The original signed version of this document is available for inspection at the offices of the Issuer at 138 Eloff Street, Braamfontein Johannesburg, South Africa.

TRANSNET

TRANSNET SOC LTD

(Incorporated in the Republic of South Africa with limited liability under registration number 1990/000900/30)

INFORMATION STATEMENT
in respect of the
ZAR80,000,000,000
DOMESTIC MEDIUM TERM NOTE PROGRAMME

Transnet SOC Ltd (the **Issuer** or **Transnet**) intends from time to time to issue notes (the **Notes**) under the ZAR80,000,000,000 Domestic Medium Term Note Programme (the **Programme**) on the basis set out in the Programme Memorandum dated 17 October 2022, as amended and restated from time to time (the **Programme Memorandum**). The Notes may be issued on a continuing basis and be placed by one or more of the Dealer(s) specified in the section headed "*Summary of Programme*" under the Programme Memorandum and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis.

The specific aggregate nominal amount, the status, maturity, interest rate, or interest rate formula and dates of payment of interest, purchase price to be paid to the Issuer, any terms for redemption or other special terms, currency or currencies, form and denomination of Notes, information as to financial exchange listings and the names of the dealers, underwriters or agents in connection with the sale of Notes being offered at a particular time will be set forth or referred to in the terms and conditions contained in the Programme Memorandum (the **Terms and Conditions**), read together with the pricing supplement applicable to any Notes (the **Applicable Pricing Supplement**).

Availability of Information

This Information Statement is also available on the Issuer's website at https://www.transnet.net/InvestorRelations/Pages/DMTN.aspx (this Information Statement).

Information on the Issuer's website, other than in this Information Statement and the Programme Memorandum, is not intended to be incorporated by reference into this Information Statement, save for those documents which are incorporated by reference in the section headed "*Documents Incorporated by Reference*" in the Programme Memorandum.

Recipients of this Information Statement should retain it for future reference. It is intended that the Programme Memorandum read together with the Applicable Pricing Supplement in connection with the issuance of Notes, will refer to this Information Statement for a description of the Issuer, its financial condition and results of operations (if any) and investor considerations/risk factors, until a new information statement is issued.

Information Statement dated 17 October 2022.

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GENERAL

Capitalised terms used in this section headed "General" shall bear the same meanings as defined in the Terms and Conditions in the Programme Memorandum, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer certifies that to the best of their knowledge and belief there are no facts that have been omitted from the Information Statement which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made, and that this Information Statement contains all information required by law and the Debt Listings Requirements of the JSE. The Issuer accepts full responsibility for the accuracy of the information contained in this Information Statement.

The JSE takes no responsibility for the contents of the Programme Memorandum, the annual financial statements, the Applicable Pricing Supplement(s), this Information Statement or any annual reports of the Issuer and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of the Programme Memorandum, the annual financial statements the Applicable Pricing Supplement(s), this Information Statement or any annual reports of the Issuer and any amendments or supplements to the aforementioned documents and the JSE expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of the Programme Memorandum and listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer or of the Notes and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

In addition, the Issuer, having made all reasonable inquiries, confirms that this Information Statement contains or incorporates all information which is material in relation to the issuing and the offering of the Notes, that all information contained or incorporated in this Information Statement is true and accurate in all material respects and that the opinions and the intentions expressed in this Information Statement are honestly held and that there are no other facts, the omission of which, would make this Information Statement or any of such information or expression of any such opinions or intentions misleading in any material respect.

The Arranger, the Dealer(s), the JSE Debt Sponsor or any of their respective subsidiaries or holding companies or a subsidiary of their holding companies (**Affiliates**) and the professional advisors have not separately verified the information contained in this Information Statement. Accordingly, no representation, warranty or undertaking, expressed or implied is made and no responsibility is accepted by the Arranger(s), Dealer(s), the JSE Debt Sponsor, their Affiliates or any of the professional advisors as to the accuracy or completeness of the information contained in this Information Statement or any other information provided by the Issuer. None of the Arranger(s), Dealer(s), the JSE Debt Sponsor, their Affiliates nor any of the professional advisors accepts any liability in relation to the information contained in this Information Statement or any other information provided by the Issuer in connection with the Notes. The statements made in this paragraph are without prejudice to the responsibilities of the Issuer.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Information Statement or any other information supplied in connection with the issue and sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger(s), the Dealer(s), the JSE Debt Sponsor, their Affiliates or the professional advisors. Neither the delivery of this Information Statement nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof, or that any other financial statement or other information supplied in connection with the Information Statement is correct at any time subsequent to the date indicated in the document containing the same.

Neither this Information Statement nor any other information supplied in connection with the Notes constitutes the rendering of financial or investment advice by or on behalf of the Issuer, the Arranger(s), the Dealer(s), the JSE Debt Sponsor, their Affiliates or any professional advisor.

This Information Statement and any other information supplied in connection with the Notes is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arranger(s), the Dealer(s), the JSE Debt Sponsor, their Affiliates or any professional advisor, that any recipient of this Information Statement should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. Each potential investor should consult its own advisors to make its investment decision and to determine whether it is legally permitted to purchase the Notes under Applicable Laws and regulations.

Neither this Information Statement nor any other information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arranger(s), the Dealer(s), the JSE Debt Sponsor, their Affiliates or the professional advisors to any person to subscribe for or to purchase any Notes.

This Information Statement does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Issuer, the Arranger(s), Dealer(s), the JSE Debt Sponsor, their Affiliates nor any professional advisor, represents that this Information Statement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available there under, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger(s), the Dealer(s), the JSE Debt Sponsor, their Affiliates or the professional advisors which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Information Statement nor any advertisement nor other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any Applicable Laws and regulations. The Arranger(s) or the Dealer(s) has represented that all offers and sales by them will be made on the same terms and in compliance with this prohibition.

The distribution of this Information Statement and the offer for the subscription or sale of Notes may be restricted by law in certain jurisdictions. Currently, the Notes are only available for subscription by South African residents. Persons into whose possession this Information Statement or any Notes come must inform themselves about, and observe, any such restrictions. In particular there are restrictions on the distribution of this Information Statement and the offer for the subscription or sale of Notes in the United States of America, the European Economic Area, the United Kingdom and South Africa.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold in the United States of America or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act (**Regulation S**)). The Notes will be offered and sold only in offshore transactions outside the United States of America in accordance with Regulation S and, subject to certain exceptions, may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, US Persons.

Information and opinions presented in the Information Statement were obtained or derived from public sources that the Arranger(s), the Dealer(s), the JSE Debt Sponsor, their Affiliates or the professional advisors believe are reliable but make no representations as to the accuracy or completeness thereof. Any opinions, forecasts or estimates (if any) herein constitute a judgment as at the date of this Information Statement. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance should not be taken as an indication or guarantee of future performance and no representation or warranty, express or implied is made regarding future performance. The price, value of and income from any of the securities or financial instruments mentioned in this Information Statement (if any) can fall as well as rise. Any opinions expressed in this Information Statement are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of the Arranger(s), the Dealer(s), the JSE Debt Sponsor, their Affiliates or the professional advisors as a result of using different assumptions and criteria. Furthermore, the Arranger(s) or the Dealer(s) (and their respective directors, employees, representatives and agents), the JSE Debt Sponsor, their Affiliates or any professional advisors accept no liability for any direct or indirect loss or damage incurred arising from the use of the material presented in this Information Statement, except as provided for by law.

All trademarks, service marks and logos used in this Information Statement are trademarks or service marks or registered trademarks or service marks of the Issuer. This Information Statement may not be reproduced without the prior written consent of the Issuer, the Arranger(s) or Dealer(s). It may not be considered as advice, a recommendation or an offer to enter into or conclude any transactions.

Copies of this Information Statement are available by request from the registered offices of the Issuer.

INVESTOR CONSIDERATIONS/RISK FACTORS

Capitalised terms used in this section headed "Investor Considerations/Risk Factors" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. The value of the Notes could decline due to any of these risks, and investors may lose some or all of their investment.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information available to it at the Programme Date, or which it may not be able to anticipate at the Programme Date. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this Information Statement and the Programme Memorandum to reach their own views prior to making any investment decision.

References below to the "Terms and Conditions", in relation to Notes, shall mean the "Terms and Conditions of the Notes" set out under the section of this Programme Memorandum headed "Terms and Conditions of the Notes".

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Risks Relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in the Programme Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

There may not be an active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. There is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes, the Applicable Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the government of South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the Applicable Pricing Supplement specifies that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Because uncertificated Notes are held in the CSD, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme which are listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange and/or held in the CSD may, subject to Applicable Laws and the Applicable Procedures, be issued in uncertificated form. Unlisted Notes may also be held in the CSD in uncertificated form. Notes held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. Except in the limited circumstances described in the Terms and Conditions, investors will not be entitled to receive Individual Certificates. The CSD will maintain records of the Beneficial Interests in Notes and/or issued in uncertificated form, which are held in the CSD (whether such Notes are listed or unlisted). Investors will be able to trade their Beneficial Interests only through the CSD and in accordance with the Applicable Procedures.

Payments of principal and/or interest in respect of uncertificated Notes will be made to the CSD or the Participants and the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the CSD or the Participants for distribution to their account holders. A holder of a Beneficial Interest in uncertificated Notes, whether listed or unlisted, must rely on the procedures of the CSD to receive payments under the relevant Notes. Each investor shown in the records of the CSD or the Participants, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such uncertificated Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, such Beneficial Interests.

Holders of Beneficial Interests in uncertificated Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the CSD to appoint appropriate proxies.

Recourse to the JSE Debt Guarantee Fund Trust

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE Debt Guarantee Fund Trust. Claims against the JSE Debt Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the JSE Debt Guarantee Fund Trust. Unlisted notes are not regulated by the JSE.

Credit Rating

Tranches of Notes issued under the Issuer, and/or the Programme, as the case may be, may be rated or unrated. A Rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning Rating Agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

Any amendment in the Rating of the Issuer and/or the Programme and/or a Tranche of Notes, as the case may be, after the Programme Date, will be announced on SENS.

Risks related to the structure of the particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index-Linked and Dual Currency Notes

The Issuer may issue Notes, the terms of which provide for interest or principal payable in respect of such Notes to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**) or with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the Nominal Amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate may at any time be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes where denominations involve integral multiples: Individual Certificates

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive an Individual Certificate in respect of such holding and would need to purchase a Nominal Amount of Notes such that its holding amounts to a minimum Specified Denomination.

If Individual Certificates are issued, holders should be aware that Individual Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Modification and waivers and substitution

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The Notes are governed by, and will be construed in accordance with, South African law in effect as at the Programme Date. No assurance can be given as to the impact of any possible judicial decision, change to South African law or administrative practice in South Africa after the Programme Date.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks relating to the Issuer's Business

Transnet is subject to risks associated with Covid-19 on the different spheres of its business

The COVID-19 pandemic has resulted in unprecedented instability to the global and local economy. Many people have lost their lives and livelihoods and a host of companies around the globe are scrambling to return to profitable levels. Like many other companies, Transnet is rethinking its business strategy. The COVID-19 pandemic has accelerated Transnet's challenges, creating an even greater urgency for change.

Transnet foresees a post COVID-19 world that will feature greater levels of remote working, more automation, increased regionalisation, shortening of supply chains, faster rapid response abilities and more decentralisation and modularisation. A flexible and scalable IT function has proven to be a critical success factor under these circumstances. Additionally, there will likely be a strong move towards a 24-hour economy as the effort to lessen population congestion in all areas continues, even intensifies. Indeed, no area of our lives, personally and in business terms, will remain untouched by the pandemic. Therefore, building resilience in a post-COVID-19 world will require an ability to respond rapidly to change, which, in turn, is going to require significant transformation within Transnet, including institutional, commercial and cultural transformation.

The compliance team played an active role to support Transnet during this time, creating stronger relationships between business and the compliance function. COVID-19 accentuated why traditional compliance is inadequate, and why a risk-based approach is crucial. As a result, Transnet's compliance and risk management are closely integrated from a strategic to operational level. Compliance management utilises the regulatory universe to understand the established and emerging rules and regulations which helps protect Transnet from a variety of unique risks, while risk management helps protect Transnet from risks that could lead to non-compliance.

In line with Transnet's strategy to fix, optimise and grow the core business, Transnet has identified the need to reassess and reaffirm its compliance management strategy and framework (including principles, standards and procedures). The protection and growing of the core business, in a post-COVID-19 era, is to be achieved within a framework that focuses more on vigilant governance and proactive compliance management processes as well as creating a culture that responds appropriately to organisational changes.

The South African freight and logistics industry performs one of the most vital services of the modern globalised and interconnected world. The COVID-19 pandemic affects almost every dimension of economic activity and employees as individuals. As a consequence of the COVID-19 pandemic, important supply chains in the logistics and transportation industry have been hampered. For Transnet, which is the custodian of rail, ports and pipelines, it has brought multiple strategic and operational challenges as well as meta-uncertainty on the lasting impacts of the pandemic. The unique context of this local and global crisis is that it is both a business and humanitarian crisis.

Transnet has showed the value of risk management in action as it proactively planned for the potential impact of COVID-19 on the business through the creation of the COVID-19 command centre. This multidisciplinary team have focused on identifying the key risks to the business and employees which resulted in the immediate and proactive implementation of systems to manage the risks to the best of Transnet's ability. Transnet has not been able to fully mitigate the impact of this pandemic, however, the integrated risk approach to navigating the crisis reduced the severity significantly. Although the pandemic was not the only risk faced during this time, it created a situation where all other risks needed to be managed using an integrated system thinking approach linking it to Transnet's COVID-19 response and strategies.

The following risks have been identified, namely:

- The negative impact of COVID-19 pandemic on volumes, financial results, productivity, contractual and project delays and the mitigation is to conclude take-or-pay contracts (certainty around price per volume for major customers, including iron ore, manganese and coal segments).

- The negative impact of the COVID-19 pandemic on people's health and wellness and the resurgence of COVID-19 impacting on people and business. The mitigations are:

    - Focus on initiatives to improve the working environment that employees operate in (facilities management, canteens, ablution facilities, etc.);
    - Implement employee wellness initiatives to holistically enhance well-being and health management needs of employees;
    - Implement the revised Occupational Health and Wellness Strategy and Framework and compliance with COVID-19 regulations and protocols for the safety of employees;
    - Integrate Transnet health clinics to ensure equitable and efficient service for employees; and

- Implement the interventions aimed at addressing employee behaviour, employees returning to work while infected, Transnet work premises readiness, personal protective equipment availability and stock levels as well as support available from Health and Wellness e.g. the Employee Assistance programme in response to the resurgence of Covid-19.

- The negative impact of the COVID-19 pandemic on people resulting in the inability of teams to deliver to internal and external customers and the mitigation is the design of frameworks of reorganisation, migration, redeployment, retraining and exit principles.

- The resurgence of COVID-19 with the mitigation of implementing interventions aimed at addressing employee behaviour, employees returning to work while infected, Transnet work premises readiness, personal protective equipment availability and stock levels as well as support available from health and wellness e.g. employee assistance programme in response to the resurgence of COVID-19.

- Adapting to the 'new normal' and the following interventions apply:

  - Solidify new communication protocols established by the command centre during the first wave of COVID-19 between divisions and functional areas to respond and adapt to the '*new normal*';
  - Develop clear conceptual roadmap with defined roles and capacitate accountability to address gaps arising from the new ways of working;
  - Continue to refine operational practices to make Transnet increasingly resilient to respond to similar human/ operational events including scenario planning, trend analysis, etc.; and
  - Continue to adapt to new remote working paradigm to contain the spread of the virus and working effectively.

Transnet designed a Covid-19 strategic response framework and this provides an approach to manage Covid-19. This approach is co-ordinated through a Covid-19 Command Centre which has a number of streams. This co-ordinated approach has served the organisation since 2020 and continues to be effective at ensuring responsiveness, agility and a rigorous approach to Transnet managing all the challenges Covid-19 has brought about.

Transnet is subject to risks associated with the impaired performance of its equipment and infrastructure due to their age and required maintenance

Transnet's business and operations depend upon the performance of its equipment and other working assets, such as its locomotives, wagons, rail infrastructure, pipeline infrastructure, port terminal equipment and port infrastructure. As its equipment, other working assets and infrastructure age, their performance or effectiveness become impaired, often leading to decreased productivity as well as delays and costly maintenance.

In recent years, Transnet has improved its maintenance programmes and has budgeted substantial amounts for assets maintenance under its capital investment programme. If Transnet does not replace, maintain or repair its assets in a timely manner, it will face decreased asset performance as well as increased maintenance costs, delays and lost revenue due to unscheduled stoppages and derailments. Asset impairment and inadequate maintenance may reduce Transnet's competitive position and could have an adverse impact on Transnet's business, results of operations, financial condition and prospects.

Transnet is exposed to risks associated with the economic regulation of its business

- Regulated revenues accounted for 20% (twenty per cent) of Transnet's total revenues for the 2020 financial year. Transnet's ability to meet revenue targets and achieve, as well as maintain, future growth depends significantly on the tariffs approved by regulators, who may impose tariffs that are insufficient to meet the needs of Transnet Pipelines and Transnet National Ports Authority.

- The tariffs for Transnet Pipelines are regulated by the National Energy Regulator of South Africa, which was established as a juristic person in terms of section 3 of the National Energy Regulator Act, 2004 (the **NERSA**). Transnet National Ports Authority's tariffs are regulated by the independent Ports Regulator of South Africa established by section 29 of the Ports Act (the **Ports Regulator**).
- In determining proposals for the tariffs charged by both Transnet Pipelines and Transnet National Ports Authority, Transnet uses a revenue requirement model which has been approved by the NERSA and the Ports Regulator. The intended effect of the model is to permit Transnet Pipelines and Transnet National Ports Authority to earn an appropriate return on investment and recover operating expenditures through the regulatory tariff approval mechanism, to provide revenue streams that are sufficient to fund the requirements of the respective businesses and to provide a regulated rate of return on those assets engaged in the respective businesses that are included within the regulatory asset base. While the revenue requirement model is intended to reduce income risk and facilitate a predictable capital expenditure programme, the model requires the application of judgment regarding those assets to be included in the model, the valuation of assets, depreciation rates, variations between actual and forecasted capital and operating expenditures and inflation levels and indexation. In addition, the model also assumes a degree of operating efficiency gains by Transnet Pipelines and Transnet National Ports Authority, which is achieved when the actual average operating and maintenance expenses per unit in a specific period are less than the prior period's actual average operating and maintenance expenses per unit after taking into account the effects of inflation.
- Transnet engaged with the Ports Regulator and port users on the review of the Multi-Year Tariff Methodology in accordance with the Ports Act to afford Transnet the ability to deliver on its strategy and maintain financial sustainability. The Ports Regulator published the revised Multi-Year Tariff Methodology for the 2019 to 2021 tariff periods on 31 March 2017.
- The NERSA published the Amendment to the Guidelines for Monitoring and Approving Piped-Gas Transmission and Storage Tariffs (the **Amended Guidelines**) for public comment on 8 February 2017. The key reason for the review was to ensure harmonisation of regulatory methodologies for the three regulated industries, and to ensure coherence and consistency across piped-gas, petroleum pipelines and electricity. On 30 March 2017, the NERSA approved the Amended Guidelines, which became effective as at 1 June 2017.
- Failure to receive approval for proposed tariff increases in the amounts and at the times proposed could materially adversely affect Transnet's business, results of operations, financial condition and prospects.
- Transnet Freight Rail tariffs are currently not regulated, however, existing draft legislation such as the Economic Regulation of Transport Bill (**ERTB**) has the potential of bringing about regulation of rail tariffs. Discussions are ongoing with various stakeholders including Transnet and other government stakeholders on the ERTB.
- Transnet also operates within a policy context established by the Department of Public Enterprises and the Department of Transport.

The corporatisation of Transnet National Ports Authority and potential corporatisation of Transnet Pipelines poses risks to Transnet and could constitute a breach of covenants under some financing agreements

Transnet National Ports Authority

The National Ports Act, No. 12 of 2005 (the **Ports Act**) provides for the reorganisation of Transnet National Ports Authority (**TNPA**) into a separate corporate entity (**the TNPA corporatisation**).

On 22 June 2021 President Cyril Ramaphosa announced the establishment of the Transnet National Ports Authority as an independent subsidiary of Transnet, in line with the Ports Act. This will mean the establishment of an independent National Ports Authority as a wholly-owned subsidiary of Transnet, with its own board appointed by the Minister of Public Enterprises. The reform aims to create a clear separation between the roles of the infrastructure owner, which is the Transnet National Ports Authority, and the terminal operator, which is Transnet Port Terminals.

Transnet will remain the sole shareholder of the subsidiary to prevent any negative impact on the group's balance sheet, and to ensure that the ports authority remains an important part of the Transnet group. Transnet is also engaging its lenders to fully determine whether or not the corporatisation of TNPA triggers any covenant breaches in existing financing agreements.

The implementation of this measure is a crucial part of Transnet's broader strategy to revitalise the logistics infrastructure, including strategic partnerships with the private sector to attract new investment and enhance terminal operations.

Transnet Pipelines

Transnet Pipelines applied for and was granted a licence in 2007 under the Petroleum Pipelines Act, 2003 (the **Petroleum Pipelines Act**), to construct the New Multi-Product Pipeline (the **NMPP**), which is a project to augment and replace parts of Transnet's existing petroleum pipeline network in order to increase pipeline capacity in an effort to secure fuel supply in the central region of South Africa.

The National Treasury granted Transnet Pipelines R4.5 billion (inclusive of income tax and VAT) in terms of the Grant Funding Agreement (**GFA**). This grant was received over a period of three years commencing 2011. The GFA stipulated, as a requirement of the grant funding, that TPL be corporatized. Transnet made submissions to then Minister of Department of Public Enterprises (**DPE**) requesting that the minister reconsider this request for corporatisation.

On 24 May 2013, the Minister of DPE, responded stating that he had written to the Ministers of Finance and Energy recommending that the condition in the GFA requiring Transnet Pipelines corporatisation be waivered. The Minister of DPE noted that Government policy may necessitate the corporatisation in the future, in which case the issue would be resuscitated. The Minister of Public Enterprises also informed Transnet that it would therefore be required to provide audited ring-fenced divisional accounts, an obligation with which Transnet Pipelines complies.

The Transnet Pipelines corporatisation, if resuscitated poses significant risks to Transnet, as it could have a material adverse impact on Transnet, both financially and strategically, and will warrant a detailed review of the impact it may have on the debt covenants under Transnet's financing agreements and further engagements on the matter.

Transnet may be required to incur significant costs in order to comply with environmental laws and regulations

Transnet's operations are subject to environmental laws and regulations governing, amongst other things, the loading, unloading and storage of hazardous materials and the protection of the environment, which laws and regulations change regularly from time to time and are generally becoming more complex and restrictive. The cost of compliance with environmental laws and regulations has been significant and is expected to continue to be significant due to a growing body of environmental legislation and Transnet may be liable for damages or administrative or criminal sanctions should an environmental violation occur. Transnet has experienced instances of non-compliance with environmental laws, mainly due to historical pollution and/or contamination. An integrated plan has been developed to manage historic and future contamination occurring within Transnet operations.

Although Transnet believes that to date its non-compliance with environmental laws has not had a material adverse impact on it, the costs of complying with environmental laws, the imposition of criminal or administrative penalties for violations of environmental laws and/or liability for damages arising under environmental litigation could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects. Additionally, if required environmental authorisations and permits are not issued, or directives for environmental violation are issued, capital projects could be delayed or operations may be interrupted. Furthermore, while Transnet maintains insurance coverage for environmental incidents, there is no guarantee that its insurance will be adequate to cover the possible costs of environmental matters, including the costs of litigation and remediation of damages.

Licenses necessary for Transnet's businesses may expire, be revoked or not be renewed

Transnet conducts its operations pursuant to licences granted to it by a number of regulators. There can be no assurance, however, that Transnet's licences will be renewed, that they will be extended or that they will not be cancelled.

Transnet requires an environmental authorisation under the National Environmental Management Act, 1998 (the **NEMA**) for any activities it undertakes that are listed in the regulations under the NEMA.

A loss of any of Transnet's material licences, could have a material adverse effect on Transnet's business, financial condition and results of operation.

The railway safety permit fees are regulated by the Rail Safety Regulator.

Transnet's customer concentration and dependence on a few large sectors exposes Transnet to risks

Volumes and revenues in Transnet Freight Rail are primarily dependent on a core group of customers, most of which operate in the mining sector. Transnet's reliance on core sectors exposes it to risks associated with a slowdown or downturn, particularly in the mining sector, and the risk that such a slowdown or downturn in global commodity demand will similarly affect most of its core customers.

Transnet has long-term take or pay contracts in place with its major export coal, export iron ore and manganese ore customers. Although Transnet has enjoyed good working relationships with these customers to date, there can be no assurance that Transnet will retain its current customers' business, or that their business, if lost, could be replaced by that of other customers on comparable terms, at comparable volumes and/or at comparable prices, if at all. The loss of, or failure to replace, one or more of Transnet's larger customers could materially and adversely affect Transnet's business, results of operations, financial condition and prospects.

In addition, Transnet is exposed to credit risk with respect to its customers. While Transnet seeks to limit its credit risk by setting credit limits for individual customers, obtaining financial guarantees from some customers and monitoring outstanding receivables, its customers may default on their obligations to Transnet. Transnet's credit risk is increased by the fact that many of its largest customers operate in the same industry and therefore may be similarly affected by changes in economic and other conditions. Delayed payment, non-payment or non-performance on the part of one or more of Transnet's larger customers, or a number of its smaller customers, could have a material adverse effect on its business, results of operations, financial condition and prospects.

Transnet's business is exposed to operational risks

Transnet's businesses, like all similar businesses, are subject to many and varied operational risks, which could result in losses, delays and business interruption and could adversely impact Transnet's ability to provide services to its customers or ensure the timely delivery of customer cargo. These risks include, but are not limited to the following:

- inadequate or failed internal systems and processes, including those for identifying, managing and controlling risks and those related to information technology;
- equipment failures due to, among other things, the age of Transnet's infrastructure, demand in excess of capacity or inadequate maintenance;
- failure to comply with regulatory requirements;
- theft of copper cables and other infrastructure; and
- other operational risks specific to the transportation industry, including land disaster, mechanical failure, collisions, loss of life, injury, decreases or disturbances in commodity production, cargo loss or damage.

Although Transnet has implemented risk controls and mitigation programmes and substantial resources are devoted to developing efficient and effective procedures and to staff training, it is not possible to be certain that such procedures will be effective in identifying, managing and controlling each of the operational risks faced by Transnet.

The operation of any transportation related activity carries with it an inherent risk of catastrophe, collision and loss of life or property as a result of equipment failure, natural disasters, severe weather, human error, acts of terrorism and other circumstances or incidents that are outside of Transnet's control. Collisions, spills, other environmental mishaps or other accidents can result in business interruption, damage to or loss of Transnet's assets or cargoes and serious bodily injury, death and extensive property damage, particularly when such accidents occur in heavily populated areas. In such circumstances, Transnet may not be able to rebuild or repair its property or restore operations in a timely manner, or at all, and could be subject to extensive liability.

Transnet maintains insurance policies that it believes are consistent with industry practice within South Africa against the accident-related risks involved in the conduct of its business. However, these insurance policies may not be sufficient to cover, in whole or in part, damages to Transnet or others and this insurance may not continue to be available on similar terms or at commercially reasonable rates. In addition, the severity or frequency of events may result in losses or expose Transnet to liabilities in excess of its insurance cover. Transnet does not fully insure against certain risks. Should an incident occur in relation to which Transnet has no insurance cover or inadequate insurance cover, it may be financially liable for related losses. Losses or third-party claims for damages could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects.

If any of these risks materialise, it could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects.

Transnet is subject to strike action as a result of having a unionised workforce and may be adversely affected by changes in labour laws

A significant feature of Transnet's workforce is the high level of unionisation. If disagreements arise between Transnet and the unions, there is a risk that strikes, or other types of industrial conflict may occur.

While the relationships between Transnet and its employees' unions are governed by collective bargaining agreements that provide the framework for engagement, consultation, negotiation and shop steward governance, if strikes or other industrial conflicts occur, these could adversely affect Transnet's business, results of operations, financial condition and prospects. Transnet management has in place a three-year wage agreement for all bargaining unit employees which expires at the end of the 2020/21 reporting period. Although Transnet intends to enter into another wage agreement to maintain stability in the business, there can be no assurance of reaching such agreement, or the timing or terms thereof.

Transnet is also subject to South African labour laws that provide for mandatory compensation to employees in the event of unfair termination of employment as well as administrative and reporting requirements in respect of employment equity compliance. Non-compliance with existing labour law, as well as changes to labour law that introduce higher monetary penalties for non-compliance than under existing labour law, may adversely affect Transnet's business.

Transnet has not experienced Group-wide industrial action in the past eleven years from its recognised trade unions.

Transnet is exposed to risks and costs related to health and safety

Transnet's operations are subject to health and safety laws and regulations designed to improve and to protect the safety and health of employees and visitors to its premises.

Although Transnet believes it complies in all material respects with applicable health and safety laws and regulations, in the 2020 financial year there were fatalities and injuries at some of Transnet's operations. Safety incidents may lead to business interruptions, loss of assets, harm to employees and the public, damage to the environment and adverse publicity resulting in damage to Transnet's reputation. The costs of complying with health and safety laws and regulations, the imposition of criminal liability for violations and/or liability for damages arising from personal injury sustained by persons other than Transnet's employees or other legal actions could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects. In addition, if these health and safety laws and regulations were to change and if material expenditure were then required in order to comply with such new laws and regulations, this could adversely affect Transnet's business, results of operations, financial condition and prospects.

Transnet is dependent upon key personnel, skilled and highly-skilled employees

Transnet's continued success is dependent, in part, on retaining its senior officers and employees, many of whom have significant experience within Transnet and may be difficult to replace, and in part on its ability to attract and retain top quality management and key staff.

Transnet's success is also dependent upon skilled employees and, in common with similar businesses in South Africa, Transnet has experienced shortages of such employees in the past and expects it will do so in the future. The loss of senior officers, experts and skilled employees, or the inability to recruit and retain skilled employees, could negatively impact Transnet's ability to successfully implement its business strategy, which could in turn have a material adverse effect on Transnet's business, results of operations, financial condition and prospects.

The Treasury Related Financial Risks Currently Facing Transnet

Transnet operates with a centralised Treasury, which performs a supporting role to its divisions and subsidiaries. The Treasury function is responsible for the management of treasury and financial risks that Transnet is exposed to in pursuit of its business. Policy guidelines and limits to manage the financial risks and funding activities of Transnet are clearly defined in a board approved Financial Risk Management Framework (**FRM Framework**), which is currently undergoing internal approval processes. The objectives of the FRM Framework is to ensure that the financial, operational and strategic risks applicable to the funding, trading and investment activities are identified, monitored and appropriately managed in the context of the FRM Framework, the PFMA and other legislation and regulation.

Risk Mitigating Strategies

The risks identified by Transnet Group are monitored and evaluated by the various governance structures of the Group. Operational and financial risk exposures are analysed and reported on a regular basis to the Risk Management Committee. The board, through its committees, ensures that the appropriate risk management strategies are implemented that successfully mitigate the risk exposures.

DESCRIPTION OF TRANSNET SOC LTD

Capitalised terms used in this section headed "Description of Transnet SOC Ltd" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

1. INTRODUCTION

Transnet SOC Ltd (**Transnet** or the **Issuer**) is the operator, owner and custodian of a major portion of South Africa's transport infrastructure, specifically railway, ports and pipelines. Transnet is responsible for enabling the competitiveness, growth and development of the South African economy through delivering reliable freight transport and handling services that satisfy customer demand. Transnet enters into an annual shareholder's agreement with the Government, represented by the Minister of Public Enterprises, (the **Shareholder's Compact**). The Shareholder's Compact mandates Transnet to deliver on numerous strategic deliverables, including sustainable economic, social and environmental outcomes.

Transnet's key mandate, as defined by the Shareholder Compact, is to assist in lowering the cost of doing business, enabling economic growth in South Africa and ensuring security of supply through providing appropriate port, rail and pipeline infrastructure in a cost-effective manner within acceptable benchmarks. Transnet seeks to promote economic growth in South Africa by providing its customers with access to integrated logistics solutions and by creating transportation capacity slightly ahead of demand. Transnet's mandate and strategic objectives are aligned with national plans and the Statement of Strategic Intent issued by the Minister of Public Enterprises.

2. BACKGROUND AND HISTORY

Transnet is a company incorporated under the (now repealed) Companies Act, 1973, on 20 February 1990, pursuant to the Legal Succession to the South Africa Transport Services Act, 1989 (the **Legal Succession Act**). Transnet was formed as a result of the transfer of the commercial enterprise of the South African Transport Services to Transnet as South Africa's railway, port and pipeline operator. With effect from 1 May 2011, Transnet changed its name from Transnet Limited to Transnet SOC Limited.

Substantially, all of Transnet's revenues are generated in South Africa. Transnet's operations are grouped into six divisions primarily according to major transport modes, with central support services unified under one brand. Transnet operates as an integrated freight transport company, formed around a core of five complementary operating divisions: Transnet Freight Rail, Transnet Engineering, Transnet National Ports Authority, Transnet Port Terminals, and Transnet Pipelines. Transnet Property is the sixth operating division. The six divisions and support services are collectively referred to as the **Group**.

Transnet is funded through reserves and borrowings and does not receive cash subsidies or guarantees from the Government. Only R3,5 billion (3,0%) of Transnet 2020/21 debt, dating back to 1998/99, is supported by Government guarantees. Since then, Transnet has raised funds in the debt markets based on the strength of its financial position and it has raised funding without government guarantees. As a result, Transnet needs to earn an appropriate return on its assets that will allow for the maintenance and expansion of the rail, port and pipeline infrastructure that it owns and operates, while maintaining a strong financial position. Notes issued under the Domestic Medium Term Note Programme are not guaranteed by the Government.

3. OWNERSHIP AND CONTROL

Transnet is a public company with the Government of the Republic of South Africa (**Government**), being its sole Shareholder, represented by the Minister of Public Enterprises (the **Shareholder Representative**). As a State-Owned Company (**SOC**), the PFMA is Transnet's primary legislation.

Progress on performance against the Shareholder Compact is regularly reviewed by the board and reported through the submission of quarterly PFMA reports to the Shareholder Representative. This continuous engagement with the Shareholder Representative ensures strategic alignment and serves as an early warning mechanism.

4. **REVIEW OF OPERATIONS/DESCRIPTION OF BUSINESS UNITS**

Transnet Freight Rail Business Overview

Transnet Freight Rail (**Freight Rail**) is Transnet's largest division, contributing more than 50% (fifty percent) of the Group's revenue. The division provides rail network infrastructure and operates rail services over major rail corridors to transport commodities for export, regional and domestic markets. Freight Rail operates world-class heavy haul coal and iron ore export lines and has extended this capability on the iron ore line to export manganese. The division also transports a broad range of general freight commodities including mining, agricultural, manufacturing goods, bulk liquids, containerised freight and automotive.

Freight Rail rails freight along it's approximately 31 000 (thirty-one thousand) track kilometres (km) rail network, of which 1 500 km (one thousand five hundred km) comprises heavy haul export lines. The network also includes 3 928 km (three thousand nine hundred at twenty-eight km) of branch lines that serve as feeders to main lines. The network and rail service provide strategic links between ports, terminals and production hubs, and connectivity with the railways of the Southern African Development Community to support regional integration. Infrastructure connectivity, coupled with close cooperation between Operating Divisions and collaboration with key customers and industry role players enables the delivery of freight volumes across industry supply chains.

Freight Rail has adopted the corridor model to respond to the rapidly changing business, market and policy environments, and to drive improved business performance and competitiveness. The new Corridor Model is designed to improve decision-making, responsiveness to customer needs and integrated problem solving. Each corridor is headed by a managing executive who is physically located in the heart of the operations. In addition, the closer alignment of Freight Rail corridors and Port Terminals will improve operations interfaces, drive supply chain efficiencies and unlock capacity for growth of volumes on rail. The following diagram demonstrates the geographic spread of Freight Rail in South Africa:

To enable third-party access to the rail network, Freight Rail will separate financial accounts into operations and rail infrastructure, this will be done within the short to medium term period. This will lay the foundation for commercial separation of these two functions which will enable the accurate costing of slots for third-party operators.

The establishment of the Transport Rail Economic Regulator will be crucial in enabling access to the rail network in a fair and transparent manner. Transnet will invest together with the private sector to ensure the viability of branch lines and is developing policies and access regimes for branch line operators to operate on the Freight Rail network. These are crucial steps to move freight from road to rail and increase the competitiveness of the rail system.

The future growth and sustainability of South Africa's rail industry depends on collaboration with the private sector and customers to improve overall rail system effectiveness, particularly in the areas of rail innovation, digital systems, technology, logistics capability, investment funding and new business models. Freight Rail's leadership has adopted a strategic direction aligned to the overall Transnet strategy to address these challenges and reposition the business for growth and rail sector competitiveness. This journey is summarised by the priorities in the table below:

Fix	Optimise	Grow
• Network condition and security • Corridor operating models • Market development – general freight road-to-rail volume and market share growth especially on the Natal Corridor (NatCor) and within the intermodal segment • Asset efficiency and service reliability • Procurement effectiveness and robustness • Customer service delivery • High-performance culture • Passenger Rail Agency of South Africa inter-operability, collaboration and interfaces • Commercial separation of the rail network and rail operations	• Densify strategic corridors • Refine organisational design – business processes, productivity and cost compression • Sustain and grow bulk mining to protect revenue and market share • Develop and penetrate new markets – containers, automotive, agricultural products, fast-moving consumer goods and manufactured commodities to grow revenue • Road-to-rail migration • Capital prioritisation – efficiency and volume growth • Implement digital technologies	• Private operator access • Private sector participation in branch lines, wagons and terminals to support new market development • Expand to regional market and partner with SADC railways and private sector • Introduce new services • Streamline shared services

Freight Rail supports the transport needs of most of the growing sectors of the economy and allocates capacity to prioritised commodities, thereby contributing to national objectives. Strategic advantage lies in the movement of heavy haul and bulk commodities over long distances, where flow densities provide economies of scale and lower unit costs. Conveyance of export coal is from the Mpumalanga coalfields to the Port of Richards Bay. Export iron ore is transported from the mines in the Sishen area to the Port of Saldanha Bay, and export manganese is also railed on the iron ore line. The general freight operation comprises the transportation of freight on national main line corridors between economic hubs and ports. Intermodal traffic, forming part of the general freight business, and operating as the container and automotive business, extends between main industrial hubs and ports or continue cross-border.

Transnet Engineering Business Overview

Transnet Engineering, an advanced manufacturing division of Transnet, has a rich and proud heritage spanning more than 150 years. Transnet Engineering's solutions, underpinned by a strong innovation culture, industry expertise and highly skilled personnel, help customers deliver goods and services with greater speed and efficiency using long-refined advanced manufacturing techniques.

Over time, Transnet Engineering has established extensive core capabilities for research, design, testing, manufacture, remanufacturing, assembly and maintenance of railway rolling stock including locomotives, freight wagons, passenger coaches and port equipment. To this end, Transnet Engineering has positioned itself as a reputable original equipment manufacturer (**OEM**) for rail wagons, coaches and other components. Transnet Engineering has made progress in developing its OEM status for locomotives with the manufacturing of the '*Trans Africa'* locomotive at its facilities in Koedoespoort.

With nearly 10 000 employees countrywide, 143 depots and 6 main plants, Transnet Engineering is ideally positioned to serve its customers locally and globally. Transnet Engineering's vision to be the preferred brand in rail and related engineering solutions across the African continent and beyond remains key to its growth. This entails:

- enhancing the Transnet value chain by delivering reliable rolling stock, port and pipeline equipment;
- focusing on market segments and supply chains that generate the best returns;
- establishing Centres of Excellence for technical, research and engineering skills development in Africa;
- becoming a preferred maintenance, repairer and overhaul partner for all rail and related equipment in Africa; and

- driving economic development and growth in sub-Saharan Africa.

Stemming from its core capabilities, Transnet Engineering remains a key anchor in supporting Transnet's freight operations in its pursuit of operational excellence and volume growth and by assisting Transnet in achieving its mandate of lowering the cost of doing business in South Africa. Furthermore, delivering on these core capabilities positions Transnet Engineering as a leader in providing rolling stock, port equipment and related services to the African logistics market.

The strategically positioned maintenance depots enable Transnet Engineering to continue to focus on improving operational efficiencies throughout the key corridors of Freight Rail. The maintenance performance approach focuses on availing reliable rolling stock that will ensure that train delays, cancellations and loss of volumes due to rolling stock are minimized. With the capacity to maintain approximately 70 000 wagons and 2 500 locomotives annually, the division has created a solid foundation for a maintenance philosophy that is comparable to world standards.

Transnet National Ports Authority Business Overview

Transnet National Ports Authority (**National Ports Authority**), as prescribed in the Ports Act, was created as a landlord port authority responsible for the safe, efficient, effective and economic functioning of the national ports system, which it manages, controls and administers on behalf of the State.

Section 11 of the Ports Act prescribes the core functions of the National Ports Authority as follows, to:

- plan, provide, maintain and improve port infrastructure;
- promote the use, improvement and development of ports and control land use within the ports, having the power to lease port land under conditions that it determines;
- promote greater representivity and, in particular, to increase participation in port operations for historically disadvantaged people;
- provide or arrange marine-related services i.e. pilotage services, tug assistance, berthing services, dredging and hydrographic services;
- ensure that adequate, affordable and efficient port services and facilities are provided, including regulatory oversight over all port activities; and
- provide aids to navigation to assist the navigation of vessels within port limits and along the coast.

The National Ports Authority occupies a strategic position in the country's transport logistics chain, managing South Africa's eight commercial seaports i.e. Saldanha, Cape Town, Mossel Bay, Port Elizabeth, Ngqura, East London, Durban and Richards Bay. The ninth port, Port Nolloth, does not handle any commercial cargo and is in its entirety leased to De Beers Consolidated Diamond Mines.

The ports under the control of the National Ports Authority span the South African coastline, which measures approximately 2 800 km. 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. The National Ports Authority also carries a distinctive feature of being self-sustaining, unlike most other landlord port authorities that rely on national or provincial governments for financial support.

Transnet Port Terminals Business Overview

Transnet Port Terminals (**Port Terminals**) plays a strategic role in the South African economy by enabling the efficient flow of imports, exports and trans-shipments 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.

Port Terminals provides cargo handling services to a wide spectrum of customers including shipping lines, freight forwarders and cargo owners. Operations constitute four main business segments, namely: containers, dry bulk, break-bulk and automotive. The division operates 16 terminals with 68 berths across seven ports spread along the South African coastline.

Containers

Port Terminals operates container terminals in the ports of Durban, Ngqura, Port Elizabeth and Cape Town. The division currently has a cumulative annual capacity of more than 6 million twenty-foot equivalent units (**TEUs**). The Durban and Cape Town container terminals are operating close to capacity; however, plans are in place to increase the capacity in these ports.

Dry bulk

Operations within the bulk sector are characterised by handling dry bulk commodities through a network of conveyor belts, tipplers, stackers, reclaimers and ship loading and unloading equipment. Port Terminals handles mineral bulk commodities at the ports of Richards Bay, Port Elizabeth and Saldanha and handles agricultural bulk commodities at the ports of Durban and East London.

Break-bulk

Port Terminals handles steel, timber, granite, abnormal and project cargo and other commodities through its break-bulk operations in multi-purpose terminals in all seven ports. In some instances, traditional bulk cargo is handled at breakbulk facilities utilising a skip operation.

Automotive

Port Terminals operates automotive terminals at the ports of Durban, East London and Port Elizabeth. These facilities handle a variety of vehicles driven onto and off the vessels.

Transnet Pipelines Business Overview

Transnet Pipelines (**Pipelines**) is the largest multi-product pipeline operator in Southern Africa with more than 55 years' experience of operating and maintaining a total of 3 114 km of 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 through the Lilly Pipeline using environmentally responsible methods while ensuring optimum efficiencies. Pipelines is strategically positioned to enable regional integration from pipeline to other modes of transport. Pipelines is regulated by the NERSA. Pipelines currently transports:

- more than 70% of all refined products required for the inland market;
- more than 70% of all jet fuel required at OR Tambo International Airport;
- 100% of crude requirements for the NATREF refinery;
- 500 million cubic metres per annum of methane-rich gas requirements to KwaZulu-Natal from Secunda; and
- 100% of Tarlton Distribution Terminal volumes of which 35% is distributed over-border.

The initiative to secure a direct import terminal at the port of Durban and secure a terminal operating licence has become one of the key strategic objectives for Pipelines in alignment with the Transnet liquid fuels master plan to enable:

- new market participants in line with the Liquid Fuels Charter expectations which places emphasis on the promotion of broad-based black economic empowerment (**B-BBEE**) and overall sector transformation;
- clean fuels as envisaged by the Department of Mineral Resources and Energy which necessitates increased import terminal capacity due to the inability of local refineries to produce clean fuels in the medium to long term; and
- the expected increase of fuel imports as per recent developments regarding future plans of local refineries which will be enabled and facilitated by the existing capacity on the 24" multi-product pipeline.

The decommissioning of the Durban to Johannesburg Pipeline (**DJP**) is currently in execution and planned to be completed in 2022. Based on the outcomes of the current studies, the DJP servitude from Durban to Kroonstad will be retained for potential future utilisation.

The New Multi-product Pipeline (**NMPP**), 24” trunk line is in full operation with a current capacity of 148 million litres (**Mℓ**) per week. The line is capable of transporting two diesel grades (D10 and D50) and two unleaded petrol grades (93 and 95) as well as jet fuel. The inland accumulation facility, located in the strategic node of Jameson Park, Gauteng (**TM2**) with a capacity of 180Mℓ, facilitates security of supply to the inland economic hub and surrounding areas.

A seamless integrated rail and pipeline service offering to customers is currently in operation to OR Tambo International Airport to ensure jet fuel security of supply. It is envisaged that a similar supply chain solution can be provided to other domestic airports in the near future.

Pipelines is ideally positioned as an enabler in delivering the Transnet Natural Gas Network **(NGN**) Strategy which is aligned to the country’s energy demand in conjunction with other relevant state-owned entities and stakeholders. This will be achieved through utilising the existing infrastructure as a base to grow the NGN supply chain logistics network.

Transnet Property Business Overview

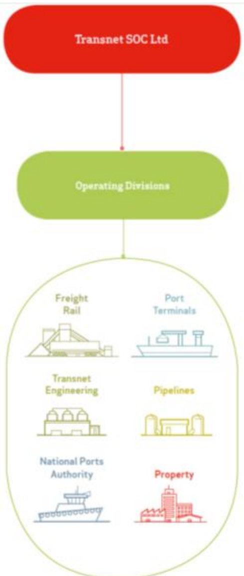
Transnet Property (**Property**), an Operating Division of Transnet, currently manages a diverse property portfolio. A new strategy, premised on a change in the operating model, has been developed and is awaiting the approval of the Transnet Board of Directors. This strategy is expected to bring about a significant shift towards the consolidation of the entire Transnet property portfolio.

A new approach to managing property assets has been considered and this will see Property become a hub for immovable property issues within Transnet. The newly proposed direction has been endorsed by the Group Executive Committee and a decision has been made to make Property a fully-fledged operating division.

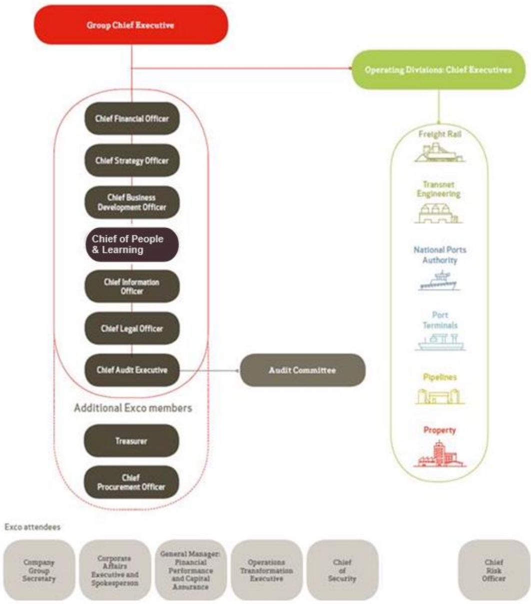
The new approach will see Transnet benefit from best commercial property practice and professional expertise and there will be a shift from basic property management of the non-core properties to a full-scale asset management approach of the entire Transnet property portfolio.

5. MANAGEMENT STRATEGY

In order to achieve its mandate, vision and mission, Transnet is structured to provide transport and handling services as set out below:



The Transnet Executive Committee (**Exco**) provides strategic leadership to Transnet and is supported and guided by the Board of Directors. The following diagram illustrates how the Exco is constituted:



Transnet's core mandate is to effectively manage the cost of doing business in South Africa, enable economic growth and ensure security of supply through providing appropriate ports, rail and pipeline infrastructure as well as operations in a cost- effective and efficient manner, within global benchmarks. Transnet interprets its mandate as having three main objectives:

- Enabling profitable, efficient supply chains;
- Enabling development; and
- Achieving commercial self-sustainability.

Cabinet adopted the South African Economic Reconstruction and Recovery Plan in October 2020 to facilitate economic recovery. The plan provides a guiding framework for Government and Transnet's overall response.

The plan has three phases:

- Engage and preserve – which includes a comprehensive health response to save lives and curb the spread of the pandemic;
- Recovery and reform – which includes interventions to restore the economy while controlling health risks; and
- Reconstruct and transform – which entails building a sustainable, resilient and inclusive economy.

A proposed R1 trillion has been earmarked for infrastructure investment, particularly for network infrastructure, as a central pillar of the plan, and Government is planning for the reform of network industries, including port and rail, to facilitate greater private investment in infrastructure.

Specific reform recommendations that have been proposed and will directly affect Transnet include:

- The Draft White Paper on National Rail Policy that proposes that Freight Rail be separated into an infrastructure manager and a train operator, initially as separate entities and later institutionally; and
- National Treasury's '*Towards an Economic Strategy for South Africa*' states that 'We need to finalise the Economic Regulation of Transport Bill' and, as such, Transnet needs to enforce separate accounting divisions or separate financial statements for Transnet's various Operating Divisions to ensure subsidies across divisions are made explicit, grant third-party access to the rail network to encourage private sector participation and introduce competition in ports and rail.

Transnet has undertaken to critically address key priorities that relate to its human capital, customers, safety, asset utilisation and cost management as a first course of action to improve its business functionality. Maintenance of infrastructure and equipment is a key priority.

Transnet can successfully reposition itself to provide for the logistics needs of the country, continent and service the world. Transnet's context and strategy can be summarised as follows:

Past	Present	Future	Building resilience in a post-COVID-19 world	
• High level of investment in locomotives and wagons not matched by investment in rail network, terminals and maintenance • Large cost overruns on major capital projects • Expected efficiencies and capacity expansions from accelerated capital programmes not realised • Volumes below anticipated levels • Historical growth projections overly optimistic	• South Africa is the gateway to countries in the region • Capital investment focused on maintenance and improving existing asset capacity versus expansion capital • More rigorous evaluation of future demand projections • Review and refine Company-wide capital allocation process	• Supply chain focus • Commercial separation of the network and non-network businesses • Crowd in private sector investment • Contribute more effectively to South Africa's development goals which include among others: - Industrialisation - Regional integration - Economic transformation - Energy efficiency - Socio-economic development	Fix the core	• Focus on customers, people, safety, assets and costs • Technology and data-driven optimisation to improve performance of existing businesses • Commercial ring-fencing of businesses within Operating Divisions and empowerment of these businesses
			Partnerships for growth	• Target investment in infrastructure • Investment in special purpose vehicles and joint ventures to: - Grow volumes - Attract new investment - Enhance operational efficiency - Better align to customer expectations

Transnet foresees a post-COVID-19 future that includes greater levels of remote working, automation, increased localisation and faster turnaround times in a world that has seen the negative effects of being so import-dependant. A flexible and scalable IT function has proven to be a critical success factor under these circumstances.

Transnet's plans should be seen in the context of Government's Programme of Action captured in the Economic Reconstruction and Recovery Plan. The maintenance, modernisation and expansion of network infrastructure is a central pillar of the plan.

To support investment in network infrastructure, institutional reforms of network industries and state-owned companies will be implemented. Efforts will be strengthened to attract private sector investment in the delivery of infrastructure as part of building broad-based public-private partnerships (**PPPs**). The plan considers that changes to the Public Finance Management Act and Municipal Finance Management Act may be required to facilitate PPPs and greater private sector involvement in the reconstruction and recovery effort.

A key challenge at Transnet relates to its outdated operating model and consequent culture. Bureaucratic processes and a lack of organisational accountability have led to challenges at Transnet. Transnet's cultural transformation is depicted in the diagram below:

Cultural transformation

From	To	How
Complexity: We have complicated the way we do business at Transnet	Simplicity: We need to streamline functions, the management structure and processes	• Revised operating model and parenting strategy with emphasis on empowering the 'coalface' of operations and creating financial statements for identified business units
Inefficiencies: We have allowed a lot of inefficiencies in the business	Operational excellence: We will create a culture of excellence and world-class benchmarks	• Enhanced operational data collection, benchmarking, big data analytics and artificial intelligence to support operational decision-making
Fragmented accountability: We have created bureaucratic, fragmented and slow decision-making and accountability processes	Single point of accountability: Create clear roles and accountabilities in decision-making processes and enable faster decision-making	• Create clear accountability for portfolios of business units and for the business units themselves (terminals, corridors, ports, pipelines, etc.)
A culture of silo mentality: We are not working together to create better solutions for our customers and our communities	Culture of excellence without borders: Relentlessly striving for high performance Customer lead integration: Use customer requirements to guide how and where to integrate services	• Implementing segment strategies • Enabling a more granular commercial view of the business
Organisational design: Our structure is too complex, creating a lot of duplications and inefficiencies	Simplified layers: Reduce organisational hierarchy and complexity	• Reimagining Transnet and associated people programmes

The five focus areas are: customer service, people, asset utilisation, safety and cost control. These five strategic areas of focus offer each Operating Division an opportunity to improve operational efficiency and drive change in the way Transnet delivers its services to customers. Each Operating Division has developed a response (highlighted in the Operating Divisions' sections of this Corporate Plan) to the strategic focus areas to enable Transnet to change the way it does business. These focus areas are depicted in the graphic below:

Transnet's five key strategic focus areas

1 Customer service	2 People	3 Asset utilisation	4 Safety	5 Cost control
• Meeting customer service expectations • Seamless service delivery • Efficient escalation process	• People are key to Transnet's success • In order for people to do their work, they need the right environment i.e. communication, the right tools, training, appropriate rewards	• Actively ensuring the optimal use of all assets	• Ensuring strict adherence to health and safety regulations and regular training to ensure compliance	• Efficient management of costs in all areas of the organisation
• Customer-centricity philosophy • Customer satisfaction • Service reliability • Proactive communication • Effective strategic planning • Capacity and resources to meet demand • Nodes/inland ports • PSP framework	• Training and development • Talent sourcing and acquisition • Working environment and conditions • Employee wellness • Systematic communication	• Minimal downtime of asset base • Integrated planning • Improved maintenance and debottlenecking • Leverage technology to enhance operations	• Enhance safety measurements • Safety mindset and behaviour of employees • 'Zero harm' safety philosophy	• Visibility and transparency of cost allocation and cross-subsidisation • Capital financing policies and frameworks • Iterative budgeting process and approach • 'Bank-friendly' Transnet • Enforce accountability and ownership

In support of the Economic Reconstruction and Recovery Plan, it is important for Transnet to ensure continued access to efficient bulk freight transport and handling solutions for its key commodities. In this respect, focusing the existing businesses on the five key strategic focus areas of customer service, people, asset utilisation, safety and cost control is imperative. At the same time, Transnet must embark on a cultural, commercial and institutional transformation to enable new ways of working, drive growth, modernisation and digitisation and create a framework for new ventures.

Transnet's key guiding principles to navigate the current challenging environment are listed below:

- Transnet's key priorities are the development of its people, as well as maintaining safety standards;
- Transnet will use its procurement to support competitive local capacity development in the rail value chain in line with the designation of this sector by the Department of Trade and Industry;
- Transnet needs to strengthen and build intra-regional trade corridors and will thus:
- Facilitate greater regional interconnectivity by working more closely with the ports of Walvis Bay and Maputo and improve regional connectivity to northern neighbors such as Zimbabwe and Botswana and ensure the effectiveness of the North-South Corridor;
- Private sector investment will be encouraged for any new freight facilities and services including terminals, wagons and warehouses; and
- Transnet must remain financially self-sustaining with a credit rating that is no worse than the sovereign.

Funding Strategy

Transnet has a robust, structured and well-articulated funding strategy, the overall objective of which is to ensure that Transnet has sufficient liquidity to meet its requirements without breaching the key financial covenants as agreed with various lenders and to reduce the cost of funding.

The funding plan requires the diversification of funding sources, exploring innovative funding solutions for projects, providing sufficient liquidity and managing financial risks.

The capital expenditure and debt redemptions will be financed from cash from operations, the Domestic Medium Term Note programme, Global Medium Term Note programme, domestic issuance of commercial paper and bonds, bank loans, export credit agency-backed finance and loans from development finance institutions. Management is constantly reviewing its capital expenditure programme with the aim to prioritise maintenance and embark on bankable over expansion projects unless expansion projects are supported by validated demand.

Transnet will also consider project finance, PSP partnerships and leasing in order to mitigate any funding constraints that may arise. Furthermore, Transnet will continuously explore new options to reduce the cost of both existing and new debt.

6. BOARD OF DIRECTORS, COMPANY SECRETARY EXECUTIVE MANAGEMENT AND DEBT OFFICER

Transnet's memorandum of incorporation provides that the Board of Directors (the **Board**) shall consist of a minimum of 6 (six) directors and a maximum of 14 (fourteen) directors, of whom at least 4 (four) must be non-executive directors and from whom the Chairperson shall be appointed. At least 2 (two) directors must be executive directors. The Board shall at all times consist of a majority of non-executive directors. On 29 October 2021, the Shareholder Representative reappointed the existing non-executive directors to the Board to serve until the next Annual General Meeting.

The Board has delegated the responsibility of managing the operations of Transnet to the Group Chief Executive. The Board has reserved responsibility for the following matters: recommending amendments to the memorandum of incorporation of Transnet to the Shareholder Minister; approving Transnet's strategy, business plans, annual budgets and borrowing strategy; approving the annual financial statements and interim reports; and evaluating the performance of the Group Chief Executive.

The Board currently comprises ten directors, of whom 8 (eight) are non-executive directors, including the Chairman. There are currently two vacancies on the Board. All of the non-executive directors are independent non-executive directors free from any business relationship that could hamper their objectivity or independent judgement on the business of Transnet.

The following table sets forth the 10 (ten) members of Transnet's Board of Directors at the Programme Date.

Name of Directors	**Year of Birth**	**Current Position**	**Member of Board Since**
Dr Popo Simon Molefe	1952	Non-Executive Director and Chairperson of the Board	2018
Ms Portia Penelope Joy Derby	1969	Executive Director and Group Chief Executive	2020
Ms Nonkululeko Sylvia Dlamini	1973	Executive Director and Group Chief Financial Officer	2020
Ms Ursula Nobulali Fikelepi	1973	Non-Executive Director	2018
Ms Mpho Emily Letlape	1959	Non-Executive Director	2018
Ms Dimakatso Cathrine Matshoga	1978	Non-Executive Director	2018
Dr Fholisani Sydney Mufamadi	1959	Non-Executive Director	2018
Mr Aluwani Percy Ramabulana	1971	Non-Executive Director	2018
Ms Gratitude Tsholofelo Ramphaka	1979	Non-Executive Director	2018
Mr Louis Leon von Zeuner	1961	Non-Executive Director	2018

Additional information in respect of Transnet's board of directors (including but not limited to qualifications and directorship/shareholding/trusteeship in other entities) is available on Transnet's website at:

https://www.transnet.net/InvestorRelations/AR2020/Transnet%20IR%202020.pdf

The registered address of Transnet is
138 Eloff Street,
Braamfontein, Johannesburg, 2000.

Company Secretary

The Group Company Secretary as at the Programme Date is as follows:

Name	**Current Position**	**Year appointed**
Ms Shokie Bopape	Group Company Secretary	2022

The registered address of the Group Company Secretary is
138 Eloff Street, Braamfontein, Johannesburg, 2000.
The telephone number for the Group Company Secretary is 011 308 2466.

Executive Management

The following table sets forth certain information on the members of Transnet's Executive Management as at the Programme Date.

Name	Year of Birth	Current Position	Member of Exco Since
Ms Portia Penelope Joy Derby	1969	Group Chief Executive	2020
Ms Nonkululeko Sylvia Dlamini	1973	Group Chief Financial Officer	2020
Adv. Sandra Coetzee	1962	Chief Legal Officer	2020
Mr Andre Frank Pillay	1969	Group Treasurer	2022
Ms Yolisa Kani	1975	Chief Business Development Officer	2020
Mr Itumeleng Matsheka	1969	Chief of People Management & Learning	2021
Mr Ralph Mills	1964	Chief Executive: Transnet Engineering	2020
Mr Pandelani Munyai	1969	Chief Information Officer	2020
Ms Sizakele Mzimela	1965	Chief Executive: Transnet Freight Rail	2020
Mr Vuledzani Nemukula	1968	Chief Procurement Officer	2020
Mr Pepi Silinga	1964	Chief Executive: Transnet Ports Authority	2020
Adv. Michelle Jean Phillips	1970	Chief Executive: Transnet Pipelines	2020
Mr Jabulani Mdaki	1967	Chief Executive: Transnet Port Terminals	2022
Dr Andrew Shaw	1967	Chief Officer: Strategy and Planning	2020
Mr Kapei Phahlamohlaka	1976	Chief Executive: Transnet Property	2020
Ms Sayeeda Khan	1975	Chief Audit Executive	2022
Ms Hema Chetty	1982	Chief Digital Officer	2022

The registered address for each member of the Executive Committee is
138 Eloff Street,
Braamfontein, Johannesburg, 2000.

Debt Officer

The Debt Officer as at the Programme Date is as follows:

Name	Current Position	Year Appointed
Ms Nonkululeko Sylvia Dlamini	Debt Officer	2020

The registered address of the Debt Officer is
138 Eloff Street,
Braamfontein, Johannesburg, 2000.

The telephone number for the Debt Officer is 011 308 2250.

Directors' Declarations

In relation to each of the above directors, the Issuer confirms that none of them have:

a. ever been convicted of an offence resulting from dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement;

b. ever been adjudged bankrupt, insolvent, or sequestrated in any jurisdiction;

c. at any time been a party to a scheme or arrangement or made any other form of compromise with their creditors;

d. ever been involved, as a director with an executive function, in any business rescue plans and/or by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the Companies Act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors of any company at the time of, or within the 12 months preceding, any such event(s);

e. ever been found guilty in disciplinary proceedings by an employer or regulatory body due to dishonest activities;

f. ever been involved in any receiverships, compulsory liquidations, administrations or partnership voluntary arrangements of any partnership where they were partners at the time of, or within 12 months preceding, any such event(s);

g. ever received public criticisms from statutory or regulatory authorities, including professional bodies, and none has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;

h. ever been barred from entry into a profession or occupation;

i. ever been convicted in any jurisdiction of any criminal offence or an offence under legislation relating to the Companies Act, and no company of which he or she was a director, alternate director or officer at the time of the offence has been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act;

j. ever been removed from an office of trust on the grounds of misconduct and involving dishonesty; or

k. ever been declared delinquent or placed under probation in terms of section 162 of the Companies Act or disqualified from taking part in the management of a corporation in terms of section 47 of the Close Corporations Act, or disqualified to act as a director in terms of section 219 of the 1973 Companies Act or section 69 of the Companies Act.

7. CORPORATE GOVERNANCE AND REGULATORY FRAMEWORK

Transnet adopted the King IV Principles in conjunction with regulatory provisions to achieve the overarching principles of sound governance, namely responsibility, accountability, fairness and transparency. Transnet attempts to do so substantively and not simply in form, so that its decisions and actions impact positively on its stakeholders, which include its employees, the communities in which it operates, suppliers, customers and the public at large. The initiatives to comply fully with the King IV Principles are being executed and would be reviewed regularly. Transnet implemented different governance instruments, including the Memorandum of Incorporation and the Delegation of Authority Framework. The Memorandum of Incorporation is aligned with the provisions of the Public Finance Management Act, No 1 of 1999, as amended (**PFMA**), The Companies Act, No 71 of 2008, as amended (**Companies Act**), the Ports Act, as amended, and the King IV Report on Governance for South Africa (**King IV Report**).

The Governance Assessment Instrument is utilised to monitor the level of application of the King IV principles. Transnet has adhered to some of the King IV principles and recommendations as evidenced in the 2021 Integrated Report, Remuneration Report and Stakeholder Engagement Report. As required by the JSE Debt Listing Requirements, Transnet has materially complied with King IV, and a statement of our application of the principles is available on *https://www.transnet.net/InvestorRelations/Pages/AnnualResults.aspx*.

Through effective corporate governance, Transnet sets strategic objectives, develops plans for achieving them and establishes procedures for monitoring performance against targets as outlined in the Shareholder's Compact. Furthermore, Transnet's Governance Policy Framework specifies ethical practices and provides for the protection of stakeholder interests. Effective corporate governance requires ongoing commitment. Transnet, therefore, attempts to apply the latter to all corporate decisions in the spirit of sound corporate governance and actively drives the associated ethos of high ethical standards to all levels of the organisation.

The PFMA and the Companies Act require the Board to act with fidelity, honesty, integrity and in the best interests of Transnet in managing its financial affairs.

The Board is of the opinion that Transnet is compliant in all material respects, with the principles of the King IV for the 2019/2020 and 2021/2022 financial year.

Transnet continues to be committed to uphold the highest standards of corporate governance, including those advocated in King IV. Transnet has adopted the King IV governance principles in conjunction with regulatory provisions to achieve the overarching principles of sound governance, namely an ethical culture, good performance, effective control, as well as operational and social legitimacy.

Transnet has conducted a comprehensive assessment against the requirements of King IV and action plans have been implemented to ensure compliance, where gaps have been identified.

Over and beyond King IV, the Transnet Regulatory Universe sets out 196 regulatory requirements that Transnet needs to comply with. Whilst management is responsible for implementation of processes to ensure regulatory compliance, the regulatory compliance function supports the Board and Management in the execution of their responsibilities. In this regard, a risk-based approach to regulatory compliance is followed in Transnet. Notwithstanding the challenges being encountered in terms of compliance with the PFMA, Transnet strives to ensure compliance with the applicable priority based regulatory requirements.

Transnet promotes a culture of principled and ethical behaviour in all aspects of the business. Values are entrenched through an approved and published Code of Ethics (the **Code**) which guides employee behaviour in all internal and external stakeholder relations. The Code is reviewed 5-yearly or as and when required and commits Transnet's directors and employees to the highest standards of ethical behaviour. All management employment contracts make reference to the Code. Transnet's service providers, suppliers and trade partners are also subject to the Code.

In instances where an employee breaches the Code, the necessary disciplinary action is instituted in terms of Transnet's Disciplinary Code and Procedures Policy.

8. BOARD COMMITTEES

In line with the requirements of the Companies Act and to ensure that delegation within the Boards' own structures promotes independent judgement and assists with the balance of power and effective discharge of its duties, the Board of Directors established the Audit Committee and Remuneration, Social and Ethics Committee as statutory committees. The Audit Committee's constitution, functioning and reporting adheres strictly to the PFMA requirements. The Remuneration, Social and Ethics Committee's activities are in line with the Regulations as outlined in section 72(4) of the Companies Act.

The Board Committee Composition has since changed following the resignations of Ms V. Macmenemin, Prof E. Kieswetter and Ms R. Ganda and the passing of Adv. O Motaung. The Shareholder appointed new committee members at the AGM held on 23 October 2020.

Audit Committee

The purpose of the Audit Committee is to assist the Board in discharging its duties relating to the safeguarding of assets and the evaluation of internal control frameworks within Transnet. This includes strengthening the independence of the internal and external audit functions to ensure their effectiveness as well as to review and assess the integrity and effectiveness of the accounting, financial, compliance and other control systems that assist in reducing the opportunity for committing fraud.

Remuneration, Social and Ethics Committee

The purpose of the Remuneration, Social and Ethics Committee relates to providing advice to the Board in regard to responsible corporate citizenship and the ethical relationship between Transnet and its Stakeholders, both internally and externally. This is achieved through managing its legal and moral obligations for its economic, social and natural environment, including the objectives and standards of Transnet's conduct and activities. The Committee also reviews the design and management of salary structures, policies and incentive schemes in order to ensure that they motivate sustained high performance that is linked to corporate performance. The Committee is also responsible to develop and implement a policy of remuneration philosophy for disclosure to enable a reasonable assessment of reward practices and governance processes to be made by Stakeholders. It also ensures that the succession planning policy and procedures for the Group Executive Committee (other than Executive Directors) and Extended Executive Committee Members is implemented.

In addition to the statutory committees, the following non-statutory committees have been constituted to assist in the achievement of the Issuer's objectives.

Risk Committee

The purpose of the Risk Committee is to provide an independent and objective oversight of risk management and resultant opportunities within Transnet. To ensure that the risk policies are developed and managed effectively in accordance with the Integrated Risk Management Framework, as approved by the Board from time to time. Their mandate is to assess and determine the nature and extent of the risk appetite of Transnet, including resource dependency in proportion to the pursuit of Transnet's Strategic Objectives as well as to contribute to a climate of discipline and control, which will ensure adherence to Standard Operating Procedures and reduction of operational losses in Transnet.

Corporate Governance and Nominations Committee

The purpose of the Corporate Governance and Nominations Committee is to ensure the development and review of the applicable corporate governance principles, policies and frameworks. To monitor and ensure compliance with statutory obligations and regulations, whether imposed on Transnet or Board Members, and to ensure disclosure of non-compliance, repeated regulatory penalties, sanctions or fines of contraventions. The Committee also ensures that best practice succession planning policies, and processes are implemented in respect of Executive Directors and independent Non-Executive Directors.

Finance and Investment Committee

The purpose of the Finance and Investment Committee is to advance and maintain Transnet's financial and investment policies to ensure its financial stability. This includes, but not limited to, considering strategic growth investments, opportunities and partnerships on behalf of Transnet, reviewing of the procurement business cases, strategies and plays an oversight role pertaining to tender award processes for assurance purposes. The Committee is also responsible to monitor the execution of approved projects and review of capital investment reports as well as monitoring the implementation of strategic growth investments and partnerships against the approved plans.

9. GROUP EXECUTIVE COMMITTEES

Group Executive Committee: The Group Executive Committee assists the Group Chief Executive (**GCE**) to guide and control the overall direction of the business of Transnet and acts through the GCE, as the medium of communication with the Board of Directors of Transnet. The Committee provides strategic direction to the business and provides sufficient direction to the operations to ensure that the strategy is successfully implemented.

The Group Executive Committee is supported by the following sub-committees:

Procurement Committee: The Committee provides an oversight role in procurement processes in Transnet and is supported by Acquisition Councils which are mandated to ensure that proper governance exists in acquisition and disposal processes as well as in the execution of such processes.

Safety Committee: The Committee ensures the quality, Integrity and reliability of Transnet's management and performance.

Group Investment Committee: The Committee manages capital allocation to all capital projects and programmes, partnership transactions, and property investments, both within South Africa and in other jurisdictions. The Committee executes its role in accordance with the Delegation of Authority Framework by confirming and monitoring the mandates and status of all capital investment projects and programmes, partnership transactions and property transactions. The Committee is responsible for ensuring the optimal allocation of Transnet's efforts, assets and capital resources to achieve the Issuer's strategic outcomes across the organisation both in South Africa and in other jurisdictions. The Committee is constituted to:

- ensure that the resources Transnet invests for the development and execution of capital investment projects and programmes are allocated and managed strategically and with requisite diligence;
- ensure that the resources Transnet invests in partnerships with the private sector and other state-owned companies are allocated and managed strategically and with requisite diligence; and
- oversee property-related investment decisions, monitor execution and review post implementation success.

10. RISK MANAGEMENT

Transnet has a formalised Enterprise Risk Management (**ERM**) architecture which ensures a structured and consistent approach to risk management. It aligns Company's strategy, processes, people, technology and knowledge for the purpose of evaluating and managing the uncertainties that Transnet faces in creating shareholder value currently and in future. The three critical elements that make up the ERM architecture are the Integrated Risk Management policy, ERM framework, and Transnet's risk appetite and tolerance framework. The introduction of the Integrated Risk Management Policy in November 2017, however, paved the way for a more cohesive approach to risk management in the organisation.

This Policy has been reviewed to ensure its continued relevancy, adequacy and effectiveness in the context of ever-increasing business challenges emanating from both the internal and external environments. The Transnet Board of Directors (the **Board**) approved the reviewed policy in December 2020 in order to provide direction regarding the management of risk to support the achievement of corporate objectives, protect employees, stakeholders, business assets and ensure financial sustainability.

The policy is in turn made practical through the ERM Framework. The risk management approach adopted by Transnet was developed with reference to ISO 31000:2018 Risk management Principles and Guidelines, the 2017 COSO ERM Framework (Committee of Sponsoring Organisations of the Treadway Commission) as well as South African legislative requirements. The purpose of the ERM Framework is to provide detailed guidelines on the following:

- the fundamentals of principles of the management of risk, as well as the risk management methodologies that are to be applied in the majority of situations throughout all levels of the organisation;
- the process for identifying, assessing, mitigating, monitoring and reporting of risks and controls whilst identifying and maximising possible opportunities (upside of risk);
- the management roles and responsibilities of each level of management; and
- the mechanisms for managing risks.

The ERM framework is supported by the Transnet risk appetite and tolerance framework. Risk appetite is the level of risk that Transnet is willing to take in pursuit of its business goals and objectives. It is also defined as the variability in results that Transnet as an organisation, its Board and senior executives are prepared to accept in support of the stated strategy. Transnet cannot accept collective or aggregated risk in excess of its overall Risk Bearing Capacity. In a complex and integrated business, this requires contextualising risk appetite in terms of the identified strategic risks.

The risk approach further segregates the risk lens into three levels: strategic, tactical and operational. While the strategic and tactical risk management processes and methodologies are identical, the operational risk management process and methodology are somewhat different and tailored for the specific needs of risk assessments at the operations level. The Transnet Integrated Management System (**TIMS**) incorporates the operational risk management methodology into one of its core procedures.

The emergence of generally accepted corporate governance principles has seen risk management focus increasingly on Transnet's strategic objectives. Rather than merely striving for inherent efficiencies and operational performance, enterprise risk management (**ERM**) has now emerged as a function that can shape the strategic direction of the organisation.

Transnet's strategic risks were updated and mapped in accordance with Transnet's strategy, as well as the critical success factors committed to achieving as an organisation. The Strategic Risk review process commenced by considering the risks in the context of the Transnet Strategic Objectives that informed the Shareholder Compact. Other considerations were the external risk survey results from organisations such as the Institute of Risk Management South Africa, World Economic Forum, Gartner and Allianz Barometer. The Strategic Risk review process followed the Transnet Enterprise Management Risk Framework based on ISO 31000:2018 Standard and with none of the previously identified risks being retired. The movement and positioning of the top 10 (ten) significant risk clusters are premised on the following objectives:

- **Financial Sustainability**: Finance contributes to lowering the cost of doing business in SA through providing cost effective funding, deploying effective cost control measures and delivering appropriate financial returns to the shareholder, whilst complying with laws and regulations.
- **Customer/Markets/Segments**: To increase market share in all market segments by delivering on our service promise to customers through effective key account management and operational service excellence.
- **Commercial**: Engaging with counterparties at conditions and prices that are beneficial to both, contributing to lowering the cost of doing business and reducing the number of disputes, legal and commercial risks facing the Group.
- **Infrastructure/Asset Creation**: Capital is allocated and invested to provide enduring benefits to the business in terms of meeting strategic objectives, including maximising financial returns, improving operational efficiency, safety and lowering the cost of doing business in the country.
- **Operational Sustainability and Efficiency**: Maintaining security of freight handling, movement and providing on-time service delivery for our clients in a cost effective and efficient manner, to ultimately contribute to lowering the cost of doing business.
- **Safety, Security, Health and Environment**: Transnet runs operations that are safe and secure to employee / public health and safety, and less harmful to the environment, whilst successfully protecting assets from vandalism and damage.
- **Governance**: Transnet is a well-run and governed entity delivering value adding services to our customers and stakeholders, whilst delivering suitable returns to the shareholder.
- **People**: We have a cadre of well trained, motivated and engaged employees who will drive the objectives of the new business model. This is achieved through agile leadership, talent, culture, modernization and digitisation to positively impact employees, customers and business results.
- **Stakeholder Management**: To maintain good relationships with all parties who have the most impact on Transnet's business. To succeed at this, it is pivotal for Transnet to align with both the shareholder's and key stakeholders strategic initiatives. As a business we must be able to optimize the social and economic impact of all interventions in the achievement of these objectives.
- **Developmental/Industrialisation**: Successfully leverage the private sector in the provision of infrastructure and operations where required, in the quest for lowering the cost of doing business in South Africa.

Achieving best practice levels

To achieve best practice levels, the requirements of the guidelines of the King IV and ISO 31000:2018 risk management standard are considered in Transnet's ERM approach. The strategic risk profile is based on Transnet's eight strategic focus areas, as expressed through the Shareholder's Statement of Strategic Intent.

During the 2018/19 financial year, we performed a formal review of the ERM framework and standards to address key improvements; assess alignment with COSO, ISO and King IV requirements; and to determine any emerging challenges facing the Transnet risk management function. An ERM audit was undertaken by Transnet Internal Audit (**TIA**) and a subsequent remedial action plan was developed to improve ERM within Transnet. A recent review of the ERM Framework was conducted during 2020/21 financial year and is supported by an auditable risk management plan by TIA as an independent assurance provider.

Adding value through ERM

The business development/accelerated investment model was developed with the Business Development team to filter new business opportunities using a risk and compliance lens.

The project risk and opportunity management methodology assists in providing contingency reserves for programme and project risks. The opportunities identified in projects serve as a basis for value engineering within projects.

Fraud Risk Management Plan

As required by regulation 29.1.1 of the Treasury Regulations prescribed under the PFMA, Transnet developed a Fraud Risk Management Plan, effective from the 2008/09 financial year, to manage the fraud risk exposure.

Ongoing awareness around the Tip-Offs Anonymous Hotline forms an integral part of Transnet's anti-fraud and anti-corruption efforts contained within its Fraud Risk Management Plan. The relationship between the Tip-Offs Anonymous Hotline and Fraud Risk Management initiatives is symbiotic, in that fraud risk management initiatives can directly influence or be influenced by the Tip-Offs Anonymous Hotline. Fraud Working Group Committees (**FWG**) are convened in the different Operating Divisions. The FWG's are chaired largely by the Chief Executives to ensure the Fraud Management Plan is rolled out. Matters reported through the hotline are scrutinized by Forensic Champions within each Operating Division and are dealt with by way of independent investigations. The findings and learnings there off are addressed in the Fraud Working Group and incorporated in the Fraud Risk Management Plan.

Fraud Risk Management (**FRM**) plays an important supportive role as per the Transnet Integrated Risk Management Policy with specific reference to lines of assurance. This function is centrally positioned to ensure that fraud and corruption risks are identified and assessed against the fraud risk plan as a subset of the ERM Framework. It is from this positioning that FRM can play a supportive role in identifying fraudulent or corrupt activities that may pose Strategic, Financial, Operational and Compliance Risks to Transnet.

The FRM activities are therefore conducted within the broader ERM strategy and framework. Development and implementation of the Fraud Risk Plan also occur within the combined assurance framework requiring alignment with fellow business stakeholders whether it be at corporate, operating or programme level.

The Fraud Risk Management team will conduct several approved risk-based initiatives which are uniquely Operating Division- specific, based on the nature of the business and unilateral risk common across all Operating Division.

The Fraud Risk Management function will place far greater emphasis on fraud prevention and will develop and implement programmes in this regard. The proactive approach will reduce risk and losses within the business. Early detection and mitigation would be a key focus area.

This will further include the development and initiation of anti-fraud education programmes, whistle blower awareness programme and proactive fraud risk focused audits while constantly engaging relevant stakeholders.

The Companies Act has codified the fiduciary duties of directors and prohibits the use of position, privileges or confidential information for personal gain or improperly benefiting another person.

In instances where a member of the Board has any direct or indirect personal or private business interest, that member must be recused from the proceedings when the matter is considered unless the Board decides that the member's interest in the matter is trivial or irrelevant.

Formal registers for Declarations of Interest and Related Party Disclosures by the Board are maintained by the Group Company Secretary. In addition, Transnet requires all employees to sign Confidentiality and Declaration of Interest forms when adjudicating on procurement contracts.

11. LITIGATION STATEMENT

Save as disclosed below, the Issuer is or has not been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had a material effect on the financial position of the Issuer in the previous 12 months:

Total SA and Sasol Oil v Transnet (the NATREF Neutrality Claim)

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

Transnet successfully petitioned for leave to appeal against the judgment of Tsoka J (from the South Gauteng High Court) to the Constitutional Court. The appeal was heard on 16 November 2021 and judgment was reserved. On 22 June 2022, the Constitutional Court ruled that Transnet has (as from 13 September 2020) validly terminated the pipeline agreement with Total and Sasol which regulated the conveyance of crude oil from Durban to the Natref inland refinery at Sasolburg.

There has been no determination of the merits of the claimed amount and the proceedings thus far have been centered primarily on the termination of the variation agreement. The matter will revert to the High Court for determination of the remaining separated issues.

Parallel to the litigation above, Transnet also lodged a complaint with regards to the Neutrality Agreement, on the basis that it was not aligned to the Petroleum Pipelines Act. Transnet has had various engagements with NERSA regarding the complaint and NERSA is still considering same for purposes of adjudication.

Competition Commission Investigation -TNPA, TPT AND TFR

On 7 July 2016 Transnet was notified by the Competition Commission that it had initiated a complaint against Transnet in terms of section 49B of the Competition Act 89 of 1998, as amended (the **Act**). The Commission advised Transnet that the Commission is in possession of information that gives rise to a reasonable suspicion that Transnet, through TNPA and TPT, may have engaged in excessive pricing in the provision of port services, and that Transnet may be engaging in exclusionary practices in the prioritisation of cargo and berthing at its port terminals, in contravention of section 8(a) and (c) of the Act.

On 20 September 2016 the CC advised of information in its possession suggesting differential pricing by TFR amounting to discrimination.

The Commission issued its preliminary findings against TPT and TNPA on 9 December 2019.

A meeting was held on 29 January 2020 with the Commission for it to provide the rationale for its preliminary findings. The Commission did not in fact take Transnet through its preliminary findings but instead it advised Transnet that it was invited to settle the matter.

Transnet subsequently advised the Commission, in its letter of February 2020, that it was unable to settle the matter without being privy to the factual basis of the Commission's conclusions;

The matter went into a hiatus following the imposition of a lock down in March 2020;

On 11 December 2020, the Commission invited Transnet to settle the matter.

On 31 January 2021 Transnet addressed a letter to the Commission highlighting the following:

- Engagement with the Commission on the underlying principles relating to its conclusions and a request for discussions with the Commission on those matters;
- The disclosure of the factual basis for the Commission's conclusions and the evidence thereof.
- Request for a discussion on the basic elements of the settlement with the Commission in order to enable Transnet to then formulate a proposal based on the knowledge that both parties are on the same page in relation to the issues contained in that framework.

A response from the Commission is awaited.

MV “Smart” Matters

On 19 August 2013, the MV “Smart” grounded, and was subsequently wrecked and broke apart in the vicinity of the Port of Richards Bay harbour mouth in the course of departure from the Port.

In 3 separate matters the Owners, the Time Charterers, and the Cargo Owners of the cargo on the M/V “Smart” are claiming a total of close to US$235,000,000 (two hundred and thirty five million United State Dollars) (R3.1bn (three billion one hundred million Rand)) from Transnet for damages allegedly arising from the grounding of the vessel. However, the claim of the Time Charterers is conditional upon them being found liable to pay any damages to the Owners of the vessel in arbitration proceedings instituted in London arising from the same incident. Transnet is opposing the claims.

The claims are insured for up to a maximum of R400m (four hundred million Rand).

Transnet’s main defences to the action include, amongst others, the following:

- That negligence on the part of the captain of the vessel was the proximate cause of the grounding, or was at least contributory to the incident;
- That one or more of the underwriters does not have title to sue; and
- Reliance on section 85 of the Ports Act, which states that “neither the Authority nor an employee or a representative of the Authority is liable for loss or damage caused by anything done or omitted by the Authority, the employee or the representative in good faith whilst performing any function in terms of this Act”.

Transnet appointed an expert to assist in performing a reconstruction of the events leading to the incident, using specialised software.

There have been three interlocutory applications before court in the Owners' action including:

- TNPA's application to compel proper discovery from Owners;
- Owners' application to compel TNPA to produce further and better discovery; and
- Owners' application for access to the CSIR in terms of section 5(5) of the Admiralty Jurisdiction Regulation Act, 1983.

TNPA’s application was dismissed by the High Court. TNPA sought leave to appeal against that order which was recently refused by court. TNPA has applied for leave to appeal in the SCA.

Meanwhile the Charterers, having been successful against the Owners of the m/v “Smart” in the London arbitration, have since filed a Notice of Withdrawal of their action against Transnet.

A case management meeting was held on 1 December 2020 between TNPA representatives, the Owners and the Cargo Interests. Among other things, TNPA attorneys were seeking access to the documentation used in the London arbitration. The Owners regard such documentation as either privileged or irrelevant, which Transnet lawyers disagree with.

Transnet is holding consultation meetings with its lawyers where the way forward is being considered, including possibly launching an application to compel the Owners to disclose the London arbitration documentation.

Transnet will continue to defend the remaining 2 actions arising from the grounding and wreckage of the MV “Smart”.

Siyakhuphuka Review Application

A review Application was instituted against TNPA’s decision to refuse to approve a container terminal in Richards Bay for Siyakhuphuka. Further, the application seeks to compel the Minister of Public Enterprises to corporatise TNPA within 6 months of the court order being granted.

The matter is opposed by all the Respondents including by the Minister of Public Enterprises and awaits the allocation of a hearing date.

In the intervening period, Siyakhuphuka offered a settlement proposal wherein it requested to be paid a settlement amount of R20 million, which has been rejected by all the parties.

SIGNED at __________________ on this the _______ day of _________________________2022.

For and on behalf of
TRANSNET SOC LTD

______________________________	________________________________
Name:	Name:
Capacity: Director	Capacity: Director
Who warrants his/her authority hereto	Who warrants his/her authority hereto

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