Contents

1. Executive summary ........................................ 1
2. Introduction ................................................. 1
3. Overview of stakeholder engagement in Transnet .......... 2
4. 2019 Stakeholder analysis .................................. 3
5. Update on stakeholder engagement activities with key stakeholders in 2019 .......... 3
   5.1 Update on the Community Investment Plan ............... 10
   5.2 Update on the implementation of the Stakeholder Engagement and Management Procedure
   5.2.1 Enhancement of the stakeholder engagement database .......... 10
   5.2.2 Appointment and training of stakeholder relationship owners .......... 10
6. 2019 Multi-stakeholder Perception Survey ................. 10
   6.1 Summary of the 2019 Multi-stakeholder Perception Survey results .......... 11
7. Salient issues emanating from the 2019 Multi-stakeholder Perception Survey .......... 16
8. Conclusion .................................................... 16

List of figures
Figure 1: Transnet’s 2019 stakeholder universe .................. 2
Figure 2: Stakeholder analysis for 2019 ......................... 3
Figure 3: Sample for Multi-stakeholder Perception Survey ......... 11
Figure 4: 2019 Multi-stakeholder Perception Survey Results .......... 12
Figure 5: Linking salient issues to emerging risks ................ 16
1. Executive summary

Transnet SOC Ltd (Transnet or the Company) engages with internal and external stakeholders across the Company to address key areas of our corporate strategy and operations and to build our relational capital. We ensure that our stakeholder engagement practices actively support the Company’s strategy and business operations, improve risk management, enhance reputation, and build sustained business value.

Transnet engages with a number of stakeholders on a continual basis. Increased awareness in respect of stakeholder engagement was noted in 2019 (which covers the period from 1 April 2018 to 31 March 2019 and is also referred to in this report as the 2019 financial year), and the newly appointed Board of Directors has been working tirelessly to rebuild and regain the confidence of Transnet’s stakeholders.

- They hosted their first stakeholder breakfast with financial institutions, investors, business organisations and the media to update the South African public on the status of the Company, to emphasise their commitment to transparency and good governance as well as their commitment to stabilise Transnet.
- The Board further held a number of employee engagement sessions. The purpose of these sessions was to share their vision as well as to provide a platform through which employees can engage with the leadership.

This has been a year of reorganising the Company in order to deliver on our mandate. There has been a shift in power across our stakeholder base, while others have maintained the same positions. Since 2018, communities, investors and rating agencies have remained a force to be reckoned with, maintaining their prominence in the top five based on their influence (power) and importance – as was the case in 2019. The greatest shift in power has been seen among our internal stakeholders, namely the Board of Directors, the Shareholder Minister and management.

Transnet’s reputation was thrust into a bad light with reports casting aspersions on the integrity of our governance processes, thus resulting in a difficult operating environment. Immediate and decisive action taken by the Shareholder Minister and the Board against those suspected of taking part in activities that led to the decline in confidence and trust has been a positive step towards organisational renewal. In addition, there has been tireless stakeholder engagement efforts including engagements led by the Board and senior leadership with investors, financial institutions, rating agencies, communities as well as customers. The senior leadership has also made efforts to engage employees across the business.

In the reporting period, the overall quality of Transnet’s engagement was at 65%, showing a 5% improvement compared to the previous survey (2017: 60%). There has also been an overall good performance in respect of the quality of stakeholder relationships, with 75% of participants indicating an overall good quality of their relationship with Transnet. These results show that Transnet is on the right path to becoming a good corporate citizen.

2. Introduction

Transnet promotes an inclusive approach towards engagement with our material stakeholders. We are committed to ensuring alignment to the King Report on Governance for South Africa, 2016 (King IV™)1 in the execution of our mandate with a view to consider all the legitimate and reasonable needs, expectations and interests of our material stakeholders. We continue to strive towards improving the quality of our relationships with our stakeholders and are guided by the Stakeholder Engagement Policy and Stakeholder Engagement and Management Procedure in these endeavours.

This report provides an overview of stakeholder engagement in Transnet. Firstly, the report provides an update on the stakeholder universe and an analysis for the reporting period. Secondly, progress on the implementation of the Stakeholder Engagement Policy and Stakeholder Engagement and Management Procedure is provided. This is followed by an update on key engagements undertaken during 2019 and issues that were raised during those engagements together with our responses. The report also provides results of the 2019 Multi-stakeholder Perception Survey that assesses the quality of Transnet’s relationship with its stakeholders and focus areas for 2020. Finally, Annexure A includes Transnet’s Stakeholder Engagement Plan developed to proactively and strategically manage our stakeholder relationships.

---

1 Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.
3. Overview of stakeholder engagement in Transnet

Our stakeholders are one of our most valuable assets. We recognise that good stakeholder relations are critical for the Company to operate optimally and as such we continually strive to improve relations with all our stakeholders. In the reporting period, Transnet reviewed its stakeholder universe as shown in figure 1. The universe comprises 17 stakeholder categories that have the potential to affect or be affected by the Company’s activities as well as have power or influence, either positive or negative.

Figure 1: Transnet’s 2019 stakeholder universe
4. 2019 Stakeholder analysis

Transnet operates within a complex stakeholder landscape involving multiple stakeholders with varying needs and expectations. As such, our stakeholder ranking is not static, and is informed by our strategy, business context, emerging risks and the efficacy of Transnet’s control environment. Figure 2 shows that there has been a power shift within the stakeholder environment, however, investors, rating agencies and financial institutions are still ranked high in terms of influence and importance owing to the ongoing issues in respect of corruption allegations. Furthermore, the Board of Directors, Shareholder Minister as well as management also ranked high in the financial year, owing to ongoing efforts by the Shareholder Minister and the Board to reorganise and stabilise the Company. Efforts need to be targeted at maintaining good relations with stakeholders in the ‘KEEP CLOSE’ quadrant.

Figure 2: Stakeholder analysis for 2019

5. Update on stakeholder engagement activities with key stakeholders in 2019

This section summarises the key activities, issues and responses to the Top 10 stakeholders for 2019, which fall within the ‘KEEP CLOSE’ quadrant as shown in figure 2.
### OUR RESPONSES

- We issued precautionary suspension letters to employees who have been implicated in allegations of corruption through internal audit and forensic reports.
- We are providing refresher training to management and bargaining unit employees at Transnet Group Services on the talent management process – concept, methodology and the role of both management and employees throughout the process.
- We provided training on Performance Management and Contracting to management in February 2019.
- We are establishing a central human resources approach – Project Sisonke – which structures support services of human resource services into a shared service model across operations to uniformly apply procedures and policies.
- We provided fraud awareness training to employees.

### Engagement frequency and communications vehicles

- **Frequency:** Periodically
- **Vehicles:** Newsflashes, emails, staff broadcasts, roadshows and meetings

### Reasons for engaging with employees and management

<table>
<thead>
<tr>
<th>Key engagements in 2019</th>
<th>Key issues/areas of interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Acting Group Chief Executive held numerous employee engagement sessions across Transnet between November 2018 and March 2019.</td>
<td>• Lack of consequence management</td>
</tr>
<tr>
<td>• Transnet launched the Employee Value Proposition and Values Cascade session in November 2018.</td>
<td>• Transparency and accountability</td>
</tr>
</tbody>
</table>

### Key issues/areas of interest

- Lack of consequence management
- Transparency and accountability
- Uniform application of policies and procedures
- Female representation at top management level
- Uncertainty about the new operating model
- Job security
OUR RESPONSES

• We have started discussions on possible projects to be set aside for PSPs.
• We have assembled a team to focus on the development of the new strategy and operating model – this process is ongoing.
• We are instituting mechanisms to improve performance, including initiatives to recover lost volumes from Quarter 1 and broadly reconfiguring the Company to align with customer requirements.
• We are including a clause in the 2019/20 Shareholder's Compact to set out parameters for the treatment of the incentive regime.
• We have instituted mechanisms to improve corporate governance, including lifestyle audits, cooperation with the Zondo Commission of Inquiry and are acting on the forensic reports commissioned by the Company.
• The Group Leadership Team was dissolved and an interim Executive Committee was established to stabilise the Company and to introduce a renewed focus on organisational performance.
### Stakeholder Categories

<table>
<thead>
<tr>
<th>INVESTORS</th>
<th>RATING AGENCIES AND FINANCIAL INSTITUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>🤑</td>
<td>🧑‍💼</td>
</tr>
</tbody>
</table>

#### Engagement frequency and communications vehicles

**Frequency:** Periodically, annually, quarterly and biannually  
**Vehicles:** Meetings, emails, telecons and formal letters

#### Reasons for engaging with investors and rating agencies and financial institutions

<table>
<thead>
<tr>
<th>Key engagements in 2019</th>
<th>Key issues/areas of interest</th>
</tr>
</thead>
</table>
| • Transnet hosted a stakeholder breakfast in February 2019 with financial institutions, investors, businesses and the media to demonstrate its commitment to transparency and good governance as well as the Board’s commitment to stabilising the Company. This was followed by a roadshow (London/ Frankfurt) to update our international lenders and investors. | • Accountability  
• Leadership stability  
• Transnet’s overall strategic direction  
• Financial sustainability  
• 2018 financial year’s qualified audit opinion  
• Financial control environment  
• Governance matters  
• Ethical leadership |
| • Quarterly engagements with lenders focused on the 2018 financial year’s qualified audit opinion, financial controls (remedial action) and governance matters. | |
| • Transnet met with key global players at the World Economic Forum to attract investment. | |

#### OUR RESPONSES

- We have implemented a remedial plan that was shared with lenders affected by the audit qualification event, and with other lenders and stakeholders such as rating agencies. The remedial plan focuses on ensuring completeness of reporting on irregular expenditure as well as developing additional controls to prevent irregular expenditure from recurring.
- We launched an Investor Portal in December 2018 to provide targeted interim performance information via a ‘quick access’ online mechanism.
- We continue to regularly engage with lenders and investors, providing updates on our performance and funding needed.
Frequency: Annually, biannually, periodically, quarterly and ad hoc
Vehicles: Customer Satisfaction Survey, letters and telecons

**Reasons for engaging with customers**

- Obtain feedback on perceived service quality through the Customer Satisfaction Survey.
- Participate in sector events, such as the African Mining Indaba, as platforms to connect with current and potential customers.
- Engage customers through customer breakfast sessions to demonstrate commitment to gauging and responding to their needs and concerns.
- Address service offering matters through the Customer Nerve Centre.

**Key engagements in 2019**

- The Board led an engagement with customers, business organisations and media in East London, where a Memorandum of Understanding (MOU) was signed with the Buffalo City Metropolitan Municipality and East London Industrial Development Zone (IDZ) to harness the potential of the Port of East London and the IDZ to foster economic growth in East London.
- The Acting Group Chief Executive spoke at the African Mining Indaba where he shared the Company’s long-term vision to facilitate an integrated freight logistics system in Africa.
- Transnet participated in the South African Production and Inventory Control Society which took place from 10 to 13 June 2018.

**Key issues/areas of interest**

- Competitive pricing
- How Transnet can collaborate with customers and partners early on in projects to make them ‘bankable’
- Reducing the cost of logistics
- Customer service
- Low levels of trust in our ability to deliver services reliably
- Poor customer communication
- Declining rail performance levels and poor port productivity resulted in industry and customer complaints
- Lack of integration on key customer touchpoints

**OUR RESPONSES**

- We continue to engage with customers outside of formal meetings to showcase other service offerings.
- We are establishing a Customer Nerve Centre to serve as a centralised touchpoint that will facilitate the understanding, internal alignment, drive and ownership required to fulfill customer desires and resolve issues timeously.
- We are following up on issues and opportunities emanating from engagements with our African counterparts.
- We are engaging customers to discern their interests and concerns in order to incorporate these into the new operating model so that it responds to customers’ needs.
Engagement frequency and communications vehicles

**Frequency:** Periodic, monthly, quarterly

**Vehicles:** Meetings, letters, MOUs and telecons

### Reasons for engaging with regulators
- Facilitate the strategic management of economic regulation, safety regulation and the transport policy to ensure compliance, operational time and reputation, and to prevent loss of revenue.
- Discuss and submit tariff applications based on approved methodologies.
- Ensure that the Company's policy is aligned to its regulatory position.
- Discuss compliance issues.

### Key engagements in 2019
- Quarterly meetings held with the Department of Environmental Affairs and the Department of Water and Sanitation to discuss pending permits and licences as well as compliance to existing authorisations.
- Meetings on the decommissioning of the Durban-Johannesburg pipeline.
- Transnet National Ports Authority (TNPA) and Transnet Pipelines (TPL) tariff application meetings.

### Key issues/areas of interest
- Compliance with legal and other requirements, including permit and licence conditions
- Transnet's application of the asset base valuation methodology on TNPA's regulated assets
- Adherence to Rail Safety Permit requirements
- Project planning and funding for the decommissioning of the Durban-Johannesburg pipeline
- Delays and cost overruns on the completion on the New Multi-Product Pipeline (NMPP) project

### OUR RESPONSES
- We are continuing with bilateral/multilateral engagements with relevant authorities to streamline our processes with regulatory requirements.
- We continuously engage the Ports Regulator in respect of the regulated asset valuation methodology.
- A proposal to establish a team to review the Railway Safety Permit application has been communicated to the Regulator. The team will comprise representatives from both the regulator and railway operators. We continue to engage the Railway Safety Regulator to demonstrate our safety management system.
- We are in continuous engagements with Nersa to provide updates on the Durban-Johannesburg Pipeline decommissioning plan.
- An NMPP prudency exercise is underway.
OUR RESPONSES

• We continue to present youth development opportunities through skills training to enable them to enter the mainstream economy by becoming employed or starting their own businesses.
• Through our Learning and Development department, we are ring-fencing opportunities for Engineers in Training, Chartered Accountants as well as Young Professionals in Training.
• We provide primary healthcare services via the Phelophepa Healthcare Trains.
• We are offering education and sports through the Whole School Programme, which provides support to both learners and teachers.
• We are taking an integrated approach to enterprise and supplier development and CSI to ensure a much greater impact on the societies surrounding our operations.
• We launched an enterprise development mega hub set to support and transform the growth of small, medium and micro enterprises and aspiring entrepreneurs in Empangeni in Richards Bay.
5.1 Update on the Community Investment Plan
The Community Investment Plan (CIP) has been used as a tool to respond to community issues. Since its approval in 2017, Transnet has engaged communities in a more cohesive and integrated manner. The programmes in the CIP are underpinned by the Company’s commitment to uplift and empower communities through health interventions, by promoting education, enabling effective asset utilisation to provide much needed infrastructure solutions, by developing rural sports and by employing our employees’ skills and competencies to effect positive change in communities. In 2019, the following milestones were achieved:

- Active engagements in the districts of uMkhanyakude, King Cetshwayo and Zululand as well as with Isilo-saMabandla and Amakhosi in order to facilitate the entry for the various CSI initiatives in the three districts.
- The completion and launch of the Empangeni hub, which is a one-stop shop that offers the following services: inter alia business development and registration, procurement advisory services, business incubation, tax registration and compliance, financial support and guidance on black economic empowerment.

A number of initiatives have been planned for 2019 and progress will be provided in the next reporting period.

5.2 Update on the implementation of the Stakeholder Engagement and Management Procedure
The Stakeholder Engagement and Management Procedure was approved in December 2017. The procedure defines the minimum requirements for communication, stakeholder engagement, consultation and participation with Transnet’s internal and external stakeholders. The following progress was made in respect of the outputs of the procedure:

5.2.1 Enhancement of the stakeholder engagement database
The stakeholder engagement database (SED) was developed as a tool to assist Transnet to improve its stakeholder engagement practices. The database was developed in 2016 and seeks to enable the Governing Body (Board) to exercise ongoing oversight of stakeholder relationship management as espoused in Part 5.5 of the King IV Code. The SED provides a tool through which we can identify, engage with and respond to stakeholders in order to mitigate potential risks that may arise from the issues they raise. The SED also enables us to measure and report on stakeholder engagement activities.

In order to operationalise the stakeholder engagement policy, a Stakeholder Engagement and Management Procedure was developed. The procedure sought to define the minimum requirements for stakeholder engagement as articulated in the AA1000 Stakeholder Engagement Standard. This milestone necessitated a review and enhancement of the SED in order to align it to both King IV and the AA1000 Stakeholder Engagement Standard. Enhancements commenced in 2019 and are currently being finalised; deployment will be completed in the first quarter of 2020. User training is currently underway and user licensing and utilisation will commence in the second quarter of 2020.

5.2.2 Appointment and training of stakeholder relationship owners
Best practice in stakeholder engagement requires that stakeholder relationship owners (SROs) are appointed across the business. The SROs are responsible for, among other functions, building and maintaining good relations with stakeholders, as well as documenting and reporting all issues and/or concerns raised by stakeholders. Training of the SROs on the Stakeholder Engagement and Management Procedure as well as the utilisation of the SED commenced in 2019 and will continue into 2020.

6. 2019 Multi-stakeholder Perception Survey
The Remuneration, Social and Ethics Committee (Remsec) of the Board of Transnet is tasked with overseeing Transnet’s relationship management with its stakeholders. In order to effect this duty, the committee resolved that Transnet conducts a Multi-stakeholder Perception Survey on a two-yearly basis to independently gauge how the Company is perceived by its stakeholders. Over and above gauging perception, Part 5.5 of the King IV Report provides inter alia that:

5.1 (4e) “The governing body shall oversee stakeholder relationship management, including the measurement of the quality of relationships and resultant appropriate responses.”

In addition to the measurement of perception, Transnet also assesses the quality of relationships built over time with several of our stakeholders with an aim to continually improving these relationships. The survey covered 14 of the 17 stakeholder categories as per our universe shown below. A separate customer satisfaction survey was undertaken as part of the core of the business, thus customers were excluded from the survey. The Board was also excluded from the survey, while no responses were obtained from the rating agencies.

The sample size (n) for the survey was 450, a 66,6% increase from the 150 respondents in the 2017 survey, owing to the inclusion of employees which comprised both management and non-management (n=300). The results of the survey are conclusive owing to the fact that of the 450 participants surveyed, 89,7% (404) of the participants reported that they have been active stakeholders to Transnet (whether passively or involved) for a period of more than two years. There was a 100% response rate across all the questions. The results of the survey are discussed below.

The stakeholder engagement database (SED) was developed as a tool to assist Transnet to improve its stakeholder engagement practices. The database was developed in 2016 and seeks to enable the Governing Body (Board) to exercise ongoing oversight of stakeholder relationship management as espoused in Part 5.5 of the King IV Code. The SED provides a tool through which we can identify, engage with and respond to stakeholders in order to mitigate potential risks that may arise from the issues they raise. The SED also enables us to measure and report on stakeholder engagement activities.

In order to operationalise the stakeholder engagement policy, a Stakeholder Engagement and Management Procedure was developed. The procedure sought to define the minimum requirements for stakeholder engagement as articulated in the AA1000 Stakeholder Engagement Standard. This milestone necessitated a review and enhancement of the SED in order to align it to both King IV and the AA1000 Stakeholder Engagement Standard. Enhancements commenced in 2019 and are currently being finalised; deployment will be completed in the first quarter of 2020. User training is currently underway and user licensing and utilisation will commence in the second quarter of 2020.

The stakeholder engagement database (SED) was developed as a tool to assist Transnet to improve its stakeholder engagement practices. The database was developed in 2016 and seeks to enable the Governing Body (Board) to exercise ongoing oversight of stakeholder relationship management as espoused in Part 5.5 of the King IV Code. The SED provides a tool through which we can identify, engage with and respond to stakeholders in order to mitigate potential risks that may arise from the issues they raise. The SED also enables us to measure and report on stakeholder engagement activities.

In order to operationalise the stakeholder engagement policy, a Stakeholder Engagement and Management Procedure was developed. The procedure sought to define the minimum requirements for stakeholder engagement as articulated in the AA1000 Stakeholder Engagement Standard. This milestone necessitated a review and enhancement of the SED in order to align it to both King IV and the AA1000 Stakeholder Engagement Standard. Enhancements commenced in 2019 and are currently being finalised; deployment will be completed in the first quarter of 2020. User training is currently underway and user licensing and utilisation will commence in the second quarter of 2020.
6.1 Summary of the 2019 Multi-stakeholder Perception Survey results

In summary, the results of the 2019 survey indicate that there has been an overall improvement in stakeholder engagement performance during the period under review. This can be attributed to the continuous engagement efforts especially from the Board of Directors as well as management with key stakeholders.

An overall improvement of relations with regulators (n=5) has been evident. At least 80% of regulators cited that they have noticed a very high improvement in Transnet’s engagements. This can be attributed to the numerous engagements with the Railway Safety Regulator and Ports Regulator to manage issues relating to the Railway Safety Permit and the tariff applications respectively. Furthermore, progress has been made with environmental regulators through the bilateral/multilateral engagement held to streamline processes with regulatory requirements, especially relating to environmental authorisations and atmospheric emission licences.

Financial institutions (n=20) have also expressed a good level of satisfaction with Transnet’s efforts. Although aspersions cast against Transnet’s governance processes and prolonged investigations into corruption have resulted in a high level of doubt in the integrity of the Company’s leadership, the continuous open engagements on the financial control environment and other governance matters have been good steps towards regaining trust with lenders.

A high level of dissatisfaction and weakening of relations was mostly reported by employees – comprising both management and non-management (n=300). Only 24% of employees rated the quality of their relationship with their employer good. They cited dissatisfaction with issues relating to lack of uniformity in the application of policies and procedures; lack of recognition, talent nurturing and reward; poor and ineffective communication; the lack of transparency and consultation with respect to the new operating model; and job security as their major concerns.

In the case of communities (n=21), a number of issues pertaining to lack of access to business and job opportunities were raised, requesting that they be engaged and certain opportunities be ring-fenced for those in close proximity to our operations. A number of engagements were held with these communities, business forums as well the Amakhosi in those regions during the reporting period to establish formal structures to manage these needs and expectations.
1. Quality of engagements

The quality of my engagements with Transnet is good overall (%)

<table>
<thead>
<tr>
<th></th>
<th>0</th>
<th>10</th>
<th>20</th>
<th>30</th>
<th>40</th>
<th>50</th>
<th>60</th>
<th>70</th>
<th>80</th>
<th>90</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organised Labour</td>
<td>10</td>
<td>30</td>
<td></td>
<td></td>
<td>60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulators</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>25</td>
<td></td>
<td></td>
<td>75</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opinion Influencers</td>
<td>24</td>
<td></td>
<td></td>
<td>66</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>71</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers</td>
<td>7</td>
<td></td>
<td>24</td>
<td>90</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>13</td>
<td>22</td>
<td>25</td>
<td>42</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>18</td>
<td>9</td>
<td>16</td>
<td>23</td>
<td>24</td>
<td>42</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The quality of engagements is important for building relations. At least 65% of participants indicated that they were happy with the quality of their engagements with Transnet, which indicates a 5% improvement from the 2017 survey. The stakeholders who agreed that the quality of their engagements with Transnet have been overall good were regulators and government with 100% expressing agreement; suppliers with 90%; financial institutions with 75%; and communities with 71% expressing agreement.
2. Stakeholder needs and expectations

Transnet adequately addresses my needs and expectations (%)

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th>0</th>
<th>10</th>
<th>20</th>
<th>30</th>
<th>40</th>
<th>50</th>
<th>60</th>
<th>70</th>
<th>80</th>
<th>90</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organised Labour</td>
<td>60</td>
<td>40</td>
<td>20</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulators</td>
<td>100</td>
<td>70</td>
<td>50</td>
<td>30</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>93</td>
<td>76</td>
<td>56</td>
<td>36</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>65</td>
<td>30</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opinion Influencers</td>
<td>66</td>
<td>22</td>
<td>14</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community</td>
<td>81</td>
<td>14</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers</td>
<td>83</td>
<td>14</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>24</td>
<td>24</td>
<td>16</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>35</td>
<td>19</td>
<td>13</td>
<td>7</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Pertinent to stakeholder needs and expectations, 58% of respondents cited that Transnet adequately addresses their needs and expectations while only 24% indicated that their needs and expectation are not adequately met, which comprised mainly employees and opinion influencers; 18% were neutral in their response, comprising financial institutions, opinion influencers, communities, suppliers as well as employees.

3. Adequacy of responses

Transnet adequately responds to my questions and concerns: (%)

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th>0</th>
<th>10</th>
<th>20</th>
<th>30</th>
<th>40</th>
<th>50</th>
<th>60</th>
<th>70</th>
<th>80</th>
<th>90</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organised Labour</td>
<td>76</td>
<td>30</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulators</td>
<td>100</td>
<td>70</td>
<td>50</td>
<td>30</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>100</td>
<td>70</td>
<td>50</td>
<td>30</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>65</td>
<td>30</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opinion Influencers</td>
<td>68</td>
<td>24</td>
<td>14</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community</td>
<td>81</td>
<td>14</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers</td>
<td>86</td>
<td>14</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>24</td>
<td>24</td>
<td>16</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>35</td>
<td>19</td>
<td>13</td>
<td>7</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

When asked if Transnet adequately responds to their questions and concerns, 54% of the participants indicated that Transnet does respond adequately to their questions and concerns, while 29% disagreed; 17% neither agreed nor disagreed with the statement. Again, employees were the highest in terms of expressing that Transnet does not adequately address their questions and concerns.
4. Experience transition in the past two years

Have you seen or experienced improvement or weakening of Transnet’s engagement in the past two years? (%)

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Very Weak</th>
<th>Weak</th>
<th>Neither Improvement or weakening</th>
<th>High Improvement</th>
<th>Very Improved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organised Labour</td>
<td>10</td>
<td>20</td>
<td>80</td>
<td>40</td>
<td>0</td>
</tr>
<tr>
<td>Regulators</td>
<td>7</td>
<td>15</td>
<td>65</td>
<td>40</td>
<td>0</td>
</tr>
<tr>
<td>Government</td>
<td>5</td>
<td>15</td>
<td>65</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>10</td>
<td>20</td>
<td>65</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>Opinion Influencers</td>
<td>10</td>
<td>20</td>
<td>65</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>Community</td>
<td>5</td>
<td>15</td>
<td>65</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>Suppliers</td>
<td>0</td>
<td>15</td>
<td>65</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>Employees</td>
<td>10</td>
<td>18</td>
<td>65</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>Overall</td>
<td>10</td>
<td>18</td>
<td>65</td>
<td>20</td>
<td>0</td>
</tr>
</tbody>
</table>

When the participants were asked if they have seen or experienced improvement or weakening of Transnet’s engagement in the past two years, 46% of the participants reported that there has been an improvement on engagement with Transnet in the last two years, which shows a 16% decline as compared to the outcomes in the 2017 survey. In total, 25.6% said that stakeholder engagement in the past two years has neither improved nor weakened. Among all the participants, employees and financial institutions were the highest in terms of expressing that Transnet’s engagements have been weak in the past two years.

5. Experience transition: Improvement

Experience transition: Improvement

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>(0-10%)</th>
<th>(11-20%)</th>
<th>(21-30%)</th>
<th>(31-40%)</th>
<th>(41-50%)</th>
<th>(51-60%)</th>
<th>(61-70%)</th>
<th>(71-80%)</th>
<th>(81-90%)</th>
<th>(91-100%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organised Labour</td>
<td>10</td>
<td>20</td>
<td>80</td>
<td>40</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Regulators</td>
<td>7</td>
<td>15</td>
<td>65</td>
<td>40</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Government</td>
<td>5</td>
<td>15</td>
<td>65</td>
<td>15</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>10</td>
<td>20</td>
<td>65</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Opinion Influencers</td>
<td>10</td>
<td>20</td>
<td>65</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Community</td>
<td>5</td>
<td>15</td>
<td>65</td>
<td>15</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Suppliers</td>
<td>0</td>
<td>15</td>
<td>65</td>
<td>15</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Employees</td>
<td>10</td>
<td>18</td>
<td>65</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Overall</td>
<td>10</td>
<td>18</td>
<td>65</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

The 2017 Multi-stakeholder Perception Survey revealed that 72% of participants believed that Transnet’s engagement had increased by over 20% since the inception of the stakeholder engagement policy in 2015. As illustrated in the 2019 survey results, only 64% of the total participants expressed same. This shows an 11% weakening in our engagement efforts compared to 2017. The weakening is mainly reported by employees.
6. Engagement satisfaction

Overall, how satisfied or dissatisfied are you with Transnet’s engagement? (%)

At least 26% of participants expressed dissatisfaction with our stakeholder engagement approach – mainly employees, followed by financial institutions, then opinion influencers, fourth communities and fifth suppliers.

7. Overall quality of relationship

The quality of my relationship with Transnet is good overall: (%) 

As illustrated in the figure above, 52% of participants rated the quality of their relationships with Transnet as overall good, while 23% indicated that it is somewhat good. This indicates that at least 75% of the stakeholder representatives have a good relationship with Transnet, while 12% disagrees, with the majority being employees.

The high percentage of positive responses can be ascribed to the fact that there has been a deliberate effort to continuously engage, increase transparency and take accountability for the negativity that surrounded the Company in the reporting period. The commitment shown by the Board and management to root out corruption and build trust has bolstered Transnet’s positive trajectory in relationship building.
7. Salient issues emanating from the 2019 Multi-stakeholder Perception Survey

Salient stakeholder issues are those issues that have a potential to impact on the business, and are of importance to the stakeholder. In 2019 a total of 14 clusters of salient issues were derived as shown in figure 5 below. Issues pertaining to operational efficiency, financial sustainability, corporate social responsibility, stakeholder engagement, transparency and accountability as well as the company’s strategy reported in the 2018 Stakeholder Engagement Report are seen to be repeated in the reporting period.

There is also a prevalence of the following issues as reported by the stakeholders: ethics and corruption; stakeholder engagement; transparency and accountability; ineffective and poor communication; governance and leadership; Transnet’s overall strategy; and not addressing and responding to issues and concerns.

Figure 5 links salient stakeholder issues emanating from the Multi-stakeholder Perception Survey to emerging risks listed in the Transnet 2019/20 Corporate Plan. These identified stakeholder issues provide an important source for identifying Company risks.

The Stakeholder Engagement Plan hereto attached as Annexure A will be used as a proactive approach for addressing some of the issues, concerns and trends.

Table: 2019 issues raised

<table>
<thead>
<tr>
<th>Stakeholder engagement</th>
<th>Link to 2019 emerging risks</th>
<th>Stakeholders interested/affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community unrest leading to business interruptions; funding risks; ethics and reputational risks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funding risks; ethics and reputational risks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balancing regulated vs unregulated sustaining and expansionary capital investment in the face of funding constraints; delayed auditing financial results by external audit – potential impact on local and international legislative requirements 31 July 2019 deadline; railway network safety</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People risk – tone at the top/company culture; effectiveness of governance structures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complexity of pricing; competition risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reputation and Brand; community unrest leading to business interruptions; ethics and reputation at risks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community unrest leading to business interruptions; ethics and reputational risks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community unrest leading to business interruptions; ethics and reputational risks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporatisation of the National Ports Authority and Pipelines</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funding risks; ethics and reputational risks</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. Conclusion

Social and relational capital is increasingly recognised as a critical component of value that a company deploys in the execution of its business. Furthermore, the quality of a company’s engagements with its stakeholders can either enhance or destroy value – both for the company and for its stakeholders. Investors recognise this and require companies to build stakeholder engagement systems that proactively manage the risks and opportunities arising.

From the foregoing, it is evident that there have been deliberate efforts to enhance relations with stakeholders over the reporting period. Engagements by the Board and management especially with financial institutions, rating agencies, customers and communities have reassured our stakeholders of Transnet’s commitment to transparency and good governance, and also to stabilising the organisation.

The results of the Multi-stakeholder Perception Survey indicate that there has been an improvement in the organisation’s stakeholder engagement practices. Key to note are the quality of engagements that have improved by 5% compared to the previous survey, as well the 75% of participants who cited that the quality of their engagements with Transnet are overall good.

In the 2020, Transnet undertakes to:

- Continue to provide user training on the SED;
- Facilitate the appointment of SROs;
- Facilitate the development of stakeholder improvement plans across Operating Divisions and functions in line with the requirements of the Transnet Stakeholder Engagement Plan 2023;
- Facilitate the implementation of initiatives that adequately respond to 2019 salient issues; and
- Monitor progress of the implementation of the new operating model and how it affects our stakeholders.

Remedial plans will be used as part of the tools for tracking and monitoring progress.
Corporate Information

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

Waterfall Business Estate
9 Country Estate Drive
Midrand
1662

PO Box 72501
Parkview, Johannesburg
South Africa
2122

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