 ABOUT THIS REPORT

Reporting philosophy and approach
Transnet SOC Ltd has been an active participant in the International Integrated Reporting Council (IIRC) Pilot Programme since its inception and has followed the developments and application of the Integrated Reporting Framework. Our reporting is evolving as the Company's strategic focus, operational priorities and organisational thinking become more integrated, thereby enabling us to remain strategically aligned and responsive to stakeholder concerns.

Through this report, we aim to share our perspectives on:
• How we have performed during the year within the Company’s social, economic and regulatory contexts;
• The material aspects impacting our ability to create and sustain long-term value;
• How our governance structures create an enabling environment to achieve strategic objectives and motivate ethical business practices;
• Our key risks and how we manage them;
• Our emerging risks in the context of our long-term planning;
• Our ability to realise intended commercial and Sustainable Developmental Outcomes (SDOs) from our activities; and
• Our ability to mitigate and remediate unintended adverse impacts on our environment and stakeholders.

Reporting boundary
The 2017 Integrated Report covers the financial reporting period from 1 April 2016 to 31 March 2017. The boundary of this report (Figure 1) encompasses the Transnet Group, its Operating Divisions and Specialist Units. The boundary further extends to include factors that impact Transnet’s ability to create value.

There have been no significant changes in scope or aspect boundaries during the reporting period, save for the progress made during the year. Where any restatements or changes in measurement methods have taken place, these are described in the relevant sections of this report.

The Transnet Integrated Report is published annually and approved by the Board of Directors. The previous Integrated Report was approved by the Transnet Board of Directors on 1 June 2016 and published for the period 1 April 2015 to 31 March 2016.
Outcomes-based approach to reporting

Transnet monitors performance outcomes of its Market Demand Strategy (MDS) in line with an outcomes-based monitoring framework agreed with the Department of Public Enterprises and expressed through the Shareholder’s Compact signed with the Shareholder Minister.

The Compact specifies five key performance areas, which correspond to the MDS’s four strategic imperatives, namely financial sustainability, capacity creation and maintenance, market segment competitiveness and operational excellence, and the nine SDOs that represent the value created through Transnet’s cumulative activities for the wider South African economy.

Reporting frameworks and guidelines

Primary framework

This report was prepared according to the guidance of the International Integrated Reporting (IR) Framework, as adopted by the Transnet Board of Directors.

Secondary frameworks, guidelines and standards

This Integrated Report – read together with the accompanying detailed Annual Financial Statements and Sustainability Report – was further informed by the following secondary frameworks and guidelines:

- The Global Reporting Initiative (GRI-G4) – (General Standard Disclosures);
- The King Code of Governance for South Africa (2009) (King III/IV);
- International Financial Reporting Standards (IFRS);
- The Companies Act, No 71 of 2008 (Companies Act);
- The Public Finance Management Act, No 1 of 1999 (PFMA);
- United Nations 2015 Sustainable Developmental Goals;
- The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard prescribed by the Carbon Disclosure Project (CDP);
- AA1000 Stakeholder Engagement Standard; and
- Broad-Based Black Economic Empowerment Codes of Good Practice.

Governance terms of reference for the Integrated Report

The table on page 4 provides an overview of the ‘terms of reference’ for our 2017 Integrated Report, as provided by various governance oversight bodies within Transnet.
## Governance oversight and terms of reference

<table>
<thead>
<tr>
<th>Integrated reporting element</th>
<th>Mandate/Terms of reference</th>
<th>Sub-teams of the Group Leadership Team</th>
<th>Committee of the Board</th>
</tr>
</thead>
</table>
| **Stakeholder Engagement and Relationships** | • Effective stakeholder engagement and responsiveness  
• Effective identification and assessment of material issues. | • Human Resources Team  
• Broad-Based Black Economic Empowerment Team. | • Remuneration, Social and Ethics Committee. |
| **Risks and Opportunities** | • Identification of material risks and associated mitigation actions  
• Identification of meaningful opportunities for sustainable commercial outcomes  
• Identification of potential adverse impacts of operations on the environment and stakeholders. | • Risk Management Team  
• Chief Information Officer Counsel  
• Operations Leadership Team  
• New Multi-Product Pipeline (NMPP) Governance Steering Team. | • Risk Committee  
• Remuneration, Social and Ethics Committee. |
| **Strategy and Resource Allocation** | Appropriate strategic response including:  
• Accurate communication of MDS objectives and outcomes  
• Processes and controls  
• Initiatives and activities  
• Resource allocation. | • Capital Investment Team  
• Human Resources Team  
• Operations Leadership Team  
• Finance Team. | • Audit Committee  
• Acquisitions and Disposals Committee  
• Remuneration, Social and Ethics Committee. |
| **Performance and Outlook** | Appropriate performance measurement and management including:  
• Appropriate lead and lag indicators  
• Setting of targets, accountability and incentivisation. | • Risk Management Team  
• Finance Team  
• Human Resources Team  
• Capital Investment Team  
• Operations Leadership Team  
• NMPP Governance Steering Team. | • Corporate Governance and Nominations Committee  
• Remuneration, Social and Ethics Committee  
• Acquisitions and Disposals Committee. |
| **Remuneration** | • Appropriate remuneration structured to align performance against strategy in short-, medium- and long-term incentives. | • Human Resources Team. | • Remuneration, Social and Ethics Committee. |
| **Governance** | • Governance and assurance processes to oversee execution of strategy and structures in accordance with policy and regulation. | • Risk Management Team  
• Finance Team  
• NMPP Governance Steering Team. | • Corporate Governance and Nominations Committee  
• Risk Committee  
• Audit Committee. |
**Integrated approach to assurance**

The Board of Directors and management recognise the importance of a strong control environment in managing risks, improving performance, enhancing governance, instilling stakeholder confidence and strengthening the Company’s reputation. We have applied, where appropriate, our Integrated Assurance Plan to the integrated reporting process to enhance the value creation narrative, and to provide an independent perspective on the transparency and accountability of our disclosures. Transnet’s Integrated Assurance Plan encompasses the assurance provided by management, internal specialists, internal audit, external audit, external advisers and service providers. The Board of Directors serves as the last line of defence.

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**Integrated Reporting Assurance Framework**

<table>
<thead>
<tr>
<th>Content</th>
<th>Assurance providers</th>
<th>Outcome</th>
<th>Framework/Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Financial Statements (consolidated and summary)</td>
<td>SizweNtsalubaGobodo</td>
<td>Unmodified Audit Opinion.</td>
<td>PFMA, Companies Act, IFRS</td>
</tr>
<tr>
<td>BEE contributor level</td>
<td>Transnet Internal Audit, Beever Agency CC.</td>
<td>Level confirmed as ‘Level 2’.</td>
<td>Broad-Based Black Economic Empowerment (B-BBEE) Act and Charters, Rail sub-sector scorecard, Marine sub-sector scorecard.</td>
</tr>
<tr>
<td>Selected information in the Transnet Sustainability Report and contained in summary form in this report</td>
<td>SizweNtsalubaGobodo.</td>
<td>Conclusion: Selected sustainability information has been prepared in all material respects in accordance with Transnet’s reporting criteria.</td>
<td>Transnet’s sustainability reporting criteria.</td>
</tr>
</tbody>
</table>

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*For this report we also considered areas in which Transnet already embraces the King IV principles.*
Statement of stakeholder commitment

In determining our material aspects, we acknowledged the most material issues raised by our stakeholders. Transnet’s Stakeholder Engagement Policy, adopted by the Board of Directors in November 2014, defines ‘stakeholder’ as a person (or group of persons) who is directly or indirectly affected by Transnet, including those who may have interests in Transnet’s business activities and/or the ability to influence Transnet’s business outcomes, either positively or negatively.

We strive to communicate with stakeholders early and often. Our core values, as expressed in our Culture Charter, guide us in our interactions with stakeholders.

To meet – and improve on – our stakeholder commitments, we continue to strive for:

• An organisational culture that views change as an opportunity to improve quality in all we do;
• A safe working environment, and an “iBelong” culture;
• Customer-centric business innovations, and reliable service offerings;
• Fair and equitable tender processes;
• Integrity, communication, diversity, continuous learning accountability and excellence in everything we do;
• Support for communities where we operate;
• Collaborative relationships with policymakers and regulators;
• Demonstrable sensitivity to and care for the environment; and
• Superior returns to our investors, as a reliable and credible borrower which, albeit State-owned, issues debt on the strength of its financial position without any Government guarantees.

We are confident that the report provides information that is of material interest to all stakeholders wishing to make informed assessments of Transnet’s performance and its ability to create and sustain long-term value.

Going-concern status

The Company and Group have adequate resources and facilities in place to continue in operation for the foreseeable future. Therefore, the Board of Directors is satisfied that Transnet is a going concern and has continued to adopt the going-concern basis in preparing the annual financial statements, of which a summary is presented in this Integrated Report in the Summarised Audited Financial Results.

Integrating sustainability reporting in the 2017 Integrated Report

As the Integrated Report aims to capture and communicate the full value of the Group, it provides a perspective on the interdependencies between both financial and non-financial information. Accordingly, we have integrated information on our performance on Transnet’s commercial outcomes with that of the nine SDOs in our discussion on value creation and our performance disclosures for the 2017 financial year.

The Board of Directors has reviewed Transnet’s sustainability performance disclosures contained in the 2017 Integrated Report for the year ended 31 March 2017, and the external auditor’s assurance statement issued to the directors on the subject matters contained in the online Sustainability Report available at www.transnet.net.

Transnet’s online Sustainability Report publishes the results achieved under the Company’s nine SDO themes, which form part of Transnet’s Shareholder’s Compact. These outcomes are aligned with the vision set in Government’s National Development Plan and with the medium-term initiatives that Government is driving to reduce poverty, inequality and unemployment in South Africa.

Read more:
Transnet Sustainability Report online at www.transnet.net
Statement of precautionary approach

Human health and well-being

Our operating context is industrial- and infrastructure-driven, and necessitates occupational training, as well as comprehensive policies and procedures to safeguard our employees and the public within and around our operations. There is a need to foster safety vigilance among our employees through a safety-oriented operational culture.

Additionally, we recognise that our keystone expansion projects – such as our large-scale port infrastructure improvement project at the Port of Durban – need to balance the economic benefits for the Shareholder Minister and the country with the social and environmental concerns raised by surrounding communities. The investment aims to sustain the current container capacity at South Africa's premier multi-cargo port and will allow the port to safely accommodate the larger post-Panamax vessels. However, adverse impacts on local communities include the possibility of social and small business displacement and extensive waste generation during the construction phase. We will continue to actively engage project stakeholders to help guide the most responsible and beneficial balance of outcomes for all concerned.

Environmental health

Energy and water use are our two most significant impacts on the environment, and Transnet has made the management thereof the focus of its environmental stewardship initiatives.

Some of our operations are located in water-stressed catchments, with resultant risks, including water contamination and water supply shortages. We continue to ensure that water use licences are obtained timeously and are appropriate to the scale and nature of water use. Where water is required to reduce the environmental impact of dust from our Saldanha iron ore terminal, a reverse osmosis plant has been constructed to limit the demand on municipal water by desalinating seawater for use in the terminal, thereby limiting the demand on municipal water.

Transnet's Energy Policy outlines the Company's commitments to ensure that:

- Energy consumption is proactively managed;
- Energy efficiency improves;
- Greenhouse gas emissions decline;
- Energy costs are reduced; and
- Energy security improves.

Further, Transnet's programme to accelerate the modal shift from road to rail is a flagship carbon mitigation programme for South Africa. Rail transport is approximately three to four times more efficient than road transport and offers cleaner, safer, cheaper and reliable freight mobility through improved road safety, reduced road congestion and pollution, and, ultimately, a lower cost of doing business.

Pipeline spills present a challenge for the organisation and surrounding communities, and we continue to educate property owners and contractors on safe and responsible work procedures; remedial activities include rehabilitation of sites, excavation of contaminated soil, monitoring of groundwater and backfilling of soil.

Directors’ approval

The Board of Directors applied themselves to ensure the integrity of the 2017 Integrated Report and any supplementary information referenced in the report. The Board of Directors has considered the completeness of the material aspects addressed in the report, and the reliability of reported performance information presented, based on the combined assurance process followed. Accordingly, the Board of Directors is satisfied that the 2017 Integrated Report provides a fair representation of the integrated performance of the Company during the year.

Further, it has concluded that the report is presented in accordance with the International Integrated Reporting Framework, and aligns with the King III guidelines on integrated reporting. It is further satisfied that, where possible, the Integrated Report references areas where the organisation aligns with King IV principles. The Integrated Report also contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

The Integrated Report 2017 was approved by the Board of Directors and signed on its behalf by:

LC Mabaso
Chairperson
1 June 2017
Johannesburg