Transnet, a SOC with the DPE as the Shareholder representative on behalf of Government, is mandated to:
- Assist in lowering the cost of doing business in South Africa
- Enable economic growth, and
- Ensure security of supply by providing appropriate port, rail and pipeline infrastructure.

In the past year, South Africa’s macroeconomic environment has been characterised by fundamental structural shifts as a result of the COVID-19 pandemic. The decline in global trade, plunging oil prices and unstable financial markets presented a moment for the collective reimagining of Transnet’s global economy and Transnet’s own operations. It was within this context that Transnet had to develop a forward-looking strategic plan, which supports Transnet’s position as an enabling economic engine by improving South Africa’s manufacturing competitiveness.

Our approach to stakeholder engagement

Stakeholder relations within the Company are informed by the King IV Code, the International Integrated Reporting Framework issued by the IIRC, the Global Reporting Initiative, the A1000, Stakeholder Engagement Standard, and the UN Global Compact legislation and best practices. The 2021 Stakeholder Engagement Report encompasses the Transnet Group and its OEs.

In the year under review, Transnet instituted a research project to better understand the challenges in communities where it operates, which have been identified as hotspot areas as a result of increased volatility and unrest over the past year. The purpose of the research was to examine the challenges faced in these communities, and to review whether Transnet’s interventions could be better tailored to ensure that they are aligned and responsive to the most pressing needs in these communities. The study was conducted in the following areas: Witbank, Ogies, Be-Phalaborwa, Warrenton, Saldanha Bay, and Richards Bay. The main findings were:
- Lack of prompt feedback to communities after engagement;
- Lack of focused local economic development;
- Skills development gaps (especially for youth and disabled people); and
- Lack of inter-OD engagement and communication.

In the same period, a study was commissioned by the DPE to look at the impact of corporate social investment (CSI) projects on our beneficiaries, and to determine whether SOCs were getting a social return on investment. The study was done in three of the SOCs in the DPE portfolio: Transnet, Eskom and the South African Forestry Company Limited (SAFCOL). For Transnet, it highlighted the lack of monitoring and evaluation of CSI projects undertaken by the Transnet Foundation to assess the social return on investment.

The Company engages with internal and external stakeholders that include Government, investors, funders and credit rating agencies, Board and management, employees, organised labour, regulators, customers, suppliers, communities and the media.

Through the Foundation, the Company made an immense contribution to reach out to distressed communities during the COVID-19 pandemic, ranging from a donation of personal protective equipment to Africa’s largest hospital, Chris Hani Baragwanath, in Soweto to the Pheliphapa Healthcare Trains expanding services to include COVID-19 testing and vaccination.

The reality of the COVID-19 pandemic has been challenging to everyone across the world. As a result, operations have been disrupted, and everyone has had to adapt to the new reality imposed by the pandemic on our lives and business processes. In response to the pandemic, Transnet has revised its engagement plans and devised new ways of engaging with key stakeholders in order to adhere to the restrictions on gatherings and movement. Our Stakeholder Engagement Report is available on our website at www.transnet.net, is limited to stakeholders that have been engaged during the national lockdown and focuses on high-level engagements with key stakeholders and the management of issues they raised.

Measuring our progress

The effectiveness of relations with our stakeholders is critical to our operations, and we measure our stakeholder relationship management maturity (SRMM) every three years. The SRMM helps with our management processes, practices and improvement plans to ensure we engage our stakeholders effectively. The previous year’s gains made in the SRMM levels were eroded over a period of time.

Developments in national policy, stakeholder sentiment, declining operational performance and a constrained balance sheet have all contributed to the realigning of Transnet operations and how critical infrastructure will be delivered in future. Transnet needs to be responsive to the calls of the broader industry and cannot, off the strength of our balance sheet alone, make the infrastructure investments necessary to grow the freight system.

Remaining agile amidst challenges

Our Corporate Plan and associated Transnet Strategy are reflective of the current environment and provide a sense of direction to our operations and for the various industries that we serve. To respond accordingly to the current challenges, we have adopted a new approach to renew the business, anchored on eight major commodities, which include:
- Iron ore
- Manganese
- Coal
- Chrome and magnetite
- Automotive
- Containers
- Liquid fuel
- Natural gas

A systematic approach to maximise value

The Company has developed policies, frameworks and controls that guide engagement with stakeholders. The stakeholder engagement and management procedure provides a systematic approach to stakeholder engagement practices and processes across Transnet to maximise value for both stakeholders and the Company. This approach entails the following:

Being inclusive

Stakeholders participate in developing and achieving an accountable, strategic response to sustainability. We accept our accountability to those who have an impact on us.

Materiality

Topics and indicators that reflect key economic and sustainability impacts or that may substantively influence stakeholder assessments and decisions.

Consistency

Maintain regular and consistent communication to ensure continuity.

Responsive

Our response to stakeholder issues that affect our sustainability performance is realised through decisions, actions, performance and communication.

Strategic repositioning of Transnet

Our new strategy is aimed at repositioning Transnet to be able to capture growth opportunities through new partnerships and collaboration, and the optimally using of our assets for broader economic development. Policy alignment is a key requirement for implementing the strategy. In response to the government policy directive, we will partner with the private sector (including our customers and competitors) to help unlock growth opportunities.

Robust relationships with stakeholders

We acknowledge that the success of our operations relies on robust and beneficial relationships with our stakeholders. Transnet defines the stakeholder as an individual or organisation who is directly or indirectly affected by the Company’s activities, and also includes those who may have an interest in the Company or an ability to influence business outcomes either positively or negatively.

Transnet strives to manage ways that best meet both the reasonable needs and expectations of our stakeholders, as well as our business objectives. We are dedicated to:
- Constructive engagements with our stakeholders so as to understand their issues and concerns;
- Managing and responding timely to stakeholders’ issues and concerns;
- Integrating stakeholder input into business plans and processes to create value and a shared vision; and
- Using stakeholder input in decision making for our mutual benefit.

Addressing key stakeholder concerns during 2021

Transnet operates within a complex landscape involving multiple stakeholders, both internal and external, with varying needs and expectations that we engage through various platforms. However, this report is limited to stakeholders that have been engaged during the different levels of the national COVID-19 lockdown. Mapping relevant stakeholders is vital to the process to improve continuous engagement. These stakeholders are categorised in the diagram below:

Figure 6: Our 2021 stakeholder universe
Stakeholder issues impacting our strategy and operations

Key stakeholder issues raised during the year are outlined in the tables that follow:

### Table 8: Key issues arising from our 2020/21 multistakeholder engagement process

**Shareholder Minister – DPE**

<table>
<thead>
<tr>
<th>Key issues/areas of interest</th>
<th>Strategic responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance against the Shareholder’s Compact</td>
<td>We have started a process to track the Shareholder’s Compact KPIs at the various subcommittees of the Board to continuously monitor and evaluate performance</td>
</tr>
<tr>
<td>Financial and operational sustainability</td>
<td>Our review of the Shareholder’s Compact methodology focuses on strategic KPIs and aligning the Shareholder’s Compact with the Statement of Strategic Intent</td>
</tr>
<tr>
<td>Mitigating actions implemented to improve performance</td>
<td>We are implementing measures to focus the Shareholder’s Compact on initiatives that are central to the structural reform of the organisation</td>
</tr>
<tr>
<td>Concerns with respect to the effectiveness of mitigating actions</td>
<td>We will strengthen KPIs to balance the focus so that it is more inclusive and reflective of Transnet’s overall outcomes</td>
</tr>
<tr>
<td>Governance and leadership issues</td>
<td></td>
</tr>
<tr>
<td>Strategic focus areas for the 2020/21 financial year based on the Statement of Strategic Intent</td>
<td></td>
</tr>
<tr>
<td>Inclusion of strategic initiatives relating to the structural alignment of the Company</td>
<td></td>
</tr>
</tbody>
</table>

**Board of Directors**

<table>
<thead>
<tr>
<th>Key issues/areas of interest</th>
<th>Strategic responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>The approval of the Shareholder’s Compact</td>
<td>The Board has started engaging with stakeholders on the new changes in the organisation’s leadership</td>
</tr>
<tr>
<td>The approval of the Company’s annual financial statements and integrated report</td>
<td>The Board has prioritised information-sharing on employee and operational matters</td>
</tr>
<tr>
<td>The annual approval of the strategy, Corporate Plan and KPIs</td>
<td>The Board has approved negotiations on the new productivity incentive schemes for bargaining unit employees, with the support of the labour union</td>
</tr>
<tr>
<td>Review of the organisation’s performance</td>
<td>A new Group Chief Executive (GCE) and Executive team were appointed to stabilise the organisation and provide strategic direction</td>
</tr>
<tr>
<td>To deliver on the Company’s respective mandates</td>
<td>The Board has supported management with respect to safety and occupational awareness campaigns on the COVID-19 pandemic</td>
</tr>
<tr>
<td>Accountability</td>
<td>The Board has issued precautionary suspension letters to executives implicated in reports related to various acts of malfeasance and corruption</td>
</tr>
<tr>
<td>Vacancies on the Exco</td>
<td></td>
</tr>
<tr>
<td>Governance and corruption issues within the Company</td>
<td></td>
</tr>
<tr>
<td>Resolution as the Board to participate in the Company’s lifestyle audit process</td>
<td></td>
</tr>
</tbody>
</table>

**Government**

<table>
<thead>
<tr>
<th>Key issues/areas of interest</th>
<th>Strategic responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job opportunities for local communities</td>
<td>We have prioritised our engagement and collaboration with Government to the Africa Steering Committees and within Transnet. We have engaged with government institutions through regular workshops and awareness campaigns to reinforce our relationship</td>
</tr>
<tr>
<td>Capital project compliance in terms of the Preferential Procurement Policy Framework Act, No 5 of 2000 (PPPFA)</td>
<td>We have partnerships with healthcare service providers to advance our contributions to communities and schools</td>
</tr>
<tr>
<td>PFMA and Treasury regulations</td>
<td>We have expanded the footprint of our whole school and sports programmes into all new provinces to offer opportunities to schools and pupils across the country</td>
</tr>
<tr>
<td>Licensing, compliance, environmental authorisation and issues</td>
<td>We have regular engagements to ensure seamless compliance and regulatory alignment with all promulgated legislation</td>
</tr>
<tr>
<td>Undertaking a social needs analysis in communities and schools to identify beneficiaries</td>
<td></td>
</tr>
<tr>
<td>Leveraging partnerships and resources to deepen the impacts on community services</td>
<td></td>
</tr>
<tr>
<td>Engagements and workshops on community health and safety awareness</td>
<td></td>
</tr>
<tr>
<td>Awareness on the plans and commitment for Whole School Development Programme (WSDP) for the 2020/21 financial year</td>
<td></td>
</tr>
<tr>
<td>Business opportunities worth pursuing in different regions</td>
<td></td>
</tr>
<tr>
<td>Infrastructure development challenges and issues experienced across the organisation</td>
<td></td>
</tr>
<tr>
<td>Establishment of sports development across all nine provinces, and the rollout of the teachers’ development programme</td>
<td></td>
</tr>
</tbody>
</table>

**Employees and Management**

<table>
<thead>
<tr>
<th>Key issues/areas of interest</th>
<th>Strategic responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee morale and underutilisation of resources</td>
<td>We are relocating employees to areas where projects are to fully absorb underutilised employees</td>
</tr>
<tr>
<td>Job security</td>
<td>We have initiated a process to create an integrated People Management team</td>
</tr>
<tr>
<td>Employees reminded to remain vigilant and continue to adhere to COVID-19 protocols</td>
<td>We have established programmes and an anonymous hotline to provide employees with a platform to report bullying and intimidation at the workplace to proactively implement the harassment and intimidation policies</td>
</tr>
<tr>
<td>Bullying and intimidation at the workplace</td>
<td>We have finalised the new organisational structure and are filling vacant top management positions</td>
</tr>
<tr>
<td>Development and execution of the Transnet Value Chain Training Programme that will be the flagship of the Transnet Academy and basis of training for all Transnet employees</td>
<td>We have identified a Transnet-wide project team to focus on COVID-19 awareness and communication</td>
</tr>
<tr>
<td>Operational and infrastructure issues affecting productivity</td>
<td>We have collaborated with external healthcare service providers to provide care management, medical advice, counselling, education and awareness support in order to contain the spread of COVID-19</td>
</tr>
<tr>
<td>Human resources and labour-related matters, such as uniform application of HR procedures and lack of consequence management</td>
<td>We have ensured that our 24-hour Employee Assistance Programme is always available to assist employees with telephonic counselling to manage any form of mental, physical and emotional wellness challenges caused by COVID-19</td>
</tr>
<tr>
<td>Leadership instability</td>
<td>We have partnered with institutions of higher learning to advance the Group Chief Executive’s talent nurturing programmes to provide opportunities for our employees’ career growth</td>
</tr>
<tr>
<td>Safety and occupational health concerns</td>
<td>We have distributed SENS announcements regarding the subsidisation of TNPA and engaged labour, rating agencies, and investors on the matter</td>
</tr>
<tr>
<td>Bullying and intimidation in the workplace</td>
<td></td>
</tr>
<tr>
<td>The COVID-19 pandemic, and the national lockdown</td>
<td></td>
</tr>
<tr>
<td>Communicating subsidisation of TNPA</td>
<td></td>
</tr>
<tr>
<td>Compliance with the Debt Listings Requirements</td>
<td></td>
</tr>
</tbody>
</table>

**Organised labour unions**

<table>
<thead>
<tr>
<th>Key issues/areas of interest</th>
<th>Strategic responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forums must be representative of the constituencies as per legislation</td>
<td>Workforce transformation is a national and Company imperative, and we have therefore developed a transformation strategy that will form part of the strategic objectives outlined in the Corporate Plan</td>
</tr>
<tr>
<td>Transnet must abide by the Employment Equity Plan and targets</td>
<td>We continue to engage organised labour unions through the national employment equity forums</td>
</tr>
<tr>
<td>Lack of ownership and accountability on matters relating to employees</td>
<td>We have approved the conclusion of the negotiations on the new productivity incentive schemes for bargaining unit employees, with the support of the labour unions</td>
</tr>
<tr>
<td>Lack of consequence management</td>
<td></td>
</tr>
</tbody>
</table>

**King F. P3**
**Communities**

**Key issues/areas of interest**
- Job opportunities for communities near our operations
- Small business development opportunities for local businesses
- WYSDP for both teachers and learners (education and sports)
- Development of community infrastructure through ESD and CSR programmes

**Strategic responses**
- We have embarked on a process to prioritise budgets for supplier development initiatives, and we are setting monthly targets for the monitoring and evaluation process
- We have explored options to address ongoing business-related matters to improve our community engagement with stakeholders
- We have facilitated career exhibitions to raise awareness on bursaries and career opportunities available within the organisation to empower the youth
- We engage with communities on upcoming projects that will provide jobs and business opportunities for locals
- We hold sessions with communities near our operations to address pertinent issues
- As part of our efforts to contain and minimise the spread of COVID-19, Transnet has designated some of its properties across Gauteng, KwaZulu-Natal and the Free State provinces to be used as temporary shelters for the homeless and as quarantine sites

**Suppliers**

**Key issues/areas of interest**
- Ombudsman complaints for Executive Search Request for Proposal for unfair process. (Ombudsman found no substance in the complaint and ruled in favour of Transnet)
- Alleged tender irregularities for the refined bulk fuel tender
- Lack of access to ESD initiatives
- Suppliers hold the view that business opportunities are given to people outside their area and that there are very limited local business development initiatives, such as skills development
- Various investment initiatives on socio-economic infrastructure development. Procurement - identifies possible opportunities from expiring contracts and to share the list with stakeholders
- Workshops to be arranged by Transnet to educate potential small, medium and micro enterprises (SMMEs) on procurement guidelines and requirements
- Transnet will standardise its tender process and ensure opportunities are shared by all

**Strategic responses**
- The procurement process followed by GSS fully complied with the principles of the Constitution and PFMA of using a procurement system which is fair, equitable, transparent, competitive and cost effective
- Refined bulk fuel tender is under forensic investigation due to alleged tender irregularities
- We launched a Transnet Supplier Summit incorporating both existing small and medium suppliers and emerging and potential customers as a platform to interact and gain first-hand experience on the challenges and ease of doing business with Transnet
- We are prioritising ESD as a key lever to display our genuine commitment to addressing the economic transformation challenges, and building a strong and responsible local sourcing supply chain

**Investors and Credit Rating Agencies**

**Key issues/areas of interest**
- Credit rating downgrades and related covenant breaches
- Liquidity and funding, and financial market instruments
- Governance issues
- Cash interest cover and audit qualification covenant breaches
- 2020 AFIS qualified audit opinion
- Rationale for rating actions
- Update on state capture and 1 064 locomotives
- Transnet’s new strategy

**Strategic responses**
- We have raised long-term funding to address rating agencies’ liquidity concerns
- We are implementing a remedial plan to address matters leading to qualified audit opinions
- We have conducted a roadshow to take our investors through the new strategy, key risk areas, and operational and financial performance
- We responded to ad hoc credit-related questions from lenders and investors
- We have also started with carving out PFMA-related audit qualifications on all new loans
- We have distributed SENS announcements regarding the subsidisation of TNPA and engaged lenders, rating agencies, and investors on the matter
- We crafted a remedial plan to address matters leading to a qualified audit opinion
- We continue to engage with rating agencies to share Transnet’s latest strategy and liquidity update (including cash flow projections) in the COVID-19 environment
- We are currently updating the DMTN Programme documents to reflect the latest Debt Listings Requirements
- We are continuously monitoring Debt Listings Requirements

**Regulators**

**Key issues/areas of interest**
- Compliance with conditions of special permits
- Prioritisation of prohibition notices issued by the regulator
- Compliance with Record of Decision and tariff methodologies
- Compliance with legal and other requirements, including permit and licence conditions

**Strategic responses**
- We have received the closure of the two special conditions attached to our Railway Safety Permit, namely Human Factors Management, and Prasa/Transnet Safety Interface Management Agreement
- We have started to use the Transnet Regulator Engagement Protocol to guide the engagements we have with stakeholders to align with regulations
- We have collaborated with government entities to advance partnership on railway safety to improve initiatives across the organisation
- We have embarked on a process to develop the legislated safety permit application process for a period of three years
- We are engaging stakeholders to discuss the conditions for the Reasons for Decision and Record of Decision tariff methodologies
### Customer Key Issues/areas of interest

**General**
- Customer concerns with project pricing and service offerings
- Building and improving relationships with stakeholders
- Competitive pricing
- Converting business inquiries into freight solutions across all ODs
- Reduce the cost of logistics
- Customer service

**Regional economic growth**

**Road-to-rail migration**

**Overall rail performance remains an issue, with the cited shortages of locomotives, wagons, and crew**. This has had a significant impact on volumes and has put contract volumes at risk.

**The enablement of new entrants** remains a significant challenge due to capacity constraints.

### Media Key issues/areas of interest

- Update on the Durban berth deepening project following suspension of the contract
- Tenders and job scams
- Transnet’s response to strike actions
- Encouraging foreign direct investment in South Africa, thereby enabling Transnet to access globally competitive technology
- Continual attacks on Transnet infrastructure such as railway and pipelines (cable and fuel theft)
- Continual train derailments
- Erection of shack on Transnet property
- The subsidiarisation of TMNP
- Recent strike action in KwaZulu-Natal and Gauteng
- The cyberattack on Transnet’s IT system

### Strategic responses

**General**
- We continue to enforce a one-touchpoint approach for customer relationships to eliminate the frustration of having to engage at different levels for our customers.
- We are focusing on integrated initiatives to increase volume growth by providing customer-centric, end-to-end freight solutions with improved service delivery to current and new customers.
- We are exploring new business opportunities that will reduce the cost of doing business, migrate traffic from road to rail, and increase economic growth in the southern African region.
- The customer service strategy includes a centralised point that will facilitate the understanding, alignment, drive ownership, and put in place contracts.
- We continue to conduct business engagements such as industry meetings, commodity steering committees, and site visits to identify customer needs for service execution.
- We continue to pursue cross-border opportunities emanating from engagements with our African counterparts.

### Coal and mineral mining industry

- Customer concerns with unreliable rail service
- Major concerns with theft of cables and general security of customers’ cargo across the rail network.

### Strategic responses

**Manganese and iron ore industry**

- Customers currently feel left out because they were not consulted regarding long-term plans for the manganese industry.
- Capacity constraints remain a key challenge for the manganese industry. To date, there are several manganese producers who qualify but do not have access to rail and port capacity due to capacity constraints, thus relying on roads to service their markets. Currently available capacity does not support other mine business plans, such as Kalagadi which produces iron ore, but they have only been allocated 1.2 Mt.
- The Kamfers Dam incident remains a challenge for the manganese industry. Significant volumes were lost as a result of this disruption.
- Extended iron ore commodity price boom
- Reliability of key rail and port infrastructure
- Iron ore and manganese segment strategy

### Strategic responses

**Container and auto industry**

- Poor rail service has led to a decline in automotive and container rail market share
- Improvement of rail service levels will unlock volume growth opportunities in the FMCG time-sensitive industries.

### General public

- Update on the progress of the Durban berth deepening project following suspension of the contract
- Tender and job scams
- Access to information
- Transnet’s response to strike actions
- Bursaries
- Impact of looting on the Transnet business
- The impact of the continued attacks on Transnet infrastructure such as railway and pipelines (cable and fuel theft)
- Impact on continued train derailments
- Erection of shack on Transnet property
- The subsidiarisation of TMNP
- Recent strike action in KwaZulu-Natal and Gauteng
- The recent cyberattack on Transnet
- Level-crossing incidents
- Level-crossing road traffic management initiatives
- Community safety
- Emergency and disaster management

### Strategic responses

- We are implementing the recommendations of the Fundudzi Report, MNOs and Werksmans’ report related to acts of malfeasance.
- We are developing awareness campaigns to create visibility of the brand.
- The continued attacks on the Company’s infrastructure have a negative financial impact on the Company’s revenue.
- The Company spending a vast amount of money to clean up fuel spillages from attempted theft incidents, and the Company’s security fees have also increased.
- The Transnet Academy established, to integrate all ODs’ schools into one
- We are reactivating Transnet’s visibility through Parliamentary committees, business chambers, and operational visits by the President.

Please see the detailed online Stakeholder Engagement Report to read more on:
- Measuring stakeholder relationship management
- The analysis of the results of our stakeholder relationship management maturity (SRMM) assessment
- The establishment of stakeholder engagement forums
- Strengthening monitoring and evaluation on community development.