TRANSNET

delivering freight reliably

South Africa's custodian of rail, ports and pipelines

Transnet is South Africa's logistics infrastructure state-owned company responsible for the port, rail, and pipeline network. It is mandated to:

- Assist in lowering the cost of doing business in South Africa;
- Enable economic growth; and
- Ensure security of supply by providing appropriate infrastructure in a cost-effective and efficient manner.

Through its 6 operating divisions: Engineering, Freight Rail, Port Terminals, National Ports Authority, Pipelines, and Property, Transnet delivers an integrated bulk freight transportation system.

1. engineering	2. freight rail	3. port terminals
4. national ports authority	5. pipelines	6. property

TRANSNET AT A GLANCE*

50 364
employees, providing cargo handling services to a wide range of customers

1 799
locomotives operating

58 462
wagons operating

30 400km
railway track (general freight & two heavy haul lines)

8
commercial ports

2 798km
coastline

16
port terminals operating across 7 South African ports (excl. Mossel Bay)
- Automotive
- Bulk & Break Bulk
- Containers
- Minerals

3 114km
high-pressure petroleum and gas pipeline network in South Africa

132
engineering depots & 11 engineering yards manufacturing, maintaining, converting, repairing and upgrading the rolling stock, equipment and machines

R11.3bn
Commercial and residential properties

The company's performance year-to-date has been below expectations as a result of a number of factors hindering operations.

The organisation is implementing its Reinvention Strategy, which aims to reposition the business, focus on key commodity segments and bring in partners where this makes sense for the business.

*As at August 2023

GROUP EXCO

Group Chief Executive

- Chief Audit Executive
- CE: Transnet Port Terminals
- CE: Transnet Freight Rail
- CE: Transnet National Ports Authority
- CE: Transnet Property
- CE: Transnet Pipelines
- CE: Transnet Engineering
- Group Chief Financial Officer

- Chief Procurement Officer
- Chief of People and Learning
- Chief Business Development Officer
- Chief Legal Officer
- Chief Strategy and Planning Officer
- Chief Digital Officer
- Group Treasurer
- Chief Information Officer

OUR VALUE PROPOSITION

Value for the economy

- Cut down on the total costs of logistics as a proportion of transportable gross domestic product (GDP).
- Maximise the contribution of rail transportation to the overall national transportation task in order to facilitate and quicken the process of mode transfer.
- Utilise the resources of the private sector to assist in the delivery of both infrastructure and operational services.
- Integrate the South African economy with economies in both the region and the rest of the world.
- Enhance the positive social and economic effects of any and all interventions that are undertaken toward the fulfilment of these goals.
- Ensure continued expansion of commercial activities and fulfil financial viability.

Value for financial partners

- A strong balance sheet and the ability to generate cash flow to support further investment for continued financial stability.
- A strong ESG record through both targeted investment in ESG projects and ensuring sustainable socio-economic and environmental outcomes of our commercial activities.
- Exceptional expertise in our core sectors of rail, ports, and pipelines, with strong growth potential in regional markets across all modes.
- A funding strategy based on the strategic priorities of our segmental Reinvention Strategy.
- A business model that promotes strategic value for large burgeoning markets by reducing the cost of regional logistics infrastructure and ensuring a secure product supply.
- A reliable and credible borrower that issues debt on the strength of its financial position without government guarantees.

Value for domestic and regional customers

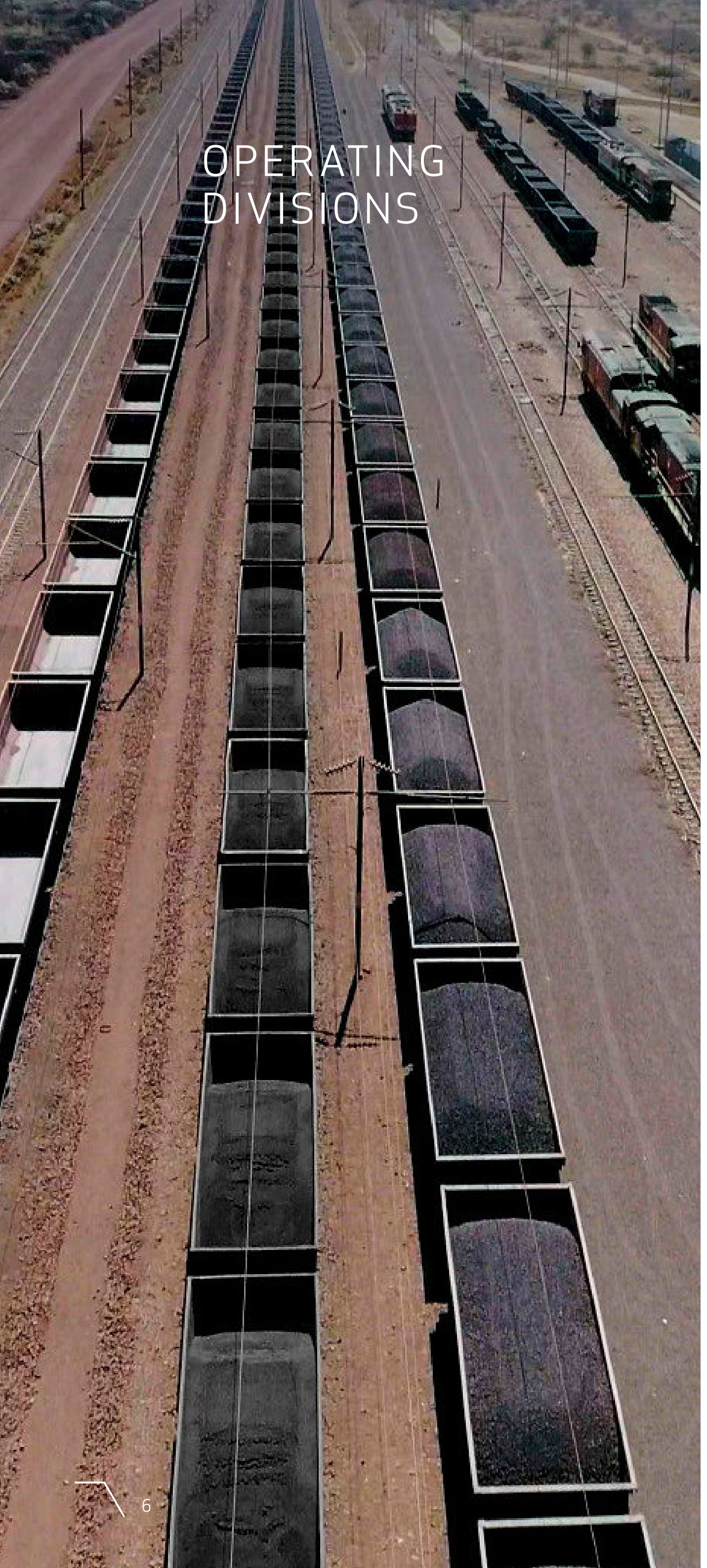
- Strive to continue delivering customer volumes that are both reliable and predictable.
- Innovations in business centered on the customer.
- Full value chain service propositions.
- Product and service configurations that are customized to each market segment.
- Integrated cross-operating divisional customer support, spanning the whole logistical value chain and the lifecycle of requirements.
- Digital transformation across the entire value chain.

Value for suppliers and service providers

- An ethical and transparent procurement process.
- Fair and equitable tender processes.
- Fair, transparent and efficient contract management.
- A proactive and collaborative approach to local supplier development.

Value for our shareholder

- The Reinvention Strategy will contribute to broad industrial development within South Africa's key commodity segments, thereby supporting post-COVID economic growth.
- Sustained financial returns and broad socioeconomic value.
- Regulatory compliance, accountable business practices, ethical leadership and responsible corporate citizenship.
- Investment priorities closely aligned with Government's infrastructure programme.



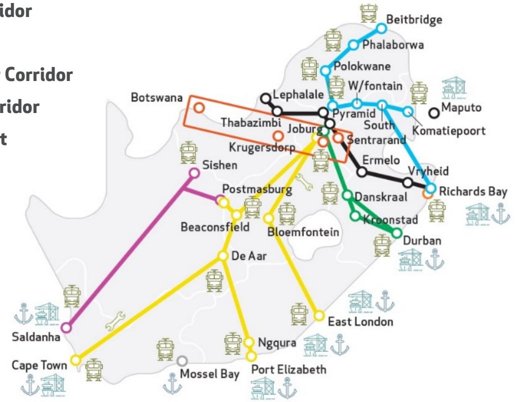
OPERATING DIVISIONS

Freight Rail

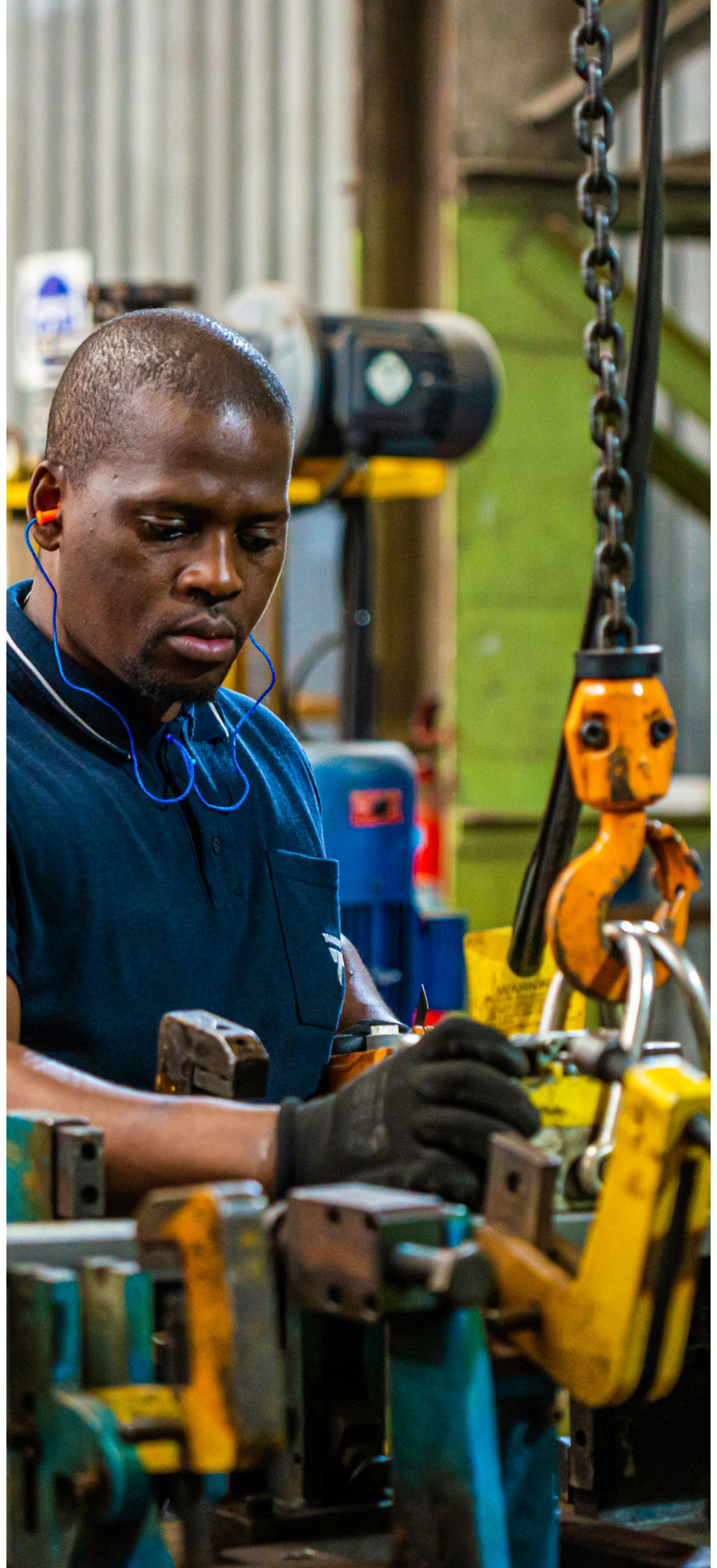
Transnet Freight Rail, the largest Operating Division of Transnet, currently provides the rail network infrastructure and operates rail services across major corridors to transport a broad range of bulk and general freight commodities, including mining, agricultural, manufacturing goods, bulk liquids, containerised freight and automotive units and components for export, regional and domestic markets.

Operating Corridors are logical units of accountability that together produce results not obtainable by the elements alone – the whole being greater than the sum of its parts.
The corridors are as follows:

- Cape Corridor
- Ore Line
- Container Corridor
- North Corridor
- North east
- Central



Owns the largest railway in Africa and is among the **top 10 freight railways in the world**	Provides strategic links between ports, terminals and production hubs in the **SADC region**	Maintains **30 400km** of railway track (**80%** of Africa's total rail) **1 500km** dedicated heavy haul lines. **Runs 1 200** trains per day. Operates the **award-winning** luxury Blue Train



Engineering

Transnet Engineering is an integral part of South Africa's railway and port industry value chains as a provider and maintainer of the assets used in operations. The division's core business activities comprise manufacturing, remanufacturing, assembly and maintenance of railway rolling stock including locomotives, freight wagons, passenger coaches and port equipment.

These offerings are supported by specialist engineering proficiencies such as research, design, condition monitoring, testing, systems integration and certification. With more than 150 years' experience in rail, Transnet Engineering is an independent African original equipment manufacturer (OEM) for wagons and has made progress in developing its OEM status for locomotives with the manufacturing of the 'Trans-Africa' locomotive. Through its Engineering unit, Transnet Engineering has researched, designed and built the Transnet Port Hauler which is currently under operational testing.

Manufacturing division of Transnet, with **143 depots** and **six main** factories	The division has the capacity to **build** and **remanufacture** **4 000 wagons**
Core capabilities in research, design, testing, manufacturing, re-manufacturing, assembly and maintenance of railway rolling stock including **locomotives**, **freight wagons**, **passenger coaches** and **port equipment.**	The division also provides **products and services** to customers located outside of the Republic of South Africa, including: **Tanzania, Zambia and the Democratic Republic of Congo.**

Port Terminals

Transnet Port Terminals plays a strategic role in the South African economy by enabling the efficient flow of imports, exports and transshipments through its cargo terminal operations. Through its strategic role in the management of these key trading hubs, Port Terminals ensures year-round connectivity of the South African economy with other key trading partners in the region and the rest of the world.

As a vital enabler of trade between South Africa and the global market, Port Terminals continuously strives to improve the reliability and efficiency of its operations through holistic business innovation to reduce business costs.

16 sea cargo terminals

68 berths across **7 commercial seaports** along the South African coastline.

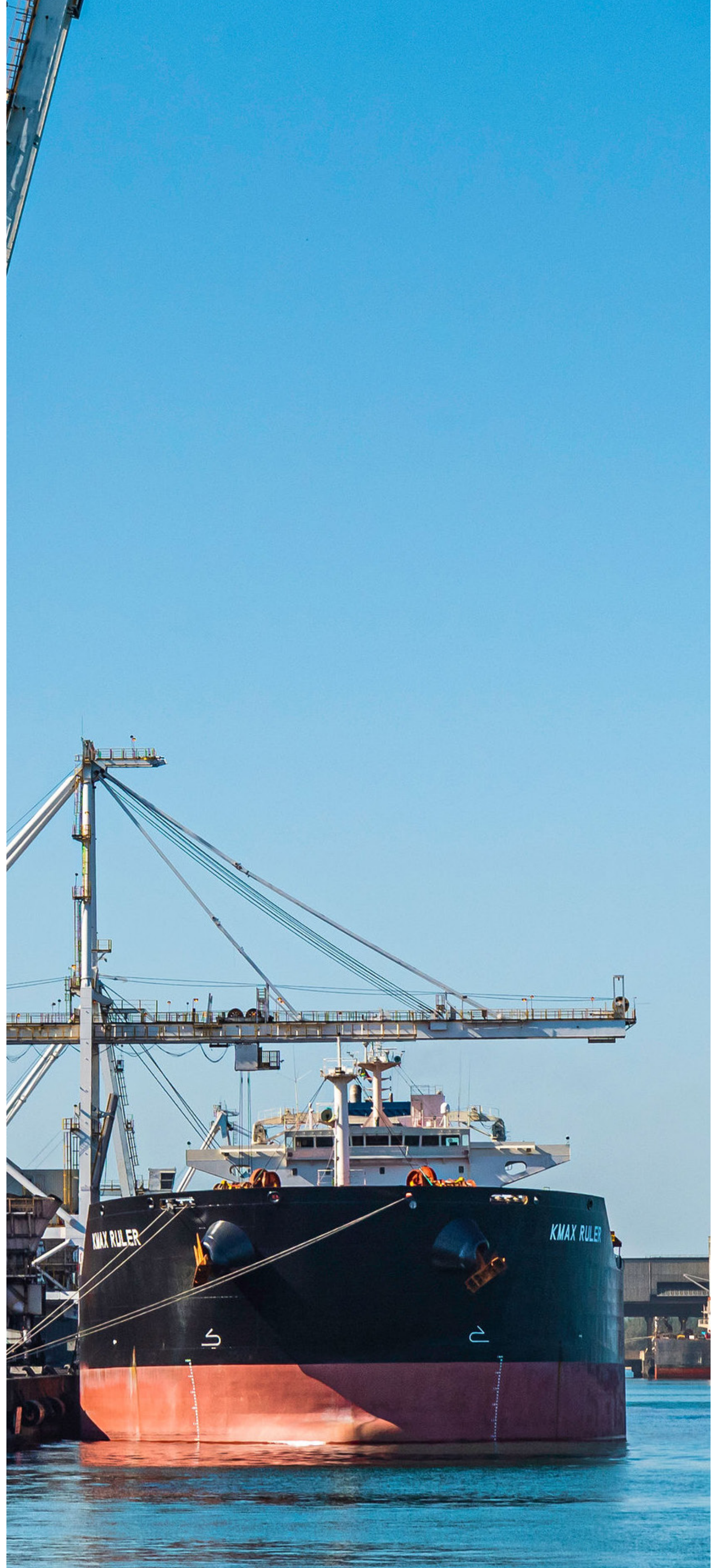
3 inland terminals

in **KZN**, **Northern Cape** and **North West**

Operations cover cargo handling

across four sectors

namely: **containers**, **mineral** and **agricultural bulk**, **break bulk** and **automotive** (roll on roll off/RORO) in three geographical regions namely **Eastern Cape, Western Cape** and **KwaZulu Natal.**



National Ports Authority

Transnet National Ports Authority, as prescribed in the National Ports Act, No 12 of 2005 (Ports Act), was created as a landlord port authority to manage, control and administrate safe, efficient, effective and economic functioning of the national ports system on behalf of the State.

The National Ports Authority occupies a strategic position in the country's transport logistics chain, managing South Africa's eight commercial seaports. The ninth port, Port Nolloth, is in its entirety leased to De Beers Consolidated Diamond Mines.

Operating within the port industry, the National Ports Authority provides its services to port users which include terminal operators, shipping lines, ships' agents, cargo owners and the clearing and forwarding industry. The National Ports Authority is both the regulator of all port users and is regulated as well, in that the Ports Regulator of South Africa (Ports Regulator) exercises economic regulation over the division and deals with complaints against the National Ports Authority.

8 **Commercial seaports** along

2 798km

of coastline

Plans, provides, maintains, and improves port infrastructure.

Provides **marine-related services**, including

dredging, aids to navigation, ship repairs and marine operations.

Pipelines

Transnet Pipelines is the largest multi-product pipeline operator in Southern Africa with more than 55 years' experience of operating and maintaining a 3 800km high pressure petroleum and gas pipeline network in South Africa.

The core strategic mandate of Pipelines is to ensure petroleum security of supply for the inland market and gas security of supply for the KwaZulu-Natal market using environmentally responsible methods while ensuring optimum efficiencies.

The liquid fuels network traverses' various provinces in South Africa.

The network includes a tank farm, at Tarlton, with a capacity of 30 million litres which is used mainly for storage and the distribution of liquid fuels into Botswana.

The gas pipeline, a converted line previously used for liquids, runs from Secunda to Durban via Empangeni.

Pipelines is strategically positioned to enable regional integration from pipelines to other modes of transport. Pipelines is regulated by the National Energy Regulator of South Africa (Nersa).

Pipelines market share:

Transports
65%
of the total inland demand of **refined petroleum products**

More than
70%
of all **jet fuel** requirements for **OR Tambo Airport**

100%
crude requirements for **Natref**

100%
methane-rich gas from Secunda to KZN

Property

Transnet Property currently manages a portfolio of commercial and residential properties, with a mandate to maximise the returns from the Transnet property portfolio and grow the asset base using best practice asset management principles.

However, in line with the new Property Strategy, the real estate functions of Freight Rail and Port Terminals have been integrated into Property, which now provides a property management service to these divisions. This is part of a significant shift towards the consolidation of the entire Transnet property portfolio.

Property continues to service the needs of the Operating Divisions as well as aggressively seeking out third-party business and offering expertise in the field of asset management which encompasses property development, property management, facilities management and other specialised services.

One of **South Africa's**
most significant
property owners with a **national footprint**.

Manages **a portfolio of properties** used for core operations and investment properties
generating revenue
from external tenants.

Provides
specialised property services
including **valuations**, **municipal valuations**, **roll analysis**, **land surveys**, **drawing of plans** and **deeds management.**

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

Transnet strives to conduct its business in a way that cares more for its stakeholders and minimises environmental impact. Under operating responsibly, the following are prioritised:

Transnet minimizing environmental impact

Reducing the environmental impact of its operations, ensuring compliance to avoid fines, protecting biodiversity, managing pollution, mitigating and adapting to climate change and adopting the Just Transition agenda.

Transnet caring for its people

Building Industrial capability, skills development, valuing health and safety, creating employment, and fostering a talented, inclusive, and diverse workforce with meaningful career development, community development, Employment Equity and Transformation.

Transnet improving governance

Rooting out corruption and improving governance.

Transnet assessing all ESG factors

Impacting its strategic areas of borrowing, growth, profitability, capital investment and risk exposure and, develop a programme that adequately meets and manages investors and other stakeholders' ESG expectations.

01. Environmental stewardship

Carbon footprint: **3,27 mtCO$_2$e**

Cumulative carbon emission savings from **'road to rail'** from 2015 to 2022: **3 122 mtonCO$_2$**

02. Health and Safety

LTIFR rate – 0,69 (2021: 0,62) against tolerance of 0,75

Running line derailments: 78 (2021:70)

Shunting derailments: 121 (2021: 122)

Employee Wellness Programme service offerings across all 11 official South African languages

03. Building industrial capability

R67 million in ESD spend, 2,1% of net profit after tax

R378 million early payments to qualifying ESD beneficiaries (2021: R70,1 million)

Local procurement spend accounted for **72%** designated sector spend (2021: R2,2 billion; **9,4%** of TMPS)

04. Creating employment

Transnet's **total headcount 50 015** (incl. contract employees)

4 620+ temporary jobs created through Phelophepa I and II

R7,7 million+ was invested in **job creation efforts in communities** hard hit by unemployment

05. Skills development

1 229 trainees were trained at **Transnet schools** (2021: 1 396), surpassing the **1 105 annual target**

R655 million was spent on **skills development**

22,11 B-BBEE skills development **points achieved** – retaining Transnet's **Level 2 B-BBEE status.**

06. Community development

Invested **R139,56 million** in community development

Phelophepa Healthcare Trains I and II treated **344 362** patients in **70 communities**

Approximately **33 856** citizens were **vaccinated** against COVID-19 through the **Transvaco vaccine train.**

07. Transformation employment equity

Black employees: 78,6% of total employees

Women in Exco: 44% and 47,4% at extended Exco

People with disabilities 2,3% of employees

Professional Corps Black employees: 3 375

Skilled Corps Black employees: 15 577

08. Transformation B-BBEE spend

Black-owned enterprises spend accounts for **R12,55 billion**

Black women-owned enterprises spend: **R7,41 billion**

EME spend at **R5,14 billion**

QSE spend at **R2,91 billion**

Black youth enterprises at R1,83 billion.

** Source: Transnet 2022 Integrated Report*

INTEGRATING REGIONAL FREIGHT SYSTEMS ON THE AFRICAN CONTINENT

Transnet has a long-standing footprint in various growing African markets, with three joint operating centres in Zambia, Mozambique and Zimbabwe, and satellite offices in Lesotho, Namibia and Swaziland.

In line with the objectives of the (AfCFTA), the new Reinvention Strategy outlines a clear roadmap to grow our operational footprint into additional new growth markets on the continent, working together with regional partners in connecting industry supply chains with best practice rail, port and pipeline solutions to become regionally and globally competitive. Accordingly, we will collaborate with African governments and private partners to:

1

Identify new joint business opportunities that will drive Transnet's business renewal through increased transported volumes, and by diversifying our own service and product offerings.

2

Develop integrated regional freight systems to ensure end-to-end logistics value chains benefit from greater efficiencies, improved reliability and lower costs of intra-Africa trade.

3

Establish additional regional operations through joint ventures and partnerships with key commodity customers who themselves have strong cross-border operational footprints.

4

Create new, innovative business models to build new markets for our services and products, such as the manufacturing and maintenance of rail, port and pipeline infrastructure through our Engineering division.

AFRICA STRATEGY SUMMARY

EXISTING PRESENCE

1 Lead in the development of integrated regional freight systems - leverage our unique position as a leading logistics provider in SSA.

2 Create a regional competitive advantage and strengthen regional integration.

3 Support Transnet's growth strategy by focusing on regional corridor integration, and shared hinterland and rail corridor connectivity, thereby directly impacting domestic growth.

4 Strategic port and maritime trade corridors – major opportunities exist in the rest of SSA in support of the AfCFTA model of cross-border cooperation, G2 agreements, and long-term growth prospects.

5 Regional operations, joint ventures and partnerships with aligned growth synergies such as shipping lines, private local operators, key commodity customers, and state-owned rail, port and pipeline operators will present new opportunities on the continent.

6 "SA Incorporated" - promote South African content and position with 'SA Inc' partners in pursuing regional opportunities, particularly South African DFIs, IDZs and agencies to leverage project development funding.

SECTOR STRATEGY

RAIL & ROLLING STOCK

Rail Operations and Infrastructure rehabilitation (inclusive of advisory, digital solutions and training).

Regional integration and corridor development.

Rolling stock manufacturing.

Wagon and locomotive maintenance.

Blue Train cross-border tourism.

PIPELINES

Strategic acquisitions and/or partnerships in natural gas assets and link gas trade corridors.

Joint development in storage terminal operations leveraging the private sector.

PORTS

Strategic acquisitions and/or partnerships in port and maritime trade corridors.

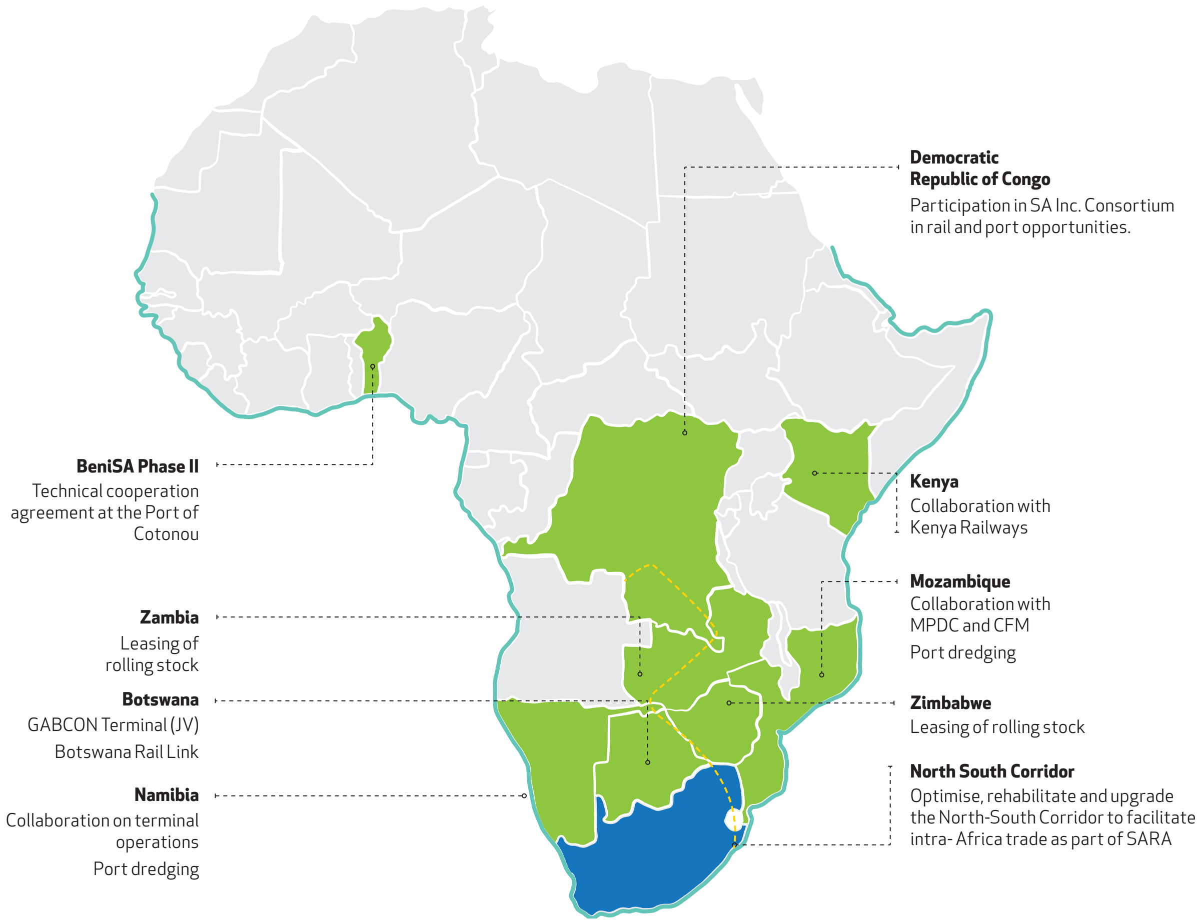
Service provider of digital solutions including training:

- GCOS and Cargo Connect.
- Regional provider of maintenance dredging services
- Maritime connectivity and hub development.

ACADEMY

A regional center of excellence for rail, port, pipeline and maritime training.

Partnering with African governments in training and capability-building.



INVESTING IN OUR VALUE CHAINS

Through its Reinvention Strategy, Transnet aims to bring in investments from industry partners and the major sectors we serve.

These sectors contribute to 80% of Transnet's revenue and include:

- Automotive
- Containers
- Coal
- Chrome and Magnetite
- Iron Ore
- Manganese
- Fuel and Energy
- Agriculture

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