TRANSNET

delivering freight reliably

PORTFOLIO COMMITTEE PRESENTATION

TRANSNET SOC LTD

DATE OF MEETING: 2 September 2020

TIME: 09:00 – 14:00

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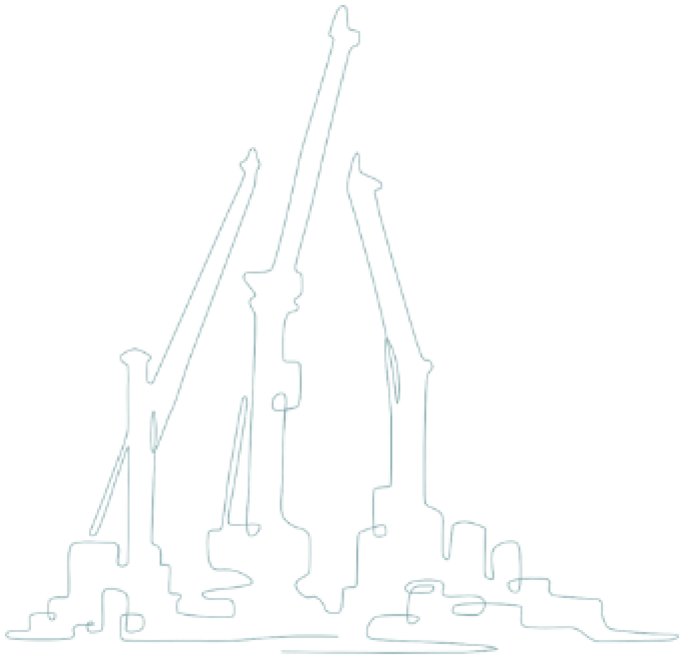

CONCERNS RAISED BY THE COMMITTEE TO TRANSNET

- The Committee had a meeting with Transnet on 23 October 2019 and a number of issues were raised and responded to by the Company at the meeting. Today's presentation is a continuation of that discussion. The issues ranged on:

1. Consequence management;
2. Fruitless and wasteful expenditure;
3. Corporate Social Investment ("CSI") expenditure; and
4. Operational efficiencies.

- As per the Board' commitment, in the 2019/20FY the Company engaged a Law Firm in February 2019 to handle disciplinary cases of its Executives who were found to have committed serious misconducts. The adjudication of those cases has largely been finalized and where criminal/civil prosecution is recommended, the process is underway.
- On 24 March 2020 the SIU made a disciplinary referral to Transnet detailing serious allegations of misconduct against some of the Company's Executive.
- This process exacerbated the challenge of vacancies at Executive level thereby creating instability and uncertainty in the organization. The Company has since appointed a full Executive Team with impeccable reputation and skills to execute on the Transnet mandate.
- In terms of fruitless and wasteful expenditure, it continues to be a challenge which the Company is seized with. There is a detailed report in the Finance section of this presentation.
- The Company continues to ensure that it plays its role of being a good corporate citizen through the contributions for CSI projects in the communities where it operates.
- The settlement reached in the Pension Class Action concludes one of the items raised in the previous meeting.
- Some of the challenges the Company has had are receiving attention, that is procurement, properties, 1064 locomotive transation, and the aim is to resolve all to ensure that the Company regains the trust of its stakeholders.

TRANSNET

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Portfolio Committee on Public Enterprises

Group Finance

Transnet SOC Ltd

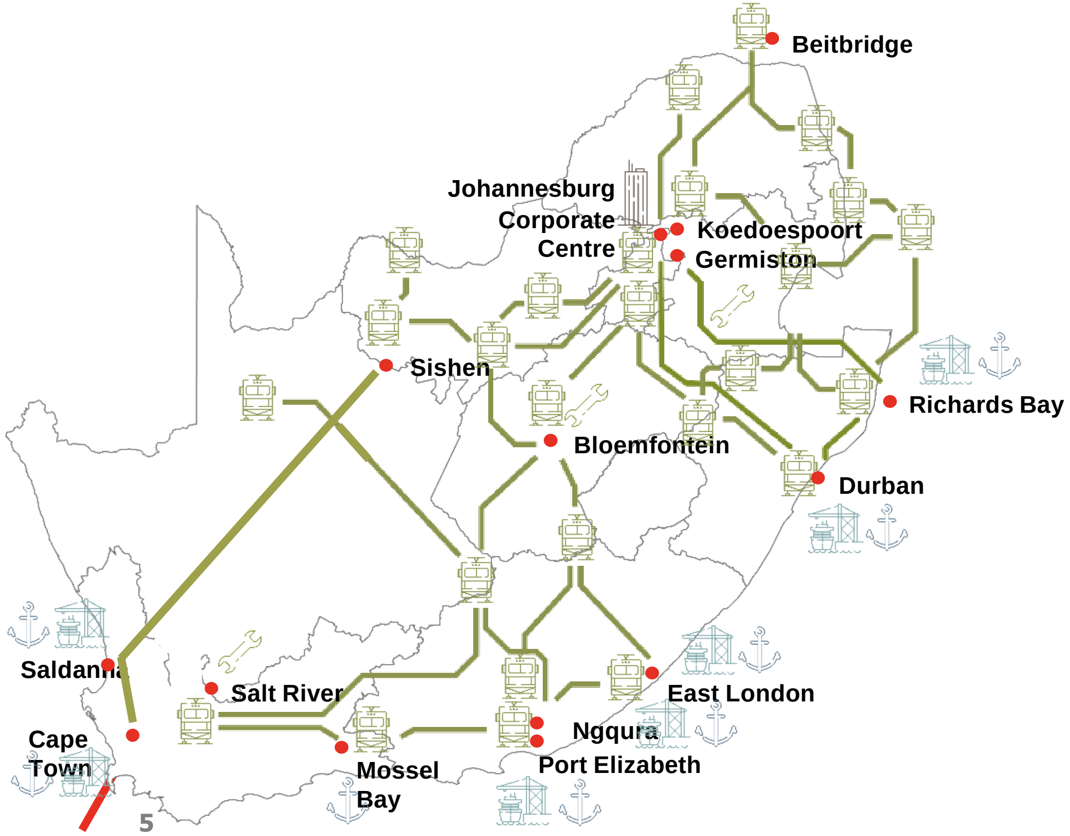
At a glance

Vision: Fueling Africa's growth and development as the leading provider of innovative supply-chain solutions

Mission: Linking economies, connecting people, growing Africa!

At a glance:

- Transnet is the custodian of rail, ports and pipelines
- Total assets of R355,5 billion and 55,946 employees (Mar '19)



Freight Rail
51% of Revenue(1)

Transnet Freight Rail (TFR)

- Transnet's largest operating division, specialising in heavy haul and general freight transportation.
- 30 400 km of railway track (80% of Africa's total rail).
- 1,500km dedicated heavy haul.
- Operates 1200 trains per day.

Engineering
12% of Revenue(1)

Transnet Engineering (TE)

- Group of product-focused businesses in manufacture, upgrading conversion, repair and maintenance of railway rolling stock and associated transport equipment.
- Eight product-focused business, 143 depots, six factories.

National Ports Authority
15% of Revenue(1)

National Ports Authority (TNPA)

- Responsible for the safe, efficient, effective and economic functioning of the national ports system, consisting of 8 ports.
- Plan, provide, maintain and improve port infrastructure.
- Providing marine-related services, including dredging, aids to navigation, ship repairs and marine operations.

Port Terminals
16% of Revenue(1)

Transnet Port Terminals (TPT)

- Provides cargo-handling services to a wide spectrum of customers, including shipping lines, freight forwarders and cargo owners.
- 16 Cargo Terminals (68 berths) operating across 7 ports.
- Containers, mineral bulk and agricultural bulk and Ro-Ro (roll on/roll off).

Pipelines
6% of Revenue(1)

Transnet Pipelines (TPL)

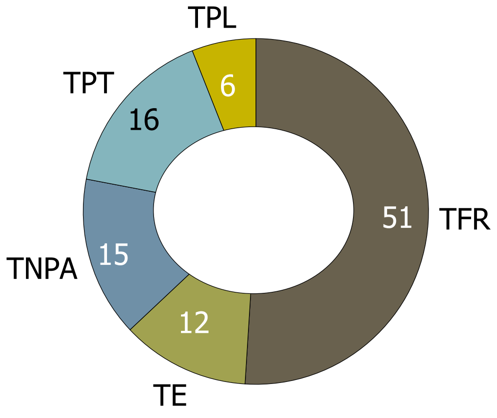
- Major transporter of multi-product hydrocarbon and methane-rich gas through a network of 3,800km of strategic petroleum and gas pipeline infrastructure, across 5 provinces.

(1) Reportable segment of audited March '19 financials

FINANCIAL STATISTICS
2019 REPORTING PERIOD

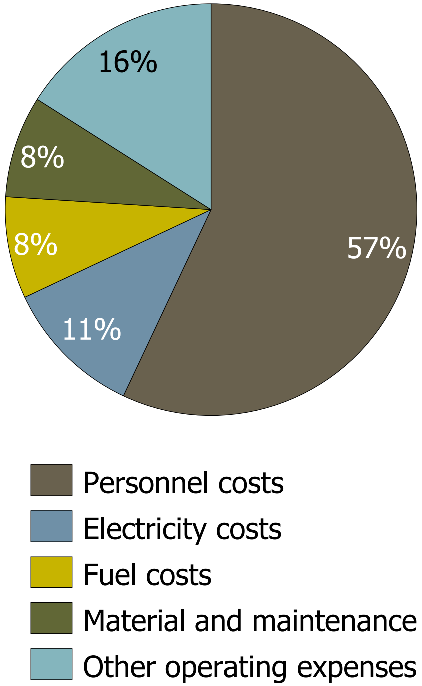
Revenue R74bn	**Operating Cost R40bn**	**EBITDA R34bn**	**Employees 55,946**

Transnet Revenue contribution by Operating Division %



TFR: Transnet Freight Rail
TE: Transnet Engineering
TPL: Transnet Pipelines
TPT: Transnet Port Terminals
TNPA: Transnet National Ports Authority

Net Operating Expenses contribution by cost element (%)



Annual Financial Statements for year ended 31 March 2020 due for release on 30 September 2020

Historical performance

5 year view

	2014/15	2015/16	2016/17	2017/18	2018/19
VOLUMES					
General freight (GFB) (mt)	90.6	84.0	88.1	90.8	**84.7**
Export coal (mt)	76.3	72.1	73.8	77.0	**72.0**
Export iron ore (mt)	59.7	58.1	57.2	58.5	**58.4**
Total rail volumes (mt)	226.6	214.2	219.1	226.3	**215.1**
Containers (TPT) ('000 TEUs)	4 571	4 366	4 396	4 664	**4 534**
Petroleum (Mℓ)	17 186	17 426	16 978	16 345	**17 825**
FINANCIALS (R million)					
Revenue	61 152	62 167	65 478	72 887	**74 070**
EBITDA	25 588	26 250	27 557	32 515	**33 750**
Capital investment	33 565	29 561	21 438	21 781	**17 941**
Total assets	328 439	356 393	351 635	369 823	**355 500**
Total borrowings	110 377	134 517	124 780	122 550	**127 666**
RATIOS					
EBITDA margin (%)	41.8	42.2	42.1	44.6	**45.6**
Gearing (%)	40.0	43.1	44.4	43.4	**44.5**
Cash interest cover (times)*	3.2	3.0	2.8	3.0	**2.9**
Return on total average assets (%)	6.4	3.7	4.6	5.9	**5.8**
Net debt/EBITDA (times)	3.7	4.1	4.2	3.7	**3.5**

The 5 year trend indicates solid performance albeit challenging economic conditions, with ratios well within targets

** Excluding working capital changes.*

TRANSNET

Actual performance
30 September 2019

	Sep 2018 Rm	Sep 2019 Rm	Variance %
Revenue	37 573	**38 667**	+2,9%
Operating expenses	(20 936)	**(21 186)**	+1,2%
EBITDA	16 637	**17 481**	+5,1%
Depreciation, derec. & amortisation	(7 247)	**(7 177)**	(1,0%)
Impairment	(522)	**(410)**	(21,5%)
Fair value	815	**(1)**	>-100%
Net finance costs	(5 645)	**(5 566)**	(1,4%)
Net profit for the period	2 848	**2 948**	+3,5%
Cash generated from operations**	15 355	**16 165**	+5,3%
Key financial ratios			
Gearing (%)	43,8	**43,2**	(0,6%)*
Cash interest cover (times)#	3,1	**3,0**	(0,1)*
Return on invested capital (%)	5,0	**5,1**	+0,1*

*Absolute variance. ** After working capital changes. # Excluding working capital changes.*

- Revenue for the period increased by 2,9% to R38,7 billion (2018: R37,6 billion), supported by a 3,0% increase in export iron ore volumes and a 1,6% increase in petroleum volumes.
- Operating costs increased by 1,2% to R21,2 billion, (2018: R20,9 billion) despite increases of 5,8% in personnel costs, and 5,1% in electricity costs.
- Decreased depreciation mainly due to the impact of the devaluation of rail and port infrastructure in March 2019.
- Decreased impairment mainly due to scrap value adjustments made to locomotives and wagons, as well as the reversal of impairment on locomotives that were repaired.
- Decreased fair value gains mainly due to mark to market fair value losses on derivatives compared to gains in the prior period.
- Net finance costs decreased by 1,4% to R5,57 billion (2018: R5,65 billion) resulting from the decision to make limited use of cost-effective short-term facilities, as well as a reduction in the funding requirement due to the optimisation of capital expenditure.
- Gearing decreased to 43,2% mainly due to lower net debt, revaluation of infrastructure and net profit for the period.
- The cash interest cover ratio at 3,0 times reflects Transnet's strong cash-generating capability.

YTD July 2020 Performance
Executive Summary

- The performance to July 2020 was significantly impacted by the depressed economic climate as well as the Covid-19 pandemic which led to the imposition of a national lockdown
- The South African economy contracted by an annualised rate of 2% for the first quarter of 2020 and is expected to contract by 9,5% in 2020 year
- Low customer demand due to the impact of Covid-19 has resulted in YTD volumes for all key rail, port and pipeline commodities being significantly lower compared to the previous financial year and current budget
- Accordingly, Financial performance for the period to July 2020 shows a significant decline from the corresponding period in the previous financial year and current budget
- Although YTD revenue is less than budget there has been steady month on month improvement with the easing of lockdown restrictions
- Whilst there have been slight savings in net operating expenses these have been offset by the impact of unbudgeted Covid-19 expenses
- Capital investment (including intangibles) has been underspent mainly due to construction sites being closed as a result of the lockdown
- The company continues to execute its funding strategy which aims to diversify sources of funding at most cost effective rates in a market where liquidity is tight. In addition the company has sufficient short term facilities none of which are currently utilised

COVID-19 IMPACT

Revenue

- Transnet is categorised as a provider of "Essential Services", and all operating divisions were operational, albeit at reduced capacity, during lockdown.
  - The Container terminals have been able to operate at close to normal operating conditions with volumes improving as lockdown restrictions are released.
  - The Auto sector recommenced manufacturing on 2 May 2020 (at 50% production) and processing of Auto exports recommenced
  - Petroleum volumes (Durban – Johannesburg pipeline) heavily impacted due to shutdown of airports and general lockdown
- Revenue % of plan (Pre-Covid)
  - April was 60%
  - May was 75%
  - June was 83%
  - July was 84%
- Export Iron Ore, export Coal and export Manganese contribute 65% of the rail business revenue
  - These 3 flows are expected to catch-up to approximately 90% of full year plan for FY2021.

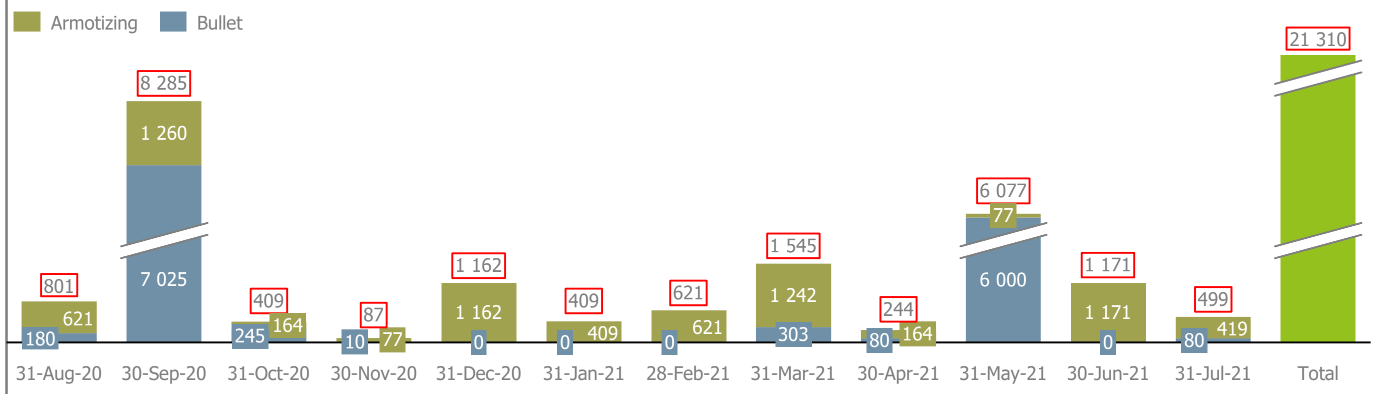
Costs

- The lower level of operations has resulted in lower variable and overhead costs.
- We are pursuing a number of cost containment initiatives to mitigate the impact on FY2021 EBITDA.
- The lower diesel price will reduce our operating costs by approximately R270m in FY2021
- The recent interest rate cuts translate to a R700m saving in planned finance costs.
- Aggressive project to review Procurement practice – expect to achieve 20% saving (permanent) over next FY
- Various options (Working Capital) to reduce the cash impact to avoid an increase in the overall funding need.
- We expect our FY2021 capital expenditure to be at least R6bn less than planned, without any impact on maintenance capital.
- We are making good progress on a number of commercial issues which, if resolved, will release unplanned cash into the system.
- The Pipelines and Port Authority divisions are regulated businesses so the impact on current year will be recovered, over time through future tariff determinations to be issued by the Regulators.

Debt repayment profile (net of derivatives)

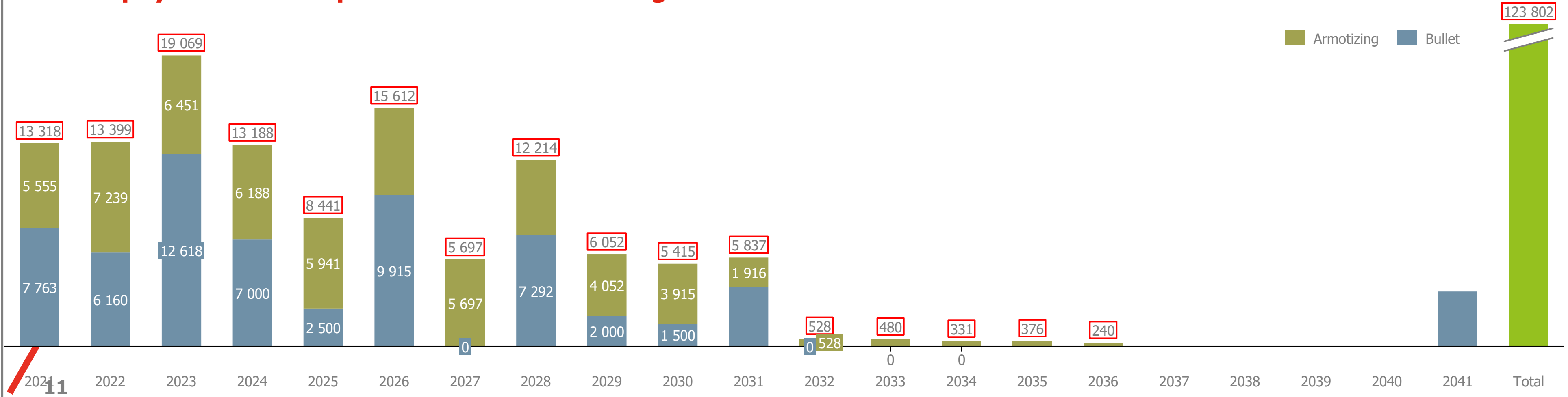
Amounts in R/million

Debt Repayments in Next 12 months



- The debt redemptions are catered for in the Company's funding plan;
- All new debt raised is structured to limit repayments in the next three years i.e. to avoid further pressure on the redemption profile;
- Management is driving various initiatives aimed at reducing total debt by >15% over the next 4 years.
  - ✓ Capital expenditure being limited to 80% of cash generated from operations
  - ✓ Improved operational performance and cost containment initiatives

Debt Repayment Profile per Financial Year ending 31 March



Credit Ratings

MOODY'S	STANDARD & POOR'S	RATING DESCRIPTION	MOODY'S	STANDARD & POOR'S
Aaa	AAA	Prime	Aaa	AAA
Aa1	AA+	High grade	Aa1	AA+
Aa2	AA		Aa2	AA
Aa3	AA-		Aa3	AA-
A1	A+	Upper medium grade	A1	A+
A2	A		A2	A
A3	A-		A3	A-
Baa1	BBB+	Lower medium grade	Baa1	BBB+
Baa2	BBB		Baa2	BBB
Baa3	BBB-		Baa3	BBB-
Ba1	BB+	Non-investment grade speculative	Ba1	BB+
Ba2	BB		Ba2	BB
Ba3	BB-		Ba3	BB-
B1	B+	High speculative	B1	B+
B2	B		B2	B
B3	B-		B3	B-
Caa1	CCC+	Substantial risks	Caa1	CCC+
Caa2	CCC		Caa2	CCC
Caa3	CCC-		Caa3	CCC-
Ca	CC	Extremely speculative	Ca	CC
	C	Default imminent		C

Transnet Rating (local currency)	Sovereign Rating	Stand Alone Rating	Transnet Rating (foreign currency)

Moody's

27/03/20: downgraded the Sovereign credit profile from investment grade (Baa3) to non-investment grade (Ba1), with a Negative Outlook.

04/04/20: downgraded Transnet's credit profile from investment grade (Baa3) to non-investment grade (Ba1), with the ratings placed "On Review for Downgrade".

23/07/20: The ratings issued by Moody's on 4 April 2020, were placed "On Review for Downgrade". The outcome of the review resulted in the Transnet Global Scale and National Scale ratings remaining unchanged. The Baseline Credit Assessment (Transnet stand-alone rating) was lowered by one notch due to concerns related to the concentrated debt maturity profile. The outlook is negative in alignment with the sovereign outlook.
No impact on Transnet loan agreements.

S & P

29/04/20: lowered the long-term foreign currency ratings on South Africa to 'BB-' from 'BB' and lowered the long-term local currency ratings to 'BB' from 'BB+', with a stable outlook.

07/05/20: downgraded Transnet's Stand Alone Credit Profile (SACP) by one notch to BB- with a Stable outlook. This resulted in a covenant breach in respect of 14 loans totalling R27.3 billion, which entitled 12 lenders to call for accelerated repayment or a guarantee. None of the lenders have taken such action and we have formalised the waiver of such rights. Additional cost to Transnet is R11 million p.a.

- Liquidity is the primary concern of the rating agencies given the concentrated debt redemption profile in the next few years.
- Only R3.5bn of total Transnet debt is secured by Govt. guarantees (this relates to debt raised in 1998/9)
- The loan agreements reference the local and foreign currency credit ratings – given 100% state ownership of Transnet, the rating agencies will not rate Transnet above that of the Sovereign

ECONOMIC & COMMODITY OUTLOOK

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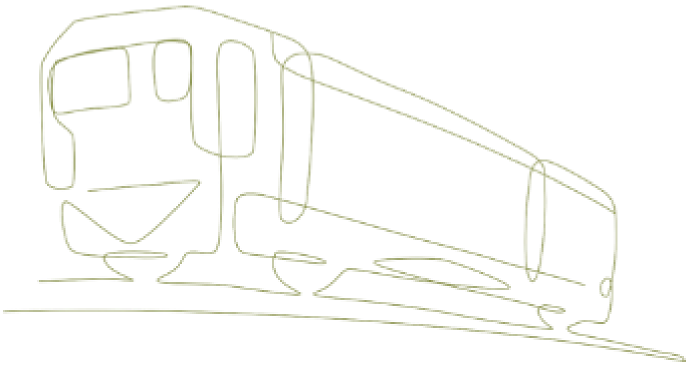


The global growth context…

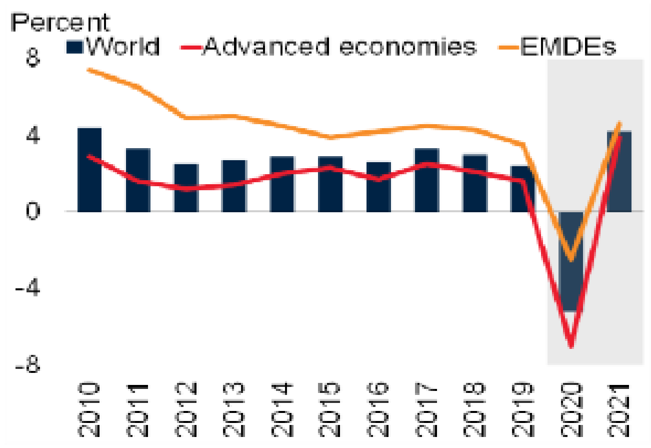
- **Global growth is projected at -4.9% percent in 2020**. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated. **In 2021 global growth is projected at 5.4%**, but then is expected to drop back to below pre-COVID levels.

GDP Growth	2019 (Actual)	2020 (Forecast)	2021 (Forecast)
Advanced Economies	*1.7%*	*-4.9%*	*5.4%*
Emerging Economies	*3.7%*	*-3.0%*	*5.9%*
China	*6.1%*	*1.0%*	*8.2%*
South Africa	*0.2%*	*-8.0%*	*3.5%*

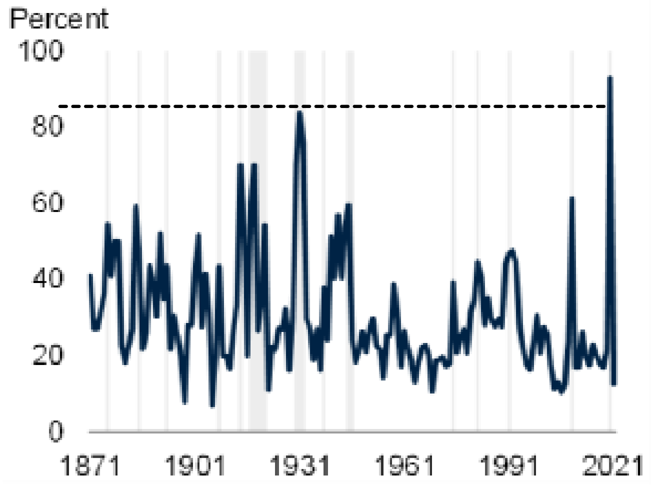
- **Consumption and services output have dropped markedly**. Firms have cut back on investment when faced with precipitous demand declines, supply interruptions and uncertain future earnings prospects. There is a **broad-based aggregate demand shock**, compounding near-term **supply disruptions** due to lockdowns.

- **Trade contracted by close to -3.5%** y/y in the first quarter of 2020, reflecting weak demand and supply disruptions related to shutdowns.

Global growth



Share of economies in recession (1871 – 2021)



Source: World Bank

… and the implications for South Africa

- Due to weak economic fundamentals prior to COVID, the South African impact is expected to be or severe than elsewhere.

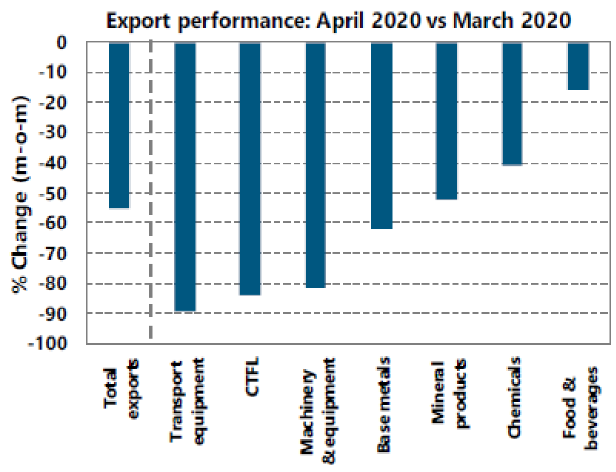
- **The impact on South Africa Demand for South African exports**, from industrial commodities to manufactured goods as well as services, **is likely to be substantially weaker**.

- Foreign direct investment (FDI) flows globally are expected to drop considerably in 2020. In a highly uncertain and depressed economic environment, **South Africa will find it challenging to attract a meaningful quantum of FDI** in the short- to medium-term.

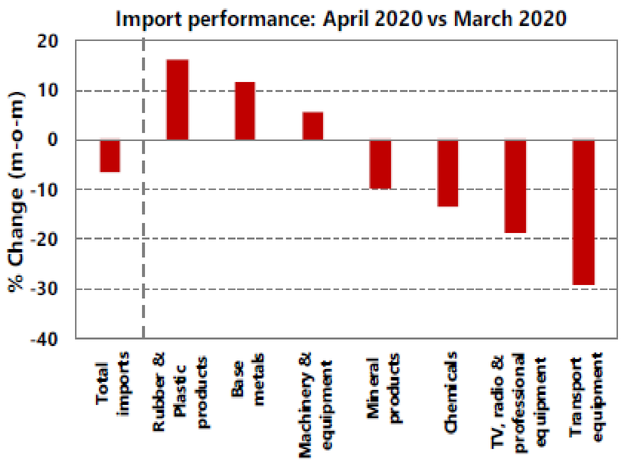
- In the shorter term, generally **low commodity prices** are likely to weigh on the export earnings of the local mining industry. **Relatively weak global demand and low commodity prices** could have **adverse implications for fixed investment** in the South African mining sector.

- Increased **financial market volatility and risk aversion** towards emerging market assets could keep the **Rand undervalued for some time**. Although this could provide **improved price competitiveness** for South African products in global and local markets, it may also lead to **inflationary pressures**.

- Bureau for Economic Research latest estimates are that **GDP will shrink by 9,5% in 2020,** which is lower than previous projections



Sources: SARS, IDC



Sources: SARS, IDC

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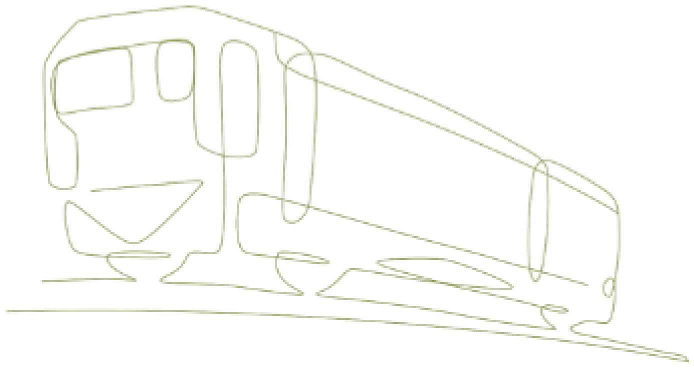
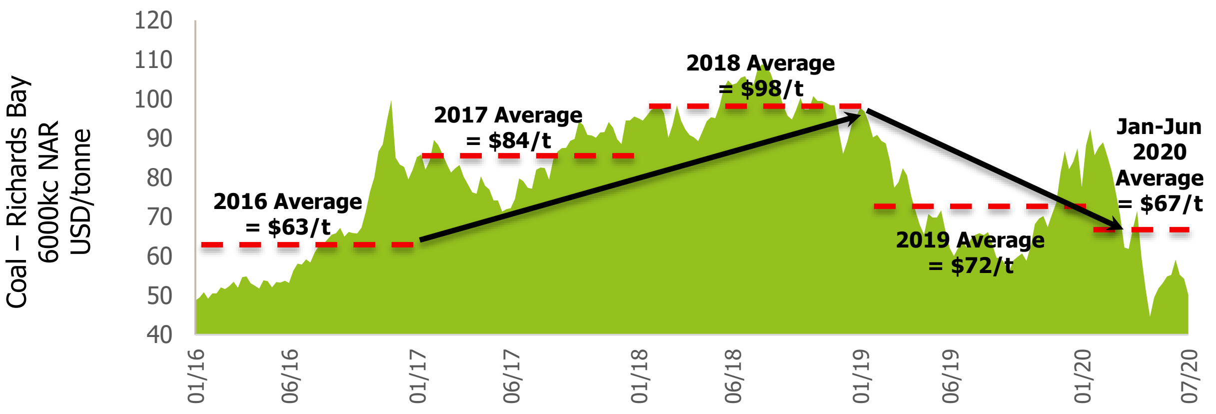


Overview of the commodity outlook

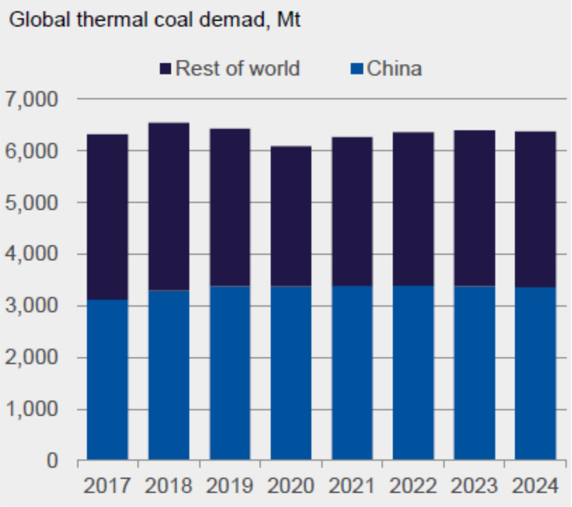
- Almost all commodity prices saw sharp declines during the first quarter of 2020 as the COVID-19 pandemic worsened.
- Mitigation measures have significantly reduced transport, causing an unprecedented decline in demand for oil, while weaker economic growth will further reduce overall commodity demand.
- Crude oil prices are expected to average $35/bbl this year and $42/bbl in 2021—a sharp downward revision from last years forecast.
- Non-energy prices are also expected to fall this year. Metals are projected to decline more than 13 percent in 2020, before recovering in 2021 while food prices are expected to be broadly stable.
- The risks to the price forecasts are large in both directions and depend on the speed at which the pandemic is contained and mitigation measures are lifted.
- The impact of COVID-19 on commodity markets has already been larger than most previous events and may lead to long-term shifts in global commodity demand and supply.

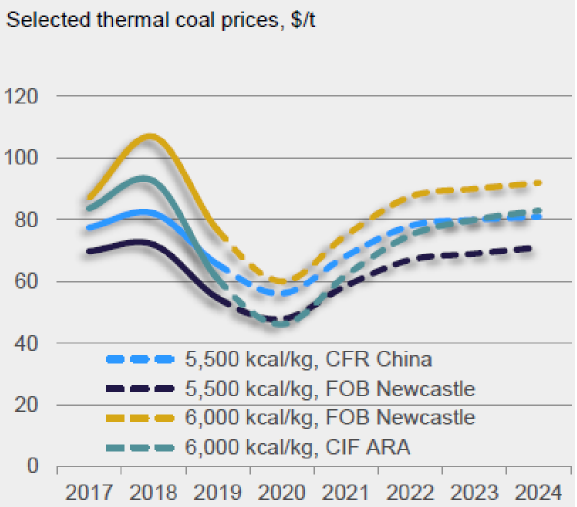
Thermal coal prices reached a peak in 2018, dropped in 2020 but are expected to recover from 2021



Source: McCloskey

Thermal coal demand and price projections

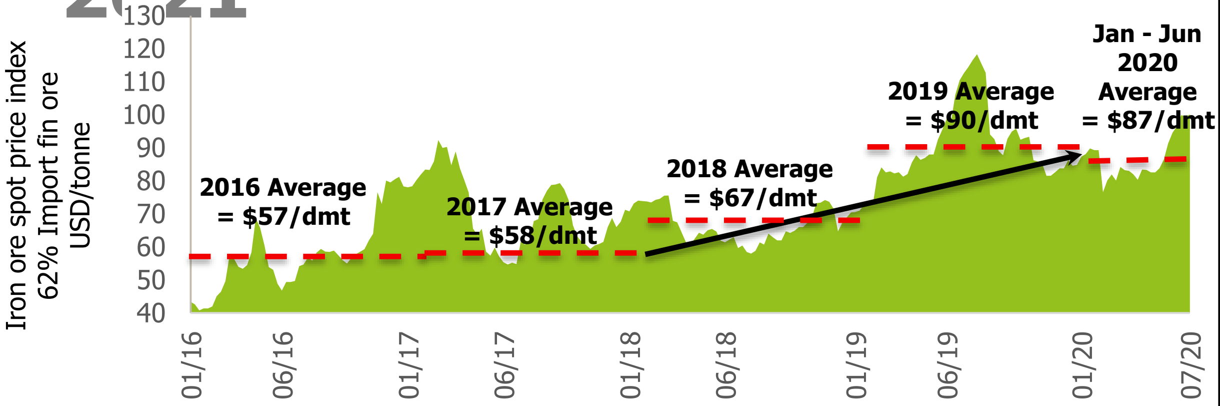




Source: CRU, Thermal Coal Market Outlook – July 2020

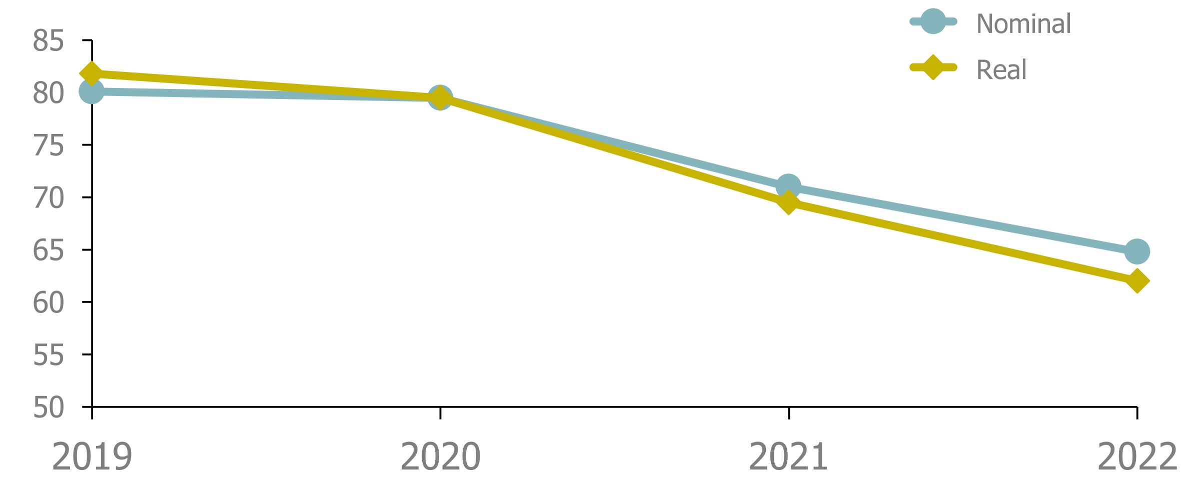
- Average monthly spot prices (FOB Richards Bay) in 2020 have far **slipped from the peak prices** observed in 2018.
- Thermal coal prices have **collapsed** to extremely low levels on the cost curve, but the **anticipated recovery in demand** with the **easing of lockdowns** and **recovering power generation**, combined with **supply cutbacks** following a prolonged period of low prices, are expected to **start driving thermal coal prices higher** by the end of the third quarter 2020.
- 6,000 kcal/kg FOB **Newcastle spot prices will drift down** steadily from US$77/t in 2019 to **US$60/t** in real terms in **2020** as demand tapers down. In the medium-term, prices will stabilize at around the US$85/t mark in 2024.
- In **2020** the 6,000 kcal/kg FOB **Richards Bay thermal coal price** is expected to average **$60/t**.
- By 2021 6,000 kcal/kg FOB Richards Bay thermal coal price is **expected to increase $67/t** and will reach a **peak of $82/t in 2024.**

Iron ore prices have been resistant to effects of the pandemic due to supply side issues but are set to decline from 2021



Sources: Bloomberg, Metals Bulletin

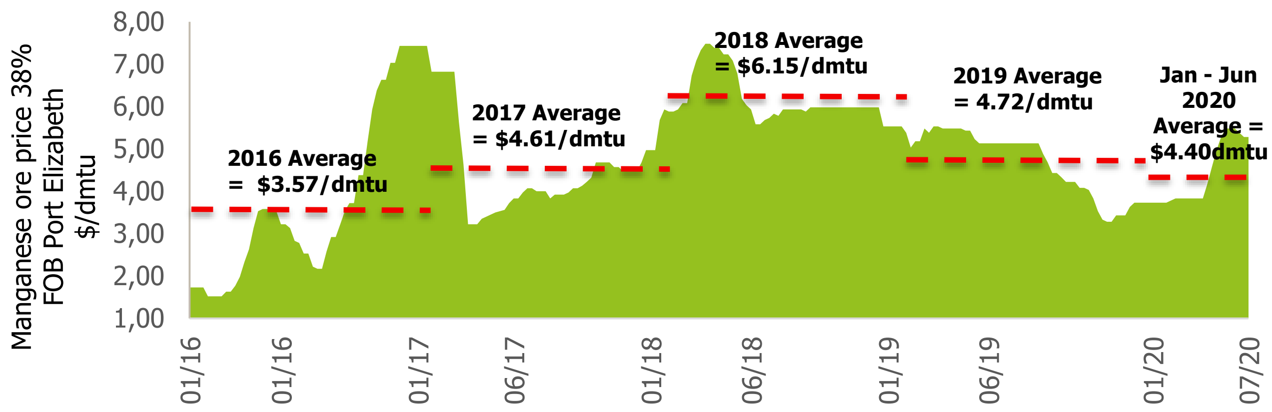
Iron ore price projections



Source: BREE Australia

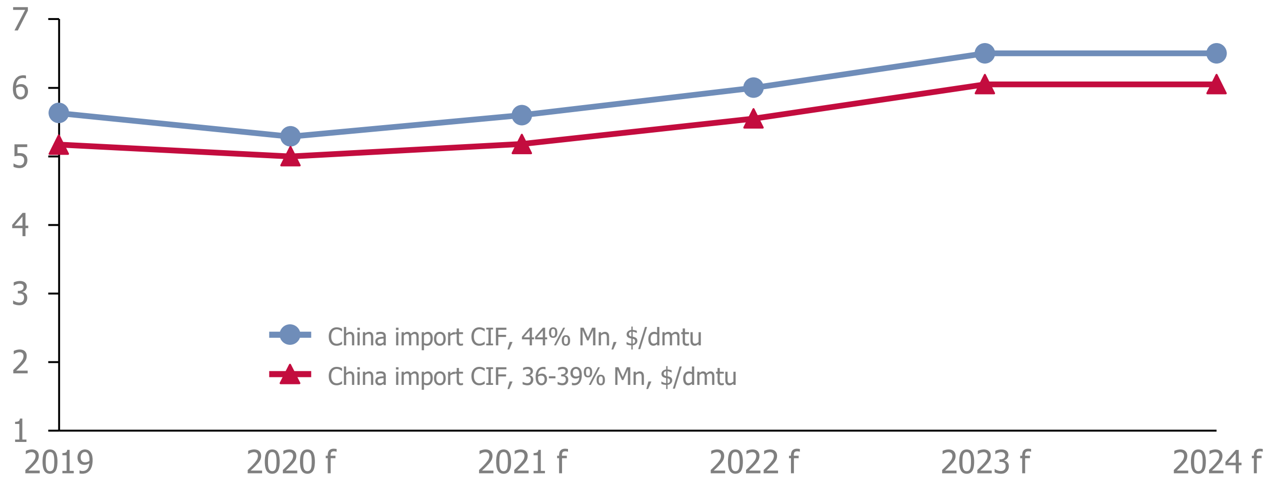
- The iron ore price is forecast to average **US$80/t in 2020**. Persistent supply disruptions have kept iron ore prices above US$80/t in May and June 2020. Prices for iron ore remain robust while **demand** has been **impacted by COVID-19** containment measures. These have been offset by supply problems — including weather issues in Brazil and Australia and the lingering impacts of the Brumadinho dam collapse in 2019.
- It is expected that **supply conditions will improve** before the impacts of COVID- 19 fully pass, creating a likelihood of weaker prices.
- Chinese **demand for iron ore** has thus far proven to be relatively **robust**, despite the impact of COVID-19 and the shutdown of significant sectors of the Chinese manufacturing industry.
- Prices are likely to come under **downward pressure after 2020**, as supply shifts back towards normal levels. However, a significant global recovery is also expected in 2021, which will likely add to steel demand and provide a floor for prices.
- The iron ore **price** is projected to **decrease** from an average of US$70/t (FOB Australia, in real terms) in **2021**, to US$62/t in **2022**.

Manganese ore prices are expected to gain momentum once the market is confident of uninterrupted supply



Source: Metals Bulletin

Forecasted manganese ore prices ($/dmtu)

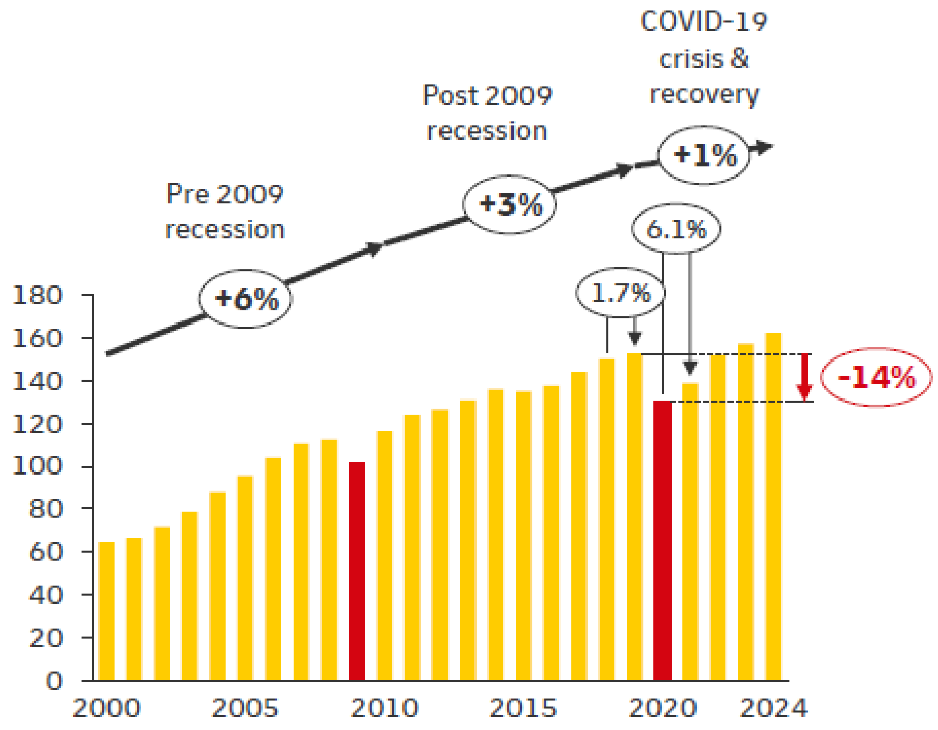


Source: CRU – Manganese Market Outlook (May 2020)

- By the end of 2019, average monthly spot prices **(FOB Port Elizabeth) decresed by 21% since 2018**.
- **Prices** for 44% Mn material **peaked in 2018** hitting an average of $6.15/dmtu for the year.
- After the anticipated falls in 2019 on a weaker ferroalloys market in China, **manganese ore prices is expected to start decreasing again from 2020**. Prices are expected to average $5.29/dmtu for 44% Mn grade and $5.00/dmtu for 36–38% Mn grade in 2020.
- By **2024**, it is forecasted that **prices will move up** to $6.50/dmtu and $6.05/dmtu for the 44% and 36-38% grades respectively.

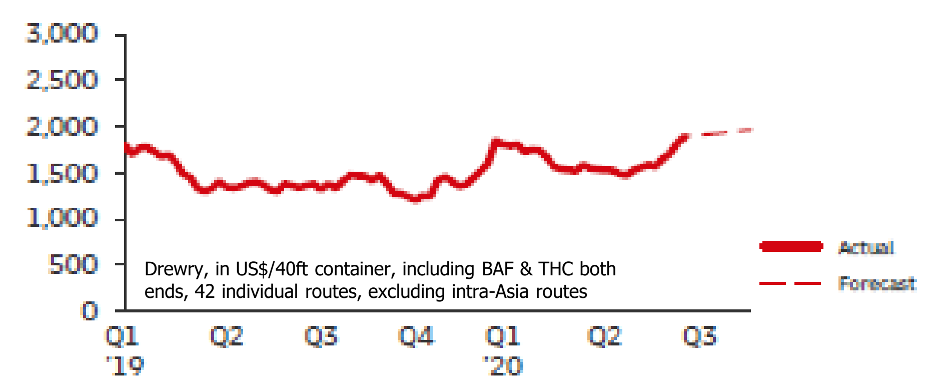
Container trade is only expected to return to pre-COVID-19 levels by the end of 2022

World container growth (2000 - 2019) and projections (2020 - 2024)

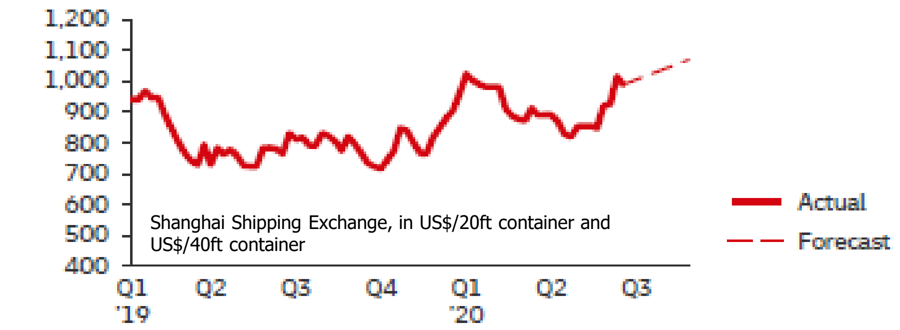


Volume on Y axis in million TEU growth 2020-20, 2010-19, & 2019-24 measured as CAGR

World Container Index



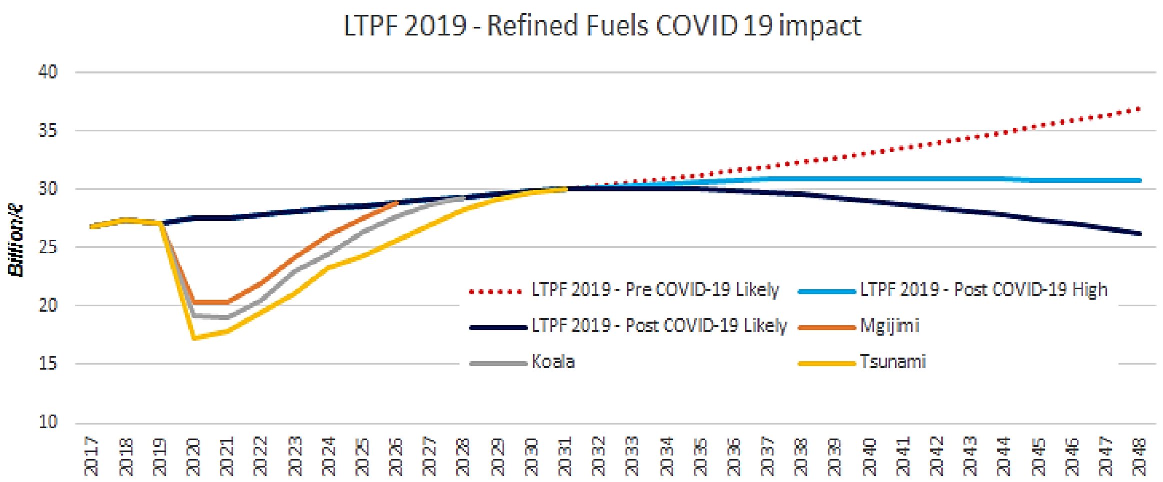
Shanghai Containerised Freight Index

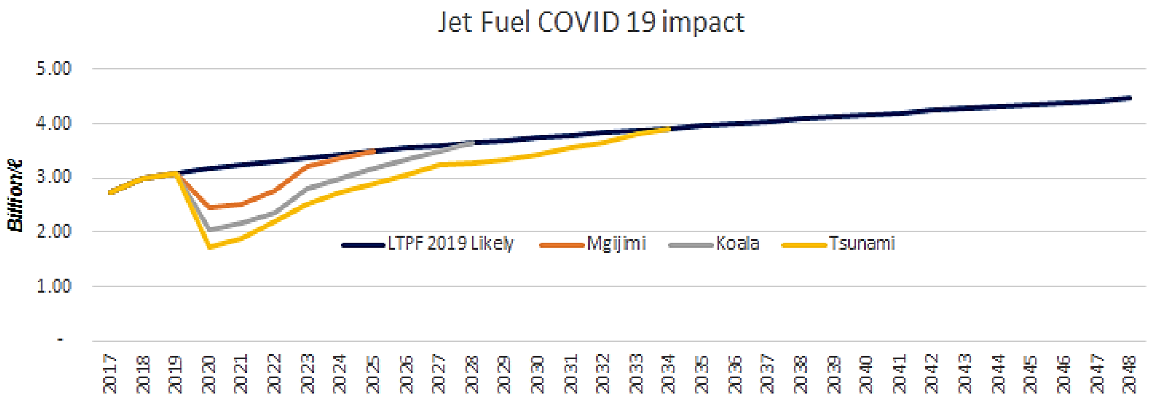


- Analysis shows that already before the COVID-19 pandemic containerised trade grew only modestly by 1.7% in 2019
- Containerised trade is expected to decline by -14% in 2020, the largest year-on-year decline on record
- In 2021 we will start to see a recovery toward pre-COVID-19 volumes
- Container trade will almost be back at 2019 levels in 2022, and is estimated to grow by ~3% thereafter

Sources: DHL Global Forwarding; Seabury Global Ocean Trade Forecast Database

Anticipated fuel demand impact





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Refined Fuels

- Commitments by OEMs to move away from ICE unit production ranging from 2025 - 2040
- Euro V and VI will negatively impact the South Africa Diesel & Petrol market
- Petrol & Diesel consumption forecasted to decline in the medium to long-term - IRP2018 energy mix aims for more renewables than diesel

Jet Fuel

- Driven primarily by the demand for air transportation
- Forecasted to grow moderately over the forecast period – there are potential shifts to Bio Jet or other energy sources in the medium to long term
- As Petrol and Diesel wind down – we could see increase in production capacity for Jet Fuel

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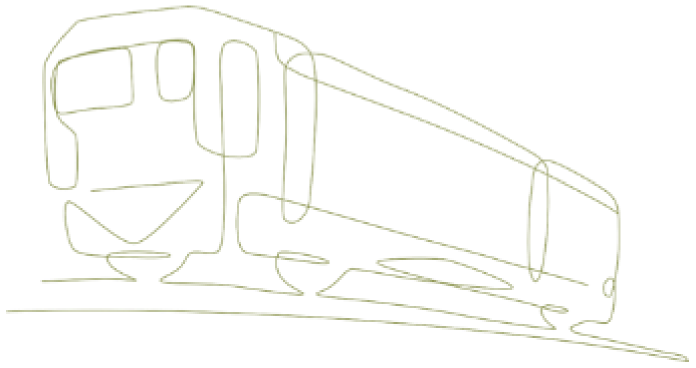


Key Risks in the post COVID-19 World

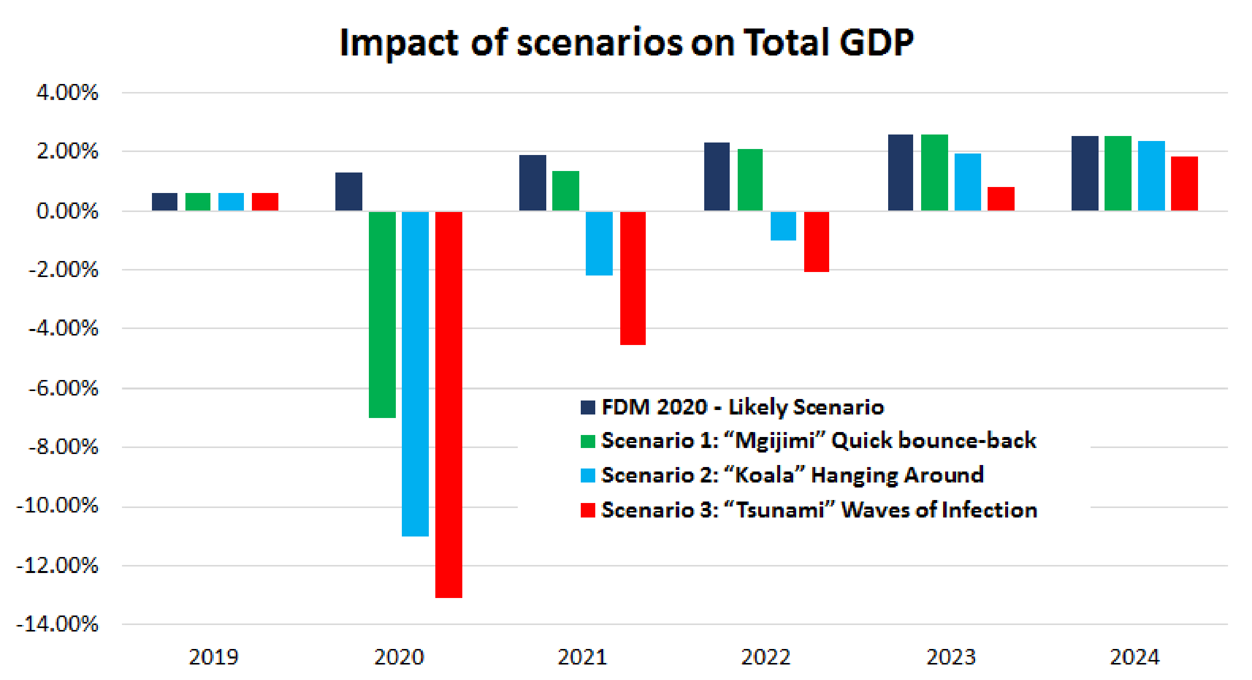
Rank	Economic risk
#1	Prolonged recession of the global economy
#2	Surge in bankruptcies (firms & SMEs) and a wave of industry consolidation
#3	Failure of industries or sectors in certain countries to properly recover
#4	High levels of structural unemployment (especially youth)
#6	Weakening of fiscal positions in major economies
#7	Protracted disruption of global supply chains
#8	Economic collapse of an emerging market or developing economy
Rank	**Societal risk**
#10	Another global outbreak of COVID-19 or different infectious disease
#13	Governmental retention of emergency powers or erosion of civil liberties
#14	Exacerbation of mental health issues
Rank	**Geopolitical risk**
#5	Tighter restrictions on the cross-border movement of people and goods
#12	Exploitation of COVID-19 crisis for geopolitical advantage
#17	Humanitarian crises exacerbated by reduction in foreign aid
Rank	**Technological risk**
#9	Cyberattacks and data fraud due to sustained shift in working patterns
#11	Additional unemployment from accelerated workforce automation
Rank	**Environmental risk**
#19	Higher risk of failing to invest enough in climate resilience and adaptation
#29	Sharp erosion of global decarbonization efforts

Sources: www.visualcapaitalist.com; World Economic Forum

Modelled impact of the Transnet COVID-19 Macro Scenarios
estimated 3 to 6 years recovery period

TRANSNET

SA GDP estimated to contraction 6,1% - 7,9% for "Mgijimi" 8,4-11,8% for "Koala" and 12-17,6% for "Tsunami" in 2020.



***Please note: The modelled return to FDM Likely estimated GDP growth only for analysis purposes. The return might take longer depending on impact of COVID 19 on global economy, global trade and supply chains.*

- **Mgijimi** - 3 year economic recovery;
- **Koala** – 4 year economic recovery; and
- **Tsunami** - 6 year economic recovery.

Latest 2020 GDP estimates:

- ***IMF*** *-8.0%*
- ***GSB/Sake24 Consensus poll: August 2020*** *-8.1%*
- ***SARB*** *-7.1%*
- ***World Bank*** *-8.0%*
- ***PWC IV Strategy*** *-10.2% to -13.2%*

Transnet Strategy & Planning, WITS - TCSE & GAIN Group

Parliamentary Session

ICT

1. IT DATA SERVICES EXECUTIVE SUMMARY

Activities up to June 2020

Completed

Legal Update

Activity	Date
IT Data Service LOI Legal process	2017
Independent Assessment Request	Aug 2018
Declaratory Order Ruling	Dec 2018
Independent Assessment Report	Mar 2019
Transnet Response to Independent Assessment	Jul 2019
Board Risk Decision on Independent Assessment	Aug 2019

Procurement Update

Activity	Date
RFP for IT Data Services issued to market	Nov 2015
Letter of Intent Sign-off	Mar 2019
Letter of Intent Extension Sign-off	Jul 2019
Letter of Intent Extension Sign-off	June 2020
Negotiations Nov 2019 to	June 2020

Operational Update

Activity	Date
TSSA Contract Extension	Jan 2017 – Mar 2019
Gijima Transition Plan sign-off	May 2019
TSSA Contract Disengagement	Jul 2019
IT Data Services Transition Close	Nov 2019
MSA Services Commences	Dec 2019
MSA Services Sign-off	June 2020

Comments:

- Independent Declaratory Order to Award to Gijima December 2018.
- Gijima Letter of Intent issued from 26th March 2019.
- Request to conduct Independent Assessment on IT Data Services by Board Risk concluded July 2019.
- T-Systems disengagement revised to 31st August 2019.
- Final presentation on Independent Assessment of IT Data Services contract presented at Transnet Board Risk Committee and Board of Directors Operations Meeting, August 2019.
- Commencement of the formal Negotiations, dependency on completion of due diligence, finalization of strategy, August 2019.
- Contract Management Audit by AG – IT Data Services RFP October 2019.
- External Legal Opinion Review on Independent Assessment concluded November 2019.
- Disengagement from TSSA to Gijima concluded November 2019.
- Extension of Letters to 01 June 2020 and MSA signed on 26 June 2020.

2. OVERVIEW OF IT DATA SERVICES TOWERS - SCOPE OF SERVICES

Programme Objective:	The Transition of the Transnet Engagement is defined as taking on the current services from TSSA and transferring all responsibilities to Gijima.
Cross Functional Service Tower Objective:	To ensure that critical IT lifecycle and service management functions are included in all IT service Tower schedules. To receive IT services that consider an end-to-end enterprise view.
Data Centre & Hosting Service Tower Objective:	To design, implement, support, manage and maintain data center hosting services and facilities on behalf of Transnet.
Help and Service Desk Tower Objective:	To improve IT customer service to End-Users by providing agreed self-service capabilities by improving effectiveness and efficiency.
End User Computing Service Tower Objective:	Meet Transnet needs for highly available, reliable and secure services. Improve desktop and End-User SLRs, End-User productivity, Security, data management and backup in the End User Computing, Assets Management etc.
Collaboration Tower Objective:	To migrate the AS-IS environment on all the ODs to the designated Data Centres: Microsoft Active Directory; Microsoft Exchange; Microsoft Skype for Business and Microsoft SharePoint.
Relationship Management Service Tower Objective:	Transnet requires that its relationship with the Service Provider be based on certain key elements, including: A relationship which is of high value; Mutual trust and respect; Excellent communication between both Parties; Well-defined objectives and Service Levels; Appropriate governance structures; etc.

3. NETWORK SERVICES TOWERS

- ICT plan to advertise and appoint a Service Provider to the below services by April 2021.
- Transnet has been heavily reliant on external Service Providers to provide fully Managed Services
- Transnet did not have the skills to manage the network services.
- Since the expiry of the MSA, Transnet has been building in-house skills and developing the following RFPs.

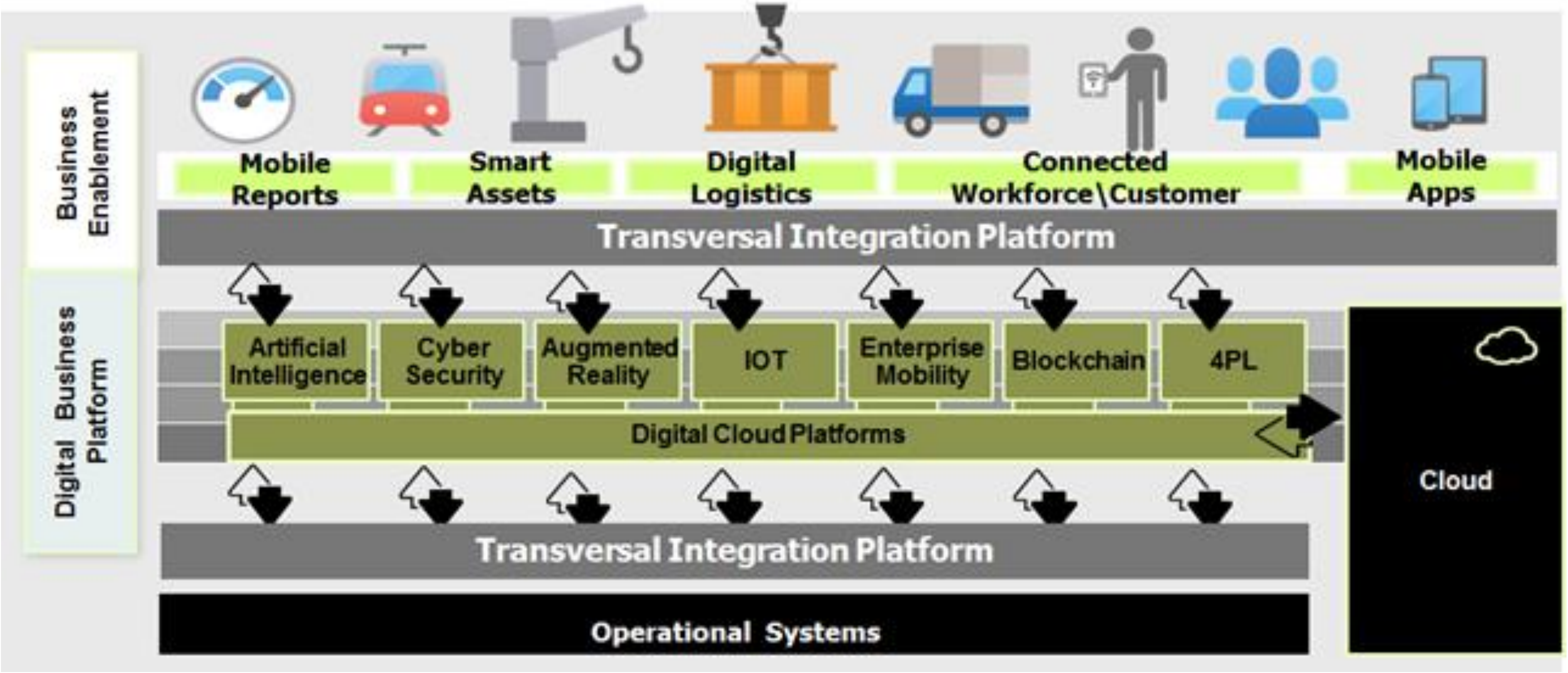
1. (WAN, Internet, VPN)	• Transnet requires a service provider to build and commission Transnet private, secure and dedicated MPLS network utilizing where possible, the Transnet existing network backbone owned and operated by Transnet. • Transnet requires a service provider for the provision of technical administration services of Internet Access that support Transnet access to external networks • Transnet requires a service provider for the provision of secure external connectivity to Transnet systems for employees, business partners and other authorised third parties.
2. Local Area Network (LAN)	• Redesign, build, operate, transfer, provisioning, management, administration, and troubleshooting of the LAN Services (Service Boundary Spans, Ethernet port, evolvement to Software Defined Networking Architecture (SD Access). • In-door and outdoor Wi-Fi, LAN Cabling System, Copper and Fibre Cables, Perimeter Security. Operations and Support Systems (OSS), Business and Support Systems (OSS)
3. Unified Communications Collaboration (UCC)	• Appointment of an Implementation Partner to design, configure deploy maintain and support the Session Border Controllers for High availability of the Microsoft teams calling. • Appointment Implementation Partner to design configure deploy, maintain and support the Microsoft certified Cloud Video Interop Solution to integrate CVI and video conferencing endpoints and Microsoft Teams
4. Network Operation Centre (NOC)	• Transnet is seeking the services of a service provider that can build, operate and transfer a full operating NOC to Transnet within a 3 to 5-year period. • Transnet will procure this service to support and manage the enterprise network services and the unified communications services.

4. Digital Transformation and ICT Strategy

The Shared Services Centre approach, leveraging Cloud Services, a Transversal Integration Platform, Enterprise Mobility and Document Digitisation, is aligned with the **Transnet Digital Transformation Framework**.

The Digital Transformation Framework is key to **aligning Transnet's Business Strategy and transversal ICT Strategy** – enabling Transnet to achieve transformation to a fully digital 4IR world.

As part of this journey Group ICT are currently in the market for **Cloud Infrastructure** services to enable automation and digitalization programmes including Shared Services, a **transversal IoT Platform and Automation services**.



The Transnet Digital Transformation Framework

5. Transnet's Shared Services Centre (SSC)

The Transnet SSC ensures processes are optimised and standardised, per support function, across all Transnet OD's:

- Driving automation of currently manual support processes (e.g. Finance, Procurement and Human Resources) – and related activities and tasks
- Driving reduction in paper-based processes and processing as far as possible – "move towards paper-less"
- Eliminating duplicate support function systems and platforms – "move towards one"
- Ultimately lowering the overall cost of support functions across Transnet and all of its OD's

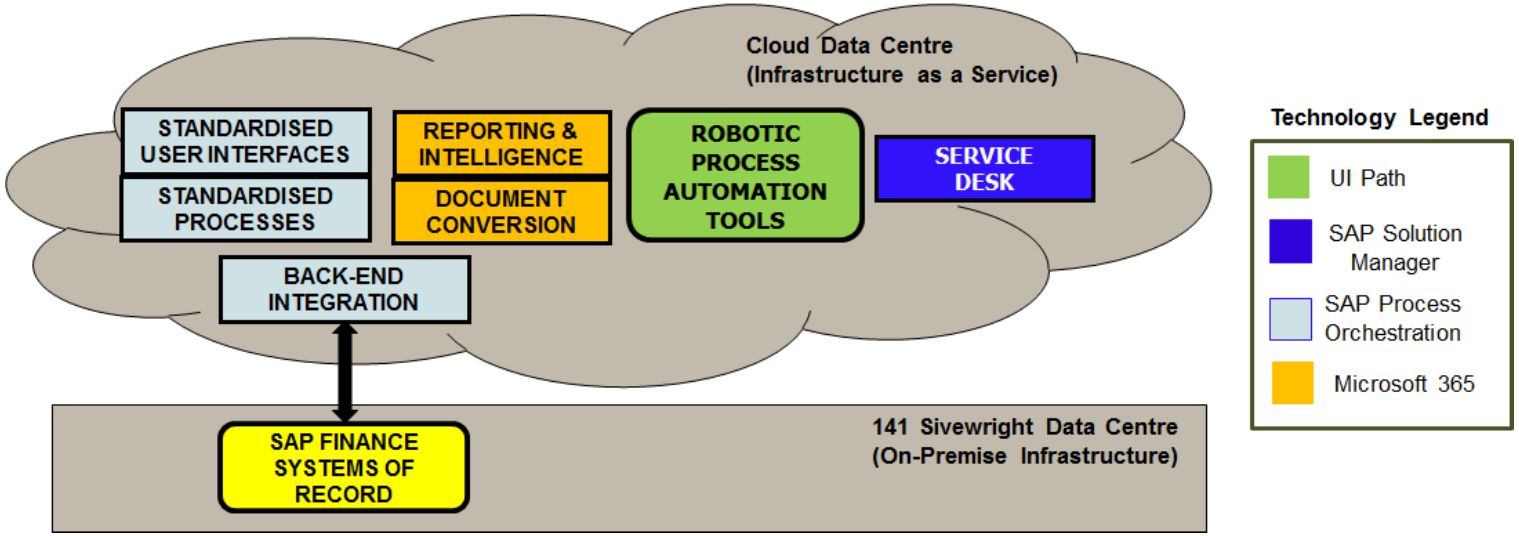
The first Finance processes go live in Corporate Centre September 2020 – **after only 18 weeks of development**.

Achievements will include **paperless invoice processing, automated approvals, direct integration into our General Ledger**, and a Business Service Desk for any issue/problem tracking & resolution.

This solution has been **built almost entirely from existing Transnet software licenses.**

Cloud Data Centres
- On-demand Servers and Storage
- Only pay for time used
- Ability to flex up and down as required

On-Premise Data Centres
- Server procurement required
- Pay for Server regardless of time used
- Provisioning lead time



6. CONSOLIDATION OF SOFTWARE LICENSES CONTRACTS

TRANSNET

Transnet's Microsoft Landscape

- A single contract which includes all Microsoft software products is planned for a **three (3) year term** (01 October 2020 - 30 November 2023).
- Transnet has **standardized** on the Microsoft software suite of products for all its operations countrywide.
- Contracts **were** previously negotiated across different time-frames by different teams
- **Now** contracts for **user and server** licensing are aggregated multiple Microsoft licenses into one contract effective 01 October 2020.
- As Transnet embarks on its **digital transformation strategy** with the focus on reviewed Enterprise Agreement consumption model, a strategic model for the Group has been approved that enables Transnet to achieve its growth targets.
- There is also a **potential saving** in migrating Transnet users to a **cloud based model** as the only costs incurred will be for software licenses.

Transnet's SAP Landscape

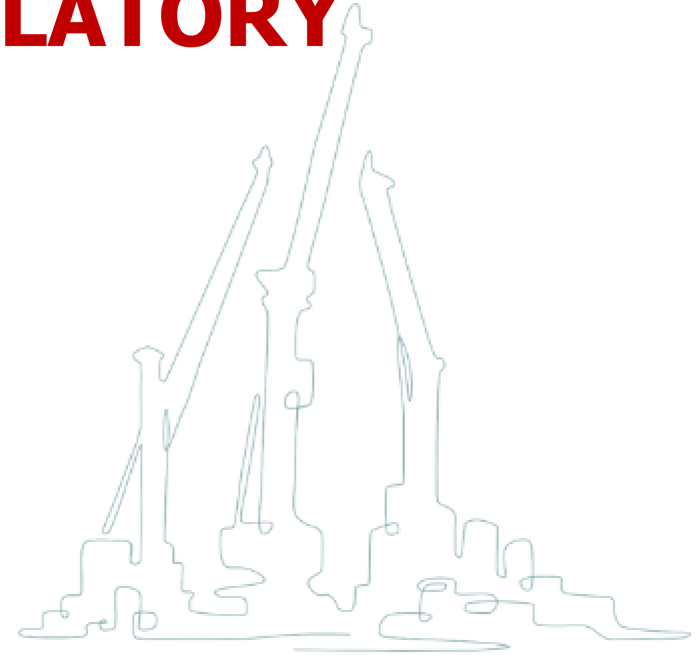
Transnet currently owns R520m of SAP Software Licenses - deployed across all Transnet Operating Divisions.

To optimize the use of SAP licenses, proactive SAP Audits are now being conducted to ensure active monitoring of license utilization (2020 Audit just completed).

A Harmonisation and Rationalisation initiative, currently under way across all Operating Divisions, will over the next 4 years:

- Reduce and consolidate the number of SAP back-end instances - **lowering the Total Cost of running SAP to Transnet's Business**
- Optimise and reduce the number of SAP licenses owned by Transnet - **reducing cost of SAP License Maintenance per annum (currently R88m+)**
- Integrate Transnet's SAP environment with 4IR technologies (IoT, Mobile, AI & Analytics), in order to **modernize the Transnet Business landscape**
- **Provide the Auditor General with real-time access to all Financial transactions across Transnet**

GOVERNANCE, LEGAL AND REGULATORY



GOVERNANCE

STATE CAPTURE – HOW DID IT TRANSPIRE

- Breakdown in internal controls, especially in the procurement space.
- Deliberate intervention by the proponents of state capture to create an enabling environment to profit commercially.
- Culture of fear.

ACTIONS UNDERTAKEN TO REMEDIATE THE IMPACT

- The Board undertook to focus on a clean-up process to root out the state capture activities and the removal of its proponents
- Various presentations have been made at the Zondo Commission and the Company is working closely with law enforcement agencies in their investigations.
- The Special Investigation Unit has commenced with criminal matters whilst Transnet has implemented consequence management against the implicated Executives found to have contravened governance processes.
- Launching criminal complaints and civil recoveries against key individuals.
- Overhauled the leadership structure and ensured permanent appointments of the Executive Committee.
- All Levels A to C employees have undergone a lifestyle audit which in the next phase will be rolled out company-wide.
- Established an Ethics and Integrity Unit.

- As of the 2019/20FY the Company had recovered approximately R711m from some of the irregular transactions
- Interest rate swap transactions being discussed with relevant Bank(s).
- Settlement Agreement signed with Regiments for 1064 transactions advisory services
- Multiple summonses have been served on erstwhile employees for the recovery of funds

STRENGTHENING GOVERNANCE AND INTERNAL CONTROLS

- Overhauled all Board subcommittees and disbanded the Acquisitions and Disposals subcommittee – which had the Board involved in procurement awards
- Establishing the Finance and Investment subcommittee, with the Board providing strategic oversight and guidance in the procurement process.
- Significantly improving oversight and assurance processes, including Treasury risk management and oversight.
- Implementing end-to-end contracting systems
- Implementing a remedial plan to address:
  - the prevention, identification and reporting of fruitless and wasteful expenditure;
  - irregular expenditure that does not comply with operational policies; and
  - losses through criminal conduct.

UPDATE ON LEGAL MATTERS

ITEM	BRIEF SUMMARY & STATUS	DESIRED OUTCOME
Pensioners class action suit (Pretorius & Kwapa) (Pension dispute)	• On 18 February 2020, the parties to the class action litigation made a joint application to the High Court and obtained a rule nisi (court order that will come into force at a future date unless a particular condition is met) inter alia calling on all persons who are members of the Class and any person with interest in the Settlement Agreement concluded between the parties on 11 December 2019 to show cause why a final order should not be made on or after 14 April 2020 that the Settlement Agreement is made an order of court. • Sixteen (16) "objections" to the settlement have been received to date. However, only three (3) of the purported objectors actually opposing the process being undertaken by the parties to settle the matter. • The matter was heard on 17 June. Judgment was delivered on 22 June 2020, approving the Settlement Agreement and making it an order of court. • The litigation has thus been finalised and Transnet is engaged in processes to implement the Settlement Agreement.	The desired outcome of settling the class action claim on terms that have the effect of a final settlement of all existing disputes between Transnet and its pensioners, has been achieved.
Total SA & Sasol Oil v TPL (Contractual dispute arising from an alleged breach by TPL of a Neutrality Agreement on tariffs for conveyance of crude oil)	• Total and Sasol are claiming damages based on alleged breach by Transnet of the Neutrality Agreement in terms of which the National Petroleum Refiners of South Africa (Natref) will not be prejudiced as a result of its inland location in the levying of petroleum products transportation tariffs. They argue that Transnet is bound to comply with the neutrality undertaking given in 1967 and varied in 1991. • The matter is set down for trial in the High Court from 14 to 18 September 2020 for hearing of issues previously separated from the issue of the validity of the Neutrality Agreement. • Transnet previously obtained a report from Meridian Economics with findings that Transnet did not overcharge Total and Sasol, and that the neutrality principle was given effect to in levying tariffs. • Due to the difficulty experienced in getting co-operation of potential witnesses, as well as good business relations existing between Transnet and the plaintiffs, a parallel process to explore the possibilities of settlement is being considered. • Both Sasol and Total indicated their desire to explore the possibility of settling the matter out of court. A letter was addressed to both entities setting out proposed parameters for settlement negotiations. • Both Total and Sasol have responded to the letters indicating that they are amenable to "without prejudice" settlement discussions with Transnet, provided such discussions are on the understanding that, among other things, the 1991 Variation Agreement is both valid and enforceable against Transnet as confirmed by the Supreme Court of Appeal. They also want to be able to proceed with their money claims litigation against Transnet, parallel to any settlement discussions. • Transnet has proposed that an independent third party Chairperson be appointed by consensus to lead the settlement negotiations.	To successfully defend the matter. Alternatively to settle the matter on justifiable commercial grounds.

UPDATE ON LEGAL MATTERS

ITEM	BRIEF SUMMARY & STATUS	DESIRED OUTCOME

Competition Act Compliance Review and Development of Policy and Training Manual and Guidelines	• In recent years, Transnet has been the subject of various investigations by the competition authorities regarding its market conduct either relating to alleged excessive pricing or exclusionary conduct in its operations.
	• A project has been initiated to review all business related policies and material contracts to ensure compliance, align SOPs and Training manuals accordingly and generally build awareness.
	• This would ensure that Transnet is commercially agile whilst being compliant with competition laws.
	• The required outputs of the project are:
	  • Policies on Pricing and Access to Essential facilities
	  • Model material Contract provisions
	  • Tailor-made and relevant training on competition law and training manual
	  • Competition Law Workshop.
	• The interventions will ensure that there are no breaches and will further assist Transnet if it has to illustrate the corrective measures taken which will help if Transnet has to mitigate any penalty or other civil recovery risks.
		Policies on Pricing and Access to Essential facilities and the development of model material contract provisions and Training manual on competition law for Transnet and ODs . Anticipated date of completion is March 2021

1064 Locomotive transaction	• Post the outcome of the investigation of the 1064 locomotive transaction, a few processes are underway including civil recoveries, and the possible setting aside of the locomotive supply agreements with the OEMs, the ideal being a just and equitable settlement with the OEMs. • There is a need to balance the commercial requirements of Transnet with the public law considerations that were triggered by the finding that the transaction may be irregular. • The contracts with CNR and CSR have been suspended, however there may be a need to uplift the suspension on CSR as the bulk of the TFR fleet comprises CSR locomotives which require maintenance. • The discussions with BT should similarly be resuscitated with a view to manage the BT pending dispute at the Arbitration Foundation of Southern Africa. • Consultations have been arranged with the external legal teams for the speedy finalisation of various 1064 related matters. • There is a team that is working on the 1064 Transnet Strategy which incorporates its future demand requirements, cost benefit analysis and various scenario plans that will inform what further actions may be necessary. • One of the interventions may be referral to the SIU Tribunal, but Transnet is still assessing the merit of a referral and has had preliminary engagement with SIU on this matter.	A commercially viable settlement for Transnet while not disregarding the public law considerations

UPDATE ON REGULATORY MATTERS

Economic Regulation of Transport (ERT) Bill

- The Parliament Portfolio Committee on Transport (PC) published the ERT Bill on 22 June 2020 for public comment by 31 July 2020.
- Transnet Freight Rail will be subject to price regulation to be determined by the Regulator.

Determination of the Railway Safety Permit Fee

- On 17 June 2020, Transnet received an invoice of R110.01 million from the Railway Safety Regulator for the safety permit fee. This represents an approximate 4.85% increase from the fee of R104.87 million charged for the 2019/20FY.
- Transnet is concerned its submissions to the DOT on the Safety Fees Determination were not considered.
- Transnet has requested a meeting with the Director General of Transport to discuss the request for a zero % permit fees determination for 2020FY as the fees are exorbitant and are based on an inappropriate methodology.

Annual Safety Improvement Plan (ASIP)

- On 30 August 2019, the Railway Safety Regulator issued Transnet with a three (3) year valid railway Safety Permit, effective from 30 August 2019 to 30 June 2022.
- As a condition to the aforesaid Permit, Transnet is obliged to submit its Annual Safety Improvement to the Regulator on yearly basis.
- On 30 June 2020, the ASIP was submitted to the regulator as required. Transnet is awaiting feedback from the Regulator in this regard.

TRANSNET

delivering freight reliably

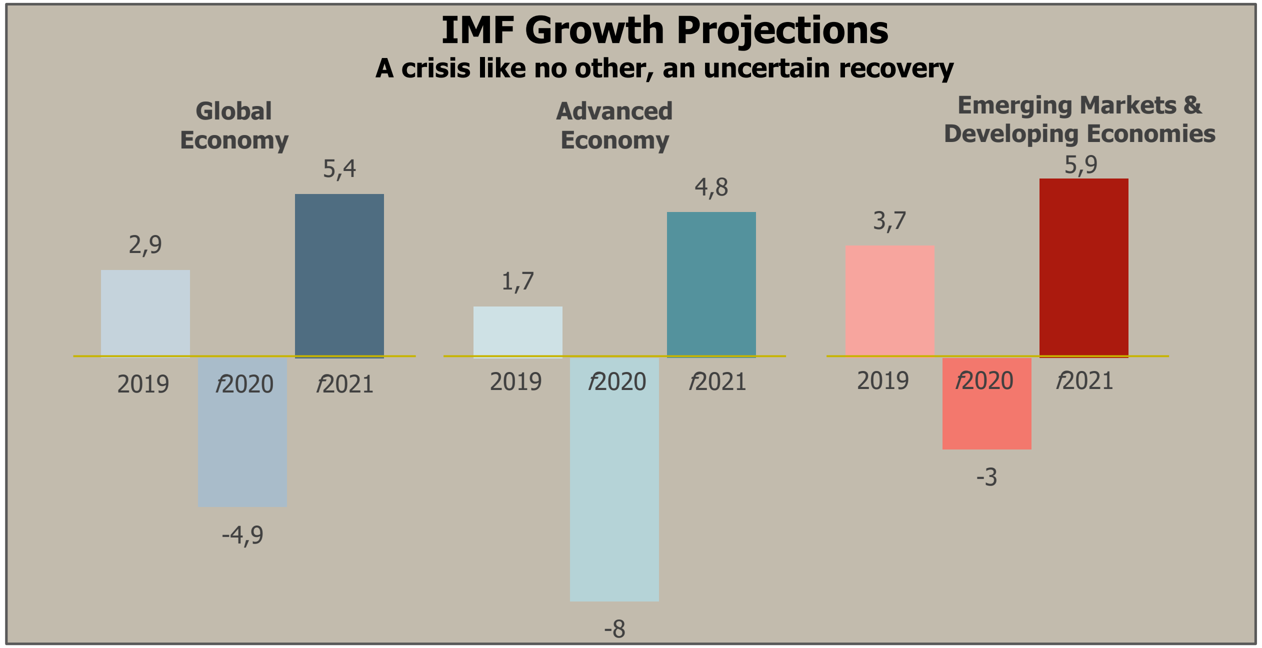
Parliamentary Session

BUSINESS DEVELOPMENT

Contents

Global Perspective

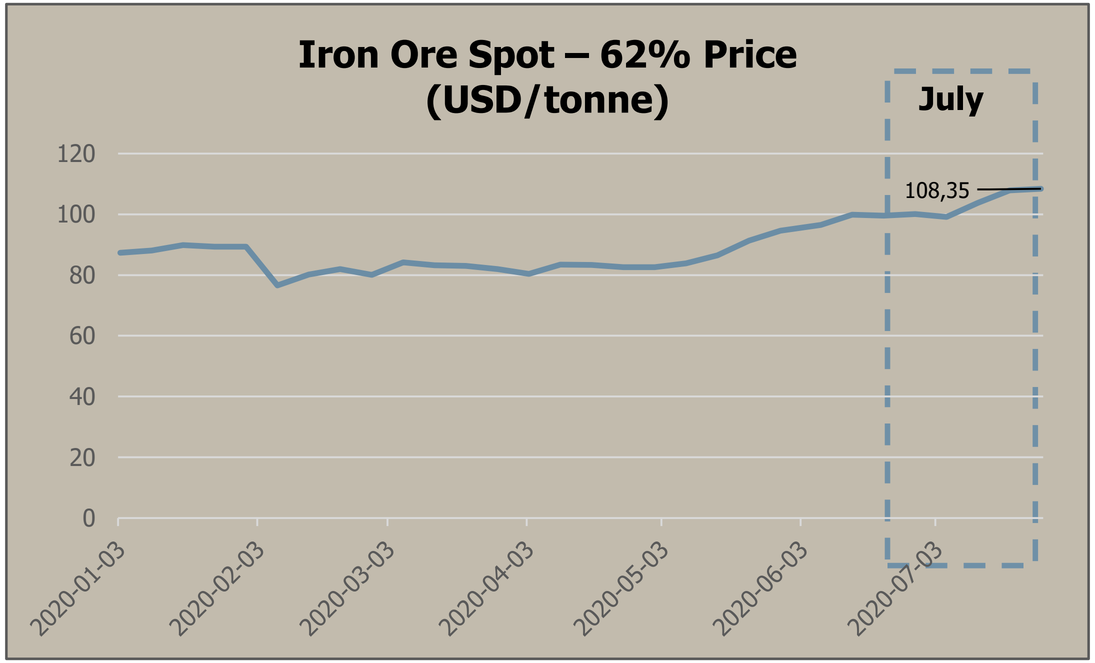
- The **World Bank** reported that the Covid-19 pandemic will **shrink** the global economy by **5.2%** this year, representing the deepest **recession** since **World War Two**, and triggering a dramatic rise in extreme poverty.
- The International Monetary Fund (**IMF**) is anticipating major economical contractions up to **4.9%** in 2020, however with strong **recoveries** in **2021**.
- July boasted significant **trade improvements** with multiple countries relaxing lockdown restrictions:
  - **Inactive container fleet reduced** from 551 ships (11.6% of global capacity) to 313 ships (6.6% of global capacity) in July.
  - The **daily rates** for an 8,500 TEU ship **increased** from $15,400 in May to over $20,000 in July.



Sources: Institute of Shipping Economics and Logistics, 2020; Splash, 2020; Y Charts, 2020; International Monetary Fund, 2020

Global Iron Ore

- Multinational commodities giant **BHP** has completed its first iron-ore trade with steel producer China Baowu on Canadian startup MineHub Technologies' **block chain-based platform**.
- **Australian** iron ore **production** expected to **grow** by 0.8% to 919.8Mt in 2020, while exports are expected to grow by 1.1% despite Cyclone Damian and Covid-19.
- **Vale** in **Brazil** is exported approximately **30% less** coal, however the mine has ambitious ramp up strategies as **China** is looking to **diversify** its iron ore **supply**.
- Iron ore **prices** have continued their **upward trajectory**, exceeding $100 per tonne.
- **China** produced **93.4 Mt** of crude **steel** in July 2020, an **increase** of **9.1%** compared to July 2019, however majority of production countries reported significant decrease in production.



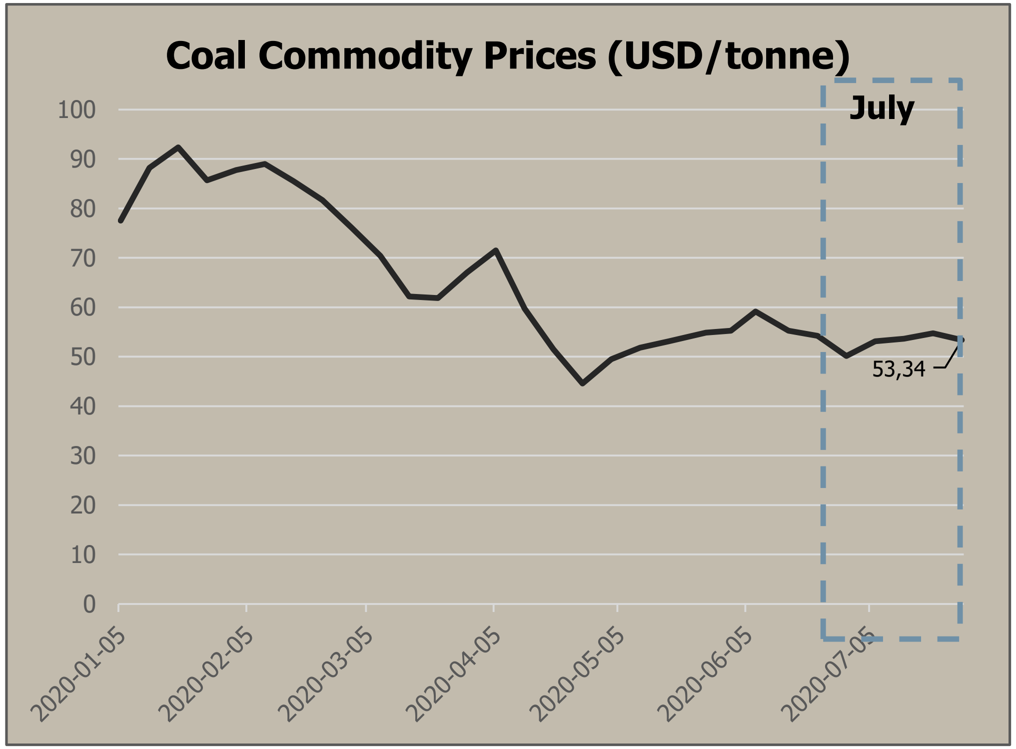
Price forecast (USD/tonne)

- 2019 average: 90
- 2020 average: 87
- 2021 average: 71
- 2022 average: 65

Source: Mining Technology,2020; Australian Mining, 2020; World Steel Organization, 2020; Steel Guru, 2020; Global Times, 2020; Bloomberg, 2020; CNBC, 2019

Global Coal

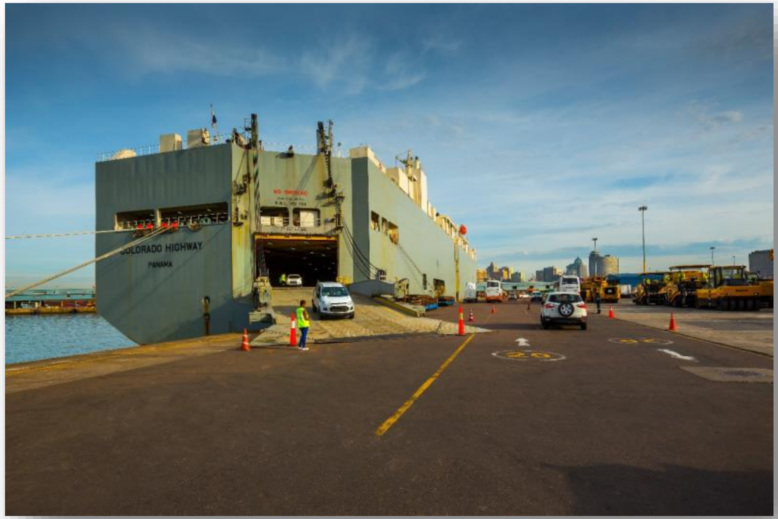
- **41 coal mining blocks** were auctioned in **India** to private companies, in a major shake-up to the sector which is dominated by state-controlled Coal India.
- **India**'s **coal import dropped** by **43%** to 11.13 million tonnes (Mt) in July given the high coal stock levels in pithead and power plants.
- Coal India has been mandated by the government to **replace** at least **100Mt** of **imports** with domestically-produced coal in 2020.
- The Indian government is planning to bring the country's **'avoidable coal imports'** to zero by 2023-24.
- **China** plans to add a total of **30Mt** in **coal storage** facilities across power plants in 2020.
- **China** is to **reduce** the number of **coal mines** to no more than 5,000, raising production at major mines to 96% of national output this year.
- It is estimated that the seaborne market is oversupplied by at least 40Mt.



Source: Climate Change News, 2020; Energy World, 2020; Argus Media, 2020; Mining Weekly, 2020

Global Automotive

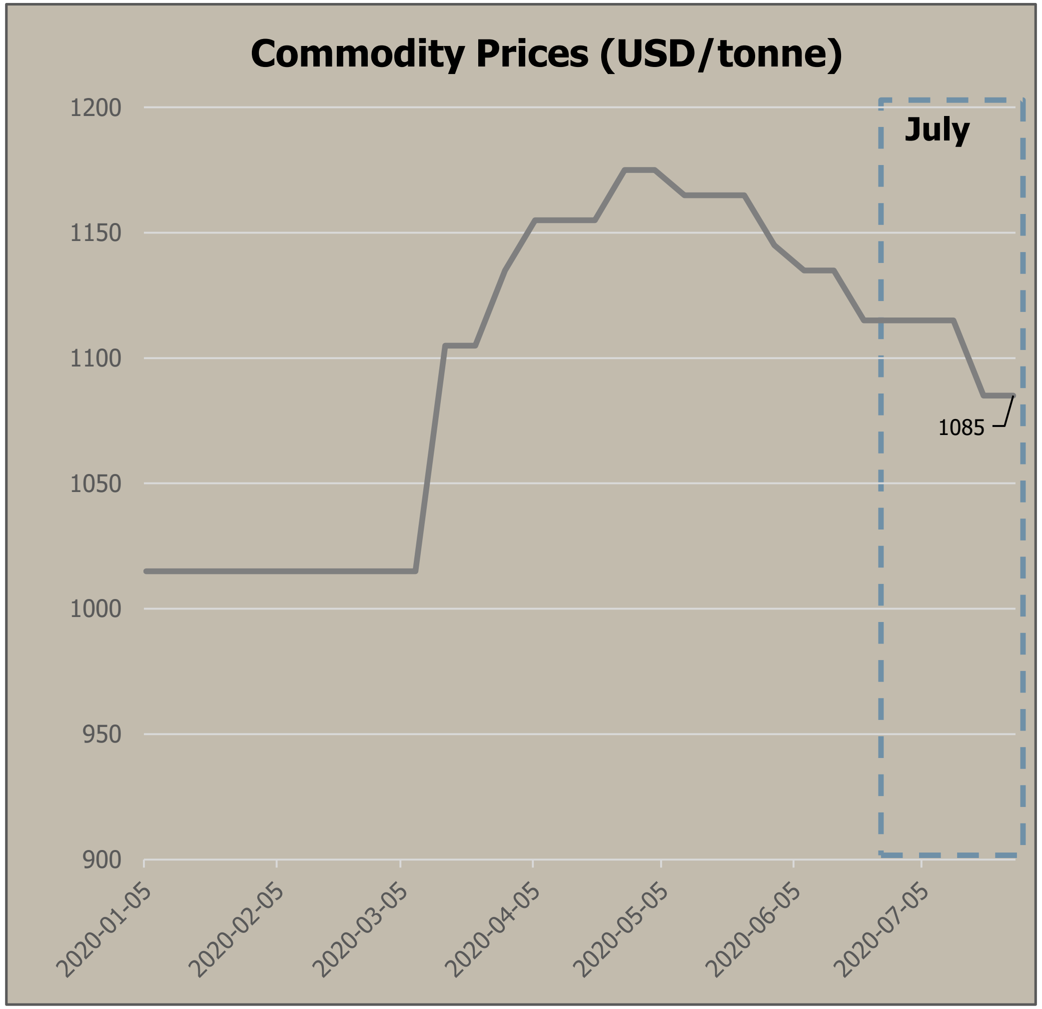
- Global **new vehicle sales** to total just more than **70 million units** in 2020, a **downgrade** of **18.5 million light vehicles** from January's estimates.
- The **drop** in global demand this year alone is roughly **equivalent** to light vehicle sales expectations in the **United Kingdom**, **Japan**, and the **USA combined**.
- In **South Africa**, both **BMW** and **Ford** forecast **export** volume **ramp up** between **August** and **November** 2020 (production capabilities).
- South African **import demand** remains **low** due to reported **high stock** levels by OEMs and aggravated by Car Hire Companies **de-fleeting** due to Covid-19.
- As a mitigation strategy for the reduction in demand, Car Hire Companies are **de-fleeting**, causing an **influx** of **used vehicles**, causing a **7% decline** in used vehicle **values**.



Source: Deloitte, 2020; Transnet, 2020; S&P Global, 2020

South African Manganese

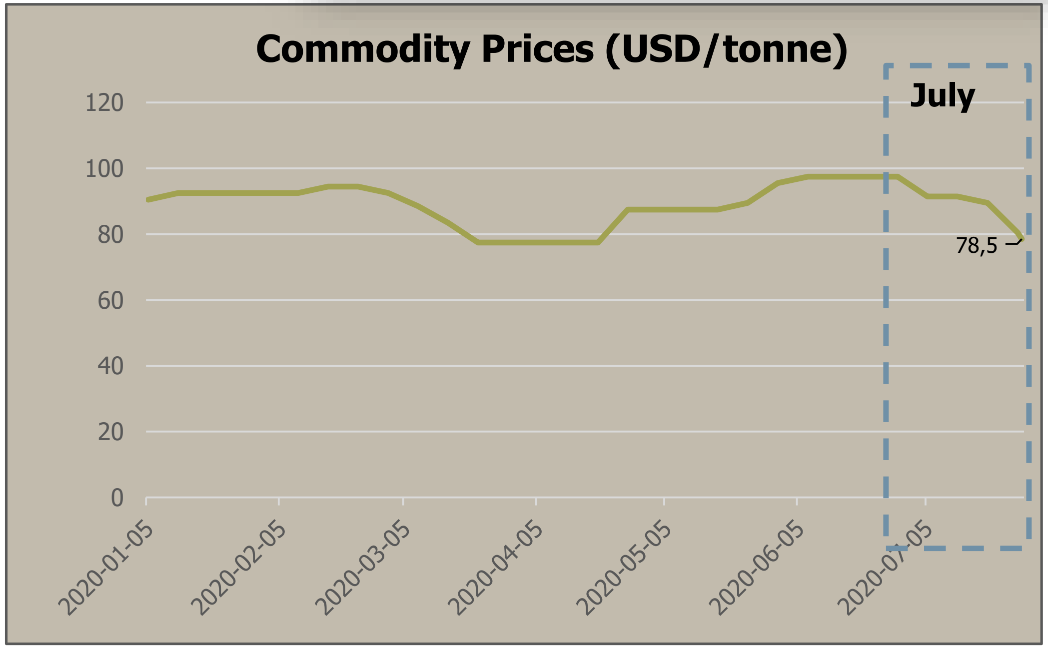
- Owing to the pandemic, the production guidance for the 2020 financial year for South Africa Manganese has been lowered to between 1.7-million and 1.85-million tonnes.
- Ore exports from South Africa have been strong, buying interest outside of China is still limited, leaving overflow to head to China.
- Coal miner Menar SA is opening its East Manganese open cast mine near the town of Kuruman, operation is expected to produce its first manganese ore beginning of 2021.
- Jupiter Mines, owner of Tshipi, has signed a 5-year agreement to export managanese via Lüderitz Port in Namibia. The new logistics channel is stated to deliver cost savings over the existing road channel and will help diversify and manage Tshipi's overall logistics risk.



Source: Mining Weekly, 2020; Transnet, 2020; Business Day, 2020; Roskill, 2020; Metal Bulletin, 2020

South African Chrome

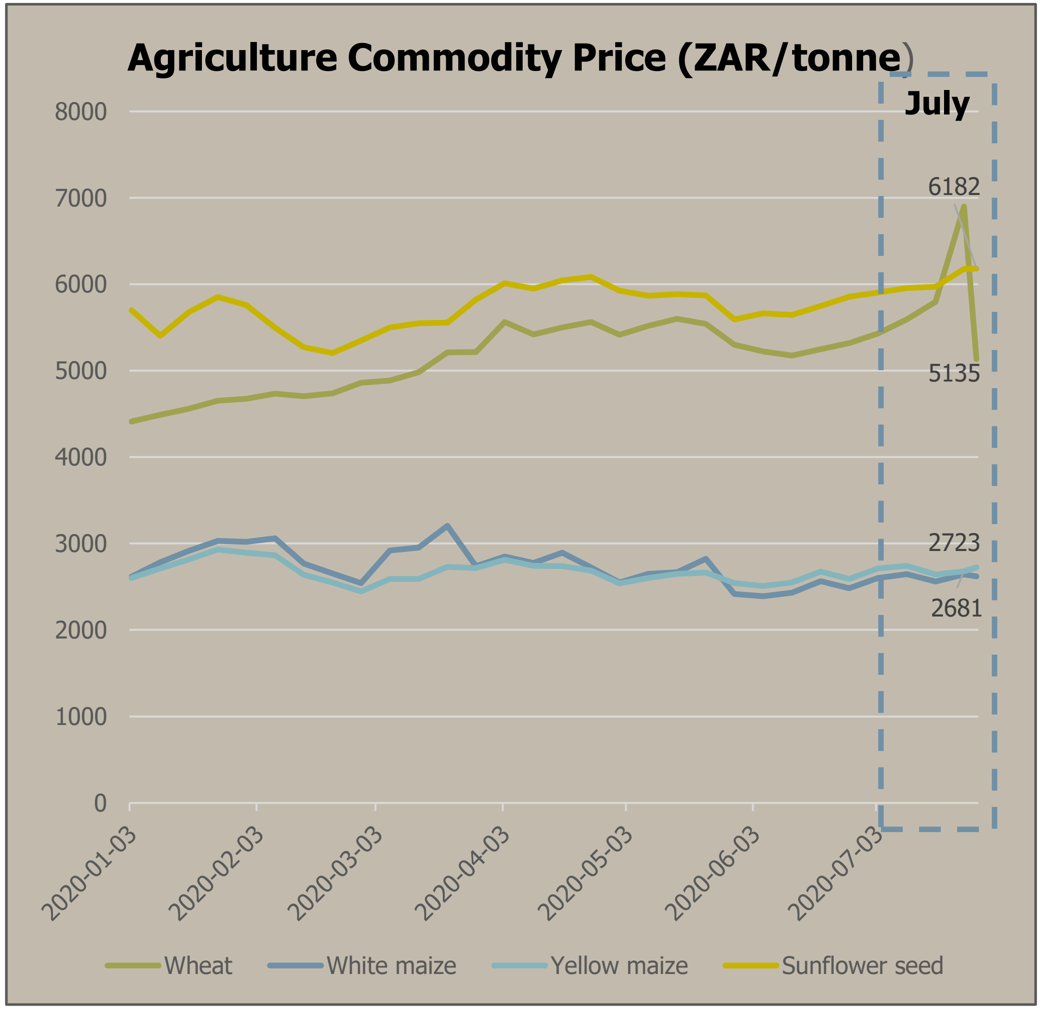
- Supply of the world's chrome is dominated by South Africa (contributed 60% of 2019 supply).
- Demand is dominated by China, who consumed 64% of the mineral in 2019. China is also the world's largest ferrochrome producer with 43% of total production.
- China built up chrome ore stocks at its ports of some 4.2 million tons (Mt) during Covid-19 lockdown. These stocks are only being drawn down now.
- Illegal mining poses a great problem for South African Chrome mining, in July police officers seized 25 chrome stockpiles and an excavator with an estimated value of over R2million.
- Glencore has embarked on a thorough review of the sustainability of its chrome facilities in South Africa in response to weak chrome prices and high electricity costs, the company has triggered retrenchment processes at each of its chrome ore and alloy facilities.



Source: Mining Mx, 2020; Transnet, 2020; News24, 2020; Fast Marets, 2020

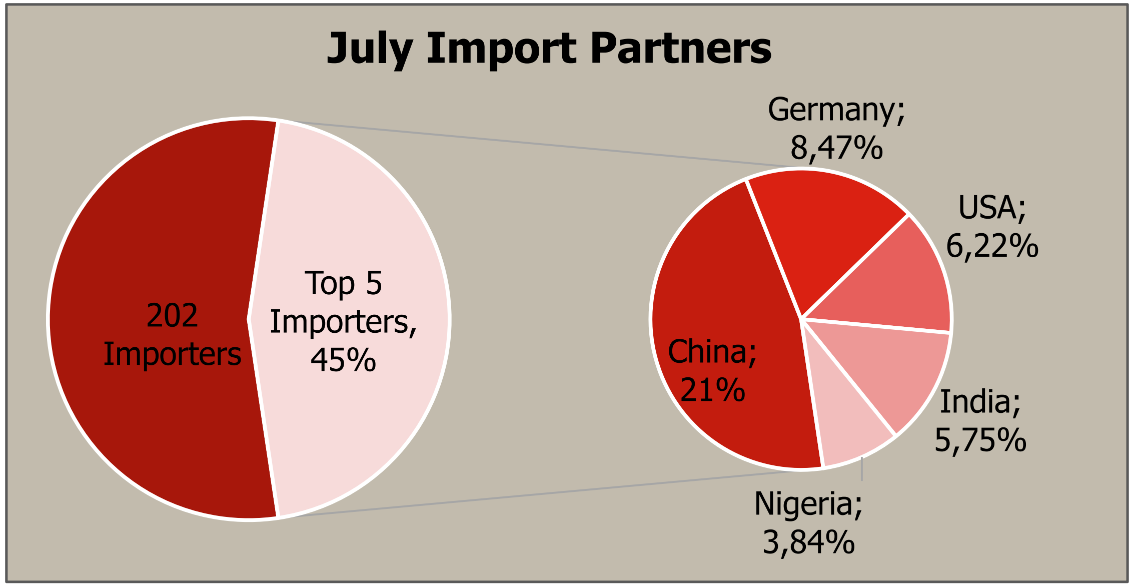
Agriculture

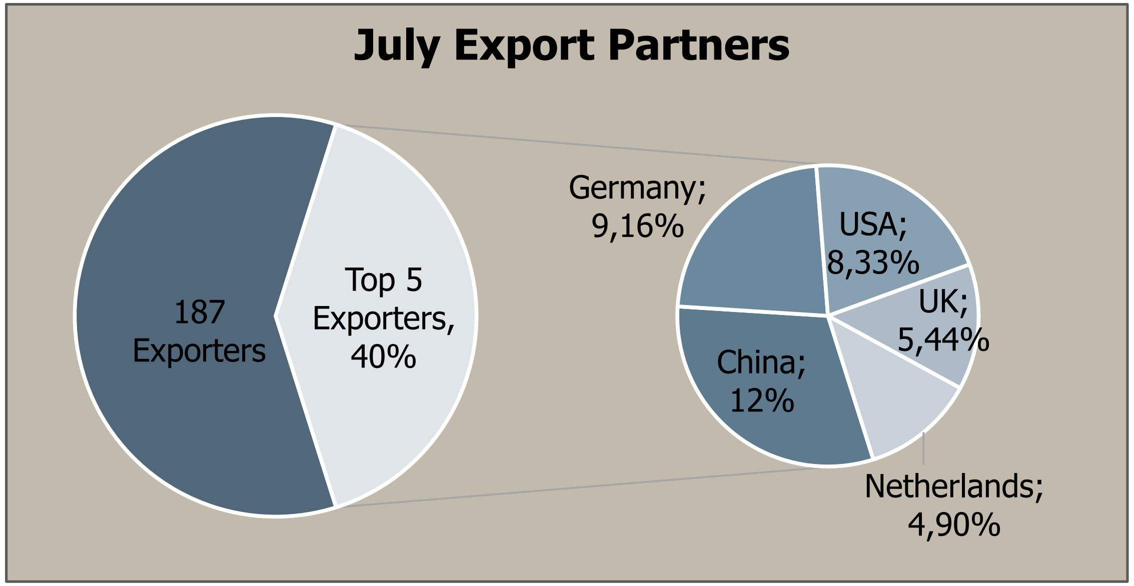
- While the SA economy shrank, agriculture grew by a massive 28% in 2020 Q1.
- Agriculture could grow by 10% this year.
- Demand for South African fresh produce, performed above expectations in July.
- Current estimates are the industry will export more than 140 million tonnes of citrus in the 2020 season, compared to 127 million tonnes in 2019.
- Red meat, poultry, milk and potato producers are sitting on stockpiles and struggling to shift their stock in the domestic market because of a dramatic drop in demand due to the limited trading of sit-down restaurants .
- Cheap imports from Brazil, Europe and the US flooding into the country is threatening local producer's profits due to price pressures.
- Early literature on the US–China trade war postulated that the scenario would result in an unprecedented economic opportunity for Africa, as it would force China to further diversify its agricultural import partners.



Source: Business Insider, 2020; Transnet, 2020; The Africa Report, 2020; South African Institute of International Affairs, 2020

SA Major Trading Partners





- On 1 July, the new **Canada-United States-Mexico Agreement** (CUSMA) entered into force, as a successor to the North American Free Trade Agreement (NAFTA).
- Global **tensions** between **China**, the **USA** and **Australia** have strained economic relationships.
- **USA**, **Australia** hold high level talks on China, seek new **military cooperation**, whilst volatile trade relations between the two nations and China persist.
- **China's economy** continues strong **recovery** following Covid-19, the official manufacturing purchasing managers' index (PMI) for July stood at 51.1 compared to 49.7 in July 2019, suggesting expansion in factory output.

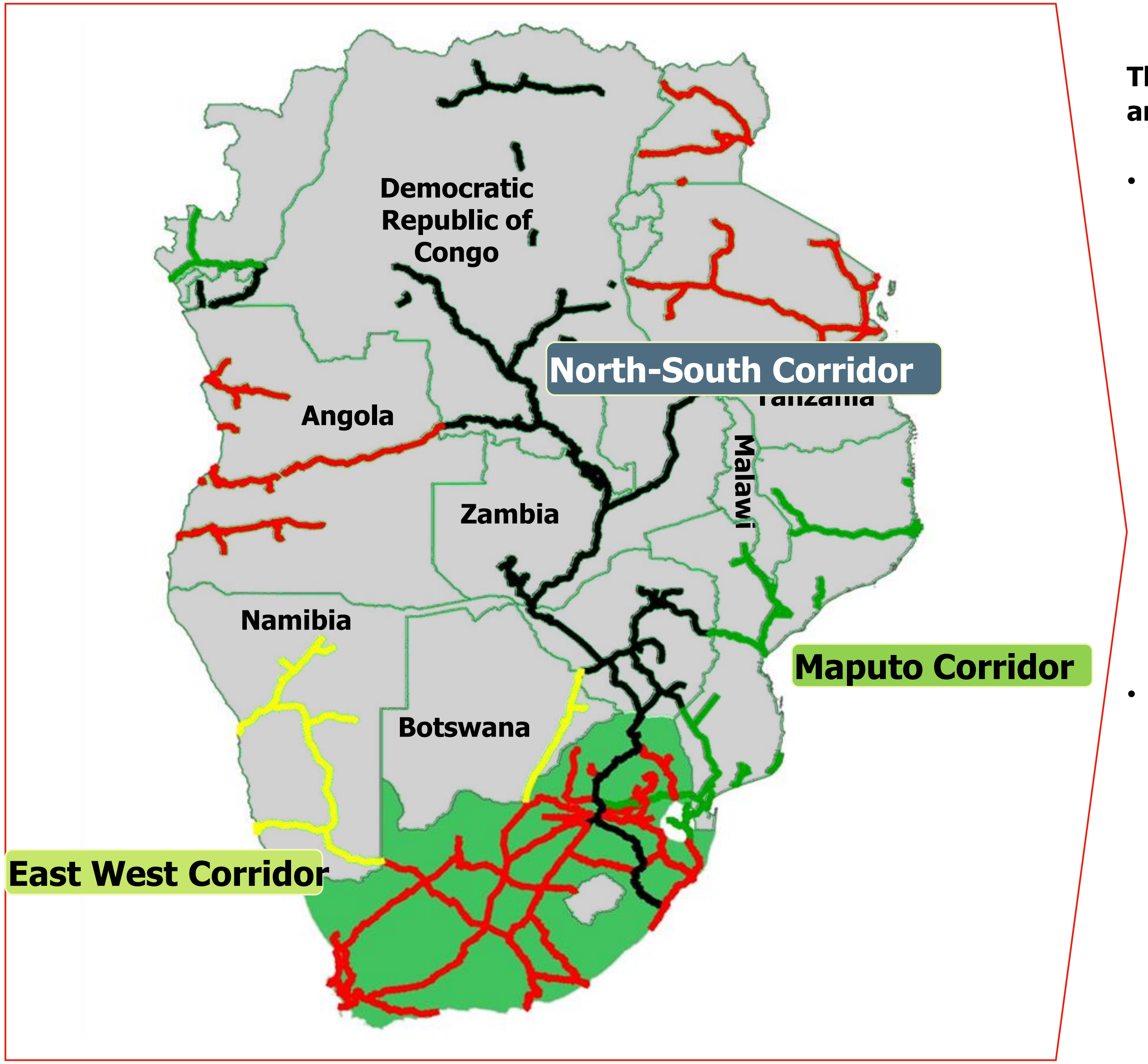
Sources: SARS, 2020; USA Trade Representative Office, 2020; VOA News, 2020; BBC, 2020; CNBC, 2019

SA Major Trading Partners: July 2020

Import Partners	Export Partners
China (21%) • Cellphones, electrical equipment (28%) • Catalytic converters, Computers, mechanical appliances (22%) • Organic chemical compounds (4.4%)	**China (12%)** • Catalytic converters, Computers, mechanical appliances (29%) • Cellphones, electrical equipment (18%) • Plastics & articles thereof (11.4%)
Germany (8.5%) • Catalytic converters, Computers, mechanical appliances (29%) • Vehicle components (17.3%) • Vehicles & accessories (10.4%)	**Germany (9.2%)** • Catalytic converters, Computers, mechanical appliances (32%) • Vehicles & accessories (12%) • Medical & Photographic equipment (10%)
USA (6.2%) • Catalytic converters, Computers, mechanical appliances (30.2%) • Medical & Photographic equipment (9.11%) • Chemical products (8.3%)	**USA (8.3%)** • Aircraft, spacecraft & parts thereof (48.5%) • Catalytic converters, Computers, mechanical appliances (27%) • Chemical products (4.5%)
India (5.75%) • Crude, coal, petroleum & electricity (23%) • Vehicles & accessories (13.9%) • Pharmaceuticals (13.3%)	**UK (5.4%)** • Catalytic converters, Computers, mechanical appliances (50%) • Cellphones, electrical equipment (8%) • Beverages, spirits, vinegar (7%)
Nigeria (3.84%) • Crude, coal, petroleum & electricity (99.5%) • Coffee, tea, mate & spices (0.4%) • Rubber & articles thereof (0.1%)	**Netherlands (4.9%)** • Catalytic converters, Computers, mechanical appliances (37%) • Pharmaceuticals (12%) • Cosmetics, toiletries & beverage syrup (9.4%)

Sources: SARS, 2020

Transnet's Africa Strategy is now refocused only towards the SADC market



The draft Transnet Africa Strategy focusses its markets in the SADC region with an intention to promote regional integration amongst the 16 member states.

- The Southern African Development Community (SADC) is a Regional Economic Community comprising of 16 Member States which is linked by three major rail systems and our complimentary port system from South Africa :
  - The **Maputo Corridor** connects the landlocked regions of eSwatini and South Africa to Mozambique and terminates at the Port of Maputo.
  - The **North South Corridor** links SADC countries as the prime regional trade route, providing connections to all the regional corridors and ports allowing for flexibility and competition. This corridor extends from DRC in the north, through Zambia and alternative routes through Zimbabwe, Botswana, Gauteng and terminating at the Port of Durban.
  - The **East-West Corridor** also known as the Trans-Kalahari Corridor railway line mirrors the existing Trans-Kalahari Highway or corridor, which links Botswana to Walvis Bay, but stretches 1 900km from Walvis Bay through Windhoek, Gaborone in Botswana and Johannesburg to Pretoria in South Africa.

- Transnet's **operates a complimentary system of ports** which supports the landlocked members states and provides maritime connectivity to both the landside and waterside. SADC has seven countries that has ports and Transnet handles around 22% of transshipment traffic for Angola, Namibia, Mozambique, Tanzania and the Indian Ocean Island countries.

Total Impact: Unknown

The full effect of the pandemic on global supply chains is not yet known . . .

- **Supply chain disruptions and the lockdowns are already affecting logistics companies :**
  - Operational constraints are expected to lead to delivery delays, congestion, and higher freight rates. However, not all segments will be impacted equally—companies that serve e-commerce are seeing increased activity as consumers opt for online shopping of essentials, while those that serve other sectors (such as auto and consumer goods) will see a downturn.
  - One mitigant: record-low fuel prices should provide some relief to transport operators.
  - Overall, the uncertainty will exert downward pressure on revenues.

- **The impact is severe for small players :**
  - Small trucking businesses are being severely hit because they tend not to have any backup, recovery plan, or intermittent operation plan.
  - Lack of technology, as well as tools to follow health guidelines (for example, disinfecting deliveries), further complicate their response.

- **Top players are experiencing a strong impact:**
  - In April, both DHL and CEVA Logistics declared Force Majeure, a clause that allows contracts to be declared null and void due to acts of God or other unexpected circumstances on all their contracts due to COVID-19.
  - Other companies' credit metrics are likely to deteriorate, triggering downgrades, as has already been seen in the sector.
  - Several freight and logistics investments have been placed on hold indefinitely.

Total Impact: Unknown

We can observe the impacts on freight capacity in three key global transportation segments - ocean, land, and air due to the pandemic:

- **Ocean freight:**
  - Total container volumes handled at Chinese ports dropped by 10.1% in the first months of 2020.
  - Agility Logistics reports considerable constraints to ocean freight around the world, impacting both key exporters, like Brazil, China, India, and Mexico, as well as importers like the European Union. A
  - According to DHL, weak demand will continue to affect routes between Asia and Europe, the United States, and Latin America. Consequently, additional blank sailings are expected in the coming months.
- **Land freight:**
  - Unlike ocean and air transport, land transport has generally remained partially available globally as roads have remained in operation, except in countries under severe lockdowns.
  - Trucking capacity is strained because of additional demand for their services - especially food and medical supply transportation under lockdown, combined with reduced employee availability (due to Covid-19 related restrictions), leading to higher rates.
  - Other economic sectors that require land transport, such as manufacturing, are generally not at full capacity because of lockdowns. As a result, spot road freight rates have fallen in some markets.
  - Demand for rail services has grown because of higher air cargo freight rates, blank sailings, and longer transit time for trucks.
- **Air freight:**
  - Volumes fell by 19% in March 2020 due to a sharp reduction in passenger flights (which carry freight as belly cargo) and the drop in manufacturing in China.
  - As shippers and governments turn to air cargo for essential goods, air freight rates have increased—some carriers are seeing delays with increased congestion at airports.
  - Mid-April saw an increase in capacity, as well as a recovery in volumes transported (although they are still down, year-on-year). The overall reduction in capacity is greater than the net reduction in demand, which supports higher air freight rates.

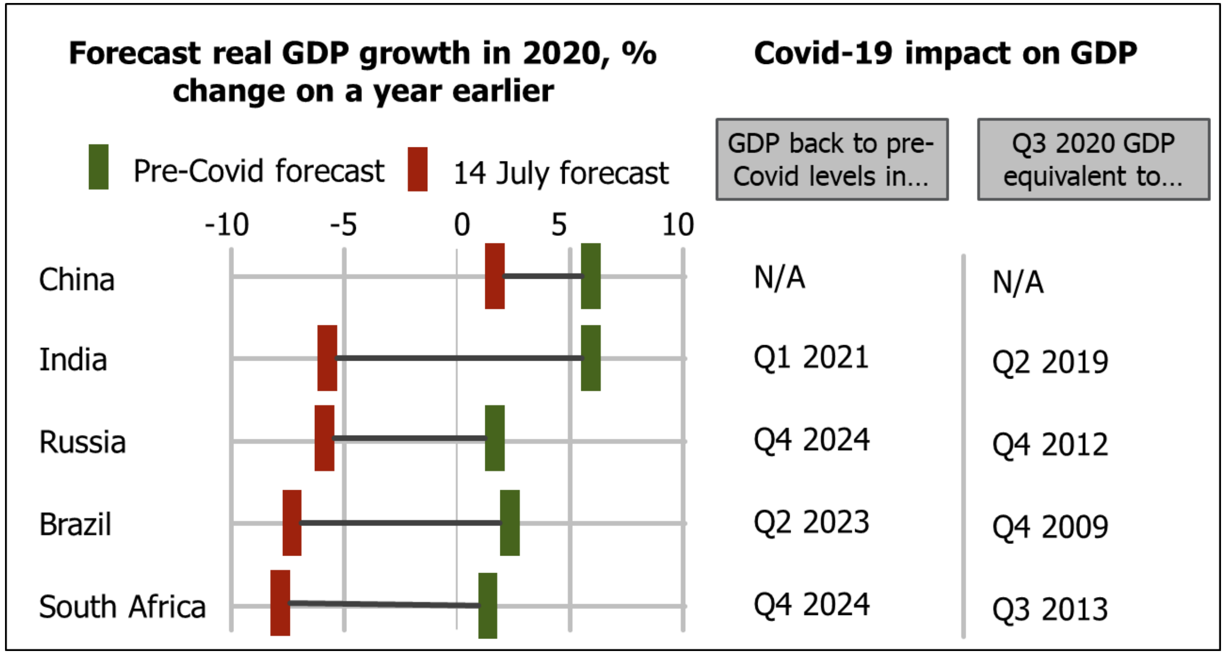
Looking Ahead

Economy

- The African continent looks set to suffer its **largest** ever **recession** in 2020.
- The downturn of 2020 will be driven by multiple headwinds such as vastly **reduced international travel**, **trade** and **investment** flows, **low** energy and non-energy **commodity prices**, **disrupted** global **value chains**, **weak demand** in major export markets, as well as domestic and regional **restrictions** on **business activity** and **trade**.
- The **rebound** will be **modest** across the board, and most countries will emerge from the crisis with heavy baggage in the form of **large twin deficits**, **weak currencies** and worryingly large **stocks of debt**.
- **South Africa** will be burdened by **tight credit markets** and **low** levels of private **investment**, high **unemployment** and **labour militancy** and the probable re-emergence of **electricity constraints** among other factors.

Supply Chains

- As focus is shifted from short-term damage control to longer-term resilience, supply chains are likely to move in new and more **geographically dispersed directions**.
- The following trends are anticipated in response to the pandemic:
  - **Homeward bound** – Some reshoring and stockpiling.
  - **Regionalisation** – Offering nearshoring opportunities.
  - **Globalisation** – A mixed approach by diversifying supply chains away from a single country to a region.

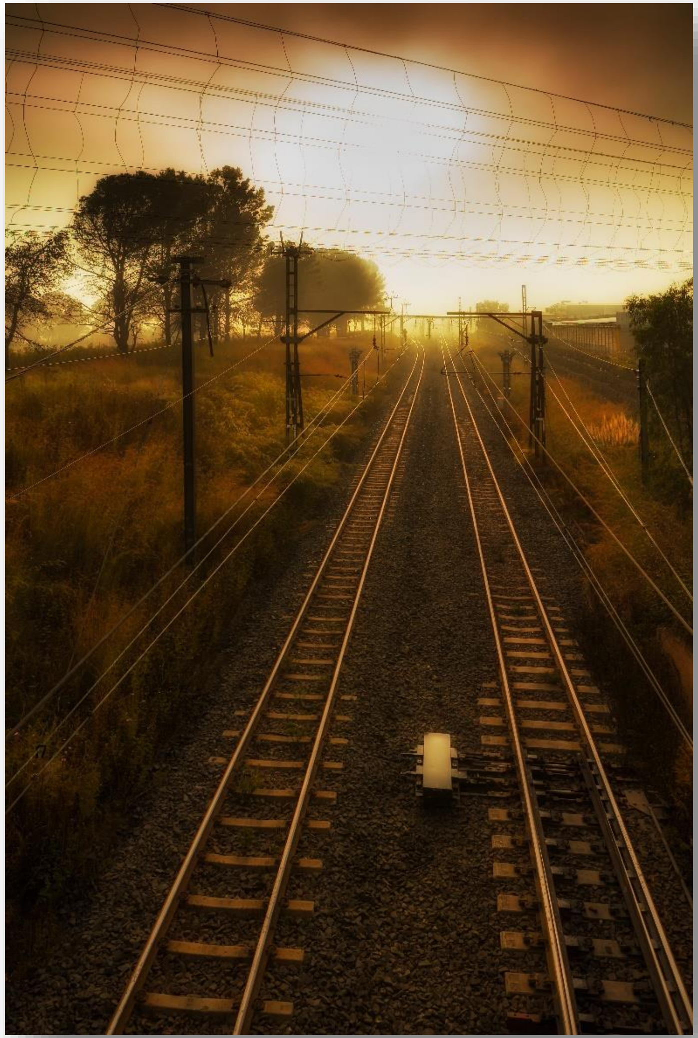


Source: The Economist Intelligence Unit, 2020

Looking Ahead

Foreign Investments

- Foreign direct investment (**FDI**) flows to Sub- Saharan Africa (SSA) is expected to **fall by 30%** from US$31.7bn in 2019 to US$22.2bn in 2020 (equal to 2016 DFI's), although the impact will vary by country and sector.
- Investors may **focus** more on their **home markets** than on overseas ventures.
- The scale of the post-pandemic FDI rebound will **depend** on the strength of domestic and global economic **recoveries**, and on **commodity price trends**, which is pivotal for SSA, given that most countries depend on hydrocarbons, minerals or agricultural raw materials to drive growth and exports.
- **Diverse economies** will be the most **protected** from the FDI slump.
- SSA's **oil and gas** producers face the **biggest hit**, leading to lost earnings and new project delays, which could persist into the medium term, in view of the possible transformation of global energy markets. SSA's oil importers will benefit from cheaper oil.
- **Mineral-dependent** economies face a mixed outlook, depending on their commodity mix. **Gold** and **platinum** producers will **suffer the least**, but SSA's often challenging **regulatory environment** for mining (such as in South Africa and Tanzania) remains a **deterrent**.
- **Agricultural** prospects are **better**, although investment will continue to be impeded by strict land use rules and regulations.
- **Investment in services**, such as telecommunications and banking, will be more **resilient**, with the exception of tourism. Energy, especially renewables, remains an attractive sector.
- Nigerian inflows almost halved (to US$3.3bn) because of tighter rules as oil and gas companies divert attention to more investor-friendly locations, while Ethiopian inflows fell by a quarter (to US$2.5bn) owing to heightened political tension. **South Africa** therefore regained **top spot** in the regional FDI league in 2019, despite inflows dipping by 15% to US$4.6bn.



Source: The Economist Intelligence Unit, 2020

TRANSNET

delivering freight reliably

People Management

Key Focus Area: Operational Health
Summary of Approach

The changing **operational**, **regulatory** and **customer environment** required an extremely responsive and adaptable approach to mitigate and manage the impact on operations. An "eyes on, hands off" approach was adopted to support the organisation through **intensive communication**, **collaborative issue resolution** and the integration of all role players in an **expedited decision making process**.

Creating Agility and Responsiveness:

High Intensity Platform for Open and Honest Discussions

Daily Business Insight Meetings

Initiated by Operations Workstream

- OD Operations
- Security Services
- Customer Workstream
- People Workstream
- Legal & Regulatory Workstream
- Crisis Support Workstream

Example of Successful Implementation:

Development of a consolidated operational performance monitoring tool (PowerBI dashboard) that allows for daily volume and revenue tracking and issue identification.
This allows for tracking and trending by OD and key commodity.

Movement Decision Flow & Governance:

The "Corona Loop"

Customer request received

Feedback

May Move — ***LEGAL REVIEW***

Should Move — ***COMMERCIAL ASSESMENT***

Can Move — ***OPERATIONAL REVIEW***

Feedback

Example of Successful Implementation:

De-bottlenecking of essential goods movement (container supply chain) during Lockdown Level 5 requiring a feedback loop to inform regulatory amendments allowing non-essential container processing to temporary storage areas. This was initially prohibited, causing extreme terminal congestion.

Framework for the management of employees with Chronic conditions

Get the basics right:

- Manage Risk Pool candidates (get them into Risk Pool, out of the system) – fast tracking them
- Enhance PPE and protective measures (based on job risk profiles)
- Apply the DoH parameters
- Manage leave and absences (apply the correct codes ito guidelines, & definitions)
- Apply Incapacity Management where appropriate
- Use current systems to manage employee data (absence types)

Prevention:

- Implement a secondary prevention program for Chronic Employees through the medical surveillance programme – get them better and back to work
- Disease Management Program – case by case management to improve conditions
- Protection measures of really vulnerable staff at home (check-ins, PPE, monitoring, etc)

Mitigation Proposals:

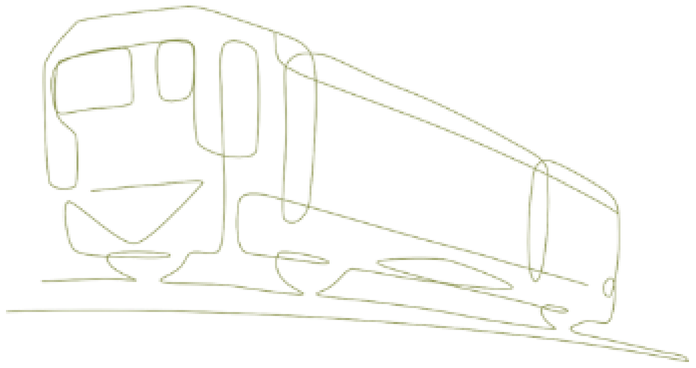
- Implement the Silver Foxes Programme for employees over 60 with chronic conditions
- Offer alternative work for employees who cannot perform their own role
- How do we bring back our employees back sooner

Manage Return to Work:

- Apply Risk Assessment with treating doctors
- All Transnet Clinics to be consistent and apply a standard process
- Review the current Medical Surveillance Programme in new OH&W Policy currently being approved
- Increase the number of contracted doctors to fast-track processes

Policy Focus:

- Review, update and approve Policies re:
  - Exit options
  - Incapacity management
  - Absence management
  - Return to Work Procedure (Risk Assessments, Protocols, etc)
  - Review all fixed term contracts for over 60 years with chronic conditions.



SUMMARY

- Covid-19 (Coronavirus) pandemic has swept across the country, Transnet as well as its valued employees have unquestionably experienced it's devastating effects.
- Therefore, the purpose of this slideshow is to discern the impact of the pandemic on Transnet as a business.
- The Business Continuity Management (BCM) process to respond to CoVid-19 related risks was triggered in January 2020, and escalated in line with the risk faced by the organisation. On 24 March 2020, a decision was taken to establish a CoVid-19 Command Centre as a formal response to the extreme disruption introduced.
- Areas that have been significantly affected are:
  - Employees above the age of 60 year, those with chronic illnesses as well as operations critical positions (no tools of trade).
- Due to lockdown restrictions employees over 60 years are under instruction to work at home.
  - This has led to a number of employees being unable to remotely work from home resulting in The Company's loss of productivity.
- Furthermore, the loss of key skilled and experienced personnel due to the increased number of Covid-19 cases has impacted on operations.
- As the situation regarding the pandemic remains unchanging, mitigating actions have been considered in order to remedy the damaging effects the pandemic has left on the affected departments.
- Re-allocate to other work such as support Silverfox programme through virtual means or office based e.g prepare manual training where the cost of separation outweighs the cost to retain for remainder of months before retirement age.

Structure Implementation

- Transnet has underperformed in recent years, resulting in a weakened financial position, with limited room for budget adjustments and balance sheet movement.
- Limited maintenance, ageing fleet and infrastructure and a lethargic posture towards safety has had an adverse impact on system availability and network-wide operability, resulting in operational inefficiencies and poor system reliability.
- This has led to declining levels of customer satisfaction, lower volumes and increased financial pressure.
- Transnet's strategic direction will be anchored on five key levers, specifically: customer service, people, asset utilization, safety and cost control.
- This will support the business in improving its performance, resulting in enhanced operational efficiencies, improved financial positioning and increased customer satisfaction.
- Government has signaled its intent to implement structural reforms to: Restructure the network industries; Liberate SMMEs to be the engines of growth and employment; and implement Broad-based measures to lower the cost of doing business.
- Transnet has had to review how it delivers on its core mandate and design a structure and service model that is fit for a Transnet of the future.

Transnet Organisation Design Principles

TRANSNET

The Design Principles inform the structure design to ensure the structure fulfils the strategy requirements

No.	Organisation Design Principles
1	Structures should aim for optimal spans for control – range between 1:5 to 1:9 direct reports.
2	Flatten the box – a maximum of 6 layers between the Group CE and the first level operational worker.
3	Drive clear accountability – decision making close to operations with a single point of command.
4	Role Sizing - Redesign structures and jobs using the leveling model and competency framework.
5	Focus the respective elements of the value chain - consolidate related activities to ensure end to end processes across the value chain
6	Customer centricity and responsive to change – build new capabilities such as Data Analytics, Research & Development and Innovation.
7	Simplify our business and leverage Automated Intelligence - centralise all support functions i.e. IT, Finance, Procurement, HR & Legal.
8	Structure must reflect good Corporate Governance principles – enable an ethical culture.
9	Structures should enable the leadership, culture and values Transnet requires – build an Exceptional Employee Experience that's driven by high performance.
10	Structures should be cost positive – the redesign should result in at least 25% cost reduction.

TRANSNET

OPERATIONS AND OVERSIGHT INITATIVES (TNPA)

1. Implementation of Key Performance Indicator (KPI) Alignment Stakeholder Engagement Recommendations

	Voice of the Customer	Action
1	Voice of the Customer - Berth vessel on time as booked on IPMS slot	• This KPI measures TNPA Marine Services performance on servicing (docking, Shifting, sailing) a vessels on time as booked on Integrated Port Management System (IPMS). • Stakeholders indicated that the current process of measuring this KPI is adequate. • IPMS Data Integration Project: This projects aims to provide a seamless flow of data and reporting between the terminal and TNPA. This will increase efficiency in planning and improvement plans in Richards Bay Coal Terminal (RBCT).
2	Voice of the Customer - Un/Load a vessel and turn it around on time as planned	• Introducing a dynamic Ship Turn Around Time (STAT) target setting process – this is to allow monitoring vessel turnaround time based on parcel size. • Introducing a Vessel Planning process – Terminal Operators submit vessel plan before vessel berths. • TNPA to monitor vessel based on submitted vessel plan
3	Voice of the Customer - Create visibility	• Create visibility of vessel performance from arrival at port limits to departure. • Engagements in addressing Bayhead Congestion – developing processes and systems to better manage landside operations. • Implementation of the Joint Operations Centre(JOC) and ICT interface and port stakeholder collaboration initiatives to enable integrated planning, operational performance tracking and management of incidents impacting on operational performance.

2. Oversight Management

1	Managing Terminal Performance	• Developed Performance Improvement Process to manage poor performance • Development of penalty/incentive process as well as the model is underway • Manual capacity study conducted and awaiting approval • Process to source Capacity Simulation tool is underway for TNPA to ensure optimal utilization of terminal capacity. • Point Precinct Truck Booking System to incorporate trucks destined to FPT and TPT, go live September 2020 in the Port of Durban.
2	Monitoring of Oversight in the Port System	• Conducted refresher training for the Port Oversight Committees (POCs) for effective monitoring of oversight in the Ports • Streamlining of Oversight processes in progress and in alignment with Continuous Improvement principles. This will lead to automation of some of the processes that are currently conducted manually.

3. Marine Services - Oversight & Operational Initiatives

- In a Business Case approval process for the procurement of new tugs for the SA port system.
- Modifications to the new pilot boats to address stability issues in the Port of Cape Town.
- Helicopter & Hangar feasibility projects in the Port of Cape Town.
- Rental of Hydraulic Mooring Units for container berths in the Port of Cape Town.
- Hydraulic Shore Tension/Automated Mooring System procurement process in the Port of Ngqura
- Expedite the recruitment process of critical positions like Marine Technical Managers, Maintenance Planers, Chief Marine Engineers, Marine Safety Inspectors in the ports to strengthen the functions of fleet maintenance, marine safety inspections etc.
- Marine Fleet Asset Maintenance improvements resulting in higher percentage for tugs availability

PORT OF DURBAN DESCONGESTION
UPDATE ROAD NETWORK (TNPA)

Issue	Root Cause	Action Taken	Next Steps - (90 days)
1) Congested Bayhead Rd	a) Trucks arriving at random mostly during "normal business" hours.	i. Pier 1 & @ terminal successfully rolled out booking system. ii. Point Terminal rolling out the booking system from the 31st Aug 2020 iii. Bulk Terminal has acquired a temporal staging facility to stage a maximum of 100 outside of the port. From this staging area the trucks will be released in batches of 30 per hour	i. Assisting smaller operators such as depot to develop own booking system ii. Pursue getting 24/7 depot operators to support full volume smoothing
	b) Aging fleet resulting in fewer straddle carrier availability	iv. Deployment of new straddle carriers has commenced v. Lean 6 sigma methodology has assisted in improving the reliability of the other fleet of straddle carrier	iii. Continue deploying new straddle carriers and iv. Institutionalise predictive maintenance philosophy
	c) Fewer trains to Bulk & Maydon Wharf Precincts	vi. The number of trains per week to both Maydon Wharf & Island View Bulk terminal is increasing.	v. Encourage use of rail as an option by bulk terminal operators
2) Inadequate road network	d) Bayhead road has remained dual carriage for years	vii. A project team put together to look at Bayhead Rd upgrade to have 3 lanes bi-directional viii. Owner Requirements Specifications is complete ix. Finalising scope for preliminary engineering studies	vi. Taking a business through gate review in September vii. Present to Investment forum by November then TNPA CAPIC in Dec 2020
	e) Only one access road to Bayhead & Island View f) Maydon Wharf roads owned by the City and therefore difficult to manage	x. TNPA & the City have agreed on the need for the 2nd access road. xi. MoA has been signed xii. Traffic impact assessment study done xiii. The city has started with the SPLUMA processes	viii. Start engineering studies and EIA processes

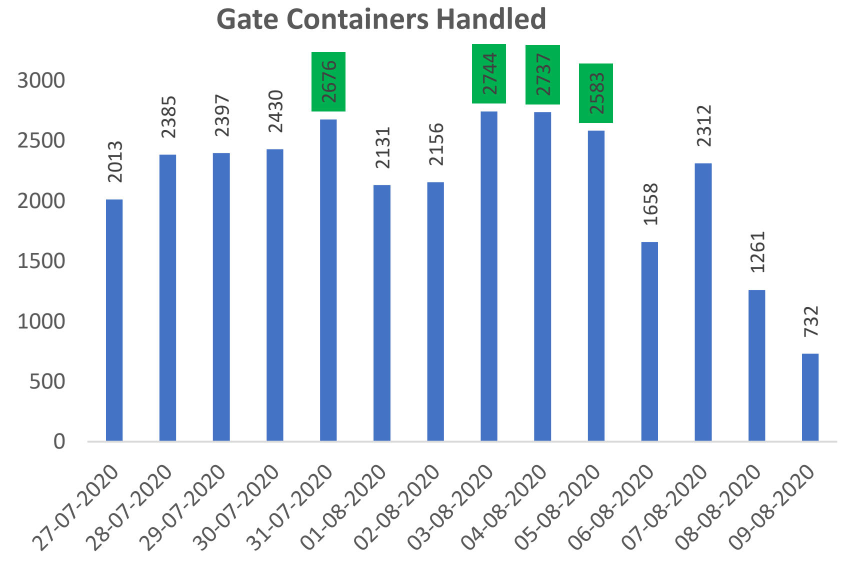
REDUCING CONGESTION AT THE PORT OF DURBAN BY IMPLEMENTING A TRUCK BOOKING SYSTEM (TPT)

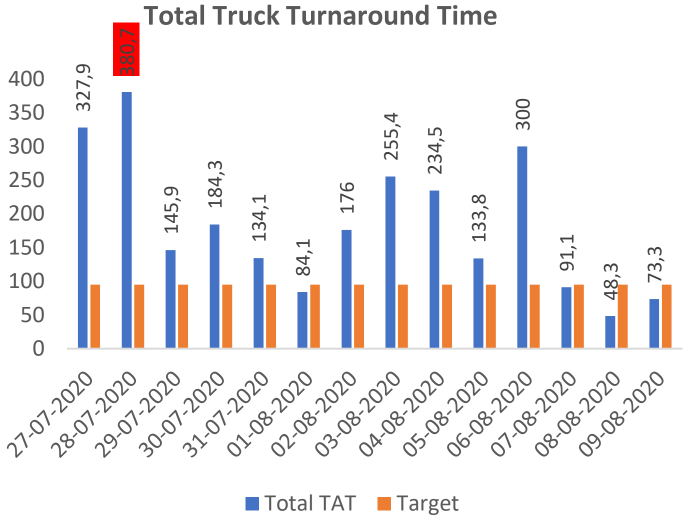
SCOPE:

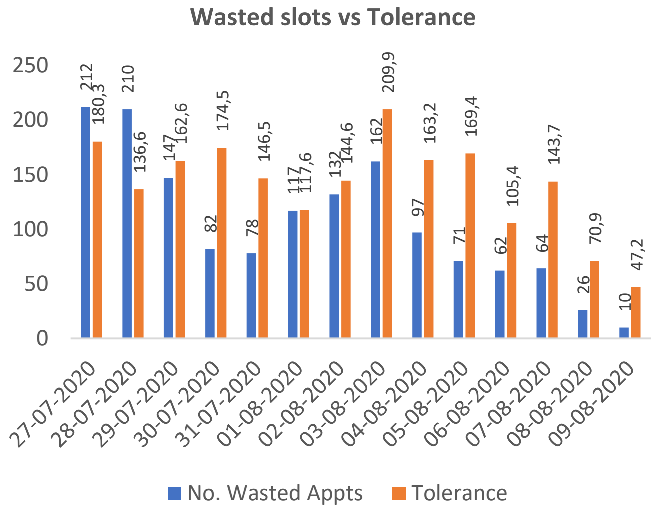
•Implement a truck booking system to:
- Align the trucking fraternity to 24 x 7 Port Operations
- Jointly agree on the Rules and engagement (Industry and Terminal)
- Jointly eliminate Bribery and Corruption in the truck queues
- Agree on value Adding Key Performance measures/Indicators
- Jointly embark on Continuous Improvement initiatives

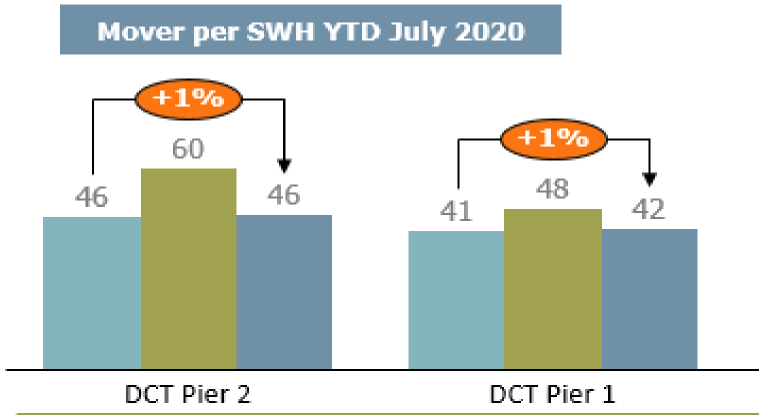
DELIVERABLES:

- Enhance the truck Staging Area by developing a Truck Release Strategy
- Achieve 80% Utilisation of Scheduling system
- Identify 24/7 depots to support the flow
- Achieve Staging time of each truck of 90 minutes
- Achieve Truck Turnaround Time inside Terminal of 35mins
- Improve availability of Straddle carriers at Pier 2 Landside to support the flow of trucks.





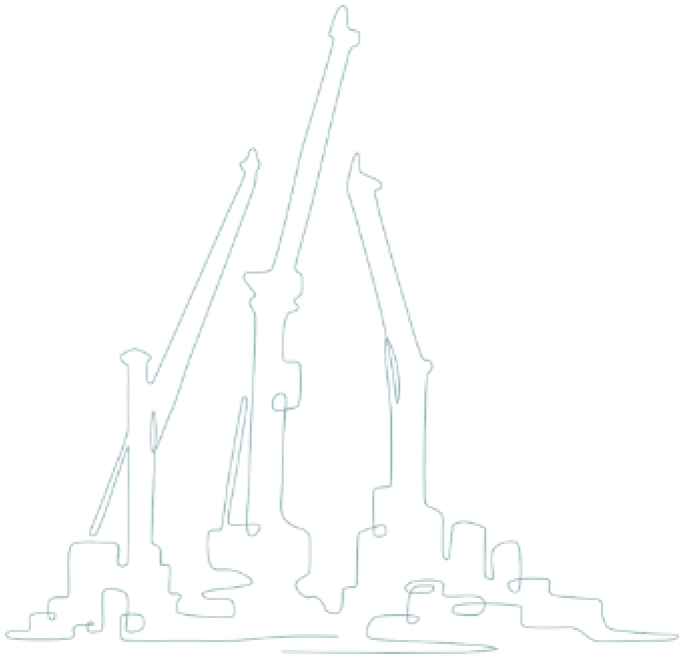




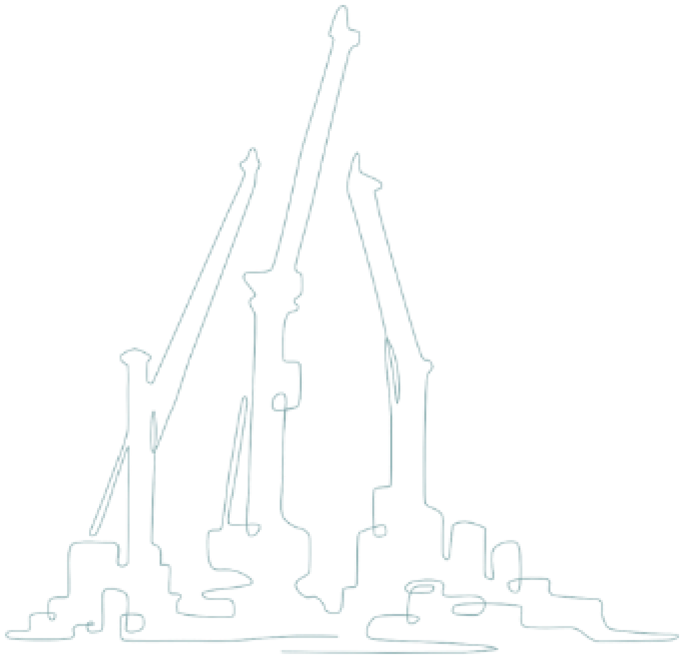
Successes:
1. Adoption rate improved (wasted slots decreased)
2. Reduced congestion at DCT
3. Stable Truck Booking System

Challenges:
1. Bulk (not container) trucks block entrance to the port – protesting immigrant drivers
2. Weather / wind challenges
3. Shortage of straddle carriers – will be resolved when acquired equipment is operationalised

ADDITIONAL SLIDES



OPERATING DIVISIONS



TRANSNET PRESENTATION TO THE PORTFOLIO COMMITTEE

Transnet Freight Rail Report

Contents

TFR Focus Areas

2. Safety & Security

- ✓ Increase technology deployment
- ✓ Improve Intelligence

1. Infrastructure Improvement

- ✓ Accelerate Network Renewal
- ✓ Increase adherence to maintenance standards

3. Drive Cost Compression

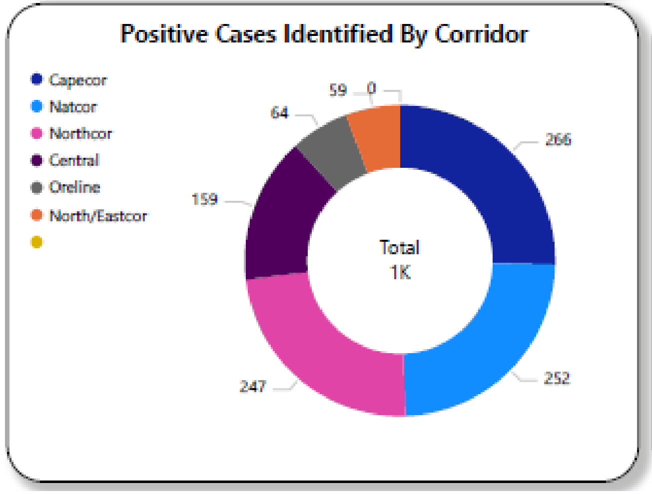
- ✓ Reduce fixed costs and
- ✓ Reduce the unit cost of operation

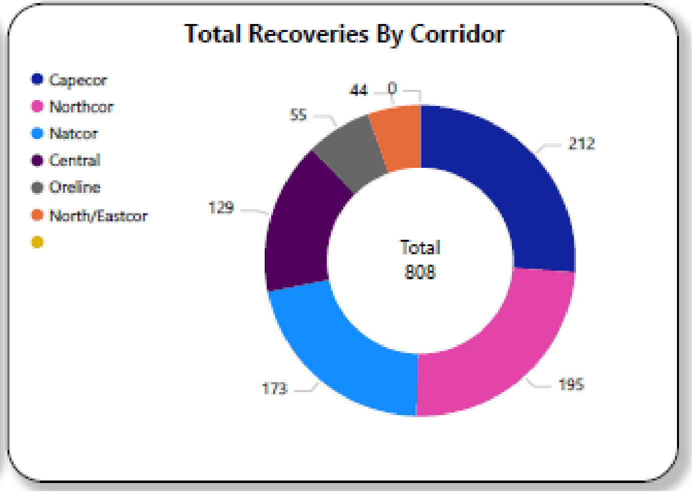
4. Drive the PRASA work-streams

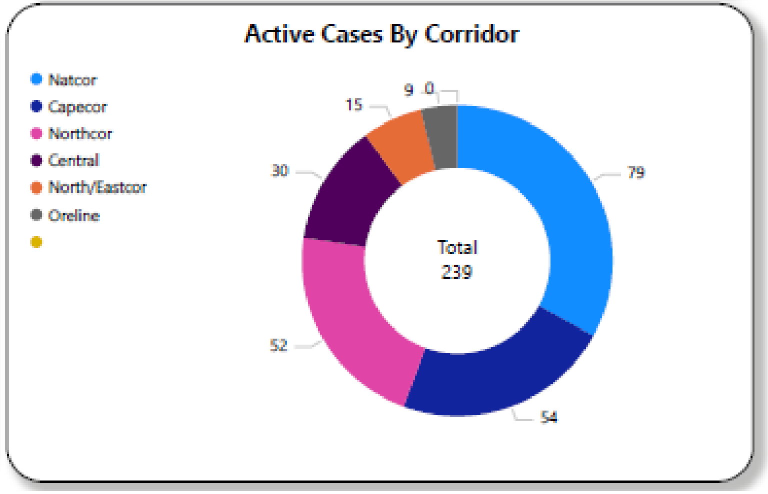
- ✓ Technical & Operational improvements
- ✓ Network maintenance and Security focus

Impact of Covid-19 on People as at 17/08/2020

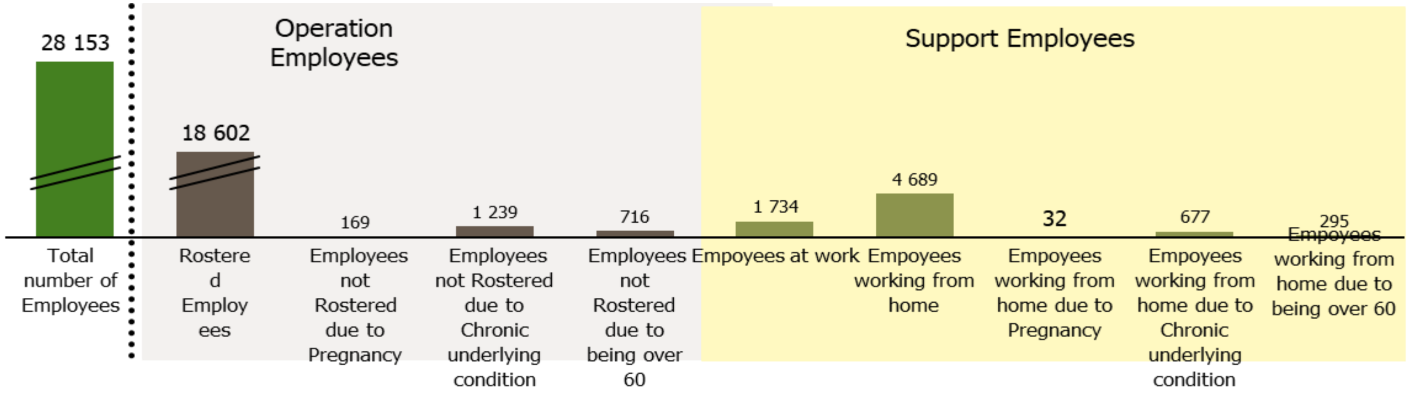
Positive Cases Identified	Total Deaths	Total Recoveries	Total Hospitalise	Home Isolation	Active Cases	Recovery %
1047	14	808	12	213	239	77%
0.18%	0.12%	0.17%				







National Lockdown Employees Attendance



Impact of Covid-19 - Lessons Learnt

Creating the "new normal"

- ✓ Aggressively implemented work from home protocols where feasible
- ✓ Proactive management of risk Pool and Chronic employees through clinics and panels
- ✓ Implemented A and B Teams with no overlap to minimize contact between people
- ✓ Train drivers were allocated to the same Train Assistants to limit multiple exposure
- ✓ Each shift signing on and off at different locations in order to separate shifts

Impact of Covid-19 on Rail Operations

Level 5
- Essential Commodities were railed:
  - Fuel and Chemicals
  - Agriculture (grain, timber)
  - Coal – Power generation, energy for hospitals, prisons
  - Import containers (essential medical supplies, food)

Level 4
- Non-essential (partially running):
  - Coal Export Line
  - Ore Line (reduced service)
  - Steel and cement (AMSA Coal and Import Coke resumed service)
  - Export Coal for MPT/ RBTG (reduced service)
  - Chrome (resumed service)
  - Magnetite (resumed service)

- Level 3
  - Flows to and from Botswana; Zimbabwe; Maputo; Lesotho and Swaziland
- Level 2
- Limestone for water purification, power generation and Steel Plants; Soda Ash and Salt, Rock phosphate to RBQ
- Relaxation in lockdown from L3 to L2 allowed more customers to resume operations and railing.
- Volumes railed steadily increased to 0.62mt per day target as a result of relaxation of lockdown restrictions.

Volume HIT rate vs Corporate Plan as at 23 Aug 2020									
	APRIL	MAY		JUNE		JULY		AUGUST	AUGUST YTD
VOLUMES	10,79	14,01		15,66		15,94		16,24	72,65
TOTAL TFR (volume percentage)	62%	79%	↑	86%	↑	87%	↑	112%	84%
BUSINESS UNITS									
Agriculture & Bulk Liquids	87%	85%	↓	101%	↑	85%	↓	88%	89%
Containers & Automotive	38%	76%	↑	77%	↑	55%	↓	80%	65%
COAL	88%	86%	↓	83%	↓	90%	↑	131%	93%
Iron Ore & Manganese	49%	77%	↑	84%	↑	87%	↑	95%	78%
Mineral Mining & Chrome	38%	80%	↑	112%	↑	99%	↓	172%	93%
Steel & Cement	19%	33%	↑	69%	↑	75%	↑	92%	59%
BUSINESS LINES									
EXPORT COAL	86%	81%	↓	79%	↓	91%	↑	131%	91%
EXPORT IRON ORE	58%	79%	↑	86%	↑	90%	↑	95%	81%
GFB	43%	77%	↑	94%	↑	82%	↓	113%	94%
CORRIDORS									
NATCOR	54%	86%	↑	82%	↓	58%	↓	71%	70%
CAPECOR	16%	48%	↑	77%	↑	81%	↑	100%	64%
ORELINE	55%	80%	↑	86%	↑	88%	↑	95%	81%
CENTRAL	24%	40%	↑	64%	↑	63%	↓	77%	57%
NORTHEAST	47%	69%	↑	108%	↑	93%	↓	155%	89%
NORTH	85%	88%	↑	84%	↓	92%	↑	137%	95%

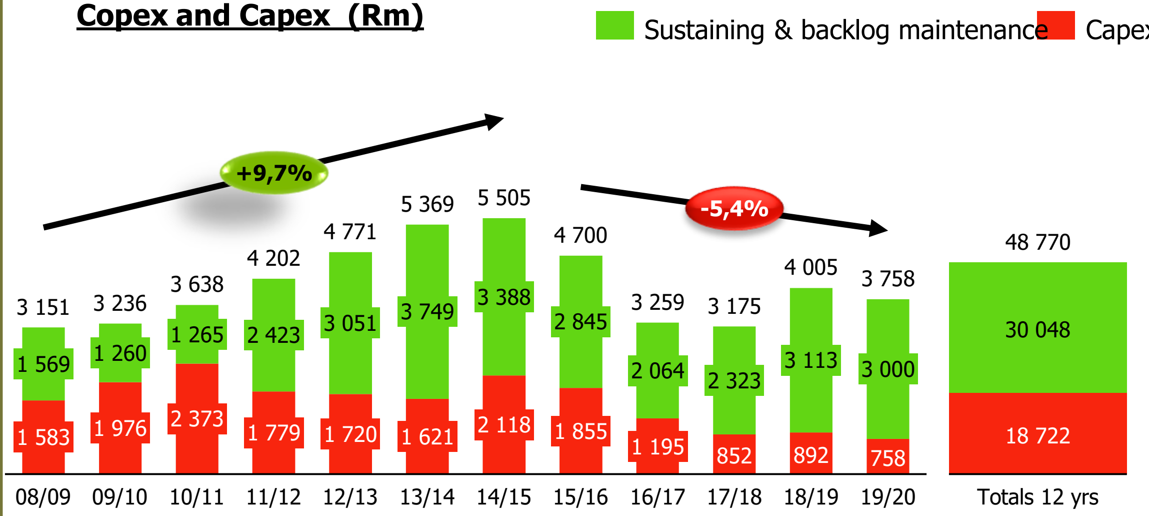
0-60% - Red
61%-80% - Black
81% - 100% - Green

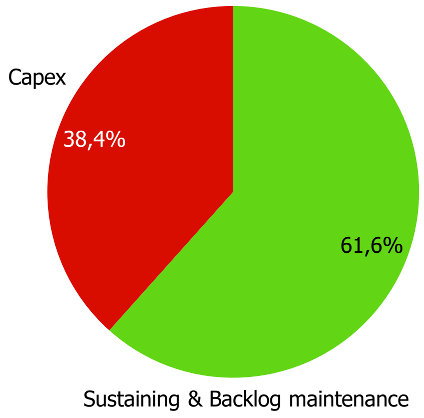
Δ = Change ↑ ↓ Movement from Previous month

Challenges and Risks to 2020/21 Volume Performance

Risks	Impact	Mitigation
Rail Network Conditions ○ **Signaling system failure** ○ **Material supply** ○ **Infrastructure failures**	• Increased manual authorizations • Reduced capacity(less slots) • Operations delays and disruptions • Increased overtime	✓ Accelerated repair and stabalisation of key hotspots ✓ Increased inspections ✓ Winter readiness plans ✓ Revised shutdown plan execution
Security Incidents ○ **PRASA Operations (Pretoria Complex, Krugersdorp Cluster, Cape Town)** ○ **Natcor** ○ **Capecor (PE)**	• Constrained corridor capacity • Loss of high revenue volumes • Unhappy customers	✓ Increased deployment in hotspot areas ○ Guards ○ Drones and other technology ○ Intelligence
Derailments	• Sabotage /Theft and Vandalism • Defective / failing infrastructure Defective / Failing rolling stock • Natural disasters: wash-away	✓ Accelerate rail renewal programme

The Capital Expenditure on Rail Network (12 year view)

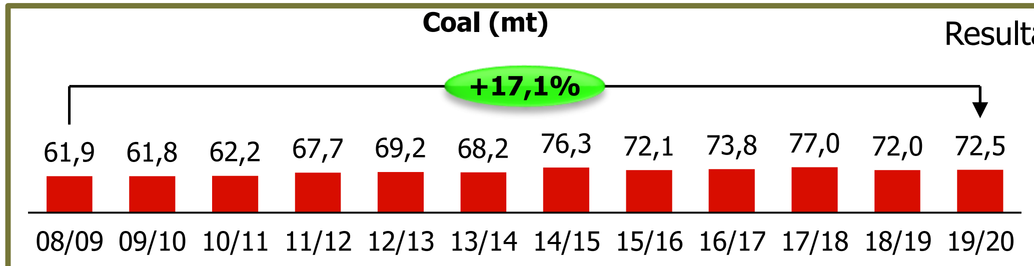


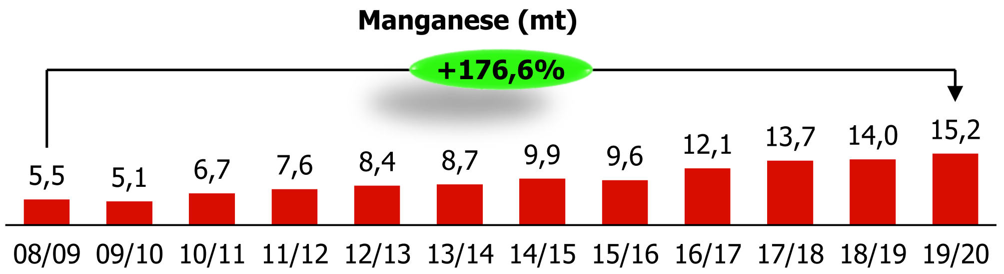


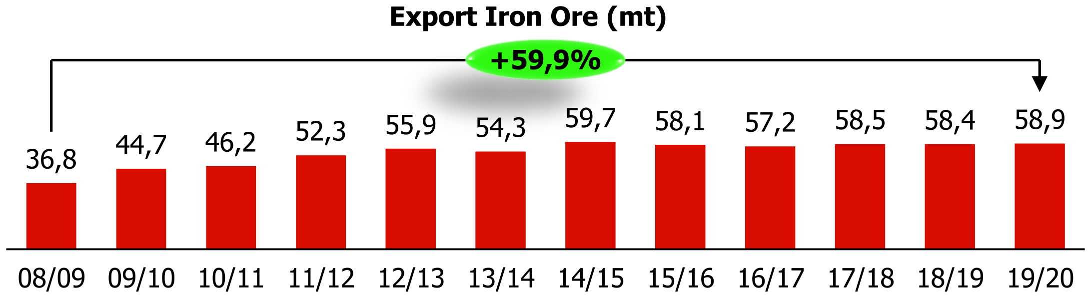
Comments:

- The capital investment of R48.7bn was spend over the past 12 years on Rail Network Infrastructure.
- R30bn was spend on sustaining and backlog maintenance.
- R18.72bn was spend on expansion, primarily on the Iron Ore Manganese & Coal lines. The three lines received the biggest chunk of the expenditure.
- The Capital spend resulted in volume increases where it was deployed, as illustrated by volume growth results below.

Resultant Volume Growth: Actuals







Security Interventions to Reduce Theft, Vandalism & Sabotage

Key Initiatives

- ✓ Increase visibility on the line (Additional Guards)
- ✓ Intelligence collection
- ✓ Use technologies, e.g. Drones and Crime Fighting Choppers
- ✓ Special operations with law enforcement agencies
- ✓ Security technology implementation on hotspots areas
- ✓ Target hardening initiatives
- ✓ Re-engineering of rail components & de-coppering
- ✓ In Cab Signaling
- ✓ Fencing, CCTV and Intrusion Detection

Successes

- ✓ Arrest over 08 syndicate groups for theft of chrome
- ✓ Recovery of quantities of chrome stolen on the line
- ✓ Recovery of cables in the Pretoria Complex to the value of ~R100 million
- ✓ Registration of theft cases in Witbank and Orgies with SAPS
- ✓ April 2020:-17 suspects arrested for theft of cables
- ✓ May 2020:- 18 suspects arrested for vandalism of infrastructure, signal cable and overhead cable
- ✓ June 2020: 26 suspects arrested for theft of overhead and signal

Market Outlook – Export Lines and major GFB Commodities

Industry	Order Book Performance April to July	Next Month Demand Outlook
Export Coal	• Order Book Performance increased from 75% to 112%	Steady
Iron ore	• Order Book Performance increased from 62% to 100%	Rise
Manganese	• Order Book Performance increased from 13% to 116%	Rise
Eskom Coal	• Order Book Performance increased from 192% to 258%	Rise
Domestic Coal Other	• Order Book Performance decreased from 113% to 92%	Rise
Chrome Ore	• Order Book Performance increased from 92% to 145%	Rise

Volume Projections

- ✓ Volume projected 94% of budget based on forecasted virus intensity
- ✓ **Coal:** Prices down based on low Indian demand as utility inventories rise during lockdown.
- ✓ **Iron ore**: Prices down on global economic concerns anti pollution steel curbs in China.
- ✓ **Manganese**: Prices up on SA mines curtailment since lockdown.
- ✓ **Chrome ore** : Prices up however, weak SA supply, amid recovering demand in China.
- ✓ **Ferrochrome**: Prices remain unchanged on limited trading as Chinese demand remained low.

TRANSNET

delivering freight reliably

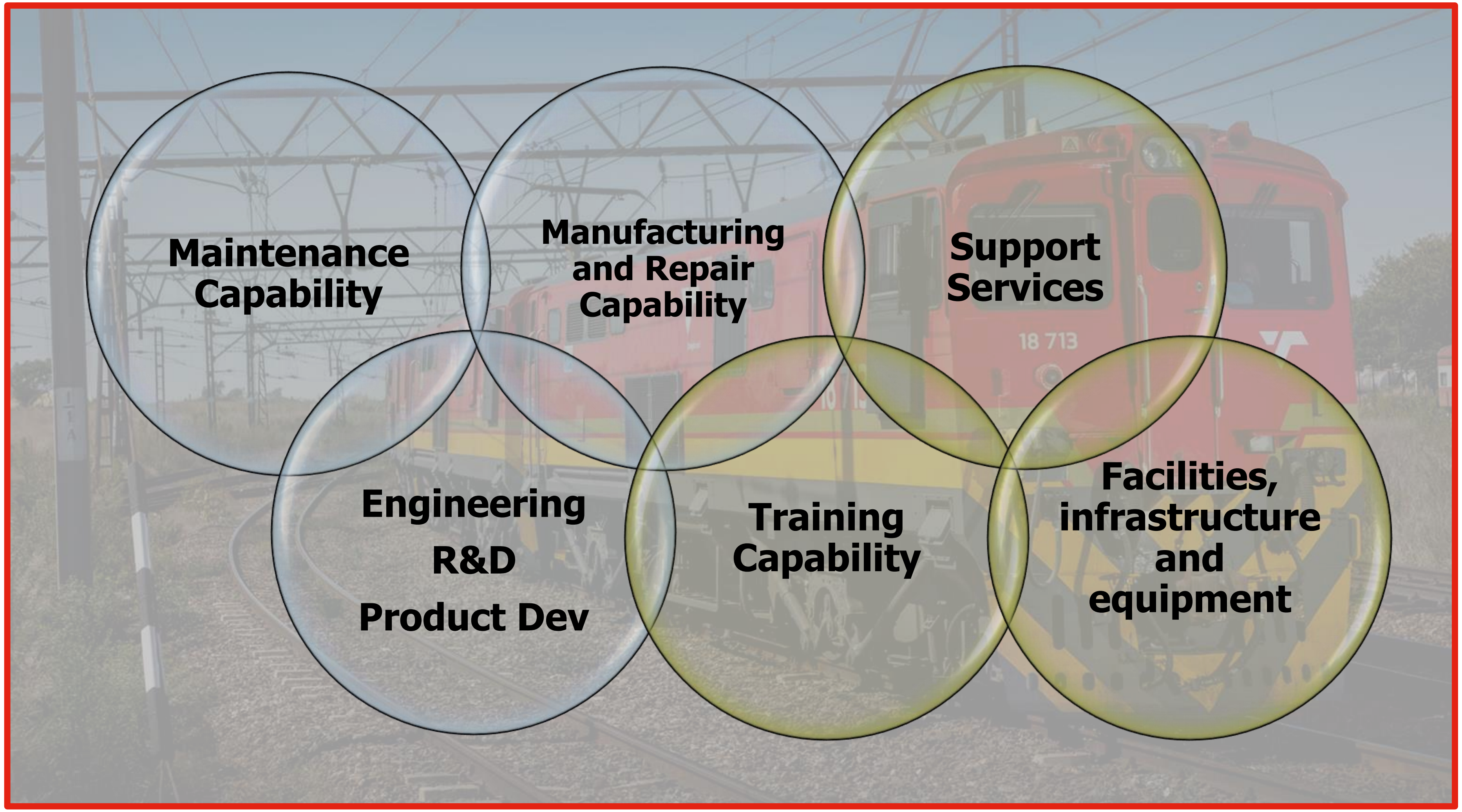
Transnet Engineering

"Strictly Private and Confidential"

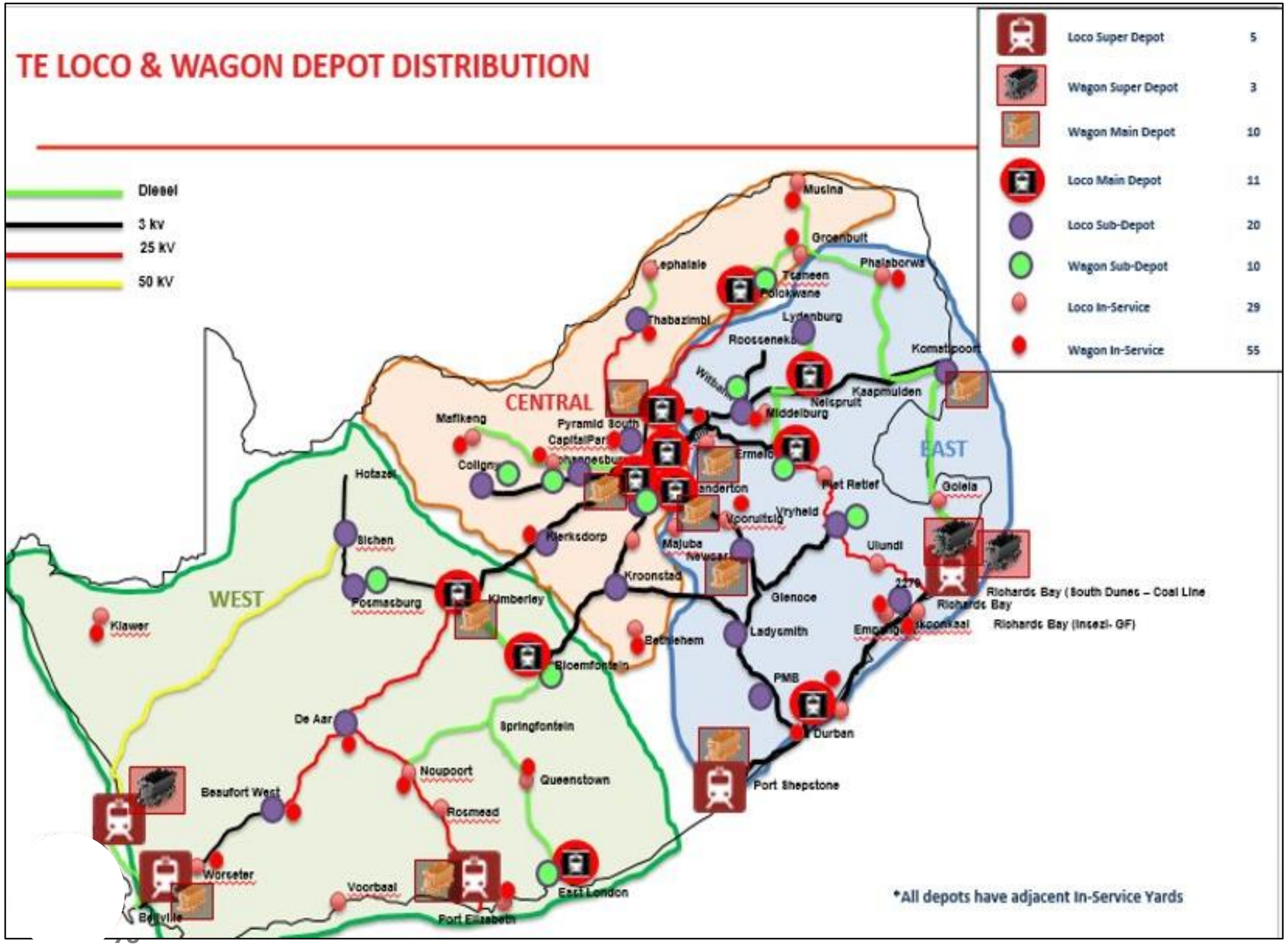
02 September 2020

Transnet Engineering ...

Providing maintenance and manufacturing services to rail and ports.



TE's operations are spread across South Africa …



Two business segments

Manufacturing and Maintenance

- 6 Manufacturing sites and 1 Head Office
- 143 maintenance sites (29 depots, 30 semi-depots, 84 satellite sites) which are spread across the country
- TE's technical operations are supported by specialist engineering skills in research and development and product development
- Support services enabling the business operations
- TE employs about 10 000 employees
  - Manufacturing +-3100
  - Maintenance +-4800

Our customer solutions comprise of manufacturing & maintenance services to rail and ports …

TRANSNET

1 Locomotive

Financing, manufacturing of AC, DC and diesel-electric locomotives, Repair and Upgrade

Maintenance: Scheduled/Unscheduled/In-service support, After Sales Support and Warranty Management

2 Wagon

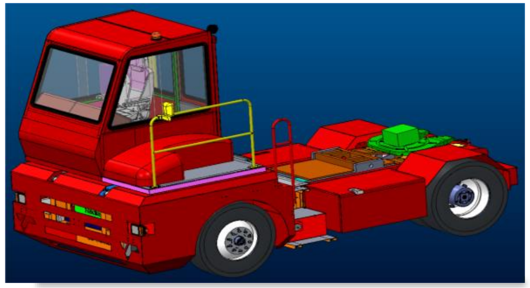
OEM of wagons with ability to finance, manufacture new designs, re-build and refurbish

Maintenance: Scheduled/Unscheduled/In-service support, After Sales Support and Warranty Management

3 Passenger Coach

Financing, refurbishment and upgrades and maintenance for motor and trailer coaches

4 Ports Equipment



Design, Manufacture (in partnership) and Maintenance, of port handling equipment - Straddle carriers and Rubber Tyred Gantries (RTG's)

5

Maintenance and Services

Maintenance and services includes rolling stock related components and port equipment.

Additional Maintenance Services

Wheel

Assembly of new & remanufactured wheel sets for the Locomotive, Wagon and Coach Businesses

Rotating Machine

Remanufacturing of electrical & mechanical rotating machines in rail & ports industry for the Locomotives, Coaches and port equipment components.

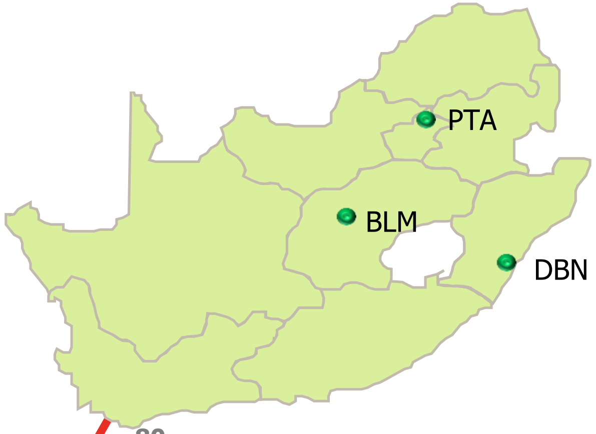
Maintenance Engineering Services

An Integrated Maintenance Value Chain (Technical Advisory & Consulting Services, Maintenance Planning, Management, Material Logistics, Skills Transfer, Specification & Standards), Asset Life Cycle Management, Tech Fleet Management

The infrastructure that drives our service delivery …

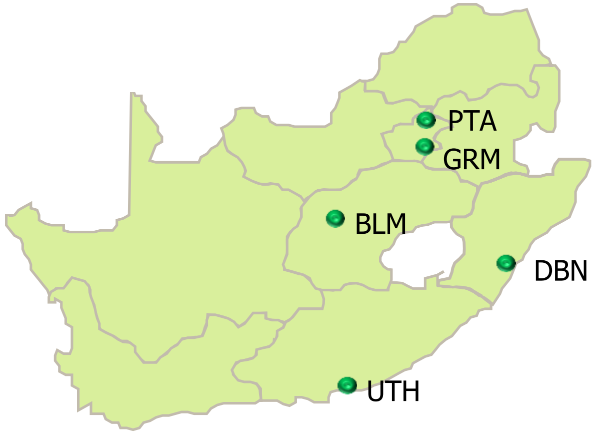
1 Locomotive

TE Capability	Capacity p.a.
New build Manufacture	45
Re-Manufacture	275
Maintenance	2500



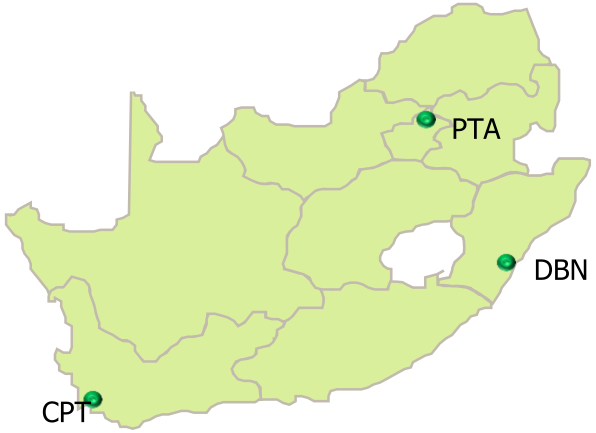
2 Wagon

TE Capability	Capacity p.a.
New build Manufacture	4 500
Re-Manufacture	4 000
Maintenance	100 000

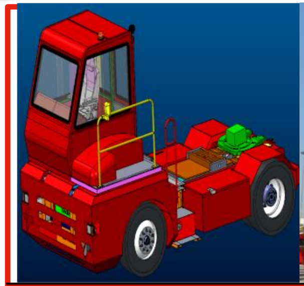


3 Passenger Coach

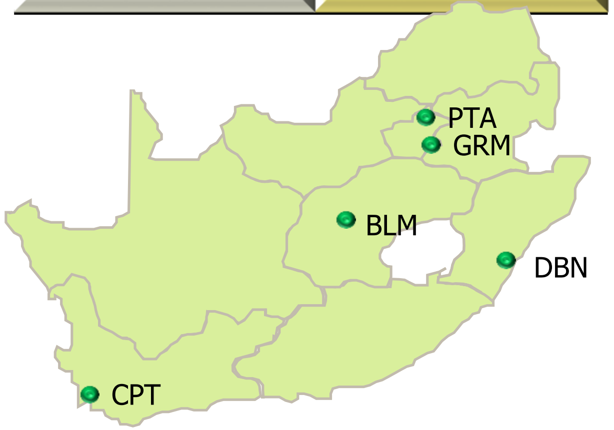
TE Capability	Capacity p.a.
New build Manufacture	100
Re-Manufacture	450
Maintenance	500



4 Ports Equipment




TE Capability	Capacity p.a.
New build Manufacture	OEM partnerships
Re-Manufacture	Various equipment
Maintenance	

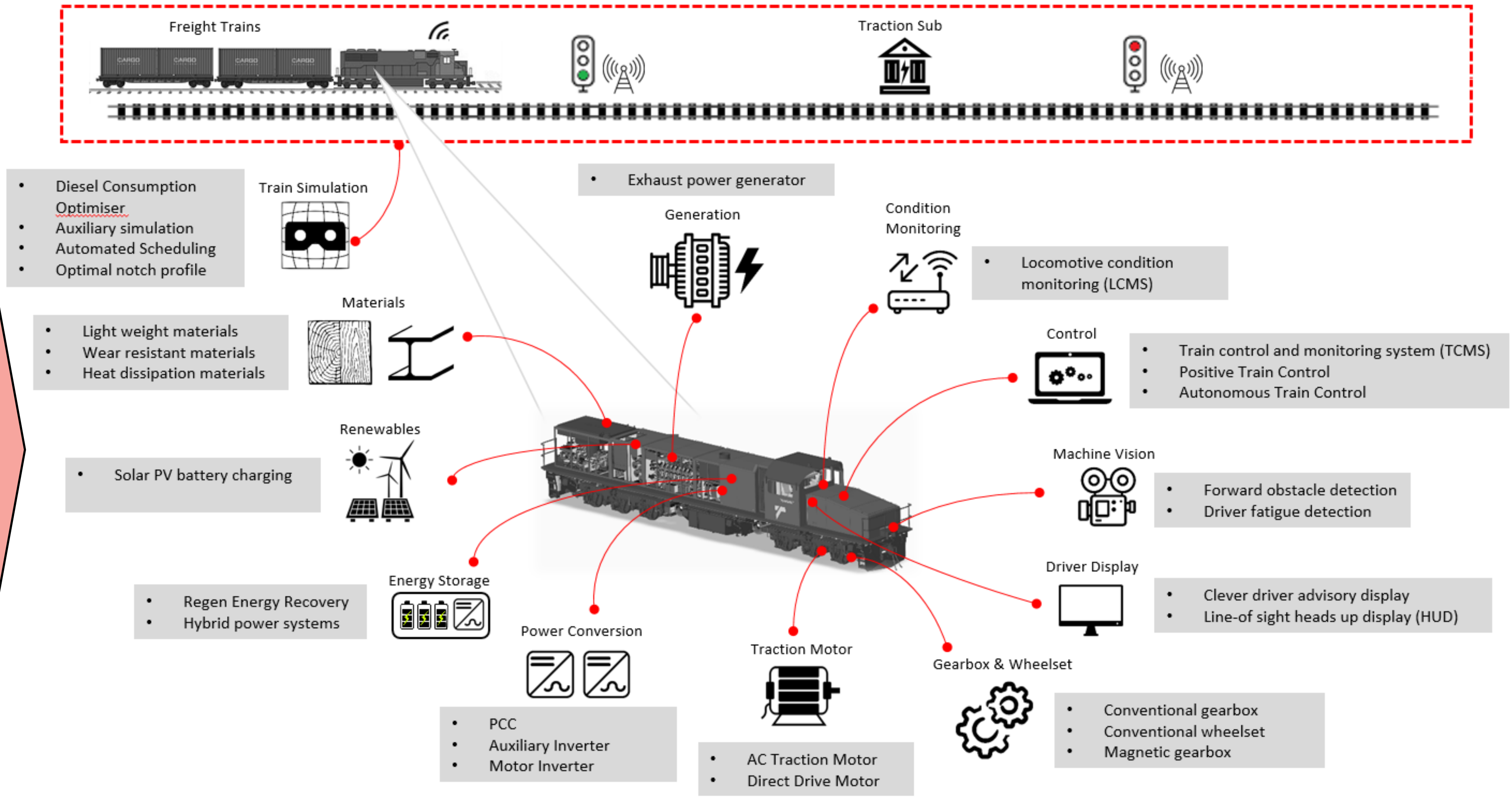


Foundries, Power Electronics, Heavy Engineering

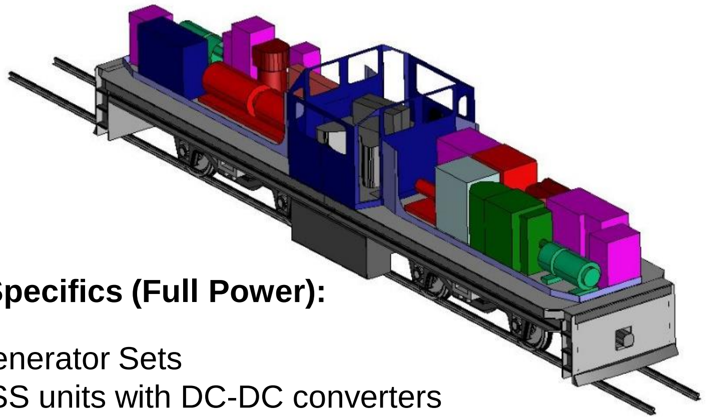
Research & Development – investing in the future …

<u>Focus Areas:</u>

1. **Reducing cost of doing business.**
2. **Reducing imports where economically viable.**
3. **Moving Transnet towards being a smart system.**

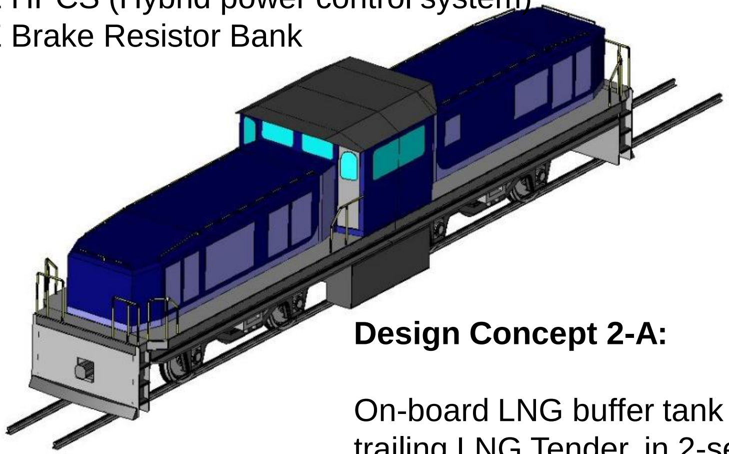


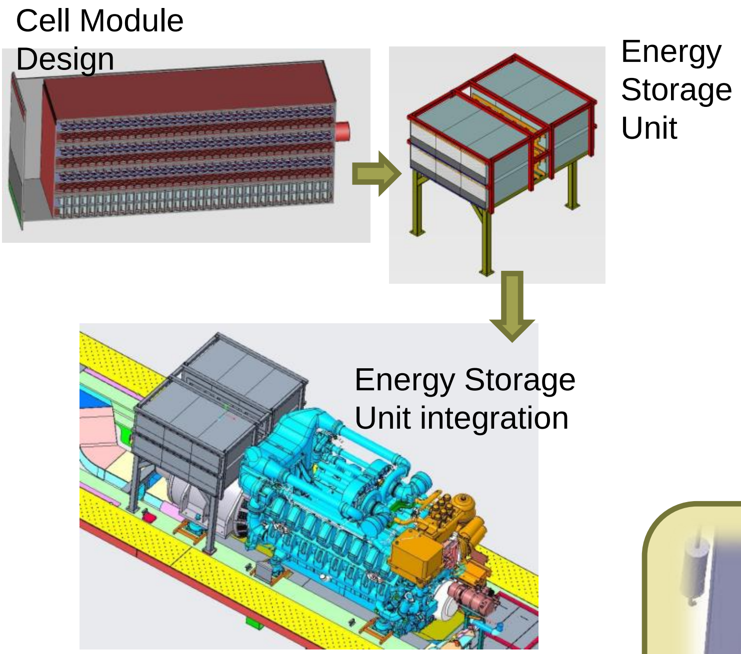
Examples of R&D Capability – alternate energy …

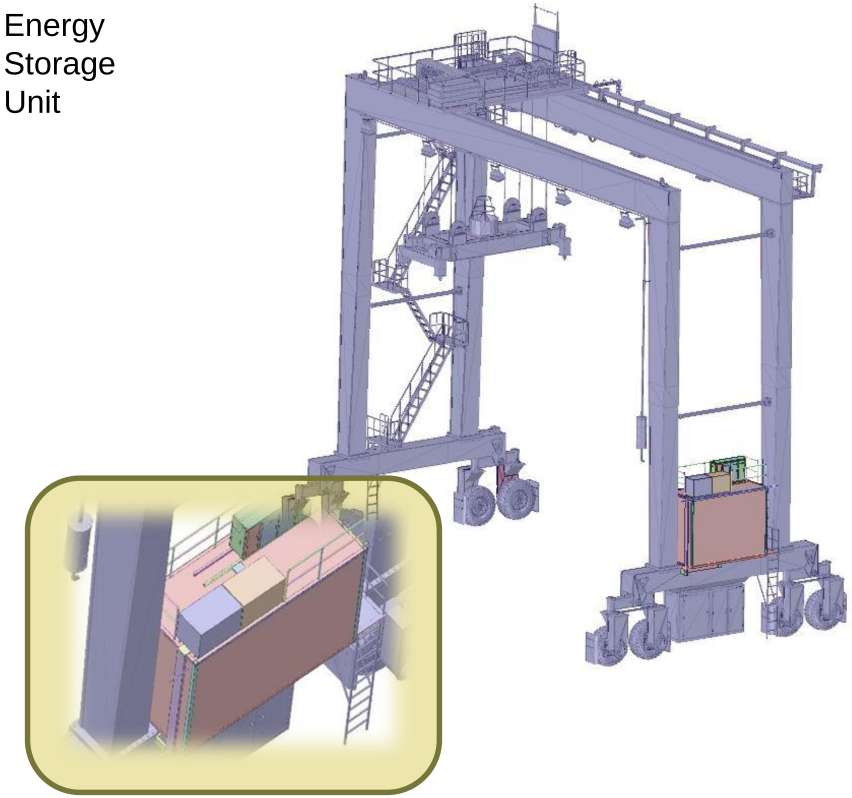


Vehicle Specifics (Full Power):

- 2x Generator Sets
- 2x ESS units with DC-DC converters
- 2x TE power conversion cubicle
- 4x TE traction motor
- TE TCMS (control)
- TE LCMS (monitoring)
- TE HPCS (Hybrid power control system)
- TE Brake Resistor Bank

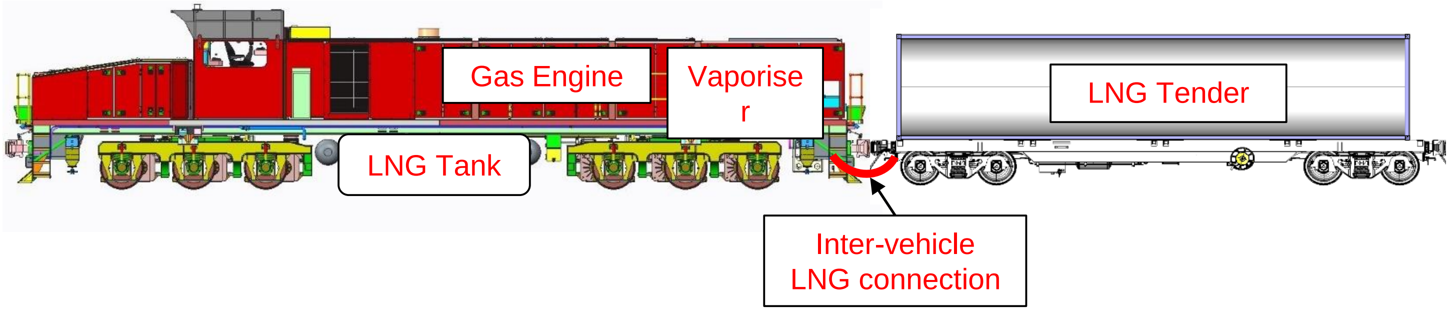






Design Concept 2-A:

On-board LNG buffer tank with trailing LNG Tender, in 2-set consist



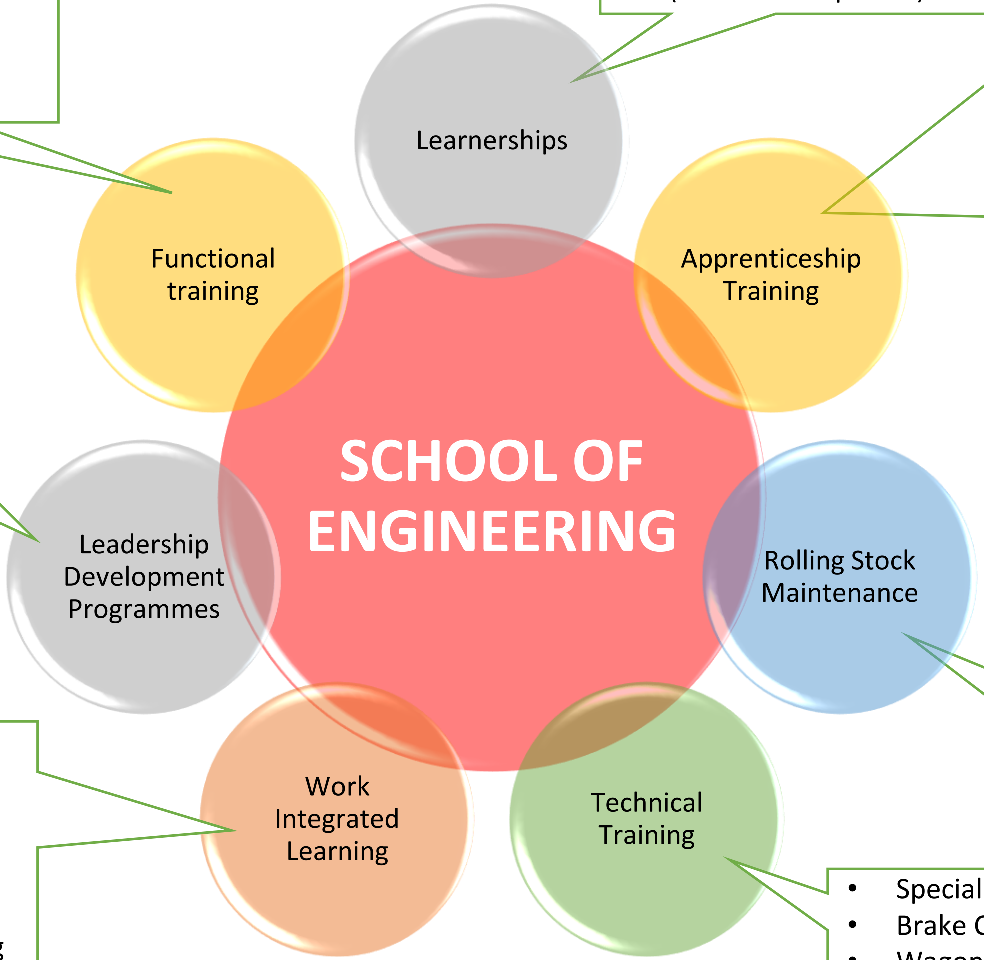
School of Engineering – investing in people …

- Lifting Machine Operations (LMO)
- High Voltage Regulations (HVR)
- Web Based Learning:
- Logistics Training

- Diesel Electrical Fitter (Rural Development)

TRADES

1. Electromechanician
2. Electrician
3. Millwright
4. Wagon Fitter
5. Welder
6. Electrical Fitter
7. Diesel Electrical Fitter
8. Toolmaker
9. Plater
10. Turner Machinist
11. Blacksmith
12. Armature Winder
13. Sheet Metal Worker
14. Boiler Maker
15. Fitter
16. Fitter & Turner
17. Diesel Mechanic
18. Vehicle Builder



- Supervisory Development Programme

- Wagons Examiner & Repairer
- Wagons Maintenance Assistant
- Shedding
- Diesel Engines
- Coach Maintenance

- Engineers-in-training (EIT's)
- Technicians-in-training (TIT's)
- Young Professionals (GIT's)
- Apprenticeships (On-the-job)
- ARPL (Recognition Prior Learning

- Specialised Electric & Diesel Locomotive Training
- Brake Courses.
- Wagons Training
- Integrated On-board Operating Systems (IOOS)

Covid-19 Impact and Performance

Covid-19 impact on FY 2021 Performance

- During Level 5 of Lockdown, TE operations were operating with minimal employees who were supporting essential services which worked closely with TFR in terms of in-service maintenance at essential corridors and lines. All other activities were on lockdown.
- The gradual on-boarding of employees started to take place during Level 4.
    - TE's operations were therefore severely impacted. Revenue is 58% below budget mainly due to a low start of operations during Covid-19 lockdown.
    - Approximately 2000 employees cannot return to work immediately, due to various co-morbidities and age factors.
    - In mitigation, TE is on-boarding Fixed term contractors and working overtime, while the assessment of fitness to work is performed.

TE Covid-19 Cases

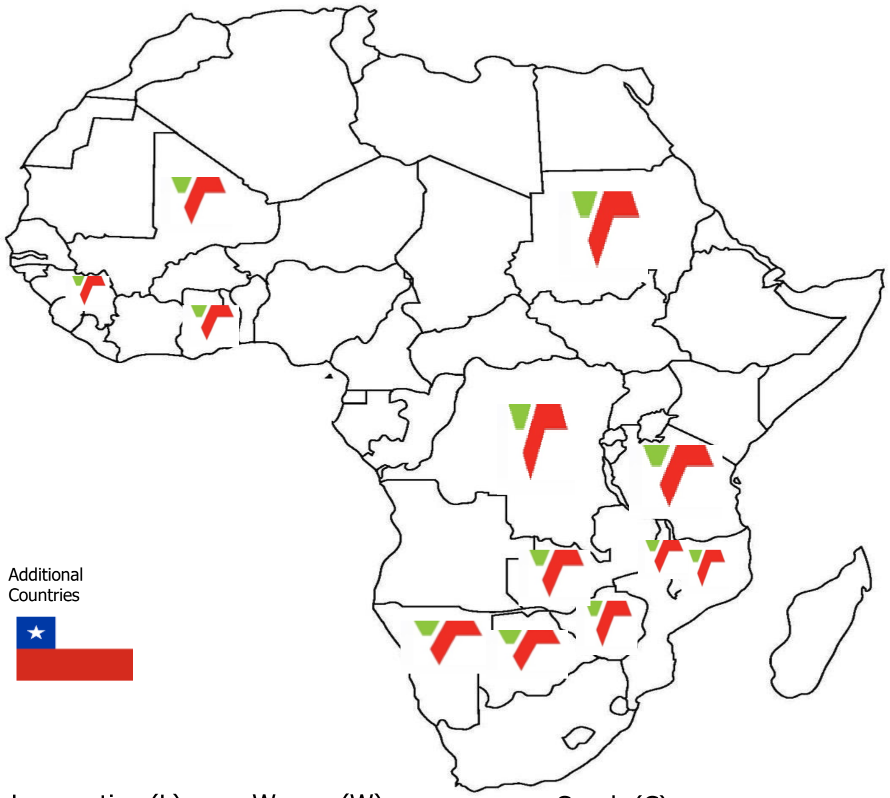
As 27 August 2020, TE recorded 448 cases of Covid 19 and suffered 8 fatalities due to the pandemic.

TE continues to support employees through Employee Assistance Program, testing and issuing of Personal Protective Equipment. Awareness and educational campaigns through internal communication and social media are continuing.

To safeguard the health of employees, the organisation has to date spent R45million towards Covid-19 support.

TE will continue to support the employees while improving its operational performances through on-boarding of additional resources as and when required.

Broadening our horizons …



Locomotive (L)

Wagon (W)

Coach (C)

We have currently offered a variety of products and services in the following countries:

Country	Type of offering
Zimbabwe	Locomotives
Botswana	Locomotives, Wagons
Zambia	Locomotives, Wagons
Malawi	Coaches
Sudan	Wagons
Chile	Wagons
Guinea Conakry	Wagons
Ghana	Wagons
Tanzania	Locomotives, Wagon
Namibia	Locomotives
Democratic Republic of Congo	Locomotives, Wagons
Mali	Locomotives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18 713
Transnet Property

CONTENTS

TRANSNET PROPERTY AT A GLANCE

About Transnet Property

- Manages a portfolio of commercial and residential properties with a book value of R6,5 billion. The remainder of the property portfolio is still managed by Operating Divisions.
- Established on 1 January 2008 by merging Propnet and Transnet Housing.
- It was seen only as a Strategic Support Unit not focused on growth, but a corporate centre function providing services to the group by managing the non-core and strategic property portfolio, pending disposal or utilization by business and providing corporate real estate services.
- Since the late 1980's very little investment and maintenance was done on the portfolio and the quality thereof as well as management capacity and skills base were therefore badly eroded over a protracted period of time.

Core activities

- *Portfolio management* - Leasing, lease administration (billing and collections) and facilities management.
- *Specialist property services* - property valuation, municipal valuation monitoring, land surveys and registration, property inventory management and geographic information, as well as records and deeds management.

Asset base and facilities

- The property portfolio currently consists of commercial and residential assets. The commercial portfolio consists of offices, warehouses, workshops, retail and land. Residential property consists of vacant stands, houses and mass housing comprising of hostels, lodges and line camps.

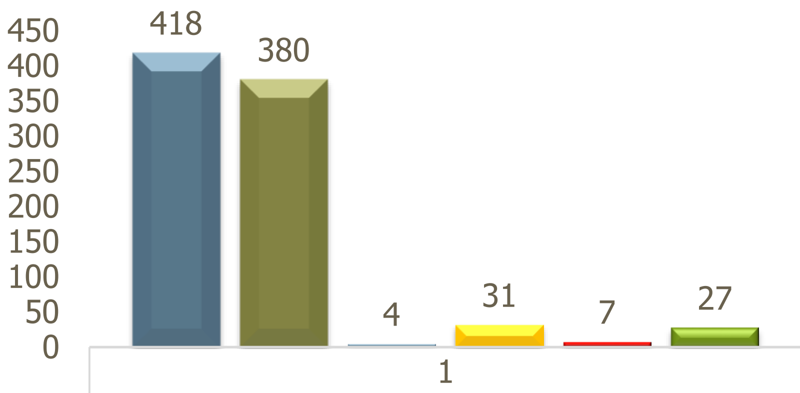
Geographic spread

- *Regional offices*: Johannesburg (Inland), Durban (Eastern), Cape Town (Western), Port Elizabeth (Central) and the Carlton Centre.

Sub-offices: Pretoria, Bloemfontein, Kimberley, Empangeni and East London.

TRANSNET

COVID-19 IMPACT ON STAFF



	1
TP Headcount	418
Working from home	380
Vulnerable Pregnant	4
Vulnerable Chronic	31
No tools of trade	7
Vulnerable 60+	27

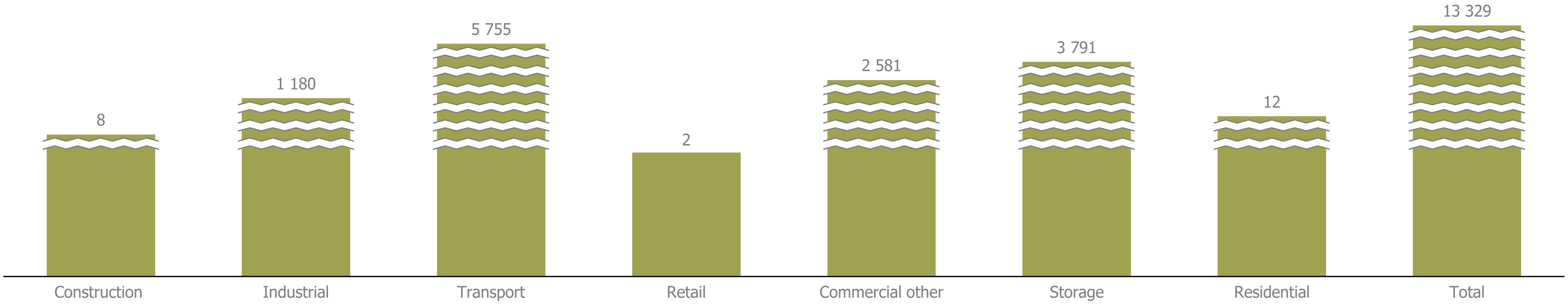
Notes

- 18 employees confirmed covid-19 positive, all 18 have since recovered.
- 14.8% of headcount are vulnerable employees.
- Total chronic declarations = 58. 41 risk assessments completed: 14 declared unfit for duty, 17 pending risk assessments, 27 declared fit for duty.

Mitigation plans

- Transnet COVID-19 Protocols implemented to prevent the spread of COVID-19.
- Remote working guidelines implemented where facilities are not able to accommodate all staff due to social distancing.
- Screening of employees and visitors implemented to identify any persons who may have COVID-19 symptoms.
- Facilities champion appointed to co-ordinate operational readiness plans including deep cleaning and distribution of PPE.
- Risk assessments are continuously implemented in order to assess vulnerable employees and readiness for resumption of duty.
- Collaboration with ICT to address locked down employees with no tools of trade. No tools of trade employees decreased from 23 to 7.

IMPACT OF COVID-19 FOR QUALIFYING TENANTS AS PER GUIDELINE

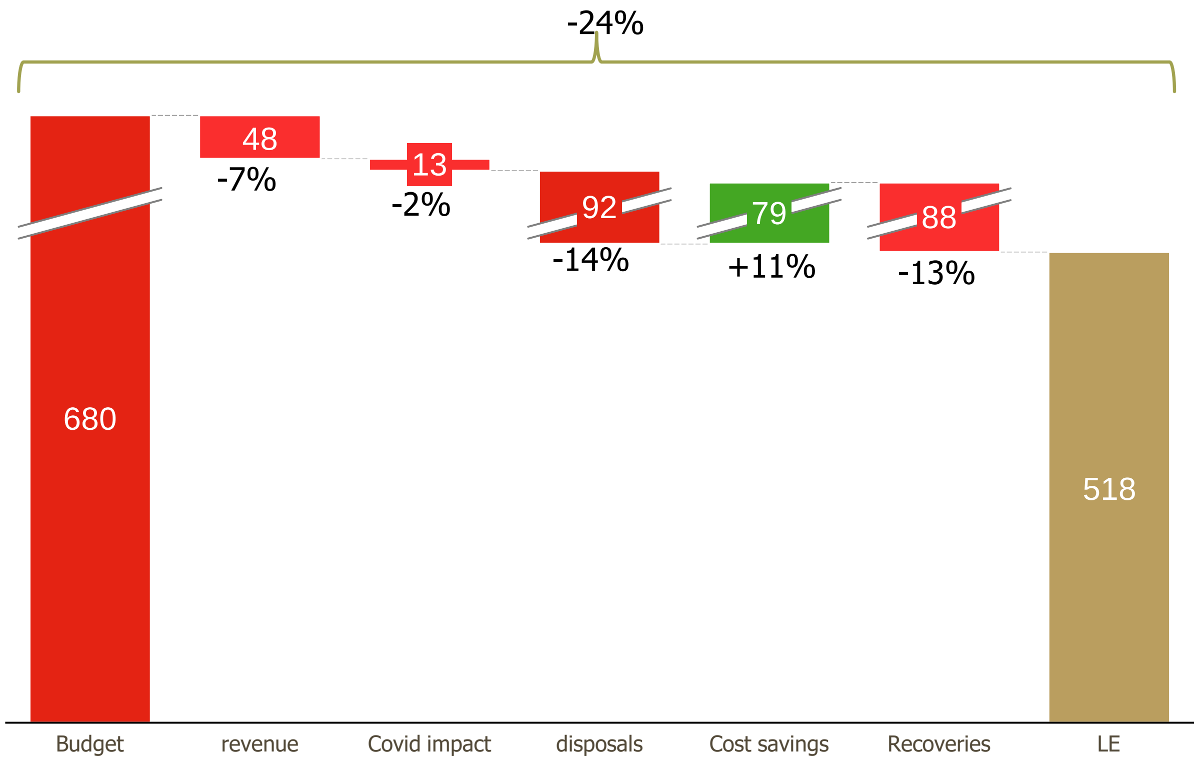


Guideline for the provision of relief

Category	Relief Type	Payment Recovery period
Highly Impacted retailers – Restaurants, hair salons, travel agents, boutiques store etc.	25% to 55% discount for April and May plus 3 months rental deferment of the remaining balance	6 months, interest free, with deposit utilization agreements where applicable.
Other impacted non-retail tenants – office, industrial, warehousing etc.	3 months payment deferment	6 months, interest free, with deposit utilization agreements where applicable.
SOE's Government departments and municipalities	No relief	N/A
Retailers and other companies offering essential services	No Relief	N/A
Transnet employed residential tenants	No Relief	N/A
External residential tenants	Up to 100% discount for 3 months and further payment deferment relief	Up to 12 months, interest free, with deposit utilization agreements where applicable.

LOOKING FORWARD 2020/21

Trended Ebitda estimate



Note:
- External lease decrease due to anticipated new lease not materializing
- Recoveries are below budget as a result of delays in the installation of meters.
- Planned disposals placed on hold due to capacity constraints and delays in finalization of property strategy

Gap to Target

R162m

Initiatives to bridge EBITDA Gap

- Expected additional disposals to end of the year
- Savings on discretionary expenditure
- Review of ancillary services on all lease contracts
- Improve recovery of property administered costs

CHALLENGES WITH THE RESIDENTIAL PORTFOLIO

Residential Units

- High holding costs;
- Dilapidated structures which poses health, safety, financial and reputational risk;
- High rate of rental defaults from external tenants;
- Illegal subletting of properties leading to overcrowding;
- Poor recoverability of municipal service charges
- Some legal tenants do not qualifying for housing loans;
- Indigent tenants;
- Transnet pensioners still occupying the houses;
- Unions dictating purchase price and want sales to be confined to employees;
- Lack of maintenance of the portfolio;
- The need to utilise the residential portfolio to exclusively accommodate employees in terms of the Housing strategy.

Hostels

- Overcrowding which creates safety risks and crime.
- Financial risk due to escalating holding costs.
- Disinvest from the non-performing portfolio.
- Dilapidated structures which poses health, safety risk.
- High rate of rental defaults.
- Poor recoverability of municipal service charges
- Lack of maintenance of the portfolio over many years.
- Lack of proper administrative controls of the hostels.
- Some of the hostels are unlawfully occupied and controlled by undesirable elements.
- Any disposals will be subject to eviction processes or the provision of alternative accommodation by the municipality concerned.

DISPOSAL APPROACH FOR RESIDENTIAL UNITS

The strategic options for disposal of residential property

- To sell the properties to Transnet employees at market value.
- Employees who are blacklisted and not qualifying for housing loans will continue to rent the premises until they are cleared to obtain a bond.
- Debt counsellor to be appointed to assist employees who are blacklisted to improve their debt to income ratio.

Houses occupied by external legal tenants

- Where there is no demand for employee houses, lessee be afforded a right of first refusal as stipulated in the DPE Disposal Guidelines.
- Lessees who are not qualifying for a housing loan must be given 3 months notice to vacate the premises.
- External tenants who do not qualify for home loans and unlawful occupants must be evicted and the property made available to Transnet employees for leasing in line with housing strategy and waiting lists;
- It is proposed that special dispensation be made for Indigent tenants.

NUMBER OF HOSTELS

#	Name	Area	Size (Hectares)
1	Langlaagte Hostel	Johannesburg	1,82
2	Kaserne Hostel	Johannesburg	3,58
3	Sentrarand Hostel	Springs	32,59
4	Tembisa Hostel	Kempton park	1,90
5	Welgedagt Hostel	Springs	4,55
6	Witbank Hostel	Witbank	0,88
7	Koedoespoort Albert Kuit (commercial lease)	Pretoria	3,80
8	Eerstevlakte Hostel (totally hijacked)	Pretoria	2,15
9	Waterval Boven Paul Kruger (commercial lease)	Waterval Boven	0,55
10	Klerksdorp (commercial lease)	Klerksdorp	0,42
11	De Aar	De Aar	0,32
13	President Steyn	Bloemfontein	0,58
14	Langa / Khwezi (totally hijacked)	Cape Town	2,16
15	New Brighton	Port Elizabeth	7,40
16	Umlazi	Durban	25,47
17	Imbali	Pietermaritzburg	21,92
18	Louwville Hostel	Vredenburg	0,25
19	Ermelo Hostel	Ermelo	0,75

DISPOSAL OF HOSTELS TO THE MUNICIPALITIES

- Transnet and National Department of Human Settlements concluded an MOU to facilitate release of vacant land, buildings and hostels for human settlements development.
- Transnet is engaging Municipalities through Joint Coordinated Committee to dispose hostels at R1 nominal value.
- Municipalities to be requested in writing to seek council resolutions and to make a commitment to acquire the hostels.
- For the hostels that will remain with Transnet, the Transnet housing strategy will be implemented.

PORT MASTER PLANNING

Review the long term port plan and transfer the following properties from Transnet Properties to Transnet National Port Authority (TNPA):

- Ambrose Park in Durban
- Durban Dig Out Port (DDOP)
- East London Oil Terminal
- Culemborg in Cape Town

Private & Confidential

Transnet Pipelines Report

Contents

Transnet Pipelines Overview

Three Regulated Business Activities

Petroleum

Storage

Gas

Summary indicator	Petroleum	Storage	Gas
Revenue (Rm) 2019/20	5 504,29	53,74	114,4
RAB 2020/21 (Rm)	33 278.76	207,31	955,39
# Intakes	5	2*(Note1)*	1
# Offtakes	10	2*(Note2)*	8 (Areas)
Operating Cost Tariff Rfd (Rm)	1 423,26	27,23	15,5
Tariff Increase (2020/21)	11,60%	-57,%	10,6%
People shared across business		674	

Note 1 Pipeline and Rail from Matola
Note 2 Road and Rail

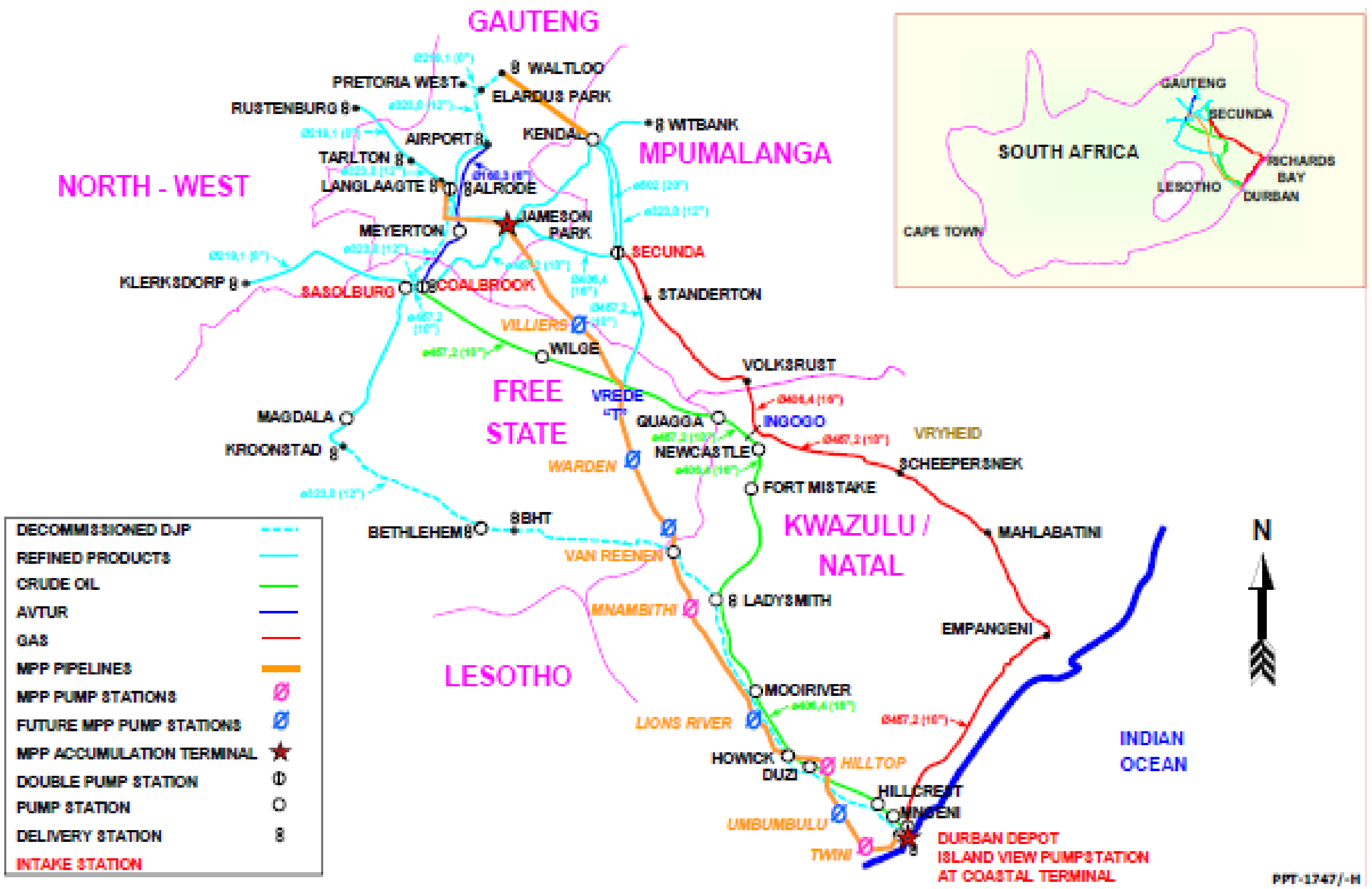
Summary

- TPL is the largest multi-product pipeline operator in southern Africa, transporting liquid petroleum and methane-rich gas through a network of 3 800km of pipeline infrastructure.
- TPL is regulated by the National Energy Regulator of South Africa (NERSA) in its piped gas, petroleum pipeline and storage businesses.
- NERSA sets tariffs for petroleum pipelines and approves storage and Gas tariffs on a rate of return methodology.
- The core strategic objective of Pipelines is to ensure security of supply of the petroleum product in the inland market.
- The pipelines offer integrated supply chain solutions from source to destination whilst ensuring the best safety practices, optimum service reliability and meeting customer requirements at all times through capable human capital.
- The annual petroleum volumes contribution to the inland market is approximates 17 Billion Litres and generates an annual revenue of approximately R5.7 Billion.
- The has a total asset base is R43b
- TPL has 674 employees

TPL transports:

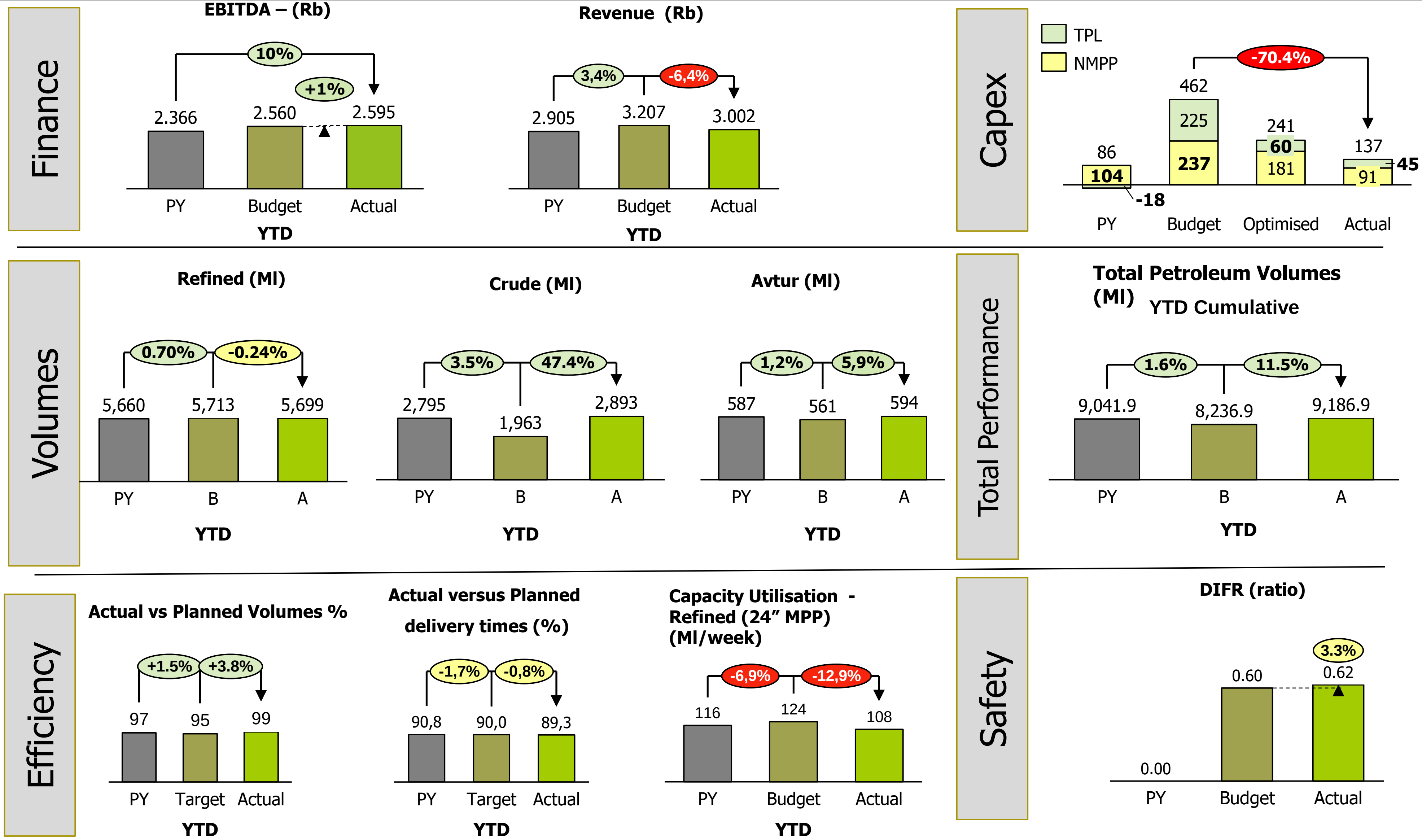
- Two grades of Petrol (ULP 95 a and ULP 93), Diesel (D10 and D50), Avtur, Crude and Methane-rich gas
- More than 70% of all refined product required for the inland market;
- More than 70% of all jet fuel required at OR Tambo International Airport;
- 100% of crude requirements for the Natref refinery;
- 100% of methane-rich gas requirements to KwaZulu-Natal from Secunda;
- 100% of Tarlton Distribution Terminal volumes of which 35% are distributed cross-border.

Geographic Footprint: Petroleum and Gas network

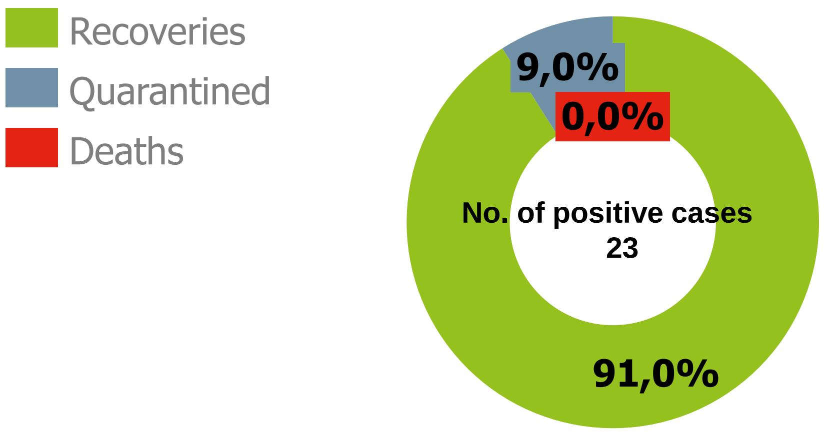


TPL Operational Efficiency YTD Cumulative – September 2019

Prior period
Budget
Actual/LE

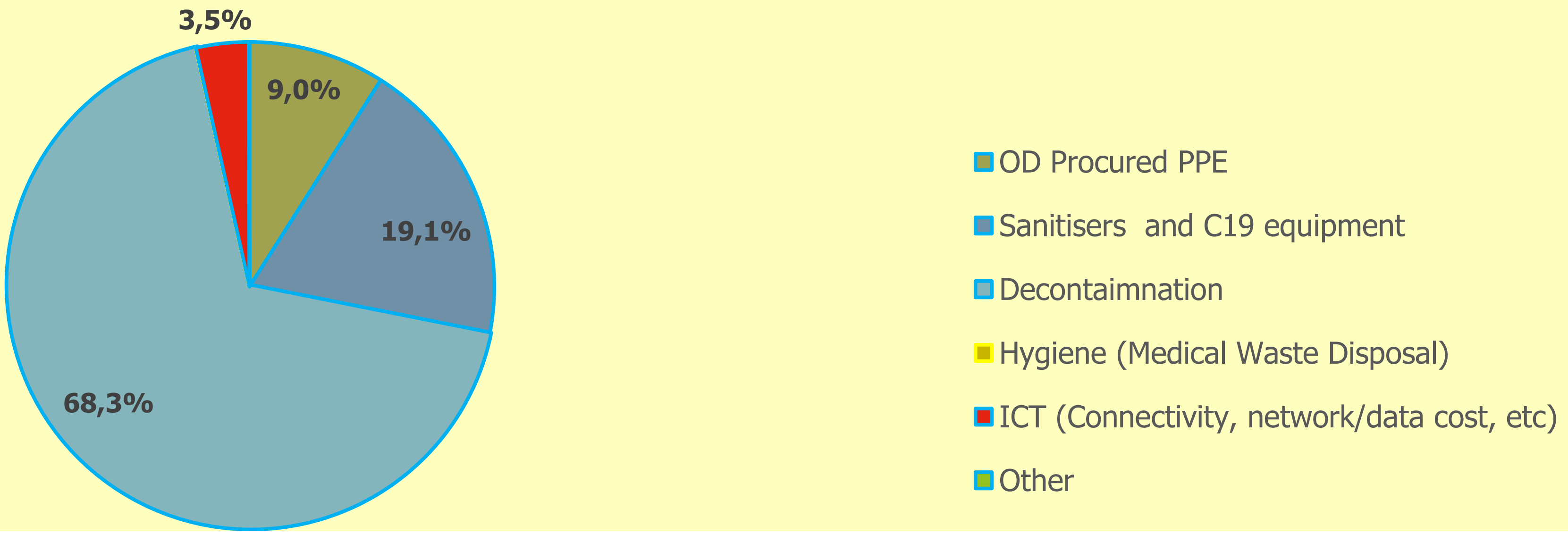


TPL Covid-19



- There are 73 individuals classified as high risk.
- Screening is done in all sites.
- People are provided with appropriate PPE.
- 4 People on self quarantine

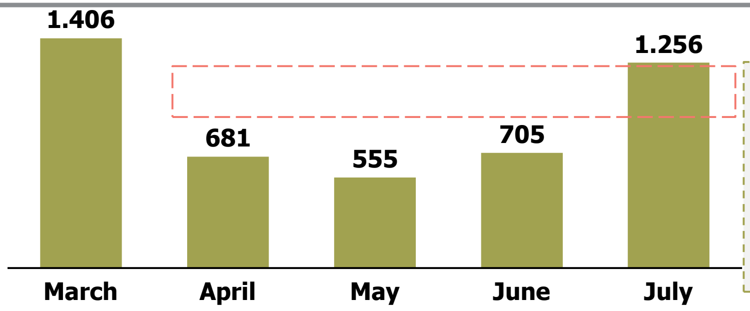
Covid19 cost Breakdown R6.56m



Monthly Volume Analysis

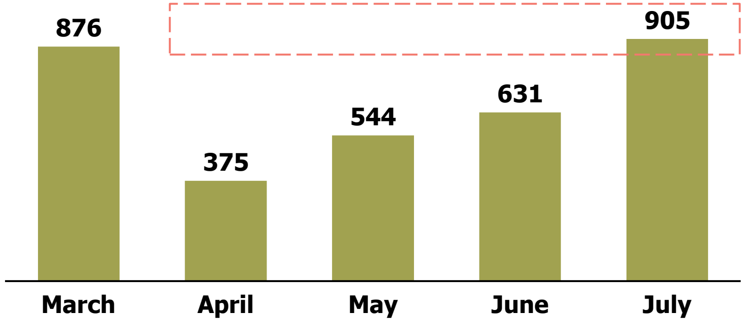
YEAR TO DATE JULY 2020

Pipeline Volumes (Bl)



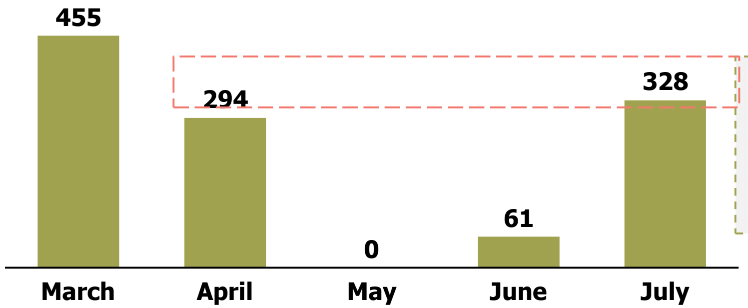
- TPL experienced a sharp 51% decrease in volumes in April 2020 after the introduction of Level 5 Lockdown
- This is due to the closure of the economy which resulted in closure of key economic industries and refineries as a result of low demand.
- Although Refineries are now up and running, they are not operating at full capacity due to low market demand.
- NMPP capacity utilisation continues to be lower than budgeted, mainly due to interruptions caused by product theft (52 Fuel theft incidents) on the MPP 24" line.

Refined



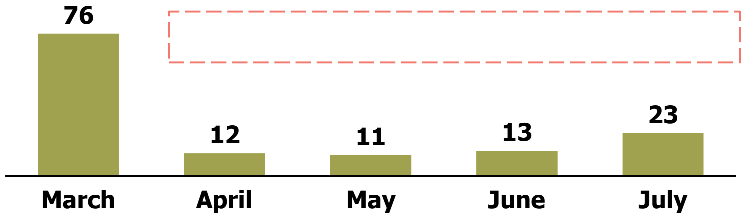
- The lockdown resulted in the low demand for refined products as most key industries were forced to shutdown in line with the Covid19 restrictions .
- The refined is also highly impacted by the ongoing fuel theft that TPL is facing
- In some cases the line had to be shutdown for a longer period while being repaired

Crude



- The Crude Volumes were affected by closure of the inland refinery
- With the easing of the lockdown, volumes have shown a significant increase in July 2020
- Inland refinery still not operating at full capacity

Avtur



- The closure of international travel is the main contributor to lower Jet Fuel consumption
- The uncertainty on the opening of international travels has resulted in lower forecasted Jet volumes.
- The average stock days as at week 21 were 30 days versus the normal required 5 days

Volume Scenarios Developments (Realistic)

Micro Assumptions (MA1): Executions

- Lower executions rate were assumed based on the closed economy

level restriction assumptions

- Stricter level restriction were assumed based on Group Capital guideline

10 931

April 2020

10 270

June 2020

1) Micro Assumptions (MA1): Executions remained the same

2) level restriction assumptions:

- Updated to Level restrictions based on revised guideline from Group Capital June

1) Micro Assumptions (MA1): Executions

2) level restriction assumptions:

- Updated to Level restrictions as received in June

3)Actual Performance

- Updated actual for June and July

11 242

July 2020

12 656

Latest Estimate

1) Micro Assumptions:

- Executions updated in line with lowering of lockdown restrictions

2) level restriction assumptions:

- Level restrictions as received in June

3) Actual Performance

- Updated actual for June and July
- To be updated end of August 2020

4) Revenue = R4.1b

Volume Forecast

- July execution was at 97% due to opening as the economy Level 3
- August assumed to be level 3 with lower execution level of 75%
- September to October higher due ploughing season
- December to Jan lower due to holiday season

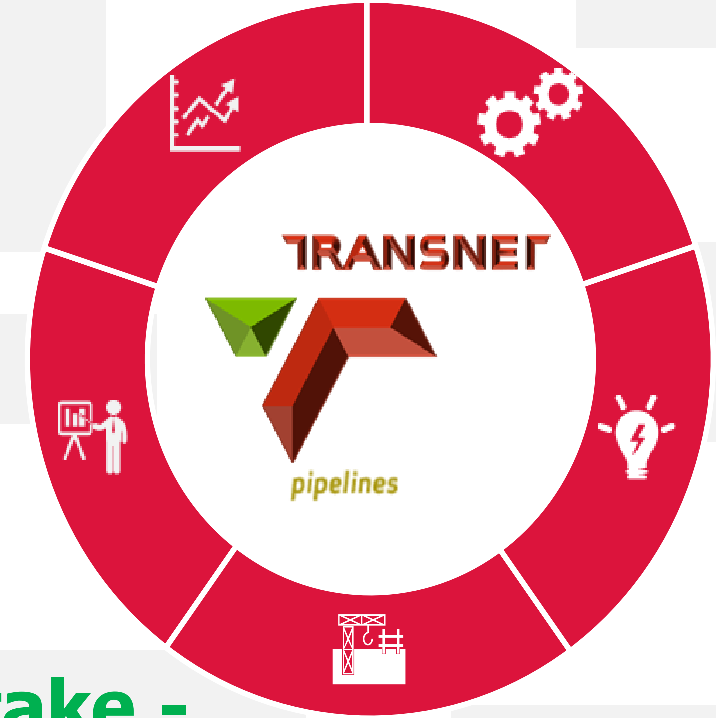
Months	Refined	Crude	Avtur	Total	Budget	Variance (%)
APR	375	294	12	681	1 503	- 54,7
MAY	544	-	11	555	1 384	- 59,9
JUN	631	61	13	705	1 483	- 52,5
JUL	905	328	23	1 256	1 491	- 15,8
AUG	723	333	22	1 077	1 511	- 28,7
SEP	837	354	35	1 227	1 510	- 18,8
OCT	908	335	32	1 275	1 562	- 18,3
NOV	916	341	33	1 290	1 580	- 18,3
DEC	704	290	22	1 017	1 428	- 28,8
JAN	809	310	34	1 152	1 418	- 18,8
FEB	780	327	30	1 137	1 394	- 18,5
MAR	847	397	39	1 284	1 391	- 7,8
Total	**8 979**	**3 371**	**306**	**12 656**	**17 657**	**- 28,3**

Key Focus Areas

Customers

Cost Control

People



Safety and Security

External Stake - holder Management

Asset Utilization

Product Theft Incidents

- Since 2019, Transnet Pipelines have experienced an unprecedented increase in theft incidents on the petroleum pipelines and associated infrastructure. Due to the inherent dangers of tampering with high pressure petroleum pipelines, these theft incidents have resulted in fire and other asset damages, environmental incidents, as well as serious injuries and/or fatalities.

- The theft incidents are mostly concentrated in the Mpumalanga and Gauteng areas.

- Transnet Pipelines have implemented various action plans to address these theft incidents and dangerous activities, some of which have yielded positive results.

- Law Enforcement agencies are on board and conducting various “sting” operations to apprehend the criminals.

Product Theft Statistical Information as at end of 25 August 2020

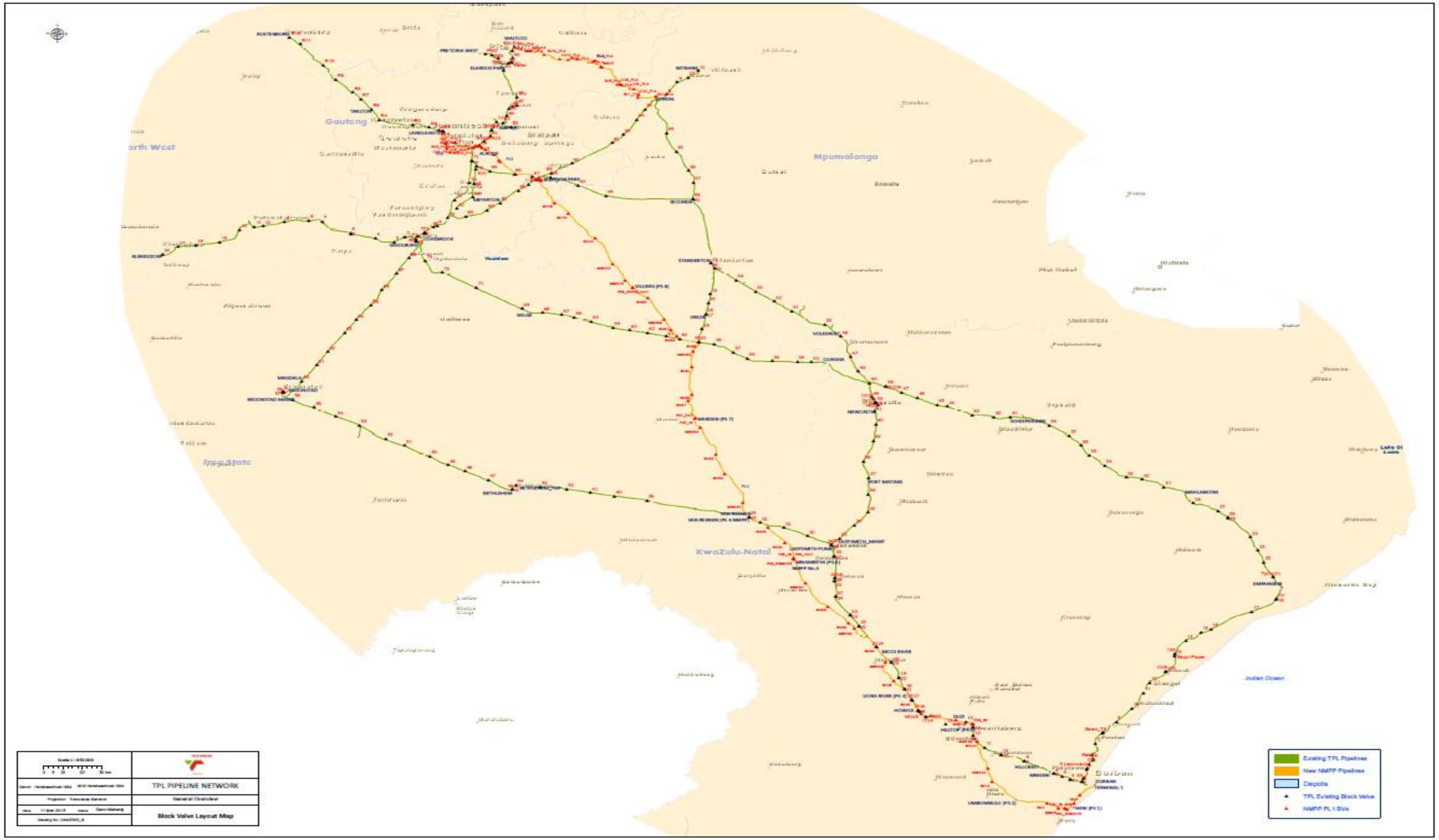
Details	Annual 2019/20	August YTD 2020/21	Cumulative 2019/20 and 2020/21
Actual Theft Incidents	143	62	205
Attempted Theft Incidents	38	7	45
Total	**181**	**69**	**250**
Illegal Pipeline connection Holes	**28**	**46**	**74**
Cases Reported	80	48	128
Suspects arrested	84	14	98
Vehicles Impounded	25	3	28
Tankers Impounded	30	8	38

Details	Annual 2019/20	August YTD 2020/21	Cumulative 2019/20 and 2020/21
Diesel Loss (lt)	6 872 786	3 670 621	10 543 407
Unleaded Petrol (lt)	4 737 891	1 448 329	6 186 220
Avtur (lt)	110 422	-	110 422
Crude (lt)	152 815	120 000	272 815
Intermixture	-	50 836	50 836
Total (lt)	**11 873 914**	**5 289 786**	**17 163 700**

1. One conviction secured -Sentencing expected in September 2020

2. 16 people arrested last week in August alone – bail denied

Heat Map of Block valves and illegal holes



Hot Taps (Illegal Pipeline Connections)

Risks : Hot Taps (Illegal Pipeline Connections)

Risk	Impact	Probability	Mitigating Actions
Environmental Impact	• Product spills causes damage to environment • Significant cost to clean up spillages • Financial claims from landowners	Highly Likely	• Environmental companies contracted to assist with "clean-up". • Currently, investigating opportunities to reduce costs of environmental clean up.
Fire/ Explosion	• Loss of life	Likely	• Emergency response teams on standby • Continuous monitoring of servitude to apprehend criminals and close off any "holes" found on the pipeline. • Specialised pipeline technical teams to effect repairs to the pipeline.
	• Surrounding property damage (built up areas, settlements)	Likely	
	• Damage to pipeline infrastructure	Highly Likely	
Loss of income	• Sustainability	Likely	
	• Product loss (transport element)	Highly Likely	• Insurance (stop loss is R100m per incident)
Security of Supply	• No supply of product to Client • Stock-outs in Inland market	Highly Likely	• Accumulation facility at Jameson Park (7 days)
Reputation	• Reputation of the company negatively impacted resulting in various adverse consequences including and not limited to financial.	Highly Likely	• All of the above and see preventative measures.

Preventative measures are in progress to mitigate against hot taps on the pipeline. This includes:

- Intruder detection technology on the pipeline. This technology will be supported by the fibre optic cable (48 core) that was placed on the NMPP servitude. Requests for proposals have gone out to market and this will close on 1 Sept 2020.
- Situational Management on the servitudes which include satellite imagery and facial recognition technologies. The user requirements are currently being scoped and the business case is scheduled for a mid September 2020 completion.

Key Initiatives: Product Theft Incidents

Key Initiatives	Status
Smart Fences (Third Line of Defence)	The final scope of work was completed by the cross functional team.. The RFP had gone out to market on 7 August 2020. Award to be finalised in October 2020.
Block Valves intrusion detection (Second Line of Defence)	The letter of intent was issued to the successful bidder on 7 August 2020. Six test sites were identified with TPL Security and the finalisation of the Proof of Concept is underway.
Concrete Culverts (First Line of Defence)	The business case for the purchase of concrete enclosures within the block valve chambers will be presented at the Group Exco meeting on 1 September 2020 for approval.
Pipeline intrusion detection	The RFI was issued on 7 August 2020, advertised on the National Treasury website and closes on 1 September 2020.
Situational Management:	Three initiatives i.e. Facial Recognition, Satellite Imagery and Integrated Servitude & Technical Plan have been combined as one initiative: Situational Management. The scope of this would be to enhance the current situation management system to be installed at the NOC to include the servitude, and the pumpstations/terminals. The next steps would be to brainstorm and develop a user requirement specification to meet the above objective. The business case is expected to be completed by 15 September 2020.

TRANSNET

RISKS: HOT TAPS (ILLEGAL PIPELINE CONNECTIONS)

Risk	Impact	Probability	Mitigating Actions
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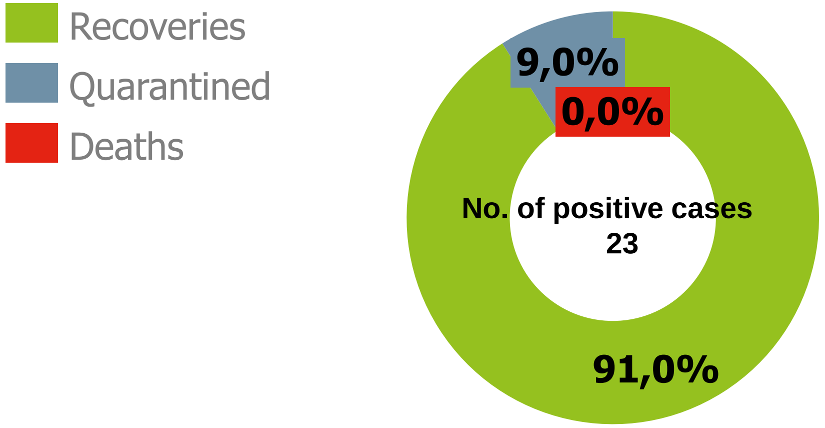

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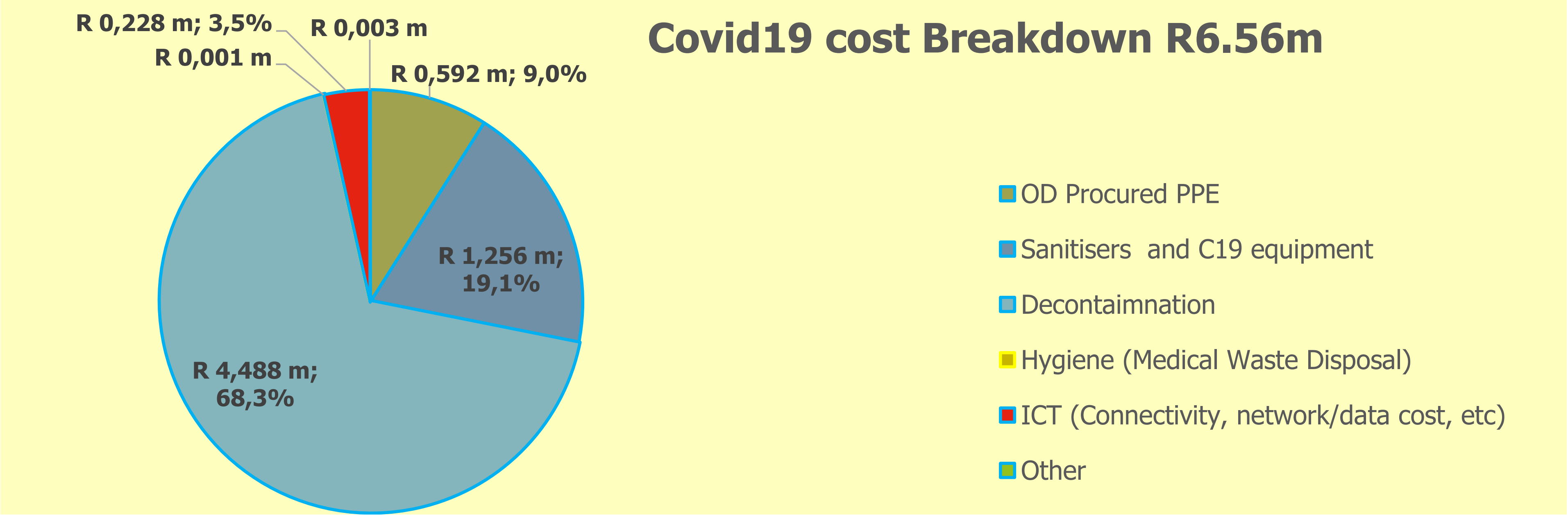

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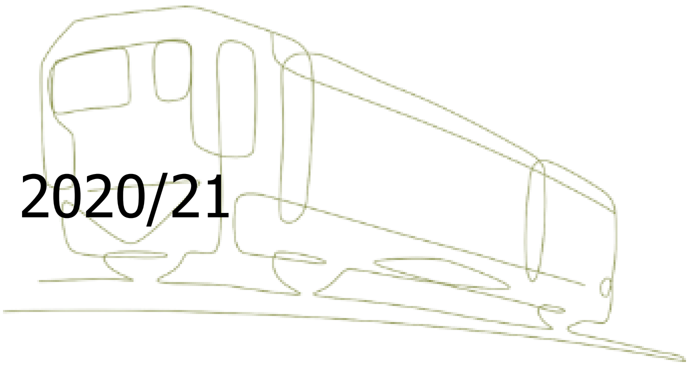
1. One conviction secured
2. Sentencing expected in September 2020

TRANSNET PORT TERMINALS

TRANSNET
delivering freight reliably

CONTENTS



1. Transnet Port Terminals – Who we are

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TPT plays a strategic role in the South African economy by enabling the efficient flow of imports, exports and transhipments through its cargo terminal operations. It provides services to a wide spectrum of customers, including shipping lines, freight forwarders and cargo owners.

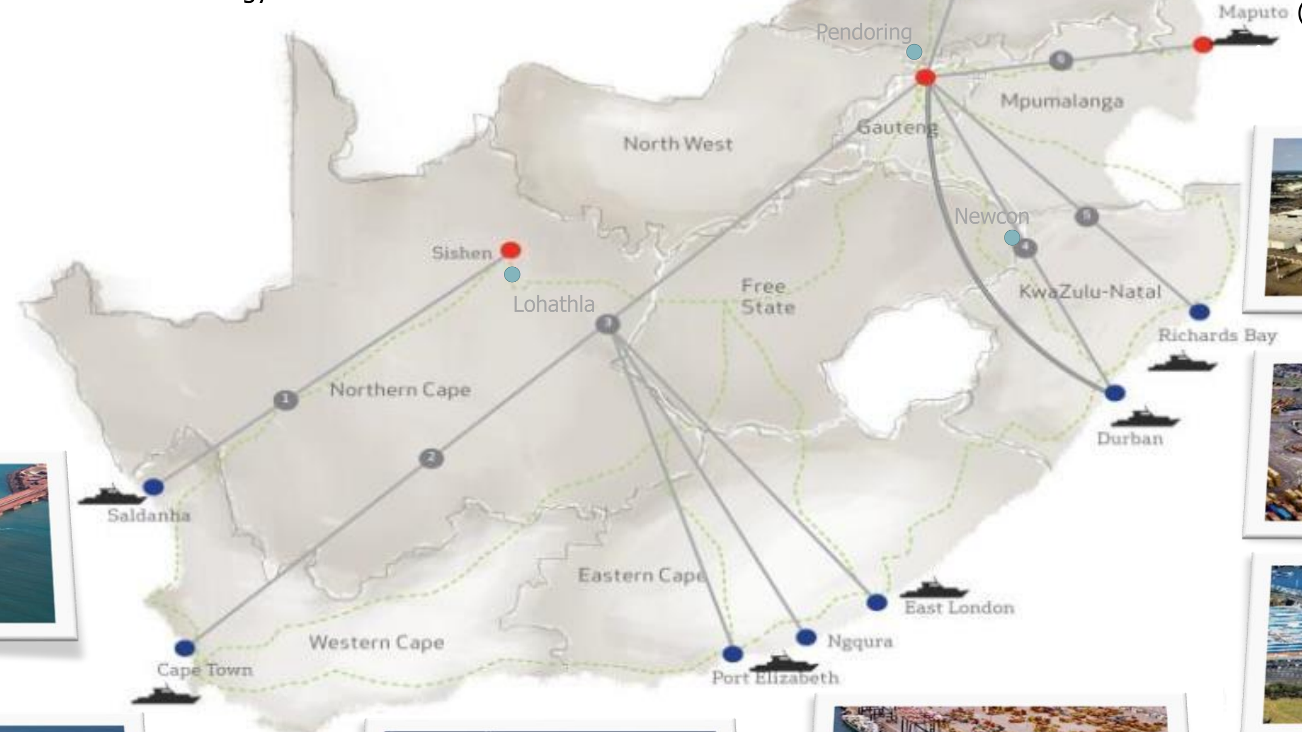
Operations are divided into four segments, namely, containers, dry bulk, bulk and automotive.

TPT's strategy of diversification includes the development of hinterland hubs that enables integrated rail-port solutions in support of Transnet's road-to-rail strategy.

TPT Infrastructure:

- 4 Container Terminals (19 berths)
- 3 Automotive Terminals (5 berths)
- 3 Mineral Bulk Terminals (10 berths)
- 6 Break Bulk Terminals (22 berths)
- 3 Inland Terminals (Lohathla, Pendoring & Newcon)

19 Terminals



Source Ports & Ships, based on monthly TNPA statistics and adjustments made by Ports & Ships to include container tonnages

2. Transnet Port Terminals: What do we do?

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TPT operates:
- Sixteen (16) port terminals in seven (7) South African commercial ports
- 3 Inland Terminals

Inland Terminals

Lohathla Inland Terminal
- Pit to Port service moving manganese
- Terminal Capacity: 1.2 mt
- Actual Volume 2018/19*: 1 040 932 mt

Pendoring Inland Terminal
- Pit to Port service moving chrome
- Terminal Capacity: 1.2mt
- Actual Volume 2018/19*: 118 222 mt.

Newcon Inland Terminal
- Pit to Port service moving manganese
- Terminal Capacity: 1.2mt
- Actual Volume 2018/19*: 248 039 mt.
- Terminal is also positioned to stuff containers

Saldanha
- Bulk (Iron ore) (60 m tons)
- Breakbulk (6.7 m tons)

Cape Town
- Containers (1 m teu)
- Breakbulk (600k tons; 90 teu)

Port Elizabeth
- Containers (400k teu)
- Break bulk (900k tons)
- Bulk (5m tons)
- Automotive (150k units)

Richards Bay
- Bulk (26.6m tons)
- Containers (22k teu)
- Break bulk (8,7m tons)

Durban
- Containers (2,4m + 700k teu)
- Break bulk (2,43 tons)
- Agri-bulk (1.5 tons)
- Automotive (520k units)

East London
- Containers (90k teu)
- Break bulk (200k tons)
- Agri-bulk (500 tons)
- Automotive (157k units)

Ngqura
- Containers (1,5m teus)

*(capacity in parentheses)

3. Key challenges faced in 2019

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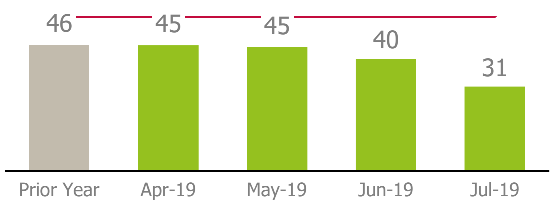
Industrial Action in Eastern and Western Cape – July 2020

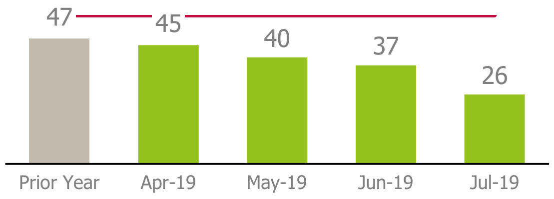
Headline Operational measure (Moves per Ship Working Hour) slumped to new lows

Target

CTCT - SWH



NCT - SWH

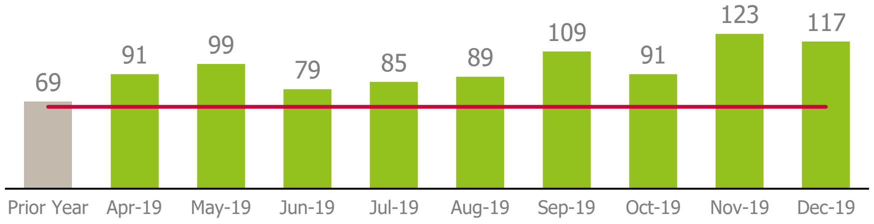


Port Congestion in Durban increased from September 2020 onwards

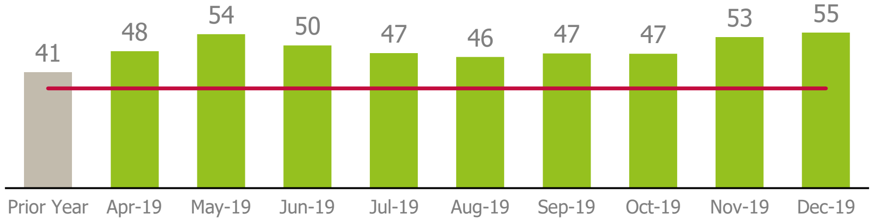
1. Truck Turnaround time at Pier 2 averaging 90 minutes (gate in to gate out) in Quarter 1 & 2 and even increasing in Quarter 3

Target

DCT (Pier 2) TTT



DCT (Pier 2) TTT



- There was a national outcry regarding the service levels across all ports (particularly from the citrus industry in the Cape region)
- Complaints from the trucking industry regarding truck waiting time in Durban
- Average moves per SWH in Durban was below target, albeit better than Cape Town and Ngqura Container Terminal
- There was certainly a case for change and swift intervention was warranted

3. Challenges faced in 2019 - Internal Introspection

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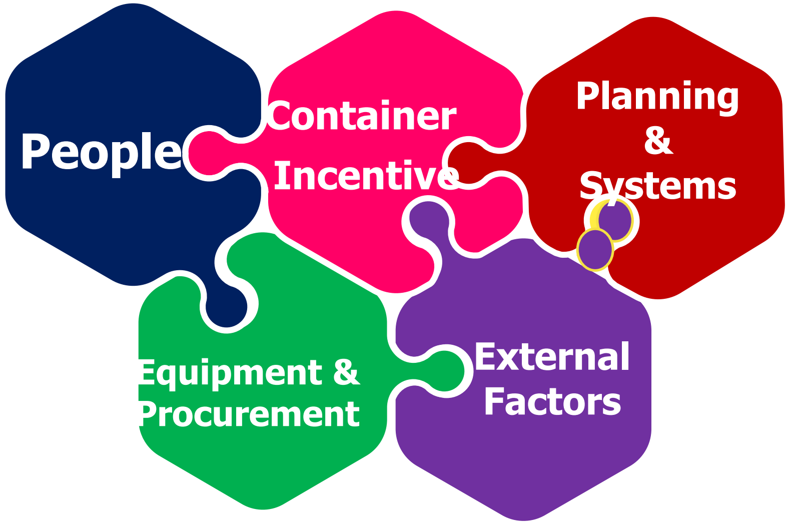
- Appointment in vacant positions (acting)
- Shortage of OLEs (Actual 21 v 27 Demand)
- No OLE redundancy in the system
- Housekeeping not done consistently (due to OLE Vacancies)
- Rooting out corruption

- Low employee morale due to incentive scheme change

- Navis system not fully optimised
- Not using dual Cycle Ops and twin lifts
- Aged Transnet Network Infrastructure
- Truck appointment system not used



- Equipment shortage
- Equipment Instability (Reliability/Volatility)
- Berth Plan congested – no recovery slot between vessels & stack occupancy remains high (>75%)
- Truck arrival patterns – unconducive
- Increasing number of trucks calling at DCT Pier 2 (+3% month-on-month between July & Sept) & increasing number of transactions per truck

- Inclement weather stoppages
- Access Road
- Increased vessel call sizes
- Depots not 24/7 available
- Bulk Trucks
- Treasury Regulations
- Misconception of TPT Tariffs
- Truckers over-commit volumes

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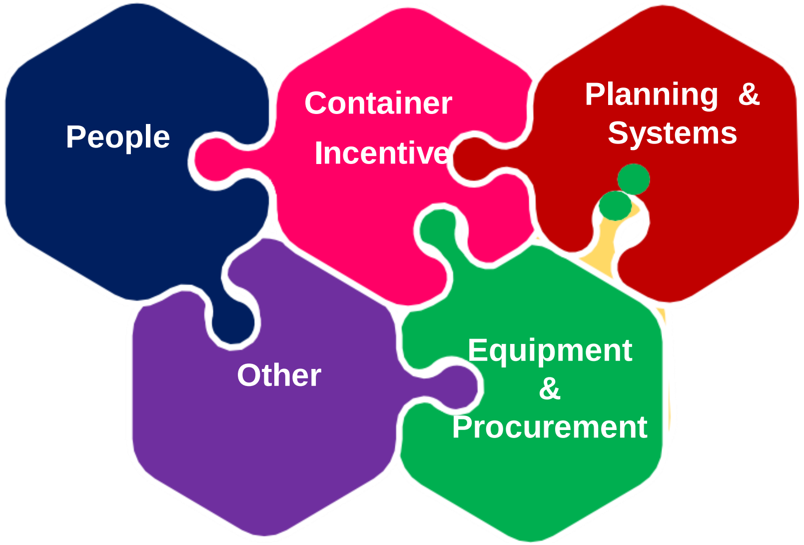
✔	Complete
✔	In Progress

4. Operations Turnaround

People - Actions	Stat
1. Additional Waterside Gangs in Pier 1 (6th), Pier 2 (14th) and NCT (7th) on waterside	✔
2. International Operator Training (DCT and NCT)	✔
3. Ramp up of gangs in Container Terminals (Pier 2 (15 gangs) and NCT and CTCT (8 gangs each)	✔
3. Filling of Vacant Terminal Manager positions	✔
4. Conversion of Fixed Term Hourlies (FTH) employees to permanent (Container Sector)	✔
6. Improvement of Employee facilities Immediate issues (Phase 1) Phase 2	 ✔ ✔

Container Incentive	Stat
1. Board Approval	✔
2. Labour Engagement	✔
3. Implementation	✔



Other	Stat
1. Mandatory Truck appointment system	✔
2. Proactive customer engagements and communications	✔

Planning & Systems-Actions	Stat
1. Command Centre established	✔
2. Deployment of Management and CI resources to terminals	✔
3. Navis Planner Training	✔

Equipment - Actions	Stat
1. Conditional Assessment of key equipment	✔
2. Develop and approve Framed list for Spares	✔
3. Award for additional 23 Straddles @ DCT Pier 2	✔
4. Procurement of 22 Straddles @ DCT Pier 2	✔
5. 3 new Mobile Harbour Cranes at PECT	✔
6. RTG Acquisition (CTCT) x 4	✔
7. RTG Refurbishment (Pier 1)	✔

4. Operations Turnaround

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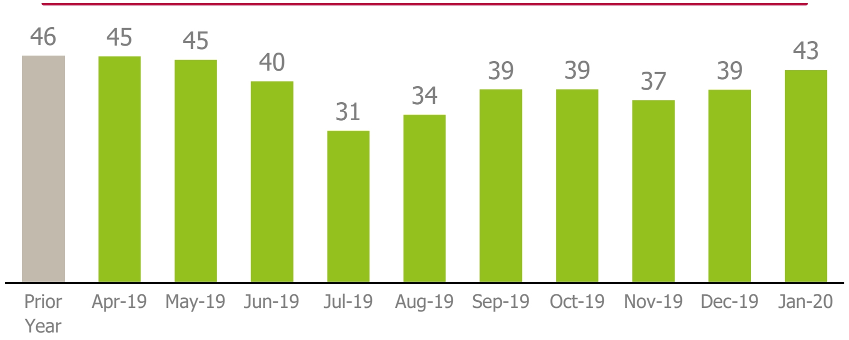
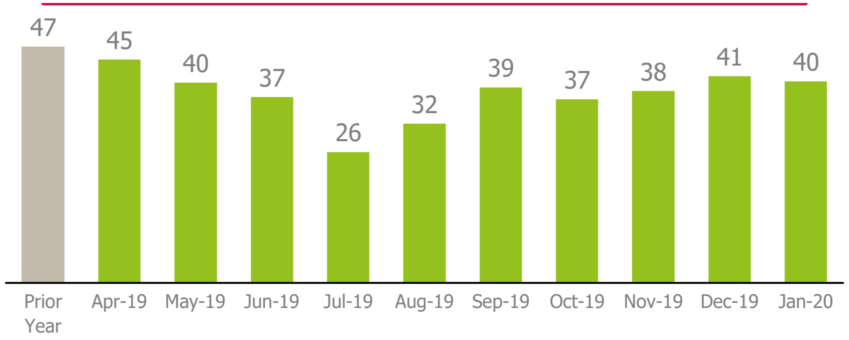
Key successes / milestones (2020 Reefer Season)

1. Improvement in service levels on vessels (albeit still below pre-industrial action levels)
2. While 2019 Citrus season could not be rescued, focus was to turn things around for 2020.

CTCT - SWH



NCT - SWH



22 Jul

Transnet Ports beats key citrus export targets despite pandemic

fin24 Khulekani Magubane

SHARE

Transnet sets a new record for fruit export

A record number of 535 volumes of citrusy fruit was carried aboard shipping line Maersk.

17 August 2020

Northglen News

UNTU
UNITED NATIONAL TRANSPORT UNION

MEDIA

TRANSNET PORTS MAKES CITRUS HISTORY AMIDST GLOBAL COVID-19 PANDEMIC

2020-07-29 in Media 0 0

4. Operations Turnaround

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Reducing port congestion at the Port of Durban

Scope

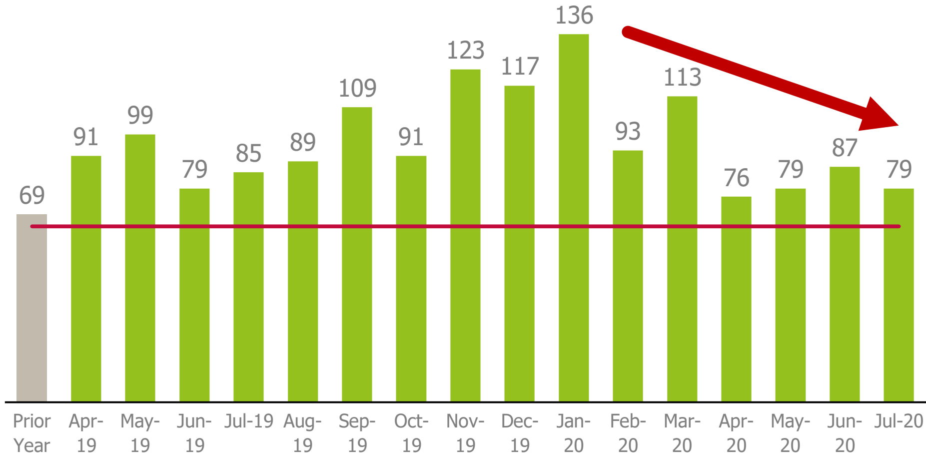
•Implement a truck booking system to:

1. Align the trucking fraternity to 24 x 7 Port Operations
2. Jointly agree on the Rules and engagement (Industry and Terminal)
3. Jointly eliminate Bribery and Corruption in the truck queues
4. Agree on value Adding Key Performance measures/Indicators
5. Jointly embark on Continuous Improvement initiatives

Deliverables

1. Enhance the truck Staging Area by developing a Truck Release Strategy
2. Achieve 80% Utilisation of Scheduling system
3. Identify 24/7 depots to support the flow
4. Achieve Staging time of each truck of 90 minutes
5. Achieve Truck Turnaround Time inside Terminal of 35mins
6. Improve availability of Straddle carriers at Pier 2 Landside to support the flow of trucks.

DCT (Pier 2) TTT



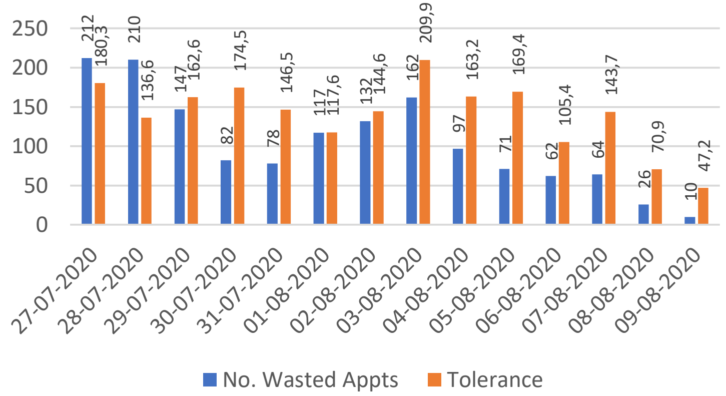
Successes

1. Adoption rate improved (wasted slots decreased)
2. Reduced congestion at DCT
3. Stable Truck Booking System

Challenges

1. Bulk (not container) trucks block entrance to the port – protesting immigrant drivers
2. Weather / wind challenges
3. Shortage of straddle carriers – will be resolved when acquired equipment is operationalised

Wasted slots vs Tolerance



5. Covid-19: Impact

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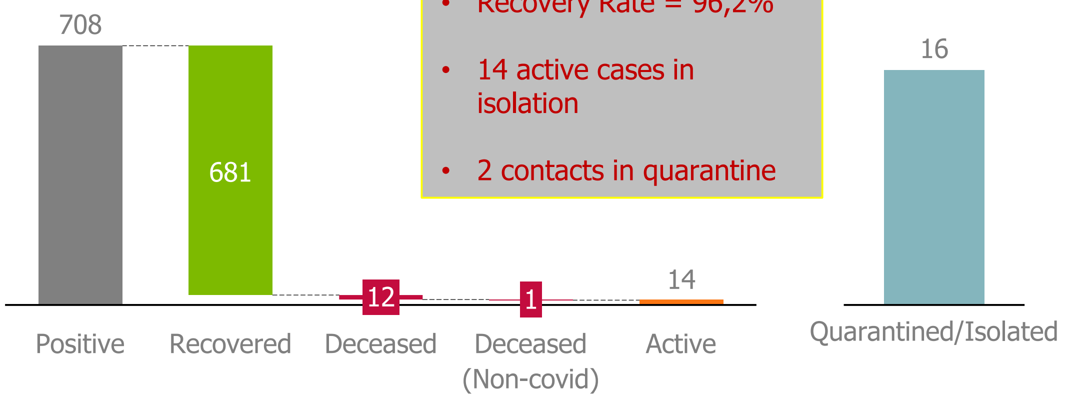
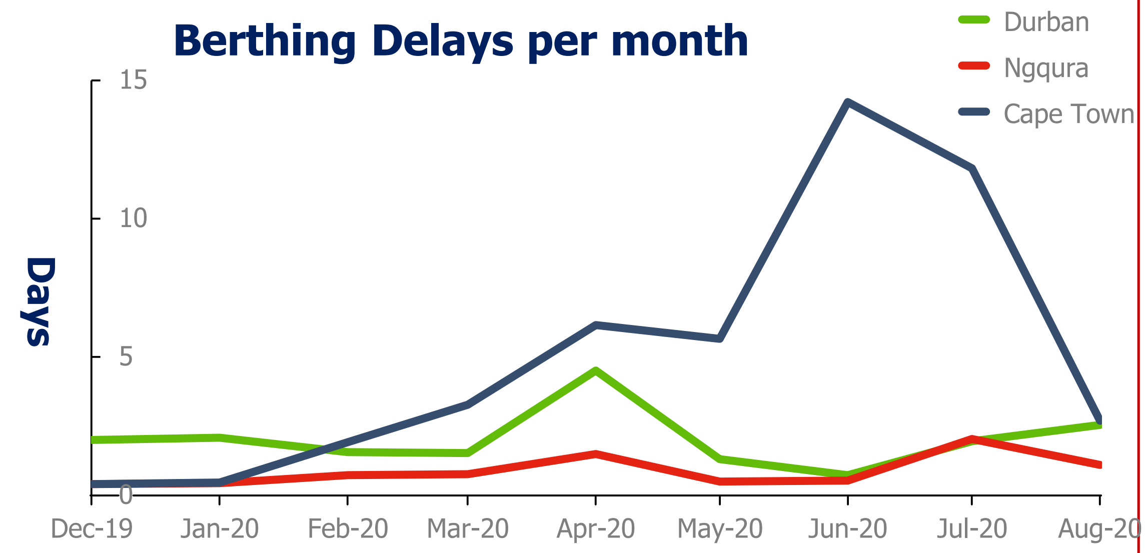
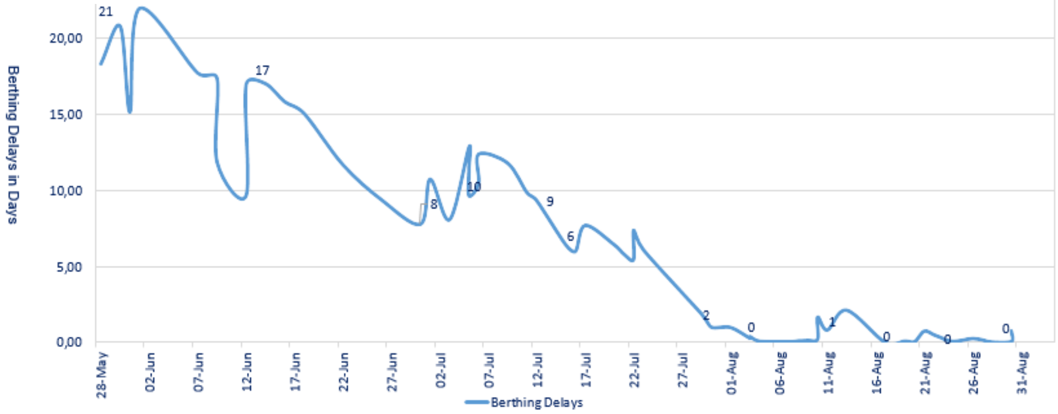
COVID-19 STATISTICS (31-Aug-2020)



- Recovery Rate = 96,2%
- 14 active cases in isolation
- 2 contacts in quarantine



Cape Town Berthing Delays (Daily since end of May 2020)

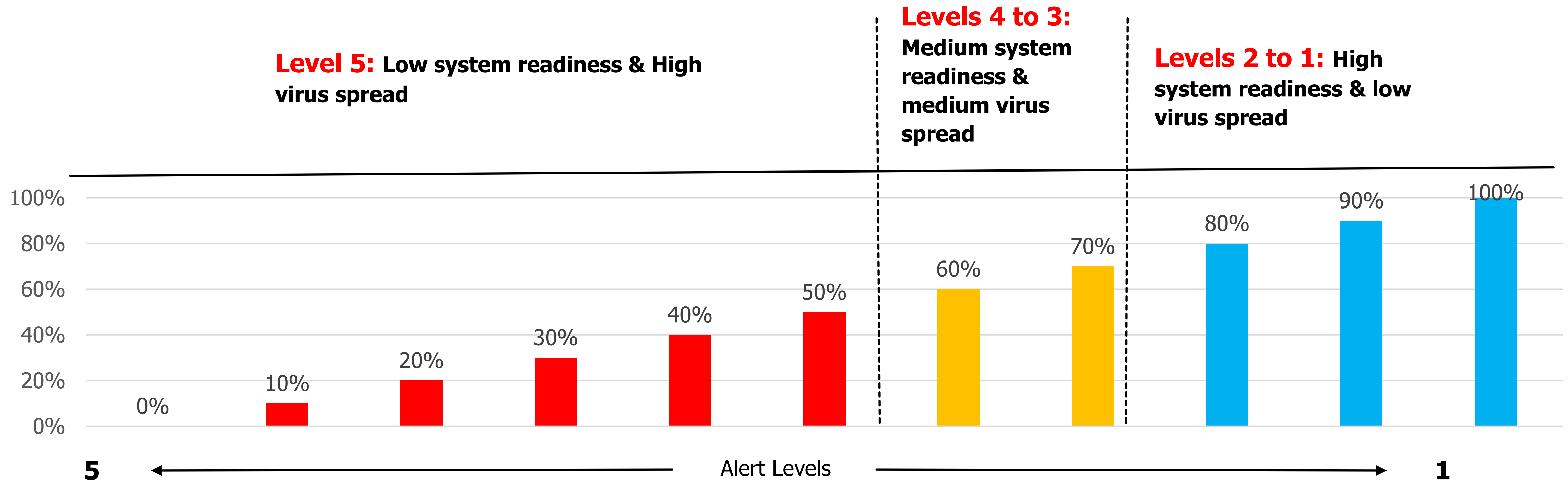


Commentary:

1. 96% recovery Rate at TPT
2. Covid-19 protocols strictly enforced
3. Cape Town was the first port to be affected and was hardest hit by covid-19
4. Focused efforts in CTCT to improve operational efficiencies and reduce vessel waiting time (Covid protocols observed, supervision, deployment of operators from other terminals, daily tracking)
5. Berthing delays currently down to zero days)
6. Lessons learned from Cape Town implemented at NCT and DCT

6. Covid-19: Risk Adjusted Ramp up Plan

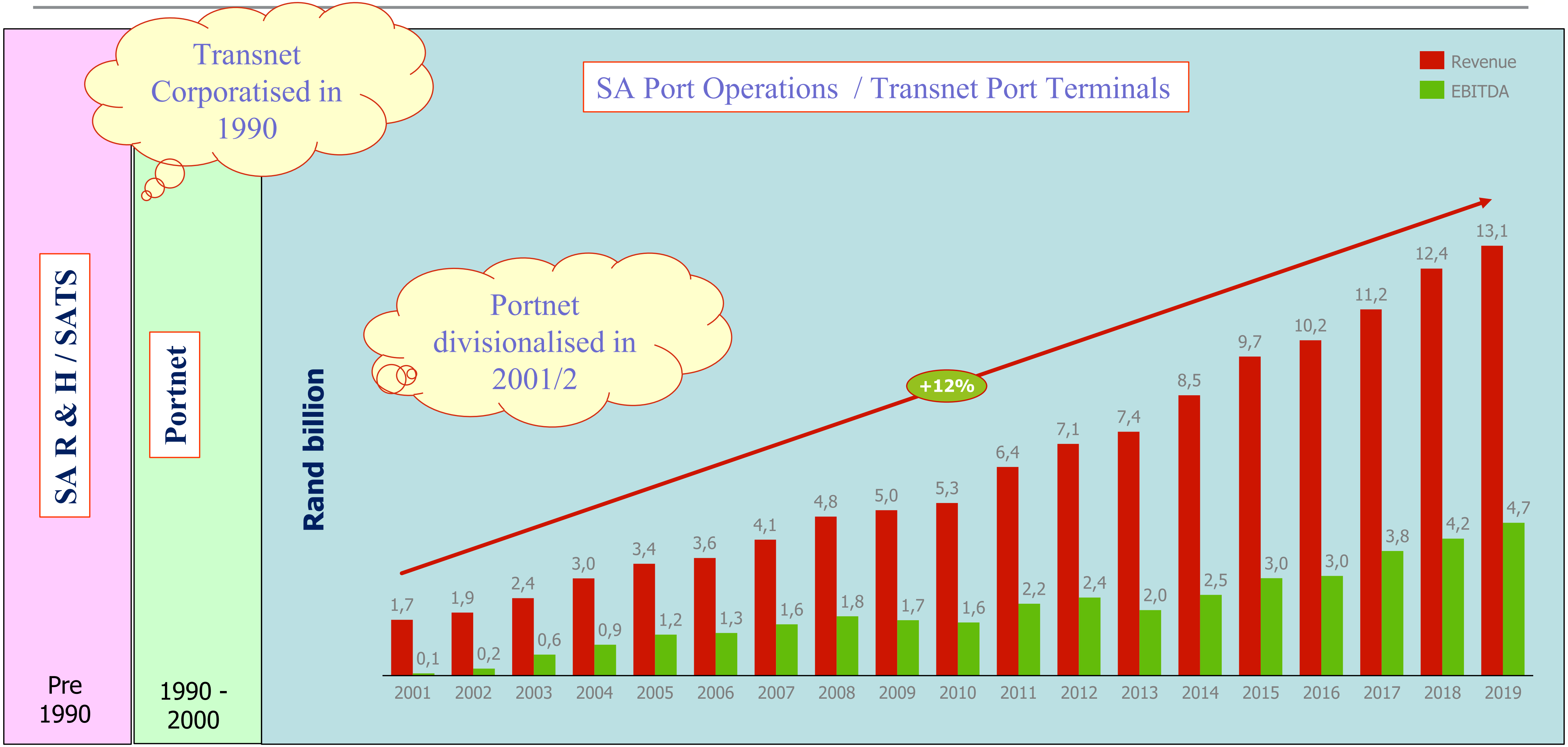
PRIVATE AND CONFIDENTIAL



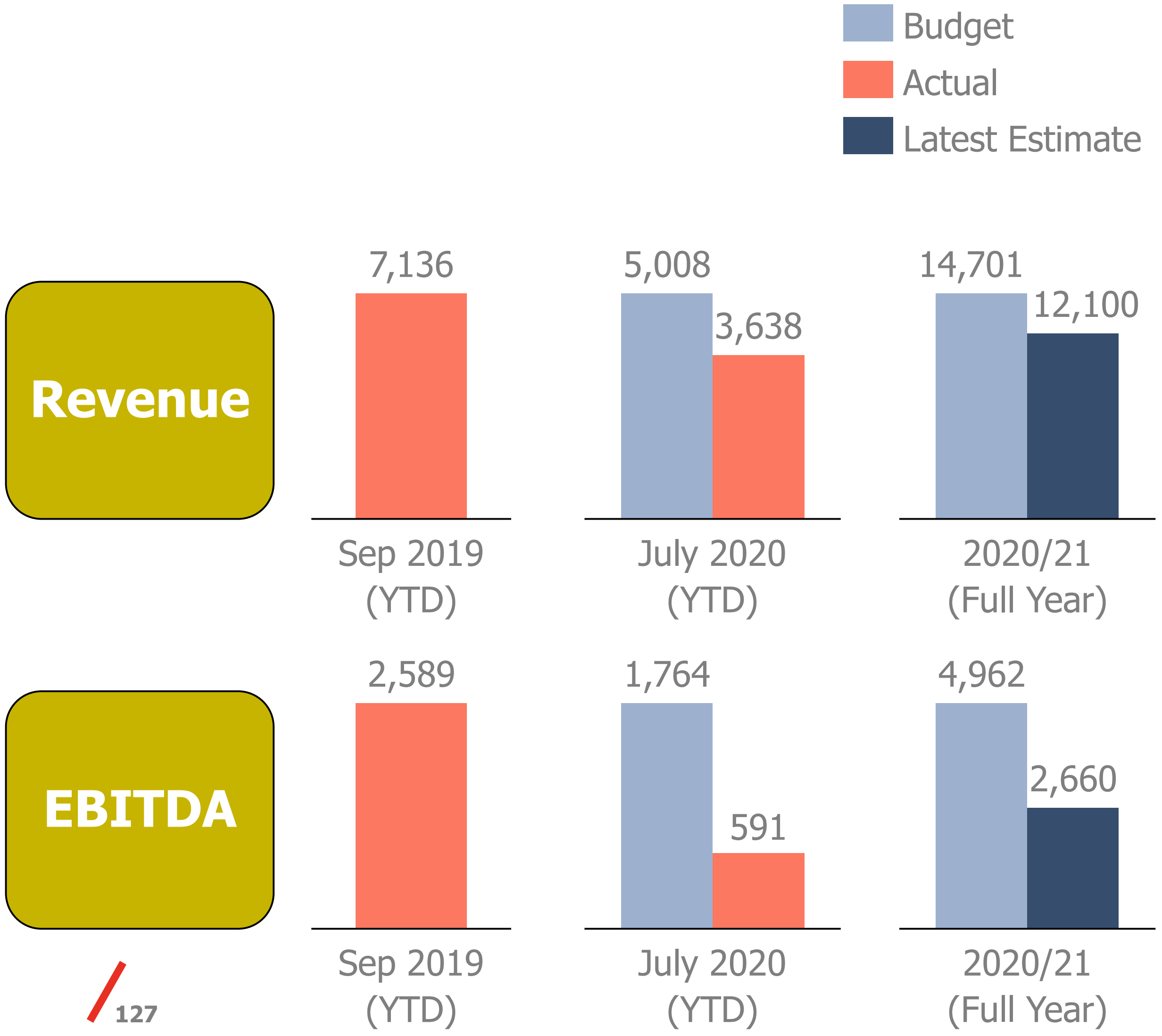
Ramp up Expectations

Sector	Level 3 (Ave Capacity)	Level 2 Capacity (Ave Capacity)
Container	70-75%	80-90%
Bulk	75%	90%
Auto	75%	80-85%
Breakbulk	70%	80%

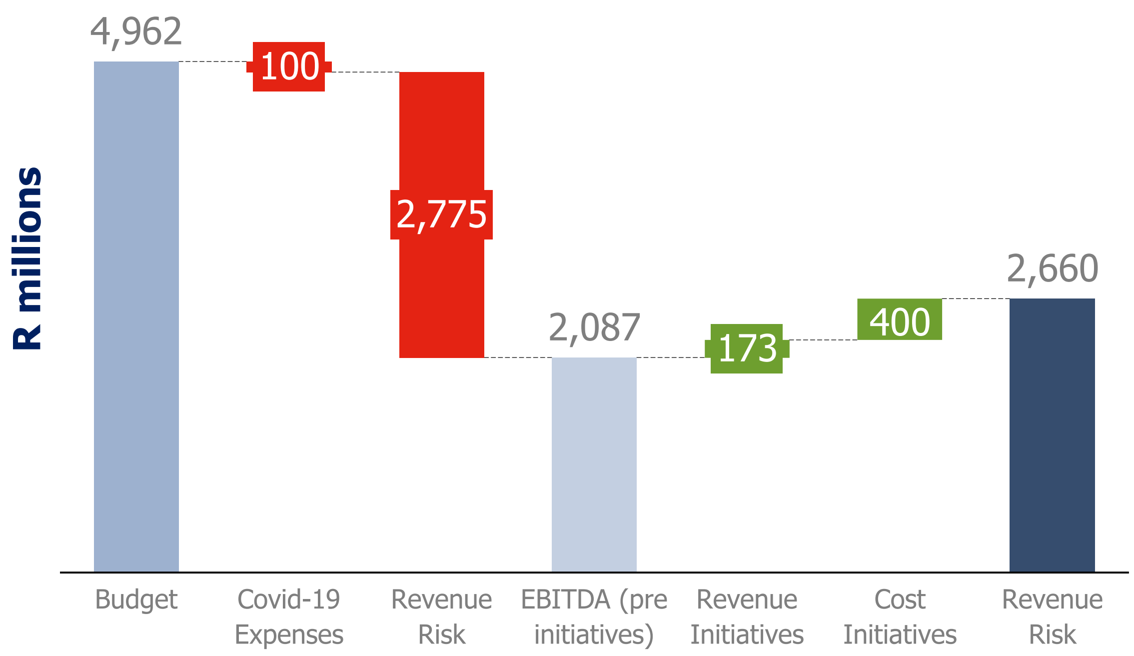
6. Financial History Of Transnet Port Terminals



7. Current Financial Performance and Expectations for 2020/21

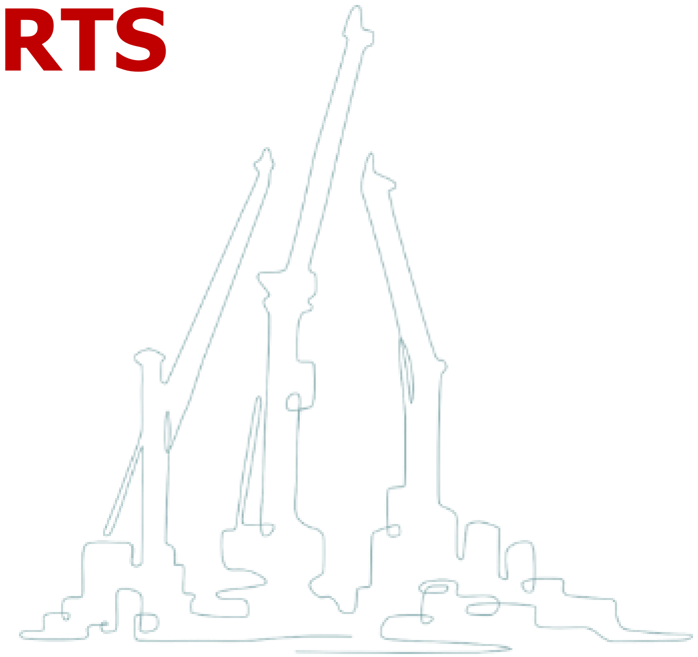


EBITDA (Latest Estimate)



HOT TAPS
ILLEGAL PIPELINE CONNECTIONS

TRANSNET NATIONAL PORTS AUTHORITY



OPERATIONS AND OVERSIGHT INITATIVES (TNPA)

1. Implementation of Key Performance Indicator (KPI) Alignment Stakeholder Engagement Recommendations

	Voice of the Customer	Action
1	Voice of the Customer - Berth vessel on time as booked on IPMS slot	• This KPI measures TNPA Marine Services performance on servicing (docking, Shifting, sailing) a vessels on time as booked on Integrated Port Management System (IPMS). • Stakeholders indicated that the current process of measuring this KPI is adequate. • IPMS Data Integration Project: This projects aims to provide a seamless flow of data and reporting between the terminal and TNPA. This will increase efficiency in planning and improvement plans in Richards Bay Coal Terminal (RBCT).
2	Voice of the Customer - Un/Load a vessel and turn it around on time as planned	• Introducing a dynamic Ship Turn Around Time (STAT) target setting process – this is to allow monitoring vessel turnaround time based on parcel size. • Introducing a Vessel Planning process – Terminal Operators submit vessel plan before vessel berths. • TNPA to monitor vessel based on submitted vessel plan
3	Voice of the Customer - Create visibility	• Create visibility of vessel performance from arrival at port limits to departure. • Engagements in addressing Bayhead Congestion – developing processes and systems to better manage landside operations. • Implementation of the Joint Operations Centre(JOC) and ICT interface and port stakeholder collaboration initiatives to enable integrated planning, operational performance tracking and management of incidents impacting on operational performance.

2. Oversight Management

1	Managing Terminal Performance	• Developed Performance Improvement Process to manage poor performance • Development of penalty/incentive process as well as the model is underway • Manual capacity study conducted and awaiting approval • Process to source Capacity Simulation tool is underway for TNPA to ensure optimal utilization of terminal capacity. • Point Precinct Truck Booking System to incorporate trucks destined to FPT and TPT, go live September 2020 in the Port of Durban.
2	Monitoring of Oversight in the Port System	• Conducted refresher training for the Port Oversight Committees (POCs) for effective monitoring of oversight in the Ports • Streamlining of Oversight processes in progress and in alignment with Continuous Improvement principles. This will lead to automation of some of the processes that are currently conducted manually.

3. Marine Services - Oversight & Operational Initiatives

- In a Business Case approval process for the procurement of new tugs for the SA port system.
- Modifications to the new pilot boats to address stability issues in the Port of Cape Town.
- Helicopter & Hangar feasibility projects in the Port of Cape Town.
- Rental of Hydraulic Mooring Units for container berths in the Port of Cape Town.
- Hydraulic Shore Tension/Automated Mooring System procurement process in the Port of Ngqura
- Expedite the recruitment process of critical positions like Marine Technical Managers, Maintenance Planers, Chief Marine Engineers, Marine Safety Inspectors in the ports to strengthen the functions of fleet maintenance, marine safety inspections etc.
- Marine Fleet Asset Maintenance improvements resulting in higher percentage for tugs availability

PORT OF DURBAN DESCONGESTION

UPDATE ROAD NETWORK (TNPA)

Issue	Root Cause	Action Taken	Next Steps - (90 days)
1) Congested Bayhead Rd	a) Trucks arriving at random mostly during “normal business” hours.	i. Pier 1 & @ terminal successfully rolled out booking system. ii. Point Terminal rolling out the booking system from the 31st Aug 2020 iii. Bulk Terminal has acquired a temporal staging facility to stage a maximum of 100 outside of the port. From this staging area the trucks will be released in batches of 30 per hour	i. Assisting smaller operators such as depot to develop own booking system ii. Pursue getting 24/7 depot operators to support full volume smoothing
	b) Aging fleet resulting in fewer straddle carrier availability	iv. Deployment of new straddle carriers has commenced v. Lean 6 sigma methodology has assisted in improving the reliability of the other fleet of straddle carrier	iii. Continue deploying new straddle carriers and iv. Institutionalise predictive maintenance philosophy
	c) Fewer trains to Bulk & Maydon Wharf Precincts	vi. The number of trains per week to both Maydon Wharf & Island View Bulk terminal is increasing.	v. Encourage use of rail as an option by bulk terminal operators
2) Inadequate road network	d) Bayhead road has remained dual carriage for years	vii. A project team put together to look at Bayhead Rd upgrade to have 3 lanes bi-directional viii. Owner Requirements Specifications is complete	vi. Taking a business through gate review in September vii. Present to Investment forum by November then TNPA CAPIC in Dec 2020
	e) Only one access road to Bayhead & Island View	ix. Finalising scope for preliminary engineering studies x. TNPA & the City have agreed on the need for the 2nd access road.	
	f) Maydon Wharf roads owned by the City and therefore difficult to manage	xi. MoA has been signed xii. Traffic impact assessment study done xiii. The city has started with the SPLUMA processes	viii. Start engineering studies and EIA processes

REDUCING CONGESTION AT THE PORT OF DURBAN BY IMPLEMENTING A TRUCK BOOKING SYSTEM (TPT)

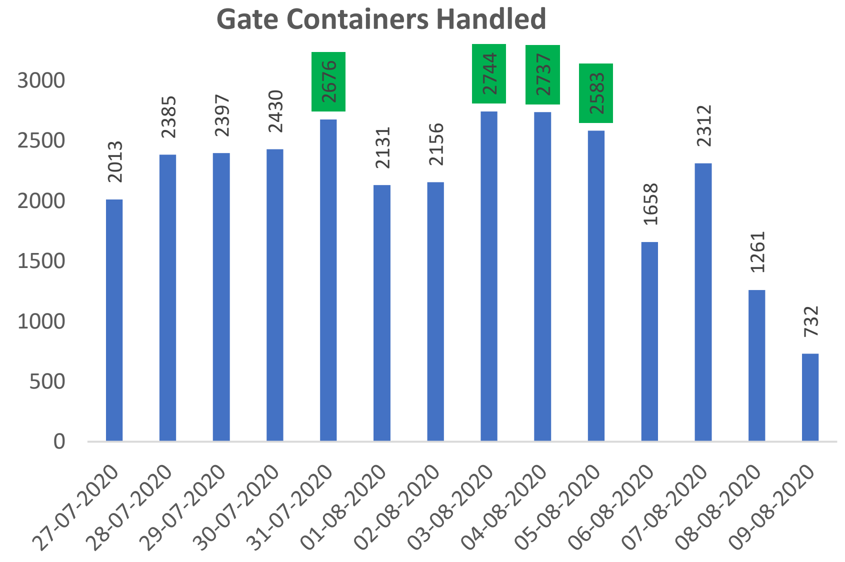
TRANSNET

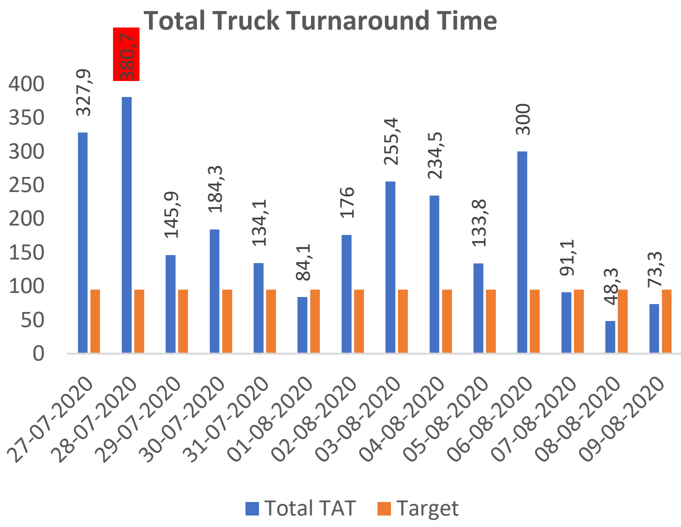
SCOPE:

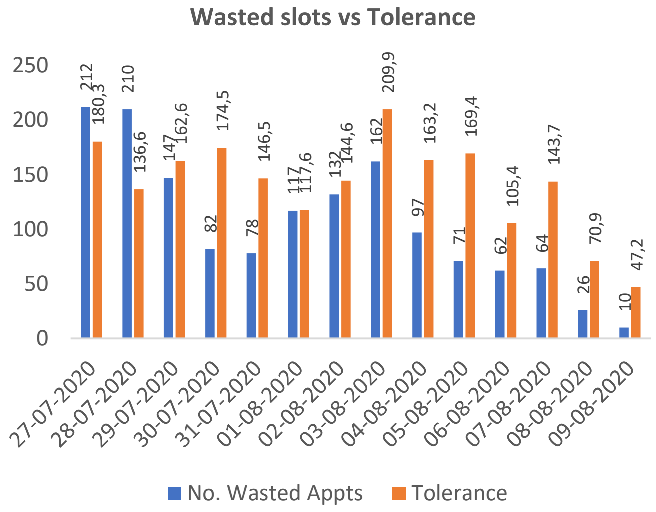
•Implement a truck booking system to:
- Align the trucking fraternity to 24 x 7 Port Operations
- Jointly agree on the Rules and engagement (Industry and Terminal)
- Jointly eliminate Bribery and Corruption in the truck queues
- Agree on value Adding Key Performance measures/Indicators
- Jointly embark on Continuous Improvement initiatives

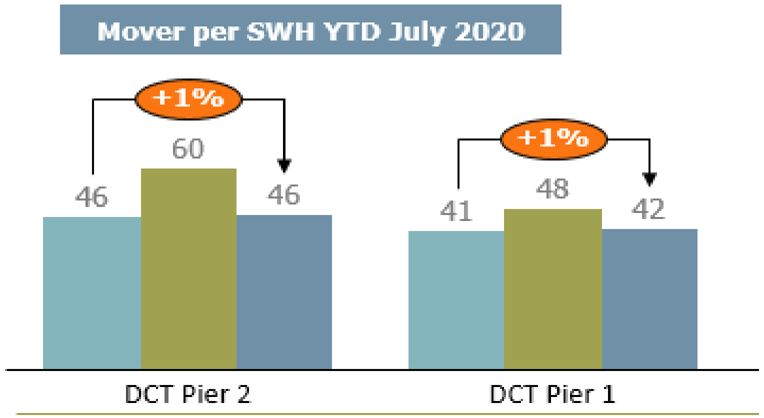
DELIVERABLES:

- Enhance the truck Staging Area by developing a Truck Release Strategy
- Achieve 80% Utilisation of Scheduling system
- Identify 24/7 depots to support the flow
- Achieve Staging time of each truck of 90 minutes
- Achieve Truck Turnaround Time inside Terminal of 35mins
- Improve availability of Straddle carriers at Pier 2 Landside to support the flow of trucks.





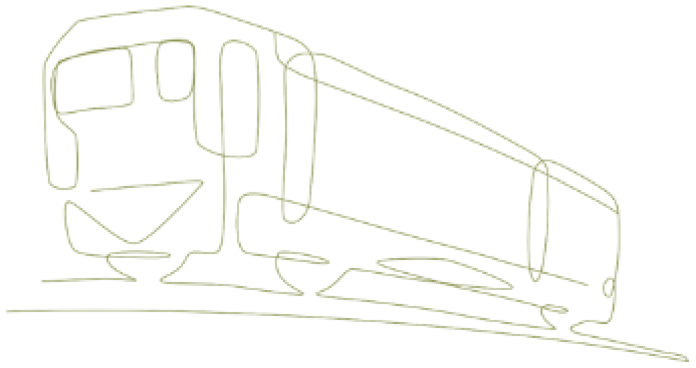




Successes:
1. Adoption rate improved (wasted slots decreased)
2. Reduced congestion at DCT
3. Stable Truck Booking System

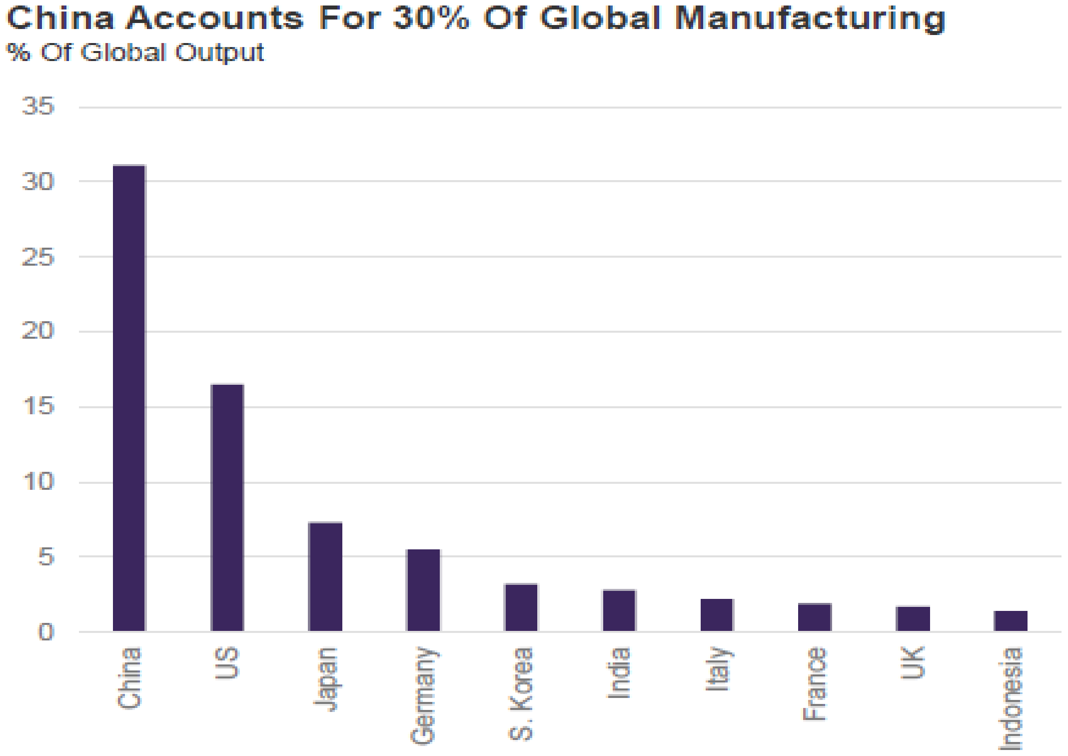
Challenges:
1. Bulk (not container) trucks block entrance to the port – protesting immigrant drivers
2. Weather / wind challenges
3. Shortage of straddle carriers – will be resolved when acquired equipment is operationalised

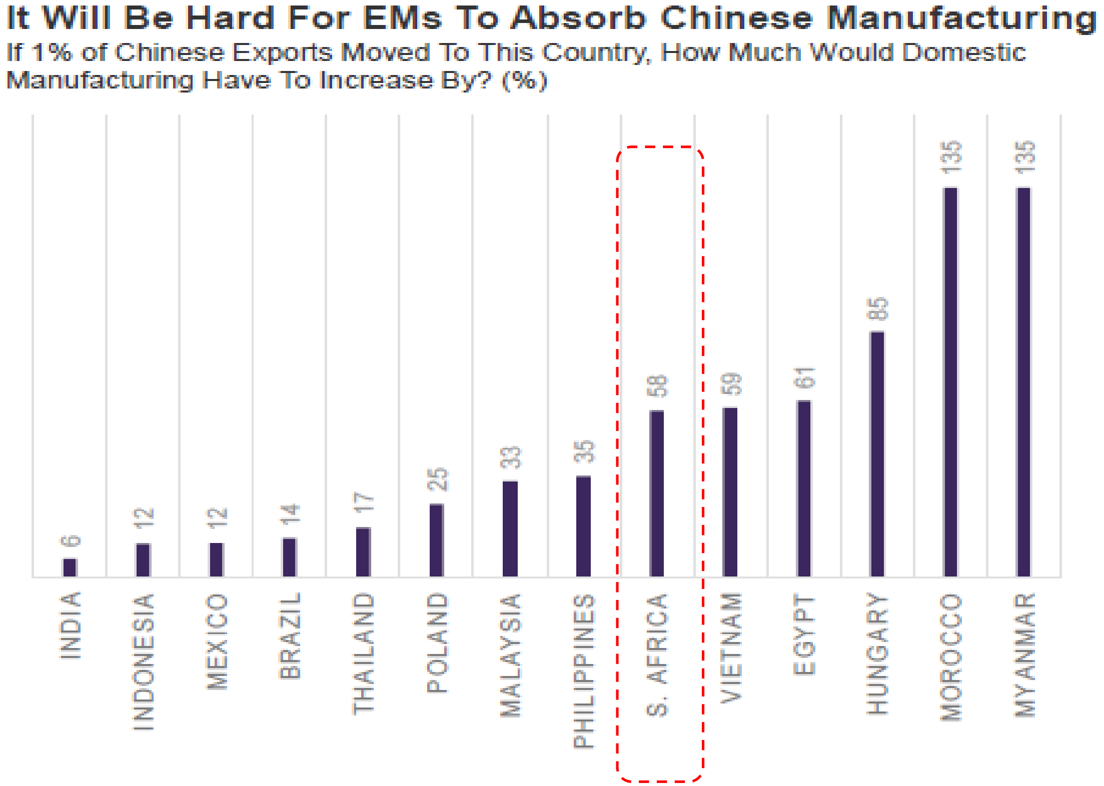
TRANSNET SOC LTD – OPPORTUNITIES



DOMESTIC MANUFACTURING

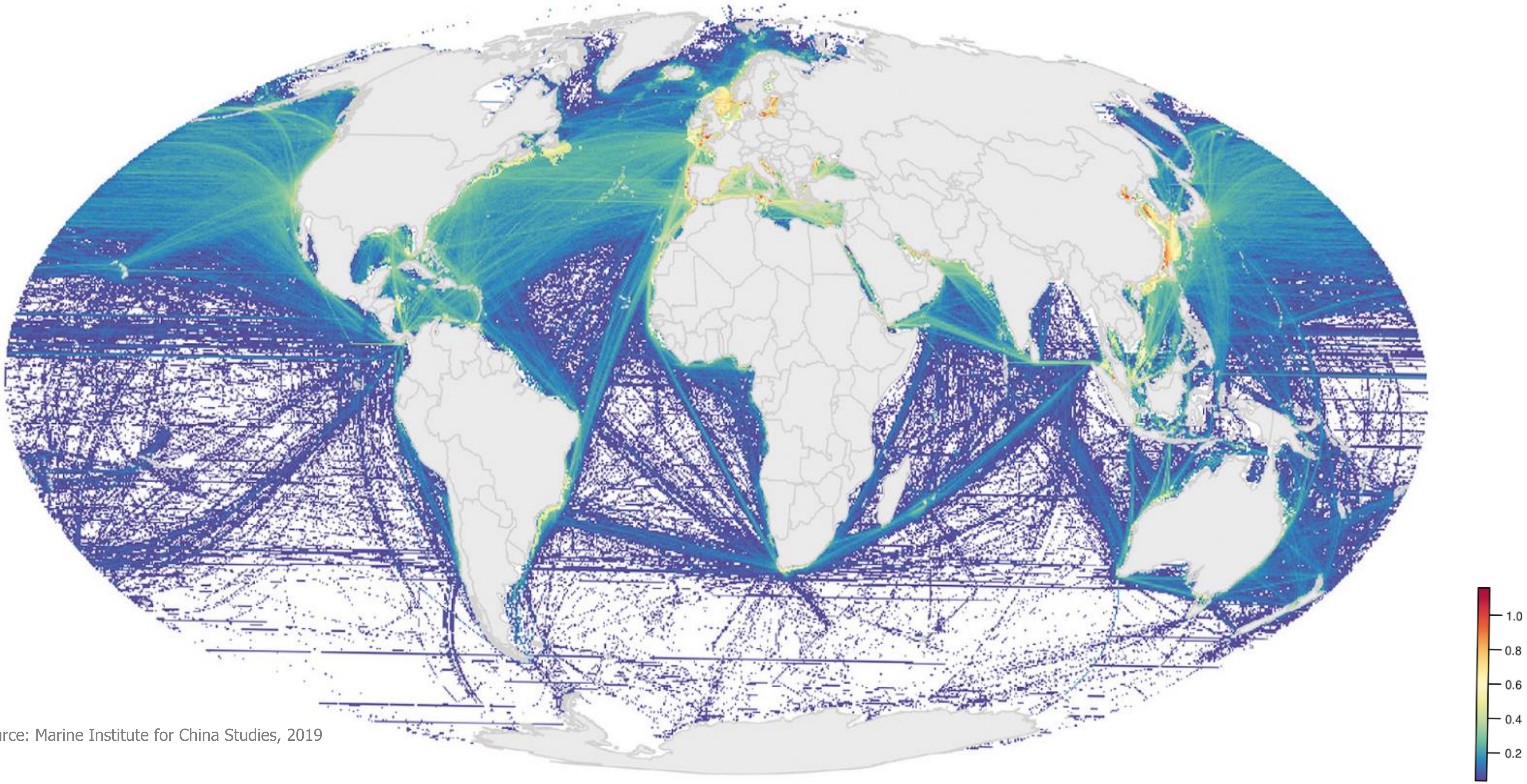
Will increase by 58% if 1% of Chinese exports moved to South Africa





 Source: Fitch Solutions, 2020

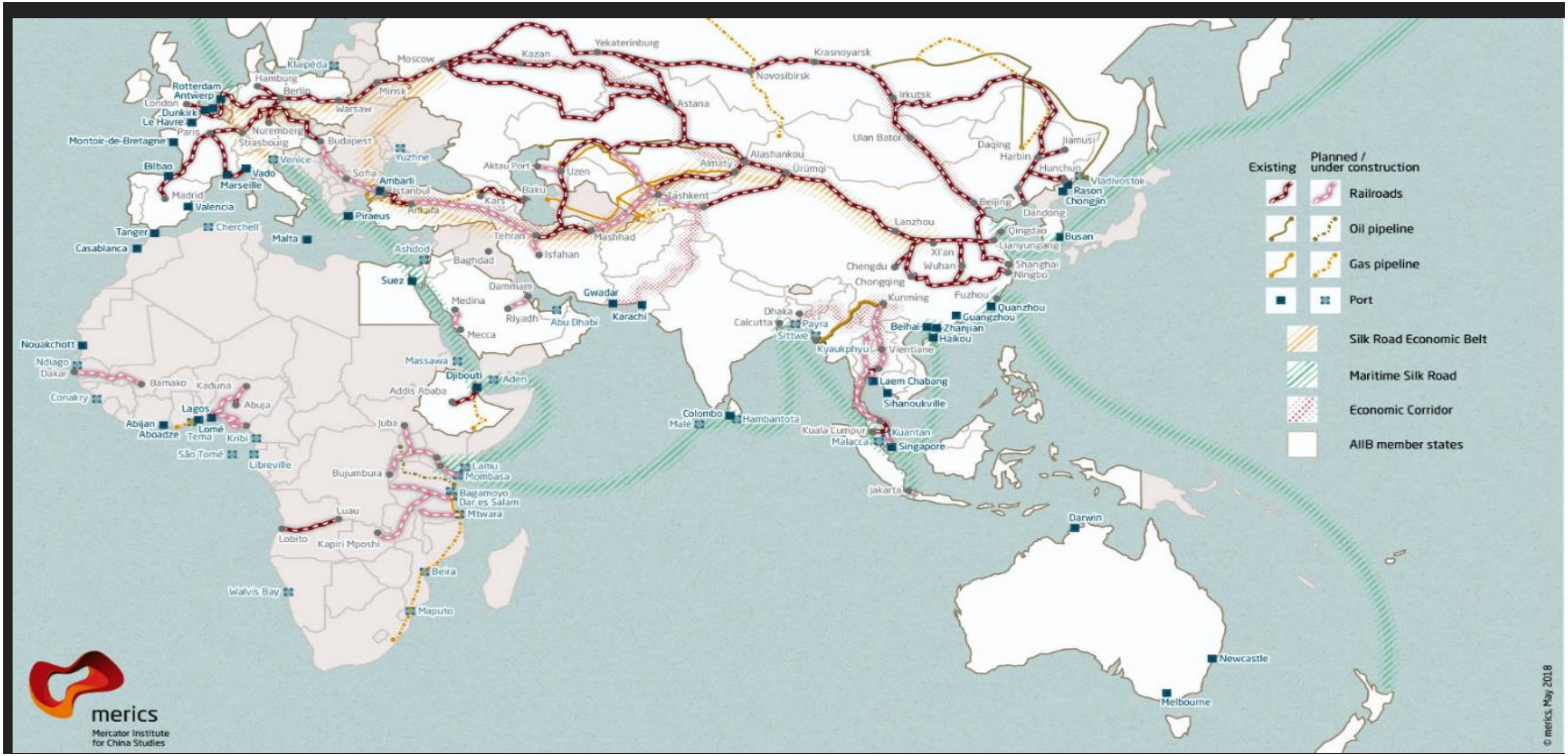
WEAK MARITIME CONNECTIVITY LEADS TO HIGHER SHIPPING PRICES



 Source: Marine Institute for China Studies, 2019

THE RACE FOR NEW ROUTES FOR ECONOMIC ZONES, HUBS AND "SINGLE STOPS" IS ON AND THE SOUTH NEEDS TO RESPOND.

TRANSNET



Source: Marine Institute for China Studies, 2019

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