensured a skilled and quality delivery of painting, plumbing, tiling and carpentry services. Mr Rahlao's own performance has shown that a physical disability is not an implied obstacle to constructive maintenance work.

Ben Rahlao Builders has grown its workforce from three employees to six permanent staff members, two of whom are black women. Freight Rail commends Mr Rahlao for his perseverance and professionalism, and wishes his team great success in the future.

Developing world-class infrastructure

Information and communication technology (ICT)

Transnet's ICT strategy provides the framework for enterprise-wide system integration, ultimately aimed at tangible performance improvements and business results. It is a strategic imperative for Transnet to integrate enterprise architecture to promote a virtual computing environment and a 'services oriented' approach to the operating divisions' adoption of processes and systems. To achieve this, the Company adopted a services architecture to drive standardisation.

Governance and controls

In response to a growing demand for technology, it has become essential for Transnet to govern its ICT environment through sound monitoring and controls. The following ICT governance areas were prioritised during the year:

- ICT general controls;
- Critical Financial Reporting Controls (CFRCs);
- Transnet Electronic Communication Policy; and
- Transnet Information Security Policy.

Transnet Business Intelligence (TBI) programme

The Transnet Business Intelligence programme (TBI) facilitates the availability of relevant, timely and accurate information by enhancing the processes and systems that enable information management.

During the year, several TBI initiatives were introduced to standardise information access and knowledge sharing across the Company, including:

- Deploying a shared SAP system pilot project across Transnet Capital Projects, Transnet Property, Transnet Corporate Centre and the Transnet Foundation;
- Establishing a Business Intelligence (BI) Working Group with the mandate to focus on high quality information for key performance indicators across the Company. In the year ahead this Working Group will mature into a formal Centre of Excellence (CoE); and
- Establishing the Enterprise Content Management (ECM) working group, laying the foundation for enhanced knowledge management across the Company. This working group will evolve to a formal CoE during the year ahead.

The TBI programme, furthermore, focused on providing systems for contract lifecycle management, treasury management, investment and project management, real estate management, asset management and risk and safety management.

ICT infrastructure programme

The threat of global warming has become a strategic challenge for global organisations, featuring as the fourth highest global risk, according to Ernst & Young's 2009 Business Risk Report. Consumer and regulatory responses to climate change are driving the need for organisations to reduce their carbon footprints in their operational activities and to find "green alternatives" wherever possible.

Transnet is committed to collectively addressing the carbon challenge and has initiated the Virtual Footprint Platform, which will provide the basis for future Wintel (Intel and Windows) deployments. Project implementation is iterative, and during the year the first phase was implemented at the Transnet Corporate Centre. This involved the consolidation of the active directory and email environments into the virtual platform where a combined 65% carbon footprint reduction was achieved. Going forward, various other projects, such as the Unified Communication project, will be implemented on this platform.

arivia.kom outsource negotiations

During the year an indicative Gartner Consulting Worldwide IT benchmark was completed. The benchmark report is being used as a base for arivia.kom outsource negotiations. The arivia.kom outsource/sales transaction is well under way, with the request for proposal and due diligence phases completed. One preferred bidder has been selected, and Transnet envisages completing the process in the year ahead.

TVMF

Developing world-class infrastructure

Infrastructure provision in accordance with the National Infrastructure Plan ES OR
Information and communication technology..... ES SR

The way forward:

Transnet ICT will focus on the following key components in the year ahead:

- Aligning the objectives of TBI programme with the Company's growth strategy;
- Driving the evolution of TBI to ultimately operate as an Enterprise Programme Management Office;
- Ensuring that standards are applied and consistency is increased in the ICT landscape across the Company;
- Increasing awareness of ICT risks and strengthening processes for ICT governance;
- Strengthening assurance arrangements to ensure regulatory compliance through continuous policy development;
- Aligning technology enablement and solution provision across Transnet to enable the growth strategy and support core business processes effectively;
- Creating applicable CoEs to support collaboration in a cost-effective manner;
- Realising contractual enablement of the ICT networks (Ubambano), thereby unlocking potential areas of infrastructural efficiencies within the future areas of enablement (CoEs);
- Identifying and integrating ICT vendors across Transnet, focusing on a vendor engagement model outlined in the ICT sourcing strategy, with a key focus being the utility outsource; and
- Finalising the arivia.kom outsource/sale transaction.



Creating a workplace where our people can excel

TVMF

Creating a workplace where our people can excel

Change, transformation and culture	ES	SR
People management	ES	SR
Employee relations.....	ES	SR
Employee wellness and HIV/Aids..	ES	SR
SHEQ performance	ES	SR

Change, transformation and culture

Transnet is well under way with the implementation of the initial phase of the Human Capital Management (HCM) SAP and Shared Services Programmes. These programmes aim to engage and align human resource leadership practices across the business and to serve as an initial communication forum for human resource professionals within the Company.

In the year ahead, the Company will implement the change management strategy to enable the successful execution of the next phase of HCM SAP and Shared Services Programmes. This will include stakeholder engagement and communication to prepare the organisation for the change as well as 'change readiness' assessments with user and client groups to determine the types of change interventions required to ensure successful implementation.

Employment equity

Transnet's employment equity strategy and plan for 2007 - 2010 was approved by the Transnet Group Exco in July 2007. Steady progress has been made in achieving targets. Currently 74% of Transnet's workforce is black and females comprise 18% of the workforce.

During the year, the Company focused on implementing tools for planning, target setting and monitoring to assist operating divisions to meet their employment equity targets.

The Company will focus on the following initiatives in the year ahead to sustain the positive progress made in respect of employment equity:

- Developing and implementing a gender equity strategy;
- Developing a comprehensive disability management strategy;
- Embedding the use of target setting and monitoring tools;
- Reviewing and developing the employment equity strategy for 2010 - 2013; and
- Integrating and aligning employment equity interventions with culture interventions.

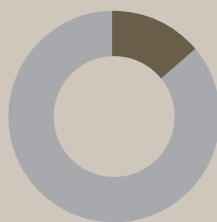
Employment equity

Employees	Indian (A)		African (B)		Coloured (C)		Black (A+B+C)		White		Total		Total
	F	M	F	M	F	M	F	M	F	M	F	M	F+M
Management	131	405	850	1 672	126	355	1 107	2 432	235	2 368	1 342	4 800	6 142
Non-managerial	211	1 048	5 225	21 872	813	3 390	6 249	26 310	1 225	8 852	7 474	35 162	42 636
Total - 2009	342	1 453	6 075	23 544	939	3 745	7 356	28 742	1 460	11 220	8 816	39 962	48 778
	1%	3%	12%	48%	2%	8%	15%	59%	3%	23%	18%	82%	100%
Management	101	319	565	924	113	260	779	1 503	206	1 654	985	3 157	4 142
Non-managerial	187	1 104	5 025	22 913	764	3 291	5 976	27 308	1 253	10 094	7 229	37 402	44 631
Total - 2008	288	1 423	5 590	23 837	877	3 551	6 755	28 811	1 459	11 748	8 214	40 559	48 773
	1%	3%	11%	49%	2%	7%	14%	59%	3%	24%	17%	83%	100%
Targets 2010								70%		30%		30%	

F = Female M = Male

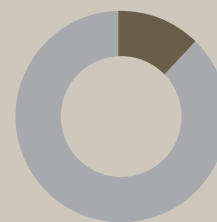
Employees with physical disabilities

Currently employees with disabilities represent less than 1% of the total employee population. The challenge remains in the environment being highly operational, and in the associated barriers which impede the Company's ability to attract and retain employees with disabilities. Transnet will embark on appropriate strategies to improve representation of employees with physical disabilities in the Company in the year ahead.



Employees with physical disabilities
Total 2009
389

Female 53
Male 336



Employees with physical disabilities
Total 2008
403

Female 49
Male 354

Masihambe let's move together

Following a year-long process of employee engagement, the Transnet culture charter was launched in August 2008 as a joint initiative between Transnet management and labour. The initial phase of the project entailed gathering input from employees as to the type of behaviour they would like to see demonstrated throughout the Company to make Transnet a "winning" organisation. More than 17 000 forms were collected from staff and condensed into 37 primary behavioural themes. These in turn formed the basis of a voting ballot sheet distributed to all employees, requesting them to select the top 10 desired behavioural principles. More than 44 000 ballot sheets were received from staff during the week of 7 to 11 April 2008.

The culture charter comprises seven behavioural principles:

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

The charter was launched at nine main sites and 17 satellite sites, with more than 30 000 employees participating in the events. The country-wide launches encouraged a strong sense of unity among employees and promoted ownership of the principles contained in the charter through the philosophy of "One Company, One Vision". The principles of the charter were communicated to employees by way of a song, "Masihambe... let's move together". The Masihambe song proved extremely popular with employees, with attendees routinely breaking into spontaneous song and dance, showing both their enthusiasm and support for the charter. Employees were also asked to 'pledge' their long-term allegiance to the charter.

After the launch, an additional process was initiated in which at least 13 000 employees scored the critical behavioural factors in the charter against their perceived levels of performance within the Company. Consensus was reached on the most important cultural issues requiring attention within the Company. These issues now form the baseline of the charter from which to monitor future performance. An 'embedding programme' has been initiated to entrench the values contained in the charter at all levels of the Company, starting with senior leadership, flowing to front-line management and finally cascading to all employees throughout the Company.

Transnet will finalise and launch the culture charter.

we did

A year-long process of employee mobilisation and staff engagement culminated in the successful adoption of the Transnet culture charter by employees across Transnet in August 2008. More than 13 000 employees scored on the culture charter in September 2008. This established a Company-wide consensus on the critical culture issues that need to be addressed to enable performance and growth. The culture charter process provides an ongoing opportunity for sustained employee engagement and mobilisation to drive a positive performance culture in support of the growth strategy.

we will

Implement the Leadership Behaviours Charter (LBC) at Extended Exco level and cascade the charter to the next level of management; and develop culture-change platforms that will embed the appropriate culture and sustain positive behavioural changes. This will be achieved by:

- promoting leadership practices that will empower teams at operational level, by supporting, directing and coaching them to perform their jobs;
- improving communication and culture of first-line management teams to promote better communication and team practices;
- visibly tracking performance on 'fixing the basics' and mobilising employees around issues of workplace pride so as to maintain dignified and safe operational standards; and
- engaging employees positively through formal and informal recognition, effective communication, annual charter scoring and participation in culture week programmes.

Continuous improvement training at Transnet Rail Engineering, Salt River.



People management

Capacity building and skills development

Transnet promotes ongoing knowledge sharing and learning for all of its employees through its skills and capacity building initiatives. Collectively, these initiatives create an integrated platform to enhance sustainable people development in support of the Company's growth strategy.

Transnet will continue to focus on the following human resource development objectives in the year ahead:

- Implementing and institutionalising a governance framework for Group-wide capacity building;
- Enhancing capacity building intelligence through effective and integrated reporting processes and stakeholder alignment;
- Delivering on Transnet's skills priorities;
- Establishing skills pipelines for Transnet's priority skills; and
- Optimising training capability and capacity within the Company's human resource development's 'Centres of Excellence'.

Transnet continues to be closely aligned with the Joint Initiative on Priority Skills Acquisition (JIPSA) initiative in support of the Accelerated and Shared Growth Initiative for South Africa (ASGISA) programme. The Company's commitment to the national skills agenda is endorsed through its active participation in the development of the new Human Resource Development Strategy of South Africa (HRDSSA). Transnet will continue to form part of the process to integrate the HRDSSA and JIPSA initiatives.

Flowing from the JIPSA call to increase the engineering skills pipeline in the country, a collaborative initiative has been established between six organisations, of which Transnet is a member. This partnership, known as the Technical Skills Business Partnership (TSBP), comprises commercial and institutional partners such as Denel; the Transport Education Training Authority (TETA); the Institutions of Higher Learning; the South African Institute of Chartered Accountants (SAICA); and the Department of Education. The TSBP has the following main objectives:

- Increasing the contribution of participating companies and their sectors in growing the national pool of available technical skills; and
- Implementing gap-closing strategies and action plans towards alleviating the shortage in engineering and artisan skills, in line with JIPSA targets and the Department of Labour's critical and scarce skills list.

Transnet's skills development and capacity building initiatives extend to all levels of the Company and include the training and development of unemployed individuals and scholars. The following programmes reflect the Company's commitment to ongoing education and training of its existing employees as well as future generations of potential employees:

- Transnet continues to support Dinaledi Schools, and through the additional support of the Transnet Foundation's Sharp Minds Get Ahead in Life project, is providing dedicated focus on improving science and mathematics throughput. This is done in designated areas that target previously disadvantaged individuals;
- Through the Denel partnership, Transnet has continued its support for the school outreach programme that targets the educational output of scholars in remote areas;
- The engineering bursar pool has been increased from 220 to 315 engineering bursars;



1



2



3



4

Picture 1 Transnet Freight Rail shunting yard at Sentrarrand Picture 2 Training facility at Salt River
Picture 3 Cranes assembled at Port of Ngqura Picture 4 Transnet Pipelines at Alrode

- In 2008, approximately 300 technician bursars completed practical training at Transnet and received their qualifications. More than 90% of these technicians have been employed by the Company. Currently 290 technician bursars are registered on Transnet's practical training programmes;
- Through Transnet's affiliation with the South African Institute of Chartered Accountants, the Company supports various graduate development programmes. Currently 30 bursars are supported on the Thuthuka programme which aims to place African and Coloured students at selected accredited universities on special undergraduate accounting programmes. Transnet also has 11 learners on the Training Outside Public Practice (TOPP) programme. TOPP is a three-year learnership programme for candidates that have a Certificate in the Theory of Accounting/ BCompt (Honours) or equivalent; and
- Transnet also has a Graduate in Training (GIT) programme which targets commercial graduates and provides them with relevant and valuable workplace experience. The programme provides graduates with an opportunity to be employed by the Company, depending on skills requirements. The GIT programme pool has increased from 20 to 40 graduates in training.

The development of operational and artisan skills has also received much needed focus during the year.

Transnet spent more than R420 million on skills development during the year, which accounted for 4,2% of its labour cost. This cost is in line with the Company's human capital investment in 2008, but in excess of the market trend of 2,4%. This skills expenditure does not include the 1% skills development levy payments.

Talent management and leadership

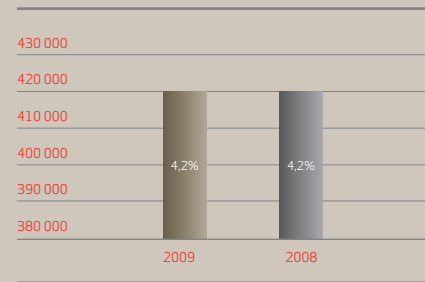
Transnet's growth strategy aims to continually enhance productivity and efficiencies within the Company, thereby encouraging economic growth in South Africa. Talent management and leadership development within the Company are core strategic imperatives for Transnet to achieve its business objectives.

Leadership development

Transnet continued the roll-out of the first phase of its Navigator Leadership Development Programme, which aims to raise the level of leadership competencies among managers at strategic, operational and emergent levels in the Company. In 2008, a total of 1 680 managers attended the programme and at 31 March 2009, the number of participants has been increased to 3 389 managers.

The Company has commenced the roll-out of the second phase of the Navigator programme, which responds to specific business requirements as defined in the individual learning plans of employees. It provides a support framework for identifying, planning and implementing focused initiatives to address specific leadership requirements. The Navigator programme subscribes to a return on investment (ROI) philosophy that measures the impact value on the business.

Transnet's turnover for all category employees is currently within accepted norms with an average of 8,3%, which is inclusive of all employment termination categories. Transnet is, however, closely monitoring the turnover rate in the technical grades and has commenced with specific initiatives to increase retention in their grades.



Training as % of total personnel costs (R million)

we said

AIR 2008, p69

Transnet will develop stratified succession pools across management levels and design retention strategies to retain top talent. Strong emphasis will be placed on creating the necessary capacity for 'change agents' to sustain the positive impacts of the process and to advance Transnet towards its talent growth goals.

we did

Rollout Transnet's Group-wide talent management strategy to executives, senior leaders and frontline supervisors through training programmes and talent forums across the operating divisions. During the year, employee development action plans, succession plans and succession pools for senior leadership were developed. An ROI mechanism was also devised to enable the appropriate measurement of the impact of the programme.

we will

Continue to develop succession pools for all levels of employees and conduct talent review forums to support the further development of strategies to retain top talent. Building capability and capacity amongst Talent Managers will continue to be an area of focus and will provide sustainability to the Company's talent management programmes.



Reality story

Streamlining processes towards a “culture of excellence”

During the year, Freight Rail launched its Order to Execution (O2E) project. The O2E project aims to create a single flow process to streamline Freight Rail's services to customers, from the point of order-taking through to the empty wagon distribution stage. The ultimate goal is for Freight Rail to become a process-driven organisation that can deliver customer value through improved service delivery, optimal asset utilisation and efficiency. Added to this, the operating division aims to embed a process-oriented culture that promotes well-controlled cross-functional processes.

The O2E project addresses the challenge of having documented processes and procedures in the past that were never fully embedded into the daily activities of employees. Historically, systems, metrics, policy information and employee activities were largely dissociated. To achieve the anticipated outcomes of the project, Freight Rail's business units and its value chain stakeholders had to agree on the focus areas of the project. These centred on five major areas for improvement: ineffective deviation management; inefficient order-taking processes; lack of clear traffic prioritisation; poor controls in the Integrated Train Plan updating process; and poor wagon management at customer sidings.

Significant improvements in deviation management as well as order-taking have been achieved through the review, simplification and improvement of current processes. Country-wide training initiatives were held where delegates were not only taken through the technical implications of the changes but were also sensitised to the urgent need for a mindset change to achieve a “culture of excellence”, particularly within the customer facing functions of the business. To date, 1 233 employees have been trained.

Performance and reward

The integrated performance and reward practices are designed to motivate and reinforce individual as well as organisational performance. Although the focus remains on the attraction and retention of qualified personnel, it is also crucial to encourage all employees to achieve business targets. This is achieved through an optimal mix of ‘guaranteed’ and ‘variable’ pay. The objective is to create a high-performance culture which ultimately supports the growth strategy and rewards appropriate professional behaviour.

Rewarding performance

In 2009, significant progress was made in rolling out the new reward dispensation to professionals with scarce and critical skills in the bargaining unit category. First-line managers, specialists and technicians were converted from a basic pay dispensation to a cost-to-company basis. Conditions of employment for this group were standardised and resulted in improved cost management. Performance management has been successfully implemented and rolled out across the Company. The reward solution was successfully negotiated and implemented for 4 000 artisans and 5 500 rail operations personnel. It is anticipated that the reward solution will be extended to the rest of the bargaining unit employees during the year ahead.

The new grade structure was implemented for management employees and extended to specific categories in the bargaining unit identified in the previous year.

The design and roll-out of the revised short-term incentive scheme for the bargaining unit employees were the highlights during the year. The scheme comprises an annual ‘on target’ component, as well as a ‘gain share’ component. The annual payment is based on the achievement of EBITDA targets while the quarterly payment is effected if the EBITDA target has been exceeded. Primary and secondary value drivers were identified for each operating division and introduced to enhance line of sight. The incentive is capped at 120% of EBITDA and could realise up to 22% of pensionable salary for an employee each year if this target is achieved.

Transnet's long-term incentive scheme was approved and implemented for members of the Group Exco and Extended Exco (i.e. Group Exco inclusive of Operating Division Exco and General Managers of specialist units).

Performance management

The performance management system for package category employees, as implemented in 2006, was extended to include approximately 3 500 first-line managers, specialists and technicians. Performance management training for these employees has been completed and their performance assessments will be conducted for the year. The quality of the performance management system has been enhanced through the training of human resources practitioners and line management to ensure that individual scorecards are aligned with overall business objectives. Transnet's leadership charter, which reflects the Company's core values, has been developed and approved. The behaviour assessment instruments will be refined during 2010 and integrated with performance management. These instruments will first be rolled out to the Extended Exco and then cascaded to the rest of the package category employees.

Human resources enablement

During the year, Transnet Human Resources, together with TBI, embarked on a Human Capital Management (HCM) system and process analysis across all the operating divisions. The system analysis sought to determine the extent of the differences in the design, configuration, implementation and use of the HCM systems and processes in the operating divisions.

Based on the outcome of the system analysis, the Company embarked on a design project to standardise and consolidate the HCM processes and systems across all the operating divisions. The project considered the implementation of a HR Shared Services component and a feasibility study was approved. The overall objective of the study was to evaluate the viability of, and high level approach to, implementing a HR Shared Services model for the Company.

The vision of the Transnet HR Shared Services Analysis Project is to design a solution that will enable the following human resource management objectives:

- Fostering the “One Company, One Vision” philosophy;
- Promoting human resource operational efficiency and effectiveness;
- Ensuring a high-performance driven culture;
- Increasing the utilisation of human resources and SAP HCM capabilities;
- Empowering line managers in the management of people, processes and systems; and
- Embedding sound governance to ensure high-performance human resource management.

Transnet Freight Rail's National Command Centre (NCC) in Parktown, Johannesburg. The building's design depicts the Company's philosophy of “One Company, One Vision”.



Employee relations

Transnet is a highly unionised environment, with 75% of all bargaining unit employees belonging to either one of the two trade unions recognised by Transnet. A healthy, productive and stable labour relations environment is critical to business success. During the year, Transnet continued to refine its relations with the unions so as to create an informed and empowered workforce.

In the past year, the employee relations team has engaged with the unions on the following key initiatives:

- The disposal of non-core assets without industrial action;
- The negotiation and implementation of a new, differentiated reward model for 11 500 (24%) bargaining unit employees with scarce and critical skills. These include train movement personnel, artisans, first-line managers, specialists and technicians;
- Joint initiatives to drive a safety mindset;
- The implementation of a recognition and agency shop agreement which provides a new labour relations framework for Transnet;
- The implementation of a new discipline management system;
- Consultation on, and implementation of standardised workplace policies and procedures;
- Consultation on the Transnet Short-Term Incentive Scheme and the HR Shared Service Model; and
- Consultation on the impact of the global economic downturn on the business and measures to ensure business sustainability.

Below is a summary of significant achievements flowing from the trade union engagement process:

Trade Union Recognition Agreement

A new Trade Union Recognition Agreement was concluded with labour in November 2007. The initial negotiations, which began in July 2006, centred on concluding a new full-time trade union representative dispensation, but quickly expanded to encompass all aspects of trade union recognition across the Company. The result is a comprehensive and far-reaching recognition agreement, which regulates the organisation's rights in terms of recognised trade unions in Transnet and provides for consultation structures that promote meaningful consultation on operational issues.

Although some minor disputes have arisen from the implementation of the agreement, relating mainly to the interpretation of certain clauses, preliminary indications are that the agreement is being successfully implemented in most of Transnet's operating divisions and specialist units. The implementation of the Agency Shop agreement coupled with Transnet's derecognition of UASA as from 1 March 2008, has resulted in a significant increase in the membership of both the South African Transport and Allied Workers' Union (SATAWU) and the United Transport and Allied Workers' Union (UTATU), in collaboration with the South African Railway and Harbours Workers' Union (SARHWU). With the derecognition of UASA, Transnet now has two recognised trade unions: UTATU and SATAWU, who respectively represent 42% and 33% of all bargaining unit employees.

The Company embarked on an education, training and implementation campaign on the content of the new recognition agreement in early 2008. The ongoing campaign is aimed at different levels of employees, together with all shop stewards. Implementation is currently nearing completion, with the final level of training being rolled out at supervisor level. Refresher courses will be provided to ensure the ongoing successful implementation of the new agreement across the Company.

Policies

Since October 2007, Transnet has consulted with the trade unions on, and implemented, a total of 20 new HR policies that have provided standardisation across the operating divisions. Critical amongst these have been the recruitment and selection policy; the substance abuse policy; and the grievance policy. To support the consistent and correct application of the policies, an extensive training and education campaign was embarked upon with managers and full-time shop stewards.

In addition, the trade unions are being consulted on the extension of a number of other policies to employees in the bargaining unit, including the relocation and transfer policy; the gifts policy; the code of ethics; assessment and moderation policy; business travel policy; the declaration of interest policy (including related party disclosures); and the anti-racism policy. These policies will further support the achievement of standardisation within the operating divisions. The anti-racism policy, in particular, will be critical in supporting the achievement of employment equity and the objectives of the culture charter.

2008: 2 063 days
2009: 488 days
down
1 575 days



Total man-days lost due to industrial action

Disposal of non-core assets

During the year, the disposal of Shosholozza Meyl and Autopax Passenger Services (Pty) Ltd to the Passenger Rail Agency of South Africa (PRASA) received priority. Consultation with the trade unions took place on the package equalisation as well as the disposal transaction processes.

Managing the impact of the global economic downturn

Quarterly engagements with the national union leadership took place during the year in the Strategic Leadership Forum (SLF). The purpose of the SLF is to enable meaningful two-way transparent interaction and strategic engagement on business challenges and the implementation of business strategy that will contribute to Transnet's success. A key theme informing activities in the latter half of the year was the impact of the global economic downturn on Transnet and its operations.

The last three SLF engagements have focused on Transnet's financial standing and measures to ensure the long-term sustainability of the business. In addition to the consultations at the SLF, operating divisions have consulted with their full-time shop stewards on specific challenges experienced in operations and the measures to contain costs and drive efficiencies and performance. The trade unions have engaged proactively on the cost-containment measures and have worked with management to ensure that retrenchments are a last resort in responding to the economic crisis.

Number of disciplinary cases as a percentage of total employees

To handle the high number of disciplinary actions within Transnet expediently and effectively, the Company embarked on an extensive training programme to equip management and supervisors in their role in managing discipline in the workplace, in line with the requirements of the Labour Relations Act and the Transnet Disciplinary Code. More than 400 managers and supervisors received training, providing them with the skills to:

- Identify procedural and substantive fairness in cases of misconduct and poor performance;
- Understand the stages in disciplinary hearings;
- Initiate disciplinary charges;
- Prepare for a disciplinary process; and
- Present evidence and successfully argue a case on behalf of Transnet.

As part of the manager and supervisor training programme, Transnet's presiding officers were provided with training to assist in improving their skills in assessing and evaluating evidence and delivering well reasoned verdicts and sanctions.

In addition to the above training initiatives, Transnet introduced a new tracking and monitoring system to track disciplinary cases from the date of an incident until the finalisation of the disciplinary process. The system enables management to monitor trends in the disciplinary process so as to inform strategies to improve the quality of discipline management across the Company.

Disciplinary action

	Designated								Sub-total	Non-designated			Sub-total	Total	
	Male			Sub-total	Female					White male	Foreign nationals				Sub-total
	A	C	I		A	C	I	W			Male	Female			
2008	3 012	394	78	3 484	371	54	2	20	447	542	-	-	542	4 473	
2009	1 622	310	74	2 006	287	39	4	18	348	448	4	-	452	2 806	

A = African C = Coloured I = Indian W = White



Reality story

Transnet's total reward solution: journey to reward and recognition

Following extensive negotiations with recognised trade unions, Transnet implemented a new competency based reward model for critical grades in the bargaining unit. The new reward model was considered imperative in reshaping the skills profile within the Company and improving Transnet's ability to attract and retain skills to meet the demands of the growth strategy.

Historically, as a public sector company, Transnet lacked targeted performance management and, blanket increases were typically applied across the board for bargaining unit employees. This limited the Company's ability to compete as an "employer of choice" in the market for critical skills. In March 2007, the Company presented a new reward strategy to the union leadership and commenced a process of employee stakeholder engagement on the new reward model in October of the same year. The new model was aimed at rewarding critical skills according to market standards, whilst maintaining market pay for lower grades and creating a strong link between competencies and remuneration.

Initially, the unions were resistant to a differentiated approach to reward that would, in the first phase, only benefit 13 000 out of 48 000 employees. In addition, the trade unions were opposed to the concepts of competency based remuneration, multi-functional utilisation, multi-skilling, and performance management. However, the concept of a competency based career progression programme for artisans and train movement staff was positively received and after protracted negotiations, a new reward dispensation was granted to employees with critical skills. The new reward model impacted 5 500 train movement staff, 4 000 artisans and 3 500 first-line managers, specialists and technicians.

The new reward dispensation includes differentiated market related salary adjustments for critical grades; standard collective agreements for artisans and first-line managers, specialists and technicians (FST); a standardised grade structure and revised pay scales for the respective groups; the introduction of competency based remuneration for artisans and FSTs; and more flexibility in remuneration practices and counter-offers. To further support the new reward model, a revised short-term incentive scheme for bargaining unit employees was also introduced.

Transnet continues to engage trade union representatives, managers and employees to facilitate the correct Group-wide implementation of the new reward model. Road-shows have been conducted to inform first-line managers, specialists and technicians of the new agreements. In the year ahead, training will be offered on Transnet's performance management systems.

Whilst some challenges have arisen in the implementation of the new agreements, the overall rollout of the new reward model presents meaningful growth and development opportunities for bargaining unit employees. The next phase of the rollout will focus on cascading the new reward solution to the other categories of bargaining unit employees; introducing performance management for support staff; improving the quality of performance management for managers, specialists and technicians; and improving and refining the Transnet incentive scheme.

Employee wellness and HIV/Aids

Absenteeism Management Programme

Substantial savings have been recorded since the Absenteeism Management Programme was introduced two years ago. Good progress has been made in the training of line managers, standardising absenteeism data and reporting across all operating divisions.

In the year ahead, Transnet will introduce a mechanism to manage incapacity as an enhancement to the continued implementation of the Absenteeism Management Programme.

Absenteeism

Operating division	No of days absent		Average duration days		Direct cost (payroll) R millions		Absenteeism rate (%) cost against payroll		Absenteeism rate (%) Days		Target (10% reduction) %
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	
Freight Rail	150 780	103 515	3,0	3,6	43,36	38,74	2,10	1,01	1,62	1,07	1,03
Rail Engineering	138 086	132 694	3,7	3,6	42,68	51,06	2,10	2,14	2,21	2,27	2,18
National Ports Authority	29 886	30 826	3,1	3,2	12,44	16,29	1,91	2,07	2,32	2,49	2,39
Port Terminals	66 586	76 353	3,2	3,6	22,82	31,30	2,59	3,02	3,02	3,61	3,46
Pipelines	2 214	3 041	2,6	4,1	1,20	1,65	0,88	1,05	1,01	1,54	1,48
Capital Projects	1 178	1 586	2,9	2,8	0,86	1,38	0,26	0,44	0,36	0,58	0,56
Corporate Centre	786	1 849	2,0	1,8	1,24	4,81	0,32	1,08	0,44	1,18	1,13
Transnet	389 516	349 864	3,2	3,6	124,60	145,23	1,75	1,62	1,97	1,79	1,72

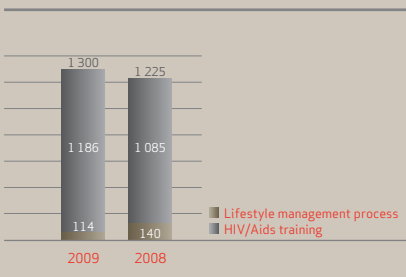
The table above shows an improvement of R20,6 million when compared to last year. This improvement is as a result of an improved reporting system, which reflects more accurately the direct cost of absenteeism based on actual earnings month-on-month. However, the number of days recorded as absent days have increased by 39 652 days or 11% over the same period. This is indicative of a trend that more employees in lower paid job categories have been absent, causing less impact on the monetary element of absenteeism but reflecting an increase in the number of absent days recorded. Close to 80% of the reported absenteeism days is considered to be 'sick absenteeism'. The incapacity management process that will be introduced during 2009 will have a positive impact in terms of the management and containment of 'sick absenteeism' in Transnet.

An electronic management system to record absenteeism data was introduced as part of the Absenteeism Management Programme during April 2009. It is expected that this development will enhance the holistic management of absenteeism and will assist the Company to reach its absenteeism reduction targets set for 2009. As is evident from the statistics, Transnet missed the target of a reduction of 10% in the absenteeism rate marginally by 0,25%.

HIV/Aids Management Programme

Transnet will continue to implement its HIV/Aids strategy by focusing on improved communication and awareness around the disease. Furthermore, Transnet will ensure that employees who are medically uninsured have access to HIV/Aids clinical care and that access to voluntary counselling and testing services are available to all employees.

The graph below indicates the number of employees that enrolled either in the Transnet Lifestyle Management Programme or in the HIV/Aids Programme offered through Transmed. Compared to 2008, there has been an increase of 6% in terms of the total number of enrolments in both programmes.



Employees enrolled in lifestyle programmes

Disease management expenditure

The consolidated Transnet expenditure in terms of disease management decreased by 11,6% during 2009. This can be attributed to the decline in the number of employees that enrolled for the Lifestyle Management Programme, specifically the medically uninsured employees. The increase in the number of employees who have enrolled for the Transnet Disease Management Programme is encouraging.

"Wellness days," incorporating voluntary counselling and testing campaigns, are planned across the Company to increase awareness around the HIV/Aids Programme.



Disease management expenditure





SHEQ performance

Transnet's SHEQ risks are managed through the Company's Enterprise-wide Risk Management (ERM) framework, which continues to be embedded across the Company. The CURA risk management software system is utilised to report on these risks and is updated on a monthly basis.

Safety

Safety management remains a primary focus area for Transnet, and the embedding of a safety culture within all operating divisions is of critical importance to the Company. The unreserved commitment by Transnet's management and labour leadership is essential in leading, facilitating and demonstrating appropriate behaviour at all levels of the Company. To achieve this level of cultural entrenchment, it is important to make safety, health and environmental awareness a conscious commitment in day-to-day operations.

In spite of this commitment, regrettably, 13 Transnet employees were fatally injured during the year (2008: 11), indicating that greater efforts are required to ensure that the Company improves its safety performance. With the identification and mitigation of operational risks being one of the key success factors in the Company's growth strategy, employees have placed safety at the top of the list of Transnet's culture charter. This emphasis on safety offers the Company an opportunity to analyse and review its current safety approaches and efficacy, whilst proactively striving 'towards zero harm'. This reflects a Group-wide consensus that employee safety should be considered the Company's highest operational priority and that safety efforts at all levels of the organisation should receive the required support and commitment from management; particularly line management who bear first-level accountability for safety performance.



Disabling injury frequency rate (DIFR)

The Company's rolling DIFR is 1,09 compared to 1,25 for the prior year. Although this is an improvement of 12,80%, it falls 3,81% short of the Company's rolling DIFR target of 1,05%. A target of 0,87 has been set for 2010.



Safety performance rating

Integrated management systems are implemented across Transnet, and form the basis for effective SHEQ performance management. To achieve this, the annual safety performance targets include the overall percentage score attained by Transnet as a whole. Furthermore, the operating divisions are audited separately and independently.

Transnet has a diverse operations' environment which is influenced by a range of factors such as legislation, industry norms and leading practices. In terms of standardisation, the management principles of OHSAS 18001 are based on NOSA management principles. In addition, the various operation-specific management standards such as SANS 3000 (Rail Safety Management Standard) are utilised and are based on International Standardisation Organisation (ISO) principles such as ISO 9001 for quality management and ISO 14001 for environmental management.



Cost of risk (COR)

The Company's cost of risk (COR) has increased from 2,46% in 2008 to 2,70% in 2009. One of the contributing factors is that the Company's revenue is lower than expected, but costs remained high. The Company's COR target for the year was 2,53%.

Going forward, the cost of loss which is a quantitative measurement of the total financial loss suffered by the Company over a defined period as a result of damage to, or loss of, Company assets and/or as a result of the Company's liabilities, will be measured as opposed to COR.

A safety mindset is the top behaviour principle as part of Transnet's culture charter.

Incident reporting

Transnet reported 800 employee disabling injury incidents during the year. Investigations attribute the causes of these incidents to multiple factors as indicated in the disabling injury incidents graphic on page 99.

Various key management initiatives have been implemented to improve overall safety performance in Transnet. They include the following:

- Rolling out a safety culture initiative as part of the Transnet enterprise-wide risk culture project to ensure that all stakeholders, including labour unions, actively participate in the safety improvement drive; and
- Evaluating the standard of safety management in Transnet through awareness sessions, which aim to achieve a reduction in workplace incidents and a reduction in claims.

The way forward

With safety management remaining a key challenge for Transnet, the Company will increase safety awareness and strive to change employee behaviour. This includes focusing on the dangers of negligence and substance abuse, particularly in operational areas. The fostering of accountability for safety performance at all levels of management will remain a high priority, with particular emphasis on the safety responsibilities of line-management. The Company demonstrates zero tolerance towards substance abuse and non-adherence to standard operating procedures (SOPs).

The Company will, furthermore, identify areas that require prioritisation through comprehensive risk and trend analysis. The timely implementation of recommendations from the boards of inquiry, combined with the sharing of “lessons learnt” will assist in preventing the repetition of mistakes. In addition, the implementation of recommendations from the safety management review conducted by Transnet Internal Audit will be expedited in the year ahead, and continued monitoring will assist in ensuring safety issues are pre-empted and mitigated before they materialise.

Safety incidents will continue to be elevated to the Transnet Board of Directors, while a sense of responsibility is being inculcated enterprise-wide. The Company will intensify discipline and consequence management, and ensure that relevant policies are consistently applied. Furthermore, there will be continued focus on setting more stringent performance targets, with additional weight accorded to safety as a modifier.

In the year ahead, Transnet will recognise and promote positive behaviours to stimulate pride amongst stakeholders, encouraging them to maintain a safe working environment. This will include empowering employees to desist from working under dangerous conditions and to create opportunities for them to offer suggestions and solutions to manage unsafe situations. Key success factors remain proactive training and coaching; budgetary provisions for required equipment to ensure a safe working environment; and employee ‘buy-in’ to safe work ethics across the Company.

SHEQ performance

Transnet’s 2010 SHEQ implementation plan is summarised in the table below, and reflects the incremental progress towards maturity:

Development /implementation plan	Development /implementation plan			
	2007	2008	2009	2010
NOSA	Develop/Implement	System review	Certification	Integration and continuous improvement
ISO 14001	Develop/Implement	System review	Certification	
OHSAS 18001	Develop/Implement	System review	Certification	
ISO 9001	Develop/Implement	System review	Certification	

The average rate of progress (in percentages) for the development and implementation of the Integrated SHEQ Management Systems in Transnet is: 80% for the National Safety Management System based on the NOSA system; 63% for the Environmental Management System based on ISO 14001; 27% for the International Health and Safety Management System based on OHSAS 18001; and 78% for the Quality Management System based on ISO 9001. In addition, the operating divisions are impacted by rail operations and are required to have operator licences issued by the Rail Safety Regulator. In order to achieve compliance with the rail safety standard, SANS 3000, the operating divisions have made significant progress in the development and implementation of the rail safety standard. Overall, Transnet has achieved 92% progress on the implementation of the rail safety standard.

Quality

Quality in Transnet is managed as an integral part of daily processes, with management systems designed to ensure adherence to both technical and operational process requirements. The development of ISO 9001 standards, based on the Quality Management System across Transnet, has progressed to 89%, while the simultaneous implementation of the standards is at 78%. Port Terminals has taken the lead and has been certified ISO 9001 compliant with the quality management principles.



Sustainability report (continued)

Each operating division's progress against the above targets is presented in the table below:

SHEQ best practice targets				
	NOSA	ISO 14001	OHSAS 18001	ISO 9001
Freight Rail	Freight Rail's management is focusing on maintaining the rail operator permit issued by Rail Safety Regulator through implementing SANS 3000.	The implementation of ISO 14001 has been delayed, however the planning is in progress.	The development of this system is 10% complete and the implementation has not yet commenced.	Six operational areas, five container terminals and the School of Rail have been certified compliant with ISO 9001 quality management principles.
Rail Engineering	All 87 business units have been certified compliant with NOSA safety management principles.	The development of the system is 85% complete and 75% has been implemented to date. Certification is planned for March 2010.	The development of the system is 85% complete and 75% has been implemented to date. Certification is planned for March 2010.	All 87 businesses and the Suspension Industrial Park (Koedoespoort) have been certified compliant with ISO 9001 quality management principles.
National Ports Authority	All seven ports have been certified compliant with NOSA safety management principles.	Four of the seven ports have been certified compliant with ISO 14001 environmental management principles.	Two of the seven ports have been certified compliant with OHSAS 18001 health and safety management principles.	All seven ports and lighthouses have been certified compliant with ISO 9001 quality management principles.
Port Terminals	All 15 terminals have been certified compliant with NOSA safety management principles.	All 15 terminals have been certified compliant with ISO 14001 environmental management principles.	The development of the system is 45% complete and 30% has been implemented across Port Terminals.	All 15 terminals have been certified compliant with ISO 9001 quality management principles.
Pipelines	All 20 programmes have been certified compliant with NOSA safety management principles.	The system has been fully developed and 50% has been implemented to date.	Pipelines' management has decided to consolidate the improvements in the NOSA system and is considering migrating to OHSAS 18001.	The system has been fully developed and 70% has been implemented to date.

Transnet Capital Projects applies the ISO 14001 methodology to the development and execution of capital projects and complies with requirements set by the respective operating divisions for which projects are being executed.

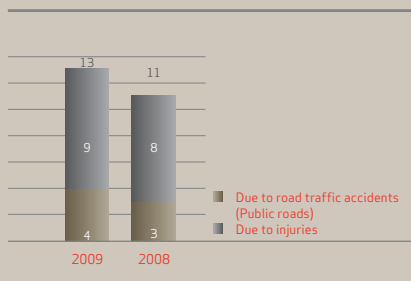
SHEQ performance - continued

Transnet consolidated				
Indicator	Target 2010	Actual 2009	Target 2009	Actual 2008
Cost of risk as % of revenue (%)	(33)*	2,70	2,53	2,46
DIFR (disabling injury frequency rate)	0,87	1,09	1,05	1,25
SHE performance audit rating	88,50	87,23	88,83	83,30

* New cost of loss target

Employee fatalities

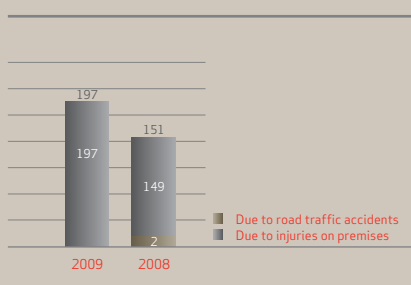
Thirteen employee fatalities have occurred during the year. Investigations attribute the causes of these fatalities to multiple factors, such as motor vehicle accidents; lack of supervision; non-adherence to, and inadequate, SOPs; human error or misjudgement; equipment failure; lack of training, discipline and consequence management.



Employee fatalities on premises

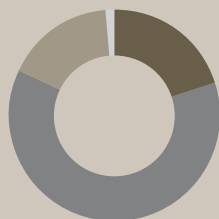
Public fatalities

The majority of the 197 public fatalities, which occurred during the year, were rail related and their causes include suicide, embarking upon and alighting from moving trains and non-adherence to road traffic regulations at level crossings.



Public fatalities

Disabling injury incidents*



Motor vehicle accidents	160
Human factors and non-adherence to SOPs	497
Lack of supervision	133
Equipment failure	10

Disabling injury incidents	2009
Total	800

* Baseline - first year of reporting



Reality story

One million accident-free hours

The National Ports Authority's Infrastructure Department at the Port of Port Elizabeth is committed to achieving the highest levels of safety management within the workplace for all its stakeholders. The main challenge has been to enhance departmental performance whilst improving on its accident-free record. Ensuring optimal safety requires that relevant safety, health and environmental legislation is integrated into daily operational practices.

To gauge ongoing SHEQ performance, the Infrastructure Department consults with its stakeholders, including customers and employees, to identify potential risks and to pre-empt any potential safety incidents prior to these materialising. During the stakeholder engagement process, the department informs all parties of any evidence of hazards or potential risks, and collaborates as far as possible to identify resolutions or mitigations. In addition to providing an open forum to discuss safety related issues, the stakeholder engagement process further highlights the areas where employees, supervisors and safety representatives require refresher training. Focused training helps to keep employees abreast of leading SHEQ standards and practices and provides them with the practical tools to implement safety protocols in their day-to-day activities.

As a measure of its progress over the past five years, the Infrastructure Department recently reported its "One million hour free time loss accident record". The department progressed from the previous 3-Star NOSA rating system to a 5-Star rating, based on the new NOSA system. The Infrastructure Department continues to work towards maintaining, and exceeding, its past achievements.



Caring for the communities in which we operate

TVMF

Caring for the communities in which we operate

Corporate social investment and community impact measurement.....

ES SR



Reality story

Sharpening young minds

The Sharp Minds! Get Ahead in Life project is run under the guidance of the Transnet Foundation Education portfolio. Conceptualised in 2007, the project aims to enhance the performance of learners in Maths, Science and English. A greater competency base in these subjects will provide a pool from which both Transnet, and the country as a whole, can draw skilled human resources in future.

The Foundation constructed and equipped classrooms to run the Saturday classes and also worked closely with the Department of Education and the Department of Public Works to ensure infrastructure was upgraded, where possible. The Foundation then entered into contracts with local catering and transport providers and commissioned the requisite curricula. Severe gaps were identified in basic Maths, Science and English early in the programme. Additional classes were coordinated to address these gaps. Furthermore, local educators were assessed by external tutors on their curricula delivery and learner engagement to identify areas for improvement.

In addition to the Maths and Science programmes, the Foundation also coordinated a three-day residential lifeskills camp in June 2008. Attendance was 98% and intensive courses in positive values, personal mastery, HIV/Aids, teenage pregnancy, substance abuse, career guidance, study skills and other lifeskills were presented.

Since 2007, 400 learners and 160 educators were assessed and selected country-wide to attend Saturday classes. Of the 400 Grade 11 learners, 375 passed and advanced to Grade 12, many of them achieving greater than 60% in their end of year examinations. Now in Grade 12, with the National Senior Certificate due at the end of the 2009 academic year, the "Sharp Minds!" learners are applying for bursaries and scholarships and receiving additional career guidance.

Corporate social investment and community impact measurement

Transnet subscribes to the philosophy that Corporate Social Investment (CSI) must produce sustainable impacts for all of its stakeholders, and in particular for communities across South Africa. To this end Transnet directs its CSI projects through the Transnet Foundation (the Foundation) to ensure focus and accountability is carried through in a series of initiatives aimed at rural development and poverty relief in regions within the Company's areas of operation.

In addition, the Foundation is committed to aligning its CSI projects with those of national Government, whilst pursuing a coherent, coordinated and integrated strategy. The country's socioeconomic challenges are vast and complex. The Foundation, therefore, works closely with local communities, business leaders and Government departments, at both national and regional level, to ensure alignment between the communities' needs, Transnet's business objectives, and sustainable impacts.

The Foundation's commitment to good corporate governance is at the forefront of all its CSI projects undertaken by the various portfolios. Extensive policies and procedures are in place to monitor and assess the impact and progress of these projects. During the year, detailed, independent impact assessment reports were commissioned for the various portfolios, thus ensuring the thorough assessment of flagship projects carried out throughout the year.

The Foundation's scope of deliverables is assigned to the portfolios of health, education, sports, containerised assistance, arts and culture and targeted sponsorship and donations.

During the year, through these portfolios, the Foundation achieved considerable impact, especially with the "Sharp Minds! Get Ahead in Life Programme". The Sharp Minds! Programme was conceived in 2007 to enhance the performance of learners in Maths, Science and English so that they can provide a pool from which Transnet and the country as a whole can draw skilled human resources.

In the Sports portfolio, the Transnet Rural and Farm Schools Programme was recognised by the Mail & Guardian news publication in the Sports Development category of its annual "Investing in the Future" Programme. Aligned with Government's Integrated Rural Development Plan and the Development of Human Capital Strategy, the Sports portfolio aims to implement the most innovative ways to use sport as an intervention agent to address social problems at schools.

Phelophepa, the 'Miracle Train,' once again was the flagship project for the Health portfolio. Now in its fifteenth year, Phelophepa reaches more than 45 000 patients each year, providing basic health care services and education to communities in specific rural areas during its 35-week journey. During the current year it was awarded the United Nations Public Service Award for the category "Improving Service Delivery". Focusing on delivering affordable, accessible, mobile health care services to Transnet's geographical corridors, Phelophepa also supports existing health facilities in rural communities. Other objectives for the train include the development and training of students from various educational institutions in the fields of health, optometry, pharmacy, psychology and dentistry. Their exposure to a wide variety of patients, as well as being afforded the opportunity to work alongside highly experienced specialists, is invaluable to their learning. A catering development programme is also undertaken by the catering staff on the train with more than 450 meals per day being prepared for the train's staff by catering students who attain practical skills in, amongst others, menu planning, food preparation and serving.

The impact on the communities served by Phelophepa includes the economic benefits experienced by the temporary staff employed at each stop; local contracts developed for food and other supplies; and outreach programmes within 80 to 100 kilometres of the stop. With more than 400 policies and procedures enforced daily and weekly for every aspect of the train - from maintenance, transports, to professional care - governance is highly prioritised.

Phelophepa represents Transnet's continued commitment to being a responsible corporate citizen. During the year the Containerised Assistance portfolio focused primarily on two large projects, namely: the Nkomazi-Mgobodzi Multi-Purpose Centre and the South African Police Service (SAPS) Kagisho Police Station.

The SAPS Kagisho Police Station has a direct impact on community stability. The Containerised Assistance project, therefore, has the potential to grow economic activities in the area due to the community's confidence in more secure surroundings. Although it is still too early to measure the exact impact of the project, early indications show the community has confidence that it will contribute to improvement in the servicing of reported crimes and improve the communities' access to police services.

The Multi-Purpose Centre in Nkomazi-Mgobodzi, opened in March 2009. Constructed from eight containers, the centre provides basic social services, including home-based care, to address the high levels of HIV/Aids and other social problems locally. It is estimated that the centre will provide much needed local assistance to more than 14 000 people in the first two years of being operational.

The Containerised Assistance portfolio provides containerised infrastructure to communities that lack access to social welfare and are victims of high crime rates. The portfolio is aimed at achieving the following key objectives:

- Contributing towards stable communities that can be economically active;
- Contributing to the management of crime to ensure that communities are able to develop economically in a safer environment;
- Focusing on the area of safety and security, specifically assisting the SAPS with infrastructure to construct police stations in remote areas;
- Ensuring full turn-key and fully utilised, operational and monitored projects; and
- Ensuring sustainability of projects through a partnership with the SAPS and other stakeholders.

The Sponsorship and Donations portfolio of the Foundation has been assisting numerous non-governmental organisations (NGOs) and charities for more than 10 years. Each proposed project is scrutinised to assess the impact of potential funding on the community within which it operates. A total of 39 new projects were selected for funding, with several projects being funded for a second year.

The Transnet Foundation has the following three broad categories for donations and sponsorships:

- Projects that are aligned with the Foundation's CSI focus areas of education, health, sports, containerised assistance and arts and culture;
- Projects that are aligned with Transnet's mandate to preserve rail heritage; and
- Projects that provide compelling corporate social investment but fall outside of the scope of the Foundation's portfolio focus areas.

Governance of once-off projects can be fraught with problems if the recipients have no or little experience in managing funds. The Foundation's policies, procedures and guidelines for sponsorship and donations require regular and thorough reporting on the financial management of funds received. This includes reporting on the achievement of strategic objectives and assessing the associated impact.

Reality story

Levelling the rural playing fields

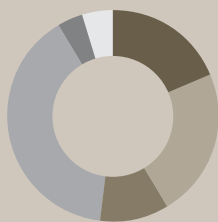
The Transnet Rural and Farm Schools Sports Programme targets schools in rural areas where academic results are poor and morale is low. It includes netball, soccer and athletics sporting codes, and aims to identify and develop talent within the rural-presidential poverty alleviation nodes of Limpopo, KwaZulu-Natal, Free State and the North West Province. Transnet makes use of sport as a key instrument to help extricate South Africa's disadvantaged children from the yoke of poverty.

The project not only provides sports equipment and kits for the participating schools, but also makes allowance for the training of coaches and officials for the different disciplines, as well as organising committee members who are trained in event management for regional and national tournaments. An integral part of the project is the accreditation of officials by the respective sports governing bodies. During the year, courses were conducted under the auspices of national bodies in netball umpiring and coaching, soccer coaching and refereeing, and athletics coaching.

A total of 60 netball umpires and 80 netball coaches, 60 athletics coaches and 80 soccer coaches were trained. In addition, 1 000 learners were targeted and invited to a two-day workshop in Qwaqwa, in the Free State. The workshop focused on lifeskills training, with an emphasis on positive values, self mastery, assertiveness and communications skills, leadership and decision-making skills, gender awareness, HIV/Aids and STI awareness, teenage pregnancy, and substance abuse. The sessions led to a change in attitude among the participating learners as constructive values such as discipline and self-confidence were inculcated. The Rural and Farm Schools Tournaments held around the country encompassed:

- More than 22 000 learners from 80 schools;
- Nine participating provinces;
- The participation of 4 400 learners at four regional tournaments; and
- The participation of 1 000 learners at the national tournament.

Of the 60 learners who attended the national netball camp, five were offered scholarships to prestigious high schools.

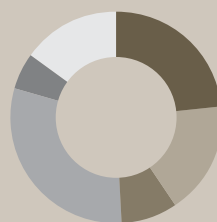


Transnet Foundation expenditure (million)

Total

2009
R72,9

Education - Sharp Minds	13,6
Sports	16,6
Arts and culture	7,8
Health	28,7
Containerised assistance	2,9
Discretionary - Sponsorship and donations	3,3



Transnet Foundation expenditure (million)

Total

2008
R65,8

Education - Sharp Minds	15,4
Sports	11,5
Arts and culture	5,6
Health	19,8
Containerised assistance	3,6
Discretionary - Sponsorship and donations	9,9



Managing our environment responsibly

TVMF

Managing our environment responsibly

Environmental management and resource conservation	ES	SR
Environmental performance	SR	

Environmental management and resource conservation

The responsibility for environmental management within Transnet rests with the respective operating divisions and specialist units. During the year under review the Company intensified the drive to ensure a common understanding of current environmental issues impacting on the Company. This included the introduction of an integrated approach to handling environmental matters as well as a more coordinated effort in rolling out environmental initiatives across the Company. Reporting on various environmental indicators, including operational incidents, has been standardised and will be further streamlined in the year ahead.

The SHEQ forum that exists at Group level focuses predominantly on health and safety issues, given the high priority of these issues for the Company. This decisive focus often results in insufficient time allocated to environmental matters. In view of Transnet's commitment to the principles outlined in the UN Global Compact and given the various environmental challenges the Company faces, a separate Environmental Forum was established to elevate and address environmental concerns.

Transnet upholds the principles of the UN Global Compact and applies, as best as possible, these principles in its daily operations, management practices and infrastructure expansion programmes. Three principles in particular relate to environmental management and pertain to the Company's responsibility to protect, manage and rehabilitate the environment within which it operates. These include:

- Supporting a precautionary approach to environmental challenges;
- Undertaking initiatives to promote greater environmental responsibility; and
- Encouraging the development and diffusion of environmentally friendly technologies.

Challenges and progress made

Environmental risk constitutes one of Transnet's top ten risks and receives priority oversight from the Transnet Board of Directors as well as the Transnet Group Executive Committee.

The management of environmental risks has improved over the past year as action plans and control mechanisms are now monitored on a monthly basis. Environmental risks featuring prominently in the review period include the risk of legislative non-compliance relating to pollution and contamination; the risk of not obtaining authorisation for new projects due to environmental factors; and possible infrastructure failures, such as the pipeline network impacting negatively on surrounding ecological areas.

In 2007, Transnet's operating divisions rated the National Environment Management Act No. 107 of 1998 (NEMA) as the Company's second highest regulatory risk. In response to this rating, Transnet Group Compliance initiated the National Environment Management (NEM) project to include all environmental regulatory requirements applicable to Transnet's operations. In 2008, operating divisions rated NEMA as the highest regulatory risk for Transnet, thereby reaffirming the importance of the NEM project. Transnet Group Compliance has initiated a project to enable Group-wide compliance with the environmental legislation.

The adverse impact of environmental incidents on the Company's reputation remains a challenge. In the year ahead, the Transnet Environmental Forum will enhance cooperation between the operating divisions and the specialist units and ensure that a set of common reporting procedures are developed and maintained to address the aforementioned risks. Transnet Group Risk Management has initiated standardised reporting on environmental incidents, as well as reporting on environmental indicators relating to resource conservation, such as water and energy usage. Incident reporting will be further improved in the year ahead. The CURA risk management system will be optimised and the Transnet Occurrence Management System (TOMS) – a SAP based environment, health and safety (EHS) module – will be further refined to support the standardisation and streamlining of Group-wide risk reporting.

Material environmental risks

Operating division	Nature of environmental risk/incident	Regulatory requirement impacted	Action
Freight Rail; Transnet Property; National Ports Authority; and Rail Engineering	<ul style="list-style-type: none"> - Exposure to asbestos fibres. - Contamination caused by historic spillage of asbestos. 	Section 20 of the Environment Conservation Act No. 73 of 1989 as amended.	Asbestos risk assessments.
		National Environmental Management Act No. 70 of 1998	Rehabilitation and restoration of contaminated sites.
		National Environmental Management Waste Act No. 59 of 2008.	
		Occupational Health and Safety Act No. 85 of 1993.	
Port Terminals	Manganese pollution	Air Quality Act No. 39 of 2004.	Dust monitoring stations established.
			Dust reduction programme initiated.
National Ports Authority	Dom Pedro oil contamination of water and soil (PE).	National Environmental Management Act No. 107 of 1998.	<p>Preliminary investigation conducted.</p> <p>Responsible tenant requested to clean up soil contamination and to investigate the source of such contamination.</p>

Emission management

As part of Transnet's quest for "zero harm", dust and gas emissions monitoring was intensified during the year. Taking into consideration the Air Quality Act No. 39 of 2004, concerted effort is being made to monitor inadvertent dust fall out. Strategic points were identified throughout the operations and monitoring instruments were commissioned. The measurement of gas emissions will form part of the carbon footprint study which is planned for the next year.

Waste management

Transnet's operations inevitably generate various types of waste, which is separated, recycled or disposed of through carefully selected service providers. The removal of asbestos received priority during the year and, going forward, Transnet will pursue best practices in the handling (including the separation and recording of the amount of waste generated), storage, removal and disposal of the various waste types.

Long-term environmental damage curbed

The deteriorating health of marine ecosystems and the high prevalence of marine water pollution are ongoing concerns for the National Ports Authority. Various port-associated activities contribute to high levels of pollution, such as the spread of sediment contaminants with dredge spoil and the introduction of invasive or alien organisms through the release of ballast water and hull fouling.

The National Ports Authority is committed to the ongoing prevention of pollution, in line with international leading practices. Several preventative mechanisms have been introduced, including the bi-annual monitoring of water quality at its ports, focused internal and external forums to discuss and monitor environmental challenges, and where possible, working with external stakeholders to minimise environmental damage. The National Ports Authority has approached the Department of Agriculture, Forestry and Fisheries, to help curb high levels of marine pollution originating from land-based sources as well as storm-water outlets and rivers flowing into the ports.

The South African Environmental Observation Network (SAEON) Coastal and Inshore Node, which monitors long-term environmental change along the South African coast, was appointed in 2007 to implement a long-term, standardised monitoring programme for the ports of Richards Bay, Durban, East London, Ngqura, Port Elizabeth, Mossel Bay and Cape Town. The programme is designed to provide a comprehensive and integrated assessment of the ecological quality of each port.

As the marine environment's natural variability makes short-term trend analysis difficult, several years of monitoring is required to enable reliable assessments and to implement appropriate management interventions. The long-term observation programme incorporates the most critical physical, chemical and biological parameters from both a management and scientific perspective, and draws on sampling sites within each harbour. Whilst conclusive results will only emerge in time, varying degrees of marine damage and water pollution have already been observed at the following ports: metal contamination in sediments in Cape Town; blood-water discharge in Mossel Bay; and water quality issues resulting from the catchments in East London, Durban and Richards Bay.

Going forward, the National Ports Authority will monitor marine water quality at all of its ports and will continue to work with port stakeholders to uphold the highest standards of marine ecology management.

we said

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The Company is committed to exploring cleaner technologies and renewable energy resources to sustain business in the current environmental context. Transnet will therefore continue to participate in the Government's long-term mitigation scenario planning process.

we did

A baseline resource utilisation pilot study of water, electricity and fuel during the year. While the scope of the pilot study covers all operating divisions' fuel consumption for 2008 and 2009, it only focused on Port Terminals and Rail Engineering for water and electricity consumption for 2009. The objective of this baseline report was to:

- Assess the value of energy, water and fuel utilised by Rail Engineering and Port Terminals;
- Provide a comparison of the utilisation of fuel for 2008 and 2009;
- Evaluate the usage for 2009 and develop an expectation for usage during the next year; and
- Develop a strategy to closely monitor the utilisation of these critical resources and the need to reduce utilisation where possible.

we will

Introduce measures to enable Transnet to monitor key environmental performance indicators as outlined in the Sustainability Value Measurement Framework.

Continue to roll out various cost-containment and resource optimisation initiatives which commenced in 2009, with specific focus on stakeholder engagement and improved communication strategies around environmental issues.

Conduct a study that will result in an integrated climate change strategy and implementation plan for Transnet. The study will have the following outcomes:

- Providing Transnet with recommendations for monitoring and reporting against targets and identifying areas for further research and innovation;
- Providing recommendations on how to reduce the cost of doing business whilst optimising resource usage;
- Identifying opportunities to develop and invest in projects that generate energy savings and carbon credits for the Company;
- Identifying potential trade barriers for Transnet in the context of global trade;
- Determining efficiency indicators per operating division;
- Identify areas of vulnerability for climate change for Transnet and develop mitigation plans; and
- Identify opportunities for adaptation measures and develop plans.

The carbon challenge

The Department of Water and Environmental Affairs initiated a long-term mitigation scenario (LTMS) planning programme in collaboration with other departments and sector roleplayers, to gauge the impact of different greenhouse gas emission scenarios on the environment. The scenario planning model will assist Government to determine appropriate policy directions to address issues relating to energy efficiency; electricity generation; carbon capture and storage; as well as issues specific to the transport industry. The South African Cabinet accepted these policy directions in 2008, and has initiated a policy development process to draft a National Climate Change Response Policy for publication by the end of 2010.

With the transport industry being one of the fastest growing sectors world-wide, Transnet's role as a freight logistics provider in the transport logistics chain renders it a major contributor to the cumulative transportation carbon footprint locally, regionally and globally. Port Terminals, for instance, operates 15 terminals in 6 of South Africa's ports. An operation of this magnitude consumes large volumes of electricity, water and fossil fuels. The vast machinery base required for the cargo movement further emphasises the impact that Port Terminals may have on Transnet's overall carbon footprint.

Despite the negative impact of climate change, there are also opportunities for Transnet to transform its operations positively by innovating around areas of cost savings, resource optimisation and good corporate citizenship. Transnet's proactive response to climate change is evident in its divisional initiatives to curb the Company's national carbon footprint and to preserve natural resources, as outlined below.

Environmental performance

Following the commitment made in last year's Annual Report, and in response to the recommendations made by the Transnet Environmental Forum, a baseline resource utilisation pilot study of water, electricity and fuel was initiated during the year.

The objective of this baseline report is to:

- Assess the value of energy, water and fuel utilised by Rail Engineering and Port Terminals;
- Provide a comparison of the utilisation of fuel for 2008 and 2009;
- Evaluate the usage for 2009 and develop an expectation for usage during the next year; and
- Develop a strategy to closely monitor the utilisation of these critical resources and the need to reduce utilisation where possible.

Fuel consumption

Transnet experienced an overall decrease in fuel utilisation of 9,4% compared to 2008.

Freight Rail consumes the majority of Transnet's total fuel utilisation, making up 71,3% of the total fuel usage. This utilisation is in line with expectations as Freight Rail is the largest operating division within the Company, responsible for transportation of commodities and containers.

Port Terminals, responsible for cargo services within the Company, consumes 6,4% of Transnet's total fuel utilisation. The division previously utilised approximately 6,2% of the total fuel utilisation. Therefore, utilisation is in line with the previous year's utilisation and expectations for the Company.

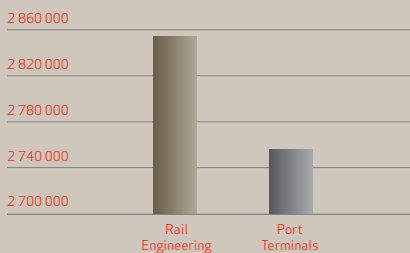
The specialist units utilised 21,9% of Transnet's total fuel. There has been a slight decrease in the overall utilisation from the prior year, as freightdynamics, was sold at the end of the 2008 financial year. It is expected that the utilisation of other operating divisions will decrease in the next financial year, following the disposal of the Autopax Passenger Services (Pty) Ltd.

Fuel consumption

Operating division	2009	2008	Movement	
	Fuel volumes mega litre	Fuel volumes mega litre	Fuel volumes mega litre	Percentage (%)
Freight Rail	172,219	188,851	(16,632)	(8,8)
Rail Engineering	0,212	0,234	(0,022)	(9,4)
National Ports Authority	0,553	0,615	(0,062)	(10,0)
Port Terminals	15,368	16,534	(1,166)	(7,1)
Pipelines	0,245	0,278	(0,033)	(11,9)
Capital Projects	0,152	0,173	(0,021)	(12,1)
Specialist units	52,831	59,816	(6,985)	(11,7)
Total	241,580	266,501	(24,921)	(9,4)

Electricity consumption

Operating division	2009	2008	Movement	
	Electricity consumption KW	Electricity consumption KW	Electricity consumption KW	Percentage (%)
Freight Rail	2 825 739 696	2 876 619 252	(50 879 556)	(1,8)
Rail Engineering	70 437 361	47 008 743	23 428 618	49,8
National Ports Authority	173 064 378	175 607 640	(2 543 262)	(1,4)
Port Terminals	84 912 152	81 448 760	3 463 392	4,3
Pipelines	209 433 465	204 856 616	4 576 849	2,2
Capital Projects	3 089 557	4 134 972	(1 045 415)	(25,3)
Specialist units	84 047 581	81 787 811	2 259 770	2,8
Total	3 450 724 190	3 471 463 794	(20 739 604)	(0,6)



Water consumption (Kilo litre)*

* Baseline - first year of reporting

Key stakeholders and possible impacts on stakeholders

Transnet's port, rail and pipeline operations, as well as its infrastructure expansion programme impact on the communities where the Company operates. Key stakeholders include communities living in areas surrounding Transnet's ports; and communities living in close proximity to the rail and pipeline networks. Also included in Transnet's stakeholder base are its customers and the broader public, which is served by the Company's infrastructure.

Within the context of Transnet's existing operations and taking into account the construction of new infrastructure, the following social and environmental impacts have been identified:

- Noise;
- Dust;
- Pollution and contamination;
- Waste;
- Traffic congestion; and
- Loss of animals or damage to property due to the lack of control along rail lines or as a result of fire.



Reality story

Hydrocarbon at Dom Pedro Quay

The National Ports Authority in Port Elizabeth first observed hydrocarbon seepage at Dom Pedro Quay in 2001. Immediate corrective measures were instituted in collaboration with the oil industries. No further seepage was observed until June 2008 when a refurbishing team working on the Dom Pedro Jetty noticed an oil substance seeping through the seabed and under old sand bags. As the tide rose, the seepage appeared to stop. As part of the initial intervention, the entire area around the oil seepage was cordoned off with a boom to contain the oil spread and a non-toxic product was used to break the oil up into a non-hazardous form.

Although National Ports Authority was not responsible for the oil seepage – as evidenced by laboratory tests – National Ports Authority management took swift action to control the spread of further pollution by initiating a clean-up operation and appointing a team of environmental specialists to investigate the incident. An independent consulting firm provided a preliminary environmental report in January 2009, including results of forensic tests which linked the pollutant to a nearby tank farm. As an immediate measure, a letter of notice was issued to the responsible oil companies in their capacity as 'housekeepers' to implement certain corrective measures.

