IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the base listing particulars attached to this electronic transmission (the "**Base Listing Particulars**") and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Base Listing Particulars. In accessing the attached Base Listing Particulars, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that you will not forward this electronic transmission or the attached Base Listing Particulars to any other person.

Confirmation of Your Representation: By accessing the attached Base Listing Particulars you are deemed to have represented to Absa Bank Limited, J.P. Morgan Securities plc, and The Standard Bank of South Africa Limited (the "**Arrangers**" and, where appropriate, the "**Dealers**") and Transnet SOC Ltd (the "**Issuer**") that (i) you have understood and agree to the terms set out herein, (ii) you are either (a) not a U.S. person (within the meaning of Regulation S of the United States Securities Act of 1933, as amended (the "**Securities Act**")), and are not acting for the account or benefit of any U.S. person, and that the electronic mail address you have given to us is not located in the United States, its territories and possessions, or (b) a person that is a "**Qualified Institutional Buyer**" within the meaning of Rule 144A under the Securities Act (a "**QIB**"), (iii) you consent to delivery of the attached Base Listing Particulars by electronic transmission, (iv) you will not transmit the attached Base Listing Particulars (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Arrangers and the Dealers, and (v) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the Notes.

You are reminded that the attached Base Listing Particulars has been delivered to you on the basis that you are a person into whose possession the attached Base Listing Particulars may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Base Listing Particulars, electronically or otherwise, to any other person and in particular to any U.S. person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable securities laws of other jurisdictions.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

ANY NOTES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QIB THAT IS ACQUIRING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE NOTES.

THE ATTACHED BASE LISTING PARTICULARS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED LISTING PARTICULARS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED, AND WILL NOT BE ABLE, TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

The attached Base Listing Particulars is not being distributed to, and must not be passed on to, the general public in the UK. The communication of the attached Base Listing Particulars is only being made to those persons falling within Article 19(5) or Article 49(2)(a) to (e) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or to other persons to whom the attached Base Listing Particulars may otherwise be distributed without contravention of sections 21 or 328 of the Financial Services and Markets Act 2000, or any person to whom it may otherwise lawfully be made. This communication is being directed only at persons having professional experience in matters relating to investments and any investment or investment activity to which this communication relates will be engaged in only with such persons. No other person should rely on it.

The attached Base Listing Particulars has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arrangers or the Dealers, any person who controls any of the Arrangers or the Dealers, the Issuer, any director, officer, employee or agent of any of them, or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Base Listing Particulars distributed to you in electronic format and the hard copy version available to you on request from any of the Arrangers or the Dealers.

TRANSNET SOC Ltd

(formerly Transnet Limited)

(Registration number 1990/000900/30) (incorporated with limited liability in the Republic of South Africa)

U.S.$6,000,000,000
Global Medium Term Note Programme

Under the Global Medium Term Note Programme (the "**Programme**") described in this Base Listing Particulars (the "**Base Listing Particulars**"), Transnet SOC Ltd (formerly Transnet Limited) ("**Transnet**", the "**Company**" or the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**"). The aggregate principal amount of Notes outstanding will not at any time exceed U.S.$6,000,000,000 (or its equivalent in other currencies).

Application has been made to the London Stock Exchange plc (the "**London Stock Exchange**") for Notes issued under the Programme within 12 months from the date of this Base Listing Particulars to be admitted to trading on the London Stock Exchange's International Securities Market (the "**Market**"). References in this Base Listing Particulars to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Market. The Market is not a United Kingdom ("**UK**") regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") ("**UK MiFIR**"). The relevant Pricing Supplement (the "**Pricing Supplement**") in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Market. Notes may also be issued that are not traded on any exchange. Copies of Pricing Supplements in relation to Notes to be admitted to trading on the Market will be published on the website of the London Stock Exchange through a regulatory information service or will be published in such other manner permitted by the International Securities Market Rulebook effective as of 1 January 2021 (as may be modified and/or supplemented and/or restated from time to time, the "**ISM Rulebook**").

The Market is a market designated for professional investors. Notes admitted to trading on the Market are not admitted to the Official List of the Financial Conduct Authority ("FCA"). The London Stock Exchange has not approved or verified the contents of this Base Listing Particulars.

This Base Listing Particulars does not constitute a base prospectus for the purposes of a listing or an admission to trading on any market in the European Economic Area (the "**EEA**") which has been designated as a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). This Base Listing Particulars does not constitute a base prospectus for the purposes of a listing or an admission to trading on any market in the UK which has been designated as a UK regulated market for the purposes of UK MiFIR,

Investing in the Notes involves substantial risks. Prospective investors should have regard to the risks described under the section captioned "*Risk Factors*" in this Base Listing Particulars.

In general, the Notes of each Series (as defined in "*Overview*") issued in bearer form ("**Bearer Notes**") will initially be represented by a temporary global note in bearer form, without interest coupons (each a "**Temporary Global Note**"), and will be sold in "offshore transactions" to persons other than U.S. persons within the meaning of Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Interests in Temporary Global Notes generally will be exchangeable for interests in permanent global notes (each a "**Permanent Global Note**" and, together with the Temporary Global Notes, the "**Global Notes**"), or if so stated in the relevant Pricing Supplement, definitive Notes ("**Definitive Notes**"), after the date falling 40 days after the completion of the distribution of the relevant Tranche (as defined in "*Overview*") of Notes upon certification as to non-U.S. beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part in the limited circumstances described under "*Summary of Provisions Relating to the Notes While in Global Form*". Global Notes may be deposited on the issue date with a common depositary (the "**Common Depositary**") on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") or such other clearing systems as shall be agreed between the Issuer and the relevant Dealers (as defined herein). Bearer Notes are subject to United States ("**U.S.**"). tax law requirements.

The Notes of each Tranche to be issued in registered form ("**Registered Notes**") will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Tranche and may be represented by a Global Certificate (as defined below) and Certificates may, and Global Certificates will, be deposited on the relevant issue date either with (a) a Common Depositary or (b) such other clearing system as shall be agreed between the Issuer and the relevant Dealers (as defined herein).

Registered Notes which are sold in an "offshore transaction" to persons other than U.S. persons within the meaning of Regulation S will initially be represented by a permanent registered global certificate (each a "**Regulation S Global Certificate**") without interest coupons, which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with a Common Depositary and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, Luxembourg, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealers.

Registered Notes which are sold to "qualified institutional buyers" (each a "**QIB**") within the meaning of Rule 144A ("**Rule 144A**") (the "**Rule 144A Notes**") under the Securities Act will initially be represented by a permanent registered global certificate (each a "**Rule 144A Global Certificate**" and, together with the Regulation S Global Certificates, the "**Global Certificates**"), without interest coupons, which, as specified in the Pricing Supplement, may be cleared through Euroclear and/or Clearstream, Luxembourg or through The Depository Trust Company ("**DTC**") and which may be deposited on the relevant issue date either with a Common Depositary or with a custodian (the "**Custodian**") for DTC and registered in the name of a nominee for the Common Depositary or in the name of Cede & Co. as nominee for DTC.

The provisions governing the exchange of interests in the Global Certificates for individual Certificates in certain limited circumstances are described in "*Summary of Provisions relating to the Notes while in Global Form*".

The Issuer has been rated Baa3 (Negative Outlook) by Moody's Investors Service Ltd ("**Moody's**") and BB- (Credit Watch Negative) by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"). Unsecured, unsubordinated long term debt securities of the Issuer to be issued under the Programme have been rated Ba3 by Moody's and BB- by Standard & Poor's.

Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (1) in accordance with Rule 144A to a person that the holder and any person acting on its behalf reasonably believes is a QIB that is acquiring the Notes for its own account or for the account of one or more QIBs, (2) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, or (3) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder, if available, in each case in accordance with any applicable securities laws of any state of the United States. No representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of the Notes. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Base Listing Particulars, see "*Subscription and Sale*" and "*Transfer Restrictions.*"

This Base Listing Particulars should be read and construed together with any amendment or supplement hereto. Further, in relation to any Series of Notes, this Base Listing Particulars should be read and construed together with the relevant Pricing Supplement.

As described further in this Base Listing Particulars, the prior written approval of the Financial Surveillance Department of the South African Reserve Bank (the "**Exchange Control Authorities**") will be required for each Tranche of Notes issued under this Programme.

Arrangers and Dealers

Absa J.P. Morgan Standard Bank

The date of this Base Listing Particulars is 25 January 2023.

This Base Listing Particulars comprises admission particulars in respect of all Notes issued under the Programme and admitted to trading on the Market, in accordance with the ISM Rulebook.

The Issuer accepts responsibility for the information contained in this Base Listing Particulars. Having taken all reasonable care to ensure that such is the case, to the best of the knowledge of the Issuer the information contained in this Base Listing Particulars is in accordance with the facts and this Base Listing Particulars makes no omission likely to affect its import.

No person has been authorised to give any information or to make any representation other than those contained in this Base Listing Particulars in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Arranger or Dealer (each as defined in "*Overview*").

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Information Incorporated by Reference*"), the information on the websites to which this Base Listing Particulars refers does not form part of this Base Listing Particulars.

Neither the delivery of this Base Listing Particulars or any Pricing Supplement nor the offering, sale, or delivery of any Note shall, under any circumstances, create any implication that the information contained in this Base Listing Particulars is accurate subsequent to the date hereof or that there has been no change in the affairs of the Issuer or the Issuer, its Operating Divisions and its subsidiaries (the "**Group**") since the date hereof or the date upon which this Base Listing Particulars has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or the date upon which this Base Listing Particulars has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Listing Particulars and any Pricing Supplement and the offering, sale or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Listing Particulars or any Pricing Supplement comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restriction. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Base Listing Particulars and any Pricing Supplement and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the Securities Act and Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States or to U.S. persons. Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and sold in the United States to QIBs in reliance on Rule 144A. Prospective purchasers of Notes are hereby notified that sellers of Notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

This Base Listing Particulars does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

The Arrangers and the Dealers have not separately verified (i) the information contained herein or (ii) any statement, representation, or warranty, or compliance with any covenant, of the Issuer contained in any Notes or any other agreement or document relating to any Notes or made in connection with the Programme, or any other agreement or document relating to the Programme. None of the Arrangers or the Dealers makes any representation, express or implied, or accepts any responsibility, with respect to (a) the accuracy or completeness of any of the information in this Base Listing Particulars or (b) the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of any Notes or any other agreement or document relating to any Notes or the Programme or (c) the acts or omissions of the Issuer or any other person in connection with the issue and offering of the Notes. Neither this Base Listing Particulars nor any Pricing Supplement nor any financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers that any recipient of this Base Listing Particulars or any Pricing Supplement or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Listing Particulars and any Pricing Supplement and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers or the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Listing Particulars and any Pricing Supplement nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers or the Dealers.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the "Stabilisation Manager(s)") (or persons acting on behalf of any Stabilisation Manager(s)) in the relevant Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

This Base Listing Particulars has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States, the resale of the Notes in the United States in reliance on Rule 144A under the Securities Act and the admission of the Notes to trading on the Market. The Issuer, the Arrangers and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Listing Particulars does not constitute an offer to any person in the United States or to any U.S. person other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Base Listing Particulars by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS BASE LISTING PARTICULARS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

MIFID II product governance / target market – The Pricing Supplement in respect of any Notes may include a legend entitled "**MiFID II Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate.

Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arrangers or the Dealers, nor any of their respective affiliates, will be a manufacturer for the purpose of the MIFID Product Governance Rules.

UK MiFIR product governance / target market – The Pricing Supplement in respect of any Notes may include a legend entitled "**UK MiFIR Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance** Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arranger or the Dealers, nor any of their respective affiliates, will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended or superseded, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, (as amended, "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (as amended or superseded, the "**UK Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT 2001 (2020 REVISED EDITION) OF SINGAPORE

With respect to each issuance of Notes, the Issuer may make a determination about the classification of such Notes for purposes of Section 309B(1)(a) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (as modified or amended from time to time, the "**SFA**"). The Pricing Supplement in respect of any Notes may include a legend titled "Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore" that will state the product classification of the applicable Notes pursuant to Section 309B(1) of the SFA; however, unless otherwise stated in the applicable Pricing Supplement, all Notes shall be "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and "Excluded Investment Products" (as defined in the Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products). This notification or any such legend included in the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of Section 309B(1)(c) of the SFA.

NOTICE TO SOUTH AFRICAN INVESTORS

This Base Listing Particulars is not, nor is it intended to be, a "*registered prospectus*" (as that expression is defined in the Companies Act, 2008 of South Africa (the "**Companies Act**")) and, accordingly, there will be no offer of Notes for sale or subscription in the Republic of South Africa where such offer qualifies as an "*offer to the public*" (as such expression is defined in the Companies Act).

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes for sale or subscription in circumstances in which an obligation arises for the Issuer or any Dealer to procure that such offer is accompanied by a "registered prospectus" (as that expression is defined in the Companies Act).

The Exchange Control Approval described in "*Exchange Controls*" is granted on the basis that South African private individuals may only subscribe for Notes utilising their foreign investment allowances. Qualifying South African institutional investors who utilise their pre-approved prudential offshore allowances are exempted and may subscribe for Notes.

NOTICE TO INVESTORS

Because of the restrictions described herein, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any Notes.

The offering of Notes in the United States will be made in reliance upon an exemption from registration under the Securities Act. In purchasing Notes each investor will be deemed to have made certain acknowledgments, representations and agreements. See "*Subscription and Sale*" and "*Transfer Restrictions*".

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OVERVIEW

This overview should be read as an introduction to, and is qualified in its entirety by reference to, the more extensive information and definitions of terms contained elsewhere in this Base Listing Particulars. This overview may not contain all the information that prospective investors should consider before deciding to invest in the Notes. Accordingly, any decision by a prospective investor to invest in the Notes should be based on a consideration of this Base Listing Particulars as a whole. Prospective investors should read this entire Base Listing Particulars carefully, including the financial statements and related notes and the information set forth under the headings "*Risk Factors*" and "*Cautionary Note Regarding Forward-Looking Statements*".

Transnet's Business

Transnet is owned by the Government of the Republic of South Africa (the "**Government**") and is the operator, owner and custodian of a major portion of the Republic of South Africa's transport infrastructure, specifically its railway, ports and pipelines. Transnet is a focused freight transport company with the goal of delivering integrated, efficient, safe, reliable and cost-effective services. Transnet's key mandate is to assist in lowering the cost of doing business, enable economic growth in South Africa and ensure security of supply through providing appropriate ports, rail and pipeline infrastructure as well as operations in a cost-effective and efficient manner, within global benchmarks. Transnet interprets its mandate as having three main objectives:

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

Transnet seeks to promote economic growth in the Republic of South Africa by providing its customers with access to world-class integrated logistics solutions and by creating transportation capacity ahead of demand. Transnet's strategic focus areas are informed by the Government's National Development Plan 2030 (the "**NDP 2030**"), which aims to create eleven million jobs by 2030 and to reduce the unemployment rate to 6 per cent., and the Governmental initiatives issued by the Minister of Public Enterprises in the Statement of Strategic Intent. Transnet's core responsibility is to ensure effective custodianship of the Republic of South Africa's integrated port, rail and pipeline network, which will contribute to lowering the cost of logistics and improving the country's economic competitiveness. Additionally, the Cabinet adopted the South African Economic Reconstruction and Recovery Plan ("**Economic Reconstruction and Recovery Plan**") in October 2020 to facilitate economic recovery.

Substantially all of Transnet's revenues are generated in the Republic of South Africa. Over the previous Financial Years, Transnet has transformed from a diversified conglomerate into a focused rail, port and pipeline operator. Transnet has accomplished this through the sale, closure or transfer of non-core assets and businesses. Transnet's continuing operations are grouped into six business divisions according to major transport modes and property portfolios, with central support services unified under one brand. For operational and reporting purposes, Transnet is organised into the following five core business divisions (the "**Operating Divisions**"): Freight Rail ("**Transnet Freight Rail**"), Engineering ("**Transnet Engineering**"), National Ports Authority ("**Transnet National Ports Authority**"), Port Terminals ("**Transnet Port Terminals**") and Pipelines ("**Transnet Pipelines**"). The "**Other Division**" consists of Property ("**Transnet Property**"), Transnet Group Capital (where applicable), Transnet Corporate Centre, and Transnet Foundation. The Issuer, its Operating Divisions and its subsidiaries combined are referred to as the "Group".

- Transnet Freight Rail is the largest of Transnet's Operating Divisions by revenue and number of employees. Transnet Freight Rail is focused on transporting bulk and containerised freight along an approximately 31,000 kilometre rail route network on which it operates 1,200 trains per day.
- Transnet Engineering is in the business of offering manufacturing, remanufacturing, assembly and maintenance of railway rolling stock including locomotives, freight wagons, passenger coaches and port equipment. These offerings are supported by engineering work such as research, design and testing. Transnet Engineering has six main plants and 143 maintenance depots spread throughout South Africa, creating a network of sites that serve the main rail corridors and ports.
- Transnet National Ports Authority is responsible for the safe, efficient and effective economic functioning of the national ports system of the Republic of South Africa, which it owns and manages in a landlord capacity on behalf of the Government. Transnet National Ports Authority is the provider of port infrastructure and marine services at all eight fully operational commercial ports in the Republic of South Africa.

- Transnet Port Terminals manages 16 cargo terminals situated across seven of the eight South African ports. It provides cargo handling services for container, bulk, break-bulk and automotive cargos.

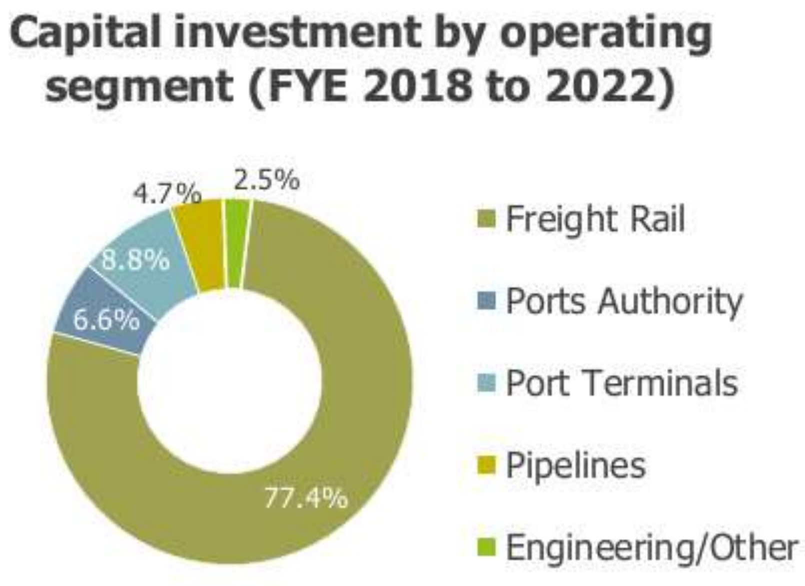
- Transnet Pipelines transports a range of petroleum and gas products through approximately 3,800 kilometres of underground pipelines, traversing five provinces in the Republic of South Africa, with the strategic objective of ensuring the security of the supply of petroleum products to the inland market.

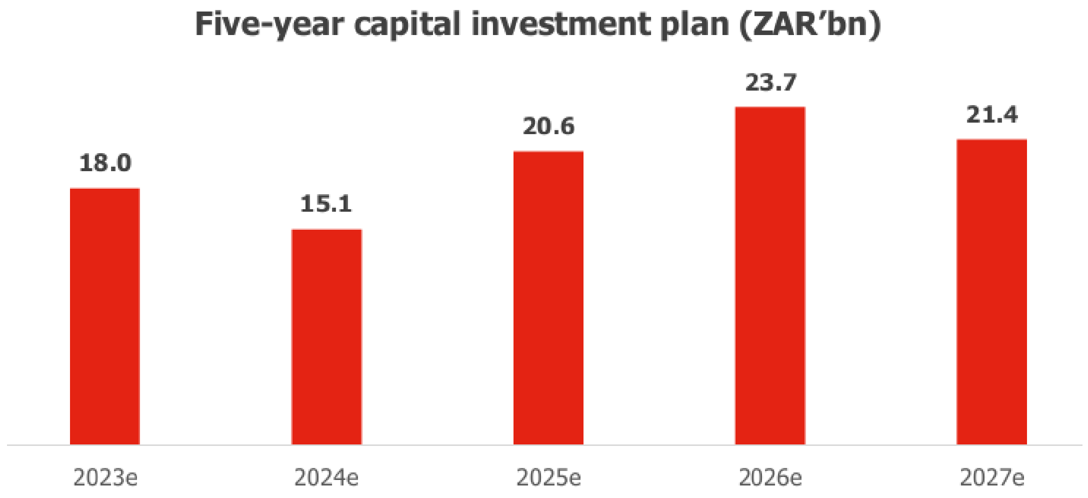
- Transnet Property, part of the Other Division of Transnet, currently manages a portfolio of commercial and residential properties, which are leased out to external and internal tenants. The remainder of the property portfolio is still managed by the respective Operating Divisions, but service level agreements are being put in place for Transnet Property to provide property management and other specialised services to some of the other Operating Divisions and Transnet Corporate Centre. Transnet Property's core capabilities include strategic asset management, property development and property management.

For the six months ended 30 September 2022, the Group generated revenue of R36,053 million, operating profit of R5,347 million and profit for the period of R159 million. For Financial Year 2022, the Group generated revenue of R68,459 million, operating profit of R8,602 million and profit for the period of R5,048 million. For Financial Year 2021, the Group generated revenue of R67,273 million, operating profit of R5,588 million and loss for the year of R8,734 million. For Financial Year 2020, the Group generated revenue of R75,167 million, operating profit of R19,050 million and profit for the year of R2,892 million.

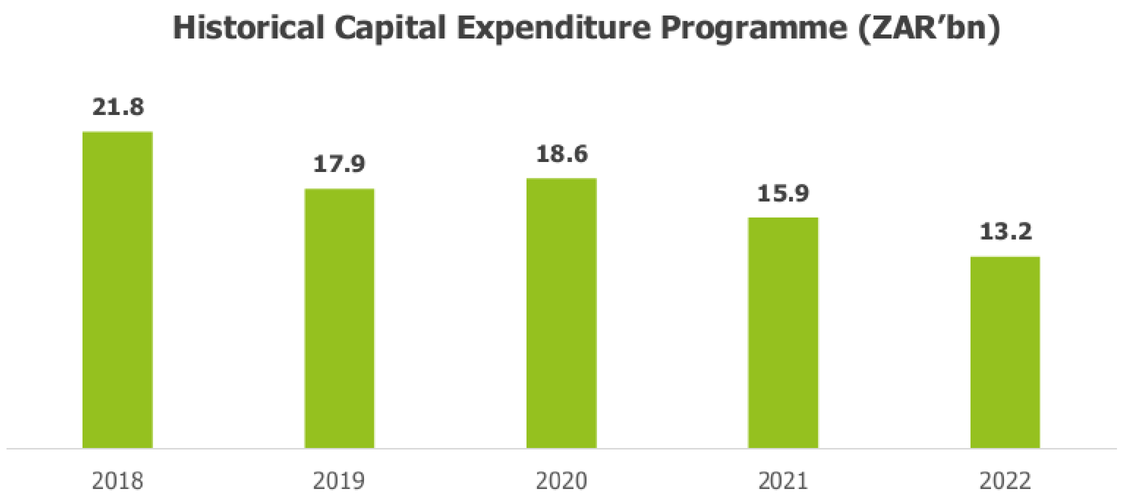
While the focus remains on better serving customers, improving morale and safety, improving asset utilisation and improving margins, Transnet is also required to fundamentally transform in order to ensure its sustainability and its ability to continue to fulfil its mandate as the custodian of ports, rail and pipelines and an enabler of industrial capacity. Transnet has adopted a multi-pronged solution of collaborative partnerships to support these objectives. Capacity creation will largely be driven by continued investment in support of, and in partnership with, the industries that Transnet serves.

Transnet's current capital expenditure programme (the "**Capital Investment Plan**"), provides for Transnet's continuing operations to invest R98.9 billion over the total five Financial Years beginning in Financial Year 2023 on key corridors and sectors, as the below diagrams indicate. The Group's spending for the six months ended 30 September 2022 (excluding intangible assets and capitalised borrowing costs) amounted to R6,000 million, with R5,700 million spent to maintain current infrastructure and equipment and R324 million spent on expanding capacity. For the five-year period, it is envisioned that 79.7 per cent. / R78.9 billion will be spent on maintenance and sustaining capex, with R39.1 billion to be spent on maintaining and sustaining permanent ways and rolling stock. The remainder is planned for port fleet and pipeline equipment.





Historical capital expenditure is outlined in the below diagram.



Transnet is funded through reserves and borrowings and does not receive cash subsidies from the Government. Transnet raises funds in the debt markets based on the strength of its financial position and it has raised funding without Government guarantees since 1998. As a result, Transnet needs to earn an appropriate return on its assets that will allow for the maintenance and expansion of the rail, port and pipeline infrastructure that it owns and operates, while maintaining a strong financial position. Notes issued under the Programme and Transnet's Domestic Medium Term Note and Commercial Paper Programme (the "**DMTN Programme**") are not guaranteed by the Government.

Transnet was incorporated on 19 February 1990 under the (now repealed) Companies Act, 1973 (the "**Old Companies Act**"), pursuant to the Legal Succession to the South African Transport Services Act, 1989 (the "**Legal Succession Act**") with the Government as its sole shareholder (the "**Shareholder**"). The Minister of Public Enterprises represents the Government in its capacity as Shareholder (the "**Shareholder Representative**"). Transnet enters into an annual shareholder's agreement with the Government, represented by the Shareholder Representative (the "**Shareholder's Compact**"), to deliver on numerous strategic deliverables, including sustainable economic, social and environmental outcomes. Transnet was formed as a result of the transfer of the commercial enterprise of the South African Transport Services to Transnet as the country's railway, port and pipeline operator. With effect from 1 May 2011, Transnet changed its name from Transnet Limited to Transnet SOC Ltd.

Business Strengths

Transnet's business strengths include the following:

Country-wide Reach, Scale and Strategically Important to the South African Economy

Transnet's integrated system of freight rail, ports and pipelines covers the most economically important corridors in the Republic of South Africa, highlighting its national importance to South Africa's economy. Its substantial operations and market share in freight rail and its ownership and operation of all the Republic of South Africa's commercial ports mean that Transnet's operations extend across the whole of the Republic of South Africa and facilitate an international focus.

Transnet has a substantial asset base and owns or leases an active fleet in excess of 2,236 locomotives and an active fleet of 55,657 freight wagons and operates the longest heavy haul rail line in the world, namely the 1,500 km export coal and export iron ore railway lines. Transnet National Ports Authority owns and manages, in a landlord capacity on behalf of the Government, the port system of the Republic of South Africa. Transnet National Ports Authority is the provider of port infrastructure and marine services at all eight commercial ports in the Republic of South Africa. Transnet Port Terminals manages 16 cargo terminal operations across seven of the eight South African ports, providing a range of cargo-handling and warehouse services to a wide variety of customers, including shipping lines, freight forwarders and cargo owners in the container, bulk, break-bulk and automotive cargo sectors. Transnet also owns over 3,800 kilometres of petroleum and gas pipeline infrastructure.

Significant Portion of Recurring Revenue from a Diversified Client Base

Transnet focuses on developing and maintaining long-term relationships with strategic customers, which includes participating in industry forums with its top customers to help establish long-term contracts with such customers and regular engagements to deal with operational and commercial matters. Transnet has take-or-pay contracts mainly with large export coal, export iron ore and export manganese corporates, these commodities make up a large portion of Transnet's revenue. The revenue stream from Transnet National Ports Authority and Transnet Port Terminals is highly diversified and the different types of customer segments they serve. Furthermore, the revenue from Transnet Pipelines and Transnet National Ports Authority is regulated by NERSA and the PRSA respectively. Pipelines and National Ports Authority generated annual external revenue of R5,278 million (7.7 per cent. of the Group's revenue) and R10,288 million (15.0 per cent. of the Group's revenue) respectively for the financial year ending 31 March 2022.

Financial Strength

Transnet believes that its financial strength gives it the resources to implement its strategies and to pursue its Capital Investment Plan to upgrade and increase throughput capacity in its network. Transnet has a diversified funding base that consists of local and international banks, local and international capital markets and an active and deep relationship with the development finance community. Through this diversified funding base, as at 30 September 2022, the Group had cash and cash equivalents of R7,692 million on balance and R9,600 million in credit lines available, providing the Company with sufficient resources to implement its strategies and pursue its Capital Investment Plan of R98,928 million over five years to upgrade and increase throughput capacity in its network.

This also comes as a result of the generally positive trends and financial metrics for Transnet. EBITDA increased by 20.5 per cent. to R23.4 billion for Financial Year 2022 (2021: R19.5 billion), interest coverage increased to 2.6x for Financial Year 2022 (2021: 2.1x) and net operating expenses decreased by 5.8 per cent. to R45.0 billion for Financial Year 2022 (2021: R47.8 billion). Whilst COVID had an adverse impact on Transnet's financial and operating performance, resulting in a loss of R8,734 million for Financial Year 2021, a 402.0 per cent. decrease from a R2,892 million profit for Financial Year 2020, the overall business has been recovering in 2022 and the Company has implemented strategy that aims to continue this improvement.

Captive Markets

The sectors of transport, agriculture, mining and manufacturing are high-value earners for South Africa. Transnet, the sole provider of railway transport in the Republic of South Africa, is responsible for the movement and transportation of a significant portion of all bulk commodities within the Republic of South Africa. Alternative transportation methods are believed to be infeasible in the long term due to the continued focus on ecological solutions making continued investment in the creation and maintenance of roads infeasible. These factors lead to the future-proofing of Transnet's revenue stream in terms of freight rail transport.

For Transnet, the automotive and container sectors are considered proxies for both the transport sector, which accounts for 12 per cent. of the forecasted GDP for 2022, and the manufacturing sector, which is the second-largest contributor to South Africa's GDP, at 19 per cent. From the perspective of the mining sector, at 7 per cent. contribution, Transnet transports several mining commodities, including coal, iron ore, chrome, magnetite and manganese. Transnet's transport of liquid fuels and gas are, in turn, proxies for the utility sectors, with the latter contributing 4 per cent. Transnet considers agriculture, also at an anticipated 4 per cent. contribution, a critical contributing sector to its and South Africa's economic recovery in a post-COVID world.

Ability to Capitalise on International Growth in Container Transport and Logistics Solutions

The location of the Republic of South Africa at the southern tip of Africa, between two oceans and on major shipping routes means that Transnet's ports and port terminals, as well as the rail network, one of the top 10 freight railroads in the world as well as the largest freight railroad in Africa, consisting of 80 per cent. of Africa's total rail network, leading from those ports, are well-positioned to continue to capture economic benefits from the international growth in container traffic. Port Terminals is a regional leader in the container, automotive and dry bulk (excluding coal) segments. It is also a market leader in the handling of iron ore and manganese and holds 21 terminal operator licences across the country. Transnet is also the largest multi-product pipeline operator in Southern Africa. Pipelines has the ability to establish strategic terminal import connectivity and capability for the southern hemisphere, particularly in the renewable energy sector. Transnet Engineering supports its rolling stock and ports equipment and infrastructure requirements as South Africa's largest heavy engineering firm and owner of one of the largest engineering fabrication facilities in Africa. Transnet Property is one of the largest landowners in South Africa, with a diverse property portfolio covering 204 municipalities.

Transnet believes that intermodal container traffic will become increasingly important to the South African economy, based on the increasing importance of container supply chains within global production-sharing arrangements. The cost, speed, predictability, reliability, flexibility and connectivity of container supply chains are key determinants of competitiveness for manufacturers. Transnet believes that its geographic location on the African continent, coupled with its integrated container segment strategy, puts it in a strong position to benefit from growth in container transport.

Well Positioned to Capitalise on the Republic of South Africa's Abundance of Metal and Mineral Resources

The integration of Transnet's freight rail network with its ports allows Transnet to capture a significant portion of the transportation revenues associated with the export of the Republic of South Africa's metal and mineral resources. The Republic of South Africa is believed to have the largest known deposits of chromium, manganese and vanadium. It is also among the largest producers of chromium and has significant deposits of iron ore, coal, manganese, antimony, copper, nickel, lead, titanium, fluorspar, zinc and zirconium. Transnet's network has been able to respond to some of this demand and is well positioned geographically to do so on a cost-effective basis. These commodities are mainly exported, although iron ore and coal are also used by the Republic of South Africa domestically. Transnet Freight Rail has a largely dedicated coal line and a dedicated iron ore line to transport coal and iron ore products for export and manages the rail transportation of most metals and minerals mined in the country.

Robust Link with the Republic of South Africa Government

Transnet maintains a robust link with the Government through the Republic of South Africa's 100 per cent. ownership of Transnet and its oversight on the Company's strategy, funding plans and regulatory frameworks. The Government considers Transnet as one of its key strategic assets for socio-economic transformation and development. Accordingly, Transnet is well-positioned to benefit from Government policies, country transformation and development plans.

Strategy

Transnet's performance has been below expectations since the onset of the COVID-19 pandemic. This is largely due to a maintenance backlog and equipment shortage which hinders operational reliability and predictability. An escalation in incidents of theft and vandalism has exacerbated these challenges. Transnet's performance is directly affected by the combined influences of global macro-economic trends and trade flows as well as the level of economic activity in South Africa. Volume output was adversely impacted by regulations that prohibited mines from operating at full capacity in the interest of protecting the safety of employees. As a result of these and other COVID-19 restrictions that impeded operations, the total volume of South Africa's transported goods decreased by 11.6 per cent. during Financial Year 2021, while South Africa's manufactured exports and GDP declined by 5 per cent. and 7 per cent. in the same time period, respectively. The easing of COVID-19 health orders in 2022 has not yet resulted in full business recovery across Transnet's regional integration operations.

Transnet is therefore seeking alternate sources of capital for investment in the business. The segment strategies propose a number of partnership opportunities to raise the level of investment in the system, and thus capacity. Over and above regulatory alignment, partnerships will inject cash into Transnet through equity transfers, invest directly in new equipment and facilities, and ultimately drive volume growth and densification of the network.

Transnet's implementation plan can be summarised as a set of short-term focused interventions and a complementary set of medium- to longer-term interventions as seen below.

Short-Term Interventions

Transnet continues to focus on its five basic levers of customer service, people, asset utilisation, safety and cost control in order to improve operational and financial performance. The granularity of interventions has deepened and are more focused at the commodity or flow level. Transnet strives to prioritise the following:

(1) **Priority segments and network** – Through a set of focused initiatives centred on driving volume and revenue growth and optimising operational cost and efficiency, directed at selected segments, which account for more than 80 per cent. of the Company's revenue (among others, coal, iron ore, manganese and chrome and magnetite), an estimated 52.4 million tons per annum (mtpa) overall increase in bulk commodity capacity is anticipated to be generated by the end of the five-year period.

(2) **Cash and debt management** – Implementing a robust capital allocation framework that ensures that capital investments (on balance sheet and crowded investments) are aligned to priority segments and networks, focusing on growth in revenue, profitability and growth in market share, while also contributing to debt repayment and liquidity improvement. Targeted capital allocation and improved execution oversight will result in a more productive use of capital and mitigate capital execution risk. Additional capital will be crowded in through partnerships and an example can be made of the anticipated headroom of an additional 7mtpa of coal expected to generate an additional R1.2 billion per annum in revenue through partnership-based co-investment.

(3) **Operational optimisation** – Transnet intends to adopt an operational philosophy aimed at increasing productivity, reliability and availability. This will underpin the improved attractiveness of Transnet's services and thus volume growth. A detailed set of interventions will be developed per priority segment. For export coal, for example, where significant growth opportunities exist, the focus will be placed on the following:
   - Secure and protect electrical infrastructure across high-crime areas on the network through the use of security services;
   - Fast-track the procurement of critical components and services to support operations across the North Corridor and strategic ports (Richards Bay Coal Terminal, Richards Bay Multi-purpose Terminal and RBT Grindrod Terminal);
   - Implement operational breakthrough programmes;
   - Allocate 'mixed' tractive effort, including diesel trains (43D and 44D locomotive types);
   - Prioritise dual-voltage locos (i.e. 21E and 22E locomotive types) to reduce changeover time;
   - Run longer trainsets (where appropriate);
   - Allocate underutilised assets to support profitable flows exported via the Richards Bay Multi-purpose Terminal; and
   - Ensure that greater volumes can be serviced by Richards Bay Coal Terminal, Richards Bay Multi-purpose Terminal and RBT Grindrod Terminal.

(4) **Strategic procurement execution-** Transnet is reforming its current procurement practices and culture to drive strategic procurement execution of critical components and equipment, as well as security services and technology. The following levers will be utilised to spearhead strategic procurement execution reform:
   - Assembling engineering expert panels across Transnet's network and operations profile to identify high priority procurement events; and
   - Deploying teams of specialists to support the expedition of high priority procurement events.

(5) **PSP transactions and partnerships** - Through the implementation of the segment strategies, Transnet plans to leverage partnerships to crowd in capital, technology, skills and know-how to turn around its business over the next 3- 5 years. Partnerships will have positive effects on Transnet's overall performance and will also signal to stakeholders that it has the ability to partner effectively. Strategic partnerships will assist Transnet to reposition loss-making business, increase Transnet's ability to recycle capital and support the development of other strategic sectors within the economy.

Longer-Term Initiatives

Over the next three to five years, Transnet strives to focus on taking bold steps towards its envisioned future state which contemplates organisational reform and a reorientation towards a value chain-based view of the market.

(1) Repositioning the business – Transnet plans to commercially separate its network and non-network businesses and enable third-party access to network infrastructure. The network business portfolio will account for the rail network, port network and the pipeline network, while the operations business portfolio will account for rail operations, port terminals, property and engineering operations. This delineation allows the various operations business units to appropriately position themselves within their respective market segments.

Transnet intends to optimise its business portfolio and exit operations or leverage partnerships across parts of the business portfolio where it is inefficient, where the cost to serve the market is uneconomical, and it has become a market constraint. In this instance, a concerted effort will be made towards crowding in capital, skills, technology and know-how. This will have a positive impact on Transnet's financial sustainability, as well as introduce positive externalities on the South African economy.

Focus will be placed on inviting the market to participate, with a view of "selling slots" or "access rights" to its networks where this makes sense from a cost benefit perspective. It is anticipated that Transnet will continue to run heavy haul channels in the current manner, as these operational models have been shown to be the best commercial and institutional model for pit to port rail transport solutions. Transnet's future state will ensure better utilisation of available network infrastructure and a more competitive and efficient logistics system, thereby supporting the national agenda of enabling a globally competitive economy.

The engineering portfolio will be expanded beyond rolling stock to include the port equipment business. Transnet plans to explore possible partnerships for its engineering portfolio with the objective of securing capital, skills, technology and access to markets and customers in the long term.

Transnet's transformation programme is well aligned with the new policy direction and significant steps have already been taken to orient the organisation around the critical supply chains or market segments, attract private sector investment, skills and know-how, give customers greater choice of suppliers and improve the performance of regional trade routes.

For ports, the process of establishing the National Ports Authority as a wholly-owned subsidiary of Transnet is well advanced. This will ensure a more competitive environment in the port terminal operations space and enhanced oversight of port terminal operations to improve their efficiency and effectiveness.

For rail, the accounting separation of rail infrastructure and operations is far advanced, and a pilot project is being readied to release the first tranche of rail capacity to third-party operators during the second quarter of 2022. The contracts are set to commence in April 2023.

In addition, Transnet is also planning to implement a tiered network where Transnet will be the dominant operator on the core network and private operators are dominant on identified areas of the branch network. Both sets of operators will have access to each other's networks at a fair and transparent price. Transnet is also preparing for the commercial separation of rail haulage, terminals and wagons in order to encourage private sector investment in wagons and terminals and a more widespread adoption of intermodal solutions.

(2) **Financial sustainability** – To manage financial risk, Transnet intends to:

- Prioritise higher-margin commodity flows;
- Consolidate and reduce long-term debtors;
- Develop a sustainable network access pricing regime;
- Conclude the commercial ring-fencing of operations across the network (i.e. accounting separation exercise);
- Collaborate with partners to secure sustaining and expansionary capital for infrastructure and growth; and
- Conclude the right-sizing exercise across its business.

(3) **Asset and operational optimisation**

Operational improvements and efficiencies will be secured through leveraging technology and crowding in operational reform to drive better utilisation of assets and therefore facilitate volume growth. As a priority, Transnet intends to stabilise the network, improve operational efficiencies and, where necessary, create additional capacity across its port and rail environment to facilitate volume uplift across its priority segments:

- Iron ore to ~67mtpa;
- Manganese to ~22mtpa;
- Export coal capacity to ~81mtpa;
- Containers to 14.5 million twenty-foot equivalent units (TEUs) (realised over the next 10-year period at the port of Durban);
- Automotive to 1.6 million fully-built units (realised over the next 10-year period); and
- Chrome and magnetite volume uplift to ~37mtpa (realised over the next 10-year period).

Transnet plans to achieve improved asset and operational optimisation through the following partnership levers and initiatives:

- Leveraging technology and best-in-class operational practices at the face of operations;
- Improving strategic planning and deviation management practices;
- Ensuring increased levels of equipment uptime across the operational environment;
- Driving strategic maintenance (predictive, preventative and corrective) and engineering practices;

- Returning long-standing assets and equipment to service;
- Exploring opportunities for leasing critical equipment to support operations;
- Executing a strategic approach to people management (crew rostering, multi-skilling crew, shift changes and aligning incentives);
- Driving a culture of 'asset care' in operations;
- Adopting a strategic and pragmatic approach to procurement that will support the operations; and
- Driving the consolidation of similar commodities at port nodes.

(4) Network stabilisation

Ensuring the reliability of its infrastructure network remains a top priority for Transnet. Efforts to secure increased network availability and future growth to facilitate volume uplift will be enabled by the following initiatives:

- Driving security interventions in high-crime areas to secure and protect Transnet's network portfolio;
- Exploring options for selectively de-electrifying its network portfolio;
- Driving strategic maintenance (predictive, preventative and corrective) and engineering practices;
- Adopting a strategic and pragmatic approach to procurement that will support the network business;
- Improving and integrating strategic planning between the rail network business and the port authority (i.e. network and port master plans); and
- Crowding in capital to support sustaining and expansionary activities across Transnet's network portfolio (e.g. increasing nameplate capacity for priority corridors and ports).

(5) People and culture

At the heart of Transnet's future state is its people. The workplace is the interface between employees and service delivery and is therefore critical to Transnet's performance. Transnet plans to enable a work environment that is underpinned by high performance, accountability, ownership and safety within its operations.

Transnet is currently in the process of redesigning its organisational structure to extract value through delayering and right-sizing its business from a people and governance perspective. The organisational redesign seeks to strengthen governance and accountability through the separation of powers between Head Office and Operating Divisions; separate strategy formulation and operations execution; and reduce the wage bill and headcount.

The organisational design and implementation are happening in tandem to fast-track results. Transnet has already secured benefits from its recently concluded voluntary severance package programme.

Continued focus will be placed on the following:

- Redesigning Transnet's organisational structure;
- Ensuring a strategic approach to talent management (workforce planning, training and development and rethinking incentive models); and
- Driving a culture within the workplace that is inclusive and advocates for accountability and ownership.

Economic and commodity outlook

Commodity demand and supply dynamics are expected to continue to evolve over time, due to changing market dynamics including the impact of high inflation rates around the world, the potential for developed markets to encounter a recession, the outcome of China's reopening of its economy and the transition away from fossil fuels.[1]

Global coal exports are expected to rise by 50 million tons to 1,388 million tons in 2023, up nearly 4 per cent.[2] Modestly improving ex-China demand in the first half of 2023 should provide some upward pressure on hard coking coal prices, while easing in European energy-security concerns may cause thermal coal prices to trend lower.[3]

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[1] Macquarie Research, (Commodities Compendium: False Bottom), 8 December 2022

[2] Woodmac 2022H2 Global Coal Export Forecasts, 3 January 2023

[3] Morgan Stanley Research, (Iron Ore: Power Balance Shifting), 10 January 2023

Chinese steel production should increase in the first half of 2023, due to a backlog in infrastructure projects,[4] in parallel to which steel prices have recently lifted in line with latest property policies from China.[5] Iron ore futures have been generally climbing since the fourth quarter of 2021[6] and most recently in the fourth quarter of 2022 on the back of market optimism regarding the reopening of China.[7] Morgan Stanley expect an average iron ore price of around U.S.$140 per ton in the second quarter of 2023,[8] and Fitch expects prices to average around U.S.$110 per ton in 2023.[9]

For manganese, Morgan Stanley expect higher prices ahead, needed to incentivise the road haulage of lower-grade manganese which the market will require.[10] Morgan Stanley expects manganese ore bulk prices to end 2023 at U.S. $5.5 per pound.[11]

Regarding chrome, late 2021/early 2022 saw a major recovery in chrome ore and ferrochrome prices, following a sharp price drop due to a fall in Chinese stainless steel production and prices. The market has moved into surplus and this may continue into 2023, notwithstanding the potential for supply disruptions that would affect market dynamics. In the medium-term, the outlook for chrome prices is stable at around $200/tonne.[12]

Global sales and production of new vehicles are forecasted to rise by 4 per cent. in 2023, however not yet reaching 2019 levels.[13]

Container freight rates have almost normalised following the easing of supply chain pressures. Looking forward, these face risks driven by the possibility of a recession in key geographies, the opening/lockdown status of China and the continuation of the Russia-Ukraine war. Demand is likely to remain subdued going further into 2023, reflecting weaker private consumption and manufacturing, while supply continues to improve due to the easing of port congestions and deliveries of new ships ordered in late 2020 – all in all contributing to downward pressure on prices.[14]

Despite a very challenging operating environment, a number of growth and improvement opportunities exist. These opportunities are largely articulated in Transnet's segment strategies which describe the actions to be taken to raise capacity and improve the competitiveness of Transnet's key industry supply chains.

A portfolio of interventions is being managed and executed. The focus and positioning of each key segment is summarised below.

Automotive Segment

The automotive segment is a key national economic contributor, accounting for approximately 4.9 per cent. of South Africa's GDP. The segment has been bolstered by significant investment from industry players and with a further R40 billion committed by 2026. Transnet's role to facilitate and enable this sector is well understood, and constraints to both rail and port capacity and operational efficiencies have necessitated a number of interventions.

Transnet is pursuing a risk-mitigating dual rail channel export solution for the automotive sector, with better rail corridors between Gauteng and eThekwini and Gauteng and the Eastern Cape ports. The port of Durban is planning to almost double in capacity to over 900,000 fully built units and will remain the primary port of export in the long term.

However, constraints on the Container Corridor, between Gauteng and Durban, and anticipated disruptions to the port of Durban through the course of a major revitalisation initiative, have required that work to expand capacity on the corridor servicing the ports of Port Elizabeth (Gqeberha) and East London be prioritised. This channel will be a crucial artery to

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[4] Morgan Stanley Research, (Iron Ore: Power Balance Shifting), 10 January 2023

[5] Credit Suisse Research, (Commodities Note), 1 December 2022

[6] BBG IOE1 (Generic 1st Iron Ore)

[7] Morgan Stanley Research, (Iron Ore: Power Balance Shifting), 10 January 2023

[8] Morgan Stanley Research, (Iron Ore: Power Balance Shifting), 10 January 2023

[9] Fitch – Global Iron Ore Price Forecasts, 6 December 2022

[10] Morgan Stanley Research, (Iron Ore: Power Balance Shifting), 10 January 2023

[11] Morgan Stanley Research, (Iron Ore: Power Balance Shifting), 10 January 2023

[12] Macquarie Research, (Commodities Compendium: False Bottom), 8 December 2022

[13] Fitch – Global Vehicle Production/Sales Forecasts, 8 December 2022

[14] Fitch Global Shipping Outlook 2023, 7 December 2022

support the industry, and various partnership-driven funding and delivery mechanisms are in development to ensure that Transnet is able to crowd in private investment to create this capacity as soon as possible.

Automotive focus areas for Financial Year 2023 include initiating partnership transactions primarily for the expansion of capacity at the automotive terminals at the ports of Durban, Port Elizabeth (Gqeberha) and East London as well as the Kaalfontein Automotive Terminal in Gauteng. The partnerships are expected to contribute to growing the capacity of the existing terminals and also to increase the range of services provided by these terminals.

Over and above expanding capacity on rail and at ports, enabling this in the most efficient manner will require deeper partnerships at both inland and coastal terminals. Transnet is also planning to invite third-party rail operators (through slot sales) onto both the Gauteng-East London route and the Gauteng-Durban route during Financial Year 2023 to create additional train capacity in the system.

Containers Segment

The South African container landscape has suffered from two primary challenges to date i.e. (i) underinvestment in port and rail infrastructure and equipment; and (ii) consequent poor operational efficiency, predictability and reliability. A forward-looking and concerted plan to revitalise both port and rail infrastructure and operations has been developed. On the port side, the principle initiatives are aimed at developing the port of Durban as a modern, deep-water port playing the role of a southern hemisphere and Indian Ocean maritime hub with an eventual envisaged capacity in the region of 11 million TEUs. This is a long-term development plan aimed at focusing the port of Durban primarily on containers and automotive exports. In the short term, Transnet aims to conclude a partnership with an International Terminal Operator (ITO) at the Durban Container Terminal Pier 2. The expansion of the Point Terminal is also a priority project for which partners will be sought.

Transnet intends to continue to optimise and develop capacity at the Cape Town Container Terminal (1.4 million TEUs), offering a gateway to regional and European trade, while the Ngqura Container Terminal will see a capacity development programme to 2 million TEUs (predominantly transshipment) and operational transformation undertaken in collaboration with a partner. This is also a priority transaction for Financial Year 2023.

The economy of scale and ability to cater for the new generation of larger and more efficient vessels is anticipated to result in a significant improvement in South Africa's container supply chains, with estimates of a 20 per cent. reduction in the cost of logistics forecast as a result of these interventions.

The corridor between Gauteng and eThekwini (the Container Corridor) is the main industrial corridor in the country and a greatly improved rail service is required to improve the performance of container supply chains. An efficient, predictable and reliable rail service is a prerequisite for establishing the port of Durban as a hub. Transnet has a number of initiatives planned to improve rail performance on this corridor, including the sale of slots to third-party operators. Third-party operations on the branch lines connecting to this corridor will also be prioritised, either through vertically integrated concessions or third- party access, depending on the market need. Planned partnerships at inland and port terminals are designed to increase capacity at these terminals, but more importantly to raise productivity and efficiency and also increase the range of services provided by these terminals, which are the key enabling elements of intermodal solutions.

An additional challenge in the form of severe weather events occurred as a result of the April 2022 floods in KwaZulu-Natal, which have led to severe devastation. The destruction of roads and factories and the disruption to port facilities is also likely to result in an exacerbation of supply chain interruptions.

Container segment focus areas for Financial Year 2023 include the conclusion of partnership agreements and financial close on the Durban Container Terminal Pier 2 and Ngqura Container Terminal transactions, which will kick-start the rejuvenation of South Africa's container logistics ecosystem. Transnet is also planning to sell slots on this corridor in Financial Year 2023 and will seek a partner to turn around and reposition the City Deep Container Terminal. In parallel, Transnet is developing a long-term plan for the Container Corridor with international experts.

However, the Container Corridor has been severely impacted by the KwaZulu-Natal floods of 11-12 April 2022. These resulted in the closure of the line between Cato Ridge and Durban, impacting the flow of rail cargo in and out of the Port of Durban. The cost of the infrastructure repair is estimated at R2.39 billion. This excludes business interruption costs (estimated at R1.3 billion) and cost of damage to property, rolling stock and other equipment. A single access route has been opened on 12 June 2022 with reduced train slot capacity. The second access route will be repaired and opened by the end of September 2022, releasing additional slot capacity. The repairs of the signalling system in the Durban complex Phase 1 work is to be completed end of March 2023, restoring 90 per cent. of the slot capacity.

Coal Segment

Coal, particularly export coal, has for many years been a backbone commodity for both Transnet and the South African economy. Transnet acknowledges the significant international and local movement away from coal towards green energy production and, as such, the priority for the segment is the operational optimisation of logistics chains to improve the return on invested capital as far as possible for both Transnet and the industry at large, while expanding operational capacity from 74mtpa to 81mtpa. In addition to export coal, domestic coal utilised for power generation is an area where opportunities for optimisation abound. Transnet is undertaking strategic discussions with Eskom on the way forward for a logistics partner-driven solution to utilise spare rail capacity to reduce road congestion and improve on costs associated with delivering coal to various power stations.

Coal focus areas for Financial Year 2023 are primarily on operational efficiency initiatives, expansion of the rolling stock fleet and the creation of an enabling environment for future consolidation of coal exports along the lowest-cost supply chain. This includes commercial and partnership-based arrangements regarding funding of required investments. In addition, a joint plan and roadmap between Eskom and Transnet guiding the future of domestic coal logistics is a key objective for delivery.

Chrome and Magnetite Segment

With South Africa producing half of the world's chrome ore, the clear focus is on stability, efficiency and risk reduction of the broader supply chain.

With chrome ore being a strategic commodity utilised in the production of stainless steel among other products, it is imperative that capacity and resilience of the supply chains are prioritised. With this in mind, a dual-channel approach to the export of chrome ore (and the adjacent magnetite ore) is the primary focus for Transnet. This entails a partner-driven expansion of capacity at the port of Richards Bay to 26mtpa, in addition to a strategic partnership with regional players to improve capacity and efficiency of exports through the port of Maputo to over 11mtpa. The capacity expansion is planned to accommodate the migration of chrome and other bulk commodities from the port of Durban, which will allow for additional rail servicing of the multiple commodities planned to be exported via the port of Richards Bay. In line with the planned rail operating model overhaul, wagons are anticipated to be sold to private operators, and Transnet intends to offer hook-and-haul services for these wagons.

Chrome and magnetite focus areas for Financial Year 2023 include the development of a pre-feasibility business case and associated roadmap for the planned capacity expansion of export capacity via the port of Richards Bay, in parallel to planned operational efficiency enhancements at the port planned for Financial Year 2022 but delayed as a result of the conveyor belt and related infrastructure fire damage sustained. In parallel, Transnet intends to strengthen collaborative ties with the port of Maputo, driving volume growth and creating capacity in the short to medium term while Richards Bay repairs and capacity expansion are effected.

Iron Ore Segment

Iron ore is a key anchor commodity for Transnet, and the business is seen as an innovative global leader in bulk commodity logistics. Recent underinvestment has led to spiralling challenges regarding operational reliability and efficiency, however, Transnet has developed a strong action plan to restore this line and expand capacity to meet growing demand in the medium and long term.

Growth in capacity requires addressing capacity constraints both on rail and at the port, with Transnet taking on board and prioritising stakeholder concerns raised regarding the environmental and health impact of current operations. The air emissions license restrictions present a key challenge to increasing bulk mineral exports through the port of Saldanha. A strategic health and environmental assessment has been commissioned and will guide operations and investment planning for expansion solutions under investigation. This is applicable to both iron ore and manganese, due to the common facilities, operating model and perceived impact of operations.

Emanating from this study, capacity and operational improvements to the Sishen-Saldanha rail line and rolling stock will be effected, in addition to partnership-driven investment in capacity at the port of Saldanha to increase capacity on the line to 67mtpa in the medium term, with a roadmap to increase further determined by the needs of the market and industry to an estimated 77mtpa.

As part of the transition to a partner-inclusive rail model, iron ore wagons are intended to be among the first to be sold to private operators, acting as a catalyst and blueprint for the future sale of wagons serving other commodities. Transnet intends to support rail operations on the corridor through a hook-and-haul operating model.

Iron ore focus areas for Financial Year 2023 include pioneering the sale of wagons and developing the required enabling environment for future wagon sale events including associated commercial, operational and related matters. In addition, a clear sustainable expansionary roadmap will be developed for the port of Saldanha, including planning for partnership or alternative funding-related processes to expand capacity at the port of Saldanha and the iron ore channel.

Manganese Segment

The manganese export market is a significant growth market, with strong demand for additional capacity in the medium to long term. For example, in Financial Year 2022, record weekly railed manganese, 0,356 million tons, resulted in increased exports. Although Transnet intends to expand capacity at the port of Saldanha to 6mtpa, there is limited opportunity to meet demand via this port. In response, Transnet has prioritised the utilisation of installed infrastructure to enable partner-driven development of a new world-class bulk export solution at the port of Ngqura capable of exporting 16mtpa. Supporting this, a long-term roadmap is in development to consider alternative ports of export, including considerations around the port of Boegoebaai, while all solutions and current operations considered in both the medium and long term will be built on the framework created by the strategic health and environmental study being undertaken.

The port of Ngqura capacity is being fast-tracked to respond to urgent industry requirements, with rail capacity expansion to be delivered in parallel. The planned heavy haul rail operations require that Transnet maintain an onboarding channel for junior miners, planned to continue via the port of Cape Town Multi-purpose Terminal (~1mtpa). This onboarding channel is intended to support emerging miners not yet in a position to comply with the requirements of the high-efficiency heavy haul line specifications, in effect reducing the barrier to entry at lower volumes. In total, Transnet intends to create at least 22mtpa of efficient bulk export capacity in the medium term, with future expansion plans to be determined by market and industry-aligned planning.

Manganese segment focus areas for Financial Year 2023 include the conclusion to financial close of a partnership-based development of a 16mtpa bulk manganese export terminal at the port of Ngqura, the development of a business case and roadmap for the associated rail capacity expansion along the South Corridor, and the sustainable solution development roadmap for the expansion of manganese export capacity at the port of Saldanha.

Energy (liquid fuels and gas) Segment

The liquid fuels and gas markets play key roles in the current and future energy mix for South Africa, and Transnet's role as a critical logistics enabler for the markets defines the organisation's positioning and investment planning.

From a liquid fuels perspective, a strong international trend away from fossil fuels has informed projected flattening demand for liquid fuels capacity, which, in turn, has led Transnet to re-plan the step-up phased multi-product pipeline expansion programme. Projections currently do not warrant moving forward with increased main line capacity and instead, Transnet is seeking opportunities to broaden market access to the pipeline while minimising planned investment. The Transnet Fuel Import Terminal at the port of Durban will be a partnership-delivered common user liquid fuel import facility, aimed at maximising utility from installed assets and minimising the need for new investment. The initiative is intended to act as a catalyst for historically disadvantaged entrants into the market, driving volume uptake on the multi-product pipeline, with increased volumes ultimately reducing the cost per litre of fuel to the market and driving growth in pipeline market share.

The natural gas segment is a fledgling market in South Africa, currently accounting for only 3 per cent. of South Africa's energy mix. This, however, is projected to evolve as a complementary power-generation capacity, helping to close the gap between peaking capacity requirements and baseload capacity. Complemented by increasing projected volumes of gas available regionally, and the recent discovery of potentially significant offshore reserves, Transnet's role as an enabler for this more fuel-efficient energy source is quickly escalating in significance.

Currently, partnership-driven investments to support three key natural gas entry points are planned at the ports of Richards Bay, Ngqura and Saldanha. The Richards Bay and Ngqura investments are currently being fast-tracked to align with planned anchor investments in peaking power-generation facilities in the respective industrial development zones, with the added potential to link to the Lilly Pipeline from Richards Bay. Virtual pipelines via rail or road are under consideration for the Ngqura and Saldanha investments to enable inland and regional market access, with a multitude of potential applications to be facilitated.

On the green fuels front, a significant amount of focus is being placed on the development of green hydrogen, with South Africa notably well positioned for both production and export of the in-demand commodity. According to a recent study[15] green hydrogen is expected to experience a compound annual growth rate of 54 per cent. from 2021 to 2030, growing from the current U.S.$1.8 billion to an estimated market size of U.S.$89 billion for the period. Investigations into options in the Northern Cape are underway, with vast renewable energy potential via solar power generation paired with the potential

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15 Precedence Research: Green Hydrogen Market – Global Industry Analysis, Size, Share, Growth, Trends, Regional Outlook and Forecast 2021 – 2030, January 2022.

development of manufacturing and export facilities at the port of Boegoebaai creating an ideal opportunity to play a role in the development of this market.

Energy segment focus areas for Financial Year 2023 include the completion of the partner procurement or similar co-funding agreement process for three transactions, namely the development of the Transnet Fuel Import Terminal Project at the port of Durban, the natural gas import facility at the port of Ngqura and the natural gas import facility at the port of Richards Bay.

Agriculture Segment

The agriculture segment is of national strategic importance, particularly when considering the Economic Reconstruction and Recovery Plan. The sector has unmatched potential for job creation and in several areas is forecast to have strong economic growth potential. The main challenge with Transnet's involvement in the sector is the lack of density and seasonal nature of the commodities exported, creating significant viability challenges for investment in infrastructure and equipment.

The partnership philosophy, however, creates an ideal opportunity to work with the private sector to create an enabling environment to support development and expansion of this sector, and catalyse an economic resurgence of many rural areas of the country. The grain sector will be supported through a series of partnerships for branch lines serving regional agricultural hubs. In addition to partnership-developed storage and loading facilities on underutilised Transnet land, third-party access to branch lines and private wagon ownership will be encouraged. Port export capacity will be increased through a combination of containerised exports and the upgrade and repurposing of grain elevators in Durban and East London.

The fruit market is forecast to be severely constrained without a viable intermodal strategy to serve this high-growth and high-value export market. The industry presents challenges to serve due to the strict cold chain industry requirements, particularly taking into account destination market compliance demands, and effective rail-based transport is the only economically sustainable solution from a volume, compliance and green transport perspective.

Responding to the needs of this market demands a collaborative approach, particularly taking account of the end-to-end cold chain accountability requirements. A similar approach is being developed for the grain strategy, entailing:

- The concession of specific branch lines supporting the industry;
- The partnership-based development of inland reefer terminals;
- Sales of slots to third-party operators; and
- Expanded reefer capacity at various port terminals including the Cape Town Container Terminal, the Durban Container Terminal and the Ngqura Container Terminal.

The Financial Year 2023 focus areas and commitments for the agricultural segment are currently in the process of being finalised in conjunction with the various internal and external role players, with the key deliverable for the period being a committed roadmap and partnership strategy for the segment.

Strategy Takeaways

Despite a very challenging operating environment, Transnet's organisational improvement and reform plan has registered progress. Levels of uncertainty related to the COVID-19 pandemic are constantly declining and new ways of working are becoming increasingly embedded. This environment of increasing confidence and stability will provide much needed support to Transnet's programme of action. Going forward, greater emphasis will be placed on more disciplined implementation of the programme of action.

Transnet is committed to transformation that will improve the competitiveness of the country's freight system. The implementation of the strategy will grow Transnet freight volumes, especially in the spaces where the Company has a strong competitive advantage such as heavy haul rail solutions.

In areas which are more diverse and dominated by more complex supply chains, such as containers, automotive and agriculture, Transnet aims to work with partners, to create better access to the railway network and develop intermodal solutions for these markets. The successful implementation of the strategy will bring additional revenue to Transnet and will also offer more competitive and diverse solutions to customers in these segments.

The substantial increase in capacity that is needed to achieve Transnet's strategy is expected to be attained through a combination of efficiency improvements and the investment of approximately R98.9 billion on capital investment over the next five years.

Private Sector Participation ("PSP")

Closing the infrastructure gap is critical to ensuring the Republic of South Africa's future economic growth and realising the Republic of South Africa's developmental goals, such as job creation and broadening the base of participation in the economy.

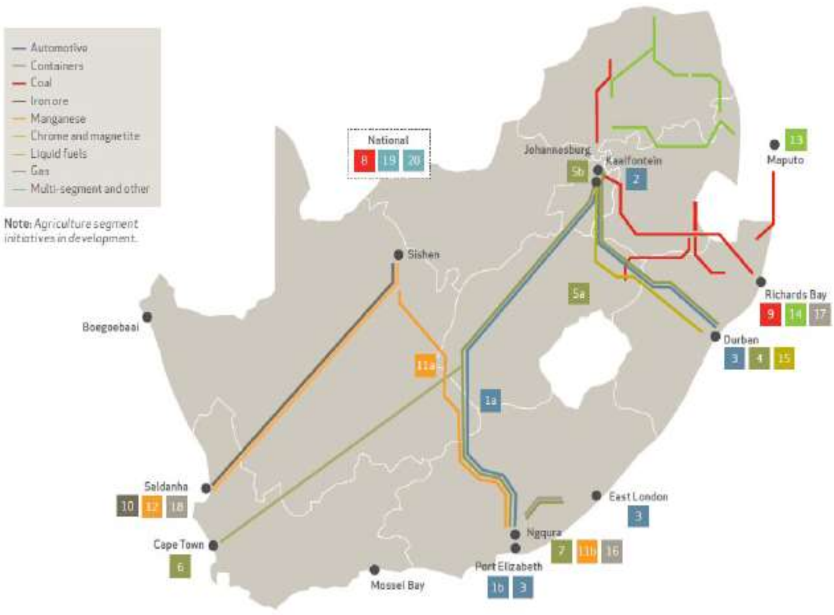
The competitive conditions are different for each supply chain and Transnet's strategies are deployed to respond to the specific needs of various market segments. There are ongoing efforts to attract PSPs in the delivery of infrastructure:

- For bulk commodities, primarily the mining industries, the value chains established by Transnet are effective and its operating models are in many cases considered world-class, hence Transnet is not seeking to disrupt the status quo of how the supply chain operates. Instead, the predominant focus is to crowd in private sector capital to augment and increase capacity on the various established value chains.

- For manufacturing and related commodities, predominantly referring to automotive, containerised goods and agriculture, Transnet is driving a radical shift to enable direct involvement of the private sector to improve viability of rail and inland terminals. This also includes investment in capacity creation by the private sector, but over and above this, Transnet is repositioning itself both as an operator, but also as an infrastructure provider for third-party operators.

The PSPs are a key enabler of Transnet's overall key commodity segment strategies, focusing on strengthening integrated commodity supply chains to improve performance, business turnaround, drive up volume throughput and create additional capacity for the different segments.

Transnet has identified areas that the private sector could assist to meet the objectives set for particular business units within the different segments. A portfolio of interventions is being managed and executed. A high-level overview of the portfolio is presented as follows:



Rail routings are approximations for illustrative purposes.

There are many reasons for these partnerships including capital, skills and technology. Transnet's approach, when identifying a business unit that could achieve better growth and performance with the assistance of the private sector, is to assess the business case for a PSP, define the ask from the market and assess market interest in the transaction. The transaction structure and strategy for each business unit is dependent on the objectives that are planned to be achieved through the partnership.

PSPs are intended to establish long-term sustainability and successful partnerships with the private sector and leverage private sector resources in line with the following strategic objectives:

- to expedite infrastructure development and capacity creation;
- to improve the Republic of South Africa's logistics service offering;
- to unlock private sector investment; and
- to optimise the developmental impact on the economy.

In pursuit of these strategic objectives, PSP transactions provide certain key benefits as an alternative form of procurement, which can transfer risk and broaden the base of participation in the economy. PSP also leverages private sector skills and capital, which alleviates pressure on Transnet and Government funding capacity. Transnet has implemented PSP successfully through branch line concessions and its partnership with Barloworld Logistics for the ArcelorMittal distribution hub.

The Directors believe that pursuing PSPs in the funding, execution and operations of infrastructure projects is critical to expediting and ensuring the complete delivery of the Segment Strategy objectives.

As the Republic of South Africa's freight logistics provider across rail, ports and pipelines, Transnet plays a critical role in the development of many key economic sectors in the South African economy including minerals and mining, intermodal container traffic, automotive and others. The inclusion of PSPs in the broader delivery of Transnet 4.0 and the Segment Strategy, the Group strategy of FY 2020 and FY 2021, respectively, was mandated by the Shareholder, through the Shareholder Representative. This has further been endorsed by the Group Executive Committee ("**Group Exco**") and the Board of Directors as part of Transnet's corporate targets and objectives. Furthermore, support for increased PSP is provided for in legislation such as the Ports Act, which encourages private sector investment in the provision of port services and facilities.

Transnet has developed a portfolio of PSP opportunities to support its strategic objectives, primarily focused on bulk commodities (iron ore, manganese and coal) and intermodal container transport, but also including some non-core asset classes.

The coal and bulk commodity PSP projects being developed are intended to:

- increase the number of inland loading and common user facilities for coal and manganese; and
- increase wagon capacity through ownership of specialised wagon fleets by the private sector.

The intermodal and container PSP projects being developed are intended to:

- construct an additional deep-water container terminal, the Durban dig-out port; and
- increase the number of inland freight hubs, such as the Tambo Springs inland port.

Transnet is also developing PSP models for specialised and non-core assets, such as non-core properties, branch lines and agriculture terminals.

Further, Transnet 4.0 envisaged PSPs as a critical component of the Group's expansion into Africa and other emerging markets, including the Middle East and South Asia, a vision the Segment Strategy has also adopted. Transnet's activities beyond the Republic of South Africa will be co-ordinated by Transnet International Holdings ("**TIH**"), a wholly owned subsidiary of Transnet which was approved by the Board, the Department of Public Enterprises ("**DPE**") and the Minister of Finance. TIH became operational during Financial Year 2018.

Funding

Transnet has a robust, structured and well-articulated funding strategy, the overall objective of which is to ensure that Transnet has sufficient liquidity to meet its requirements without breaching the key financial covenants as agreed with various lenders and to, in parallel, reduce the cost of funding. Transnet utilises a pre-funding strategy whereby it seeks to raise funding ahead of demand and to ensure that its R13.3 billion call loan facilities with various banks remains unutilised as far as possible, keeping its liquidity buffer intact.

The funding plan also involves diversifying cost-effective funding sources, exploring innovative funding solutions for projects, ensuring continuous sufficient liquidity and managing financial risks.

Transnet intends to finance the capital expenditure and debt redemptions with cash from operations, the DMTN Programme, the Programme, domestic issuance of commercial paper and bonds, bank loans, export credit agency-backed finance and loans from development finance institutions. Management is constantly reviewing its capital expenditure programme with the aim to prioritise maintenance and embark on bankable over expansion projects unless expansion projects are supported by validated demand.

Leveraging funding through segment strategies

The segment strategies will enable Transnet to access alternative external funding sources at a segment level through PSPs. Transnet is currently identifying portfolios of PSP projects in the context of the segment strategy targeting the following objectives:

- Broadening the available finance pool to expedite infrastructure development and capacity creation;
- Leveraging private sector skills and expertise in the provision of a world-class freight logistics network;
- Seeking partnerships to grow market share;
- Enhancing operational efficiency;
- Providing risk mitigation and an alternative procurement methodology for large infrastructure projects; and
- Positioning Transnet to contribute to the transformation and development mandate within the broader economy.
- PSP models will therefore be pursued where:
- The required investments are either unaffordable to Transnet alone or are complementary to Transnet's strategy;
- Specialised assets can be owned by private parties and operated by Transnet or vice versa; and
- Business opportunities within ports, rail and pipelines are non-core to Transnet's strategy.

Each PSP transaction will be aligned with the segment strategies and will be structured for the holistic segment's supply chain, specifically avoiding a fragmenting approach to South Africa's freight transportation network. Segment projects are undergoing an in-depth project examination to map operating cash flows over the planning and project periods.

Human Capital Strategy

In order to ensure that Transnet is able to attract and retain talented employees, despite its large, widely dispersed and aging workforce, Transnet plans to continue to devote significant resources to training and development of existing and new employees to meet the current and evolving skills requirements of the Group, the establishment and implementation of career development programmes as part of the talent management process and the development of future leaders through succession planning initiatives. See "*Risk Factors—Transnet is dependent upon key personnel, skilled and highly-skilled employees*."

Transnet has adopted talent management and succession planning for all levels of management and spent R463 million or 1.6 per cent. of total personnel costs on training in Financial Year 2022 and plans to spend 2.3 per cent. of personnel costs on training in Financial Year 2023. Furthermore, Transnet is currently implementing plans to increase the number of apprentices, engineers and engineering technicians by 10 per cent. per annum. Through such training and career growth initiatives, Transnet has historically met, and in the future expects to exceed, its demand for such skills. As a result, Transnet believes it helps to educate a workforce equipped to assist in the growth of the South African economy as a whole. Additionally, Transnet is committed to targeted recruitment in order to obtain the most skilled workers, as well as to bolster the number of under-represented groups, including women and those with disabilities, to achieve equality in the work place and to develop talented employees for leadership roles. Transnet has also instituted performance-based pay incentives to attract and retain talented employees across all levels of seniority.

Risk Management and Effective Governance

The management of risks and optimisation of available opportunities is a key measure to the success of Transnet and achievement of its strategy. In pursuit of its realisation, the Company has over the years implemented a risk management process that seeks to provide reasonable assurance that all its business-related risks will be effectively managed and, where possible, its opportunities seized. To this extent, the Company has implemented its Integrated Risk Management Policy and its Enterprise Risk Management Framework (the "**ERM Framework**") to guide risk management implementation. The Integrated Risk Management Policy is reviewed by the Board on a regular basis to ensure its adequacy, effectiveness and relevance in supporting and guiding the evolving risk management environment within Transnet. The Board approved the reviewed policy in December 2020 in order to provide direction regarding the management of risk to support the achievement of corporate objectives, protect employees, stakeholders, business assets and ensure financial sustainability.

To further enhance business performance improvements and eliminate inefficiencies, Transnet has developed and implemented its Transnet Integrated Risk Management System ("**TIMS**") Programme, to drive standardisation, improve business response and agility. To this extent the Company prides itself on attaining Integrated Management Systems certification in line with ISO 45001:2018 - Health and Safety Management , ISO 14001:2015 - Environmental Management and ISO 9001:2015 – Quality Management. The achievement of these is noted as one of the exemplary milestones within the industry in which Transnet operates in and underlines that Transnet as a business is in the right trajectory of its journey to achieve world-class level performance standards. As a result, a majority of company operations are covered by ISO certified management systems. The standardisation of management systems also brings about better opportunities to establish standardised tools and platforms that enable real time performance monitoring, thereby strengthening Transnet's assurance capabilities and improving its control environment.

To bolster Transnet's business resilience and continuity initiatives, the Company has developed a Business Continuity Strategy and developed plans for its respective Operating Divisions and Transnet Corporate Centre functions, which are continually updated. Simulations are conducted regularly to test these plans for effectiveness. These measures have been taken to mitigate the challenges of future, potential high-impact risks. Some of these previous high-impact risks, both from a strategic and operational perspective, that threatened our service offering were, the July 2021 nation-wide social unrest as well as the cyber security incident in July 2021, which led to a full shutdown of the Group's IT system, the ongoing electricity challenges and the severe weather challenges with the most recent floods experienced affecting the Port of Durban. The occurrence of these challenges has had a severe impact on our business. To effectively mitigate any adverse effects of such adverse events and to ensure continuity of operations, Transnet has established Nerve Centers, to be activated during emergencies, ensuring that such events are monitored and responded to with appropriate mitigation strategies. The Nerve Centers are integrated throughout our business operations, at strategic, divisional and operational levels. These developments have resulted in minimal discontinuity of service and in other cases the fast-tracked turnaround in the resumption of services.

To mitigate risks and ensure continuation of the business, Transnet acquires insurance for the Company on an annual basis to support the Company in recovering from any adverse effects that Transnet's internal mitigating strategies are unable to adequately address. Transnet's focus is on ensuring that it continues to improve the current control environment to effectively mitigate against all risks. There is constant engagement with the insurers through regular reviews conducted within Transnet's operations so that Transnet can implement appropriate initiatives to address any gaps identified. To this extent, Transnet has developed and implemented the Board approved Insurance Strategy to improve the current control environment and ensure adequate insurance coverage, which is underpinned by succession planning. The purpose of succession planning in Transnet is to identify high performing, high potential employees with the ability to advance to positions of higher responsibility than those they currently occupy; to ensure the systematic and long-term development of individuals and enable a supply of talented individuals as a reliable talent pipeline or bench strength when critical and priority positions become available to meet the organisational needs; and to ensure business and operational continuity, and sustainability of the organisation by ensuring that the right people, with the right skills, are in the right job, at the right time.

Transnet continues to strive towards a maturity level where risk management is an integral part of its business initiatives and is proactively used to support day-to-day decision making within the Company. Transnet has revived its risk management plans to adapt to the ever-changing risk landscape and the business environment within which Transnet operates.

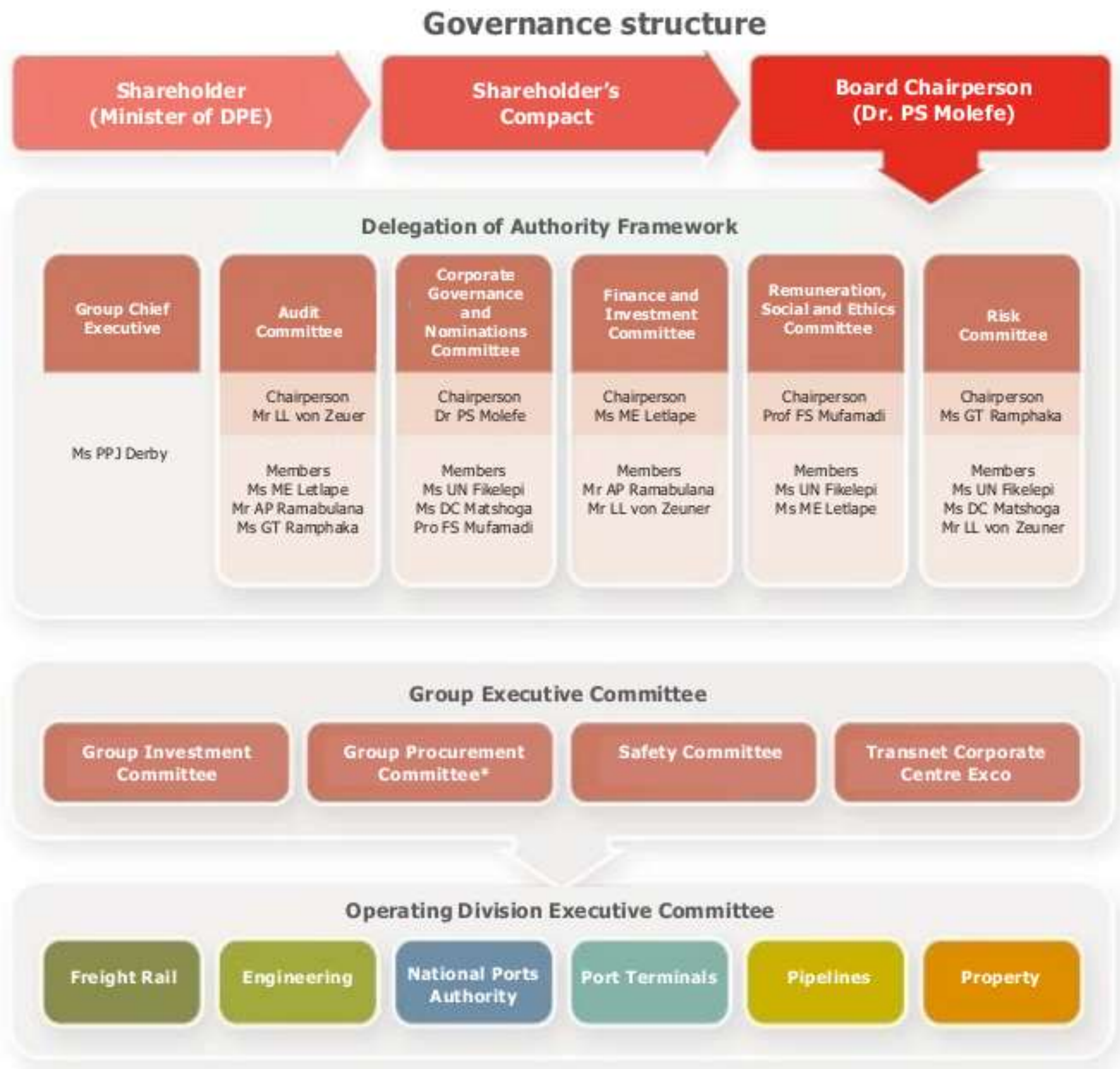
To guide the maturity of our risk management processes, Transnet has developed a risk maturity roadmap (the "**Maturity Roadmap**") to guide and measure the success of Transnet's initiatives and their effect in changing the risk culture. Transnet is currently at Level 2 (Basic maturity level) of its Maturity Roadmap. Level 2 consists of risk management being applied consistently, but with limited standardisation and with some formal processes in place. Transnet has seen significant progress in moving towards its desired maturity state, which would be Level 4 (Mature maturity level), where the organisation is proactive in risk management; risk management is consistently and fully implemented across the organisation; key risk indicators are used for major risks; and risk management processes are monitored and reviewed for continuous improvements.

To further progress on the Maturity Roadmap, Transnet will strive to drive the following focus areas:

- Transnet will capacitate employees through training and awareness in risk management;
- Transnet will continue to seek areas of further integration to minimise business waste;
- Enablement of dashboard reporting systems;
- Continued development and usage of a 'crucial conversation' platforms; and
- Through execution of its Centre of Excellence projects, Transnet intends to source an integrated digitisation platform to support risk management initiatives and enable a pro-active risk management environment amongst other agility drivers.

Furthermore, integrated audits sprints have been instituted across assurance functions such as Risk, Sustainability and Compliance. This, in turn, has improved adequacy and effectiveness of assurance and responsiveness to risk findings.

The ultimate responsibility for the management of risk resides with the relevant managers. Accordingly, Transnet has implemented a robust governance process that ensures the reporting and escalation of business critical risks to the appropriate governance levels, including the Board and the Shareholder if necessary, to support effective decision making. The risks identified by the Group are monitored and evaluated by the various governance structures of the Group. These structures are as follows:



Board Committees

The Board has various committees that are governed in terms of charters that outline their terms of reference, composition and roles and responsibilities. Two of these committees, the Audit as well as the Remuneration, Social and Ethics ("**REMSEC**") Committees are statutory committees established in terms of the Companies Act. The Shareholder Representative appoints members of the Audit Committee and confirms members of REMSEC annually at the Company's AGM, based on the relevant experience and skill sets required. The remaining non-statutory committees are prescribed in terms of the Memorandum of Incorporation and also function in terms of their charters.

<u>Audit Committee</u>: The Audit Committee functions, composition and required skills are prescribed in terms of section 94 of the Companies Act. The primary purpose of the Company's Audit Committee is to, amongst other aims, provide oversight on the integrity of financial controls and integrated reporting, identify, and manage the Company's financial risks, receive and deal appropriately with any concerns or complaints relating to accounting practices and internal audit, the content or auditing of the company's financial statements, internal financial controls of the company and any related matter. The Audit Committee also assists the Board in discharging its duties relating to the safeguarding of assets and the evaluation of internal control frameworks. The Audit Committee is required to review and assess the integrity and effectiveness of the accounting, financial, compliance and other control systems through an integrated assurance process adopted by the Group.

<u>Remuneration, Social and Ethics Committee</u>: The functions of REMSEC are governed and regulated by section 72 of the Companies Act and regulation 43 of the Companies Regulations (published under GN R351 in Government Gazette 34239

of 26 April 2011). The committee plays a vital role in promoting good governance practices within the Company and aids the Board in setting remuneration policies. The functions of the Committee mainly centre around five categories, namely, social and economic development, good corporate citizenship, environmental, health and safety concerns, consumer relations and labour and employment. REMSEC determines and articulates the ethical standards of the Company, as per the Code of Ethics, and ensures that the Company takes measures to achieve adherence to the Code of Ethics in all aspects of the business, thus facilitating a sustainable, ethical corporate culture within Transnet. REMSEC aims to ensure that the Company's corporate, social environment and employment policies and standards are aligned with applicable regulatory requirements and have due regard for the social and ethical standards and objectives of the Company. It also ensures that its succession planning policy is implemented for members of the Group Exco and Extended Executive Committee, which comprises General Managers.

Risk Committee: The Board has delegated the responsibility for the quality, integrity and reliability of the Group's risk management policies, frameworks, and processes to the Risk Committee. In order for the Risk Committee to provide an independent and objective oversight of the risk management function within the Company, it reviews and assesses the integrity of the risk control processes and systems. The Risk Committee further ensures that the risk policies are implemented effectively and in accordance with the ERM Framework and reviews the relevant statements for disclosure in the Group's annual report, including the Risk Tolerance Levels and Risk Appetite Statement.

Corporate Governance and Nominations Committee: The purpose of the Corporate Governance and Nominations Committee is to assist the Board to ensure that the highest standards of corporate governance are set and followed within the Company. The committee sets the criteria for the nomination of directors to the Board, the Board Committees, the Transnet Pension Funds Board of Trustees, associate Companies and subsidiary boards and ensures that a succession planning policy is implemented in respect of non-executive directors and the executive directors, among others. The Corporate Governance and Nominations Committee has to maintain the Company's corporate governance policies and corporate governance framework (the "**Corporate Governance Framework**") and monitor and ensure disclosure of repeated regulatory penalties, sanctions, fines, contraventions or noncompliance with, statutory obligations, whether imposed on the Company or Board members.

Finance and Investment Committee: The Finance and Investment Committee's mandate is to consider and oversee the review of Transnet's procurement and provisioning systems, monitor compliance with procurement policies and practices, monitor trends in procurement spend, consider strategic acquisitions and disposals and make consequent recommendations to the Board, consider potential PSP models and approve acquisitions (where so delegated by the Board).

Divisional Executive Committees

The purpose of each divisional executive committee ("**Divisional Exco**") is to assist its Chief Executive ("**CE**") in guiding and controlling the overall direction of the relevant Operating Division in line with regulatory and Company requirements. Each Divisional Exco acts through its CE, as the medium of communication to the Group Exco (and the other divisional Excos) and the Transnet Group Chief Executive (the "**GCE**"). Each Divisional Exco oversees the relevant Operating Division's operational and tactical activities to ensure that the strategy is successfully implemented including, but not limited to, the relevant Operating Division's financial and operational risk management and the Operating Division's culture, ethics and governance. Each Divisional Exco reviews decisions taken by its supporting structures, and takes decisions referred to it for consideration. Transnet has the following Divisional Excos: the Freight Rail Committee; the Engineering Committee; the National Ports Authority Committee; the Port Terminals Committee; the Pipelines Committee; and the Property Committee.

Group Exco

The Group Exco assists the GCE to guide and control the overall direction of the business of Transnet and acts through the GCE, as the medium of communication with the Board of Directors. The Group Exco provides strategic direction to the business and provides sufficient direction to the Operating Divisions to ensure that the strategy is successfully implemented.

The Group Exco is supported by the following sub-committees:

Group Investment Committee: The Group Investment Committee ensures that the resources that the Group invests for the creation of capital assets are strategically managed and that such investments comply with applicable risk management processes and that targeted returns are achieved.

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

Ensure that the resources Transnet invests for the development and execution of capital investment projects and programmes are allocated and managed strategically and with requisite diligence;

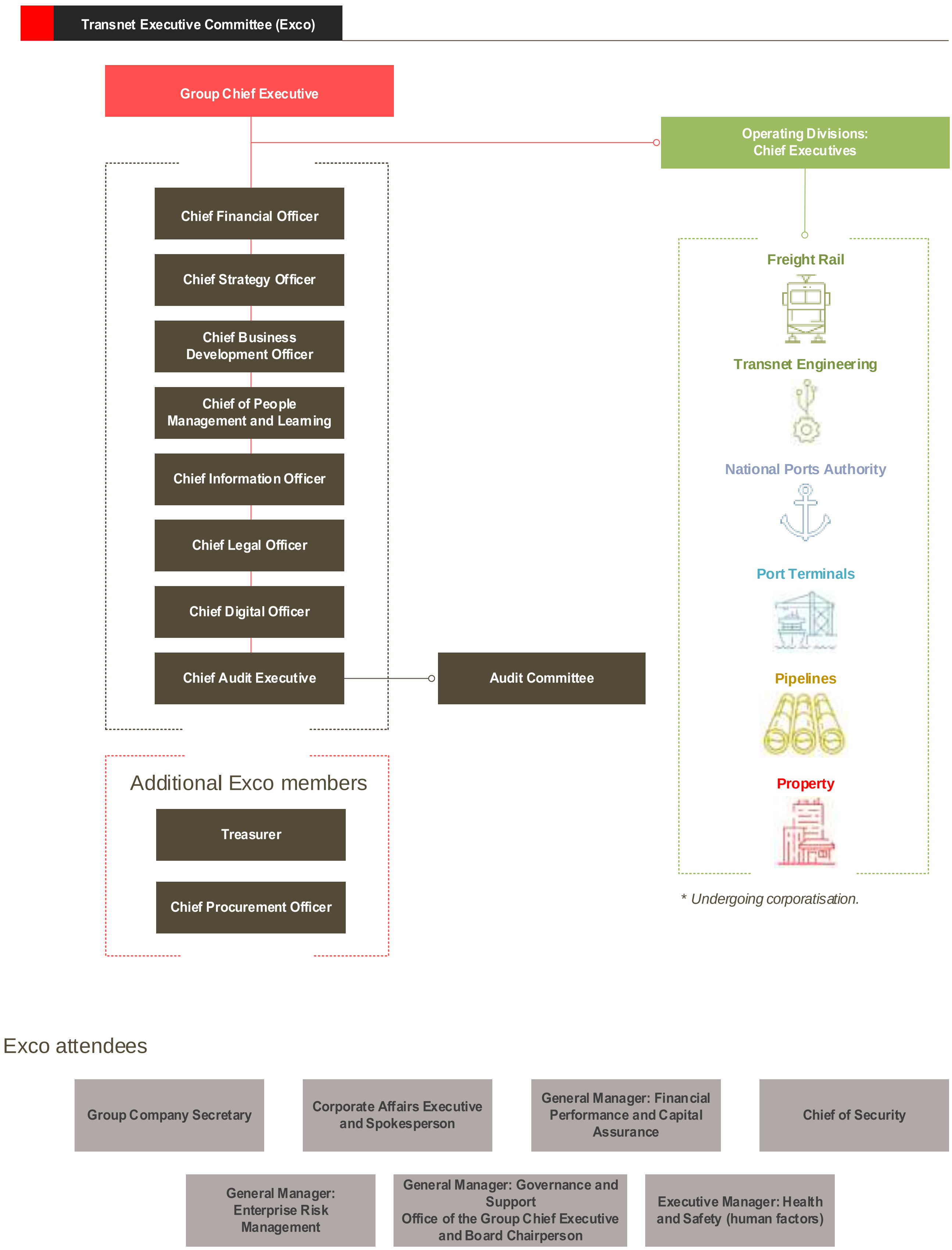
Ensure that the resources Transnet invests in partnerships with the private sector and other state-owned companies are allocated and managed strategically and with requisite diligence; and

Oversee property-related investment decisions, monitor execution and review post implementation success.

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

Safety Committee: The Committee ensures the quality, integrity and reliability of Transnet's management and performance. The Committee is expected to, among other functions, oversee safety related management policies, processes and strategies as well as the development and effectiveness of internal controls and safety management programmes to the Group Exco and the Board for approval. The Safety Committee is also responsible for approving safety related standards, guidelines, processes and procedures and is required to review, assess and monitor safety performance and compliance with Company standards and applicable legal and regulatory requirements.

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



Health and Safety

Transnet strives to operate and maintain a safe and healthy workplace and is committed to complying with the Occupational Health and Safety Act, 1993 and all other related safety requirements. To this extent, the Company prides itself on attaining Integrated Management Systems certification in line with ISO 45001:2018, ISO 14001:2015 and ISO 9001:2015. The achievement of these is noted as one of the exemplary milestones within the industry in which Transnet operates in and underlines that Transnet as a business is in the right trajectory of its journey to achieve world-class level performance standards. As a result, a majority of company operations are covered by ISO certified management systems.

Transnet’s current initiatives to improve its safety performance include proactive emergency and hazard identification, as well as management, through risk assessment processes, training skilled safety personnel, implementing safety management systems (including planning accident responses based on various scenarios and community education initiatives), providing on-going safety awareness, providing appropriate safety equipment across its various sites, ensuring the maintenance of infrastructure and continuously re-engineering to mitigate risks at their source.

One of the more notable issues for Transnet, due to its business operations, are the occurrence of fires, with 2,898 fires having occurred in the past 5 years. To address this, Transnet has established a Group Fire Management Project, which focuses on having in place working and sufficient fire equipment, competent and skilled fire personnel appointments and advanced fire training.

The Programme

This Overview constitutes a general description of the Programme for the purposes of Article 25(1) of Delegated Regulation (EU) No 2019/980 as it forms part of UK domestic law by virtue of the EUWA.

Issuer:	Transnet SOC Ltd.
Issuer Legal Entity Identifier:	378900B07CD6F01EA796
Description:	Global Medium Term Note Programme.
Initial Programme Amount:	Up to U.S.$6,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time.
Arrangers and Dealers:	Absa Bank Limited, J.P. Morgan Securities plc and The Standard Bank of South Africa Limited. The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches of Notes or in respect of the whole Programme. References in this Base Listing Particulars to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches of Notes.
Fiscal Agent, Exchange Agent and Calculation Agent:	The Bank of New York Mellon
Paying Agents and Transfer Agents:	The Bank of New York Mellon SA/NV, Luxembourg Branch and The Bank of New York Mellon, New York Branch (in relation to Rule 144A Notes cleared through DTC).
Registrar:	The Bank of New York Mellon, New York Branch
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may comprise one or more tranches of notes (each, a "**Tranche**") issued on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the denominations, issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Issue Price:	Notes may be issued at any price on a fully paid basis, as specified in the Pricing Supplement. The price and amount of the Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Form of Notes:	The Notes may be Bearer Notes or Registered Notes. Each Tranche of Bearer Notes will be represented on issue by a Temporary Global Note if (i) Definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "—*Selling Restrictions*"). Otherwise such Tranche will be represented by a Permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series.

Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "Global Certificates".

Registered Notes sold in an "offshore transaction" to persons other than U.S. persons within the meaning of Regulation S will initially be represented by a Regulation S Global Certificate. Registered Notes sold to QIBs within the meaning of Rule 144A will initially be represented by a Rule 144A Global Certificate.

Notes may only be issued in bearer form in accordance with the requirements of South African law which includes the prior approval of the South African Minister of Finance, or any person authorised by the Minister of Finance in accordance with Regulation (15(6)(a)) of the South African Exchange Control Regulations.

Clearing Systems: Euroclear and Clearstream, Luxembourg for Bearer Notes. Euroclear, Clearstream, Luxembourg or DTC for Registered Notes or as may be specified in the relevant Pricing Supplement.

Currencies: Notes may be denominated in U.S. Dollars, Euros or in any other currency or currencies, subject to compliance with all relevant laws, regulations, directives and central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in any currency or currencies other than the currency in which such Notes are denominated if so specified in the Pricing Supplement.

Maturities: Subject to compliance with all relevant laws, regulations, directives and/or central bank requirements, any maturity.

Specified Denomination: Definitive Notes will be in such denominations (each a "**Specified Denomination**") as may be specified in the relevant Pricing Supplement save that (i) in the case of any Notes to be sold in the United States to QIBs, the minimum Specified Denomination shall be U.S.$200,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise would constitute a contravention of section 19 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in another currency).

If a Global Note is exchangeable for Definitive Notes at the option of the Noteholders, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

Fixed Rate Notes: Fixed interest will be payable in arrears on the date or dates in each year specified in the relevant Pricing Supplement.

Floating Rate Notes: Floating Rate Notes (as defined in the terms and conditions of the Notes (the "**Conditions**")) will bear interest determined separately for each Series as follows:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant specified currency governed by an agreement incorporating either the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"), or the latest version of the 2021 ISDA Interest Rate Derivatives Definitions (as published by ISDA as at the Issue Date of the first Tranche of the Notes of the relevant Series) as specified in the applicable Pricing Supplement; or

(ii) by reference to EURIBOR as adjusted for any applicable margin.

Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes: Zero Coupon Notes (as defined in the Conditions) may be issued at their nominal amount or at a discount to it and will not bear interest.

Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Benchmark Discontinuation:	In the case of Floating Rate Notes, if a Benchmark Event occurs, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser to determine a Successor Rate, failing which, an Alternative Rate and, in either case, the applicable Adjustment Spread and any Benchmark Amendments (each term as defined in the Conditions). If the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser so appointed fails to make such determinations, then the Issuer (acting in good faith and in a commercially reasonable manner) is permitted to make such determinations, as further described in Condition 5(k) (*Benchmark Discontinuation*).
Redemption:	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise would constitute a contravention of section 19 of the FSMA will have a minimum redemption amount of £100,000 (or its equivalent in the relevant currency).
Amortisation:	In the case of Registered Notes, the relevant Pricing Supplement may specify that Notes are Amortising Notes redeemable in two or more instalments, in which case the relevant Pricing Supplement will set out the dates on which, and the amounts in which, such Notes will be redeemed.
Optional Redemption:	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders (in addition to the option described in "—*Noteholder Put Option upon Change of Control*" below), and if so the terms applicable to such redemption.
Tax Redemption:	Except as described in "*Optional Redemption*" above, and subject as described in "Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 6(c) (*Redemption for Taxation Reasons*).
Noteholder Put Option upon Change of Control:	If the Government ceases to own (directly or indirectly) more than 50 per cent. of the issued share capital of the Issuer or ceases to control (as contemplated in Condition 6(e)(ii) (*Change of Control*)), directly or indirectly, the Issuer, save for any such change of control as will not lead to a Negative Rating Event (as defined in Condition 4(b) (*Change of Principal Business*)) or as is otherwise approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders, then each Note in respect of which the relevant Pricing Supplement specifies that the Change of Control Put Option is applicable will be redeemable at the option of the holder at the Change of Control Redemption Amount set out in the relevant Pricing Supplement, together with (if applicable) interest accrued to but excluding the relevant Put Date (as defined in the Conditions) if such option is exercised within the period of 30 days after the relevant Change of Control Notice (as defined in the Conditions) is given.
Status of the Notes:	Subject as set out in "*Negative Pledge*" below, the Notes are unsecured obligations of the Issuer which rank pari passu, without any preference among themselves and, subject as aforesaid, with all other outstanding present and future unsecured and unsubordinated obligations of the Issuer.
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 4(a) (*Negative Pledge*).
Change of Principal Business:	The Notes contain a covenant providing that the Issuer will not effect a Business Change (as defined in Condition 4(b) (*Change of Principal Business*)), save for any cessation of business arising as a result of Government Intervention (as so defined) and

save for any such Business Change as will not lead to a Negative Rating Event (as so defined), or as is otherwise approved by an Extraordinary Resolution (as defined in the Agency Agreement).

Cross-Default: The Notes contain a cross-default provision in respect of other Material Indebtedness (as defined in Condition 10 (*Events of Default*) and including for this purpose any guarantee or indemnity in respect of the relevant indebtedness) or a failure by the Issuer or any Material Subsidiary (as defined in the Conditions) to pay when due (or when capable of being declared due and payable), or within any applicable grace period, any Material Indebtedness.

Ratings: On 3 November 2021, Moody's downgraded the corporate family rating of Transnet to Ba3 from Ba2 and the national scale senior unsecured MTN programme rating to A2.za from Aa2.za. All short term ratings were affirmed, including the national scale other short term rating of P-1.za. Transnet's baseline credit assessment (BCA), a measure of standalone credit quality prior to any assessment of potential extraordinary government support, has been lowered to b2 from ba1. On 8 June 2022, Moody's placed most of Transnet's credit ratings on review for a downgrade. The outlook has been changed from "negative" to "under review". On 14 October 2022, Moody's confirmed those ratings that had been on review for downgrade. The outlook on all ratings has been changed to negative from ratings under review. This rating action concludes the review that was initiated on Transnet on 8 June 2022. On 26 November 2021, Standard & Poor's downgraded Transnet's long-term foreign and local currency issuer credit ratings to BB-, its foreign and local currency issue ratings on the senior unsecured debt to BB-, and its long-term South Africa national scale ratings to za.AA and its short-term South Africa national scale ratings to zaA-1+, all placed on a negative credit watch. On 29 November 2022, S&P affirmed Transnet's issuer ratings at BB- and the outlook remains negative. The BB- issuer ratings on its senior unsecured debt and the national scale ratings at za.AA/za.A-1+ have also been affirmed. However, Transnet's stand-alone rating was revised down by one notch to b+ from bb-. Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Pricing Supplement and will not necessarily be the same as the rating(s) assigned to Notes already issued. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.

Early Redemption: Except as provided in "—*Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes—Redemption, Purchase and Options*".

Taxation: All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Republic of South Africa, unless the withholding is required by law. In that event, the Issuer will (subject to the exceptions in Condition 8 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

ERISA: In general, unless otherwise provided in a supplementary listing particulars or the relevant Pricing Supplement, Benefit Plan Investors (as defined in "*ERISA and Certain Other U.S. Considerations*") will be eligible to purchase (or hold any interest in) the Notes. See "*ERISA and Certain Other U.S. Considerations*".

Governing Law: English.

Enforcement of Notes in Global Form: In the case of Global Notes and Global Certificates, individual investors' rights against the Issuer will be governed by a deed of covenant dated on or around 25 January 2023 (the "**Deed of Covenant**"), a copy of which will be available for inspection at the specified office of the Fiscal Agent.

Admission to Trading: Application has been made for the Notes to be admitted during the period of twelve months after the date hereof to trading on the Market or as otherwise specified in the relevant Pricing Supplement and references to listing shall be construed accordingly.

Selling Restrictions: For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the EEA, the United Kingdom, the Republic of South Africa, the Republic of Italy, Belgium, Japan, Canada, Switzerland, Hong Kong and Singapore, see "*Subscription and Sale*".

Bearer Notes will be issued in compliance with United States Treasury Regulations §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Pricing Supplement states that the Notes are issued in compliance with United States Treasury Regulations §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982, as amended ("**TEFRA**") or will be considered as being in registered form for U.S. Federal income tax purposes, which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

Risk Factors

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed in "*Risk Factors*".

Summary Consolidated Financial and Other Information

The summary financial information set forth below has been derived from the Group's audited consolidated financial statements as at and for Financial Years 2022, 2021 and 2020 (the "**Consolidated Annual Financial Statements**") and should be read in conjunction with "*Presentation of Financial and Other Information*", "*Capitalisation and Indebtedness*", "*Operating and Financial Review*", "*Selected Consolidated Financial and Other Information*" and the Consolidated Annual Financial Statements and the accompanying notes thereto included elsewhere in this Base Listing Particulars.

Consolidated Income Statement Data

	For the six months ended 30 September		For the year ended 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
			(R million)		
Revenue	36,053	35,361	68,459	67,273	75,167
Net operating expenses excluding depreciation, derecognition and amortisation	(23,120)	(22,096)	(45,010)	(47,813)	(41,163)
Profit from operations before depreciation, derecognition, amortisation and items listed below	**12,933**	**13,265**	**23,449**	**19,460**	**34,004**
Depreciation, derecognition and amortisation	(7,586)	(7,399)	(14,847)	(13,872)	(14,954)
Profit from operations before the items listed below	**5,347**	**5,866**	**8,602**	**5,588**	**19,050**
Impairment of assets	(97)	(820)	(2,534)	(4,386)	(2,781)
Post-retirement benefit obligation costs	(44)	(50)	(190)	(202)	(221)
Fair value adjustments	914	76	10,175	(1,243)	(74)
Profit/(loss) before income/(loss) from associates and joint ventures and net finance costs[(1)]	**6,120**	**5,072**	**16,053**	**(243)**	**15,974**
Income/(loss) from associates and joint ventures	11	5	(6)	13	8
Finance costs	(5,690)	(5,144)	(10,684)	(11,296)	(11,300)
Finance income	15	58	126	256	171
Profit/(Loss) before tax	456	(9)	5,489	(11,270)	4,853
Tax	(297)	(69)	(441)	2,536	(1,961)
Profit/(Loss) for the year	**159**	**(78)**	**5,048**	**(8,734)**	**2,892**
Attributable to equity holder	159	(78)	5,048	(8,734)	2,892

Notes:

(1) Profit before income/(loss) from associates and joint ventures and net finance costs is referred to throughout this Base Listing Particulars as operating profit.

Consolidated Statement of Financial Position Data

	As at 30 September		As at 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
			(R million)		
Property, plant and equipment	308,366	295,952	300,738	292,774	284,769
Investment properties	29,053	16,838	29,112	16,506	17,143
Intangible assets	649	778	740	889	961
Investments in associates and joint ventures	93	108	93	108	95
Long-term loans and advances	—	—	—	—	—
Derivative financial assets	4,274	8,790	7,281	8, 100	14,080

Other investments and long-term financial assets	1,261	1,211	1,166	1,163	1,660
Inventories	3,677	3,549	3,615	3,334	2,997
Trade and other receivables	8,194	8,537	7,816	8,850	9,825
Contract assets	818	735	651	634	297
Current tax asset	2	—	2	—	—
Short term investments	54	64	61	248	603
Cash and cash equivalents	7,692	5,300	3,936	1,168	4,256
Assets classified as held-for-sale	322	281	307	276	274
Total assets	**364,455**	**342,143**	**355,518**	**334,050**	**336,960**
Total equity	150,376	131,884	143,778	127,821	130,473
Employee benefits	727	890	776	878	1,099
Long-term borrowings	67,757	81,186	92,301	77,626	115,821
Long-term provisions	10,126	9,603	10,007	9,597	3,654
Deferred tax liabilities	47,315	43,089	44,680	41,440	41,572
Trade payables and accruals	22,212	21,068	19,945	16,465	19,121
Current tax liability	—	1	—	1	2
Short-term borrowings	59,807	46,573	36,537	51,515	17,577
Short-term provisions	711	631	999	791	1,007
Derivative financial liabilities	473	2,088	1,507	2,427	1,531
Contract liabilities	1,259	1,442	1,259	1,817	1,386
Other non-current liabilities	3,692	3,688	3,729	3,672	3,717
Total equity and liabilities	**364,455**	**342,143**	**355,518**	**334,050**	**336,960**

Selected Consolidated Cash Flow Data

	For the six months ended 30 September		For the year ended 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
			(R million)		
Cash flows from operating activities	15,211	12,563	17,534	12,419	21,939
Cash flows utilised in investing activities	(6,403)	(5,757)	(13,115)	(15,626)	(20,122)
Cash flows from/(utilised in) financing activities	(5,052)	(2,674)	(1,651)	119	(1,717)
Net increase/(decrease) in cash and cash equivalents from continuing operations	**3,756**	**4,132**	**2,768**	**(3,088)**	**100**

Other Consolidated Financial and Operating Data

	As at or for the six months ended 30 September		For the year ended 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
			(R million)		
EBITDA (R million)(1)	12,933	13,265	23,449	19,460	34,004
EBITDA margin (per cent.)(1)	35.9	37.5	34.4	28.9	45.2
Operating profit margin (per cent.)(2)	14.8	16.6	12.6	8.3	25.3
Net debt (R billion)(3)	116.7	116.6	119.8	122.9	117.1
Gearing ratio (per cent.)(4)	43.7	46.9	45.5	49.0	47.3
Cash interest cover (times)(5)	2.1	2.6	2.6	2.1	2.7

Notes:

(1) The Group defines EBITDA as profit for the period from continuing operations before net finance costs, taxation, depreciation, derecognition and amortisation, impairment of assets, dividends received, fair value adjustments, post-retirement benefit obligation income/(costs) and income/(loss) from associates and joint ventures. The Group excludes these items because it considers them to be non-recurring or not reflective of the ongoing activities of the Group. For further information on management's use of these measures, including the limitations of these measures, see "*Presentation of Financial and Other Information*" and for a reconciliation of this data to the Consolidated Annual Financial Statements, see "*Selected Consolidated Financial and Other Information*". These measures are reconciled to the measures in the Consolidated Annual Financial Statements as follows:

	As at or for the six months ended 30 September		For the year ended 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
			(R million)		
Profit for the period	**159**	**(78)**	**5,048**	**(8,734)**	**2,892**
Add back:					
Net finance costs	5,675	5,086	10,558	11,040	11,129
Taxation	297	69	441	(2,536)	1,961
Depreciation, derecognition and amortisation	7,586	7,399	14,847	13,872	14,954
EBITDA	**12,933**	**13,265**	**23,449**	**19,460**	**34,004**

Notes:

(1) The Group defines EBITDA margin as EBITDA, expressed as a percentage of revenue.

(2) The Group defines operating profit margin as profit/(loss) from operations after depreciation and amortisation but before impairment of assets, dividends received, postretirement benefit obligation (costs)/income, fair value adjustments, income/(loss) from associates and net finance costs, expressed as a percentage of revenue.

(3) The Group defines net debt as long-term borrowings, short-term borrowings, post-retirement benefit obligations, derivative financial liabilities, and overdrafts, less other short-term investments, derivative financial assets and cash and cash equivalents.

(4) The Group defines and computes gearing ratio as net debt (defined as long-term borrowings, short-term borrowings, post-retirement benefit obligations, derivative financial liabilities, and overdrafts, less other short-term investments, derivative financial assets and cash and cash equivalents) expressed as a percentage of the sum of net debt and shareholder's equity.

(5) The Group defines interest cover (times) as its operating profit divided by net finance costs expressed as a ratio. The Group defines cash interest cover (times) as cash generated from operations, including working capital changes, divided by net finance costs (which includes capitalised borrowing costs) expressed as a ratio. For these purposes, net finance costs (including capitalised borrowing costs) consist of finance costs and finance income from the statement of cash flows. For interim reporting, the Group calculates cash interest cover (times) on a twelve-month rolling basis.

RISK FACTORS

An investment in the Notes involves a high degree of risk which may result in investors losing the value of their entire investment or part of it. Prospective investors should carefully read and review this entire Base Listing Particulars and in particular should consider all the risks inherent in making such an investment, including the risk factors set forth below, before making a decision to invest. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes that could have a significant or material adverse effect on its business, results of operations, financial condition and prospects and/or the repayment of principal and interest under the Notes.

Words and expressions defined in the Conditions or elsewhere in this Base Listing Particulars have the same meanings in this section. This Base Listing Particulars contains forward-looking statements that involve risks and uncertainties. Transnet's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Base Listing Particulars. See "Cautionary Note Regarding Forward-Looking Statements".

Risks Related to Transnet's Business

Transnet operates as an integrated freight transport company, formed around a core of five complementary Operating Divisions: Transnet Freight Rail, Transnet Engineering, Transnet National Ports Authority, Transnet Port Terminals and Transnet Pipelines. Transnet Property is part of the Other Division and Transnet's two specialist units comprise Transnet Corporate Centre and Transnet Foundation. See *"Operating and Financial Review—Overview"* and "*Business*" below. Transnet, its Operating Divisions and its subsidiaries combined are collectively referred to as the "Group".

Ongoing and future corruption investigations and media reports of alleged corruption and other improprieties could have a material adverse effect on Transnet's business

The Judicial Commission of Enquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector including Organs of State, a public inquiry, established in January 2018, (the "**Zondo Commission**") investigated allegations of state capture, corruption and fraud in the South African public sector, including Transnet's involvement therein. State capture is the term used in South Africa for the diverting of public resources for private gain. The Zondo Commission finalised its findings in January 2022 and issued a six-volume report as well as a set of recommendations during the period January 2022 to June 2022, including recommendations related to Transnet in February 2022. This report found that state capture at Transnet involved a systemic scheme of securing illicit and corrupt influence or control over the decision-making. Corrupt actors gained control over staff appointments and governance bodies and ensured influence over large procurements and capital expenditure by changing procurement mechanisms, the altering of bid criteria to favour corrupt suppliers and the payment of inflated costs and advance payments. Media has continued to extensively document the proceedings related to the matter.

The main findings reported were: (i) the appointment/reinstatement of senior executives including the Zondo Commission's findings on alleged political interference and other improprieties; (ii) the procurement of 1,259 locomotives with China South Rail, China North Rail, General Electric and Bombardier Transportation, including the Zondo Commission's findings on alleged misrepresentation, corruption, kickbacks and other improprieties; (iii) the alleged creation of monopoly and scheme for money laundering through McKinsey, Regiments and Trillian; and (iv) the improper procurement processes and transactions, including those associated with Neotel, Homix and T-Systems.

Additionally, the Zondo Commission found that Transnet concluded separate contracts with TNA Media Ltd. ("**TNA**") for advertising in its the New Age newspaper and for different sponsorship arrangements ultimately paying substantial amounts as well as concluded contracts with TNA. For a more detailed description, see "*Business—Compliance and Governance Matters*".

To the extent that such ongoing or future investigations resulting from the recommendations of the Zondo Commission result in additional formal accusations against, convictions of and/or admissions of guilt by the Company or any of its current or former affiliates, executives or directors, or to the extent there are further corruption or bribery reports, allegations or investigations related to them, whether or not substantiated, the reputation and corporate image of the Company and its ability to conduct or expand its business may be negatively affected and may therefore have a material and adverse effect on its business, cash flows, financial position, results of operations or prospects, as well as the trading price of the Notes. As investigations surrounding state capture within Transnet are ongoing as of the date of this Base Listing Particulars, the Company is unable to determine the outcome or quantum should the findings be found adverse against the Issuer.

Regardless, a continuation of such or similar allegations, or adverse developments regarding such compliance-related allegations, may cause further harm to the Company's reputation, while diverting management's time and attention away from running the business, including pursuing the Capital Investment Plan and operational reforms, which may, in turn, negatively impact Transnet's financial condition and results of operations going forward. Furthermore, allegations of unethical and unlawful conduct and associated investigations may compromise the Group's ability to obtain financing and increase Government intervention, including any further changes to the Board of Directors (if suggested by the Minister of Public Enterprises) and management and restrictions on, or enhanced oversight of, operations and could also result in qualifications or removal of prior audit reports in the event that the Group's auditors determine that such developments are sufficiently significant under relevant South African reporting standards. Any such qualification or removal of a prior audit report may have implications for the Group's contracts, including with respect to compliance with financing arrangements and could have a material adverse impact on the Group. There can be no assurance that these investigations and any other investigations to which the Company may be subject will not result in measures or sanctions against the Company, any of which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects. For a more detailed description on the improvements and measures that have been implemented or are in the process of being implemented to address the historical fraud and state capture matters, and to prevent and minimise fraud and state capture in the future, see "*Business——Procurement Framework*"

Transnet has been and may continue to be exposed to behaviours incompatible with its ethics and compliance standards, and failure to timeously detect or remedy any such behaviour has had, and may have, a material adverse effect on its results of operations and financial condition

As noted above, some of Transnet's former senior management and the Board of Directors had been and continues to be subject to investigations and governmental enquiries regarding activities incompatible with its ethics and compliance regulations and standards, including under the PFMA. The Zondo Commission found that Transnet was one of the primary sites of state capture between 2009 and 2018, citing instances of widespread wrongdoing in procurements through the appointment of members on the board who engaged in kickbacks and other fraudulent and corrupt schemes. Recommendations by the public inquiry included further investigations by law enforcement, further investigations by Transnet and possible prosecution of the individuals involved as well as institutional reforms, particularly in relation to public procurement policy. In particular, the recommended reforms included more stringent requirements for public procurement policy, which have resulted in delays and challenges in terms of doing business. Further requirements may be enacted, which may cause further delays and challenges. None of the individuals named for further investigation are currently employed by Transnet or are serving as Board members. All Transnet employees that were implicated in the findings of the Zondo Commission have also left the organisation. For a more detailed description, see "*Business—Compliance and Governance Matters*".

Despite these updates meant to reduce such activities, and Transnet itself which has sought to adopt measures to identify, monitor and remediate such activities, Transnet remains subject to the risk that its employees, Directors or any person doing business with the Company may seek to engage in fraudulent activity, corruption or bribery, circumvent or override its internal controls and procedures or misappropriate or manipulate its assets for their personal or business advantage and to Transnet's detriment. Although Transnet is in the process of internalising its internal audit function to bolster its internal controls, there is no guarantee that the internalisation will be successful or be effective in mitigating the risk of further impropriety. Moreover, there may be additional instances of non-compliance with Transnet's ethical standards and/or violations of applicable regulations that may be brought to light as a result of the current investigations, including in particular the external and internal investigations described above under "*—Ongoing and future corruption investigations and media reports of alleged corruption and other improprieties could have a material adverse effect on Transnet's business*". This risk is heightened by the fact that Transnet's manual internal controls, procurement and contract management process had certain weaknesses that Transnet has sought to remedy by way of automation and the fact that Transnet remains subject to intense scrutiny by the press, the public and Transnet's stakeholders, including the National Treasury of the Republic of South Africa ("**National Treasury**"), the DPE and the Competition Commission regarding these allegations, which may increase the risk of such adverse consequences. Although Transnet is seeking to improve its systems for identifying, monitoring and mitigating these risks (as described in "*Business—Compliance and Governance Matters*"), Transnet's systems may not be effective. Accordingly, any failure – whether real or perceived, particularly in an environment of intense public and media scrutiny – to follow these principles or to comply with applicable governance or regulatory obligations could harm Transnet's reputation, limit its ability to obtain financing and otherwise have a material adverse effect on its results of operations and financial condition. See "*--Transnet's exemption from Treasury Regulations under the PFMA expires on 31 March 2024, which could result in further qualified audit opinions if Transnet is unable to validate the completeness and accuracy of irregular expenditures disclosures in its financial statements.*" Please also note the Audit Committee report in the 2021 Annual Financial Statements and see *"Information Incorporated by Reference — Qualified Opinion"* for more details on the issues found to be behaviours incompatible with Transnet's ethics and compliance standards.

Notwithstanding this disclosure, this risk factor should not be taken as implying that Transnet is not able to meet its continuing obligations as a listed issuer or complying with the requirements imposed on it by the Disclosure and Transparency Rules. See "*—Transnet is exposed to funding risk as a result of its significant capital expenditure plans and the need to repay or refinance outstanding indebtedness*", "*Information Incorporated by Reference — Qualified Opinion" and "Recent Developments — Exemption from specified provisions of the PFMA and National Treasury Instruction Note No. 2 of 2019/20*"

The investments, business, profitability and results of operations of Transnet may be adversely affected as a result of the global economic conditions and political, social and economic risks in South Africa

The Group's operations are predominantly concentrated in South Africa, with the majority of its revenues deriving from operations in South Africa. The Issuer is therefore highly exposed to South African macroeconomic conditions. Any material deterioration in global or South African macroeconomic conditions could lead to a reduction in business activity, higher impairment charges, increased funding costs and reduced profitability and revenues.

The South African economy is exposed to the global economy through the current and capital accounts of the balance of payments. South Africa's exports are impacted by economic activity of some of the world's largest economies including China, the United States and Europe. Commodity prices and the Rand exchange rate also have a material impact on South African exports. The South African economy is also reliant on foreign capital flows into the country and has been a recipient of foreign capital through the domestic bond and equity markets over the last few years.

Economic observers such as the International Monetary Fund have estimated that the effects of the COVID-19 pandemic have resulted in a contraction in the global economy of 3.1 per cent., substantially worse than the recession experienced in the 2009 global financial crisis. The economy of the Sub-Saharan Africa region is estimated to have contracted by 1.7 per cent. in 2020. The effects of a global recession during 2020 have impacted a significant number of the Group's customers, and led to increased unemployment and a decrease in disposable income and consumer spending. Such conditions could have a material adverse effect on the Group's business, financial condition and results of operations.

Whilst major global central banks had signalled that they will keep loose monetary policy settings for an extended period until economic recovery, however, the magnitude of fiscal policy stimulus in some economies such as the U.S. has raised some concern about inflation. These inflationary pressures have increased throughout 2022 and the United States Federal Reserve, in response, opted to increase interest rates in May 2022. At the time, the United States Federal Reserve announced its biggest interest rate hike since 2000, with the benchmark interest rate raised 0.5 percentage point and then 0.75 percentage point. Subsequently, more interest rate hikes followed. Most recently, in December 2022, the United States Federal Reserve raised the interest rate to 4.4 per cent., following another 0.5 percentage point raise, bringing the benchmark interest rate to the highest level in 15 years. Should the United States Federal Reserve further increase its interest rate and/or other major central banks (such as the European Central Bank and the Bank of Japan) also increase interest rates, or shrink their balance sheets, faster than currently envisioned by global financial markets, it could have an adverse impact on foreign capital inflows into South Africa's bond and equity markets. Large outflows of foreign portfolio investments from South Africa could result in currency weakness, inflationary pressure, higher interest rates, an increase in bond yields and consequently weaker economic growth.

The Issuer's financial performance is linked to the performance of the South African economy, which in turn is inherently linked to the performance of the global economy and the actions of major global central banks. A sudden shift by major central banks to tighten their monetary policy stances could weaken the domestic exchange rate, resulting in higher inflation and an increase in interest rates, which could weaken economic growth and the Group's financial performance.

The South African economy itself has had an extended period of low economic growth. In the five years before 2020, annual growth in South Africa's GDP averaged just 0.7 per cent., significantly lower than annual growth in the size of the population, which was followed by a significant decline in 2020 of 6.4 per cent. Prior to 2020, the South African economy had entered into recession with two consecutive quarters of contracting GDP, partly due to electricity supply constraints. Since 2020, the combination of weaker global economic activity, stringent lockdown restrictions and loss of confidence due to the pandemic has had a large negative impact on the South African economy. According to data from Statistics South Africa, total GDP for 2021 showed a decline of 4.9 per cent. when compared with 2020, highlighting the severity of the COVID-19 pandemic on the economy.

Whilst there were improvements in the economic outlook in South Africa in the early part of 2021, the South African macroeconomic environment remains challenging in 2022 and, in addition to the impact of global macroeconomic volatility, is characterised by low private sector investment growth, weak employment growth and pressure on domestic demand. These are the main underlying factors of low economic growth in the pre-pandemic period and could persist over the coming years, resulting in weak underlying economic growth.

The Rand has also depreciated significantly since 2018 on account of the increasing strength of the U.S. dollar, investor concerns regarding South African economic prospects and global risk aversion, including as a result of the COVID-19 pandemic, the Russia-Ukraine conflict and inflationary conditions across a number of developed markets. The Rand will be susceptible to further downward pressure if the fiscal trajectory of South Africa is not sustainable.

Further, the downgrade of South Africa's sovereign credit rating by each of Moody's, Fitch and S&P to sub-investment grade in March and April 2020 saw South Africa excluded from the World Government Bond Index, triggering investors who were mandated to invest in investment grade countries to sell South African assets. Amid a global environment already characterised by COVID-19-related uncertainty, South Africa's 10-year sovereign bond yield reached 11.82 per cent. in

March 2020 (an increase from 9 per cent. in January 2020), as a result of forced selling and heightened investor concerns about South Africa's fiscal outlook.

As a result of weak economic growth which has adversely affected tax receipts, and strong growth in expenditure, particularly on the government wage bill, South Africa's public finances have deteriorated significantly over the past decade. The 2021 Budget tabled by Finance Minister Mboweni presented a plan to lower budget deficits significantly over the coming years by implementing wage freezes for public sector employees. The National Treasury expects that this should narrow the main budget deficit to 6.5 per cent. of GDP in fiscal year 2023/24 and stabilise the debt-to-GDP ratio at 88.9 per cent. in fiscal year 2025/26. However, implementation risks are high. An inability to stabilise public finances could have negative implications for economic growth.

The Issuer's financial performance has been and is likely to remain linked to the performance of the South African economy. No assurance can be given that the Group would be able to sustain its current performance levels if the current South African macroeconomic conditions were to persist or materially worsen from levels at the date of the Base Listing Particulars.

Acts of violence or war and adverse political developments may affect the business, results of operations and financial condition of the Group

Military activities have contributed to the substantial and continuing economic volatility and social unrest globally. Any developments stemming from these events, such as further military action or other similar events could cause further volatility. Any significant military action could also materially and adversely affect international financial markets and the economies of the jurisdictions in which the Group operates and may adversely affect the operations, revenues and profitability of the Group.

International security issues and adverse developments in respect thereof such as the current political tension between Russia, Ukraine and Western security alliances could materially adversely affect global trade and economic activity. In late February 2022, Russia launched a large-scale military attack on Ukraine. The invasion significantly amplified already existing geopolitical tensions among Russia, Ukraine, Europe, NATO and the West, including the U.S.

In response to the military action by Russia, various countries, including the U.S., the United Kingdom, and the European Union issued broad-ranging economic sanctions against Russia. The ramifications of the hostilities and sanctions, however, may not be limited to Russia and Russian companies but may spill over to and negatively impact other regional and global economic markets, companies in other countries (particularly those that have done or are doing business with Russia) and various sectors, industries and markets for securities and commodities globally, such as oil and natural gas.

Accordingly, the actions discussed above and the potential for a wider conflict could increase financial market volatility, cause severe negative effects on regional and global economic markets, industries, and companies. The consequences of any of these armed conflicts are unpredictable, and the Group may not be able to foresee events that could have a material adverse effect on its business, financial condition, results of operations, performance and prospects.

Transnet may not be able to maintain or increase its freight volumes or its revenues

Transnet's ability to meet revenue targets and achieve, as well as maintain, future growth depends on a number of factors, including its ability to maintain or increase the volume of goods transported through its network. Transnet's volumes of transported goods could be negatively impacted by several factors, some of which are beyond Transnet's control, including ongoing economic uncertainty, the reduced domestic and international demand for commodities and consumer products, changes in energy mixes, derailments, cable theft, fuel theft, widespread vandalism and other crimes, strike action and extreme weather events, which could lead to volume decreases.

Having experienced loss in freight volume and revenue in Financial Year 2021, Transnet cannot guarantee any rebound or growth in the future. Transnet's freight volumes and revenue also depend upon its ability to maintain, expand and develop relationships with its customers, suppliers, contractors, lenders and other third parties, expand its operating capacity in a timely and reasonable manner and maximise operational efficiencies. Revenue growth will also depend upon Transnet's ability to renew, win or negotiate favourable terms on future contracts with key clients, such as iron ore and coal producers. There can be no guarantee that conditions will improve and, should freight volumes further decline or insufficiently grow, it could have a material adverse effect on Transnet's business, results of operations, financial condition or prospects.

The tariffs Transnet charges are subject to review by regulators who may impose tariffs which are insufficient to meet Transnet's revenue requirements

Transnet's regulated revenues from regulated entities and take or pay contracts accounted for approximately 21.32 per cent. of Transnet's revenues in Financial Year 2021. Transnet's ability to meet revenue targets and achieve, as well as maintain, future growth depends significantly on the tariffs approved by regulators, who may determine tariffs significantly lower than those applied for by Transnet Pipelines and Transnet National Ports Authority. In addition, in the future, the South African Department of Transport (the "**Department of Transport**") may institute tariff controls or approvals through the establishment of a rail economic regulator, which may make determinations that affect the revenues for Transnet Freight Rail.

The tariffs for Transnet Pipelines are regulated by the regulatory authority known as the "National Energy Regulator of South Africa" established as a juristic person in terms of section 3 of the National Energy Regulator Act, 2004 (the "**NERSA**"), whilst Transnet National Ports Authority's tariffs are regulated by the independent ports regulatory body known as the "Ports Regulator" established by section 29 of the Ports Act (the "**Ports Regulator**"). The railway safety permit fees are charged to Transnet by the Rail Safety Regulator. Transnet also operates within a policy context established by the DPE and the Department of Transport.

In determining proposals for the tariffs charged by both Transnet Pipelines and Transnet National Ports Authority, Transnet uses a revenue requirement model which has been approved by the NERSA and the Ports Regulator. The intended effect of the model is to permit Transnet Pipelines and Transnet National Ports Authority to earn an appropriate return on investment and recover operating expenditures through the regulatory tariff approval mechanism, to provide revenue streams that are sufficient to fund the requirements of the respective businesses and to provide a regulated rate of return on those assets engaged in the respective businesses that are included within the regulatory asset base. While the revenue requirement model, which is typically shared with regulated entities, is intended to reduce income risk and facilitate a predictable capital expenditure programme, the model requires the application of judgment regarding those assets to be included in the model, the valuation of assets, depreciation rates, variations between actual and forecasted capital and operating expenditures and inflation levels and indexation. In addition, the regulators often pursue the performance incentive efficiency models which when applied take into account the degree of operating efficiency gains by regulated entities. If these approaches were to be applied strictly to the Transnet Pipelines and Transnet National Ports Authority, these entities will be expected to pursue efficiency gains which are achieved when the actual average operating and maintenance expenses per unit in a specific period are less than the prior period's actual average operating and maintenance expenses per unit after considering the effects of inflation. The regulatory model for TNPA does consider, the Weighted Efficiency Gains from Operations ("**WEGO**") based on port and terminal key performance indicators.

Transnet engaged with the Ports Regulator and port users on the review of the Multi-Year Tariff Methodology in accordance with the Ports Act to afford Transnet the ability to deliver on its strategy and maintain financial sustainability. The Ports Regulator published the revised Multi-Year Tariff Methodology for the 2021 to 2023 tariff periods on 31 July 2020.

The NERSA published the Amendment to the Guidelines for Monitoring and Approving Piped-Gas Transmission and Storage Tariffs (the "**Amended Guidelines**") for public comment on 8 February 2017. The key reason for the review was to ensure harmonisation of regulatory methodologies for the three regulated industries, and to ensure coherence and consistency across piped-gas, petroleum pipelines and electricity. On 30 March 2017, the NERSA approved the Amended Guidelines. The Amended Guidelines became effective as from 1 June 2017.

Failure to receive approval for proposed tariff increases in the amounts and at the times proposed could materially adversely affect Transnet's business, results of operations, financial condition and prospects. See *"Business—Transnet Pipelines—Sources of Revenue and Pricing"* and *"Business—Transnet National Ports Authority—Source of Revenue, Pricing and Tariffs"*

Transnet is exposed to funding risk as a result of its significant capital expenditure plans and the need to repay or refinance outstanding indebtedness

Transnet's Capital Investment Plan is a rolling five year strategy to expand and modernise the Republic of South Africa's ports, rail and pipelines infrastructure with a view to achieving a significant increase in freight volumes, particularly in commodities such as iron ore, coal and manganese and to promoting economic growth in the Republic of South Africa. Transnet's businesses require a substantial amount of capital and other long-term expenditures, including those relating to the Capital Investment Plan, which encompasses the replacement and refurbishment of rolling stock, the completion of the NMPP, which is a project to augment and replace parts of Transnet's existing petroleum pipeline network in order to increase pipeline capacity, the expansion and refurbishment of existing ports, container terminal facilities, railway lines and other infrastructure projects, as well as the maintenance of Transnet's existing infrastructure. As a result, Transnet is dependent on access to domestic and international debt capital markets and lenders in order to meet its funding requirements. In 2022, the volatility on the yields on domestic Government bonds and the exchange value of the Rand, together with allegations of state capture, credit rating action, the impact of COVID-19 on operating activities and overall investor risk aversion, limited the Company's ability to access funding in the domestic debt capital markets.

Transnet expects to invest a further R100 billion (excluding capitalised borrowing costs of R5 billion) over the next five Financial Years on key corridors and sectors. Transnet has approximately R65 billion of debt maturing in the next five Financial Years (commencing with Financial Year 2023, which will need to be repaid or refinanced (including R19.2

billion of debt re-payable within the current Financial Year). Over the next five Financial Years, Transnet plans to raise R67 billion from domestic and international debt capital markets and bilateral loans. As at 30 September 2022, the Group had cash and cash equivalents of R7,692 million on balance and R9,600 million in credit lines available, as a result of its pre-funding strategy. These liquidity sources will be available in Financial Year 2023 to contribute to Transnet's funding requirements. As at 31 March 2022, the Company expects to raise R13 billion from the domestic and international debt capital markets and bilateral loans to meet its funding requirements in Financial Year 2023. See *"Business—Capital Investment Plan"* and *"Operating and Financial Review—Liquidity and Capital Resources—Capital Investment Plan"*.

Due to the KwaZulu-Natal floods and operational challenges at Transnet Freight Rail, which are being addressed by executive management, Transnet had limited headroom to meet its financial covenants, in particular as to the cash interest cover financial covenants in certain of its debt facilities as at the six months ending 30 September 2022 reporting period. Accordingly, Transnet has secured waivers in respect of the breach of its cash interest cover covenant as at the 30 September 2022 measurement date, and has separately sought to otherwise conserve cash and review its levels of its outstanding debt. As is customary for such waivers, the relevant lenders have reserved their rights in respect of future potential breaches or breaches of any other covenants and no assurance can be made that any lender will not seek to take any further action if such a breach were to occur. Although Transnet anticipates being in compliance with its financial covenants at its next measurement date of 31 March 2023, no assurance can be made that unanticipated operational or other developments will not result in the requirement for waivers in the future. As is typical for debt facilities, in the event Transnet fails to comply with a financial covenant on a future measurement date or otherwise breaches the terms of its debt facilities, and is unable to obtain waivers from affected lenders (which has not been the case in the past), certain lenders will be entitled to accelerate their debt facilities and declare amounts outstanding thereunder immediately due and repayable. As at 30 September 2022, the Company had approximately R48 billion in outstanding indebtedness subject to potential acceleration as a result of the cash interest cover breach of 2.5 times at the measurement date. While the next steps to be taken by the Issuer would depend on the nature of the breach, the amounts at issue and the reason(s) that one or more lenders have refused to waive such breach, if future waivers were not obtained in the event of such future event of default, Transnet would seek to enter into negotiations with its lenders to forbear such acceleration, seek to refinance the affected facilities with new indebtedness and/or seek to obtain financial support from the Government given the status of Transnet as a state owned company and the importance of its business and operations to the economy of South Africa. If these measures were not successful or insufficient to repay the amounts becoming due, Transnet would be contractually obliged to repay any indebtedness that was accelerated through the use of its then-available cash resources (as at 30 September 2022, R7.7 billion) and/or any cash generated through the sale of then-existing realisable assets. Should this be insufficient, Transnet would consider the application of other legal and judicial measures available to it, including those described in "Regulation—Companies Act". Accordingly, any acceleration of such facilities, and resulting cross-acceleration of other debt facilities, could have an adverse impact on Transnet's financial condition and prospects, in addition to its ability to repay amounts owed. For additional disclosure on the April 2022 floods and limited headroom, see "*Risk Factors—Transnet may suffer the consequences of ongoing climate change and related weather disasters such as flooding*" and "*Recent Developments—Developments as to business, strategy and financial position*". Notwithstanding this disclosure, this risk factor should not be taken as implying that Transnet is not able to meet its continuing obligations as a listed issuer or complying with the requirements imposed on it by the Disclosure and Transparency Rules.

Transnet does not receive subsidies or other funding from the Government, although the Government has announced that it has allocated R5.8 billion in funding to repair Transnet's infrastructure that suffered from the KwaZulu-Natal floods and for freight rail locomotives maintenance and repair. Disbursement is expected in Financial Year 2023. The terms of this funding are yet to be finalised but the funding is expected to take the form of an equity injection. As a result of the slow economic growth, widening of credit spreads and yields on Government debt and increased domestic and international competition for funding (including competition from the Government and other SOEs), Transnet expects that funding may be more scarce and expensive than in the past and, although Transnet believes it will be able to fund its needs appropriately, there is no guarantee that Transnet will be able to secure funding to meet its needs in a timely manner or on commercially reasonable terms, if at all. Transnet's ability to arrange external financing and the cost of such financing are dependent on numerous factors, including its future financial condition, general economic and capital market conditions, interest rates, the availability of credit generally from banks and other lenders, competition for funding in domestic and international markets, investor confidence in Transnet, applicable provisions of tax and securities laws, and political and economic conditions in the Republic of South Africa and other relevant jurisdictions. Transnet's ability to raise funds in international markets is also subject to the relevant provisions of the Public Finance Management Act, 1999 (the "**PFMA**") (see "*Regulation*") and the approval of the Exchange Control Authorities (see "*Exchange Controls*"). If Transnet is unable to generate or obtain funds sufficient to make, or is otherwise restricted from making, necessary or desirable capital expenditures and other investments, it may be unable to maintain or grow its business and may be required to revise the Capital Investment Plan. These circumstances, or an inability to obtain funding to repay or refinance maturing indebtedness, could have a material adverse effect on Transnet's credit rating, business, results of operations, financial covenants, financial condition and prospects.

Transnet is subject to risks associated with the age and impaired condition of its equipment and infrastructure

Transnet's business and operations depend upon the performance of its equipment and other working assets, such as its locomotives, wagons, port terminal equipment and infrastructure. Transnet's success also depends on the successful operations of its infrastructure, including its network of ports, rails and freight lines. As its equipment and infrastructure age, their performance or effectiveness become impaired, often leading to decreased productivity as well as delays and costly maintenance. In recent years Transnet has incurred substantial costs and devoted significant time and resources to replacing and sustaining outdated equipment. Any decrease in asset performance could negatively impact Transnet's business.

Historically, however, Transnet has not adequately invested in replacing impaired or underperforming assets, or in the scheduled maintenance that its business required. This lack of maintenance has been a particular problem for both rail lines and rolling stock of Transnet Freight Rail and as a result assets may not perform at the required level. Transnet also has a backlog of maintenance work for rail lines, wagons and locomotives and other railway infrastructure such as depots and signalling systems.

On 12 January 2023, Transnet announced it had reached an impasse with CRRC, among others, on the rehabilitation of its 161 non-operational 22E locomotives. As a result, to normalise its operations in the affected corridors (North, Northeast and Cape corridors, which collectively comprise approximately 50 per cent. of Transnet Freight Rail's revenue, and support three primary mining sector segments, namely export coal, chrome, and manganese), it intends to issue an open, competitive tender inviting any eligible OEM to step in to rehabilitate these non-operational CRRC locomotives.

In addition, Transnet has, on 13 January 2023, issued a confined tender to the other existing OEMs for the repairs of other locomotives in its fleet, supplied by Wabtech, Mitsui and Alstom. Transnet expects the tender processes to be completed in an expedited fashion with work commencing shortly thereafter, although no specific timeline has been set for the conclusion thereof.

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

Transnet may be unable to fulfil its obligations under customer contracts which could have a material adverse effect on Transnet's business

Transnet's business is based, in part, on fulfilling customer contracts. The revenues and operating margins realised in such contracts may vary from original estimates as a result of changes in costs and productivity over the term of the contract. Its contracts may vary from its estimates because of the inherent risks of transportation operations, including engineering, construction, regulatory, financing and other risks which may delay or prevent the successful completion or operation of these contracts or significantly increase projected costs. Such projects could be adversely affected by many factors including shortages of materials, equipment and labour, political risk, customer default, adverse weather conditions, natural disasters, labour disputes, accidents, environmental pollution, prices of raw materials, unforeseen problems, changes in circumstances that may lead to cancellations and other factors beyond our control.

In April 2022, Transnet issued a notice to its major coal export parties based on persistent circumstances beyond its reasonable control, such as cable theft and ongoing legal proceedings relating to irregular locomotive acquisition contracts having adverse impacts on the maintenance of locomotives and its ability to fulfil its contractual obligations. Notwithstanding the notice issued, Transnet remains committed to working with the coal export industry to find a commercial solution to this issue, in good faith negotiations. Progress has been made and Transnet expects to close this matter amicably with affected parties and thereby reinstate the existing contracts. As an interim solution, all major coal export parties agreed to a price increase of 10 per cent. for one year. Discussions on a more permanent solution are still ongoing. Transnet continues to provide transport services for the Richards Bay Coal Terminal ("**RBCT**") export coal customers under its standard conditions of carriage, while the parties continue with negotiations. Transnet considers that these factors are beyond its reasonable control and that they will continue to detract Transnet from its ability unless they are minimised to reasonable levels.

Nonetheless, there is an ongoing dispute with several major coal companies, which contest that the current situation does not constitute persistent circumstances beyond Transnet's reasonable control. There are no guarantees the claim will not be declared invalid or other attempts to find a resolution, including the amendment of current agreements, will not yield a material adverse effect on Transnet's business.

Transnet may suffer the consequences of ongoing climate change and related weather disasters such as flooding

Transnet is exposed to risks related to climate change, either directly through its own operations or indirectly through climate change potentially affecting the need and demand for Transnet's services. There are two main types of risks related to climate change: (i) transition risks, which result from changes in the behaviour of actors in response to the implementation of energy policies or technological changes; and (ii) physical risks, which result from the direct impact of climate change on people and property through extreme weather events or long-term risks such as rising water levels or increasing temperatures. In addition, liability risks may arise as a result of damages Transnet may be required to pay if it were found to be responsible for global warming.

Flooding and other weather disasters have impacted Transnet in the past. For example, on 12 April 2022, Transnet was forced to shut down its Durban port following torrential rains and flooding in parts of the KwaZulu-Natal province. Its Durban port resumed operations after one week, however, the full reopening of all its Transnet ports was not attained until the end of April 2022, with the implementation of long-term recovery measures expected to take as long as 12 months to complete. The operations on Transnet's main railway line were also affected, with the flooding causing severe damage to its infrastructure, causing the railway to be closed for an expected seven weeks.

Future flooding and other weather disasters may continue to impact Transnet in the future and the Company may not be able to adequately protect its business against these calamities, nor adequately mitigate negative effects resulting from continuing climate change, which may have a material adverse effect on Transnet's business through direct impact on Transnet's operations, as occurred during the 12 April 2022 KwaZulu-Nata floods as well as through long-term transition risks, which entail changing market dynamics such as the transition away from fossil fuels. Specifically, the transition to cleaner energy is gaining traction and coal is expected to see demand declining over the medium to long term, while demand for cleaner energy sources such as solar, wind, hydro, nuclear and gas is expected to continue to track upwards. With South Africa being one of the largest exporters of coal, which is an important part of Transnet's transport commodities, this transition could have a materially adverse impact on the Group's business.

Transnet may not achieve a sufficient return on capital expenditures

Transnet's business requires significant capital expenditure prior to the entry into revenue-generating service by the relevant asset. As described above under "*—Transnet is exposed to funding risk as a result of its significant capital expenditure plans and the need to repay or refinance outstanding indebtedness*", regarding the Capital Investment Plan, the decision to commit to these capital expenditures is made on the basis of management assumptions, forecasts and estimates of macroeconomic trends, customer demand and technological feasibility, among other factors, any of which could fail to materialise, in which case the return on investment for such capital expenditures may be lower than anticipated or even negative. Failure to achieve a sufficient return on investment could accordingly represent a misallocation of resources and could have a material adverse effect on Transnet's business, financial condition, results of operations and liquidity.

The Group may not successfully execute its growth strategy

The Group's current strategy, the Segment Strategy, is aimed at seizing the opportunities and benefits that come from PSPs and the opportunities created by the fourth industrial revolution, focusing on a more supply chain or segment-oriented view of the business. Segment strategies were defined for each of Transnet's key market segments, where more than 80 per cent. of the business' revenue is generated. The segment strategies are fundamentally concerned with ensuring that the supply chains for key industries are globally competitive and act as a source of competitive advantage for South Africa.

In 2021, however, commodity prices increased, with some commodity prices reaching all-time highs. Commodity demand and supply dynamics are expected to continue to cause persistent commodity price volatility with changing market dynamics such as the transition away from fossil fuels intensifying this further for many commodities. Specifically, the transition to cleaner energy is gaining traction and coal is expected to see demand declining over the medium to long term, while demand for cleaner energy sources such as solar, wind, hydro, nuclear and gas is expected to continue to track upwards. With South Africa being one of the largest exporters of coal, which is an important part of Transnet's transport commodities, this transition could have a materially adverse impact on the Group's business.

There can be no assurance that the Group will be able to capitalise on growth opportunities in a timely and cost-effective manner. Failure to do so could materially and adversely affect the Group's business, financial condition and results of operations.

If Transnet is unable to successfully achieve all or a portion of its growth strategy, it may be unable to maintain or grow its business and may have to reduce its capital expenditure plans and this could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects.

Transnet faces a number of risks relating to its ability to deliver its capital projects on time and within budget

Capital expansion and construction projects, including those currently in the Capital Investment Programme, typically require substantial capital expenditure throughout the development phase and may take months or years before they become operational, during which time Transnet is subject to a number of construction, financing, operating and other risks, many of which are beyond its control including but not limited to:

- availability of materials, equipment and electricity;
- availability of skilled and unskilled labour, as well as sufficient management oversight and expertise;
- increases in capital costs (including materials, engineering and construction costs) and/or operating costs (including costs of staff, services, utilities and supplies), including as a result of foreign exchange rate movements;
- foreign exchange rate movements;
- the inability to attract additional freight volumes, align Transnet's expansion plans with customers' plans as new capacity is created and protect current freight volumes against new entrants and customer dissatisfaction;
- instability in the financial markets resulting in loans being recalled, credit rating downgrades and systemic deterioration of the financial system;
- uncertainty concerning the security of energy supply;
- failure to achieve expected returns or volumes on capital projects, resulting in non-productive assets for which funding still needs to be serviced and settled;
- inadequate information technology and communication infrastructure, as well as technological capacity to enable the business to function sufficiently;
- labour disputes and disputes with contractors and sub-contractors;
- environmental regulations and activism, including the need to perform feasibility studies and conduct remediation activities which can delay project start dates and completion;
- accidents and other safety concerns;
- political, social and economic conditions; and
- changes in laws, rules, regulations and Government priorities.

Transnet manages some of these risks by entering into engineering, procurement and construction management contracts, which provide Transnet with access to specialised skills in its capital projects delivery. However, any of the above risks can also occur in relation to these third party contracts and there can be no assurance that Transnet's existing controls and procedures with respect to procurement will be adequate in all instances to manage all risk of these third party procurement contracts.

If one or more of these risks materialises, Transnet's ability to complete its current or future projects on schedule and within the estimated budget may be adversely impacted and Transnet may be prevented from achieving the projected revenue, internal rates of return and capacity expected from such projects and delivering the desired business outcomes.

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

Transnet's own redundancy programmes and future cost-reductions programmes have resulted in, and may result in further, skill shortages. Transnet's continued success is dependent, in part, on retaining its senior officers and employees, many of whom have significant experience within Transnet and may be difficult to replace, and in part on its ability to attract and retain top quality management and key staff.

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

Transnet may be required to incur significant costs in order to comply with environmental laws and regulations in light of a global transition to a low carbon economy impacting key commodity revenue streams with transition risk of global vessel fleets to zero emission fuels by 2050

Transnet's operations are subject to environmental laws and regulations governing, amongst other things, the loading, unloading and storage of hazardous materials and the protection of the environment, which laws and regulations change regularly from time to time and are generally becoming more complex and restrictive. With the expected decline in fossil fuels demand as the penetration of clean and renewable technology options accelerates, any new capital investment in coal expansion projects and petroleum pipelines will likely result in stranded assets. As a result, different mechanisms will need to be explored and developed in order to adapt and repurpose such assets to play a critical role in the transition to low-carbon, which may not be successful.

The cost of compliance with environmental laws and regulations has been significant and is expected to continue to be significant due to a growing body of environmental legislation and Transnet may be liable for damages or administrative or criminal sanctions should an environmental violation occur. Transnet has experienced instances of non-compliance with environmental laws, mainly due to historical pollution and/or contamination. Different interpretations of new laws might also result in instances of non-compliance, due to the complexity of the legislation. An integrated plan has been developed to manage historic and future contamination occurring within Transnet operations.

Although Transnet believes that to date its non-compliance with environmental laws has not had a material adverse impact on it, the costs of complying with environmental laws, the imposition of criminal or administrative penalties for violations of environmental laws and/or liability for damages arising under environmental litigation could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects. Most recently, on 9 March 2022, a diesel spillage incident took place at block valve 51 outside Harrismith, in the Free State province as a result of fuel theft. Whilst Transnet Pipelines implemented necessary measures to mitigate the impact of the spill, due to the water flow of the nearby Meul river, ongoing maintenance of the various booms is required, which may be costly or subject Transnet to liability.

Additionally, if required environmental authorisations and permits are not issued, capital projects could be delayed or operations may be interrupted. Furthermore, while Transnet maintains insurance coverage for environmental incidents, there is no guarantee that its insurance will be adequate to cover the possible costs of environmental matters, including the costs of litigation and defending administrative or criminal proceedings (which include damages, fines and penalties) and remediation.

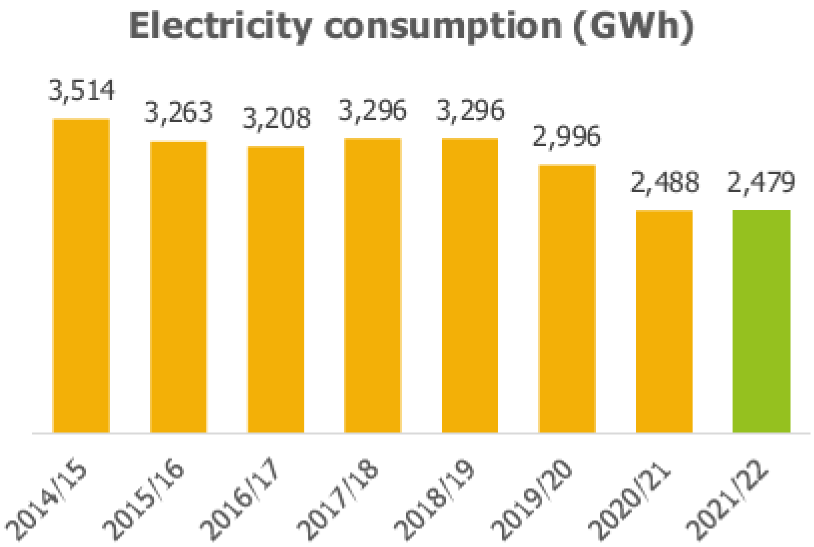
See "*Business— Environment — Significant Environmental Incidents*"

Transnet is subject to risks associated with the availability and cost of key inputs for its business and the business of its key clients

Key input items in Transnet's cost base, including salaries and other personnel costs, energy costs, material costs, maintenance costs, operating lease costs and equipment costs are sensitive to increases in general price levels in the Republic of South Africa and elsewhere. Transnet's business and profitability could be adversely affected if the costs of its basic inputs materially increase and these costs cannot be recovered from customers.

Electricity

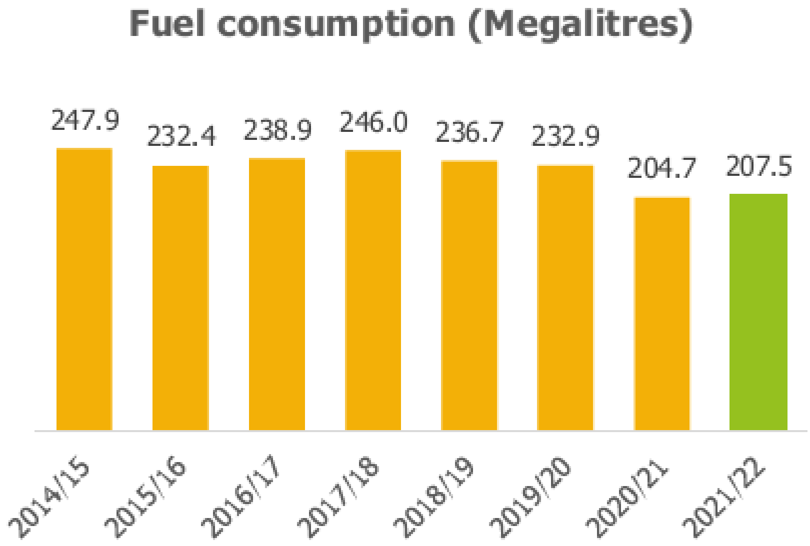
Transnet's total electricity consumption decreased 0.36 per cent. in Financial Year 2022 in comparison to Financial Year 2021, as per the below graph, in part due to energy efficiency measures instituted by Transnet, leading to a decrease of 29.5 per cent. in electricity consumption since 2014. Transnet's electricity costs increased by 22 per cent. in Financial Year 2022 compared to Financial Year 2021, attributable to widespread coal shortages during the year which throttled the production of electricity in several countries as well as above-inflation electricity tariff annual increases. It is expected that costs will continue to increase in the foreseeable future due to tariff increases and Transnet believes that constraints in power supply make electricity a strategic risk for the Group in addition to the risk of increased costs.



In February 2022, the NERSA announced its decision on the revenue application of Eskom, the state owned generator of electricity in the Republic of South Africa, for the 2023 Financial Year. Based on allowable revenue, Eskom received approval for a 3.49 per cent. increase below inflation, compared to the 14.58 per cent. the utility requested. When the amount Eskom is allowed to recover under the revenue clearings account is taken into account, the total approved tariff increase is 9.61 per cent., which is less than half of the 20.5 per cent. requested by Eskom. These developments and future tariff applications in alignment with the Multi-Year Price Determination methodology escalations will be expected. In addition to costs escalations, electricity supply security remains a major risk to Transnet's operations as the national grid is constrained since the capacity shortages in late 2007 and beginning 2008 to the current stage, which has resulted in chronic rotational load shedding to avoid total grid collapse. The grid has been constrained as a result of capacity shortages emanating from delays in Eskom new build programme as well as maintenance backlogs and poor operations leading to the reserve margins declining to below the acceptable 15 per cent. Continuing loadshedding could severely disrupt or delay Transnet's operations and the businesses of its key customers, which could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects.

Fuel

Transnet Freight Rail's fuel consumption in Financial Year 2022 increased by 81.2 per cent. compared to Financial Year 2021, as per the below graph, despite a 1.8 per cent. decrease in traction diesel volumes moved. Additionally, Transnet's fuel expense increased to 6.3 per cent. of total operating expenditure in Financial Year 2022 compared with 4.9 per cent. of total operating expenditure in Financial Year 2021. Transnet has budgeted for approximately R3.3 billion in fuel expenses for Financial Year 2023, which is equal to 7.2 per cent. of its budgeted total operating expenses. Instability caused by imbalances in the worldwide supply and demand for oil, and the ongoing global economic uncertainty, has resulted in significant fluctuations in fuel prices. As at 31 March 2022, a majority of the customer contracts relating to Transnet Freight Rail's general freight business contain price adjustment clauses to account for changes in fuel prices. Price adjustments under these contracts are typically made monthly and reflect both increases and decreases in fuel prices. Transnet Freight Rail therefore shares the risk associated with fuel price volatility with clients that are party to such contracts. The long term contracts on Manganese, Chrome, Magnetite, Coal and Iron Ore contracts however are subject to period price adjustments based on various formulae which may not adequately reflect annual increases in Transnet's fuel costs. Any future increase in the cost of fuel could therefore negatively impact Transnet's business, results of operations, financial condition and prospects.



Transnet's Financial Risk Management Policy has the objective to consistently hedge residual exposures after taking cognizance of existing fuel procurement contracts and not to uneconomically offset any benefits therein. The hedge cover ratio needs to ensure that the hedging volumes do not exceed the exposure which is most probable (conservatively measured) to arise. However, as at 31 March 2022, none of Transnet Freight Rail's diesel consumption is hedged for Financial Year 2022 against currency and commodity price fluctuations. There can be no assurance that Transnet will continue to have adequate access to fuel, that Transnet will not be exposed to fluctuations in the fuel price or that Transnet will succeed in passing on fuel price increases to its customers. See "*Operating and Financial Review—Qualitative and Quantitative Disclosures about Market Risk—Commodity Price Risk*".

Critical materials and maintenance

In Financial Year 2022, the cost of materials and maintenance increased by 4.2 per cent. in comparison to Financial Year 2021 (from 11.1 per cent. of net operating expenditure in Financial Year 2021 to 11.0 per cent. in Financial Year 2022). An increase in the costs of these key inputs may negatively impact Transnet's results of operations. To the extent that Transnet must import these materials, Transnet endeavours to price these contracts in Rand. Whenever possible, Transnet immediately enters into hedging agreements if the contracts for imported materials are priced in foreign currencies. However, Transnet is exposed to the risk of foreign exchange rate fluctuations until Transnet contracts for such purchases and enters into related hedging agreements. See "*—Transnet is exposed to risks associated with exchange rate fluctuations*".

Inflation in the cost of other inputs

As with the international situation, the substantial rise in energy costs the last year has pushed domestic inflation to higher levels. South Africa's headline consumer price inflation hit a peak of 7.8 per cent. in July 2022 following a 7.4 per cent. increase in June and a 6.5 per cent. increase in May 2022. In light of the surge of international oil and food prices most recently resulting from the invasion of Ukraine by Russia, the inflation rate has breached the 6 per cent. upper end of the official inflation target. There have also been inflationary consequences because of the damage done by devastating floods in KwaZulu-Natal. The destruction of roads and factories and the disruption to port facilities is likely to result in an exacerbation of interruption to supply chains of goods to the country.

A continuation of this significant inflation in both the global economy and the Republic of South Africa could significantly increase Transnet's operating costs and have a material adverse effect on its business, results of operations, financial condition and prospects.

Inflation, as well as the scarcity of qualified personnel, has contributed to escalating wage costs in the Republic of South Africa in the past several years, which may increase further in the future. Transnet's salary costs have increased at or above inflation levels in the Republic of South Africa, in large part as a result of collective bargaining agreements with unions and routine, performance-based salary increases. These salary costs are likely to continue to increase.

Transnet may not be able to pass along increased costs to its customers as a result of competitive pressures, contractual provisions, regulatory limits on tariffs and other factors. Accordingly, if the recent inflationary trend continues, or if the costs of fuel, electricity and labour continue to increase, there can be no assurance that Transnet will be able to maintain or increase its margins. Furthermore, many of Transnet's suppliers may seek to pass on increases in material or other costs to Transnet. Any increases in the prices of materials or other goods or services purchased by Transnet could impair Transnet's ability to complete new infrastructure and other projects on time and within budget. The occurrence of any of the foregoing could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects.

Any downgrading of Transnet's credit rating by an international rating agency, as well as any related breaches in covenants and failure to obtain necessary waivers could have a negative impact on its business and the trading price of the Notes.

As of the date of this Base Listing Particulars, Transnet's credit rating was "Ba3" (Moody's) and "BB-" (Standard & Poor's). Revisions reflect an assessment of Transnet's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due.

Transnet faces the risk of further credit rating downgrades. Rating agencies have highlighted Transnet's less than adequate liquidity, negative free cash flows, rolling over of debt, debt capital redemption risk and corporate governance concerns (mainly the PFMA-related audit qualification and the resultant delay in the release of the Annual Financial Statements as described below in "*Transnet's exemption from Treasury Regulations under the PFMA expires on 31 March 2024, which could result in further qualified audit opinions if Transnet is unable to validate the completeness and accuracy of irregular expenditures disclosures in its financial statements*") as factors putting downward pressure on the credit rating. Any adverse revisions to Transnet's credit ratings by international rating agencies may adversely affect the ability of Transnet to raise additional financing, and the terms on which Transnet is able to finance future capital expenditure or refinance any existing indebtedness. This could have an adverse effect on Transnet's capital expenditure plans, business, cash flows, financial performance and prospects and the trading price of the Notes.

Transnet's issuer ratings are also linked to the sovereign rating, such that the Company cannot be rated higher than the sovereign. Downgrades on the sovereign ratings will generally trigger a downgrade on Transnet's issuer ratings. Credit ratings impact on the availability, pricing and timing of new funding and could trigger a breach of existing loan agreement covenants.

Transnet's exemption from Treasury Regulations under the PFMA expires on 31 March 2024, which could result in further qualified audit opinions if Transnet is unable to validate the completeness and accuracy of irregular expenditures disclosures in its financial statements.

Debt capital markets remain a significant source of funding for Transnet through corporate bonds. The audit qualification of Transnet's 2021 Annual Financial Statements constituted an event of default in a number of its financial instruments. The audit qualification was related to the PFMA, in particular, the completeness and accuracy of the irregular expenditure disclosed in the Annual Financial Statements, which also led to a delay in the release of the Annual Financial Statements. Transnet successfully obtained waiver agreements from all the lenders who were entitled to accelerate their loans as a result of the event of default triggered thereby and has managed to agree on an interim solution to this problem with the National Treasury until 31 March 2024 in the form of a granted exemption from the specified provisions of the Treasury Regulations issued in terms of the PFMA and National Treasury Instruction No. 2 of 2019/2020. If Transnet is unable to validate the completeness and accuracy of its disclosures relating to these matters by such date and the exemption is not extended, any future audit qualification resulting thereby could result in acceleration of Transnet's existing debt and/or have an adverse impact on Transnet's ability to obtain new funding arrangements. See *"Transnet is exposed to funding risk as a result of its significant capital expenditure plans and the need to repay or refinance outstanding indebtedness", "Information Incorporated by Reference — Qualified Opinion" and "Recent Developments — Exemption from specified provisions of the PFMA and National Treasury Instruction Note No. 2 of 2019/20"*

Notwithstanding this disclosure, this risk factor should not be taken as implying that Transnet is not able to meet its continuing obligations as a listed issuer or complying with the requirements imposed on it by the Disclosure and Transparency Rules.

The corporatisation of Transnet National Ports Authority and potential corporatisation of Transnet Pipelines poses risks to Transnet and could constitute events of default under some financing agreements

Transnet National Ports Authority

The Ports Act provides for the corporatisation of Transnet National Ports Authority ("**TNPA**") into a separate corporate entity (the "**TNPA corporatisation**"). On 17 June 2008, the President of the Republic of South Africa (the "**President**") informed Transnet in writing that the Government would not initiate the TNPA corporatisation process and that appropriate amendments to the Ports Act would be considered.

However, on 30 July 2021 by notice in the Government Gazette, pursuant to section 3(2) of the Ports Act, the Minister of Public Enterprises announced that he is commencing steps towards the corporatisation of Transnet National Ports Authority as a subsidiary of Transnet SOC Ltd. The corporatisation of TNPA as a wholly owned subsidiary of Transnet was also confirmed by a statement from the Presidency.

The proposed corporatisation of TNPA requires certain amendments to the Ports Act, which are currently under review by the Government. The corporatisation of TNPA as a wholly owned subsidiary of Transnet and reporting directly to Transnet aims to ensure that the inclusion of TNPA in the Transnet Group consolidated statement of financial position will not be affected.

The TNPA corporatisation poses significant risks to Transnet, as it could have a material adverse impact on Transnet, both financially and strategically, and could constitute an event of default under one or more of Transnet's financing agreements, in the event waivers for relevant commercial agreements are not obtained. Transnet is continuously engaging its lenders to fully determine whether or not the corporatisation of TNPA as envisaged triggers any covenant breaches in existing financing agreements and whether any waivers for relevant commercial agreements are necessary. Transnet's objective is that no waivers will be needed and so has not planned any concrete dates for waiver negotiations. Instead, Transnet is continuously engaging its lenders to fully determine whether the corporatisation of TNPA as envisaged triggers any covenant breaches in existing financing agreements and whether any waivers for relevant commercial agreements are necessary, before moving on to negotiating any waivers which might currently not be required.

Although Transnet has been successful in its waiver requests from lenders in the past related to Transnet's audit qualification discussed above, there is no guarantee that Transnet will continue to be successful in all its waiver requests, including with respect to the corporatisation of TNPA, if deemed necessary, and any failure to obtain such a waiver request could have a materially adverse effect on Transnet's business.

Transnet Pipelines

Transnet Pipelines applied for and was granted a licence under the Petroleum Pipelines Act, 2003 (the "**Petroleum Pipelines Act**"), to construct the NMPP, which is a project to augment and replace parts of Transnet's existing petroleum pipeline network in order to increase pipeline capacity in an effort to secure fuel supply in the central region of the Republic of South Africa. A levy was charged to consumers of diesel and petrol to help fund the construction of the NMPP, which was in place from September 2010 to March 2013.

One of the conditions of the levy was that Transnet provide the Department of Energy with explicit details on the progress of the reorganisation of Transnet Pipelines into a separate corporate entity (the "**TPL corporatisation**"). The TPL corporatisation is provided for in a directive issued by the Minister of Public Enterprises, and is a condition of the provision of a grant of R4.5 billion for the construction of the NMPP in terms of a grant funding agreement concluded between Transnet and the Department of Energy in 2010 (the "**GFA Agreement**"). The TPL corporatisation is intended to enhance the accountability, transparency, governance and administration of the levy fund.

Transnet has been conducting ongoing discussions with the DPE and has argued that without cash injections from the Group, Transnet Pipelines' gearing would not be commercially viable in the debt capital markets. The impact of the TPL corporatisation will increase its cost of borrowing, further reducing its cash interest cover ratio, which could lead to greater reliance on the NERSA's approved tariff rates for Transnet Pipelines' revenue requirements.

The Chairman of Transnet has requested that the Minister of Public Enterprises reconsider any plans for the TPL corporatisation. On 24 May 2013, the Minister of Public Enterprises responded stating that he had written to the Ministers of Finance and Energy recommending that the condition in the GFA Agreement requiring the TPL corporatisation be temporarily waived. The Minister of Public Enterprises noted that Government policy may necessitate the TPL corporatisation in the future, in which case the issue would be re-examined. The Minister of Public Enterprises also informed Transnet that it would therefore be required to provide audited ring-fenced divisional accounts from the time of the granting of the levy, an obligation with which Transnet complies.

The potential TPL corporatisation poses significant risks to Transnet, as it could have a material adverse impact on Transnet, both financially and strategically, and could constitute an event of default under some of Transnet's funding agreements.

Transnet's business, results of operations, financial performance, financial position and/or future prospects have been impacted and may continue to be adversely affected by the outbreak, or threatened outbreak, of COVID-19 and/or any other severe communicable disease

Transnet's business is subject to general economic and social conditions. The outbreak, or threatened outbreak, of any severe communicable disease could materially and adversely affect supply chains, demand and business sentiment, and the overall business environment.

The outbreak in late 2019 of a novel strain of coronavirus ("**COVID-19**"), which was declared a pandemic by the World Health Organisation on 11 March 2020 and is ongoing at the date of this document, has resulted in adverse impacts to supply chains, demand, and the political, socio-economic and financial situation both in South Africa and globally. As of the date of this document, the operations of Transnet have been adversely impacted, to an extent, by regional, national and global economic COVID-19 imposed shutdowns that have impacted suppliers, customers and counterparties. During the COVID-19 pandemic, Transnet's operations were classified as an 'essential service' by the government of the Republic of South Africa and, as a result, Transnet's services have continued to operate during the COVID-19 pandemic, albeit sometimes at reduced frequency and capacity, with the implementation of additional health and hygiene protocols in its operations. However, given the uncertainties as to the development of the COVID-19 pandemic including the emergence of new variants such as the 'Omicron' variant which became known in South Africa in late 2021, it is difficult to predict how long these conditions will exist and the extent to which Transnet's business, results of operations, financial performance, financial position and/or future prospects may be impacted.

Strict health and travel changes were implemented during 2020 at all Transnet sites to reduce the spread of COVID-19 and remained in place during 2021 and 2022 which, as at the date of this document, are in line with the relevant government health orders. Such changes have resulted in the deferral of some non-critical activities. As a result of these restrictions, the overall South African economy as well as Transnet's performance has been below expectations since the onset of the COVID-19 pandemic. In the case of Transnet, this is largely due to a maintenance backlog and equipment shortage which hinders operational reliability and predictability. This resulted into a loss of R8,734 million for Financial Year 2021, a 402.0 per cent. decrease from a R2,892 million profit for Financial Year 2020.

Transnet's performance is directly affected by the combined influences of global macro-economic trends and trade flows as well as the level of economic activity in South Africa. Volume output was adversely impacted by regulations that prohibited mines from operating at full capacity in the interest of protecting the safety of employees. As a result of these and other COVID-19 restrictions that impeded operations, the total volume of South Africa's transported goods decreased by 11.6 per cent. during Financial Year 2021, while South Africa's manufactured exports and GDP fell by 5 per cent. and 7 per cent. in the same time period, respectively.

Efforts to minimise entry into Transnet's sites, offices and facilities may lead to additional disruption of business operations if prolonged. Actual or suspected contraction of COVID-19 or a severe communicable disease by employees or contractors, could require Transnet to quarantine some employees and/or disinfect the facilities used for operations. The occurrence of such events could lead to additional costs.

There can be no assurance that any precautionary measures taken against infectious diseases would be effective. The ongoing COVID-19 pandemic and/or a future outbreak of a severe communicable disease or any other serious public health concerns in South Africa or elsewhere, and the impact of any governmental restrictions, directives and/or orders that may be imposed as a result, effecting travel restrictions and supply chain disruptions, could adversely affect Transnet's business, results of operations, financial performance, financial position and/or future prospects.

Transnet's customer concentration and dependence on a few large industrial companies and their suppliers expose it to risks

Over the previous three Financial Years, Transnet Freight Rail's customer concentration has remained significant. Transnet's twelve most significant customers comprised 62 per cent. of its trade receivables carrying amount for Financial Year 2022. Kumba, Assmang, South 32, ArcelorMittal, MSC, Glencore Operation SA, Sasol, Anglo American, Maersk, Eskom, Exxaro and Total generated 10 per cent., 7 per cent., 4 per cent., 3 per cent., 4 per cent., 4 per cent., 3 per cent., 4 per cent., 3 per cent., 1 per cent., 2 per cent. and 1 per cent., respectively, of Transnet's total revenue in Financial Year 2022. The ten largest customers of Transnet Freight Rail, the Group's largest Operating Division, generated approximately 51 per cent. of Transnet Freight Rail's revenue for the six months ended 30 September 2022.

In Financial Years 2021 and 2020, Transnet Freight Rail's twelve most significant customers comprised 56 per cent. and 55 per cent, respectively, of its year-end trade receivables carrying amount. In Financial Year 2021, Sishen Iron Ore Co, Glencor Agriculturebv, ArcelorMittal, Assmang, and South 32 Sa Coal Holdings generated 10 per cent., 4 per cent., 3 per cent., 7 per cent. and 4 per cent., respectively, of Transnet's total revenue. The ten largest customers of Transnet Freight Rail generated approximately 60 per cent. of Transnet Freight Rail's revenue in Financial Year 2021. Volumes and revenues in Transnet Freight Rail are primarily dependent on Transnet's relationships with a core group of customers, most of whom operate in the mining sector. Transnet's reliance on core clients exposes it to risks associated with a slowdown or downturn, particularly in the mining sector, and the risk that such a slowdown or downturn in the economy at large will similarly affect most of its core customers.

As at 30 September 2022, Transnet had long-term take or pay contracts in place with its major export coal customers, which, together with regulated entities constituted a major portion of the Group's revenue and the Group's EBITDA. Although Transnet has enjoyed good working relationships with these customers to date, there can be no assurance that Transnet will retain its current customers' business, or that their business, if lost, could be replaced by that of other customers on comparable terms, at comparable freight volumes and/or at comparable prices, if at all. The loss of, or failure to replace, one or more of Transnet's larger customers could materially and adversely affect Transnet's business, results of operations, financial condition and prospects.

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

Transnet is exposed to risks associated with exchange rate fluctuations

Transnet has foreign currency denominated debt and payment obligations in foreign currencies, as well as for other expenditures within the normal course of business, which amounted to approximately R29 billion denominated in U.S. Dollars as of 31 March 2022. As a policy matter, Transnet seeks to hedge all foreign currency payment obligations at the time the contractual agreements are entered into, although no assurances can be given that hedging transactions will be fully effective. Accordingly, Transnet is exposed to the risk of cost increases for capital expenditures in currencies other than Rand until such time as such expenditures are contracted and hedged into Rand. Where possible, foreign currency exposures are reduced by entering into Rand denominated supplier and funding agreements. Fluctuations in foreign currency exchange rates may also lead to fluctuations in the valuations of financial assets and liabilities and related derivative financial instruments, which could result in material losses or volatility in Transnet's income statement. Furthermore, negative economic conditions such as the current account deficit and the Republic of South Africa's weak economic growth together with the possible strength of other currencies have the potential to further weaken the value of the Rand, exposing Transnet to transaction costs for capital expenditures in currencies other than the Rand. Fluctuations in currency exchange rates could therefore adversely affect Transnet's results of operations, financial condition and prospects. See "*Operating and Financial Review—Qualitative and Quantitative Disclosures about Market Risk—Foreign Currency Risk*".

Transnet is subject to risks associated with interest rate changes

Transnet is exposed to fluctuations in interest rates, which historically have fluctuated significantly in the Republic of South Africa. As of 30 September 2022, the aggregate principal amount of Transnet's variable interest rate indebtedness was R63.5 billion or approximately 52 per cent. of total indebtedness. This rise in variable interest rate indebtedness is largely caused by the R12.6 billion bridge funding signed on 22 July 2022 and the U.S. Dollar 685 million syndicated loan signed on 21 June 2022. Transnet seeks to move towards a balanced strategy with equal amounts of indebtedness in both fixed and floating rates. This includes the use of interest rate derivatives to manage its borrowing portfolio, although no assurance can be given that hedging transactions will be fully effective. Notwithstanding hedging transactions, interest rate fluctuations could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects. See "*Operating and Financial Review—Qualitative and Quantitative Disclosures about Market Risk—Interest Rate Risk*".

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

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

While the relationships between Transnet and its employees' unions are governed by collective bargaining agreements that provide the framework for engagement, consultation, negotiation and shop steward governance, if strikes or other industrial conflicts occur, these could adversely affect Transnet's business, results of operations, financial condition and prospects. A one-year wage agreement was concluded between Transnet and its recognized trade unions, UNTU and SATAWU, for bargaining unit employees for the period from 1 April 2021 to 31 March 2022, the duration of which was intended to facilitate the recovery of the Company from COVID-19 pandemic shutdowns.

Transnet has successfully concluded a new wage agreement for the period from 1 April 2022. This agreement is intended to give Transnet more flexibility to respond to the prevailing global economic and inflationary environment impacting on the Company and the South African economy in general. Prior to this agreement, strike action by workers affiliated with UNTU and SATAWU commenced on 6 October 2022. The workers affiliated with United National Transport Union ("**UNTU**") and South African Transport and Allied Workers Union ("**SATAWU**") comprise a substantial majority of the Group's non-supervisory personnel. On 17 October 2022, Transnet agreed a three-year wage deal with UNTU, and in turn SATAWU, ending the unions' collective strike action. Transnet cannot guarantee that additional strike action will not occur during any future negotiations for wage agreements nor that there will be no delays or stoppages in labour that may have a materially adverse effect on its operations, despite Transnet's continuing intention to taking all reasonable steps to reach an amicable settlement in any wage disputes and having contingency plans in place in the event of prolonged and further strike action.

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

Aside from the strike action that commenced on 6 October 2022, Transnet had not experienced Group-wide industrial action in the past twelve years from its recognised trade unions. However, strike action of short duration was experienced in Financial Year 2015 in Uitenhage and the Port of Ngqura by an unrecognised trade union, the National Union of Metalworkers ("**NUMSA**"), who were demanding organisational rights. Transnet also experienced short industrial action in Mpumalanga in Financial Year 2017 by another unrecognised trade union, the National Transport Movement ("**NTM**"), who were demanding organisational rights. As of 31 August 2022, Transnet has two disputes from unrecognized unions the Revolutionary Transport Union of South Africa ("**RETUSA**") and NUMSA where they are challenging the new working time arrangements for the port terminals. Both unions collectively represent less than 3 per cent. of Transnet's bargaining unit and their membership is concentrated at the Ports of Durban and Port of Ngqura. Notwithstanding their low membership numbers, industrial action arising out of the RETUSA and NUMSA disputes would have a significant impact on terminal operations at these ports. For that reason, Transnet is putting contingency plans in place in the event of industrial action.

As of 31 August 2022, UNTU represents 53.6 per cent. of employees and SATAWU represents 26.9 per cent. of employees in the bargaining unit. 4.98 per cent. of employees in the bargaining unit are represented by NUMSA, NTM and RETUSA while 19.45 per cent. of employees in the bargaining unit are not unionised or are conscientious objectors against unions. Moreover, employees could erroneously perceive any proposed transactions as privatisation rather than industry mobilisation of joint resources or private sector partnerships (in line with the Economic Reconstruction and Recovery Plan) and hence as a potential threat to job security, increasing the chances for a strike action.

Transnet may experience local community opposition to some of its infrastructure projects

Transnet has experienced, and may in the future experience, local community opposition to its existing sites or the construction of new infrastructure for various reasons, including concerns about alleged environmental risks and potential community impacts. While the Group follows an environmental impact assessment process for any development activities that trigger the requirement under the National Environmental Management Act, 1998 (the "**NEMA**") that such an assessment be carried out, and engages with all interested parties, including communities, in a public forum before undertaking significant new infrastructure projects, the Group may nevertheless encounter community opposition in response to its infrastructure undertakings, especially as communities are becoming increasingly mobilised to delay or halt projects if their demands are not met. As a result of such local community opposition, the Group could be required to cease operations temporarily or permanently in the area. For example, in July 2017 Transnet experienced community opposition to its coal export line in Indondotha, KwaZulu-Natal due to discontent relating to the community's demands relating to service delivery, job opportunities and business opportunities not being met, which resulted in the closure of the line on three occasions. If the Group is unable to operate its critical infrastructure and cannot locate suitable replacement routes or facilities, it could materially and adversely affect the Group's revenue and cash flow, which in turn could have a material adverse effect on its business, financial condition, results of operations and liquidity.

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

Transnet conducts its operations pursuant to licences granted to it by several regulators. Following internal compliance monitoring, instances have been identified where licenses have expired and/or inadequate planning to prepare for renewal of licenses has not been timeous. These aspects have been reported and are being addressed to ensure that adequate and effective planning timelines are implemented and tracked, that license conditions are adhered to, and regulators are appraised of developments periodically, as per license conditions. Whilst Transnet believes there are no immediate risks to Transnet's material licenses, any loss of any of Transnet's material licences, could have a material adverse effect on Transnet's business, financial condition, and results of operation. For further disclosure on safety licenses, see "*Business—Health and Safety*".

Transnet risks losing substantial assets to nationalisation by the Government should the National Environmental Management: Integrated Coastal Management Act, 2008 be fully enacted in its current form

The main objective of the National Environmental Management: Integrated Coastal Management Act, 2008 (the "**ICM**"), is to provide for the coordinated and integrated management of the coastal zone by the Government. Pursuant to the ICM, all property and areas within a defined coastal zone are converted into "coastal public property" which is to be held in trust for the citizens of the Republic of South Africa. Initially, it was unclear whether the ICM would apply to Transnet's approximately R31 billion of port assets (book value at that time) that lie within the coastal property zone. Transnet appealed to the Department of Environmental Affairs (the "**DEA**") to amend the ICM or, alternatively, to exclude Transnet from the application of the ICM before it came into effect. Transnet subsequently obtained a letter from the then Minister of Water and Environmental Affairs acknowledging that the ICM creates unintended consequences for Transnet and that a decision had therefore been taken to delay the commencement of those sections of the ICM which would place Transnet at risk.

When the ICM came into effect on 1 December 2009, certain sections that could have otherwise required Transnet to transfer assets to the Government were therefore specifically excluded from coming into operation until Transnet and the Government have had sufficient opportunity to consider the impact of the ICM.

Upon further discussions with the DEA, the DEA agreed that the provisions of section 11 of the ICM, which provides for the ownership of coastal public property to vest in the citizens of the Republic of South Africa and to be held in trust by the Government on their behalf, as well as the prohibition of the sale, alienation and transfer of coastal public property, will not be brought into operation until such time as the amendments which clearly preserve Transnet's ownership of all current and future port infrastructure, including channels and basins, have been made to the ICM. On 8 May 2015, the Minister of Environmental Affairs exempted Transnet from the application of section 11 of the ICM to the extent that it applies to port infrastructure, subject to certain conditions.

Transnet believes that it is currently in compliance with the conditions imposed to qualify for the exemptions from section 11 of the ICM. However, Transnet can give no assurance that the relevant provisions of section 11 of the ICM will be permanently amended or that Transnet will be excluded from its remit. Should Transnet be required in the future to transfer any of its port assets to the Government either as a result of changes to the law or a failure to comply with its conditions, it could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects.

Ongoing and potential future PSPs could directly or indirectly expose Transnet to unfavourable conditions which may have a material adverse effect on Transnet's business

PSPs sit at the heart of Transnet's strategic objectives, intending to establish long-term sustainability and successful partnerships with the private sector and leverage private sector resources to expedite infrastructure development and capacity creation, thereby improving the Republic of South Africa's logistics service offering, unlocking private sector investment and optimising the developmental impact on the economy.

Whilst Transnet believes that pursuing PSPs in the funding, execution and operations of infrastructure projects is critical to expediting and ensuring the complete delivery of the Segment Strategy objectives, increased reliance on PSPs brings about risks, in the form of potentially greater exposure to contingency liabilities and potentially greater need for unfavourable Government guarantees to attract private sector investment. Due to the unfavourable nature of these Government guarantees, as well as due to the fact that Transnet does not control this third party, these Government guarantees might not be given in the quantity and quality necessary and any potential limitation on the amount of PSPs could limit Transnet's ability to obtain financing and otherwise have a material adverse effect on its results of operations and financial condition.

Transnet's business is exposed to operational risks

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

- Development/Industrialisation & Procurement: inadequate or failed internal systems and processes, including those for identifying, managing and controlling risks and those related to information technology;
- Infrastructure/Asset creation: equipment failures due to, among other things, the age of Transnet's infrastructure, demand in excess of capacity or inadequate maintenance;
- Regulatory environment/Governance: failure to comply with regulatory requirements;
- Safety, Security, Health & Environment: theft of copper cables and other infrastructure vandalism;
- Operational sustainability and Efficiency: other operational risks specific to the transportation industry including land disaster, mechanical failure, collisions, loss of life, injury, property losses, decreases or disturbances in commodity production, cargo loss or damage; and
- Limited controls and/or deficiencies in certain application systems, including financial reporting systems, which support key business operations.

Transnet has implemented risk controls and mitigation programmes: substantial resources are devoted to developing ongoing efficient and effective procedures and ensures staff is adequately trained and capacitated to effectively manage these identified risks. However, there is no absolute assurance that such procedures will be effective in identifying, managing and controlling all of the operational risks faced by Transnet due to the evolving business environment in which Transnet operates.

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

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

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

Notwithstanding anything in this "Risk Factor" section, this risk factor should not be taken to imply that either Transnet or the Group will be unable to comply with its obligations as a company with securities admitted to the trading on the Market.

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

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

Although Transnet believes it complies in all material respects with applicable health and safety laws and regulations, in Financial Year 2022 and the six months ended 30 September 2022 there were fatalities and injuries at some of Transnet's operations. Safety incidents may lead to business interruptions, loss of assets, harm to employees and the public, damage to the environment and adverse publicity resulting in damage to Transnet's reputation. The costs of complying with health and safety laws and regulations, the imposition of criminal liability for violations and/or liability for damages arising from personal injury sustained by persons other than Transnet's employees or other legal actions could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects. In addition, if these health and safety laws and regulations were to change and if material expenditure were then required in order to comply with such new laws and regulations, this could adversely affect Transnet's business, results of operations, financial condition and prospects. See "*Business—Health and Safety*".

Additional security requirements, or the failure to pass security reviews, may increase Transnet's operating costs and restrict its ability to conduct its business

Major security risks facing Transnet include: compromise of organisational assets, breaches of the Group's cyber security, organised crime, wire theft, insider theft, vandalism, recent surges in copper theft, gaps in information security and goods-in-transit theft, amongst others. Transnet currently employs various methods to manage security risks, including identifying threats with the potential to affect the Group adversely and grouping them according to their source, motivation, and method of operation.

In recent years, various international bodies and Governmental agencies and authorities have implemented numerous security measures that affect Transnet's ports and container terminal operations and the costs associated with such operations.

Certain deficiencies have been noted in the Financial Year 2022 audit in the applications that support the financial reporting system. These include: use of outdated technology platforms that are not supported by Original Equipment Manufacturers ("**OEM**"); insecurely configured network environment that allowed any device to be connected to the network and see other devices in the network; and testing of recovery of systems is not informed by documented disaster recovery processes.

Transnet has embarked on several security upgrade projects in order to comply with applicable minimum security requirements but failure on Transnet's part to comply with the security requirements applicable to it or to obtain relevant security-related certifications may, among other things, prevent certain shipping line customers from using its facilities or result in higher insurance premiums.

On 20 July 2021, due to the significant risk to Transnet's Information and Communications Technology ("**ICT**") systems and infrastructure, several servers, databases and laptops were encrypted by ransomware. The attackers also deleted backup servers, in the process destroying the recovery strategy. Transnet declared the event an emergency and proceeded to shut down all ICT systems to prevent further damage, inflicting damage on the South African economy, because all harbours, freight rail and the pipelines were shut down, resulting in a seven day outage of all Transnet operations. Manual operating processes were used where practicable during this period.

Further security incidents could cause for a quicker introduction of more stringent new security measures or updated regulatory compliance requirements. Ensuring Transnet's compliance with such measures or requirements may involve considerable time, cost and resources on its part. The costs associated with existing and any additional or updated security measures may negatively affect Transnet's results of operations to the extent that it is unable to recover the full amount of such costs from its customers, who generally have also faced increased security-related costs. Similarly, additional security measures that require Transnet to increase the scope of its operating procedures may effectively reduce the capacity of, and increase congestion at, its terminals and other facilities. Continued or increased costs of compliance with freight transportation and other security requirements applicable to Transnet may negatively affect Transnet's business, results of operations, financial condition and prospects.

The interests of Transnet's Shareholder may conflict with those of the Noteholders

As at the date of this Base Listing Particulars, the Government owns 100 per cent. of Transnet's issued share capital. The Government is therefore able to determine the outcome of all matters concerning Transnet that may be decided by shareholders. The interests of the Government may conflict with the interests of the Noteholders and the Government may require Transnet to take actions that may adversely affect the Noteholders' investment. See "*Shareholder*".

Transnet is subject to a wide variety of laws and regulations and may incur material costs or face substantial liabilities if it fails to comply with existing or future laws or regulations

Transnet's business is highly regulated and regulatory agencies have broad jurisdiction over many aspects of Transnet's operations. The applicable laws and regulations govern, among other things, anti-competitive behaviour, economic transformation, procurement practices, employment equity and equity participation matters. Transnet's failure to interpret correctly or comply with all applicable laws and regulations could lead to civil liabilities, administrative or other penalties and/or increased regulatory scrutiny. For the most serious violations, Transnet could be forced to suspend operations until it obtains necessary certifications, permits or licences or otherwise brings its operations into compliance. In addition, changes to existing regulations or the introduction of new regulations or licensing requirements could adversely affect Transnet's business by reducing its revenue, increasing its operating costs, or both, and Transnet may be unable to effectively mitigate the impact of such changes. See "*Business*" and "*Regulation*".

Transnet is involved in disputes and litigation, the ultimate outcome of which is uncertain

Transnet is subject to risks relating to legal and regulatory proceedings to which Transnet is currently a party or which could develop in the future. Transnet is involved in legal proceedings, including an action by Total SA and Sasoil Oil against Transnet relating to tariffs charged for R430 million and R1.1 billion, respectively, as well as general commercial disputes that arise from time to time in the ordinary course of business.

Transnet's involvement in litigation and regulatory proceedings may adversely affect its reputation. Furthermore, litigation and regulatory proceedings are unpredictable and legal or regulatory proceedings in which Transnet is or becomes involved (or settlements thereof) may have a material adverse effect on its business, financial condition and results of operations. For a description of current litigation and disputes, see "*Business—Litigation and Other Proceedings.*"

Competition could adversely affect Transnet

Transnet faces competition from a number of other domestic and international freight transportation and logistics providers. Although Transnet believes that it has been able to meaningfully compete to date, there can be no assurance that it will be able to do so in the future, and any failure to do so could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects. See "*Business—Competition*".

Risks Relating to the Republic of South Africa

Risks relating to Emerging Markets

Investing in an emerging market country such as the Republic of South Africa carries economic risks which are different to those which apply to a more developed country. These risks include economic and/or political instability which may be exacerbated by global economic instability. Such instability in the Republic of South Africa in the past and in other emerging market countries has been caused by many different factors, including the following:

- general economic and business conditions;
- high interest rates;
- changes in exchange rates;
- high levels of inflation;
- exchange controls;
- wage and price controls;
- foreign currency reserves;
- changes in economic or tax policies;
- the imposition of trade barriers;
- changes in investor confidence;
- poverty, labour tensions, unemployment, crime and social inequality;
- policy uncertainty;
- negative economic or financial developments in other emerging market countries; and
- perceived or actual security issues and political changes.

Any of these factors, as well as volatility in the markets for securities similar to the Notes, may adversely affect the value or liquidity of the Notes.

The ongoing uncertain global economic outlook could continue to adversely affect the South African economy's growth prospects and financial markets

The performance of Transnet's business and operations is closely related to the health of the South African economy, which is in turn affected by the strength of the global economy. The recovery of the global economy is continuing following the onset of the COVID-19 pandemic and its ensuing global supply chain issues, and the global financial markets remain vulnerable. The outlook for the global economy remains highly uncertain and is characterised by varying rates of recovery in different regions of the world. The data for 2022 indicates global growth deceleration in 2022[16] due to several shocks to the world economy including global inflation, economic slowdown in China and the Russia-Ukraine conflict. Further risks to the global economy include, but are not limited to, insufficient gas imports to Europe from Russia, tight labour markets causing difficulty bringing down inflation, debt distress in emerging markets, renewed COVID-19 outbreaks in China, normalisation of monetary policy, geopolitical fragmentation and the longer-term impact of the United Kingdom's vote to leave the European Union (the "**EU**") on 23 June 2016 (commonly referred to as "Brexit"). Global economic growth is expected to slow from 6.1 per cent. in 2021 to 3.2 per cent. in 2022.[17]

Normalisation of monetary policy, particularly in the United States, could lead to heightened investor risk aversion and capital outflows from emerging markets, contributing to asset-price volatility, balance of payments, and lower rates of growth in emerging markets. In addition, a more rapid than anticipated deceleration in growth of the Chinese economy could lead to decreased global risk appetite, constrictions in trade flows and lower economic performance. The Republic of South Africa and other relatively resource-dependent development markets could be particularly vulnerable to such rapid deceleration given the potentially material adverse impact it could have on global commodity prices.

The Republic of South Africa's GDP advanced at a rate of 1.4 per cent. in the fourth quarter of 2021 following a 1.8 per cent. contraction in the third quarter of 2021 following four consecutive quarters of growth. This reflected a turnaround in the real value added by both the secondary and tertiary sectors alongside a slower pace of increase in the primary sector. GDP unexpectedly contracted in the third quarter, following four quarters of growth following a contraction of 51.7 per

[16] International Monetary Fund, *World Economic Outlook Update, July 2022*.

[17] International Monetary Fund, *World Economic Outlook Update, July 2022*.

cent. in the second quarter of 2020 as a result of continued effects of the COVID-19 pandemic. In 2021, as a result of the lingering effects of the COVID-19 pandemic, three major credit rating agencies all downgraded the Republic of South Africa's sovereign credit rating.

Furthermore, domestic financial markets have not been immune to uncertainty. Until fairly recently, global financial market volatility had been at particularly low levels amid a global scenario of improving growth prospects with few signs of emerging price pressures. This combination has enabled major central banks to keep an accommodative monetary policy stance in place, resulting in notable foreign capital inflows to emerging markets. However, there is some doubt about whether the strong emerging markets capital inflows can continue after the U.S. Federal Reserve and the European Central Bank signalled that they may scale back unconventional stimulus measures introduced in 2008 and 2014, respectively. Low global interest rates have been a major supporting factor for the Rand exchange rate in recent years and a more synchronised rise in developed country interest rates could increase volatility in Rand exchange rates.

However, the Board is of the view that the primary short-term currency risk remains domestic. A combination of some slippage in fiscal consolidation and a continued adverse political environment could see the Rand weaken. The nominal effective exchange rate of the Rand (the "**NEER**") remained broadly unchanged in the first half of 2021. The NEER increased by 10.8 per cent. in the first quarter of 2022, following a decrease of 8.5 per cent. in the second half of 2021. The increase in the NEER, which started in December 2021, was supported by higher international export commodity prices toward the end of December 2021. Subsequently, the NEER increased by 2.8 per cent. and 0.4 per cent. in January and February 2022, respectively, and by a significant 7.4 per cent. in March 2022, as the currencies of some commodity-exporting emerging market economies appreciated against the U.S. Dollar during the first quarter of 2022. Factors supporting the Rand in 2021 included, among others, an improving global economy following the effects of the COVID-19 pandemic. However, the NEER declined by 6.15 per cent. from the end of March to 30 July 2022. Weakness of the Rand may make the financing of the Republic of South Africa's current account deficit more difficult, which in turn would increase Transnet's operating and finance costs.

There can be no assurance that the Republic of South Africa's credit rating will not change.

In November 2021, Moody's downgraded the Republic of South Africa's credit rating to Ba3, noting its low growth prospects, rising debt, income inequality and high unemployment. On 23 February 2022, Fitch cautioned the Republic of South Africa its credit rating could be downgraded from BB-, due to its rising debt and its continued breach of its expenditure ceilings, despite strong revenue growth, which could prove temporary. This followed its decision in December 2021 to revise its credit rating's outlook to stable from negative. S&P's rating carries a negative outlook for BB- also citing its high and rising government debt, low trend growth and exceptionally high inequality that would complicate consolidation efforts, which was further affirmed in November 2022.

The deterioration in the Republic of South Africa's credit-rating outlook combined with the exchange rate depreciation has put pressure on the medium-term forecast of debt-service costs. However, due to the timing of foreign loan issuances, debt-service costs are expected to decrease by R1.4 billion for 2021/2022 according to the National Treasury's Budget Review 2022.

The key risks to the Republic of South Africa's credit rating remain low growth prospects over the medium term, rising debt and the resulting impact on the Republic of South Africa's fiscal policy efforts. Furthermore, the credit rating agencies have raised concerns over the weakening of the institutional framework, policy uncertainty, slower progress with structural reforms, rising public debt, credibility and co-ordination, which they have identified as contributing to low business, investor and consumer confidence. Additionally, the rating agencies have raised concerns over the financial health of the SOEs portfolio and its impact on the Republic of South Africa's fiscal targets, the current account and budget deficits and the growth in the Republic of South Africa's debt portfolio. According to Moody's, the Republic of South Africa's sovereign rating could be downgraded further if there are indications that the strength and independence of the Republic of South Africa's institutions diminish further or the emerging policy framework becomes less predictable or shifts in a way likely to undermine economic or fiscal strength, if there are further delays in growth enhancing reforms or if liquidity pressures re-emerge at SOEs that require pronounced Government intervention.

Any further adverse change in the Republic of South Africa's credit rating could result in a downgrade to the Company's credit rating and adversely affect the trading price of the Notes.

Capital flows to and from the Republic of South Africa are limited by exchange controls

In 1995, the Government began relaxing certain exchange controls in the Republic of South Africa imposed by the Exchange Control Regulations, 1961 promulgated pursuant to the Currency and Exchanges Act, 1933 (the "**Exchange Control Regulations**") and since then has continued gradual relaxation. However, the extent to which the Government may further relax such exchange controls cannot be predicted with certainty, although the Government has committed itself to a gradual approach of relaxation. Further relaxation or the abolition of current exchange controls may precipitate a change in capital flows to and from the Republic of South Africa. If the net result of this were to cause large capital outflows, this could adversely affect the Republic of South Africa’s economy and Transnet’s business, and it could have an adverse effect on the financial condition of Transnet as a whole. In the event of the immediate abolition of exchange controls there may be a sudden increase in demand for foreign currency and/or a withdrawal of Rand from the South African market by investors. Because the Republic of South Africa has a fully floating exchange rate and a flexible interest rate policy, this could result in a rapid depreciation of the Rand, which would serve to stem the flight and would also result in an increase in interest rates due to the depreciation of the Rand.

The Exchange Control Regulations restrict the export of capital without approval from the Exchange Control Authorities and limit the extent to which Transnet can borrow funds from non-South African residents for use in the Republic of South Africa. While Transnet determines and proposes its own borrowing needs, subject to the relevant provisions of the PFMA (see “*Regulation*”), it is the Exchange Control Authorities that ultimately approve the total amount that Transnet may borrow from non-South African residents. See “*Exchange Controls*”.

The Republic of South Africa’s balance of payments is vulnerable to fluctuations in the price of oil imports and key commodities exports. A significant variation in these prices could have a material impact on the Republic of South Africa’s external financing needs, capital inflows and ultimately the Rand’s exchange rate

The Republic of South Africa’s trade surplus narrowed from R439 billion in the third quarter of 2021 to R324 billion in the fourth quarter of 2021 as the value of merchandise imports increased more than that of net gold and merchandise exports. The smaller trade surplus resulted from a significant reduction in exports compared with the previous period, lower shipments of precious metals and stones, vehicle transport & equipment, mineral products and machinery & electronics. The trade surplus decreased by more than the deficit on the services, income and current transfer account in the fourth quarter of 2021. Consequently, the surplus on the current account of the balance of payments narrowed from R216 million (3.5 per cent. of GDP) in the third quarter of 2021 to R120 billion (1.9 per cent. of GDP) in the fourth quarter. In value terms, the annual surplus on the current account of the balance of payments more than doubled from R110 billion in 2020 to R227 billion in 2021 and increased as a ratio of GDP from 2.0 per cent. in 2020 to 3.7 per cent. in 2021.

Should the price of oil further increase significantly or the price of key exports (specifically platinum group metals, gold, and other mineral exports) fall, the Republic of South Africa’s current account surplus could decrease or even turn into a deficit. The Republic of South Africa’s highly liquid equity and debt markets (by emerging market standards) have attracted investors, as global markets have stabilised since the 2008 global financial crisis, but renders the Republic of South Africa vulnerable to investor sentiment towards the sovereign and emerging markets in general. The free-floating nature of the Rand decreases fluctuations in balance of payment accounts. However, depreciation may not always re-price South African assets to a sufficiently attractive level to fully restore the financial account surplus. In addition, there is the risk that sustained depreciation or appreciation as a result of the current account position could complicate monetary policy, adversely affect the Rand’s exchange rate and act as an investment disincentive. Any further decrease of South Africa’s account surplus could increase dependency on foreign financing, the likelihood of incurring unsustainable and large deficits and increase inflationary pressures.

Socio-economic challenges (in particular poor public services, including health and education, high levels of unemployment and income inequality) are acute. Failure to address these could lead to social instability in the longer term

Serious health issues and a poor public education system are reflected in the Republic of South Africa’s low United Nations Human Development ranking at 114 out of 189 countries. The Republic of South Africa’s Gini coefficient index (63, published in 2014) representing income inequality is among the highest in the world. According to Statistics South Africa (“**StatsSA**”), the unemployment rate was 34.9 per cent. in the third quarter of 2021, up from 34.4 per cent. in the second quarter of 2021. This rate is expected to decrease only upon achieving an annual GDP growth rate of 5 per cent. or greater. These persistent socio-economic challenges have adversely impacted and may continue to adversely impact the Republic of South Africa’s creditworthiness and could give rise to long-term expenditure needs, heightened social pressures and instability and constraints on growth. Any adverse impact on the Republic of South Africa may negatively affect Transnet’s business, results of operations, financial condition and prospects due to Transnet’s business intertwinement with the Republic of South Africa as a whole, both through its Government ownership and it being its largest market.

Risks Related to the Structure of a Particular Issue of Notes

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

The Notes may be subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of the Notes. During any period when Transnet may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

Transnet may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed/Floating Rate Notes are subject to additional risks

Fixed/Floating Rate Notes bear interest at a rate that Transnet may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then-prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then-prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

Notes issued at a substantial discount or premium are subject to increased volatility

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

Notes may be redeemed prior to their final maturity date for tax or other reasons

In the event that Transnet is obliged to increase the amounts payable in respect of any Tranche due to certain changes affecting taxation in the Republic of South Africa or any political subdivision thereof, it may redeem all but not some of the outstanding Notes of such Tranche in accordance with the Conditions, exposing Noteholders to the reinvestment risk described above.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks".

Interest rates and indices which are deemed to be "benchmarks" (including the euro interbank offered rate ("**EURIBOR**")), are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the European Union. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**"), among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, among other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, EURIBOR or other benchmarks will continue to be supported going forwards. This may cause EURIBOR or other benchmarks to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event (as described in the Conditions) occurs. These fallback arrangements will include the possibility that the relevant rate of interest (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to a successor rate or an alternative rate (as applicable), in either case as adjusted by reference to an applicable adjustment spread, all as determined by an Independent Adviser or, if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser so appointed fails to make such determination, the Issuer, in any such case acting in good faith and in a commercially reasonable manner as described more fully in the Conditions. An adjustment spread could be positive, negative or zero and may not be effective in reducing or eliminating any economic prejudice or benefit (as the case may be) to investors arising out of the replacement of the original reference rate with the successor rate or the alternative rate (as the case may be). The use of a successor rate or alternative rate (including with the application of the applicable adjustment spread) will still result in any Notes referencing an original reference rate performing differently (which may include payment of a lower rate of interest) than they would if the original reference rate were to continue to apply in its current form.

In addition, the Independent Adviser or the Issuer (as applicable), (acting in good faith and in a commercially reasonable manner) may also in its discretion specify that other changes to the Conditions that are necessary in order to follow market practice or to ensure the proper operation of the relevant successor rate or alternative rate (as applicable) and/or in either case the applicable adjustment spread.

No consent of the Noteholders or Couponholders shall be required in connection with effecting any relevant successor rate or alternative rate (as applicable) or any other related adjustments and/or amendments described above. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Noteholder or Couponholder, any such adjustment will be favourable to each Noteholder or Couponholder.

In certain circumstances, the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time. Any such consequences could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes referencing a benchmark.

Risks Related to the Notes Generally

Set out below is a brief description of certain risks relating to the Notes generally:

The Notes contain provisions that permit Transnet to amend the Conditions without the consent of all Noteholders

The Notes contain provisions regarding acceleration and voting on amendments, modifications, changes and waivers, which are commonly referred to as "collective action clauses". Under these provisions, certain key provisions of the Notes may be amended, including the maturity date, interest rate and other payment terms, with the consent of the holders of 75 per cent. of the aggregate principal amount of the outstanding Notes. See "*Terms and Conditions of the Notes—Meetings* *of Noteholders and Modification*". Such changes will be binding on all holders of the relevant Notes, even if they voted against the relevant amendment.

Changes in law may adversely affect the Notes

The Conditions are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change in English law or administrative practice after the date of issue of the relevant Notes.

Definitive Notes will not be issued in integral multiples of less than €100,000

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of such minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Risks Related to the Market Generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

Transnet cannot assure investors that an active, stable or liquid secondary market for the Notes will develop

Transnet cannot predict whether an active trading market will develop for any Notes issued under the Programme and, if a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. Consequently, there can be no assurance that holders of the Notes will be able to resell their Notes at or above the applicable Issue Price.

The Notes may be subject to exchange rate risks and exchange controls

Transnet will pay principal and interest on the Notes in the currency specified in the terms and conditions of the Notes or, if none is specified, the currency in which the Notes are denominated (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease the Investor's Currency-equivalent yield on the Notes, the Investor's Currency-equivalent value of the principal payable on the Notes and the Investor's Currency-equivalent market value of the Notes. In addition, where a Noteholder has made a Currency Election as provided in Condition 7(d) (*Currency Election*) to have a payment on the relevant Notes made in an Alternative Currency (as defined therein), it will be dependent upon the Exchange Agent (as defined therein) being able to acquire the relevant Alternative Currency with the Specified Currency in which the Notes are otherwise payable. Any Noteholder considering making a Currency Election should carefully consider the terms of Condition 7 (*Payments and Talons*) in relation thereto and the procedures and risks associated therewith, including the timing of and the steps required for a valid Currency Election, the risks referred to above, the risk that the Exchange Agent may not for whatever reason make the payment in the relevant Alternative Currency and the risk that the Applicable Exchange Rate (as defined therein) will be determined by the Exchange Agent relying on its internal foreign exchange rate (which may include third party indices forming the basis of such conversion rate) and may therefore be different from any exchange rate used by the Noteholder for hedging purposes or otherwise. All costs of the purchase of the relevant Alternative Currency shall be borne *pro rata* by the relevant Noteholders who have made a valid Currency Election. Neither the Issuer nor the Exchange Agent will be liable for any difference between the actual amount received in the Alternative Currency and the amount due and payable had the relevant payment been made in the Specified Currency. See "*Terms and Conditions of the Notes*".

Fixed rate notes are subject to interest rate risks

An investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Because the Global Notes are held by or on behalf of Euroclear, Clearstream, Luxembourg or DTC, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Notes may be represented by one or more Global Notes (in the case of Bearer Notes) or Global Certificates (in the case of Registered Notes). Such Global Notes and Regulation S Global Certificates will be deposited with a Common Depositary, or in the case of Rule 144A Global Certificates, and if the relevant Pricing Supplement so specify, with a Common Depositary or with the Custodian.

Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes or Global Certificates, as the case may be, the Issuer will discharge its payment obligations under the Notes by making payments to the Common Depositary or Custodian, as the case may be, for distribution to their account holders. A holder of a beneficial interest in a Regulation S Global Certificate must rely on the procedures of Euroclear or Clearstream, Luxembourg to receive payments under the Notes. A holder of a beneficial interest in a Rule 144A Global Certificate must rely on the procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable, to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to Transnet or an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market factors, additional factors discussed above, and other factors that may affect the performance of Transnet or the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EU) No 1060/2009 (the "**CRA Regulation**") from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country credit rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant credit rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant credit rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under Regulation (EU) No 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note that this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the credit rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Listing Particulars.

The trading market for the Notes may be volatile and may be adversely impacted by many events

The market for the Notes is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates in the United States and European and other industrialised countries. There can be no assurance that events in the Republic of South Africa, the United States, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes or that economic and market conditions will not have any other adverse effect.

Transfers of the Notes will be restricted, which may adversely affect the value of the Notes

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and Transnet has not undertaken to effect any exchange offer for the Notes in the future. Investors may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. The Notes and the Agency Agreement will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the Securities Act. Furthermore, Transnet has not registered the Notes under any other country's securities laws. It is each investor's obligation to ensure that its offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Transfer Restrictions*". These transfer restrictions may adversely affect the value of the Notes.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Listing Particulars:

The Issuer's Annual Financial Statements for the financial years ended: (i) 31 March 2022, which includes the Issuer's comparative consolidated financial statements for the year ended 31 March 2021 and, prepared in accordance with IFRS, together with the Independent Auditor's Report thereon dated 25 July 2022 (the "2022 Annual Financial Statements") (available at: https://www.transnet.net/InvestorRelations/AR2022/Final%20Transnet%20AFS%202022.pdf) (ii) 31 March 2021, which includes the Issuer's comparative consolidated financial statements for the year ended 31 March 2020 and, prepared in accordance with IFRS, together with the Independent Auditor's Report thereon dated 28 October 2021 (the "2021 Annual Financial Statements") (available at: https://www.transnet.net/InvestorRelations/AR2021/Transnet%20AFS%202021.pdf); and (iii) 31 March 2020, which includes the Issuer's comparative consolidated financial statements for the year ended 31 March 2019, prepared in accordance with IFRS, together with the Independent Auditor's Report thereon dated 16 October 2020 (the "2020 Annual Financial Statements") (available at: https://www.transnet.net/InvestorRelations/AR2020/Transnet%20AFS%202020.pdf).

The Issuer's Consolidated Interim Financial Statements for the six months ended 30 September 2022, which includes the Issuer's comparative interim financial statements for the six months ended 30 September 2021 (available at: https://www.transnet.net/InvestorRelations/INTERIM2022/Transnet%20interim%20financial%20results%2030%20Sept%202022.pdf).

Qualified Opinion

In the year ended 31 March 2022, the Group's reporting auditor issued an "Emphasis of matters," which did not modify the audit opinion in respect of the Issuer's financial statements. In each of the years ended 31 March 2021 and 2020, the Group's reporting auditor issued a qualified audit opinion in respect of the Issuer's financial statements, extracts of which are reproduced below. These extracts should be read in conjunction with the full independent audit report included in the Annual Financial Statements. As announced by the Issuer on 13 May 2022, effective for the audit of the Issuer's financial statements for the year ended 31 March 2022, the Issuer has obtained a three-year exemption from the National Treasury from recording losses from irregular expenditures pursuant to section 55(2)(b)(i) of the Public Finance Management Act in the notes to its financial statements. Such disclosures are not required under IFRS, and would, absent the requirements of the PFMA, not be subject to audit.

Extract from Audit opinion for the year ended 31 March 2022

"Emphasis of matters

I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

As disclosed in note 39 of the annual financial statements, the corresponding figures for 31 March 2021 were restated as a result of errors in the financial statements of the Group at, and for the year ended, 31 March 2022.

Events after the reporting period date

I draw attention to note 41 in the annual financial statements, which deals with subsequent events and the impact of the adverse weather and flooding in KwaZulu-Natal Province on Transnet's operations. Management have outlined how they plan to deal with the event in their commentary. Our opinion is not modified in respect of this matter.

Other matter

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Exemption of Transnet from disclosing irregular, fruitless and wasteful expenditure in the annual financial statements

The annual financial statements of the prior years included details of irregular, fruitless and wasteful expenditure, as required by section 55(2)(b)(ii) and (iii) of the PFMA, and treasury regulation 28.2.1. However, commencing with the year under review, the Minister of Finance per section 92 of the PFMA granted exemption to Transnet from complying with the aforementioned sections of the PFMA for a period of three years ending 31 March 2024. The effect of this exemption is that irregular, fruitless and wasteful expenditure is no longer included as part of the annual financial statements, and is now included under the legislative compliance section on pages 120 to 125 of the integrated report of the entity. Accordingly, I do not express an opinion on this disclosure."

Extract from Audit opinion for the year ended 31 March 2021

"I have audited the consolidated and separate financial statements of Transnet SOC Limited (Transnet) and its subsidiaries (the Group) set out on pages 28 to 129, which comprise the consolidated and separate statement of financial position as at 31 March 2021, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matter described in the basis for qualified opinion section of my auditor's report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Transnet SOC Limited (Transnet) and its subsidiaries (the Group) as at 31 March 2021, and the group's financial performance and cash flows for the year then ended in accordance, with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for qualified opinion

Irregular expenditure

The public entity did not fully and accurately record irregular expenditure in the notes to the financial statements, as required by section 55(2)(b)(i) of the PFMA. This was due to inadequate systems to detect, record and appropriately disclose this expenditure in the financial statements. Payments made in contravention of the supply chain management requirements resulted in irregular expenditure that was not always identified and reported on. In addition, irregular expenditure reported did not agree to the supporting payment schedules. I was unable to determine the full extent of the understatement of irregular expenditure stated at R104 billion (2020: R131 billion) in note 42 to the consolidated and separate financial statements, as it was impracticable to do so.

Emphasis of matters

I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

As disclosed in note 39 of the annual financial statements, the corresponding figures for 31 March 2020 were restated as a result of an error in the financial statements of the Group at, and for the year ended, 31 March 2021.

Subsequent events

I draw attention to note 41 of the annual financial statements, which deals with subsequent events on the corporatisation of the Transnet National Ports Authority (TNPA), impact of the civil unrest in July 2021, impact of the cyber attack in July 2021, announcement of voluntary severance packages and fire damage at Richards Bay.

Management have described how they plan to deal with these events and circumstances. Our opinion is not modified in respect of these matters.

Other matter

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Previous period audited by a predecessor auditor

The financial statements of the previous year were audited by a predecessor auditor in terms of section 4(3) of the Public Audit Act 25 of 2004 (PAA). On 16 October 2020, a qualified opinion was expressed due to the fact that the auditors could not obtain assurance on the completeness and accuracy of irregular expenditure reported."

Extract from Audit opinion for the year ended 31 March 2020

"We have audited the consolidated and separate financial statements of Transnet SOC Ltd and its subsidiaries (the Group) set out on pages 26 to 129, which comprise the consolidated and separate statement of financial position as at 31 March 2020, and the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 March 2020, and their financial performance and cash flows for the year then ended in accordance with IFRS and the requirements of the PFMA and the Companies Act of South Africa.

Basis for qualified opinion

Irregular expenditure

The public entity did not have adequate systems in place to identify and account for all irregular expenses as required by Section 55(2)(b)(i) of the PFMA. Payments made in the contravention of supply chain management requirements resulted in irregular expenditure that was not always identified and reported. As in the prior year, we were unable to determine the full extent of the understatement of irregular expenditure stated in note 39 of the consolidated and separate financial statements as it was impracticable to do so."

Copies of the documents containing the information incorporated by reference in this Base Listing Particulars can be obtained, free of charge, from Transnet's website at https://www.transnet.net/InvestorRelations/Pages/GMTN.aspx. For the avoidance of doubt, Transnet's website, and information contained on it is not, other than as set out above, incorporated by reference in this Base Listing Particulars.

Any information contained in any of the documents specified above which is not incorporated by reference in this Base Listing Particulars is either not relevant for the investor or is covered elsewhere in this Base Listing Particulars. Furthermore, the information deemed to be incorporated per the above does not itself incorporate any further documents or information by reference. Lastly, in case of any conflict, this Base Listing Particulars shall prevail over any documents incorporated by reference.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Base Listing Particulars constitute "forward-looking statements". This Base Listing Particulars contains certain forward-looking statements in various sections, including, without limitation, under the headings "*Overview*", "*Risk Factors*", "*Operating and Financial Review*" and "*Business*". Transnet may from time to time make written or oral forward-looking statements in reports to its shareholder, holders of debt securities and in other communications. Examples of such forward-looking statements include, but are not limited to:

- statements of Transnet's plans, objectives or goals, including those related to its strategy, products and services;
- statements of future economic performance, financial position and results of operations;
- statements of assumptions underlying such statements; and
- any other statements other than statements of historical fact.

Forward-looking statements that may be made by Transnet from time to time (but that are not included in this Base Listing Particulars) may also include projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios.

Words such as "aim," "anticipates," "believes," "continue," "could," "estimates," "expects," "forecast," "guidance," "intends," "may," "plans," "potential," "predict," "project," "targets," "will," "would," and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Prospective investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the effects of, and changes in, the policy of the Government;
- availability of funding in domestic and international capital markets, and in particular, Transnet's ability to raise sufficient capital to fund its current and future capital expenditure plans, including the Capital Investment Plan;
- Transnet's ability to operate its business and carry out its current and future capital expenditure plans and other obligations;
- Transnet's ability to project that the planned expenditures under the Capital Investment Plan are sufficient to meet the goals of the Capital Investment Plan or that actual costs will be as anticipated;
- the ability of Transnet's current rail lines, container terminals, port facilities and pipelines to satisfy current and ongoing demand;
- Transnet's ability to upgrade and/or expand its existing rail lines, container terminals, port facilities and pipelines and to develop new facilities;
- Transnet's ability to develop, enhance and implement strategies to adapt to changing conditions in the freight rail, port, container terminal and pipeline industry and segments;
- Transnet's ability to set prices in accordance with tariffs set by government agencies that reflect changing market conditions;
- expectations regarding the future of the freight transportation industry in the Republic of South Africa;
- competition from road freight and other transportation logistics providers;
- the effects of domestic and international political events on Transnet's business;
- the impact of regulatory initiatives including labour laws, taxation, health and safety regulations, environmental laws, security requirements adopted by various international bodies and governmental agencies and the Ports Act, among others;

- Transnet's competitive strengths and weaknesses;
- the effects of electricity shortages and load shedding on Transnet's business and that of its customers;
- the effects of economic conditions in the Republic of South Africa, including GDP growth, increases or decreases in inflation or changes to interest rates or foreign exchange rates;
- worldwide economic conditions, inflation and deflation, monetary conditions and policies of central banks, interest rates, exchange rates and financial market conditions generally;
- acts of war, terrorist acts, geopolitical events, pandemic or other such events, natural and other disasters, adverse weather and similar events;
- the ability to hedge risk economically; and
- Transnet's success at managing the risks of the aforementioned factors.

Additional factors that could cause actual results, performances or achievements to differ materially include, but are not limited to, those discussed under the heading "*Risk Factors*". Forward-looking statements speak only as of the date of this Base Listing Particulars and, except as required by applicable law, rule or regulation, Transnet expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements in this Base Listing Particulars to reflect any change in its expectations or any change in events, conditions or circumstances on which these forward-looking statements are based.

This list of important factors is not exhaustive. When relying on forward-looking statements, prospective investors should carefully consider the aforementioned factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which Transnet operates. Such forward-looking statements speak only as at the date on which they are made and are not subject to any continuing obligations under any guidelines issued by the London Stock Exchange's International Securities Market. Accordingly, except as required by applicable law, rule or regulation, Transnet does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, provided that the Issuer will update this Base Listing Particulars as required by, and in accordance with, applicable listing rules and regulations. Transnet does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial and calendar years

The Group's financial year ends on 31 March. In this Base Listing Particulars, in order to distinguish between financial years and calendar years, the following conventions are adopted: (i) calendar years are referred to as "calendar year [YEAR]" or simply "[YEAR]", (ii) the Group's financial year is referred to as the "year ended or year ending 31 March [YEAR]", as "Financial Year [YEAR]" or as "Financial Year". For example, the twelve-month period ended 31 March 2022 is referred to as Financial Year 2022.

The Group's financial six-month period ends on 30 September. In this Base Listing Particulars, the financial six-month period is referred to as "the six months ended 30 September [YEAR]".

Financial Years and financial six-month periods are referred to collectively as "Financial Periods".

Financial information

This Base Listing Particulars contains audited consolidated financial statements for the Group as at, and for Financial Years 2022, 2021 and 2020, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). This Base Listing Particulars contains reviewed consolidated financial statements for the Group as at, and for the six months ended 30 September 2022 and unaudited comparative financial statements for the six months ended 30 September 2021. The Group's financial statements are presented in Rand, which is the Group's presentational currency.

Operating Divisions and Segment Reporting

The Group operates and manages its business principally by divisions. Its current divisions are: Transnet Freight Rail, Transnet Engineering, Transnet National Ports Authority, Transnet Port Terminals, Transnet Pipelines and the Other Division, which includes Transnet Property. The Group's principal business segments were, for the periods under review, Transnet Freight Rail, Transnet Engineering, Transnet National Ports Authority, Transnet Port Terminals, Transnet Pipelines and the Other Division, which includes Transnet Property. Unless otherwise specified herein, references to segment revenue are to segment total revenue, including external and internal revenue.

Presentation of Non-IFRS Measures

This Base Listing Particulars contains certain non-IFRS measures, including "EBITDA" and "EBITDA margin", "return on average total assets", "net debt", "gearing ratio", "total debt-to-total capital employed", "interest cover (times)", "cash interest cover (times)" and "operating cash flow to total debt".

The Group has presented EBITDA and the associated margin and the other non-IFRS measures noted above as it believes that they enhance an investors' understanding of the Group's financial performance and because it uses these measures in its business operations to evaluate the performance of its operations. These measures are not a measure of a company's financial performance or earnings under IFRS and as such should not be viewed as an alternative to profit, operating profit or other measures of earnings under IFRS. Nor should these measures be viewed as an alternative to cash flow from operating activities or as a measure of liquidity. Transnet uses these measures as supplemental measures of operating performance because they are measures that are regularly used by security analysts, credit rating agencies, investors and other parties to evaluate a company's operating performance. Transnet also believes that these measures serve as a useful indicator of Transnet's ability to incur and service its indebtedness. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. One should exercise caution in comparing EBITDA as reported by the Group to EBITDA of other companies.

The Group defines EBITDA as profit for the period after taxation from continuing operations before net finance costs, taxation, depreciation, derecognition and amortisation. The Group defines EBITDA margin as EBITDA expressed as a percentage of revenue. For further information on the reconciliation of these measures to measures disclosed in the Consolidated Annual Financial Statements, see "*Overview—Summary Consolidated Financial and Other Information*". EBITDA should not be considered an indication of the Group's performance or as an alternative to cash flows as a measure of the Group's liquidity as determined in accordance with IFRS and should not be considered in isolation, because their ability to convey meaningful information is limited in various respects. For example, EBITDA, among other things:

- do not reflect any cash capital expenditure requirements for the assets being depreciated and amortised that may have to be replaced in the future;

- do not reflect any impairments of assets, such as property, plant, and equipment, subsidiaries and associates, loans and advances, and trade and other receivables;

- do not reflect changes in, or cash requirements for, the Group's working capital needs; and

- do not reflect the significant financial cost of, or the cash requirements necessary to service interest payments on, the Group's debts.

The Group defines "operating profit" as profit/(loss) from operations after depreciation and amortisation but before impairment of assets, dividends received, postretirement benefit obligation (costs)/income, fair value adjustments, income/(loss) from associates and net finance costs. The Group defines "operating profit margin" as profit/(loss) from operations after depreciation and amortisation but before impairment of assets, dividends received, postretirement benefit obligation (costs)/income, fair value adjustments, income/(loss) from associates and net finance costs, expressed as a percentage of revenue.

The Group defines "return on average total assets" as its operating profit for a period expressed as a percentage of average total assets for such period. "Average total assets" for the period is defined as the sum of the total assets (consisting of current and non-current assets) at the beginning of the Financial Year plus the total assets as at the end of the same Financial Year, divided by two. The Group defines "net debt" as interest-bearing borrowings (both short and long term), post-retirement benefit obligations, derivative financial liabilities (both short and long term) plus bank overdrafts, less short term investments, derivative financial assets and cash and cash equivalents. The Group defines "gearing ratio" as net debt expressed as a percentage of the sum of net debt and shareholders' equity.

The Group defines "interest cover (times)" as its operating profit divided by net finance costs. The Group defines "cash interest cover (times)" as cash generated from operations after working capital changes, divided by net finance costs expressed as a ratio. For these purposes, net finance costs consist of finance costs (including capitalised borrowing costs) and finance income from the statement of cash flows.

These non-IFRS measures have important limitations as analytical tools and investors should not consider them in isolation or as substitutes for analysis of the Group's results as reported under IFRS. These and similar measures are used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. Investors should exercise caution in comparing these measures as reported by Transnet to the measures as reported by other companies.

Restatements

The following restatements to the 2022 Financial Year were made as follows:

- The Group performed an external valuation of investment property and in assessing the change in fair value for certain port related properties, identified an error relating to the prior period fair value of these properties, which resulted in a decrease in fair value of R416 million for the financial year ended 31 March 2021, and an additional R807 million decrease in fair value in previous financial periods, with a corresponding decrease in investment property, as detailed below.
- The Group performed an assessment of CWIP balances to ensure the amounts are recoverable. Based on the assessment, management concluded there was evidence available in the prior year that certain amounts included in CWIP should have been impaired by R25 million for the financial year ended 31 March 2021, with an additional R528 million impairment relating to previous financial periods and a corresponding decrease in the CWIP balance.

The following restatements to the 2021 Financial Year were made as follows:

- Certain sub-contracting costs related to the transfer of freight from/to rail at the ports were offset against the related revenue, which is not in terms of IFRS 15, and hence has been corrected. This resulted in revenue increasing by R102 million and net operating expenses also increasing by the same amount, hence having a nil impact on retained earnings as at 31 March 2020.
- In the current year, the Group performed an assessment of capital work in progress (CWIP) balances to ensure the amounts are recoverable. Based on the assessment, management concluded there was evidence available in the prior year that certain amounts included in CWIP should have been impaired which gives rise to a prior year error of a R438 million increase in the impairment expense and subsequent decrease in the CWIP balance at 31 March 2020.
- Rainprop is a 20 per cent. owned associate of Transnet SOC Ltd. Transnet equity accounted for the investment at 20 per cent. of the post-acquisition reserves. Transnet was advised that there is a mezannine facility agreement which entitles the holder to 65 per cent. of the distributable profits as a preference dividend. The Rainprop financial results did not account for the preference dividend correctly (i.e. as an interest expense), resulting in the distributable reserves being overstated. As Transnet used those financial results and reserves to equity account for the investment, the investment in associate, and retained earnings of the Group was overstated by R98 million (before tax) at 31 March 2020.

- The provision relating to certain long-term debtors were incorrectly included in the trade and other receivables provision in the prior year and has hence been reclassified to be reflected against the long-term debtor. This has resulted in a R126 million increase in trade, other receivables and contract assets and a subsequent decrease in other investments and long-term financial assets at 31 March 2020.
- The long term-leave pay, which was previously disclosed as a non-current liability has been reclassified to current liabilities as the Group does not have an unconditional right to defer payment beyond one year in terms of IAS 1. This resulted in a reclassification of R1,231 million from employee benefits to trade payables, accruals and contract liabilities at 31 March 2020.
- Certain property, plant and equipment that met the definition of investment property was incorrectly included in property, plant and equipment in prior financial years. This resulted in an increase in investment property of R2,748 million, a decrease in property, plant and equipment of R142 million, a decrease in fair value adjustments of R836 million and a decrease in depreciation of R1 million at 31 March 2020.
- Certain 13th cheque accruals relating to employees were incorrectly included in other short-term provisions in prior financial years. This resulted in the reallocation of R174 million to trade payables, accruals and contract liabilities at 31 March 2020.
- Certain fees capitalised to borrowings in prior financial years did not meet the required recognition criteria for capitalisation and were therefore released to profit and loss. This resulted in an increase in borrowings of R171 million and a decrease in finance costs of R16 million at 31 March 2020.
- Certain foreign exchange adjustments relating to fees capitalised to borrowings were omitted in prior financial years and therefore required adjustment. This resulted in a decrease in borrowings of R39 million and a R21 million decrease in finance costs at 31 March 2020.
- Certain long-term borrowings repayable within twelve months were incorrectly included in long-term borrowings in prior financial years. This resulted in a decrease in long-term borrowings of R722 million and a subsequent increase in short-term borrowings, at 31 March 2020.
- Certain overtime accruals were incorrectly omitted in the prior financial year. This resulted in a R20 million decrease in personnel costs and a R35 million increase in trade payables, accruals and contract liabilities at 31 March 2020.

Currency

In this Base Listing Particulars, the following currency terms are used:

- "South African Rand", "Rand", "R" or "ZAR" refers to the lawful currency of the Republic of South Africa;
- "U.S. Dollar," "$," "USD" or "U.S.$" refers to the lawful currency of the United States;
- "British Pounds," "Pounds" or "£" refers to the lawful currency of the United Kingdom;
- "Euro," "€" or "EUR" refers to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended;
- "Australian Dollars" or "AUD" refers to the legal currency of Australia; and
- "Japanese Yen," "JPY," "Yen" or "¥" refers to the legal currency of Japan.

Exchange Rates

Fluctuations in the exchange rates between the Rand and the U.S. Dollar in the past have been subject to significant variation and are not necessarily indicative of fluctuations that may occur in the future. The rates may differ from the actual rates used in the preparation of the Group's Consolidated Annual Financial Statements and other financial information appearing in this Base Listing Particulars. The Issuer makes no representation that the Rand or U.S. Dollar amounts referred to in this Base Listing Particulars have been, could have been or in the future could be converted to Rand or U.S. Dollars at any particular rate, or at all.

On 29 December 2021, the exchange rate published by Bloomberg Generic Composite rate was R15.9363 to $1. The following table sets out the period end, high, average and low exchange rates, for the periods and dates indicated, of the U.S. Dollars against the South African Rand, in each case as published by Bloomberg Composite Rate (London).

	High(1)	**Low**(2)	**Period average**(3)	**Period end**(4)
		(Rand per U.S. Dollar)		
Month ended				
30 April 2021	14.7241	14.1769	14.4079	14.3799
31 May 2021	14.4652	13.6843	14.0602	13.7404

	High[(1)]	Low[(2)]	Period average[(3)]	Period end[(4)]
		(Rand per U.S. Dollar)		
30 June 2021	14.3600	13.4949	13.9167	14.3073
31 July 2021	14.9691	14.2376	14.5329	14.5593
31 August 2021	15.3530	14.2661	14.7890	14.5371
30 September 2021	15.1360	14.0946	14.5323	15.1360
31 October 2021	15.2746	14.4914	14.8587	15.2746
30 November 2021	16.3190	14.9395	15.5126	16.1259
31 December 2021	16.1452	15.5657	15.8695	15.8899
31 January 2022	16.0168	15.1042	15.4819	15.3925
28 February 2022	15.5257	14.9880	15.2245	15.4377
31 March 2022	15.4654	14.4893	14.9633	14.6359
30 April 2022	15.9746	14.5060	15.0433	15.7613
31 May 2022	16.2069	15.4782	15.9060	15.5882
30 June 2022	16.2772	15.2672	15.8295	16.2670
31 July 2022	17.1765	16.3557	16.8521	16.6498
31 August 2022	17.1144	16.1840	16.7006	17.114
30 September 2022	18.0759	17.0857	17.5964	18.0737
31 October 2022	18.4420	17.6481	18.1172	18.2667
30 November 2022	18.4017	16.9706	17.4508	16.9706
31 December 2022	17.6833	16.9184	17.2854	17.0374
Year ended 31 December				
2020	19.0897	14.0000	16.4568	14.6716
2021	16.2507	13.4390	14.7927	15.9331
2022	18.4408	14.4893	16.3747	17.0374

Notes:

(1) The highest daily average of the exchange rates recorded on each business day of the relevant month or year as applicable.
(2) The lowest daily average of the exchange rates recorded on each business day of the relevant month or year as applicable.
(3) The average exchange rate for each relevant month or year as applicable calculated using the daily average exchange rate.
(4) The average daily exchange rate on the last business day of each relevant month or year as applicable.

See also "Operating and Financial Review—Significant Factors Affecting the Group's Past Financial Condition and Results of Operations—Volatility of the Rand".

Rounding

Rounding adjustments have been made in calculating some of the financial information included in this Base Listing Particulars. As a result, numerical figures shown as totals in some tables may not be exact sums of the figures that precede them.

Market Data

The Issuer has obtained certain statistical and market information that is presented in this Base Listing Particulars on such topics as the South African transportation industry, the South African economy in general and related subjects from the following third-party sources:

- the Government;
- the SARB;
- the International Monetary Fund;
- the World Bank;
- the Quarterly Labour Force Survey;
- the Actuarial Society of the Republic of South Africa;
- the Economic Outlook;
- Quantec;
- Statistics South Africa; and
- the Shukumisa Campaign.

This third-party information is presented in the following sections of this Base Listing Particulars: "*Overview*", "*Risk Factors*," "*Operating and Financial Review*" and "*Business*".

The Issuer takes responsibility for the accurate reproduction of such information and, as far as the Issuer is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Market studies are often based on information or assumptions that may not be entirely accurate or appropriate, and their methodology is inherently predictive and speculative. Prospective investors should note that the Issuer's estimates are based on such third-party information. None of the Issuer, the Arrangers or the Dealers has independently verified the figures, market data or other information on which third parties have based their studies.

Industry Measures

The Issuer employs a number of metrics to quantify volume, throughput and other industry-related measures. In this Base Listing Particulars, the following terms used have the following definitions:

- "GTK" means gross tonne kilometres: it is a unit of measurement of the total gross weight (in metric tonnes) of general freight loaded and empty active wagons multiplied by the distance (in kilometres) travelled by the general freight locomotives;

- "km" means kilometre;

- "m" means metre;

- "mt" means metric tonne (also called long tonne), a measure commonly used for bulk freight;

- mtpa means metric tonnes per annum;

- "ml.km" means million litre kilometres;

- "SWH" means ship working hour;

- "TAT" means turnaround time (in days);

- "TEU" means twenty-foot equivalent unit, an inexact unit of cargo capacity used to describe the capacity of container ships and terminals. The TEU corresponds to a standard shipping container measuring 20 feet long and 8 feet wide, the height of which can vary;

- "Tonne kilometre" is a unit of measurement of the freight transportation performed by a railroad during a given period, usually a year, the total of which consists of the sum of the products obtained by multiplying the aggregate weight of each shipment in metric tonnes during the given period by the number of kilometres for which it is carried; and

- "Vol" means volume.

SUPPLEMENTARY BASE LISTING PARTICULARS

If at any time the Issuer shall be required to prepare a supplementary base listing particulars pursuant to paragraph 5 of Section 3 of the ISM Rulebook, the Issuer will prepare and make available an appropriate amendment or supplement to this Base Listing Particulars or a further Base Listing Particulars which, in respect of any subsequent issue of Notes to be admitted to trading on the Market, shall constitute a supplementary admission particulars as required by the LSE and Section 3 of the ISM Rulebook.

The Issuer has given an undertaking to the Arrangers and the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or material inaccuracy relating to information contained in this Base Listing Particulars, then the Issuer shall prepare an amendment or supplement to this Base Listing Particulars or publish a replacement Base Listing Particulars for use in connection with any subsequent offering of the Notes and shall supply to each Arranger and each Dealer such number of copies of such supplement hereto as such Arranger or Dealer may reasonably request.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Notes are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, it will, during any period that it is neither subject to Sections 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, upon request, to any holder or beneficial owner of Notes or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be used by Transnet to fund its Capital Investment Plan and/or for its general corporate purposes (including refinancing of existing or future indebtedness). If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the relevant Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth Transnet's historical capitalisation as at 30 September 2022. Prospective investors should read this information in conjunction with "*Use of Proceeds*," "*Operating and Financial Review*" and the Consolidated Annual Financial Statements and Consolidated Interim Financial Statements and the notes thereto included elsewhere in this Base Listing Particulars. Except as disclosed in the footnotes below, there has been no material change in the capitalisation of Transnet since 30 September 2022.

	As at 30 September 2022
	(R million)
Total short-term debt[(1)]	59,807
Long-term debt[(2)]	67,757
Total Indebtedness	**127,564**
Shareholders' equity	
Issued share capital	12,661
Reserves	137,715
Total capital and reserves	150,376
Total capitalisation[(3)]	**277,940**

Notes:

(1) Consists of short-term borrowings only, before hedging.
(2) Consists of long-term borrowings only, before hedging.
(3) Consists of short- and long-term borrowings and capital and reserves.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The selected consolidated income statement data, consolidated statement of financial position data and consolidated cash flow data as at and for the six months ended 30 September 2022 and 30 September 2021 and as at and for Financial Years 2022, 2021, and 2020 of the Group have been derived from the Group's Consolidated Annual Financial Statements and Consolidated Interim Financial Statements, which are incorporated by reference within this Base Listing Particulars.

The selected consolidated financial information has been derived from, and should be read in conjunction with, the Consolidated Annual Financial Statements and the related notes thereto, which are incorporated by reference within this Base Listing Particulars, as well as the section entitled "*Operating and Financial Review*".

The selected non-IFRS consolidated income statement, statement of financial position and statement of cash flows and operating data presented under the caption "*Other Consolidated Financial and Operating Data*" has been calculated using information from the Consolidated Annual Financial Statements, which are incorporated by reference within this Base Listing Particulars.

Consolidated Income Statement Data

	For the six months ended 30 September		For the year ended 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
			(R million)		
Revenue	36,053	35,361	68,459	67,273	75,167
Net operating expenses excluding depreciation, derecognition and amortisation	(23,120)	(22,096)	(45,010)	(47,813)	(41,163)
Profit from operations before depreciation, derecognition, amortisation and items listed below	**12,933**	**13,265**	**23, 449**	**19,460**	**34,004**
Depreciation, derecognition and amortisation	(7,586)	(7,399)	(14,847)	(13,872)	(14,954)
Profit from operations before the items listed below	**5,347**	5,866	**8,602**	**5,588**	**19,050**
Impairment of assets	(97)	(820)	(2,534)	(4,386)	(2,781)
Post-retirement benefit obligation costs	(44)	(50)	(190)	(202)	(221)
Fair value adjustments	914	76	10,175	(1,243)	(74)
Profit/(loss) before income/(loss) from associates and joint ventures and net finance costs[(1)]	**6,120**	**5,072**	**16,053**	**(243)**	**15,974**
Income/(loss) from associates and joint ventures	11	5	(6)	13	8
Finance costs	(5,690)	(5,144)	(10,684)	(11,296)	(11,300)
Finance income	15	58	126	256	171
Profit/(Loss) before tax	456	(9)	5,489	(11,270)	4,853
Tax	(297)	(69)	(441)	2,536	(1,961)
Profit/(Loss) for the year	**159**	**(78)**	**5,048**	**(8,734)**	**2,892**
Attributable to equity holder	159	(78)	5,048	(8,734)	2,892

Notes:

(1) Profit before income/(loss) from associates and joint ventures and net finance costs is referred to throughout this Base Listing Particulars as operating profit.

Selected Consolidated Statement of Financial Position Data

	As at 30 September		As at 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
			(R million)		
Property, plant and equipment	308,366	295,952	300,738	292,774	284,769
Investment properties	29,053	16,838	29,112	16,506	17,143
Intangible assets	649	778	740	889	961
Investments in associates and joint ventures	93	108	93	108	95
Long-term loans and advances	—	—	—	—	—
Derivative financial assets	4,274	8,790	7,281	8, 100	14,080
Other investments and long-term financial assets	1,261	1,211	1,166	1,163	1,660
Inventories	3,677	3,549	3,615	3,334	2,997
Trade and other receivables	8,194	8,537	7,816	8,850	9,825
Contract assets	818	735	651	634	297
Current tax asset	2	—	2	—	—
Short term investments	54	64	61	248	603
Cash and cash equivalents	7,692	5,300	3,936	1,168	4,256
Assets classified as held-for-sale	322	281	307	276	274
Total assets	**364,455**	**342,143**	**355,518**	**334,050**	**336,960**
Total equity	150,376	131,884	143,778	127,821	130,473
Employee benefits	727	890	776	878	1,099
Long-term borrowings	67,757	81,186	92,301	77,626	115,821
Long-term provisions	10,126	9,603	10,007	9,597	3,654
Deferred tax liabilities	47,315	43,089	44,680	41,440	41,572
Trade payables and accruals	22,212	21,068	19,945	16,465	19,121
Current tax liability	—	1	—	1	2
Short-term borrowings	59,807	46,573	36,537	51,515	17,577
Short-term provisions	711	631	999	791	1,007

	As at 30 September		As at 31 March		
	2022	2021	2022	2021	2020
			(R million)		
Derivative financial liabilities	473	2,088	1,507	2,427	1,531
Contract liabilities	1,259	1,442	1,259	1,817	1,386
Other non-current liabilities	3,692	3,688	3,729	3,672	3,717
Total equity and liabilities	**364,455**	**342,143**	**355,518**	**334,050**	**336,960**

Selected Consolidated Cash Flow Data

	For the six months ended 30 September		For the year ended 31 March		
	2022	2021	2022	2021	2020
			(R million)		
Cash flows from operating activities	15,211	12,563	17,534	12,419	21,939
Cash flows utilised in investing activities	(6,403)	(5,757)	(13,115)	(15,626)	(20,122)
Cash flows from/(utilised in) financing activities	(5,052)	(2,674)	(1,651)	119	(1,717)
Net increase/(decrease) in cash and cash equivalents from continuing operations	**3,756**	**4,132**	**2,768**	**(3,088)**	**100**

Other Consolidated Financial and Operating Data

	As at or for the six months ended 30 September		For the year ended 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
			(R million)		
EBITDA (R million)(1)	12,933	13,265	23,449	19,460	34,004
EBITDA margin (per cent.)(1)	35.9	37.5	34.4	28.9	45.2
Operating profit margin (per cent.)(2)	14.8	16.6	12.6	8.3	25.3
Net debt (R billion)(3)	116.7	116.6	119.8	122.9	117.1
Gearing ratio (per cent.)(4)	43.7	46.9	45.5	49.0	47.3
Cash interest cover (times)(5)	2.1	2.6	2.6	2.1	2.7

Notes:

(1) The Group defines EBITDA as profit for the period from continuing operations before net finance costs, taxation, depreciation, derecognition and amortisation, impairment of assets, dividends received, fair value adjustments, post-retirement benefit obligation income/(costs) and income/(loss) from associates and joint ventures. The Group excludes these items because it considers them to be non-recurring or not reflective of the ongoing activities of the Group. The Group defines EBITDA margin as EBITDA expressed as a percentage of revenue. For further information on management's use of these measures, including the limitations of these measures, see "*Presentation of Financial and Other Information*". These measures are reconciled to the measures in the Consolidated Annual Financial Statements as follows:

	As at or for the six months ended 30 September		For the year ended 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
			(R million)		
Profit for the period	**159**	**(78)**	**5,048**	**(8,734)**	**2,892**
Add back:					
Net finance costs	5,675	5,086	10,558	11,040	11,129
Taxation	297	69	441	(2,536)	1,961
Depreciation, derecognition and amortisation	7,586	7,399	14,847	13,872	14,954
EBITDA	**12,933**	**13,265**	**23,449**	**19,460**	**34,004**

(2) The Group defines EBITDA margin as EBITDA, respectively, expressed as a percentage of revenue.

(3) The Group defines operating profit margin as profit/(loss) from operations after depreciation and amortisation but before impairment of assets, dividends received, postretirement benefit obligation (costs)/income, fair value adjustments, income/(loss) from associates and net finance costs, expressed as a percentage of revenue.

(4) The Group defines net debt as long-term borrowings, short-term borrowings, post-retirement benefit obligations, derivative financial liabilities, and overdrafts, less other short-term investments, derivative financial assets and cash and cash equivalents.

(5) The Group defines and computes gearing ratio as net debt expressed as a percentage of the sum of net debt and shareholder's equity.

(6) The Group defines interest cover (times) as its operating profit divided by net finance costs expressed as a ratio. The Group defines cash interest cover (times) as cash generated from operations, after working capital changes, divided by net finance costs (which includes capitalised borrowing costs) expressed as a ratio. For these purposes, net finance costs (including capitalised borrowing costs) consist of finance costs and finance income from the statement of cash flows. For interim reporting, the Group calculates cash interest cover (times) on a twelve-month rolling basis.

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis of the Group's financial condition and results of operations is based on the Consolidated Annual Financial Statements prepared in accordance with IFRS. This discussion should be read in conjunction with the information in "Selected Consolidated Financial and Other Information", "Presentation of Financial and Other Information," the Consolidated Annual Financial Statements and the notes thereto appearing as incorporated by reference in this Base Listing Particulars.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those expressed or implied in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Base Listing Particulars, particularly under the headings "Risk Factors" and "Cautionary Note Regarding Forward-looking Statements".

Overview

Transnet is the state-owned operator, owner and custodian of a major portion of the Republic of South Africa's transport infrastructure, specifically its railway, ports and pipelines. Transnet is a focused freight transport company with the goal of delivering integrated, efficient, safe, reliable and cost-effective services. Transnet's key mandate, as set out in the Shareholder's Compact, is to assist in lowering the cost of doing business, enabling economic growth in the Republic of South Africa and ensuring security of supply through providing appropriate port, rail and pipeline infrastructure in a cost effective manner. Transnet seeks to promote economic growth in the Republic of South Africa by providing its customers with access to world-class integrated logistics solutions and by creating transportation capacity ahead of demand. Transnet's mandate and strategic objectives are informed by the Economic Reconstruction and Recovery Plan, which focuses on the maintenance, modernisation and expansion of network infrastructure and the NDP 2030, which aims to create eleven million jobs by 2030 and reduce the unemployment rate to 6 per cent. and by the Statement of Strategic Intent Governmental initiatives issued by the Minister of Public Enterprises, which is aligned with the Medium-Term Strategic Framework (the "**MTSF**").

Substantially all of Transnet's revenues are generated in the Republic of South Africa. Transnet's operations are grouped into six divisions according to major transport modes, with central support services unified under one brand. Transnet operates as an integrated freight transport company, formed around a core of five complementary Operating Divisions: Transnet Freight Rail, Transnet Engineering, Transnet National Ports Authority, Transnet Port Terminals and Transnet Pipelines. Transnet Property is part of the Other Division and Transnet's two specialist units comprise Transnet Corporate Centre and Transnet Foundation. Transnet, its Operating Divisions and its subsidiaries combined are collectively referred to as the "Group".

- Transnet Freight Rail is the largest of Transnet's Operating Divisions by revenue and number of employees. Transnet Freight Rail is focused on transporting bulk and containerised freight along an approximately 20,900 route kilometre (31,000 track kilometre) rail network on which it operates 1,200 trains per day.

- Transnet Engineering is in the business of offering manufacturing, remanufacturing, assembly and maintenance of railway rolling stock including locomotives, freight wagons, passenger coaches and port equipment. These offerings are supported by engineering work such as research, design and testing. Transnet Engineering has six main plants and 143 maintenance depots spread throughout South Africa, creating a network of sites that serve the main rail corridors and ports.

- Transnet National Ports Authority is responsible for the safe, efficient and effective economic functioning of the national ports system of the Republic of South Africa, which it owns and manages in a landlord capacity on behalf of the Government. Transnet National Ports Authority is the provider of port infrastructure and marine services at all eight fully operational commercial ports in the Republic of South Africa.

- Transnet Port Terminals manages 16 cargo terminals situated across seven of the eight ports along the South African coastline. It provides cargo handling services for container, bulk, break-bulk and automotive cargos.

- Transnet Pipelines transports a range of petroleum and gas products through approximately 3,800 kilometres of underground pipelines, traversing five provinces in the Republic of South Africa, with the strategic objective of ensuring the security of the supply of petroleum products to the inland market.

- Transnet Property, part of the Other Division of Transnet, currently manages a portfolio of commercial and residential properties, which are leased out to external and internal tenants. The remainder of the property portfolio is still managed by the respective Operating Divisions, but service level agreements are being put in place for Transnet Property to provide property management and other specialised services to some of the other Operating

Divisions and Transnet Corporate Centre. Transnet Property's core capabilities include strategic asset management, property development and property management.

For the six months ended 30 September 2022, the Group generated revenue of R36,053 million, operating profit of R5,347 million and profit for the period of R159 million. For Financial Year 2022, the Group generated revenue of R68,459 million, operating profit of R8,602 million and profit for the period of R5,048 million. For Financial Year 2021, the Group generated revenue of R67,273 million, operating profit of R5,588 million and loss for the year of R8,734 million. For Financial Year 2020, the Group generated revenue of R75,167 million, operating profit of R19,050 million and profit for the year of R2,892 million.

The Segment Strategy, Transnet's current strategy, which commenced in Financial Year 2022, focuses on repositioning Transnet, making industry supply chains, rather than the existing modal businesses, the Operating Divisions, its primary unit of analysis. This has divided Transnet's overall portfolio into eight key segments, accounting for 85 per cent. of Transnet's revenue. These segments are:

1. Automotive Segment;
2. Containers Segment;
3. Coal Segment;
4. Chrome and Magnetite Segment;
5. Iron Ore Segment;
6. Manganese Segment;
7. Energy (liquid fuels and gas) Segment; and
8. Agriculture Segment.

Underpinning the successful implementation of this portfolio is the need to achieve significant improvement in operational efficiency and reliability. This remains the primary focus of the Operating Divisions.

Delivery of these initiatives and partnerships is supported by subject matter experts from across the organisation, but predominantly driven by those best positioned to understand the assets and operations at the greatest level of detail – the Operating Divisions.

Centralised portfolio development and constant strategic alignment to manage the implementation process have resulted in strong alignment internally. In fact, acceleration of delivery is seen as a key driver and enabler of many aspects of both the short-term and future-state interventions.

Transnet is funded through reserves and borrowings and does not receive cash subsidies from the Government. Transnet raises funds in the debt markets based on the strength of its financial position and it has raised funding without Government guarantees since 1998. As a result, Transnet needs to earn an appropriate return on its assets that will allow for the maintenance and expansion of the rail, port and pipeline infrastructure that it owns and operates, while maintaining a strong financial position. Notes issued under the Programme and the DMTN Programme are not guaranteed by the Government.

Transnet is a company which was incorporated on 19 February 1990 under the Old Companies Act, pursuant to the Legal Succession Act. The Government is Transnet's sole shareholder. Transnet was formed as a result of the transfer of the commercial enterprise of the South African Transport Services to Transnet as the country's railway, port and pipeline operator. With effect from 1 May 2011, Transnet changed its name from Transnet Limited to Transnet SOC Ltd. See "*Regulation*".

Significant Factors Affecting the Group's Past Financial Condition and Results of Operations

South African Economy

As the operator, owner and custodian of the Republic of South Africa's transport infrastructure, Transnet and its principal customers' businesses are closely connected to the South African economy and are materially affected by its conditions, such as inflation rates, commodity price movements, general economic conditions and interest rates. Inflation and certain commodity price movements have had a significant impact on Transnet's revenues and net operating expenses in recent financial years.

The following table sets forth certain summary statistics regarding the economy of the Republic of South Africa for calendar years ended 31 December 2020, 31 December 2021 and 31 December 2022.

GDP Summary

	As at or for the year ended 31 December		
	2021	2020	2019
Nominal GDP (millions of Rand) at market prices	6,225,412	5,556,916	5,6013,665
Real GDP (millions of Rand)(2)	4,504292	4,293,356	4,584,101
Real GDP Growth (percentages)	4.9	(6.3)	0.3
Population (million)	60.1	59.5	58.7
Per capita GDP (nominal)	103,530	93,674	95,602
Per capita GDP (real)(2)	74,907	71,142	78,068

Notes:

(1) SARB Quarterly Bulletin – June 2022.

(2) At 2015 prices.

The first half of 2021 saw favourable base effects from the COVID-19 pandemic and related measures including real GDP growth of 5.8 per cent. However, in the third quarter of 2021, year-on-year GDP growth slowed significantly to 2.9 per cent. from 19.1 per cent. in the previous quarter following the re-imposition of tighter COVID-19 lockdown restrictions to combat the third wave of the pandemic as well as the effects of civil unrest in July 2021. On a quarter-on-quarter basis, real GDP in the third quarter of 2021 fell 1.5 per cent. following 1.1 per cent. growth in the preceding quarter. While all sectors of the economy contributed negatively to quarterly growth, the largest negative contributors to growth in GDP in the third quarter stemmed from agriculture, manufacturing and trade. The National Treasury projects real economic growth of 2.1 per cent. in 2022, compared with 2021 MTBPS estimates of 5.1 per cent. and 1.8 per cent., respectively. Real GDP growth is expected to moderate to 1.7 per cent. in 2024.

While some major commodity prices declined during the second half of 2021, prices still remain above the pre-pandemic levels of the final quarter of 2019, providing further support to commodity exporters. In the near term, a further easing in iron ore, platinum and palladium prices is expected. Conversely, oil and coal prices are expected to continue to increase in response to the recovery in demand. Over the longer term, easing coal and iron ore prices are expected to offset gradually rising precious metal prices.

Increased production of iron ore, gold, coal, platinum and palladium is expected through 2020, following a 2021 revival in mining. Despite energy and transport constraints, mining production has reached pre-pandemic levels and expanded by 14.6 per cent. in the first three quarters of 2021 compared with the same period in 2020. Commodity prices have declined since November 2021 but remain above pre-pandemic levels. Developments in the mining sector particularly affect the performance of various business units within Transnet Freight Rail that are particularly dependent on the mining sector, including coal, iron ore and manganese, mineral mining and chrome and steel and cement.

Real gross domestic expenditure increased by 2.2 per cent. in the first quarter of 2022 after having risen by 2.1 per cent. in the first quarter of 2021. Real final consumption expenditure by households contributed the most to growth in real GDP in the first quarter of 2022 at 1.0 percentage points, followed by gross fixed capital formation and the change in real inventory holdings at 0.5 percentage points each. By contrast, real net exports subtracted by 0.3 per centage points from overall economic growth in the first quarter of 2022.

Growth in household debt accelerated in the first quarter of 2022 as most categories of credit extended to households increased. However, household debt as a percentage of nominal disposable income increased to 64.5 per cent. in the first quarter of 2022 from 65.1 per cent. in the fourth quarter of 2021, as the increase in nominal disposable income exceeded that in household debt.

Real gross fixed capital expenditure by public corporations decreased by 1.3 per cent. in the third quarter of 2021 after having risen by 11.1 per cent. and 0.7 per cent. in the third quarter of 2020 and 2019, respectively, as a result of a weak construction sector and heightened socio-economic uncertainty.

South Africa's current account balance remained stable from a surplus of 2.1 per cent. of GDP for the fourth quarter of 2021 to a surplus of 2.2 per cent. for the first quarter of 2022. This trade surplus reflects a rise in the value of merchandise exports coupled with a decline in the value of imported goods. Net trade gains are expected to dissipate in 2022 as the prices of South African commodities ease over the short term and import volumes recover more substantially. The current account is expected to moderate to a marginal surplus in 2022 before moving into a deficit of 1.2 per cent. and 1.5 per cent. of GDP in 2023 and 2024, respectively.

The shortfall on the services, income and current transfer account of the balance of payments, which has been widening since 2010, reflected an annual improvement of 0.2 per cent. and 1.9 per cent. in 2019 and 2020 respectively. The switch in the direction of the deficit is largely attributed to the reduction in the size of the income balance, which improved by 6.3 per cent. in 2019 and by 34 per cent. in 2020. A current account deficit could adversely affect the Rand's exchange rate and act as an investment disincentive, affecting the performance of Transnet's business and operations.

The South African economy remained unable to create meaningful employment opportunities in the third quarter of 2021, amid a contraction in real GDP and weak business confidence. The official unemployment rate breached a previous high in the third quarter of 2021, reaching 34.9 per cent. The labour market came under strain amid renewed COVID-19 lockdowns and the outbreak of public violence in July 2021. Of the 660 000 jobs lost in the third quarter, 309 000 were in the trade sector (retail trade, wholesale trade, motor trade, catering and accommodation), which was severely affected by the July 2021 public violence. Trade sector employment fell to the lowest level since the Quarterly Labour Force Survey began in 2008. The lingering effect on sentiment may weigh on job prospects through 2022. These events aggravated longstanding problems in the labour market. More than three-quarters of jobless people (78.5 per cent) are in long- term unemployment – defined as unemployment for a year or longer. Job losses continue to be more pronounced in lower-skilled occupations, including sales and services, craftspeople, clerks and elementary workers – many of which were highly sensitive to the pandemic restrictions. There remain 2.1 million fewer people employed in the third quarter of 2021 compared with the final quarter of 2019.

Formal non-agricultural employment increased marginally by 0.5 per cent. from the third quarter of 2020 to the third quarter of 2021, according to the Quarterly Employment Statistics survey released by StatsSA. Employment increased by 52,000 from the third quarter of 2020 to the third quarter of 2021, keeping the total level of formal non-agricultural employment at an estimated 8.5 million. These persistent socio-economic challenges have adversely impacted and may continue to adversely impact the Republic of South Africa's economic growth, and as a result, the performance of Transnet's business and operations, in particular, container volumes are dependent on the country's macroeconomic performance.

Domestic inflationary pressures remained constant throughout 2021, but remains a risk with the global inflationary pressures. A return to significant inflation in the Republic of South Africa could significantly affect Transnet's key operating costs, being: personnel (salary increases commensurate with inflation), electricity and fuel. Such a degree of inflation is not currently expected, however, with consumer price inflation expected to rise from 3.1 per cent. in 2021 to 3.9 per cent. in 2022.

Yields on domestic Government bonds experienced volatility in 2021, mirroring movements in the exchange value of the Rand and affecting the Company's ability to access funding in the domestic capital markets. During the second half of 2021, rising government bond yields reflected higher inflation, concern over rising interest rates and depreciation of the rand exchange rate. In response to the inflation outlook, the Reserve Bank began increasing the repurchase rate in November 2021. It has also substantially reduced its purchases of government bonds in the secondary market.

During 2021 and 2022, Moody's and S&P maintained the country's sovereign credit rating at sub-investment grade with a negative outlook. In December 2021, Fitch affirmed South Africa's long-term foreign- and local-currency debt rating at BB- and revised its outlook from negative to stable. Fitch cited a faster than expected economic recovery and improved fiscal performance. Credit rating agencies remain concerned with the country's ability to implement fiscal consolidation measures, and its high public debt and low economic growth. Government remains committed to restoring South Africa's investment-grade rating by stabilising the debt-to-GDP ratio, narrowing the budget deficit and accelerating long-term economic growth.

Volume and Pricing

The Group's revenue is dependent to a significant extent on pricing and the volume transported on its freight rail network, the throughput at its ports, containers and other terminals and the volume of petroleum transported through its pipelines. Factors that can impact these volume measures include the levels of demand from global and regional trade and the degree of globalisation of world trade, customer-related constraints, competition, including from other road transport (in the case of the Group's rail and pipeline network) and regional and global terminal operators (in the case of the Group's container terminal business with respect to transhipment) and the Group's capacity to handle increased volumes.

Transnet calculates a weighted average volume growth and revenue per unit increase (year-on-year actual) for each major commodity line reported within its Operating Division, and then weights the growth or increases/decreases per commodity line to its revenue as a percentage of the total commodity revenue in that division. The results represent the weighted average growth in volumes and revenue per unit for that Operating Division. A Group weighted volume and revenue per unit increase is also calculated by weighting the divisional weighted averages (as calculated above) against the divisional commodity revenue as a percentage of the cumulative Group commodity revenue. This practice is designed to ensure that volume growth and revenue per commodity unit increases are directly linked and reconcilable with increases per commodity line to its revenue. The calculations to determine volume growth and increases in revenue per unit increases exclude growth in other revenue sources such as storage, marine services, and property rentals.

In the six months ended 30 September 2022, volumes decreased by 4.9 per cent. and tariffs increased by 6.9 per cent. as compared to the six months ended 30 September 2021, the net effect of which was an overall revenue increase of 2.0 per cent. as compared to the six months ended 30 September 2021. In Financial Year 2022, volumes decreased by 0.5 per cent.

and tariffs increased by 3.2 per cent. as compared to Financial Year 2021, the net effect of which was an overall revenue increase of 1.8 per cent. as compared to Financial Year 2021.

The Group's operating results are significantly impacted by tariff levels, which accordingly impacted the Group's revenues. Tariffs with respect to Transnet National Ports Authority and Transnet Pipelines are subject to approval by the regulatory authorities, which may limit the Group's flexibility in pricing and could impact its revenue and operating results. See "*Risk Factors—Risks Related to Transnet's Business—The tariffs Transnet charges are subject to review by regulators who may impose tariffs which are insufficient to meet Transnet's revenue requirements*".

Capital expenditures

Transnet is now in the second year of its Segment Strategy and for the five-year rolling period from Financial Year 2023 to 2027 is envisaging a capital expenditure of R98.9 billion. See "—Liquidity and Capital Resources—Capital Expenditure" and "Business—Capital Investment Plan".

Transnet has invested variable amounts in line with the rolling Capital Expenditure Programme over the last five years. The table below summarises Transnet's capital investments over the last five years:

	For the year ended 31 March				
	2022	**2021**	**2020**	**2019**	**2018**
			(R billion)		
Capital Investment	13.2	15.9	18.6	17.9	21.8

Over the last five years, 77.4 per cent. of capital investment contributed to projects relating to Transnet Freight Rail, 6.6 per cent. to Transnet National Ports Authority, 8.8 per cent. to Transnet Port Terminals, 4.7 per cent. to Transnet Pipelines and 2.5 per cent. to other projects, including Transnet Engineering. By commodity, 72.1 per cent. of this investment went toward general freight, 4.6 per cent. was invested in piped products, 4.2 per cent. in maritime containers, 7.7 per cent. in each of coal, iron ore and manganese and 3.5 per cent. in each of bulk and break bulk, with the remaining 8.0 per cent. investment in other commodities.

Over the next five Financial Years, including Financial Year 2023, approximately 44.5 per cent. and 0.1 per cent. of the R98.9 billion under the Segment Strategy is expected to be invested in projects relating to Transnet Freight Rail and Transnet Engineering, respectively, approximately 30.3 per cent. and 14.2 per cent. in Transnet National Ports Authority and Transnet Port Terminals, respectively, approximately 6.1 per cent. in Transnet Pipelines and approximately 3.0 per cent. in Transnet Property.

Transnet plans to spend R98.9 billion on capital investment over the next five years of which 79.7 per cent. (R78.9 billion) will be spent on maintaining and sustaining capital investment. A significant portion of this capital (R39.1 billion) will be spent on maintaining and sustaining rolling stock (locomotives and wagons), while the remainder is planned for port fleet and pipeline equipment.

The investment in maintaining and sustaining rolling stock has not kept pace with the investment in new locomotives and, as a result, there is an urgent need to accelerate investment in this category. Investment in sustainment therefore receives the major portion of the investment with R14.9 billion (18.9 per cent.) of the sustaining investment planned over the period. These investments will realise significant business benefits from the new locomotives and terminal capacity.

Depreciation, derecognition and amortisation remained largely consistent during the six months ended 30 September 2022 compared to the six months ended 30 September 2021 as well as on a year-on-year basis in Financial Years 2022, 2021 and 2020 as a result of spending in the previous years' capital expenditure programmes. Depreciation, derecognition and amortisation in Financial Years 2022, 2021 and 2020 was R14,847 million, R13,872 million and R14,954 million, respectively.

Power Shortages and Energy Costs

The Republic of South Africa has been subject to insufficient electricity supplies since the 2008 global financial crisis, as state power supplier Eskom's aging power plants were not always able to supply enough power to meet demand. This resulted in rolling blackouts, or load shedding, which affected residents and businesses in major cities. In particular, it affected the ability of the Group's coal mining customers to mine and also affected the Group's electric locomotives and electricity-dependent equipment at port terminals, all of which had an adverse effect on volumes transported by Transnet. Profitability was also adversely impacted as revenues in affected areas declined while fixed costs continued to be incurred even during load shedding. Although the problem has abated in recent years, in part due to decreased demand, there still remains a risk that electricity supply will be insufficient until new generation capacity is installed. Eskom has experienced and is continuing to experience electricity capacity expansion challenges mainly as a result of poor contractor performances, labour unrest and ongoing governance issues. Accordingly, the Group expects the problem may recur and adversely affect revenue and profitability in future periods.

Transnet's energy costs increased by 38.5 per cent. in the six months ended 30 September 2022 compared to the six months ended 30 September 2021, principally attributable to increased fuel costs of 46.3 per cent. Transnet's energy costs increased by 20.2 per cent. in Financial Year 2022 compared to Financial Year 2021, predominantly due to continuingly increasing energy prices. Transnet's energy costs decreased by 13.5 per cent. in Financial Year 2021 compared to Financial Year 2020, principally attributable to the higher electricity tariffs experienced in Financial Year 2021, offset by the fuel price decreases. Transnet cannot predict future oil prices and therefore cannot predict what effect, if any, volatility in such oil prices will have on its business and operations. However, the Group expects that energy costs will continue to increase in the future as Eskom has applied for significant tariff increases as a result of its financial condition and operating costs.

Volatility of the Rand

Decreases in the value of the Rand as measured against other currencies could increase the cost in Rand terms of foreign currency denominated financing and foreign currency denominated operating and capital expenditures. The value of the Rand as measured against the U.S. Dollar has steadily depreciated over recent years and averaged R13.25, R14.45, R16.45, R14.79 and R14.63 per U.S. Dollar over the Financial Years 2018, 2019, 2020, 2021 and 2022 respectively. In 2021, the Rand was under pressure due to the global situation surrounding the COVID-19 pandemic. See also "Presentation of Financial and Other Information—Exchange Rates".

Future exchange rate and financial market volatility may continue to materially impact the Group's results. Although it is Transnet's policy to hedge its foreign currency denominated debt and operating and capital expenditures, currency exchange hedges are not always available on commercially acceptable terms.

Looking forward, although the Group expects that the global environment will remain largely supportive of the Rand, but domestic factors are likely to drive the currency weaker. Fiscal slippage and politics are set to remain key rand constraints.

Discontinued Operations

No key disposals were made in Financial Years 2022, 2021 and 2020.

Descriptions of Principal Income Statement Items

Descriptions of the principal items in the Group's consolidated income statements are set out below.

Revenue: Revenue consists of amounts earned through the rendering of freight transportation and other services, rental income and through construction contracts and excludes revenues from discontinued operations.

Depreciation, derecognition and amortisation: Depreciation from continuing operations consists of depreciation and derecognition of owned assets at historic cost, which principally relates to rolling stock and containers, port facilities, buildings and structures, machinery, equipment and furniture and permanent way and works; depreciation on the revalued portion of owned assets, which relates principally to rail infrastructure, port facilities and pipeline networks; and depreciation on leased assets. Amortisation consists of amortisation with respect to intangible assets including software and licences.

Impairment of assets: Impairment of assets consists principally of impairments with respect to property, plant and equipment and trade and other receivables.

Fair value adjustments: Fair value adjustments consist principally of fair value adjustments of investment property, derivative fair value adjustments, fair value adjustments of treasury bonds, gains or losses on hedging instruments and other fair value adjustments.

Income/(loss) from associates: Income/(loss) from associates reflects income or loss from equity-accounted investments. At 30 September 2022, Transnet had three associates and two joint ventures.

Finance costs: Finance costs consist principally of interest costs, discounts on bonds amortised and net foreign exchange translation gains and losses, excluding borrowing costs capitalised.

Finance income: Finance income consists principally of interest received on short-term investments, loans and receivables.

Tax: Tax consists principally of South African normal tax, capital gains tax and deferred tax.

Recent Developments

Ongoing negotiations with coal export parties

In April 2022, Transnet issued a notice to its major coal export parties based on persistent circumstances beyond its reasonable control, such as cable theft and ongoing legal proceedings relating to irregular locomotive acquisition contracts having adverse impacts on the maintenance of locomotives and its ability to fulfil its contractual obligations. Notwithstanding the notice issued, Transnet remains committed to working with the coal export industry to find a commercial solution to this issue, in good faith negotiations. Transnet continues to provide transport services for the Richards Bay Coal Terminal export coal customers under its standard conditions of carriage, while the parties continue with negotiations. Progress has been made and Transnet expects to close this matter amicably with affected parties and thereby reinstating the existing contracts.

Exemption from specified provisions of the PFMA and National Treasury Instruction Note No. 2 of 2019/20

As a result of continued audit qualifications, a number of engagements have been held with the National Treasury, to seek departure and ring-fencing of legacy irregular expenditure matters. This led, in part, to a delay in the release of the Annual Financial Statements for Financial Year 2021. Pursuant to Transnet's application, on 31 March 2022, the National Treasury granted an exemption from the specified provisions of the Treasury Regulations issued in terms of the PFMA and National Treasury Instruction No. 2 of 2019/2020. The approval of an exemption from section 55 (2)(b)(i)(ii) &(iii) of the PFMA for a period of three years starting from Financial Year 2022 to Financial Year 2024. The aim of the exemption is to allow Transnet an opportunity to develop and implement internal control measures in ensuring accurate and complete reporting of irregular and wasteful expenditure.

To date, Transnet has ensured that consequence management and remediation actions are continuously being undertaken; this includes matters handed over to the Special Investigating Unit for further investigations. Courts have also been approached to have certain contracts linked to fraudulent activities set aside.

Procurement related exemptions expected to contribute to execution agility in the business

Effective 11 March 2022, the Minister of Finance exempted Transnet from the Preferential Procurement Policy Framework Act, 2000 (the "**PPPFA**"), and Preferential Procurement Regulations 2017 (the "**PPR 2017**") until new regulations take effect, or the Constitutional Court confirms that the Supreme Court of Appeal order of invalidity regarding the PPR 2017 is suspended for 12 months.

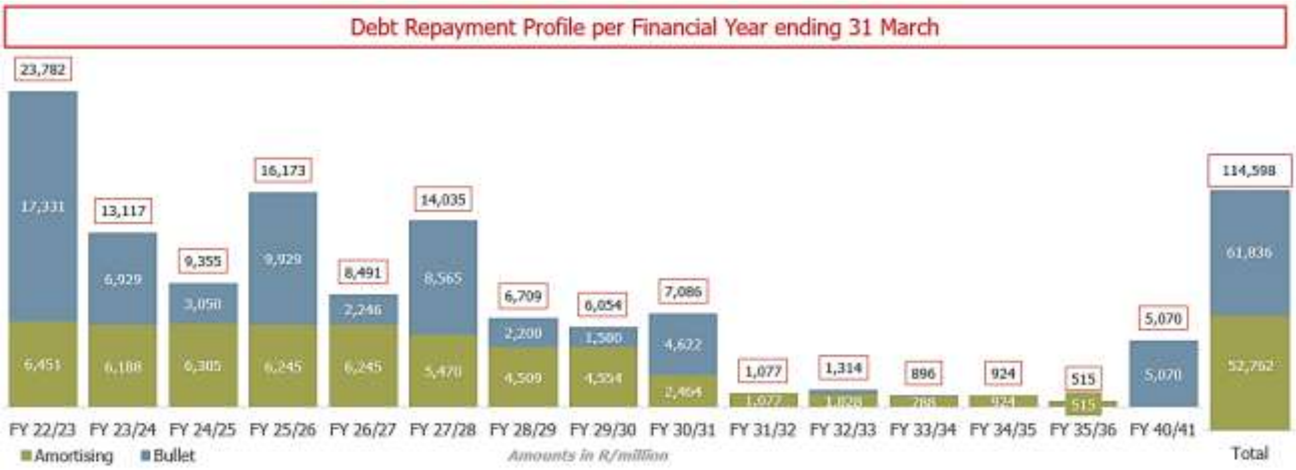
The Constitutional Court confirmed the suspension of the order of invalidity on 30 May 2022, causing the PPR 2017 to be valid until 27 January 2023 or if new regulations are promulgated, whichever comes first. Accordingly, the exemption no longer applies. Following the Constitutional Court's judgment, Transnet is currently applying the PPR 2017 until 27 January 2023 or until new regulations are promulgated, whichever comes first. Thereafter, the application of preferential procurement regulations will become a policy decision. National Treasury has indicated that all state organs should, by 27 January 2023, ensure that they have procurement policies in place that align with the Constitutional Court judgment or new preferential procurement regulations, if those are promulgated. Accordingly, Transnet is working on a preferential procurement policy that will come into effect when the PPR 2017 falls away on 27 January 2023 or when new regulations are promulgated. Transnet is still pursuing certain exemptions from the PPPFA that will enable a more robust procurement system, which includes the use of reverse auctions to ensure Transnet achieves the most competitive pricing.

Furthermore, effective 1 April 2022, the National Treasury PFMA Supply Chain Management Instruction 03 of 2021/22, repealed the requirement of prior approval by the National Treasury related to deviations from normal bidding procedures and the expansion and variations of contracts. The repeal aligns with section 51(1)(iii) of the PFMA, confirming the authority and responsibility of the Board of Directors to determine an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective. Instruction 03 of 2021/22 improves Transnet's procurement responsiveness to operational requirements.

Debt Repayment Profile

Transnet's refinancing risk will be actively managed over the medium term. Its debt portfolio is balanced between bullet and amortising cash flows. Its interest rate risk is managed through the balance between fixed and floating rate.

Transnet's debt repayment profile as per end of Financial Year 2022 as well as the 12-month period following Financial Year 2022 is captured in the below diagrams:



Note:

(1) The repayments as described from April 2022 to December 2022 have occurred in accordance with the above graph. The subsequent payments are planned.

Impact of key factors such as inflation, high energy prices and continued supply chain disruption on the business

Whilst inflationary pressures are evident on the year-to-date results, the Group's net operating expenses, for the period ended July 2022, reflects a 5 per cent. negative deviation to budget. However, this deviance is within tolerable levels considering the reported inflation rate averaging 6 per cent. in the first quarter of the financial year.

The KwaZulu-Natal region experienced heavy rain fall induced floods in April 2022 resulting in adverse financial implications including revenue loss and damage to assets. This is anticipated to have a negative impact on the 2023 financial results as revenue levels are likely to be below budget, operating expenses to be overbudget from repairs and impairment, and an increase in fuel prices is also expected to increase operational expenses. Capital expenditure requirements are anticipated to be over budget in operating divisions affected by the floods. Revenue generating and cost saving initiatives in response to this unforeseen natural disaster have been developed and are in progress.

Transnet Freight Rail

The business continues to face similar challenges as experienced in FY 2022, worsened by the KwaZulu-Natal floods in April 2022. Volume performance of 40.6mt is lower than a budgeted 48.4mt. The lower volumes resulted in lower electricity costs. Higher material and maintenance costs are expected due to repairs on the rail infrastructure caused by the KwaZulu-Natal floods.

Transnet National Ports Authority

The adoption of a new operating business model resulted in a change in the TNPA organisational structure. As such, there is a current need to fill critical skills which are being addressed and will continue in the FY 2024 budget process.

Transnet Port Terminals

The trends reflected in the 2022 Annual Financial Statements continue into FY 2023 and the foreseeable future. Specifically, the rising cost of fuel and electricity is still a challenge to the business. However, the impact thereof is being mitigated through close monitoring and management of consumption. Furthermore, fuel cost recovery is being implemented from September 2022 onwards, which will mitigate approximately half of the impact of the fuel price increases to TPT.

Furthermore, the Transnet Board has approved the issue of a Request for Proposal for a partnership stake in both the Durban Container Terminal ("**DCT**") Pier 2 and the Ngqura Container Terminal ("**NCT**"). The potential impact of this PSP is that the Annual Financial Statements of these terminals will not be consolidated into the Transnet Financial Statement if Transnet does not have a controlling interest in the entity.

Transnet Pipelines

The high energy cost does not have a significant impact on FY 2023, with the impact being less than R10 million. The supply chain disruption has had an impact on shipment delays in crude which resulted in SASOL declaring a force majeure and lower volumes transported.

Government support due to unforeseen events

The Government has announced that it has allocated R5.8 billion in funding to repair Transnet's infrastructure that suffered from the KwaZulu-Natal floods and for freight rail locomotives maintenance and repair. The terms of this funding are yet to be finalised but the funding is expected to take the form of an equity injection. The disbursement is expected in Financial Year 2023 and is expected to significantly improve Transnet's liquidity position.

Open tender to rehabilitate non-operational CRRC locomotives

On 12 January 2023, Transnet announced it had reached an impasse with CRRC, among others, on the rehabilitation of its 161 non-operational 22E locomotives. As a result, to normalise its operations in the affected corridors (North, Northeast and Cape corridors, which collectively comprise approximately 50 per cent. of Transnet Freight Rail's revenue, and support three primary mining sector segments, namely export coal, chrome, and manganese), it intends to issue an open, competitive tender inviting any eligible OEM to step in to rehabilitate these non-operational CRRC locomotives.

In addition, Transnet has, on 13 January 2023, issued a confined tender to the other existing OEMs for the repairs of other locomotives in its fleet, supplied by Wabtech, Mitsui and Alstom. Transnet expects the tender processes to be completed in an expedited fashion with work commencing shortly thereafter, although no specific timeline has been set for the conclusion thereof.

Developments as to business, strategy and financial position

Transnet has restored its liquidity buffer to R13.3 billion in the form of having its full complement of call loans with major South African Banks available. Transnet's operational performance has fallen short of expectation despite achieving marginal increases in revenue and producing a profit in the previous financial year. This challenge has been further compounded by inclement weather and floods experienced in April 2022 which damaged critical rail and port infrastructure resulting in severely constrained operations. Specifically, due to the KwaZulu-Natal floods and operational challenges at TFR, which are being addressed by executive management, Transnet had limited headroom to meet its financial covenants, in particular as to the cash interest cover financial covenants in certain of its debt facilities as at the six months ending 30 September 2022 reporting period. Accordingly, Transnet has secured waivers in respect of the breach of its cash interest cover covenant as at the 30 September 2022 measurement date, and has separately sought to otherwise conserve cash and review its levels of its outstanding debt. As is customary for such waivers, the relevant lenders have reserved their rights in respect of future potential breaches or breaches of any other covenants and no assurance can be made that any lender will not seek to take any further action if such a breach were to occur. Although Transnet anticipates being in compliance with its financial covenants at its next measurement date of 31 March 2023, no assurance can be made that unanticipated operational or other developments will not result in the requirement for waivers in the future.

Update on short-term interventions

In the short-term, the Group has developed and is implementing a back to basics programme which aims to identify and enhance performance in operational areas that are underperforming through a focus on three overarching levers, namely:

- enhanced people management;
- improved asset stewardship; and
- stabilisation of all operations

In conjunction with the back to basics programme, Transnet will also be implementing a series of short-term cost optimisation and revenue enhancement initiatives with an aim to assist with alleviating the cash constraints faced by the business in the immediate future. These revenue and cost optimisation initiatives are transversal in nature and are being executed across the operating divisions. Some of the initiatives that have been identified to date include, among others, the following:

- disposal of scrap material;
- rationalisation of facilities footprint;
- benchmarking and renegotiation of long-term services;
- review of property leases (both as lessee and lessor); and
- review of service pricing

Update on medium-term interventions

In the medium term, Transnet has made significant progress in changing its market orientation toward freight supply chains. This progress has particularly been well reflected in the actions taken by Transnet to collaborate better with private sector partners within the broader logistics industry. A number of PSP opportunities such as the NCT and the DCT Pier 2 container terminal have been issued to the market and eligible bidders shortlisted in the process. The process of identifying a potential partner to develop a LNG terminal within the port of Richards bay has also been initiated through a Request for Information ("**RFI**") process to the market and a proposal to the market incorporating lessons from the Request for Proposal ("**RFP")** is in the process of being finalised.

TFR has similarly launched a third-party access programme focused on the container corridor which operates between the hub port Durban in KwaZulu-Natal and Gauteng, the consumption centre in domestic economy. As of the date of this Base Listing Particulars, 19 potential train operating companies have made it through the pre-qualification process and are preparing their final bids. Progress has also been made with regards to leveraging Transnet's extensive property portfolio with the first two PSP transactions issued to the market for the redevelopment of the iconic Carlton centre in Johannesburg and the landmark 1 Adderley street building in Cape Town.

Funding requirements and other liabilities

Total external borrowings decreased by R1.3 billion since March 2022. This was mainly due to the repayments of R31.4 billion (including the TNUS22 bond redemption in July 2022 of 12.8 billion), partially offset by the funding raised of R26.3 billion (including the Deutsche Bank syndicated loan and a GMTN bridge facility). To that end, the gearing ratio improved slightly to 43.7 per cent. in September 2022 (March 2022: 45.5 per cent.).

Employee relations

Transnet successfully concluded a new wage agreement for the period from 1 April 2022. Prior to this agreement, strike action by workers affiliated with UNTU and SATAWU commenced on 6 October 2022. On 17 October 2022, Transnet agreed a three-year wage deal with UNTU, and in turn SATAWU, ending the unions' collective strike action. See "*Risk Factors—Transnet is subject to strike action as a result of having a unionised workforce and may be adversely affected by changes in labour laws".*

Results of Operations for the six months ended 30 September 2021 and 2022

Summary

The following table sets forth the Group's principal consolidated income statement items for the periods indicated:

	For the six months ended 30 September		
	2022	**2021**	**Variation 2022/21**
	(R million)		*(per cent.)*
Revenue	36,053	35,361	2.0
Net operating expenses excluding depreciation, derecognition and amortisation	(23,120)	(22,096)	4.6

	For the six months ended 30 September		
	2022	2021	Variation 2022/21
	(R million)		(per cent.)
Profit from operations before depreciation, derecognition, amortisation and items listed below	**12,933**	**13,265**	**(2.5)**
Depreciation, derecognition and amortisation	(7,586)	(7,399)	2.5
Profit from operations before the items listed below	**5,347**	**5,866**	**(8.8)**
Impairment of assets	(97)	(820)	(88.2)
Post-retirement benefit obligation costs	(44)	(50)	(12)
Fair value adjustments	914	76	1102.6
Profit before income from associates and joint ventures and net finance costs(1)	**6,120**	**5,072**	**20.7**
Income from associates and joint ventures	11	5	120.0
Finance costs	(5,690)	(5,144)	10.6
Finance income	15	58	(74.1)
Profit/Loss before tax	**456**	**(9)**	**(5,166.7)**
Tax	(297)	(69)	330.4
Profit/Loss for the period	**159**	**(78)**	**(303.8)**
Attributable to equity holder	159	(78)	(303.8)

Notes:

(1) Profit before income from associates and joint ventures and net finance costs is referred to throughout this Base Listing Particulars as operating profit.

The following table sets out the Group's principal consolidated income statement items as a percentage of revenue for each of the periods indicated:

	For the six months ended 30 September	
	2022	2021
	(as percentage of revenue)	
Revenue(1)	100.0	100.0
Net operating expenses excluding depreciation, derecognition and amortisation	(64.1)	(62.5)
Profit from operations before depreciation, derecognition, amortisation and items listed below	35.9	37.5
Depreciation, derecognition and amortisation	(21.0)	(20.9)
Profit from operations before the items listed below	14.8	16.6
Impairment of assets	(0.3)	(2.3)
Post-retirement benefit obligation costs	(0.1)	(0.1)
Fair value adjustments	2.5	0.2
Profit before income from associates and joint ventures and net finance costs(2)	17.0	14.3
Income from associates and joint ventures	0.0	0.0
Finance costs	(15.8)	(14.5)
Finance income	0.0	0.2
Profit before taxation	1.3	(0.0)
Tax	(0.8)	(0.2)
Profit for the period	0.4	(0.2)
Attributable to equity holder	0.4	(0.2)

Notes:

(1) The per cent. contributions of revenue presented in the above table include only external revenue.

(2) Profit before income from associates and joint ventures and net finance costs is referred to throughout this Base Listing Particulars as operating profit.

Revenue

Revenue increased by 1.96 per cent. from R35,361 million in the six months ended 30 September 2021 to R36,053 million in the six months ended 30 September 2022. This increase was principally attributable to positive operational performance from the pipeline and port businesses which resulted in increased petroleum and container volumes.

Transnet Freight Rail made the most significant contribution to the Group's external revenue in the six months ended 30 September 2022 (representing 51.3 per cent.), followed by Transnet Port Terminals (24.4 per cent.), Transnet National Ports Authority (15.4 per cent.), Transnet Pipelines (7.9 per cent.), the segment covering all other activities (0.9 per cent.) and Transnet Engineering (0.1 per cent.).

Transnet Freight Rail

Transnet Freight Rail's total segment revenue decreased by 5.5 per cent. from R19,817 million in the six months ended 30 September 2021 to R18,725 million in the six months ended 30 September 2022. This was primarily attributed to the 9.2 per cent. decrease in rail volumes, partially offset by an increased average Rand/Ton to R226.75, compared to R210.78 of the same period in 2021.

The general freight business decreased volumes by 15.4 per cent. to 27.0mt in the six months ended 30 September 2022 compared to 31.9mt in the six months ended September 2020. The primary contributors to the decline arose from the container, mineral mining and steel and scrap business. The decrease is primarily attributable to the KwaZulu-Natal floods, security challenges in the form of cable theft, vandalism, network deterioration and resource constraints. The average turnaround times did however reflect a 1.4 per cent. decrease from 13.8 days to 13.6 days in spite of the aforementioned operational challenges.

The export of coal for the six months ended 30 September 2022 slowed down to 26.2mt, a 10.3 per cent. decrease from 29.2mt in the six months ended 30 September 2021. The deterioration in performance was mainly due to an increase in derailments, security related challenges, unavailability of resources and an unreliable rail network. Average wagon cycle times were negatively impacted owing to the factors mentioned and declined by 22.2 per cent. from an average of 70.8 hours to 86.5 hours.

Export iron ore volumes decreased by 1.4 per cent. from 28.7mt in the six months ended 30 September 2021 to 28.3mt in the six months ended 30 September 2022 due to an increase in derailments, tippler reliability at the harbours, unavailability of resources and an unreliable rail network. In spite of these challenges, average wagon cycle times decreased by 1.7 per cent. from an average of 90.4 hours to 88.9 hours.

Transnet Engineering

Transnet Engineering's total segment revenue decreased by 3.9 per cent. from R4,008 million in the six months ended 30 September 2021 to R3,852 million in the six months ended 30 September 2022. The decrease was driven by a reduction in cross border sales due to significant transactions completed in the prior period that were not matched in the current, partially offset by increased sales to Freight Rail in line with their maintenance programme drive. Transnet Engineering's revenues are cyclical, based on orders, and the order book is subject to macroeconomic fluctuations. Despite this variance, Transnet Engineering has an established customer base.

Transnet National Ports Authority

Revenue increased by 7.7 per cent. from R6,248 million in the six months ended 30 September 2021 to R6,729 million in the six months ended 30 September 2022. The increase in revenue was principally attributable to increased marine, container and bulk revenue.

Transnet Port Terminals

Transnet Port Terminals' total segment revenue increased by 18.5 per cent. from R7,408 million in the six months ended 30 September 2021 to R8,780 million in the six months ended 30 September 2022, driven by an improvement with continued recovery from COVID-19 which negatively impacted the prior year's financial performance. Container volumes increased by 3.3 per cent. to 2,182,948 TEUs, compared to 2,112,199 TEUs for the same period in 2021. The container sector has been positively impacted by the mix of imported empty containers used during the reefer season. This sector was further positively impacted by the ramp-up strategy which focuses on efficiencies, productivity and equipment availability in some terminals, however performance in Durban was hampered in Q1, by adverse weather (storm and excess flooding). Automotive volumes increased by 22.0 per cent. to 433,828 units, compared to the same period in 2021 with 335,565 units. The automotive sector has been positively impacted by MBSA ramping up volumes in East London prior to their three week plant shutdown in August and an increase in volumes in Durban and Port Elizabeth due to improved production of parts. Bulk volumes increased by 5.5 per cent. to 38.5mt, compared to 36.5mt for the same period in 2021 despite equipment challenges in Saldanha, rail supply issues and capacity issues at Richards Bay following the fire incidents. Break-bulk volumes increased by 32.7 per cent. to 15.0mt, compared to 11.3mt for the same period due to favourable market conditions and the diversion of columns in Richards Bay to the multi-purpose terminal.

Transnet Port Terminals' operational performance improved across most container terminals in the six months ended 30 September 2022 compared to the same period in 2021. However, Pier 2 Container Terminal in Durban recorded a decline in their moves per ship working hour ("**SWH**") performance from 48 moves in the six months ended 30 September 2021 to 44 moves in the six months ended 30 September 2022, which was largely impacted by adverse weather conditions and poor equipment availability / reliability. Conversely, Pier 1 Container Terminal, also in Durban, recorded an improvement in SWH from 39 moves in the six months ended 30 September 2021 to 40 moves in the six months ended 30 September 2022. The Ngqura Container Terminal SWH improved from 34 moves in the six months ended 30 September 2021 to 42 moves in the six months ended 30 September 2022. The Cape Town Container Terminal SWH improved from 33 moves in the six months ended 30 September 2021 to 35 moves in the six months ended 30 September 2022.

The Richards Bay Dry Bulk Terminal's loading rate reflected an improvement of 0.9 per cent. from 701 average tons dual loaded per hour ("**tph**") in the six months ended 30 September 2021 to 708 tph in the six months ended 30 September 2022. The discharge (offloading) rate also improved by 7.8 per cent., from 320 tph in the six months ended 30 September 2021 to 345 tph in the six months ended 30 September 2022. The terminal's performance has been impacted by the poor reliability of its ageing equipment. The efficiency measure of 'average tons dual loaded per hour' at the Saldanha Iron Ore Terminal has been maintained above the target of 8,100 tons per hour.

Transnet Pipelines

Transnet Pipelines' total segment revenue increased by 9.4 per cent. from R2,597 million in the six months ended 30 September 2021 to R2,842 million in the six months ended 30 September 2022. This increase was principally attributable to the increase in petroleum volumes transported during the period and the increase in regulatory tariffs.

In the same time periods, petroleum volumes transported increased by 4.9 per cent. from 7,609 million litres to 7,979 million litres. The prior period volumes were significantly affected by the COVID-19 impact on fuel demand due to the slowdown of the economy during the global lockdowns.

Other Division

The revenue of the Other Division, which encompasses all of Transnet's remaining assets, decreased by 16.6 per cent. from R391 million in the six months ended 30 September 2021 to R326 million in the six months ended 30 September 2022. The decrease was principally attributable to a decrease in revenue from Transnet Properties, which is responsible for managing the non-core property portfolio and provides property services for the entire Transnet property portfolio.

Net Operating Expenses Excluding Depreciation, Derecognition and Amortisation

The table below sets forth the principal components of the Group's net operating expenses excluding depreciation, derecognition and amortisation for the periods indicated.

	For the six months ended 30 September		
	2022	**2021**	**Variation 2022/21**
	(R million)		*(per cent.)*
Net operating expenses excluding depreciation, derecognition and amortisation			
Personnel costs	(11,916)	(13,033)	(8.6)
Energy costs	(4,742)	(3,425)	38.5
Operating leases	(576)	(514)	12.0
Material costs	(464)	(142)	226.8
Managerial and technical consulting fees	(276)	(220)	25.4
Other	(5,147)	(4,762)	8.1
Total	**(23,120)**	**(22,096)**	**4.6**

Net operating expenses excluding depreciation, derecognition and amortisation increased by 4.6 per cent. from R22,096 million in the six months ended 30 September 2021 to R23,120 million in the six months ended 30 September 2022. This increase was due mainly to the impact of the third-party settlement received in the prior period in lieu of all future claims against this party (which was once off) as well as increased fuel and maintenance costs for the period.

Personnel costs decreased by 8.6 per cent. from R13,033 million in the six months ended 30 September 2021 to R11,916 million in the six months ended 30 September 2022. This was principally attributable to the decrease in the number of employees stemming from the voluntary severance package programme.

Energy costs increased by 38.5 per cent. from R3,425 million in the six months ended 30 September 2021 to R4,742 million in the six months ended 30 September 2022. This was principally attributable to increased fuel costs of 46.3 per cent.

Expenses related to operating leases increased by 12.0 per cent. from R514 million in the six months ended 30 September 2021 to R576 million in the six months ended 30 September 2022. This was principally attributable to an increase in lease expenses.

Material costs increased by 226.8 per cent. from R142 million in the six months ended 30 September 2021 to R464 million in the six months ended 30 September 2022. This was principally attributable to higher levels of operating activity.

Managerial and technical consulting fees increased by 25.4 per cent. from R220 million in the six months ended 30 September 2021 to R276 million in the six months ended 30 September 2022.

Other operating expenses increased by 8.1 per cent. from R4,762 million in the six months ended 30 September 2021 to R5,147 million in the six months ended 30 September 2022. This increase was principally attributable to the impact of the third-party settlement received in the prior period in lieu of all future claims against this party (which was one-off) as well as increased maintenance costs .

Depreciation, Derecognition and Amortisation

The table below sets forth the principal components of the Group's depreciation, derecognition and amortisation for the periods indicated.

	For the six months ended 30 September		
	2022	**2021**	**Variation 2022/21**
	(R million)		*(per cent.)*
Depreciation, derecognition and amortisation			
Depreciation – Owned assets at historic cost	(6,315)	(6,098)	3.6
Depreciation – Owned assets including revalued portion	(975)	(866)	12.6
Depreciation – Leased assets	(187)	(302)	(38.1)
Amortisation of intangible assets (software and licences)	(109)	(133)	(18.0)
Total	**(7,586)**	**(7,399)**	**2.5**

Depreciation, derecognition and amortisation increased by 2.5 per cent. from R7,399 million in the six months ended 30 September 2021 to R7,586 million in the six months ended 30 September 2022 mainly due to the revaluation of rail and port infrastructure in March 2022 and capital expenditure in the current financial period.

Impairment of Assets

Impairment of assets decreased by 88.2 per cent. from R820 million in the six months ended 30 September 2021 to R97 million in the six months ended 30 September 2022, as a result of the flooding in KwaZulu-Natal and derailments, partially offset by a positive index valuation on port operating assets, and the reversal of the impairment of trade and other receivables**.**

Fair Value Adjustments

Fair value adjustments amounted to a R914 million gain in the six months ended 30 September 2022 and a R76 million gain in the six months ended 30 September 2021. The fair value gain for the six months ended 30 September 2022 resulted from derivative fair value gains as a result of interest rate swaps that are hedge accounted for, in terms of IFRS 13: Fair Value Measurement, as well as a gain on investment property valuation recognised in terms of *IAS 40: Investment Property*.

Finance Costs

Finance costs increased by 10.6 per cent. from R5,144 million in the six months ended 30 September 2021 to R5,690 million in the six months ended 30 September 2022 due mainly from the interest rate hikes from the preceding period.

Finance Income

Finance income decreased by 74.1 per cent. from R58 million in the six months ended 30 September 2021 to R15 million in the six months ended 30 September 2022. This decrease was attributable to a decrease in short-term investments held at the beginning of the six months ended 30 September 2022 as compared to the beginning of the six months ended 30 September 2021.

Tax

The Group's tax increased from R69 million expense in the six months ended 30 September 2021 to a R297 million expense in the six months ended 30 September 2022, representing a 330.4 per cent. increase. The increase in the tax charge was principally attributable to achieving profit as opposed to the prior period.

Profit/Loss for the Period

The profit after tax of R159 million in the six months ended 30 September 2022 represented an increase of 303.8 per cent. when compared to the R78 million loss in the six months ended 30 September 2021. This is a sign of recovery from the operational disruptions caused by the COVID-19 lockdown during the preceding period.

Results of Operations for the years ended 31 March 2022 and 2021

Summary

The following table sets forth the Group's principal consolidated income statement items for the Financial Years indicated:

	For the year ended 31 March		
	2022	**2021**	**Variation 2022/21**
	(R million)		*(per cent.)*
Revenue	68,459	67,273	1.8
Net operating expenses excluding depreciation, derecognition and amortisation	(45,010)	(47,813)	(5.9)
Profit from operations before depreciation, derecognition, amortisation and items listed below	**23, 449**	**19,460**	**20.5**
Depreciation, derecognition and amortisation	(14,847)	(13,872)	7.0
Profit from operations before the items listed below	**8,602**	**5,588**	**53.9**
Impairment of assets	(2,534)	(4,386)	(42.2)
Post-retirement benefit obligation costs	(190)	(202)	(5.9)
Fair value adjustments	10,175	(1,243)	(918.6)
Profit/(loss) before income/(loss) from associates and joint ventures and net finance costs[(1)]	**16,053**	**(243)**	**(6706.2)**
Income/(loss) from associates and joint ventures	(6)	13	(147.2)
Finance costs	(10,684)	(11,296)	(5.4)
Finance income	126	256	(50.8)
Profit/(Loss) before tax	5,489	(11,270)	(148.7)
Tax	(441)	2,536	(117.4)
Profit/(Loss) for the year	**5,048**	**(8,734)**	**(157.8)**
Attributable to equity holder	5,048	(8,734)	(157.8)

Notes:

(1) Profit before income from associates and joint ventures and net finance costs is referred to throughout this Base Listing Particulars as operating profit.

The following table sets out the Group's principal consolidated income statement items as a percentage of revenue for each of the Financial Years indicated:

	For the year ended 31 March	
	2022	**2021**
	(as percentage of revenue)	
Revenue[(1)]	100.0	100.0
Net operating expenses excluding depreciation, derecognition and amortisation	(65.7)	(71.1)
Profit from operations before depreciation, derecognition, amortisation and items listed below	34.3	28.9
Depreciation, derecognition and amortisation	(21.7)	(20.6)
Profit from operations before the items listed below	12.6	8.3
Impairment of assets	(3.7)	(6.5)
Post-retirement benefit obligation costs	(0.3)	(0.3)
Fair value adjustments	14.9	(1.8)
Profit before income from associates and joint ventures and net finance costs[(2)]	23.4	(0.4)
Income from associates and joint ventures	(0.0)	0.0
Finance costs	(15.6)	(16.8)
Finance income	0.2	0.4
Profit/(loss) before tax	8.0	(16.8)
Tax	(0.6)	3.8
Profit/(Loss) for the year	7.4	(13.0)
Attributable to equity holder	7.4	(13.0)

Notes:

(1) The per cent. contributions of revenue presented in the above table include only external revenue.

(2) Profit before income from associates and joint ventures and net finance costs is referred to throughout this Base Listing Particulars as operating profit.

Revenue

Revenue increased by 1.8 per cent. from R67,273 million in Financial Year 2021 to R68,459 million in Financial Year 2022. This increase was primarily due to increased petroleum and container volumes due mainly to improved economic conditions.

Transnet Freight Rail made the most significant contribution to the Group's external revenue in Financial Year 2022 (representing 54.2 per cent.), followed by Transnet Port Terminals (21.2 per cent.), Transnet National Ports Authority (15.0 per cent.), Transnet Pipelines (7.7 per cent.), Transnet Engineering (0.7 per cent.) and the Other Division covering all other activities (1.2 per cent.).

Transnet Freight Rail

Operating in a challenging economic climate, Transnet Freight Rail's freight volume performance for the year decreased by 5.6 per cent. from 183.3mt in Financial Year 2021 to 173.1mt in Financial Year 2022. General freight volumes in particular, decreased by 5.0 per cent. from 63.40mt in Financial Year 2021 to 60.2mt in Financial Year 2022. This contraction, coupled with a 12.86 per cent. decrease in export coal volumes, was met by the declining performance of export iron ore volumes.

In line with the overall freight volume decrease, revenue for the year decreased by 4.1 per cent. from R39,448 million in Financial Year 2021 to R37,812 million in Financial Year 2022. Constrained freight volumes were slightly offset by an increase in average Rand/ton to R211.35 (2021: R208.70). The increase in average Rand/ton at 1.3 per cent. is lower than the inflation rate average of 4.55 per cent. for the year under review.

General Freight volumes reflected a decline of 5.0 per cent. to 60.2mt railed (2021: 63.4mt), and 27.2 per cent. below the target of 76.6 mt. Other than the continued impact of COVID-19, factors contributing to the general freight tonnage performance included derailment incidents, increased theft and vandalism across all corridors, persistent locomotive failures and reliability issues, network speed restrictions, and tippler and offloading challenges at various ports.

Export coal volumes decreased by 12.9 per cent. from 66.9mt in Financial Year 2021 to 58.3mt in Financial 2022. The decrease in volumes was mainly attributable to loco availability as well as infrastructure related crimes on the Freight Rail network.

Iron ore export volumes increased by 3.0 per cent. from 53.0mt in Financial Year 2021 to 54.6mt in Financial Year 2022 mainly due to strong customer demand and improved operational efficiencies.

Transnet Engineering

Transnet Engineering's total revenue increased by 8.7 per cent. from R8,191 million in Financial Year 2021 to R8,901 million in Financial Year 2022. This was principally attributable to the recovering economy following the reduced restrictions following the impact of COVID-19.

Transnet National Ports Authority

Transnet National Ports Authority's total revenue increased by 8.6 per cent. from R11,558 million in Financial Year 2021 to R12,548 million in Financial Year 2022. This was principally attributable to the reduction of COVID-19 restrictions on port activity which positively affected freight volume growth.

Transnet Port Terminals

Transnet Port Terminals' total revenue increased by 11.0 per cent. from R13,094 million in Financial Year 2021 to R14,535 million in Financial Year 2022, due to an increase in container volumes of 5.5 per cent. from 3,916 million TEUs in Financial Year 2021 to 4,131 million TEUs in Financial Year 2022, a 48.2 per cent. increase in automotive volumes from 485,375 units in Financial Year 2021 to 719,138 units in Financial Year 2022 and a 2.6 per cent. increase in bulk and break-bulk volumes from 94.4mt in Financial Year 2021 to 96.9mt in Financial Year 2022. The increase in freight volumes across all sectors was primarily as a result of the economic recovery following the lockdowns in the wake of the COVID-19 pandemic. The increase in import freight volumes stemmed from increased consumer demand as a result of the Republic of South Africa's improved GDP growth, the increase in demand for luxury goods and lower exchange rates.

Transnet Port Terminals' primary measure of operational efficiency has seen slight improvement at the NCT. The DCT Pier 1 maintained its performance while the Cape Town Container Terminal ("**CTCT**") and DCT Pier 2 declined. NCT improved its SWH from 35 to 37 moves per hour in 2022. DCT Pier 1 maintained its average SWH performance at 38 moves per hour in 2022, while DCT Pier 2's SWH declined from 49 moves per hour in 2021 to 46 moves per hour in 2022. CTCT's SWH has declined to 34 moves per hour in 2022 from 36 moves per hour achieved in the prior year. Productivity across the terminals has been largely impacted by deteriorating weather conditions and poor equipment availability and reliability. The newly purchased straddle carriers for DCT Pier 2 have been plagued with teething problems which are being addressed with the original equipment manufacturers. The long-term effects of the COVID-19 pandemic on global supply chains has also adversely impacted the availability and delivery of equipment spares. However, lessons learned from the first and second waves of COVID-19 infections have assisted the terminals in managing the operational impact of the third and fourth waves.

The Richards Bay Dry Bulk Terminal's loading rate declined from 836 tons per hour in 2021 to 672 tons per hour in 2022 and the discharge (offloading) rate declined from 395 tons per hour in 2021 to 325 tons per hour in 2022. Richards Bay has been plagued by poor reliability of ageing equipment. However, these are being addressed through a full conditional assessment of the plant which will inform the immediate focus areas and ongoing maintenance requirements to ensure the sustainability of the plant. The average tons dual loaded per hour at the Saldanha Iron Ore Terminal has been maintained above the target of 8,100 tons per hour.

Transnet Pipelines

Transnet Pipelines' total revenue increased by 8.0 per cent. from R4,892 million in Financial Year 2021 to R5,283 million in Financial Year 2022, principally attributable to the 17.5 per cent. increase in petroleum volumes transported.

Petroleum volumes transported for the year have increased by 17.5 per cent. from 13,067 million litres in Financial Year 2021 to 15,350 million litres in Financial Year 2022. The increase was principally attributable to the higher market demand for petroleum volumes stemming from increased commodity prices and the economic upturn during the period.

Other Division

The revenue of the Other Division, which encompasses all of Transnet's remaining assets, decreased by 14.8 per cent. from R1,195 million in Financial Year 2021 to R1,018 million in Financial Year 2022. The decrease was principally attributable to decreased revenue at the Transnet Group Capital specialist unit, which is responsible for the oversight and management of most of the Group's large capital expenditure projects, mainly due to the capital optimisation programme in response to low economic growth, partially offset by an increase in revenue from Transnet Property, which is responsible for managing the non-core property portfolio and provides property services for the entire Transnet property portfolio.

Net Operating Expenses Excluding Depreciation, Derecognition and Amortisation

The table below sets forth the principal components of the Group's net operating expenses excluding depreciation, derecognition and amortisation for the Financial Years indicated.

	For the year ended 31 March		
	2022	2021	Variation 2022/21
	(R million)		(per cent.)
Net operating expenses excluding depreciation, derecognition and amortisation			
Personnel costs	26,194	24,210	8.2
Energy costs	8,002	6,660	20.2
Operating leases	1,223	1,202	1.7
Material costs	803	426	88.5
Managerial and technical consulting fees	418	522	(19.9)
Other	8,370	14,793	(43.4)
	45,010	**47,813**	**(5.9)**

Net operating expenses excluding depreciation, derecognition and amortisation decreased by 5.9 per cent. from R47,813 million in Financial Year 2021 to R45,010 million in Financial Year 2022. This decrease was principally attributable to the impact of third-party claims and environmental provisions relating to pipeline spills arising from product theft incidents, lower scrap sales, lease recoveries and PRASA recoveries, despite numerous cost reduction initiatives implemented throughout Transnet, which included limiting overtime, reducing professional and consulting fees through price negotiations, and by placing a limit on discretionary and travel costs.

Personnel costs increased by 8.2 per cent. from R24,210 million in Financial Year 2021 to R26,194 million in Financial Year 2022. This increase was principally attributable to yearly salary adjustments.

Energy costs increased by 20.2 per cent. from R6,660 million in Financial Year 2021 to R8,002 million in Financial Year 2022. This increase was principally attributable to the increase in freight volumes.

Expenses related to operating leases increased by 1.7 per cent. from R1,202 million in Financial Year 2021 to R1,223 million in Financial Year 2022 due to an increase in leased properties due to the non-renewal of the affected lease agreements.

Material costs increased by 88.5 per cent. from R426 million in Financial Year 2021 to R803 million in Financial Year 2022 due to higher levels of activity in Financial Year 2022.

Managerial and technical consulting fees decreased by 19.9 per cent. from R522 million in Financial Year 2021 to R418 million in Financial Year 2022. This decrease was principally attributable to cost reduction initiatives.

Other operating expenses decreased by 43.4 per cent. from R14,793 million in Financial Year 2021 to R8,370 million in Financial Year 2022. This decrease was principally attributable to the impact of third-party claims and environmental provisions relating to pipeline spills arising from product theft incidents, lower scrap sales, lease recoveries and PRASA recoveries.

Depreciation, Derecognition and Amortisation

The table below sets forth the principal components of the Group's depreciation, derecognition and amortisation for the Financial Years indicated.

	For the year ended 31 March		
	2022	**2021**	**Variation 2022/21**
	(R million)		*(per cent.)*
Depreciation, derecognition and amortisation			
Depreciation – Owned assets at historic cost	8,100	7,311	10.8
Depreciation – Owned assets including revalued portion	5,940	5,751	3.3
Depreciation – Leased assets	602	588	2.4
Amortisation of intangible assets (software and licences)	205	222	(7.7)
Total	**14,847**	**13,872**	**7.0**

Depreciation, derecognition and amortisation increased by 7.0 per cent. from R13,872 million in Financial Year 2021 to R14,847 million in Financial Year 2022. These increases were a result of a reduction in revaluation of surplus reserves.

Impairment of Assets

Impairment of assets decreased by 42.2 per cent. from R4,386 million in Financial Year 2021 to R2,534 million in Financial Year 2022, as a result of the impairment of property, plant and equipment, as well as an impairment of trade and other receivables due to the impairment of locomotives and wagons arising from the unavailability of spares following the suspension of the 1064 contracts, derailments and the impact of the physical verification and useful life assessments as well as the difficult economic environment impacting key customers.

Fair Value Adjustments

Fair value adjustments amounted to a R10,175 million gain in Financial Year 2022 and a R1,243 million loss in Financial Year 2021. The fair value gain in Financial Year 2022 was principally attributable to an investment property fair value gain of 9,814 million recognised in terms of IAS 40: Investment Property, as opposed to a R770 million loss in Financial Year 2021.

Finance Costs

Finance costs decreased by 5.4 per cent. from R11,296 million in Financial Year 2021 to R10,684 million in Financial Year 2022 due to the utilisation of cost-effective short-term facilities whilst long term funding is being sourced. Capitalised borrowing costs remained stable from R1,209 million in Financial Year 2021 to R1,208 million in Financial Year 2022.

Finance Income

Finance income decreased by 50.8 per cent. from R256 million in Financial Year 2021 to R126 million in Financial Year 2022. This decrease was directly attributable to an increase in interest rates.

Tax

The Group's tax charge increased by 117.4 per cent. from a tax credit of R2,536 million in Financial Year 2021 to a tax charge of R441 million in Financial Year 2022. The Group's effective tax rate decreased to 8.03 per cent. in Financial Year 2022 compared to 22.5 per cent. in Financial Year 2021. The effective tax rate for the Group was impacted principally due to the increase in profit before taxation in Financial Year 2022, as compared with the loss before taxation in Financial Year 2021, together with an increase in the fair value adjustments that are not recognised for tax purposes, offset largely by the impact of Transnet's taxation loss. The result was then further offset by the impact of the reduction of the corporate tax rate from 28 per cent. to 27 per cent. which was substantively enacted in the Minister of Finance's 2021/22 Budget Speech, resulting in a decrease in the provision for deferred taxation.

Loss for the year

The profit of R5,048 million in Financial Year 2022 represented an increase of 157.8 per cent. when compared to the R8,734 million loss in Financial Year 2021.

Results of Operations for the years ended 31 March 2021 and 2020

Summary

The following table sets forth the Group's principal consolidated income statement items for the Financial Years indicated:

	For the year ended 31 March		
	2021	**2020**	**Variation 2021/20**
	(R million)		*(per cent.)*
Revenue	67,273	75,167	(10.5)
Net operating expenses excluding depreciation, derecognition and amortisation	(47,813)	(41,163)	16.2
Profit from operations before depreciation, derecognition, amortisation and items listed below	**19,460**	**34,004**	**(42.8)**
Depreciation, derecognition and amortisation	(13,872)	(14,954)	(7.2)
Profit from operations before the items listed below	**5,588**	**19,050**	**(70.7)**
Impairment of assets	(4,386)	(2,781)	57.7
Post-retirement benefit obligation costs	(202)	(221)	(8.6)
Fair value adjustments	(1,243)	(74)	1579.7
Profit/(loss) before income/(loss) from associates and joint ventures and net finance costs[(1)]	**(243)**	**15,974**	**(101.5)**
Income from associates and joint ventures	13	8	62.5
Finance costs	(11,296)	(11,300)	(0.0)
Finance income	256	171	49.7
Profit/(Loss) before tax	**(11,270)**	**4,853**	**(332.2)**
Tax	2,536	(1,961)	(229.3)
Profit/(Loss) for the year	**(8,734)**	**2,892**	**(402.0)**
Attributable to equity holder	(8,734)	2,892	(402.0)

Notes:

(1) Profit before income from associates and joint ventures and net finance costs is referred to throughout this Base Listing Particulars as operating profit.

The following table sets out the Group's principal consolidated income statement items as a percentage of revenue for each of the Financial Years indicated:

	For the year ended 31 March	
	2021	**2020**
	(as percentage of revenue)	
Revenue[(1)]	100.0	100.0
Net operating expenses excluding depreciation, derecognition and amortisation	(71.1)	(54.8)
Profit from operations before depreciation, derecognition, amortisation and items listed below	28.9	45.2
Depreciation, derecognition and amortisation	(20.6)	(19.9)
Profit from operations before the items listed below	8.3	25.3
Impairment of assets	(6.5)	(3.7)
Post-retirement benefit obligation costs	(0.3)	(0.3)
Fair value adjustments	(1.8)	(0.1)
Profit before income from associates and joint ventures and net finance costs[(2)]	(0.4)	21.3
Income from associates and joint ventures	0.0	0.0
Finance costs	(16.8)	(15.0)
Finance income	0.4	0.2
Profit/(loss) before tax	(16.8)	6.5
Tax	3.8	(2.6)
Profit/(Loss) for the year	(13.0)	3.9
Attributable to equity holder	(13.0)	3.9

Notes:

(1) The per cent. contributions of revenue presented in the above table include only external revenue.

(2) Profit before income from associates and joint ventures and net finance costs is referred to throughout this Base Listing Particulars as operating profit.

Revenue

Revenue decreased by 10.5 per cent. from R75,167 million in Financial Year 2020 to R67,273 million in Financial Year 2021. This decrease was principally attributable to a 21.7 per cent. decrease in general freight volumes and a 7.8 per cent. decrease in export coal railed volumes. The respective decreases were due to reduced demand in result of COVID-19 measures. Port container volumes increased marginally by 10.5 per cent.

Transnet Freight Rail made the most significant contribution to the Group's external revenue in Financial Year 2021 (representing 57.61 per cent.), followed by Transnet Port Terminals (19.46 per cent.), Transnet National Ports Authority (14.24 per cent.), Transnet Pipelines (7.26 per cent.), Transnet Engineering (0.34 per cent.) and the Other Division covering all other activities (1.08 per cent.).

Transnet Freight Rail

Operating in a challenging economic climate, Transnet Freight Rail's freight volume performance for the year decreased by 13.7 per cent. from 212.4mt in Financial Year 2020 to 183.3mt in Financial Year 2021. General freight volumes in particular, decreased by 21.72 per cent. from 80.99mt in Financial Year 2020 to 63.40mt in Financial Year 2021. This contraction, coupled with a 7.8 per cent. decrease in export coal volumes, was met by the declining performance of export iron ore volumes.

In line with the overall freight volume decrease, revenue for the year decreased by 11.8 per cent. from R44,729 million in Financial Year 2020 to R39,448 million in Financial Year 2021. Constrained freight volumes were slightly offset by an increase in average Rand/ton to R208.70 (2020: R204.86). The increase in average Rand/ton at 1.87 per cent. is lower than the inflation rate average of 3.34 per cent. for the year under review.

General Freight volumes reflected a decline of 21.72 per cent. to 63.4mt railed (2020: 80.99mt), and 21.32 per cent. below the target of 80.58mt. Other than the impact of COVID-19, factors contributing to the general freight tonnage performance included derailment incidents, increased theft and vandalism across all corridors, persistent locomotive failures and reliability issues, network speed restrictions, and tippler and offloading challenges at various ports.

Export coal volumes decreased by 7.8 per cent. from 72.5mt in Financial Year 2020 to 66.9mt in Financial Year 2021. The decrease in volumes was mainly attributable to tippler breakdowns at the Richards Bay Coal Terminal, derailment incidents, and the undersupply of 22E locomotives due to the 1064 contractual challenges.

Iron ore export volumes decreased by 9.8 per cent. from 58.9mt in Financial Year 2020 to 59.5mt in Financial Year 2021 mainly due to the impact of COVID-19, which initially prevented the Port of Saldanha from operating at more than 60 per cent. and only reaching full capacity by September 2020. Operational failures such as derailment incidents also reduced capacity. This was aggravated by the temporary closure of Olifants River Railway Bridge due to unsafe infrastructure conditions; the condition of the network that resulted in a significant number of speed restrictions being upheld on the line; tippler challenges; and rolling stock reliability.

Transnet Engineering

Transnet Engineering's total revenue decreased by 31.0 per cent. from R11,879 million in Financial Year 2020 to R8,191 million in Financial Year 2021. Resulting from the deteriorating economic outlook, both in the Republic of South Africa and in the rest of Africa, the demand for Transnet Engineering's products resulted in a 73.71 per cent. decrease in external revenue from R875 million in Financial Year 2020 to R230 million in Financial Year 2021.

Transnet National Ports Authority

Transnet National Ports Authority's total revenue decreased by 5.0 per cent. from R12,172 million in Financial Year 2020 to R11,558 million in Financial Year 2021. This was principally attributable to the impact of COVID-19 restrictions impact on port activity which negatively affected freight volume growth.

Transnet Port Terminals

Transnet Port Terminals' total revenue decreased by 5.18 per cent. from R13,809 million in Financial Year 2020 to R13,094 million in Financial Year 2021, due to a decrease in container volumes of 11.5 per cent. from 4,424 million TEUs in Financial Year 2020 to 3,916 million TEUs in Financial Year 2021, a 38.7 per cent. decrease in automotive volumes from 791,647 units in Financial Year 2020 to 485,375 units in Financial Year 2021 and a 5.7 per cent. decrease in bulk and break-bulk volumes from 100.1mt in Financial Year 2020 to 94.4mt in Financial Year 2021. The decline in freight volumes across all sectors was primarily as a result of the lockdown in the wake of the COVID-19 pandemic, especially in the first quarter of Financial Year 2021. Freight volumes were also impacted by breakdown in global supply chains due to reduced economic activity in foreign countries. The decline in import freight volumes stemmed from weaker consumer demand as a result of the Republic of South Africa's poor GDP growth, the reduction in demand for luxury goods and high exchange rates.

Transnet Port Terminals' primary measure of operational efficiency, average moves per SWH has declined across most of the terminals. In Durban, the Pier 1 average moves per SWH decreased from 41 moves in Financial Year 2020 to 38 moves in Financial Year 2021, while the Pier 2 average moves per SWH increased from 46 moves in Financial Year 2020 to 49 moves in Financial Year 2021. The Durban Terminals experienced equipment and weather challenges, which negatively impacted performance. The Ngqura Container Terminal average moves per SWH declined from 37 moves in Financial Year 2020 to 35 moves in Financial Year 2021 due to the lower parcel sizes resulting from the current global economic environment. The Cape Town Container Terminal average moves per SWH decreased from 38 moves in Financial Year 2020 to 36 moves in Financial Year 2021, having been impacted by unusually adverse weather conditions.

The tph at the Saldanha Iron Ore Terminal decreased by 3.3 per cent. to 8,001 tph in Financial Year 2021 from 8,277 tph in Financial Year 2020. The Richards Bay Dry Bulk Terminal's loading rate declined from 848 tph in Financial Year 2020 to 836 tph in Financial Year 2021 due to poor reliability of ageing equipment. The offloading rate also decreased from 428 tph in Financial Year 2020 to 395 tph in Financial Year 2021 also due to equipment challenges.

Transnet Pipelines

Transnet Pipelines' total revenue decreased by 14.7 per cent. from R5,732 million in Financial Year 2020 to R4,892 million in Financial Year 2021, principally attributable to the 26.4 per cent. decrease in petroleum volumes transported.

Petroleum volumes transported for the year have decreased by 26.4 per cent. from 17,764 million litres in Financial Year 2020 to 13,067 million litres in Financial Year 2021. The decrease was principally attributable to the lower market demand for petroleum volumes stemming from depressed commodity prices and the economic slowdown during the period.

Other Division

The revenue of the Other Division, which encompasses all of Transnet's remaining assets, decreased by 40.96 per cent. from R2,024 million in Financial Year 2020 to R1,195 million in Financial Year 2021. The decrease was principally attributable to decreased revenue at the Transnet Group Capital specialist unit, which is responsible for the oversight and management of most of the Group's large capital expenditure projects, mainly due to the capital optimisation programme in response to low economic growth, partially offset by an increase in revenue from Transnet Property, which is responsible for managing the non-core property portfolio and provides property services for the entire Transnet property portfolio.

Net Operating Expenses Excluding Depreciation, Derecognition and Amortisation

The table below sets forth the principal components of the Group's net operating expenses excluding depreciation, derecognition and amortisation for the Financial Years indicated.

	For the year ended 31 March		
	2021	**2020**	**Variation 2021/20**
	(R million)		*(per cent.)*
Net operating expenses excluding depreciation, derecognition and amortisation			
Personnel costs	24,210	23,257	4.1
Energy costs	6,660	7,698	(13.5)
Operating leases	1,202	1,564	(23.1)
Material costs	426	699	(39.1)
Managerial and technical consulting fees	522	1,192	(56.2)
Other	14,793	6,753	119.1
	47,813	**41,163**	**16.2**

Net operating expenses excluding depreciation, derecognition and amortisation increased by 16.2 per cent. from R41,163 million in Financial Year 2020 to R47,813 million in Financial Year 2021. This increase was principally attributable to the impact of third-party claims and environmental provisions relating to pipeline spills arising from product theft incidents, lower scrap sales, lease recoveries and PRASA recoveries, despite numerous cost reduction initiatives implemented throughout Transnet, which included limiting overtime, reducing professional and consulting fees through price negotiations, and by placing a limit on discretionary and travel costs.

Personnel costs increased by 4.1 per cent. from R23,257 million in Financial Year 2020 to R24,210 million in Financial Year 2021. This increase was principally attributable to yearly salary adjustments.

Energy costs decreased by 13.5 per cent. from R7,698 million in Financial Year 2020 to R6,660 million in Financial Year 2021. This decrease was principally attributable to the reduction in freight volumes.

Expenses related to operating leases decreased by 23.1 per cent. from R1,564 million in Financial Year 2020 to R1,202 million in Financial Year 2021 due to a reduction in leased properties due to the non-renewal of the affected lease agreements.

Material costs decreased by 39.1 per cent. from R699 million in Financial Year 2020 to R426 million in Financial Year 2021 due to lower levels of activity in Financial Year 2021.

Managerial and technical consulting fees decreased by 56.2 per cent. from R1,192 million in Financial Year 2020 to R522 million in Financial Year 2021. This decrease was principally attributable to cost reduction initiatives.

Other operating expenses increased by 119.1 per cent. from R6,753 million in Financial Year 2020 to R14,793 million in Financial Year 2021. This increase was principally attributable to the impact of third-party claims and environmental provisions relating to pipeline spills arising from product theft incidents, lower scrap sales, lease recoveries and PRASA recoveries.

Depreciation, Derecognition and Amortisation

The table below sets forth the principal components of the Group's depreciation, derecognition and amortisation for the Financial Years indicated.

	For the year ended 31 March		
	2021	**2020**	**Variation 2021/20**
	(R million)		*(per cent.)*
Depreciation, derecognition and amortisation			
Depreciation – Owned assets at historic cost	7,311	8,368	(12.6)
Depreciation – Owned assets including revalued portion	5,751	5,418	6.1
Depreciation – Leased assets	588	703	(16.4)
Amortisation of intangible assets (software and licences)	222	465	(52.3)
Total	**13,872**	**14,954**	**(7.2)**

Depreciation, derecognition and amortisation decreased by 7.2 per cent. from R14,954 million in Financial Year 2020 to R13,872 million in Financial Year 2021. These decreases were a result of a reduction in revaluation of surplus reserves.

Impairment of Assets

Impairment of assets increased by 57.7 per cent. from R2,781 million in Financial Year 2020 to R4,386 million in Financial Year 2021, as a result of the impairment of property, plant and equipment, as well as an impairment of trade and other receivables due to the impairment of locomotives and wagons arising from the unavailability of spares following the suspension of the 1064 contracts, derailments and the impact of the physical verification and useful life assessments as well as the difficult economic environment impacting key customers.

Fair Value Adjustments

Fair value adjustments amounted to a R1,243 million loss in Financial Year 2021 and a R74 million loss in Financial Year 2020. The fair value loss in Financial Year 2021 was attributable to a fair value loss of R542 million, as compared to a R101 million gain in Financial Year 2020, including counterparty credit risk, arising from the mark-to-market on derivative hedges of foreign currency and interest rate risks offset by a R97 million fair value gain on firm commitments, recognised in terms of IAS 39: Financial Instruments, as compared to a R42 million loss in Financial Year 2020. These losses were further increased by an investment property fair value loss of R770 million recognised in terms of IAS 40: Investment Property, as opposed to a R155 million loss in Financial Year 2020.

Finance Costs

Finance costs marginally decreased by 0.0 per cent. from R11,300 million in Financial Year 2020 to R11,296 million in Financial Year 2021 due to the utilisation of cost-effective short-term facilities whilst long term funding is being sourced. Capitalised borrowing costs decreased from R1,439 million in Financial Year 2020 to R1,209 million in Financial Year 2021.

Finance Income

Finance income increased by 49.7 per cent. from R171 million in Financial Year 2020 to R256 million in Financial Year 2021. This increase was directly attributable to an increase in interest rates.

Tax

The Group's tax charge decreased by 229.3 per cent. from a tax charge of R1,961 million in Financial Year 2020 to a tax credit of R2,536 million in Financial Year 2021. The Group's effective tax rate decreased to 22.5 per cent. in Financial Year 2021 compared to 40.4 per cent. in Financial Year 2020. The effective tax rate for the Group was impacted by expenses that are non-deductible for tax purposes. The decrease in the Group's effective tax rate for the 2021 Financial Year was primarily due to depreciation on and the impairment of fixed assets that do not qualify for tax allowances.

Loss for the year

The loss of R8,734 million in Financial Year 2021 represented a decrease of 402.0 per cent. when compared to the R2,892 million profit in Financial Year 2020.

Liquidity and Capital Resources

Liquidity

The Group's principal sources of liquidity over the last four Financial Years have been operating cash flows and borrowings. Over the next five Financial Years, the Group anticipates that it will continue to rely on operating cash flows and borrowings for liquidity, with a portion of those borrowings being utilised to support its significant capital investment plans. Transnet believes that its operating cash flows and borrowing sources will be sufficient to meet its foreseeable liquidity requirements in Financial Year 2023 and beyond.

Indebtedness

The Group's funding base is comprised principally of short and long-term borrowings as well as equity reserves. The Group's outstanding borrowings as at 30 September 2022 were as follows:

Total borrowings by lender	*(R million)*
South African banks	46,134
International banks	34,069
Various holders of Transnet bonds and commercial paper, widely held and traded[(1)]	45,200
Other	2,160
Total borrowings[(2)(3)(4)]	**127,564**

Notes:

(1) Includes bonds held at amortised cost of R43,617 million and commercial paper of R1,583 million.

(2) The Group's aggregate total borrowings as at 30 September 2022 were 127,564 million. The total borrowings excluding hedged foreign exchange risk exposure is R101,833 million (2021: R99,824 million) with all hedged foreign currency denominated loans translated at swap rates applicable when the loans were hedged.

(3) Borrowings include loans of R16,845 million (2021: 16,886 million) in respect of the acquisition of locomotives, which are secured by a pledge of the associated locomotives with a carrying value of R28,413 million (2021: R26,060 million). Further, borrowings include loans amounting to R25,043 million (2021: 25,776 million) in respect of locomotives acquired under the 1064 locomotive supply agreements, of which R16,738 million (2021: R16,355 million) is secured by a pledge of locomotives already delivered by the OEMs under the programme.

The borrowings listed above include the following bonds in issue as at 30 September 2022:

	Redemption Date	**Coupon Rate**	**Carrying Value**	**Nominal Value**
		(per cent.)	*(R million)*	
Domestic Rand Bonds				
TN23	6 November 2023	10.80	6,980	6,929
TNF25U	14 February 2025	8.05	2,500	2,500
TNF25[(1)]	14 February 2025	8.20	550	550
TN25	19 August 2025	9.50	9,934	9,929
TNF26U	13 August 2026	8.45	1,930	1,930
TNF27[(1)]	7 February 2027	8.58	316	316
TN27	14 November 2027	8.90	8,193	8,565
TN29[(1)]	7 February 2029	10.27	200	200
TN30	9 October 2030	10.50	4,580	4,622
TNI33[(1)]	28 February 2033	5.23	285	285
TN34[(1)]	7 February 2034	11.35	108	108
TN40	9 October 2040	10.75	4,871	5,070
			40,447	**41,004**
Foreign Rand Bonds				
Euro 2028[(2)]	18 April 2028	13.50	1,973	2,000
Euro 2029[(2)]	30 March 2029	10.00	1,197	1,500
Total bonds			**43,617**	**59,141**

Notes:

(1) These bonds were issued on 8 February 2022.
(2) These bonds are guaranteed by the Government. Transnet pays R1.2 million in guarantee fees every July. The other bonds are not guaranteed. The amounts in the above tables are only in respect of bonds held at amortised cost.

Short-term borrowings

Short-term borrowings decreased by 29.1 per cent. from R51,515 million as at 31 March 2021 to R36,537 million as at 31 March 2022. This decrease was principally attributable to reclassification of long-term debt classified to short-term due to covenants breaches.

Long-term borrowings

Long-term borrowings increased by 18.9 per cent. from 77,626 million as at 31 March 2021 to R92,301 million as at 31 March 2022. The increase was principally attributable to foreign exchange differences, long-term interest-bearing borrowings being transferred to short-term due to loan covenant breaches that were subsequently remedied and reduced debt issuance.

The following table summarises the Group's long-term and short-term borrowings as at the dates indicated:

	As at 31 March 2022	**As at 31 March 2021**
	(R million)	
Unsecured Rand denominated borrowings	77,534	58,224
Unsecured foreign currency denominated borrowings	—	14,735
Secured loans and finance leases	14,767	4,667
Total long-term borrowings including current portion	**92,301**	**77,626**
Current portion of long-term borrowings redeemable within one year transferred to short-term borrowings	(4,785)	46,022
Other short-term borrowings	41,322	5,493
Total short-term borrowings	**36,537**	**51,515**

Contractual Obligations and Commercial Commitments

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements for the Group as at 31 March 2022:

	Carrying value 2022	**Contractual cash flows 2022**	**0 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**
Non derivative financial liabilities								
Bonds	(58,238)	(88,693)	(19,312)	(11,180)	(6,920)	(12,894)	(4,645)	(33,742)
Secured bank loans	(15,216)	(19,378)	(2,862)	(2,799)	(2,596)	(2,438)	(2,307)	(6,376)
Unsecured bank loans	(37,006)	(56,478)	(9,637)	(6,743)	(6,605)	(6,221)	(6,068)	(21,204)
Commercial paper	(1,623)	(1,713)	(1,713)	—	—	—	—	—
Other borrowings	(16,755)	(18,856)	(12,197)	(2,329)	(840)	(788)	(732)	(1,970)
Total borrowings Group[1]	**(128,838)**	**(185,118)**	**(45,721)**	**(23,051)**	**(16,961)**	**(22,341)**	**(13,752)**	**(63,292)**

Notes:

(1) These borrowings (contractual cash flows) include interest costs. For debt obligations with variable interest rates, future interest payments have been estimated using the interest rate at 31 March 2021. Certain of these borrowings require the Group to comply with restrictive debt covenants. These covenants include, but are not limited to, negative pledge covenants as well as limitations on the incurrence of future indebtedness. While the Group does not anticipate a violation of these covenants, any violation of such covenants could result in the acceleration of these borrowing obligations.

This table does not reflect: (i) outstanding purchase orders for products or services entered into in the normal course of business and (ii) pension obligations, due to the unpredictability of the timing and amount of the relevant payments.

Some of the amounts reflected in this table are denominated in a currency other than Rand, whereas this table is reflected in Rands translated at the 31 March 2022 exchange rate. As a result, any change in exchange rate between the currency of the underlying contract and the Rand will result in a change in the relevant obligations.

The table above does not include additional borrowings and contractual commitments entered into by the Group since 31 March 2022. It is anticipated that these contractual commitments will be financed by net cash flows from operations, together with domestic and international issues of commercial paper, bonds and bank loans, export credit-agency backed finance, development finance institution finance, leasing and project financing.

Future Funding

The Group has past and planned capital expenditure of R99.8 billion (excluding capitalised borrowing costs of R5 billion) under the Capital Investment Plan over the total five Financial Years beginning in Financial Year 2022 that continues to require the raising of substantial amounts of additional borrowings. Management expects capital commitments to be financed by cash from operations, together with domestic and international issues of commercial paper, bonds and bank loans, export credit agency-backed finance, development finance loans, leasing and project financing. See "—*Capital Investment Plan*" and "*Business— Capital Investment Plan*". Currently, Transnet plans to fund a portion of this capital expenditure through indebtedness. See "*Description of Certain Indebtedness—Domestic Medium-Term Note and Commercial Paper Programme*". Transnet also plans to fund a portion of this capital expenditure through issuances under the Programme. See "—*Use of Proceeds*".

The total outstanding borrowing facilities for the Group as at 31 March 2022 amount to R128.8 billion, of which R3,700 million was committed and available within 24 hours and the balance was uncommitted. Transnet has approximately R37 billion in the form of bonds and commercial paper unused capacity under the DMTN Programme, and based on the exchange rate of 14.76 rand per U.S. dollar, R73,050 million (USD5 billion) unused capacity under the Programme.

Cash Flows

The following table sets forth the Group's cash flow activity for Financial Years 2022, 2021 and 2020.

	For the six months ended 30 September		For the year ended 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
			(R million)		
Cash flows from operating activities	15,211	12,563	17,534	12,419	21,939
Cash flows utilised in investing activities	(6,403)	(5,757)	(13,115)	(15,626)	(20,122)
Cash flows from/(utilised in) financing activities	(5,052)	(2,674)	(1,651)	119	(1,717)
Net increase/(decrease) in cash and cash equivalents	3,756	4,132	2,768	(3,088)	100
Cash and cash equivalents at the beginning of the period	3,936	1,168	1,168	4,256	4,156
Total cash and cash equivalents at the end of the period	**7,692**	**5,300**	**3,936**	**1,168**	**4,256**

Cash flows from operating activities

Net cash flows from operating activities for the six months ended 30 September 2022 amounted to R15,211 million, an increase of 21.1 per cent. from R12,563 million for the six months ended 30 September 2021, principally attributable to an increase in cash generated from operations as well as improved changes in working capital.

Net cash flows from operating activities for Financial Year 2022 amounted to R17,534 million, an increase of 41.2 per cent. from R12,419 million for Financial Year 2021, principally attributable to an increase in cash generated from operations as well as improved changes in working capital and the reduced impact of the COVID-19 pandemic.

Net cash flows from operating activities for Financial Year 2021 amounted to R12,419 million, a decrease of 43.4 per cent. from R21,939 million for Financial Year 2020, principally attributable to a reduction in activity in the programme to improve working capital management and the reduced adverse impact of the COVID-19 pandemic.

Cash flows utilised in investing activities

Cash utilised in investing activities for the six months ended 30 September 2022 amounted to R6,403 million, an increase of 11.2 per cent. from R5,757 million for the six months ended 30 September 2021. The increase was principally attributable to capital expenditure incurred for maintenance and expansion of capacity. In the six months ended 30 September 2022, R5,661 billion was spent to maintain infrastructure and equipment and R324 billion was spent to expand capacity (excluding capitalised borrowing costs, but including capitalised finance leases). See "—*Capital Investment Plan*".

Cash utilised in investing activities for Financial Year 2022 amounted to R13,115 million, a decrease of 16.1 per cent. from R15,626 million for Financial Year 2021. The decrease was principally attributable to capital expenditure incurred for maintenance and expansion of capacity. In Financial Year 2022, R11.3 billion was spent to maintain infrastructure and equipment and R1.9 billion was spent to expand capacity (excluding capitalised borrowing costs, but including capitalised finance leases). See "—*Capital Investment Plan*". The Group achieved 98 per cent. of the R13.5 billion capital expenditure budget for the year.

Cash utilised in investing activities for Financial Year 2021 amounted to R15,626 million, a decrease of 22.3 per cent. from R20,122 million for Financial Year 2020. The decrease was principally attributable to the underspend in capital projects and maintenance, following the impact of the COVID-19 lockdown restrictions and capital optimisation. In Financial Year 2021, R13.7 billion was spent to maintain infrastructure and equipment and R2.2 billion was spent to expand capacity (excluding capitalised borrowing costs, but including capitalised finance leases and capitalised decommissioning liabilities). See "—*Capital Investment Plan*". The Group achieved 73 per cent. of the R21.6 billion capital expenditure budget for the year.

Cash flows from/(utilised in) financing activities

Cash flows from financing activities for the six months ended 30 September 2022 was R5,052 million, and the cash flows utilised in financing activities for the six months ended 30 September 2021 was R2,674 million. This change was principally attributable to an increase in borrowing costs due to increased investments in capital assets.

Cash flows utilised in financing activities for Financial Year 2022 was R1,651 million net funding raised, and the cash flows from financing activities for Financial year 2021 was R119 million net funding repaid. The net funding raised and repaid is inclusive of funding from call loans which were raised and repaid regularly in Financial Year 2022 and Financial Year 2021, whilst long-term funding facilities were still in progress.

Cash flows from financing activities for Financial Year 2021 was a cash inflow of R119 million, and the cash flows utilised in financing activities for Financial Year 2020 was R1,717 million. This decrease was principally attributable to additional short-term borrowings raised.

Capital Investment Plan

Transnet's critical role in the economy is more pronounced because of the urgency in economic recovery and growth as captured in the Economic Reconstruction and Recovery Plan, with economic infrastructure a central pillar of the plan. Effective allocation of limited capital, and exploring innovative and alternative funding sources through partnerships, will therefore be critical in ensuring that the Capital Investment Plan is realised.

To support investment in network infrastructure, institutional reforms of network industries and state-owned companies, commercial partnerships between state-owned companies and the private sector need to become a norm of doing business, particularly to leverage large-scale investments in core economic infrastructure and to increase efficiencies in the operation of economic networks.

Private sector partnerships are expected to ensure that:

- Transnet's infrastructure and operations risks are mitigated;
- The use of Transnet's assets are optimised for economic value creation;
- The growth of priority commodities and sectors is supported;
- Transnet concentrates on its core business; and
- The Company is positioned for sustainability in the short, medium and long term.

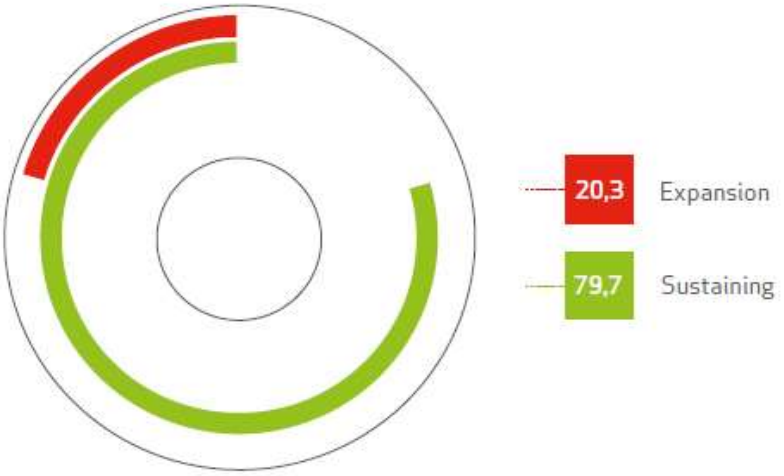
The goal is to create a more competitive freight system that appropriately leverages the strengths of the public and private sectors. A competitive freight system is one that enables competitive supply chains and this is where Transnet's key focus is, particularly with respect to its top eight commodities segments, which account for more than 80 per cent. of revenue.

The bulk of Transnet's capital investment in the next five years will therefore be used for maintenance and improving existing capacity ahead of expansion for these priority commodity segments throughout the transport value chain (rail, ports and pipelines).

The Capital Investment Plan has been curtailed to affordable and sustainable levels with a stronger focus on core maintenance initiatives and attracting suitable private sector and industry partners to undertake key expansion projects and programmes. For Transnet, its own investment must lead and complement private sector investment and raise the level of total investment in the freight system.

Transnet plans to spend R98.9 billion on capital investment over the next five years of which 79.7 per cent. (R78.9 billion) will be spent on maintenance and sustaining capital investment. A significant portion of this capital (R39.1 billion) will be spent on maintaining and sustaining permanent ways and rolling stock (locomotives and wagons), while the remainder is planned for port fleet and pipeline equipment.

Five-year expansion verses sustaining capital investment (%)



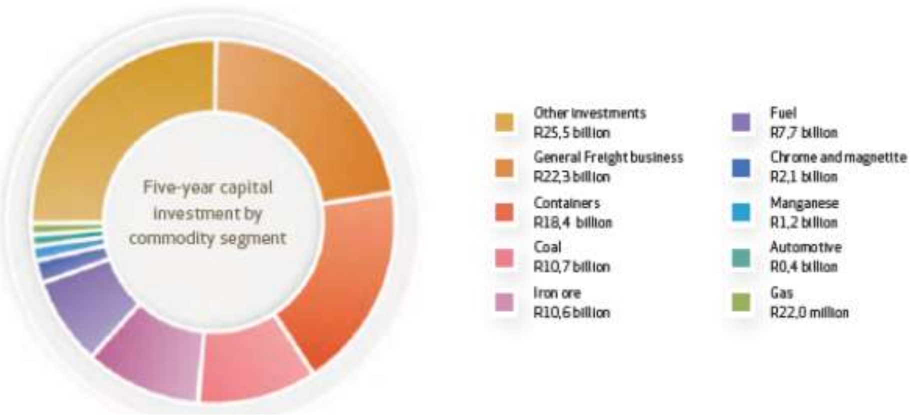
The envisaged investment per functional portfolio over the next five years is tabled below:

	Budget 2022/23	Projections				Total five years
		2023/24	2024/25	2025/26	2026/27	
			(R million)			
Transnet Freight Rail	10,755	6,421	7,856	9,234	9,754	44,020
Transnet Engineering	105	—	—	—	—	105
Transnet National Ports Authority	2,454	2,475	6,821	9,665	8,588	30,003
Transnet Port Terminals	2,273	3,618	3,355	2,660	2,107	14,013
Transnet Pipelines	1,305	1,106	1,767	1,436	439	6,053
Transnet Property	741	930	455	441	367	2,934
Transnet Corporate Centre	390	593	348	279	190	1,800
Total	**18,023**	**15,143**	**20,602**	**23,715**	**21,445**	**98,928**

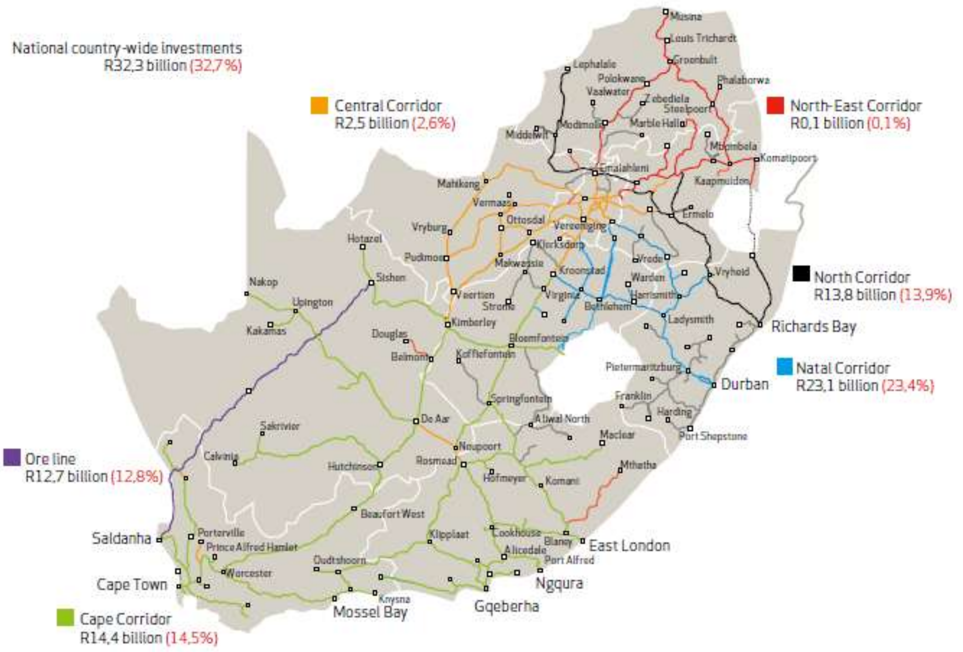
The General Freight business consists of all containerised goods, agriculture products, timber, cement and steel and other minerals such as chrome, magnetite and manganese. Other commodities consist of maintenance services, manufacturing products, break-bulk and other supporting unit services.

The Cape Corridor plans to spend almost 14.5 per cent. of the five-year Capital Investment Plan, with the key focus on projects that support the container and manganese commodities. The Container Corridor plans to spend almost 23.4 per cent. of the five-year Capital Investment Plan, with the key focus on projects that support the container, chrome, magnetite, refined petrol and diesel commodities.

Five-year capital investment by commodity segment



Five-year capital investment by corridor



The high level of investment in sustaining capital is as a result of the significant backlog in infrastructure and rolling stock, coupled with planned mid-life and cyclical maintenance on fleet and port equipment. As depicted below, a significant portion of capitalised maintenance will be spent on fleet and pipeline equipment. Sustaining capital investment for the next five years is listed below (of which R16.5 billion is for FY 2023).

R million	Rail	Ports	Other	Total
Permanent ways	14,717	122	25	14,864
Locomotives	8,841	—	—	8,841
Wagons	11,534	—	—	11,534
Port facilities	—	18,410	—	18,410
Floating craft	—	4,202	—	4,202
Land, buildings and structures	853	3,473	3,672	7,998
Pipeline networks	—	—	1,662	1,662
Intangible assets and other	—	—	690	690
Machinery and equipment	4,802	2,415	3,472	10,689
Total	**40,747**	**28,622**	**9,521**	**78,890**

Of the R6.0 billion spent under the Capital Investment Plan for the six months ended 30 September 2022, of which R5.7 billion was spent to maintain current infrastructure and equipment and R0.3 billion was spent on expanding capacity, 82 per cent. was spent by Transnet Freight Rail, 9 per cent. by Transnet National Ports Authority, 8 per cent. by Transnet Port Terminals, 1 per cent. on Transnet Pipelines and 0 per cent. was spent by Transnet Engineering, Transnet Property and the specialist units, collectively.

Of the R13.2 billion spent under the Capital Investment Plan for Financial Year 2022, of which R11.3 billion was spent to maintain current infrastructure and equipment and R1.9 billion was spent on expanding capacity, 75.8 per cent. was spent by Transnet Freight Rail, 9.0 per cent. by Transnet National Ports Authority, 11.7 per cent. by Transnet Port Terminals, 2.5 per cent. on Transnet Pipelines and 1.1 per cent. was spent by Transnet Engineering, Transnet Property and the specialist units, collectively.

Contingent Liabilities and Assets

Contingent liabilities

The total contingent liabilities as at 31 March 2022 amounted to R5.7 billion most of which related to a claim against Transnet reflecting the loss of a vessel and cargo and damages arising from alleged breaches of legal and statutory duties imposed upon Transnet, as well as alleged breaches of legal duties owed by Transnet to the plaintiff in the circumstances. Transnet continues to defend all claims.

Judicial Proceedings

While no assurance can be given, Transnet does not expect to incur material losses in connection with existing legal proceedings to which Transnet is a party. As at 30 September 2022, management estimates that contingent liabilities and contingent assets related to judicial proceedings involving Transnet as either defendant or plaintiff did not change materially from that disclosed in the 2022 Annual Financial Statements (approximately: R5,728 million). (See also "*Business—Litigation and Other Proceedings*").

Provisions

Short-term and long-term provisions include provisions for third-party claims, customer claims, decommissioning and other environmental liabilities, restructuring and other matters.

Long-term provisions increased marginally by 1.2 per cent. to R10,126 million as at 30 September 2022 compared to R10,007 million as at 31 March 2022.

Long-term provisions increased marginally by 4.3 per cent. to R10,007 million as at 31 March 2022 compared to R9,597 million as at 31 March 2021.

Short-term provisions decreased by 28.8 per cent. from R999 million as at 31 March 2022 to R711 million as at 30 September 2022.

Short-term provisions increased by 26.3 per cent. from R791 million as at 31 March 2021 to R999 million as at 31 March 2022.

Guarantees

Transnet had provided guarantees of third-party liabilities in the amount of R236 million as of 31 March 2021, and in the amount of R152 million as of 31 March 2022. The increase in the guaranteed balance was due to maturities, as well as the appreciation of the Rand during the period.

As at 31 March 2022, the Shareholder has guaranteed certain borrowings of the Group amounting to R3.2 billion representing 2.45 per cent. of total borrowings of R128.8 billion.

Off-Statement of Financial Position Arrangements

Other than the contingent liabilities and guarantees discussed above, the Group does not have any off-statement of financial position arrangements.

Qualitative and Quantitative Disclosure about Market Risk

In pursuit of its business, the Group is exposed to a myriad of risks including but not limited to market, credit, liquidity and operational risks.

The Group has a centralised treasury function and is the only authorised unit mandated to negotiate and enter into any funding agreements as well as manage surplus funds and manage financial risk exposures by entering into any derivative or hedging transactions while managing associated credit risks. The Board-approved Financial Risk Management Policy (the "**FRMP**") is aligned with the ERM Framework and applicable best practice, legislation and regulations. The FRMP have the following financial risk management objectives which forms he financial risk management philosophy of the Transnet Group:

- To prudently manage Transnet's financial risks in order to reduce the financial impact (i.e. changes in cash flows) due to financial risks materialising, thereby contributing to Transnet meeting its strategic financial objectives and remaining within Transnet approved risk appetite and risk tolerance levels; and

- To reduce earnings volatility in order to increase certainty and predictability of future cash flows for planning purposes.

A financial risk management strategy must be presented to, and approved by the Audit Committee, and must address the financial risk management objectives or philosophy based on the following fundamentals:

- To protect the company against undesirable market price movements, relating to financial market risks above, while allowing upside participation, as much as possible;

- To aim to limit potential fair value liabilities arising from financial instruments recorded at fair value or an actual liability (loss) when the instrument is settled;

- To protect the business, by creating certainty of revenues, securing a minimum income or protecting cash flows on an ongoing basis, avoiding the need to time the markets as far as possible;

- To enter into hedging transactions solely for the purpose of hedging its exposure to financial market fluctuations while no active speculation or passive speculation is allowed. Derivatives may only be used to offset existing or known risks which the company faces;

- For any given level of financial risk exposure and the mitigation thereof, to seek to maximise the cost-benefit ratio; and

- to assess, monitor and mitigate any financial risk exposures at a group level, e.g. to take into account natural mitigation.

Apart from the requirements of the FRMP, the treasury function must operate within the limits as contained in the DOA Framework approved by the Board of Directors.

Financial risk assessment and analysis are disclosed/reported on a monthly basis to the Treasury Asset and Liability Committee (the "**ALCO**") and the Group Exco which will escalate any matters of concern to the Board at scheduled Board meetings.

Financial market risk management is done primarily through hedging. The following components of the hedging strategy should be considered for each hedge

Foreign Currency Risk

Foreign currency risk arises mainly as a result of the capital expenditure programme, where goods are imported from foreign countries and are exposed to currency fluctuations as well as the raising of funding in a foreign currency. Transnet's main objectives regarding its foreign currency risk policies are:

- to mitigate foreign currency risk exposures;

- to bring certainty about future Rand cash flows where foreign exchange is involved; and

- to insulate the Group's statement of comprehensive income against exchange rate fluctuations.

Transnet's policy only allows unhedged foreign currency risk exposures limited to 0.5 per cent. of annual operational budget and 1.0 per cent. of annual capital expenditure budget. All foreign currency risk exposures are hedged within the guidelines of the FRMP and the DOA Framework as soon as the supplier and funding agreements are signed. It is the Group's preference to enter into Rand-based supplier and funding agreements, if this can be achieved at an acceptable cost, with no foreign currency risk recourse to Transnet. If this approach is not cost effective, Transnet will then hedge on its own financial position. No pooling of hedging across different exposure types is allowed and hedging is done per project exposure. The mark-to-market foreign currency position is monitored on a daily and monthly basis, by obtaining the net foreign currency position in all the major currencies i.e. U.S. Dollar, Euro, Japanese Yen and other foreign currencies. Foreign currency risk exposures are fully hedged until maturity with vanilla hedging instruments after careful consideration and analysis of the taxation, financial risk, accounting, operational and system implications.

Any residual exposure with reference to operational payments and receipts denominated in foreign currency equal to or more than R50 million (foreign currency conversion to Rand using the exchange rate at the date of the assessment) should be hedged while committed foreign exchange exposures on capital projects will be 100 per cent. hedged as soon as the hedge becomes firm and ascertainable to ensure certainty of cash flows for capital projects.

The Group's net long/(short) foreign currency risk exposures as at 31 March 2022 and 31 March 2021 are as follows (expressed in notional amounts):

	31 March 2022				**31 March 2021**			
	U.S.$[(1)]	**JPY[(2)]**	**EUR[(3)]**	**Other currencies expressed in USD**	**USD[(1)]**	**JPY[(2)]**	**EUR[(3)]**	**Other currencies expressed in USD**
	(in millions of currency)							
Foreign currency bonds	(1,000)	—	—	—	(1,000)	—	—	—

	31 March 2022				31 March 2021			
	U.S.$[(1)]	**JPY[(2)]**	**EUR[(3)]**	**Other currencies expressed in USD**	**USD[(1)]**	**JPY[(2)]**	**EUR[(3)]**	**Other currencies expressed in USD**
				(in millions of currency)				
Secured bank loans	(811)	—	—	—	(909)	—	—	—
Brazil equity investment	2	—	—	—	2	—	—	—
Gross statement of financial position exposure	**(1,809)**	**—**	**—**	**—**	**(1,907)**	**—**	**—**	**—**
Exposures for future expenditure	(41)	(3)	—	—	(43)	—	—	—
Gross foreign currency exposure	**(1,850)**	**(3)**	**—**	**—**	**(1,950)**	**—**	**—**	**—**
Forward exchange contracts	41	3	—	—	41	—	—	—
Cross currency swaps	1,811	—	—	—	1,909	—	—	—
Net uncovered exposure	**2**	—	—	—	—	—	—	—

Notes:

(1) The mid rates of exchange of the U.S. Dollar against the Rand used for conversion purposes were 14.61 at 31 March 2022 and 14.76 at 31 March 2021.

(2) The mid rates of exchange of the Japanese Yen against the Rand used for conversion purposes were 0.1201 at 31 March 2022 and 0.1335 at 31 March 2021

(3) The mid rates of exchange of the Euro against the Rand used for conversion purposes were 16.17 at 31 March 2022 and 17.34 at 31 March 2021.

The table below shows the impact on profit and loss of a stronger and weaker Rand for the Group as a result of fair value movements of cross currency swaps and forward exchange contracts as at 31 March 2022 and 31 March 2021:

	31 March 2022				31 March 2021			
Currency	**Currency exposure**	**Fair value**	**Impact of Rand strengthening**	**Impact of Rand weakening**	**Currency exposure**	**Fair value**	**Impact of Rand strengthening**	**Impact of Rand Weakening**
	(in millions of currency)	*(R million)*	*(R million)*	*(R million)*	*(in millions of currency)*	*(R million)*	*(R million)*	*(R millions)*
EUR	1	(2)	1.4	(1.4)	(18)	5	(5)	5
USD	0.4	(0.1)	0.2	(0.2)	59	1	14	(14)
Total		(2.1)	1.6	(1.6)		6	9	(9)

Hedge accounting is applied to 99.0 per cent. of currency hedges where structures are designated either as fair value hedges or cash flow hedges. The sensitivity analysis above includes the impact of fair value movements on derivatives that are part of effective hedge accounting; hence the analysis is on the net balance, after the offsetting effect of the hedged item and hedging instruments. The sensitivity analysis was calculated using a 95.0 per cent. confidence interval over a 90-day horizon, and assumes all other variables remain unchanged. Basis swap adjustments have been added to the curves when doing the sensitivities to ensure that a more accurate market value is reflected that also take market liquidity into account.

Value-At-Risk

Value at risk ("**VaR**") for direct committed capital and operational exposures and the Brazilian equity investment was R3 million as at 31 March 2022 (31 March 2021: R1 million). VaR calculates the maximum pre-taxation loss expected (or worst case scenario) on a position held, over a 90-day horizon given a 95.0 per cent. confidence level and is used on a limited basis at Transnet. The VaR methodology is a statistically defined, probability-based approach that takes into account, among other things, market volatilities relative to a position held. The Group uses historical simulation and the model assumes that historical patterns will repeat into the future and does not take extreme market conditions into account.

Commodity Price Risk

Transnet's exposure to commodity risk arises mainly from fuel purchases used in locomotives, tug boats and automotive vehicles. The largest component of the exposure to fuel can be attributed to diesel locomotives. The risk is partially mitigated in the form of an energy surcharge levy, that adjusts the rail prices charged, which is incorporated into certain customer agreements at Transnet Freight Rail.

Any residual exposure should be mitigated via a hedging strategy that consistently hedge residual exposures. Such hedging should take cognisance of existing fuel procurement contracts and not uneconomically offset any benefits therein In line with the Financial Risk Management fundamentals of the FRMP.

The table below details the cash flow at risk scenarios against the approved budget for Financial Year 2023 at various levels of Brent Crude and USD/ZAR exchange rates as at 31 March 2022. It includes the effect of fuel levies charged to rail customers as well as option premiums paid and projected option payoff profiles.

	Cash flow at risk (negative: shortfall against budget)				
Fuel price in dollars per barrel	**$/R8.20**	**$/R13.20**	**$/R15.34**	**$/R17.48**	**$/R22.48**
			(R million)		
Brent @ $48.00	1,158	850	718	587	279
Brent @ $69.00	929	482	—	100	(347)
Brent @ $91.00	701	114	(136)	(387)	(974)
Brent @ $110.00	498	(213)	(516)	(820)	(1,530)
Brent @ $120.00	392	(383)	(714)	(1,045)	(1,820)

Interest Rate Risk

Transnet's Interest rate risk arises primarily as a result of funding agreements and investment transactions. The risks are mitigated by entering into a combination of fixed and floating interest rate funding agreements and hedging through natural hedges where applicable. Interest rate risk on investments/deposits emanating from operations are not considered significant due to the quantum and short-term nature of these investments.

Residual exposure should be managed with a target of 50 per cent. fixed interest rate debt and 50 per cent. floating interest rate debts as well as using hedges economically to achieve the optimal level where this cannot be achieved by entering into agreements with the desired interest rate exposure. However, it is acceptable for the fixed/floating split to range up to a maximum of 80 per cent. / 20 per cent. where fixed interest rate debt is considered to be at cost effective levels.

The Group measures interest rate risk by calculating the cash flow impact of interest rate movements, performing sensitivity analysis using various scenarios, on budgeted finance cost (based on hedged positions) based on current and projected funding requirements for a financial year.

The Group's exposures to fixed and floating interest rates on its financial liabilities as at 31 March 2022 and 31 March 2021 were as follows:

	As at 31 March	
	2022	**2021**
	(R million)	
Fixed rate liabilities	(94,795)	(99,947)
Floating rate liabilities	(34,043)	(29,194)
Total	**(128,838)**	**(129,141)**

Notes:

(1) These values exclude repurchase liabilities of R0.05 million as at 31 March 2022 (31 March 2021: R26 million), which have a maturity term of one week.

The exposure to floating interest rates on foreign financial liabilities is R11,728 million (2021: R13,263 million) for the Company and Group. No floating rate foreign liabilities were swapped to fixed rates. The Board approved a targeted range of fixed interest rates that may be managed to enable management to utilise interest rate yields.

The sensitivity analysis below reflects the scenarios described above for the financial years ending 31 March 2021 and 2022, respectively.

	As at 31 March 2022					As at 31 March 2021				
Financial instrument	**Market value shift at 100 bp increase**	**Market value shift at 200 bp decrease**	**Market value shift at 250 bp increase**	**Market value shift at 500 bp decrease**	**Market value shift at 500 bp increase**	**Market value shift at 100 bp increase**	**Market value shift at 200 bp decrease**	**Market value shift at 250 bp increase**	**Market value shift at 500 bp decrease**	**Market value shift at 500 bp increase**
					(R million)					
Finance cost impact (increase)/decrease	(463)	928	(1,158)	2,318	(2,317)	(342)	684	(855)	1,710	(1,710)

The sensitivity analysis assumed various shifts, indicated above, in applicable rates on payments exposed to floating interest rates. The above table assumes no change in other variables.

Other Price Risk

The Group has a negligible exposure to equity price risk on the Brazilian Stock Exchange. At year-end, the quoted value of the Group's investment in Brazil was R41 million (2021: R38 million).

Critical Accounting Policies

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of equity, assets and liabilities, revenue and expenses.

The estimates and underlying assumptions are based on historical experience, independent experts' advice and inputs and various other factors that are considered to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments and estimates made by management in the application of IFRS that have a significant effect on the financial statements are discussed below:

Valuation of investment property

Transnet's investment property, is valued at R29,112 million as at 31 March 2022 (2021: R16,506 million. There was a significant movement of R9,814 million in the account balance relating to fair value adjustments recognised in the income statement, which contributed to the profit for the year of R5,048 million (2021: R5,055 million).

The fair value of the Group's investment properties at 31 March 2022 was arrived at on the basis of valuations carried out by independent external property valuers. The fair value was derived by capitalising the normalised net annual income at market derived capitalisation rates, which are adjusted where appropriate, to reflect the risk profile of each individual property.

The key inputs into the fair value model which are subject to significant management estimates include market rentals, market yields, vacancy rates, the credit-worthiness of tenants, as well as discount and capitalisation rates used in the discounted cash flows.

Unsubstantiated assumptions and estimates could give rise to a material misstatement. Management is required to make a number of significant assumptions and judgements in determining the fair value and therefore was identified as a potential risk. It was confirmed that the valuation approach used by management was appropriate for the determination of fair value in the consolidated and separate financial statements as well as that the techniques used by the independent experts and management have been applied consistently.

Revaluation – rail infrastructure

Rail infrastructure is measured using the revaluation methods.

For the rail infrastructure, the discounted cash flow (DCF) calculations at cash generating unit (CGU) level were performed by management for these assets in order to determine the fair values of the infrastructure assets. These values represent the future cash flows of Transnet Freight Rail, discounted at the prevailing after tax weighted average cost of capital (WACC) rate.

Management's estimates as related to future cash flows include significant judgements and assumptions related to:

- Rail volumes and tariffs;
- Inflation rate;
- GDP rates;
- Projection of cash flows beyond the foreseeable future; and
- Estimates of operating expenditure that are based on management's corporate plans.

Revaluation - pipeline network assets

Pipeline network assets are measured using the revaluation model as described in the accounting policy. Formal revaluations are performed every three years by independent professional valuation experts and indices are applied in the intervening periods where appropriate, such that the carrying value does not differ materially from that which would be determined using fair values at the end of the reporting period.

The Group applies the following valuation techniques in revaluing these assets:

- Depreciated replacement cost (DRC); and
- DCF.

For the financial year ended 31 March 2022, the revaluation index is used. The depreciated replacement cost was used as the most appropriate point to reflect the fair value of the pipeline network assets.

Revaluation - port facilities

The port facilities in the ports are measured at revalued amounts in accordance with the accounting policy, which is consistent with IAS 16.

A full revaluation of all port facilities is performed every 3 year cycle – the previous valuation was performed in March 2021 – for the current year under review an index revaluation was performed.

The Group applies the following valuation techniques in revaluing these assets:

- Depreciated optimised replacement cost (DORC); and
- DCF.

The DCF value was used as the most appropriate point to reflect the fair value of the port infrastructure assets. This entails assumptions using projected revenues, capital growth, volume growth factor, CPI and other variables.

Due to the variables used in the model, which are complex and subjective with a high degree of judgement the revaluation of port facilities was assessed to be a key audit matter.

Property, plant and equipment – Island View (TM1) and Jameson Park (TM2) assets verification

These assets predominantly consist of assets which were capitalised as part of the new multi-product pipeline (NMPP) project which mainly impact TM1 and TM2 terminals valued at R5,676 million and R8,380 million respectively. The assets are reported under pipeline network assets. The valuation of the assets in these terminals was performed in accordance with the DRC method by the independent expert and was subject to testing in line with other procedures on property, plant and equipment.

The matter is regarded as key due to the manner in which the items were capitalised and maintained in the fixed asset register of the division i.e. the individual assets were consolidated as one line item in accordance with the categories in which they belong and not shown as individual assets, resulting in the inability to perform conventional audit procedures to obtain assurance on the existence of the assets as well as values in the financial records. In addition, asset capitalisation schedules were used to support the amounts in the fixed asset register.

Valuation of decommissioning and environmental liabilities

Transnet's decommissioning and environmental liabilities was valued at R6,095 million as at 31 March 2022 (2021: R5,890 million). The provisions are highly judgemental, as they are calculated and recognised as a provision using the best estimate of the cost to dismantle and remove the item and rehabilitate the site and may change from year to year taking into account the changes in intended use of the asset, new techniques and know-how in rehabilitating affected sites, estimated risks and uncertainties surrounding the obligation and the time value of money. The assumptions are impacted by future activities and the legislative environment in which the public entity operates.

The decommissioning and environmental provisions are also affected by changes in the estimated date on which the item of property, plant and equipment will be dismantled or its removal and restoration of the site may take place. Management is required to make a number of significant assumptions and judgements in determining the fair value as noted above and therefore was identified a potential risk.

BUSINESS

Overview

Transnet is owned by the Government and is the operator, owner and custodian of a major portion of the Republic of South Africa's transport infrastructure, specifically its railway, ports and pipelines. Transnet is a focused freight transport company with the goal of delivering integrated, efficient, safe, reliable and cost-effective services. Transnet's key mandate is to assist in lowering the cost of doing business, enable economic growth in South Africa and ensure security of supply through providing appropriate ports, rail and pipeline infrastructure as well as operations in a cost-effective and efficient manner, within global benchmarks. Transnet interprets its mandate as having three main objectives:

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

Transnet seeks to promote economic growth in the Republic of South Africa by providing its customers with access to world-class integrated logistics solutions and by creating transportation capacity ahead of demand. Transnet's strategic focus areas are informed by the Government's NDP 2030, which aims to create eleven million jobs by 2030 and to reduce the unemployment rate to 6 per cent., and the Governmental initiatives issued by the Minister of Public Enterprises in the Statement of Strategic Intent. Transnet's core responsibility is to ensure effective custodianship of the Republic of South Africa's integrated port, rail and pipeline network, which will contribute to lowering the cost of logistics and improving the country's economic competitiveness. Additionally, the Cabinet adopted the Economic Reconstruction and Recovery Plan in October 2020 to facilitate economic recovery.

Substantially all of Transnet's revenues are generated in the Republic of South Africa. Over the previous Financial Years, Transnet has transformed from a diversified conglomerate into a focused rail, port and pipeline operator. Transnet has accomplished this through the sale, closure or transfer of non-core assets and businesses. Transnet's continuing operations are grouped into six business divisions according to major transport modes and property portfolios, with central support services unified under one brand. For operational and reporting purposes, Transnet is organised into the following five Operating Divisions: Transnet Freight Rail, Transnet Engineering, Transnet National Ports Authority, Transnet Port Terminals and Transnet Pipelines. The Other Division includes Transnet Property, Transnet Group Capital (where applicable), Transnet Corporate Centre and Transnet Foundation. The Issuer, its Operating Divisions and its subsidiaries combined are referred to as the "Group".

- Transnet Freight Rail is the largest of Transnet's Operating Divisions by revenue and number of employees. Transnet Freight Rail is focused on transporting bulk and containerised freight along an approximately 31,000 kilometre rail route network on which it operates 1,200 trains per day.

- Transnet Engineering is in the business of offering manufacturing, remanufacturing, assembly and maintenance of railway rolling stock including locomotives, freight wagons, passenger coaches and port equipment. These offerings are supported by engineering work such as research, design, and testing. Transnet Engineering has six main plants and 143 maintenance depots spread throughout South Africa, creating a network of sites that serve the main rail corridors and ports.

- Transnet National Ports Authority is responsible for the safe, efficient and effective economic functioning of the national ports system of the Republic of South Africa, which it owns and manages in a landlord capacity on behalf of the Government. Transnet National Ports Authority is the provider of port infrastructure and marine services at all eight fully operational commercial ports in the Republic of South Africa.

- Transnet Port Terminals manages 16 cargo terminals situated across seven of the eight South African ports. It provides cargo handling services for container, bulk, break-bulk and automotive cargos.

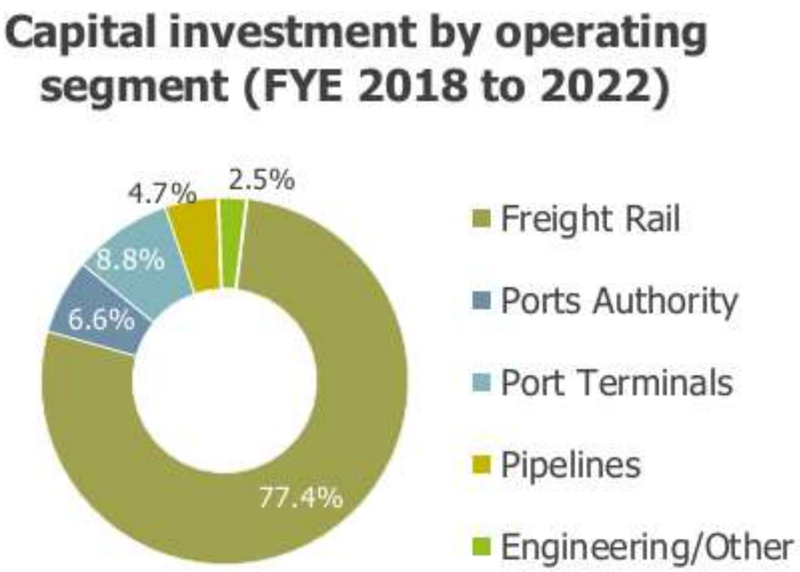
- Transnet Pipelines transports a range of petroleum and gas products through approximately 3,800 kilometres of underground pipelines, traversing five provinces in the Republic of South Africa, with the strategic objective of ensuring the security of the supply of petroleum products to the inland market.

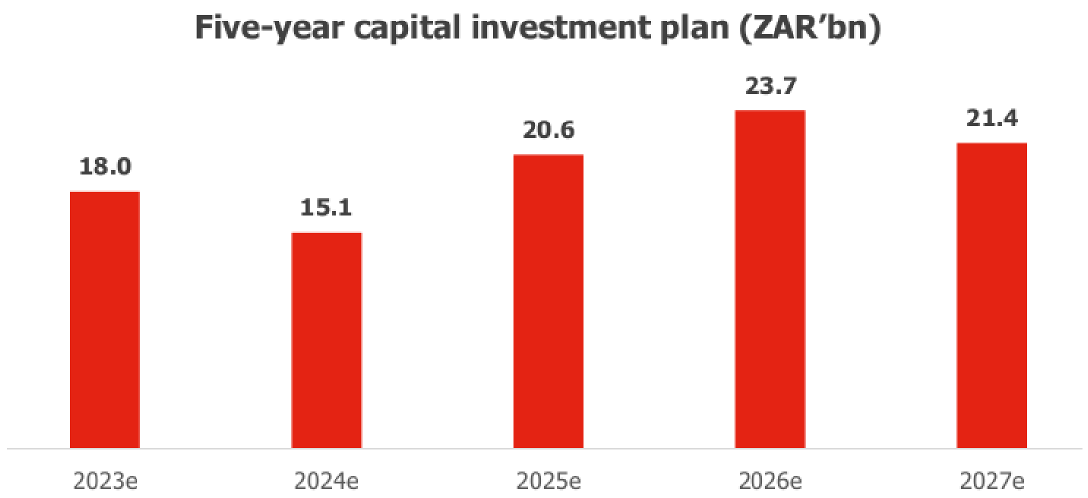
- Transnet Property, part of the Other Division of Transnet, currently manages a portfolio of commercial and residential properties, which are leased out to external and internal tenants. The remainder of the property portfolio is still managed by the respective Operating Divisions, but service level agreements are being put in place for Transnet Property to provide property management and other specialised services to some of the other Operating Divisions and Transnet Corporate Centre. Transnet Property's core capabilities include strategic asset management, property development and property management.

For the six months ended 30 September 2022, the Group generated revenue of R36,053 million, operating profit of R5,347 million and profit for the period of R159 million. For Financial Year 2022, the Group generated revenue of R68,459 million, operating profit of R8,602 million and profit for the period of R5,048 million. For Financial Year 2021, the Group generated revenue of R67,273 million, operating profit of R5,588 million and loss for the year of R8,734 million. For Financial Year 2020, the Group generated revenue of R75,167 million, operating profit of R19,050 million and profit for the year of R2,892 million.

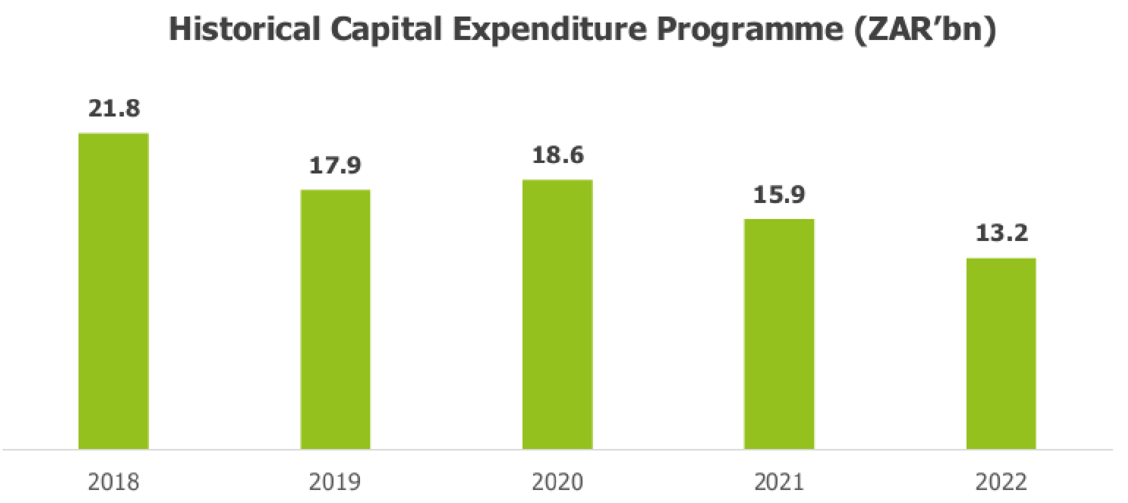
While the focus remains on better serving customers, improving morale and safety, improving asset utilisation and improving margins, Transnet is also required to fundamentally transform in order to ensure its sustainability and its ability to continue to fulfil its mandate as the custodian of ports, rail and pipelines and an enabler of industrial capacity. Transnet has adopted a multi-pronged solution of collaborative partnerships to support these objectives. Capacity creation will largely be driven by continued investment in support of, and in partnership with, the industries that Transnet serves.

Transnet's current Capital Investment Plan, provides for Transnet's continuing operations to invest R98.9 billion over the total five Financial Years beginning in Financial Year 2023 on key corridors and sectors, as the below diagrams indicate. The Group's spending under the Capital Expenditure Programme for the six months ended 30 September 2022 (excluding intangible assets and capitalised borrowing costs) amounted to R6,000 million, with R5,700 million spent to maintain current infrastructure and equipment and R324 million spent on expanding capacity. For the five-year period, it is envisioned that 79.7 per cent. / R78.9 billion will be spent on maintenance and sustaining capex, with R39.1 billion to be spent on maintaining and sustaining permanent ways and rolling stock. The remainder is planned for port fleet and pipeline equipment.





Historical capital expenditure is outlined in the below diagram.



Transnet is funded through reserves and borrowings and does not receive cash subsidies from the Government. Transnet raises funds in the debt markets based on the strength of its financial position and it has raised funding without Government guarantees since 1998. As a result, Transnet needs to earn an appropriate return on its assets that will allow for the maintenance and expansion of the rail, port and pipeline infrastructure that it owns and operates, while maintaining a strong financial position. Notes issued under the Programme and the DMTN Programme are not guaranteed by the Government.

Transnet was incorporated on 19 February 1990 under the (now repealed) Old Companies Act, pursuant to the Legal Succession Act with the Government as the Shareholder. The Minister of Public Enterprises represents the Government as Shareholder Representative. Transnet enters into the Shareholder's Compact to deliver on numerous strategic deliverables, including sustainable economic, social and environmental outcomes. Transnet was formed as a result of the transfer of the commercial enterprise of the South African Transport Services to Transnet as the country's railway, port and pipeline operator. With effect from 1 May 2011, Transnet changed its name from Transnet Limited to Transnet SOC Ltd.

Business Strengths

Transnet's business strengths include the following:

Country-wide Reach, Scale and Strategically Important to the South African Economy

Transnet's integrated system of freight rail, ports and pipelines covers the most economically important corridors in the Republic of South Africa, highlighting its national importance to South Africa's economy. Its substantial operations and market share in freight rail and its ownership and operation of all the Republic of South Africa's commercial ports mean that Transnet's operations extend across the whole of the Republic of South Africa and facilitate an international focus.

Transnet has a substantial asset base and owns or leases an active fleet in excess of 2,236 locomotives and an active fleet of 55,657 freight wagons and operates the longest heavy haul rail line in the world, namely the 1,500 km export coal and export iron ore railway lines. Transnet National Ports Authority owns and manages, in a landlord capacity on behalf of the Government, the port system of the Republic of South Africa. Transnet National Ports Authority is the provider of port infrastructure and marine services at all eight commercial ports in the Republic of South Africa. Transnet Port Terminals manages 16 cargo terminal operations across seven of the eight South African ports, providing a range of cargo-handling and warehouse services to a wide variety of customers, including shipping lines, freight forwarders and cargo owners in the container, bulk, break-bulk and automotive cargo sectors. Transnet also owns over 3,800 kilometres of petroleum and gas pipeline infrastructure.

Significant Portion of Recurring Revenue from a Diversified Client Base

Transnet focuses on developing and maintaining long-term relationships with strategic customers, which includes participating in industry forums with its top customers to help establish long-term contracts with such customers and regular engagements to deal with operational and commercial matters. Transnet has take-or-pay contracts mainly with large export coal, export iron ore and export manganese corporates, these commodities make up a large portion of Transnet's revenue. The revenue stream from Transnet National Ports Authority and Transnet Port Terminals is highly diversified and the different types of customer segments they serve. Furthermore, the revenue from Transnet Pipelines and Transnet National Ports Authority is regulated by NERSA and the PRSA respectively. Pipelines and National Ports Authority generated annual external revenue of R5,278 million (7.7 per cent. of the Group's revenue) and R10,288 million (15.0 per cent. of the Group's revenue) respectively for the financial year ending 31 March 2022.

Financial Strength

Transnet believes that its financial strength gives it the resources to implement its strategies and to pursue its Capital Investment Plan to upgrade and increase throughput capacity in its network. Transnet has a diversified funding base that consists of local and international banks, local and international capital markets and an active and deep relationship with the development finance community. Through this diversified funding base, as at 30 September 2022, the Group had cash and cash equivalents of R7,692 million on balance and R9,600 million in credit lines available, providing the Company with sufficient resources to implement its strategies and pursue its Capital Investment Plan of R98,928 million over five years to upgrade and increase throughput capacity in its network.

This also comes as a result of the generally positive trends and financial metrics for Transnet. EBITDA increased by 20.5 per cent. to R23.4 billion for Financial Year 2022 (2021: R19.5 billion), interest coverage increased to 2.6x for Financial Year 2022 (2021: 2.1x) and net operating expenses decreased by 5.8 per cent. to R45.0 billion for Financial Year 2022 (2021: R47.8 billion). Whilst COVID had an adverse impact on Transnet's financial and operating performance, resulting in a loss of R8,734 million for Financial Year 2021, a 402.0 per cent. decrease from a R2,892 million profit for Financial Year 2020, the overall business has been recovering in 2022 and the Company has implemented strategy that aims to continue this improvement.

Captive Markets

The sectors of transport, agriculture, mining and manufacturing are high-value earners for South Africa. Transnet, the sole provider of railway transport in the Republic of South Africa, is responsible for the movement and transportation of a significant portion of all bulk commodities within the Republic of South Africa. Alternative transportation methods are believed to be infeasible in the long term due to the continued focus on ecological solutions making continued investment in the creation and maintenance of roads infeasible. These factors lead to the future-proofing of Transnet's revenue stream in terms of freight rail transport.

For Transnet, the automotive and container sectors are considered proxies for both the transport sector, which accounts for 12 per cent. of the forecasted GDP for 2022, and the manufacturing sector, which is the second-largest contributor to South Africa's GDP, at 19 per cent. From the perspective of the mining sector, at 7 per cent. contribution, Transnet transports several mining commodities, including coal, iron ore, chrome, magnetite and manganese. Transnet's transport of liquid fuels and gas are, in turn, proxies for the utility sectors, with the latter contributing 4 per cent. Transnet considers agriculture, also at an anticipated 4 per cent. contribution, a critical contributing sector to its and South Africa's economic recovery in a post-COVID world.

Ability to Capitalise on International Growth in Container Transport and Logistics Solutions

The location of the Republic of South Africa at the southern tip of Africa, between two oceans and on major shipping routes means that Transnet's ports and port terminals, as well as the rail network, one of the top 10 freight railroads in the world as well as the largest freight railroad in Africa, consisting of 80 per cent. of Africa's total rail network, leading from those ports, are well-positioned to continue to capture economic benefits from the international growth in container traffic. Port Terminals is a regional leader in the container, automotive and dry bulk (excluding coal) segments. It is also a market leader in the handling of iron ore and manganese and holds 21 terminal operator licences across the country. Transnet is also the largest multi-product pipeline operator in Southern Africa. Pipelines has the ability to establish strategic terminal import connectivity and capability for the southern hemisphere, particularly in the renewable energy sector. Transnet Engineering supports its rolling stock and its ports equipment and infrastructure requirements as South Africa's largest heavy engineering firm and owner of one of the largest engineering fabrication facilities in Africa. Transnet Property is one of the largest landowners in South Africa, with a diverse property portfolio covering 204 municipalities.

Transnet believes that intermodal container traffic will become increasingly important to the South African economy, based on the increasing importance of container supply chains within global production-sharing arrangements. The cost, speed, predictability, reliability, flexibility and connectivity of container supply chains are key determinants of competitiveness for manufacturers. Transnet believes that its geographic location on the African continent, coupled with its integrated container segment strategy, puts it in a strong position to benefit from growth in container transport.

Well Positioned to Capitalise on the Republic of South Africa's Abundance of Metal and Mineral Resources

The integration of Transnet's freight rail network with its ports allows Transnet to capture a significant portion of the transportation revenues associated with the export of the Republic of South Africa's metal and mineral resources. The Republic of South Africa is believed to have the largest known deposits of chromium, manganese and vanadium. It is also among the largest producers of chromium and has significant deposits of iron ore, coal, manganese, antimony, copper, nickel, lead, titanium, fluorspar, zinc and zirconium. Transnet's network has been able to respond to some of this demand and is well positioned geographically to do so on a cost-effective basis. These commodities are mainly exported, although iron ore and coal are also used by the Republic of South Africa domestically. Transnet Freight Rail has a largely dedicated coal line and a dedicated iron ore line to transport coal and iron ore products for export and manages the rail transportation of most metals and minerals mined in the country.

Robust Link with the Republic of South Africa Government

Transnet maintains a robust link with the Government through the Republic of South Africa's 100 per cent. ownership of Transnet and its oversight on the Company's strategy, funding plans and regulatory frameworks. The Government considers Transnet as one of its key strategic assets for socio-economic transformation and development. Accordingly, Transnet is well-positioned to benefit from Government policies, country transformation and development plans.

Strategy

Transnet's performance has been below expectations since the onset of the COVID-19 pandemic. This is largely due to a maintenance backlog and equipment shortage which hinders operational reliability and predictability. An escalation in incidents of theft and vandalism has exacerbated these challenges. Transnet's performance is directly affected by the combined influences of global macro-economic trends and trade flows as well as the level of economic activity in South Africa. Volume output was adversely impacted by regulations that prohibited mines from operating at full capacity in the interest of protecting the safety of employees. As a result of these and other COVID-19 restrictions that impeded operations, the total volume of South Africa's transported goods decreased by 11.6 per cent. during Financial Year 2021, while South Africa's manufactured exports and GDP declined by 5 per cent. and 7 per cent. in the same time period, respectively. The easing of COVID-19 health orders in 2022 has not yet resulted in full business recovery across Transnet's regional integration operations.

Transnet is therefore seeking alternate sources of capital for investment in the business. The segment strategies propose a number of partnership opportunities to raise the level of investment in the system, and thus capacity. Over and above regulatory alignment, partnerships will inject cash into Transnet through equity transfers, invest directly in new equipment and facilities, and ultimately drive volume growth and densification of the network.

Transnet's implementation plan can be summarised as a set of short-term focused interventions and a complementary set of medium- to longer-term interventions as seen below.

Short-Term Interventions

Transnet continues to focus on its five basic levers of customer service, people, asset utilisation, safety and cost control in order to improve operational and financial performance. The granularity of interventions has deepened and are more focused at the commodity or flow level. Transnet strives to prioritise the following:

(1) **Priority segments and network** – Through a set of focused initiatives centred on driving volume and revenue growth and optimising operational cost and efficiency, directed at selected segments, which account for more than 80 per cent. of the Company's revenue (among others, coal, iron ore, manganese and chrome and magnetite), an estimated 52.4 million tons per annum (mtpa) overall increase in bulk commodity capacity is anticipated to be generated by the end of the five-year period.

(2) **Cash and debt management** – Implementing a robust capital allocation framework that ensures that capital investments (on balance sheet and crowded investments) are aligned to priority segments and networks, focusing on growth in revenue, profitability and growth in market share, while also contributing to debt repayment and liquidity improvement. Targeted capital allocation and improved execution oversight will result in a more productive use of capital and mitigate capital execution risk. Additional capital will be crowded in through partnerships and an example can be made of the anticipated headroom of an additional 7mtpa of coal expected to generate an additional R1.2 billion per annum in revenue through partnership-based co-investment.

(3) **Operational optimisation** – Transnet intends to adopt an operational philosophy aimed at increasing productivity, reliability and availability. This will underpin the improved attractiveness of Transnet's services and thus volume growth. A detailed set of interventions will be developed per priority segment. For export coal, for example, where significant growth opportunities exist, the focus will be placed on the following:
    - Secure and protect electrical infrastructure across high-crime areas on the network through the use of security services;
    - Fast-track the procurement of critical components and services to support operations across the North Corridor and strategic ports (Richards Bay Coal Terminal, Richards Bay Multi-purpose Terminal and RBT Grindrod Terminal);
    - Implement operational breakthrough programmes;
    - Allocate 'mixed' tractive effort, including diesel trains (43D and 44D locomotive types);
    - Prioritise dual-voltage locos (i.e. 21E and 22E locomotive types) to reduce changeover time;
    - Run longer trainsets (where appropriate);

- Allocate underutilised assets to support profitable flows exported via the Richards Bay Multi-purpose Terminal; and
- Ensure that greater volumes can be serviced by Richards Bay Coal Terminal, Richards Bay Multi-purpose Terminal and RBT Grindrod Terminal.

(4) **Strategic procurement execution-** Transnet is reforming its current procurement practices and culture to drive strategic procurement execution of critical components and equipment, as well as security services and technology. The following levers will be utilised to spearhead strategic procurement execution reform:
- Assembling engineering expert panels across Transnet's network and operations profile to identify high priority procurement events; and
- Deploying teams of specialists to support the expedition of high priority procurement events.

(5) **PSP transactions and partnerships** - Through the implementation of the segment strategies, Transnet plans to leverage partnerships to crowd in capital, technology, skills and know-how to turn around its business over the next 3- 5 years. Partnerships will have positive effects on Transnet's overall performance and will also signal to stakeholders that it has the ability to partner effectively. Strategic partnerships will assist Transnet to reposition loss-making business, increase Transnet's ability to recycle capital and support the development of other strategic sectors within the economy.

Longer-Term Initiatives

Over the next three to five years, Transnet strives to focus on taking bold steps towards its envisioned future state which contemplates organisational reform and a reorientation towards a value chain-based view of the market.

(1) Repositioning the business – Transnet plans to commercially separate its network and non-network businesses and enable third-party access to network infrastructure. The network business portfolio will account for the rail network, port network and the pipeline network, while the operations business portfolio will account for rail operations, port terminals, property and engineering operations. This delineation allows the various operations business units to appropriately position themselves within their respective market segments.

Transnet intends to optimise its business portfolio and exit operations or leverage partnerships across parts of the business portfolio where it is inefficient, where the cost to serve the market is uneconomical, and it has become a market constraint. In this instance, a concerted effort will be made towards crowding in capital, skills, technology and know-how. This will have a positive impact on Transnet's financial sustainability, as well as introduce positive externalities on the South African economy.

Focus will be placed on inviting the market to participate, with a view of "selling slots" or "access rights" to its networks where this makes sense from a cost benefit perspective. It is anticipated that Transnet will continue to run heavy haul channels in the current manner, as these operational models have been shown to be the best commercial and institutional model for pit to port rail transport solutions. Transnet's future state will ensure better utilisation of available network infrastructure and a more competitive and efficient logistics system, thereby supporting the national agenda of enabling a globally competitive economy.

The engineering portfolio will be expanded beyond rolling stock to include the port equipment business. Transnet plans to explore possible partnerships for its engineering portfolio with the objective of securing capital, skills, technology and access to markets and customers in the long term.

Transnet's transformation programme is well aligned with the new policy direction and significant steps have already been taken to orient the organisation around the critical supply chains or market segments, attract private sector investment, skills and know-how, give customers greater choice of suppliers and improve the performance of regional trade routes.

For ports, the process of establishing the National Ports Authority as a wholly-owned subsidiary of Transnet is well advanced. This will ensure a more competitive environment in the port terminal operations space and enhanced oversight of port terminal operations to improve their efficiency and effectiveness.

For rail, the accounting separation of rail infrastructure and operations is far advanced, and a pilot project is being readied to release the first tranche of rail capacity to third-party operators during the second quarter of 2022. The contracts are set to commence in April 2023.

In addition, Transnet is also planning to implement a tiered network where Transnet will be the dominant operator on the core network and private operators are dominant on identified areas of the branch network. Both sets of operators will have access to each other's networks at a fair and transparent price. Transnet is also preparing for the commercial separation of rail haulage, terminals and wagons in order to encourage private sector investment in wagons and terminals and a more widespread adoption of intermodal solutions.

(2) Financial sustainability – To manage financial risk, Transnet intends to:

- Prioritise higher-margin commodity flows;
- Consolidate and reduce long-term debtors;
- Develop a sustainable network access pricing regime;
- Conclude the commercial ring-fencing of operations across the network (i.e. accounting separation exercise);
- Collaborate with partners to secure sustaining and expansionary capital for infrastructure and growth; and
- Conclude the right-sizing exercise across its business.

(3) Asset and operational optimisation

Operational improvements and efficiencies will be secured through leveraging technology and crowding in operational reform to drive better utilisation of assets and therefore facilitate volume growth. As a priority, Transnet intends to stabilise the network, improve operational efficiencies and, where necessary, create additional capacity across its port and rail environment to facilitate volume uplift across its priority segments:

- Iron ore to ~67mtpa;
- Manganese to ~22mtpa;
- Export coal capacity to ~81mtpa;
- Containers to 14.5 million twenty-foot equivalent units (TEUs) (realised over the next 10-year period at the port of Durban);
- Automotive to 1.6 million fully-built units (realised over the next 10-year period); and
- Chrome and magnetite volume uplift to ~37mtpa (realised over the next 10-year period).

Transnet plans to achieve improved asset and operational optimisation through the following partnership levers and initiatives:

- Leveraging technology and best-in-class operational practices at the face of operations;
- Improving strategic planning and deviation management practices;
- Ensuring increased levels of equipment uptime across the operational environment;
- Driving strategic maintenance (predictive, preventative and corrective) and engineering practices;
- Returning long-standing assets and equipment to service;
- Exploring opportunities for leasing critical equipment to support operations;
- Executing a strategic approach to people management (crew rostering, multi-skilling crew, shift changes and aligning incentives);
- Driving a culture of 'asset care' in operations;
- Adopting a strategic and pragmatic approach to procurement that will support the operations; and
- Driving the consolidation of similar commodities at port nodes.

(4) Network stabilisation

Ensuring the reliability of its infrastructure network remains a top priority for Transnet. Efforts to secure increased network availability and future growth to facilitate volume uplift will be enabled by the following initiatives:

- Driving security interventions in high-crime areas to secure and protect Transnet's network portfolio;
- Exploring options for selectively de-electrifying its network portfolio;
- Driving strategic maintenance (predictive, preventative and corrective) and engineering practices;
- Adopting a strategic and pragmatic approach to procurement that will support the network business;
- Improving and integrating strategic planning between the rail network business and the port authority (i.e. network and port master plans); and
- Crowding in capital to support sustaining and expansionary activities across Transnet's network portfolio (e.g. increasing nameplate capacity for priority corridors and ports).

(5) People and culture

At the heart of Transnet's future state is its people. The workplace is the interface between employees and service delivery and is therefore critical to Transnet's performance. Transnet plans to enable a work environment that is underpinned by high performance, accountability, ownership and safety within its operations.

Transnet is currently in the process of redesigning its organisational structure to extract value through delayering and right-sizing its business from a people and governance perspective. The organisational redesign seeks to strengthen governance and accountability through the separation of powers between Head Office and Operating Divisions; separate strategy formulation and operations execution; and reduce the wage bill and headcount.

The organisational design and implementation are happening in tandem to fast-track results. Transnet has already secured benefits from its recently concluded voluntary severance package programme.

Continued focus will be placed on the following:

- Redesigning Transnet's organisational structure;
- Ensuring a strategic approach to talent management (workforce planning, training and development and rethinking incentive models); and
- Driving a culture within the workplace that is inclusive and advocates for accountability and ownership.

Economic and commodity outlook

Commodity prices increased in 2021, with some commodity prices reaching all-time highs. Commodity demand and supply dynamics are expected to continue to cause persistent commodity price volatility with changing market dynamics such as the transition away from fossil fuels intensifying this further for many commodities. Transition to cleaner energy is gaining traction and coal is expected to see demand declining over the medium to long term, while demand for cleaner energy sources such as solar, wind, hydro, nuclear and gas will continue to track upwards. Nonetheless, global coal exports are expected to rise by 16 million tons to 920 million tons in 2022, up nearly 2 per cent.

In recent months, the world has experienced lower global steel production, indicating a moderation of economic and industrial output to lower growth rates. There are also production cuts and weakened steel demand in China. Iron ore prices fell to an 18-month low (around U.S.$90 per ton) as of early December 2021, reflecting forced cuts to Chinese steel production and weaker demand for steel in the second half of 2021. Afriforesight expects prices to average around U.S.$80 per ton in 2022.

For manganese, mined supply growth is expected from Gabon and South Africa in 2022 and 2023. Supply is expected to overtake demand and result in downward pressure on prices during 2023.

Afriforesight expects chrome prices to rise in the medium term as stainless steel demand recovers with global growth, while South African primary producers are expected to restrain output growth due to tight margins.

Global sales of new vehicles are forecast to rise by 7.5 per cent. in 2022, growing past 2019 levels. The recovery will be led by Asia and North America. Many vehicle makers will, however, struggle to meet recovering demand amid continuing supply chain disruptions. South Africa's longer-term outlook for this sector is very positive.

Container shipping rates remain elevated in both the spot market and, more recently, the longer-term contracts shippers are signing with the container liners. Afriforesight expects container shipping rates in 2022 and 2023 to be volatile but trend downwards due to easing bottlenecks and declining costs.

Despite a very challenging operating environment, a number of growth and improvement opportunities exist. These opportunities are largely articulated in Transnet's segment strategies which describe the actions to be taken to raise capacity and improve the competitiveness of Transnet's key industry supply chains.

A portfolio of interventions is being managed and executed. The focus and positioning of each key segment is summarised below.

Automotive Segment

The automotive segment is a key national economic contributor, accounting for approximately 4.9 per cent. of South Africa's GDP. The segment has been bolstered by significant investment from industry players and with a further R40 billion committed by 2026. Transnet's role to facilitate and enable this sector is well understood, and constraints to both rail and port capacity and operational efficiencies have necessitated a number of interventions.

Transnet is pursuing a risk-mitigating dual rail channel export solution for the automotive sector, with better rail corridors between Gauteng and eThekwini and Gauteng and the Eastern Cape ports. The port of Durban is planning to almost double in capacity to over 900,000 fully built units and will remain the primary port of export in the long term.

However, constraints on the Container Corridor, between Gauteng and Durban, and anticipated disruptions to the port of Durban through the course of a major revitalisation initiative, have required that work to expand capacity on the corridor servicing the ports of Port Elizabeth (Gqeberha) and East London be prioritised. This channel will be a crucial artery to support the industry, and various partnership-driven funding and delivery mechanisms are in development to ensure that Transnet is able to crowd in private investment to create this capacity as soon as possible.

Automotive focus areas for Financial Year 2023 include initiating partnership transactions primarily for the expansion of capacity at the automotive terminals at the ports of Durban, Port Elizabeth (Gqeberha) and East London as well as the Kaalfontein Automotive Terminal in Gauteng. The partnerships are expected to contribute to growing the capacity of the existing terminals and also to increase the range of services provided by these terminals.

Over and above expanding capacity on rail and at ports, enabling this in the most efficient manner will require deeper partnerships at both inland and coastal terminals. Transnet is also planning to invite third-party rail operators (through slot sales) onto both the Gauteng-East London route and the Gauteng-Durban route during Financial Year 2023 to create additional train capacity in the system.

Containers Segment

The South African container landscape has suffered from two primary challenges to date i.e. (i) underinvestment in port and rail infrastructure and equipment; and (ii) consequent poor operational efficiency, predictability and reliability. A forward-looking and concerted plan to revitalise both port and rail infrastructure and operations has been developed. On the port side, the principle initiatives are aimed at developing the port of Durban as a modern, deep-water port playing the role of a southern hemisphere and Indian Ocean maritime hub with an eventual envisaged capacity in the region of 11 million TEUs. This is a long-term development plan aimed at focusing the port of Durban primarily on containers and automotive exports. In the short term, Transnet aims to conclude a partnership with an International Terminal Operator (ITO) at the Durban Container Terminal Pier 2. The expansion of the Point Terminal is also a priority project for which partners will be sought.

Transnet intends to continue to optimise and develop capacity at the Cape Town Container Terminal (1.4 million TEUs), offering a gateway to regional and European trade, while the Ngqura Container Terminal will see a capacity development programme to 2 million TEUs (predominantly transshipment) and operational transformation undertaken in collaboration with a partner. This is also a priority transaction for Financial Year 2023.

The economy of scale and ability to cater for the new generation of larger and more efficient vessels is anticipated to result in a significant improvement in South Africa’s container supply chains, with estimates of a 20 per cent. reduction in the cost of logistics forecast as a result of these interventions.

The corridor between Gauteng and eThekwini (the Container Corridor) is the main industrial corridor in the country and a greatly improved rail service is required to improve the performance of container supply chains. An efficient, predictable and reliable rail service is a prerequisite for establishing the port of Durban as a hub. Transnet has a number of initiatives planned to improve rail performance on this corridor, including the sale of slots to third-party operators. Third-party operations on the branch lines connecting to this corridor will also be prioritised, either through vertically integrated concessions or third- party access, depending on the market need. Planned partnerships at inland and port terminals are designed to increase capacity at these terminals, but more importantly to raise productivity and efficiency and also increase the range of services provided by these terminals, which are the key enabling elements of intermodal solutions.

An additional challenge in the form of severe weather events occurred as a result of the April 2022 floods in KwaZulu-Natal, which have led to severe devastation. The destruction of roads and factories and the disruption to port facilities is also likely to result in an exacerbation of supply chain interruptions.

Container segment focus areas for Financial Year 2023 include the conclusion of partnership agreements and financial close on the Durban Container Terminal Pier 2 and Ngqura Container Terminal transactions, which will kick-start the rejuvenation of South Africa’s container logistics ecosystem. Transnet is also planning to sell slots on this corridor in Financial Year 2023 and will seek a partner to turn around and reposition the City Deep Container Terminal. In parallel, Transnet is developing a long-term plan for the Container Corridor with international experts.

However, the Container Corridor has been severely impacted by the KwaZulu-Natal floods of 11-12 April 2022. These resulted in the closure of the line between Cato Ridge and Durban, impacting the flow of rail cargo in and out of the Port of Durban. The cost of the infrastructure repair is estimated at R2.39 billion. This excludes business interruption costs (estimated at R1.3 billion) and cost of damage to property, rolling stock and other equipment. A single access route has been opened on 12 June 2022 with reduced train slot capacity. The second access route will be repaired and opened by the end of September 2022, releasing additional slot capacity. The repairs of the signalling system in the Durban complex Phase 1 work is to be completed end of March 2023, restoring 90 per cent. of the slot capacity.

Coal Segment

Coal, particularly export coal, has for many years been a backbone commodity for both Transnet and the South African economy. Transnet acknowledges the significant international and local movement away from coal towards green energy production and, as such, the priority for the segment is the operational optimisation of logistics chains to improve the return on invested capital as far as possible for both Transnet and the industry at large, while expanding operational capacity from

74mtpa to 81mtpa. In addition to export coal, domestic coal utilised for power generation is an area where opportunities for optimisation abound. Transnet is undertaking strategic discussions with Eskom on the way forward for a logistics partner-driven solution to utilise spare rail capacity to reduce road congestion and improve on costs associated with delivering coal to various power stations.

Coal focus areas for Financial Year 2023 are primarily on operational efficiency initiatives, expansion of the rolling stock fleet and the creation of an enabling environment for future consolidation of coal exports along the lowest-cost supply chain. This includes commercial and partnership-based arrangements regarding funding of required investments. In addition, a joint plan and roadmap between Eskom and Transnet guiding the future of domestic coal logistics is a key objective for delivery.

Chrome and Magnetite Segment

With South Africa producing half of the world's chrome ore, the clear focus is on stability, efficiency and risk reduction of the broader supply chain.

With chrome ore being a strategic commodity utilised in the production of stainless steel among other products, it is imperative that capacity and resilience of the supply chains are prioritised. With this in mind, a dual-channel approach to the export of chrome ore (and the adjacent magnetite ore) is the primary focus for Transnet. This entails a partner-driven expansion of capacity at the port of Richards Bay to 26mtpa, in addition to a strategic partnership with regional players to improve capacity and efficiency of exports through the port of Maputo to over 11mtpa. The capacity expansion is planned to accommodate the migration of chrome and other bulk commodities from the port of Durban, which will allow for additional rail servicing of the multiple commodities planned to be exported via the port of Richards Bay. In line with the planned rail operating model overhaul, wagons are anticipated to be sold to private operators, and Transnet intends to offer hook-and-haul services for these wagons.

Chrome and magnetite focus areas for Financial Year 2023 include the development of a pre-feasibility business case and associated roadmap for the planned capacity expansion of export capacity via the port of Richards Bay, in parallel to planned operational efficiency enhancements at the port planned for Financial Year 2022 but delayed as a result of the conveyor belt and related infrastructure fire damage sustained. In parallel, Transnet intends to strengthen collaborative ties with the port of Maputo, driving volume growth and creating capacity in the short to medium term while Richards Bay repairs and capacity expansion are effected.

Iron Ore Segment

Iron ore is a key anchor commodity for Transnet, and the business is seen as an innovative global leader in bulk commodity logistics. Recent underinvestment has led to spiralling challenges regarding operational reliability and efficiency, however, Transnet has developed a strong action plan to restore this line and expand capacity to meet growing demand in the medium and long term.

Growth in capacity requires addressing capacity constraints both on rail and at the port, with Transnet taking on board and prioritising stakeholder concerns raised regarding the environmental and health impact of current operations. The air emissions license restrictions present a key challenge to increasing bulk mineral exports through the port of Saldanha. A strategic health and environmental assessment has been commissioned and will guide operations and investment planning for expansion solutions under investigation. This is applicable to both iron ore and manganese, due to the common facilities, operating model and perceived impact of operations.

Emanating from this study, capacity and operational improvements to the Sishen-Saldanha rail line and rolling stock will be effected, in addition to partnership-driven investment in capacity at the port of Saldanha to increase capacity on the line to 67mtpa in the medium term, with a roadmap to increase further determined by the needs of the market and industry to an estimated 77mtpa.

As part of the transition to a partner-inclusive rail model, iron ore wagons are intended to be among the first to be sold to private operators, acting as a catalyst and blueprint for the future sale of wagons serving other commodities. Transnet intends to support rail operations on the corridor through a hook-and-haul operating model.

Iron ore focus areas for Financial Year 2023 include pioneering the sale of wagons and developing the required enabling environment for future wagon sale events including associated commercial, operational and related matters. In addition, a clear sustainable expansionary roadmap will be developed for the port of Saldanha, including planning for partnership or alternative funding-related processes to expand capacity at the port of Saldanha and the iron ore channel.

Manganese Segment

The manganese export market is a significant growth market, with strong demand for additional capacity in the medium to long term. For example, in Financial Year 2022, record weekly railed manganese, 0,356 million tons, resulted in increased exports. Although Transnet intends to expand capacity at the port of Saldanha to 6mtpa, there is limited opportunity to meet demand via this port. In response, Transnet has prioritised the utilisation of installed infrastructure to enable partner-driven development of a new world-class bulk export solution at the port of Ngqura capable of exporting 16mtpa. Supporting this, a long-term roadmap is in development to consider alternative ports of export, including considerations around the port of Boegoebaai, while all solutions and current operations considered in both the medium and long term will be built on the framework created by the strategic health and environmental study being undertaken.

The port of Ngqura capacity is being fast-tracked to respond to urgent industry requirements, with rail capacity expansion to be delivered in parallel. The planned heavy haul rail operations require that Transnet maintain an onboarding channel for junior miners, planned to continue via the port of Cape Town Multi-purpose Terminal (~1mtpa). This onboarding channel is intended to support emerging miners not yet in a position to comply with the requirements of the high-efficiency heavy haul line specifications, in effect reducing the barrier to entry at lower volumes. In total, Transnet intends to create at least 22mtpa of efficient bulk export capacity in the medium term, with future expansion plans to be determined by market and industry-aligned planning.

Manganese segment focus areas for Financial Year 2023 include the conclusion to financial close of a partnership-based development of a 16mtpa bulk manganese export terminal at the port of Ngqura, the development of a business case and roadmap for the associated rail capacity expansion along the South Corridor, and the sustainable solution development roadmap for the expansion of manganese export capacity at the port of Saldanha.

Energy (liquid fuels and gas) Segment

The liquid fuels and gas markets play key roles in the current and future energy mix for South Africa, and Transnet's role as a critical logistics enabler for the markets defines the organisation's positioning and investment planning.

From a liquid fuels perspective, a strong international trend away from fossil fuels has informed projected flattening demand for liquid fuels capacity, which, in turn, has led Transnet to re-plan the step-up phased multi-product pipeline expansion programme. Projections currently do not warrant moving forward with increased main line capacity and instead, Transnet is seeking opportunities to broaden market access to the pipeline while minimising planned investment. The Transnet Fuel Import Terminal at the port of Durban will be a partnership-delivered common user liquid fuel import facility, aimed at maximising utility from installed assets and minimising the need for new investment. The initiative is intended to act as a catalyst for historically disadvantaged entrants into the market, driving volume uptake on the multi-product pipeline, with increased volumes ultimately reducing the cost per litre of fuel to the market and driving growth in pipeline market share.

The natural gas segment is a fledgling market in South Africa, currently accounting for only 3 per cent. of South Africa's energy mix. This, however, is projected to evolve as a complementary power-generation capacity, helping to close the gap between peaking capacity requirements and baseload capacity. Complemented by increasing projected volumes of gas available regionally, and the recent discovery of potentially significant offshore reserves, Transnet's role as an enabler for this more fuel-efficient energy source is quickly escalating in significance.

Currently, partnership-driven investments to support three key natural gas entry points are planned at the ports of Richards Bay, Ngqura and Saldanha. The Richards Bay and Ngqura investments are currently being fast-tracked to align with planned anchor investments in peaking power-generation facilities in the respective industrial development zones, with the added potential to link to the Lilly Pipeline from Richards Bay. Virtual pipelines via rail or road are under consideration for the Ngqura and Saldanha investments to enable inland and regional market access, with a multitude of potential applications to be facilitated.

On the green fuels front, a significant amount of focus is being placed on the development of green hydrogen, with South Africa notably well positioned for both production and export of the in-demand commodity. According to a recent study[18] green hydrogen is expected to experience a compound annual growth rate of 54 per cent. from 2021 to 2030, growing from the current U.S.$1.8 billion to an estimated market size of U.S.$89 billion for the period. Investigations into options in the Northern Cape are underway, with vast renewable energy potential via solar power generation paired with the potential development of manufacturing and export facilities at the port of Boegoebaai creating an ideal opportunity to play a role in the development of this market.

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[18] Precedence Research: Green Hydrogen Market – Global Industry Analysis, Size, Share, Growth, Trends, Regional Outlook and Forecast 2021 – 2030, January 2022.

Energy segment focus areas for Financial Year 2023 include the completion of the partner procurement or similar co-funding agreement process for three transactions, namely the development of the Transnet Fuel Import Terminal Project at the port of Durban, the natural gas import facility at the port of Ngqura and the natural gas import facility at the port of Richards Bay.

Agriculture Segment

The agriculture segment is of national strategic importance, particularly when considering the Economic Reconstruction and Recovery Plan. The sector has unmatched potential for job creation and in several areas is forecast to have strong economic growth potential. The main challenge with Transnet's involvement in the sector is the lack of density and seasonal nature of the commodities exported, creating significant viability challenges for investment in infrastructure and equipment.

The partnership philosophy, however, creates an ideal opportunity to work with the private sector to create an enabling environment to support development and expansion of this sector, and catalyse an economic resurgence of many rural areas of the country. The grain sector will be supported through a series of partnerships for branch lines serving regional agricultural hubs. In addition to partnership-developed storage and loading facilities on underutilised Transnet land, third-party access to branch lines and private wagon ownership will be encouraged. Port export capacity will be increased through a combination of containerised exports and the upgrade and repurposing of grain elevators in Durban and East London.

The fruit market is forecast to be severely constrained without a viable intermodal strategy to serve this high-growth and high-value export market. The industry presents challenges to serve due to the strict cold chain industry requirements, particularly taking into account destination market compliance demands, and effective rail-based transport is the only economically sustainable solution from a volume, compliance and green transport perspective.

Responding to the needs of this market demands a collaborative approach, particularly taking account of the end-to-end cold chain accountability requirements. A similar approach is being developed for the grain strategy, entailing:

- The concession of specific branch lines supporting the industry;
- The partnership-based development of inland reefer terminals;
- Sales of slots to third-party operators; and
- Expanded reefer capacity at various port terminals including the Cape Town Container Terminal, the Durban Container Terminal and the Ngqura Container Terminal.

The Financial Year 2023 focus areas and commitments for the agricultural segment are currently in the process of being finalised in conjunction with the various internal and external role players, with the key deliverable for the period being a committed roadmap and partnership strategy for the segment.

Strategy Takeaways

Despite a very challenging operating environment, Transnet's organisational improvement and reform plan has registered progress. Levels of uncertainty related to the COVID-19 pandemic are constantly declining and new ways of working are becoming increasingly embedded. This environment of increasing confidence and stability will provide much needed support to Transnet's programme of action. Going forward, greater emphasis will be placed on more disciplined implementation of the programme of action.

Transnet is committed to transformation that will improve the competitiveness of the country's freight system. The implementation of the strategy will grow Transnet freight volumes, especially in the spaces where the Company has a strong competitive advantage such as heavy haul rail solutions.

In areas which are more diverse and dominated by more complex supply chains, such as containers, automotive and agriculture, Transnet aims to work with partners, to create better access to the railway network and develop intermodal solutions for these markets. The successful implementation of the strategy will bring additional revenue to Transnet and will also offer more competitive and diverse solutions to customers in these segments.

The substantial increase in capacity that is needed to achieve Transnet's strategy is expected to be attained through a combination of efficiency improvements and the investment of approximately R98.9 billion on capital investment over the next five years.

PSP

Closing the infrastructure gap is critical to ensuring the Republic of South Africa's future economic growth and realising the Republic of South Africa's developmental goals, such as job creation and broadening the base of participation in the economy.

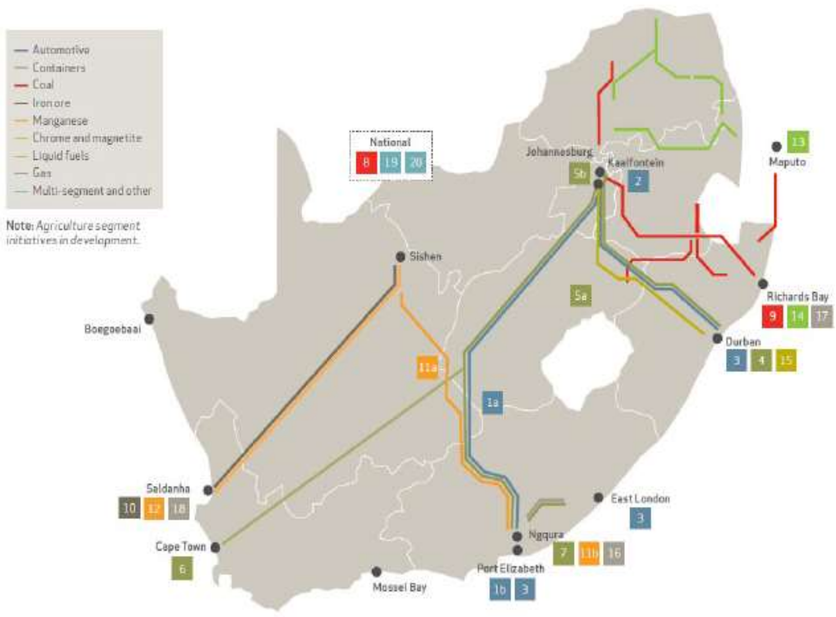
The competitive conditions are different for each supply chain and Transnet's strategies are deployed to respond to the specific needs of various market segments. There are ongoing efforts to attract PSPs in the delivery of infrastructure:

- For bulk commodities, primarily the mining industries, the value chains established by Transnet are effective and its operating models are in many cases considered world-class, hence Transnet is not seeking to disrupt the status quo of how the supply chain operates. Instead, the predominant focus is to crowd in private sector capital to augment and increase capacity on the various established value chains.

- For manufacturing and related commodities, predominantly referring to automotive, containerised goods and agriculture, Transnet is driving a radical shift to enable direct involvement of the private sector to improve viability of rail and inland terminals. This also includes investment in capacity creation by the private sector, but over and above this, Transnet is repositioning itself both as an operator, but also as an infrastructure provider for third-party operators.

The PSPs are a key enabler of Transnet's overall key commodity segment strategies, focusing on strengthening integrated commodity supply chains to improve performance, business turnaround, drive up volume throughput and create additional capacity for the different segments.

Transnet has identified areas that the private sector could assist to meet the objectives set for particular business units within the different segments. A portfolio of interventions is being managed and executed. A high-level overview of the portfolio is presented as follows:



Rail routings are approximations for illustrative purposes.

There are many reasons for these partnerships including capital, skills and technology. Transnet's approach, when identifying a business unit that could achieve better growth and performance with the assistance of the private sector, is to assess the business case for a PSP, define the ask from the market and assess market interest in the transaction. The transaction structure and strategy for each business unit is dependent on the objectives that are planned to be achieved through the partnership.

PSPs are intended to establish long-term sustainability and successful partnerships with the private sector and leverage private sector resources in line with the following strategic objectives:

- to expedite infrastructure development and capacity creation;
- to improve the Republic of South Africa's logistics service offering;
- to unlock private sector investment; and
- to optimise the developmental impact on the economy.

In pursuit of these strategic objectives, PSP transactions provide certain key benefits as an alternative form of procurement, which can transfer risk and broaden the base of participation in the economy. PSP also leverages private sector skills and capital, which alleviates pressure on Transnet and Government funding capacity. Transnet has implemented PSP successfully through branch line concessions and its partnership with Barloworld Logistics for the ArcelorMittal distribution hub.

The Directors believe that pursuing PSPs in the funding, execution and operations of infrastructure projects is critical to expediting and ensuring the complete delivery of the Segment Strategy objectives.

As the Republic of South Africa's freight logistics provider across rail, ports and pipelines, Transnet plays a critical role in the development of many key economic sectors in the South African economy including minerals and mining, intermodal container traffic, automotive and others. The inclusion of PSPs in the broader delivery of Transnet 4.0 and the Segment Strategy, the Group strategy of FY 2020 and FY 2021, respectively, was mandated by the Shareholder, through the Shareholder Representative. This has further been endorsed by the Group Exco and the Board of Directors as part of Transnet's corporate targets and objectives. Furthermore, support for increased PSP is provided for in legislation such as the Ports Act, which encourages private sector investment in the provision of port services and facilities.

Transnet has developed a portfolio of PSP opportunities to support its strategic objectives, primarily focused on bulk commodities (iron ore, manganese and coal) and intermodal container transport, but also including some non-core asset classes.

The coal and bulk commodity PSP projects being developed are intended to:

- increase the number of inland loading and common user facilities for coal and manganese; and
- increase wagon capacity through ownership of specialised wagon fleets by the private sector.

The intermodal and container PSP projects being developed are intended to:

- construct an additional deep-water container terminal, the Durban dig-out port; and
- increase the number of inland freight hubs, such as the Tambo Springs inland port.

Transnet is also developing PSP models for specialised and non-core assets, such as non-core properties, branch lines and agriculture terminals.

Further, Transnet 4.0 envisaged PSPs as a critical component of the Group's expansion into Africa and other emerging markets, including the Middle East and South Asia, a vision the Segment Strategy has also adopted. Transnet's activities beyond the Republic of South Africa will be co-ordinated by TIH, a wholly owned subsidiary of Transnet which was approved by the Board, the DPE and the Minister of Finance. TIH became operational during Financial Year 2018.

Funding

Transnet has a robust, structured and well-articulated funding strategy, the overall objective of which is to ensure that Transnet has sufficient liquidity to meet its requirements without breaching the key financial covenants as agreed with various lenders and to, in parallel, reduce the cost of funding. Transnet utilises a pre-funding strategy whereby it seeks to raise funding ahead of demand and to ensure that its R13.3 billion call loan facilities with various banks remains unutilised as far as possible, keeping its liquidity buffer intact.

The funding plan also involves diversifying cost-effective funding sources, exploring innovative funding solutions for projects, ensuring continuous sufficient liquidity and managing financial risks.

Transnet intends to finance the capital expenditure and debt redemptions with cash from operations, the DMTN Programme, the Programme, domestic issuance of commercial paper and bonds, bank loans, export credit agency-backed finance and loans from development finance institutions. Management is constantly reviewing its capital expenditure programme with the aim to prioritise maintenance and embark on bankable over expansion projects unless expansion projects are supported by validated demand.

Leveraging funding through segment strategies

The segment strategies will enable Transnet to access alternative external funding sources at a segment level through PSPs. Transnet is currently identifying portfolios of PSP projects in the context of the segment strategy targeting the following objectives:

- Broadening the available finance pool to expedite infrastructure development and capacity creation;
- Leveraging private sector skills and expertise in the provision of a world-class freight logistics network;
- Seeking partnerships to grow market share;
- Enhancing operational efficiency;
- Providing risk mitigation and an alternative procurement methodology for large infrastructure projects; and
- Positioning Transnet to contribute to the transformation and development mandate within the broader economy.

PSP models will therefore be pursued where:

- The required investments are either unaffordable to Transnet alone or are complementary to Transnet's strategy;
- Specialised assets can be owned by private parties and operated by Transnet or vice versa; and
- Business opportunities within ports, rail and pipelines are non-core to Transnet's strategy.

Each PSP transaction will be aligned with the segment strategies and will be structured for the holistic segment's supply chain, specifically avoiding a fragmenting approach to South Africa's freight transportation network. Segment projects are undergoing an in-depth project examination to map operating cash flows over the planning and project periods.

Human Capital Strategy

In order to ensure that Transnet is able to attract and retain talented employees, despite its large, widely dispersed and aging workforce, Transnet plans to continue to devote significant resources to training and development of existing and new employees to meet the current and evolving skills requirements of the Group, the establishment and implementation of career development programmes as part of the talent management process and the development of future leaders through succession planning initiatives. See "*Risk Factors—Transnet is dependent upon key personnel, skilled and highly-skilled employees*."

Transnet has adopted talent management and succession planning for all levels of management and spent R463 million or 1.6 per cent. of total personnel costs on training in Financial Year 2022 and plans to spend 2.3 per cent. of personnel costs on training in Financial Year 2023. Furthermore, Transnet is currently implementing plans to increase the number of apprentices, engineers and engineering technicians by 10 per cent. per annum. Through such training and career growth initiatives, Transnet has historically met, and in the future expects to exceed, its demand for such skills. As a result, Transnet believes it helps to educate a workforce equipped to assist in the growth of the South African economy as a whole. Additionally, Transnet is committed to targeted recruitment in order to obtain the most skilled workers, as well as to bolster the number of under-represented groups, including women and those with disabilities, to achieve equality in the work place and to develop talented employees for leadership roles. Transnet has also instituted performance-based pay incentives to attract and retain talented employees across all levels of seniority.

Risk Management and Effective Governance

The management of risks and optimisation of available opportunities is a key measure to the success of Transnet and achievement of its strategy. In pursuit of its realisation, the Company has over the years implemented a risk management process that seeks to provide reasonable assurance that all its business-related risks will be effectively managed and, where possible, its opportunities seized. To this extent, the Company has implemented its Integrated Risk Management Policy and its ERM Framework to guide risk management implementation. The Integrated Risk Management Policy is reviewed by the Board on a regular basis to ensure its adequacy, effectiveness and relevance in supporting and guiding the evolving risk management environment within Transnet. The Board approved the reviewed policy in December 2020 in order to provide direction regarding the management of risk to support the achievement of corporate objectives, protect employees, stakeholders, business assets and ensure financial sustainability.

To further enhance business performance improvements and eliminate inefficiencies, Transnet has developed and implemented its TIMS Programme, to drive standardisation, improve business response and agility. To this extent, the Company prides itself on attaining Integrated Management Systems certification in line with ISO 45001:2018, ISO 14001:2015 and ISO 9001:2015. The achievement of these is noted as one of the exemplary milestones within the industry in which Transnet operates in and underlines that Transnet as a business is in the right trajectory of its journey to achieve world-class level performance standards. As a result, a majority of company operations are covered by ISO certified management systems. The standardisation of management systems also brings about better opportunities to establish standardised tools and platforms that enable real time performance monitoring, thereby strengthening Transnet's assurance capabilities and improving its control environment.

To bolster Transnet's business resilience and continuity initiatives, the Company has developed a Business Continuity Strategy and developed plans for its respective Operating Divisions and Transnet Corporate Centre functions, which are continually updated. Simulations are conducted regularly to test these plans for effectiveness. These measures have been taken to mitigate the challenges of future, potential high-impact risks. Some of these previous high-impact risks, both from a strategic and operational perspective, that threatened our service offering were, the July 2021 nation-wide social unrest as well as the cyber security incident in July 2021, which led to a full shutdown of the Group's IT system, the ongoing electricity challenges and the severe weather challenges with the most recent floods experienced affecting the Port of Durban. The occurrence of these challenges has had a severe impact on our business. To effectively mitigate any adverse effects of such adverse events and to ensure continuity of operations, Transnet has established Nerve Centers, to be activated during emergencies, ensuring that such events are monitored and responded to with appropriate mitigation strategies. The Nerve Centers are integrated throughout our business operations, at strategic, divisional and operational levels. These developments have resulted in minimal discontinuity of service and in other cases the fast-tracked turnaround in the resumption of services.

To mitigate risks and ensure continuation of the business, Transnet acquires insurance for the Company on an annual basis to support the Company in recovering from any adverse effects that Transnet's internal mitigating strategies are unable to adequately address. Transnet's focus is on ensuring that we continue to improve the current control environment to effectively mitigate against all risks. There is constant engagement with the insurers through regular reviews conducted within Transnet's operations so that Transnet can implement appropriate initiatives to address any gaps identified. To this extent, Transnet has developed and implemented the Board approved Insurance Strategy to improve the current control environment and ensure adequate insurance coverage, which is underpinned by succession planning. The purpose of succession planning in Transnet is to identify high performing, high potential employees with the ability to advance to positions of higher responsibility than those they currently occupy; to ensure the systematic and long-term development of individuals and enable a supply of talented individuals as a reliable talent pipeline or bench strength when critical and priority positions become available to meet the organisational needs; and to ensure business and operational continuity, and sustainability of the organisation by ensuring that the right people, with the right skills, are in the right job, at the right time.

Transnet continues to strive towards a maturity level where risk management is an integral part of its business initiatives and is proactively used to support day-to-day decision making within the Company. Transnet has revived its risk management plans to adapt to the ever-changing risk landscape and the business environment within which Transnet operates.

To guide the maturity of our risk management processes, Transnet has developed the Maturity Roadmap to guide and measure the success of Transnet's initiatives and their effect in changing the risk culture. Transnet is currently at Level 2 (Basic maturity level) of its Maturity Roadmap. Level 2 consists of risk management being applied consistently, but with limited standardisation and with some formal processes in place. Transnet has seen significant progress in moving towards its desired maturity state, which would be Level 4 (Mature maturity level), where the organisation is proactive in risk management; risk management is consistently and fully implemented across the organisation; key risk indicators are used for major risks; and risk management processes are monitored and reviewed for continuous improvements.

To further progress on the Maturity Roadmap, Transnet will strive to drive the following focus areas:

- Transnet will capacitate employees through training and awareness in risk management;
- Transnet will continue to seek areas of further integration to minimise business waste;
- Enablement of dashboard reporting systems;
- Continued development and usage of a 'crucial conversation' platforms; and
- Through execution of its Centre of Excellence projects, Transnet intends to source an integrated digitisation platform to support risk management initiatives and enable a pro-active risk management environment amongst other agility drivers.

Furthermore, integrated audits sprints have been instituted across assurance functions such as Risk, Sustainability and Compliance. This, in turn, has improved adequacy and effectiveness of assurance and responsiveness to risk findings.

The ultimate responsibility for the management of risk resides with the relevant managers. Accordingly, Transnet has implemented a robust governance process that ensures the reporting and escalation of business critical risks to the appropriate governance levels, including the Board and the Shareholder if necessary, to support effective decision making. The risks identified by the Group are monitored and evaluated by the various governance structures of the Group. These structures are as follows:

Governance structure

Board Committees

The Board has various committees that are governed in terms of charters that outline their terms of reference, composition and roles and responsibilities. Two of these committees, the Audit as well as the REMSEC Committees are statutory committees established in terms of the Companies Act. The Shareholder Representative appoints members of the Audit Committee and confirms members of REMSEC annually at the Company's AGM, based on the relevant experience and skill sets required. The remaining non-statutory committees are prescribed in terms of the Memorandum of Incorporation and also function in terms of their charters.

<u>Audit Committee</u>: The Audit Committee functions, composition and required skills are prescribed in terms of section 94 of the Companies Act. The primary purpose of the Company's Audit Committee is to, amongst other aims, provide oversight on the integrity of financial controls and integrated reporting, identify, and manage the Company's financial risks, receive and deal appropriately with any concerns or complaints relating to accounting practices and internal audit, the content or auditing of the company's financial statements, internal financial controls of the company and any related matter. The Audit Committee also assists the Board in discharging its duties relating to the safeguarding of assets and the evaluation of internal control frameworks. The Audit Committee is required to review and assess the integrity and effectiveness of the accounting, financial, compliance and other control systems through an integrated assurance process adopted by the Group.

<u>Remuneration, Social and Ethics Committee</u>: The functions of REMSEC are governed and regulated by section 72 of the Companies Act and regulation 43 of the Companies Regulations (published under GN R351 in Government Gazette 34239

of 26 April 2011). The committee plays a vital role in promoting good governance practices within the Company and aids the Board in setting remuneration policies. The functions of the Committee mainly centre around five categories, namely, social and economic development, good corporate citizenship, environmental, health and safety concerns, consumer relations and labour and employment. REMSEC determines and articulates the ethical standards of the Company, as per the Code of Ethics, and ensures that the Company takes measures to achieve adherence to the Code of Ethics in all aspects of the business, thus facilitating a sustainable, ethical corporate culture within Transnet. REMSEC aims to ensure that the Company's corporate, social environment and employment policies and standards are aligned with applicable regulatory requirements and have due regard for the social and ethical standards and objectives of the Company. It also ensures that the succession planning policy is implemented for members of the Group Exco and Extended Executive Committee, which comprises General Managers.

<u>Risk Committee</u>: The Board has delegated the responsibility for the quality, integrity and reliability of the Group's risk management policies, frameworks, and processes to the Risk Committee. In order for the Risk Committee to provide an independent and objective oversight of the risk management function within the Company, it reviews and assesses the integrity of the risk control processes and systems. The Risk Committee further ensures that the risk policies are implemented effectively and in accordance with the ERM Framework and reviews the relevant statements for disclosure in the Group's annual report, including the Risk Tolerance Levels and Risk Appetite Statement.

<u>Corporate Governance and Nominations Committee</u>: The purpose of the Corporate Governance and Nominations Committee is to assist the Board to ensure that the highest standards of corporate governance are set and followed within the Company. The committee sets the criteria for the nomination of directors to the Board, the Board Committees, the Transnet Pension Funds Board of Trustees, associate Companies and subsidiary boards and ensures that a succession planning policy is implemented in respect of non-executive directors and the executive directors, among others. The Corporate Governance and Nominations Committee has to maintain the Company's Corporate Governance Framework and monitor and ensure disclosure of repeated regulatory penalties, sanctions, fines, contraventions or noncompliance with, statutory obligations, whether imposed on the Company or Board members.

<u>Finance and Investment Committee</u>: The Finance and Investment Committee's mandate is to consider and oversee the review of Transnet's procurement and provisioning systems, monitor compliance with procurement policies and practices, monitor trends in procurement spend, consider strategic acquisitions and disposals and make consequent recommendations to the Board, consider potential PSP models and approve acquisitions (where so delegated by the Board).

Divisional Executive Committees

The purpose of each Divisional Exco is to assist its CE in guiding and controlling the overall direction of the relevant Operating Division in line with regulatory and Company requirements. Each Divisional Exco oversees the relevant Operating Division's operational and tactical activities to ensure that the strategy is successfully implemented including, but not limited to, the relevant Operating Division's financial and operational risk management and the Operating Division's culture, ethics and governance. Each Divisional Exco reviews decisions taken by its supporting structures, and takes decisions referred to it for consideration. Transnet has the following Divisional Excos: the Freight Rail Committee; the Engineering Committee; the National Ports Authority Committee; the Port Terminals Committee; the Pipelines Committee; and the Property Committee.

Group Exco

The Group Exco assists the GCE to guide and control the overall direction of the business of Transnet and acts through the GCE, as the medium of communication with the Board of Directors. The Group Exco provides strategic direction to the business and provides sufficient direction to the Operating Divisions to ensure that the strategy is successfully implemented.

The Group Exco is supported by the following sub-committees:

<u>Group Investment Committee</u>: The Group Investment Committee ensures that the resources that the Group invests for the creation of capital assets are strategically managed and that such investments comply with applicable risk management processes and that targeted returns are achieved.

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

- Ensure that the resources Transnet invests for the development and execution of capital investment projects and programmes are allocated and managed strategically and with requisite diligence;

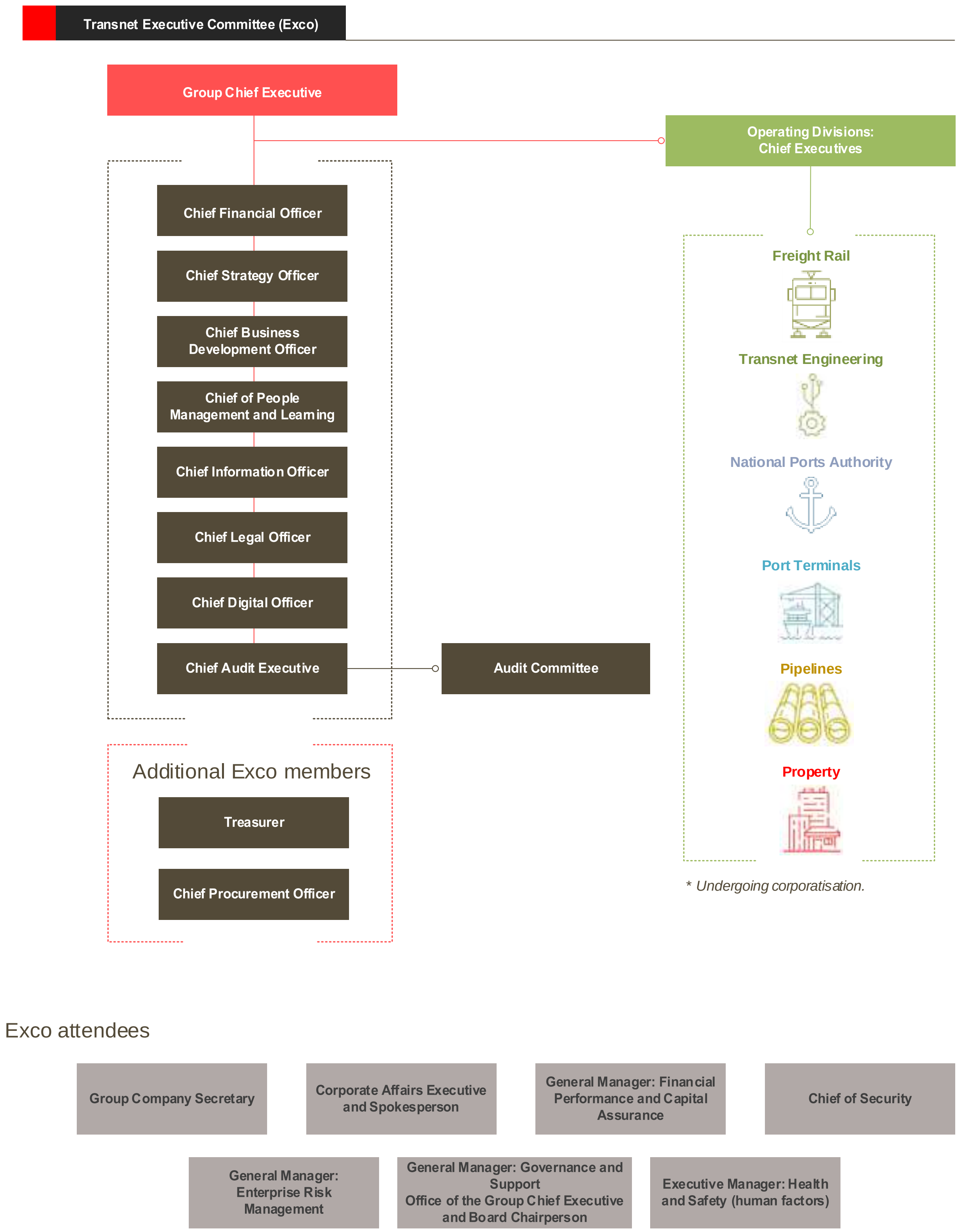
- Ensure that the resources Transnet invests in partnerships with the private sector and other state-owned companies are allocated and managed strategically and with requisite diligence; and

- Oversee property-related investment decisions, monitor execution and review post implementation success.

<u>Central Bid Adjudication Committee</u>: The Committee provides an oversight role in Transnet procurement processes and is supported by Divisional Bid Adjudication Committee which are mandated to ensure that proper governance exists in acquisition processes as well as in the execution of such processes.

<u>Safety Committee</u>: The Committee ensures the quality, integrity and reliability of Transnet's management and performance. The Committee is expected to, among other functions, oversee safety related management policies, processes and strategies as well as the development and effectiveness of internal controls and safety management programmes to the Group Exco and the Board for approval. The Safety Committee is also responsible for approving safety related standards, guidelines, processes and procedures and is required to review, assess and monitor safety performance and compliance with Company standards and applicable legal and regulatory requirements.

<u>Transnet Corporate Centre Executive Committee</u>: The Committee provides strategic leadership to Transnet and is supported and guided by the Board of Directors. The following diagram illustrates how the Group Exco is constituted:



Health and Safety

Transnet strives to operate in and maintain a safe and healthy workplace. It is committed to compliance with the broad and safety relevant regulatory universe provision and permutations, with priority focus given to South African Occupational Health and Safety Act 85 of 1993 and its requisite regulations. Transnet pursues international and best practice standards through its TIMS which is aligned and accredited ISO 45001 for Health and Safety practices and applications.

Transnet has adopted a Zero Harm vision, underpinned by the belief that workplace and public injuries are preventable. It thus aims to minimise workplace injuries and both employee and public fatalities resulting from business operations and keep them at the lowest practicable rate.

Transnet's current initiatives to improve its safety performance include proactive emergency and hazard identification, as well as management, through risk assessment processes, training skilled safety personnel, implementing safety management systems (including planning accident responses based on various scenarios and community education initiatives), providing on-going safety awareness, providing appropriate safety equipment across its various sites, ensuring the maintenance of infrastructure and continuously re-engineering to mitigate risks at their source.

One of the more notable issues for Transnet, due to its business operations, are the occurrence of fires, with 2,898 fires having occurred in the past 5 years. To address this, Transnet has established a Group Fire Management Project, which focuses on working and sufficient fire equipment, competent and skilled fire personnel appointments and advanced fire training.

Operations

Transnet is the largest part of the freight logistics chain that delivers goods across the Republic of South Africa. Transnet operates as an integrated freight transport company, formed around a core of five complementary Operating Divisions: Transnet Freight Rail, Transnet Engineering, Transnet National Ports Authority, Transnet Port Terminals and Transnet Pipelines, each of which is discussed below, in addition to Transnet Property, as part of the Other Division.

Transnet Freight Rail

Services

Transnet Freight Rail provides the railway infrastructure for the transport of goods in the Republic of South Africa including lines, yards and goods sheds as well as rolling stock, depots and storage. Transnet Freight Rail is focused on three key types of freight: general freight (which includes coal and iron ore for domestic use in the Republic of South Africa and exports, which are transported along the national main line corridors between economic and mining hubs in the Republic of South Africa), export coal and export iron ore.

In Financial Year 2022, Transnet Freight Rail achieved 173.1mt in volume of freight transported compared to 183.3mt in Financial Year 2021. Operating costs for Financial Year 2022 amounted to R26,514 million as compared to R25,145 million for Financial Year 2021. This marginal increase was primarily due to personnel costs (excluding training) that increased by 4.9 per cent., mainly due to an increase in bargaining unit salaries in line with the wage agreement, as well as voluntary severance packages granted. Fuel and electricity costs increased by 21 per cent. and 22 per cent. mainly due to higher prices paid for diesel and electricity compared to the prior year. However, the remaining operating expenses recorded an 8.4% reduction despite an increase in security costs linked to increase in incidents rates.

This resulted in a EBITDA of R11,298 million for Financial Year 2022, a decrease of 21.0 per cent. from R14,303 million in Financial Year 2021.

Strategy

Transnet Freight Rail is the largest Operating Division of Transnet by revenue and assets. Transnet Freight Rail is committed to its segment strategy, consisting of a focus on the implementation of tactical initiatives to support Transnet's strategic focus areas, improve operational efficiency and bring about significant improvement in customer service. Some of the key initiatives in this regard include:

- Accelerating infrastructure rehabilitation to MICA A standards to improve the condition of the rail network and reinstating full slot capacity by securing long term supplier contracts and improving interfaces and maintenance arrangements with the PRASA;

- Reducing security incidents through the expansion of intelligence gathering capabilities through the deployment of technology and outcome-based security solutions and strengthening local relations with communities along rail reserves;

- Adopting a zero tolerance to safety incidents by implementing industry-led COVID-19 solutions and the rehabilitation of service roads to reduce accidents and improve response time;

- Intensifying collaboration with other Operating Divisions and Government towards initiatives to improve rolling stock, wayside motoring technologies, components and offloading equipment availability and reliability;

- Centralising cross-Operating Division value chain planning and prioritising sustaining capital to drive technical operational improvements and improve network velocity, reduce cycle times, on-time performance, slot utilisation, fixed costs and unit cost of operation; and

- Optimising existing human capital by reorganising to flatten management levels and enhancing employee productivity by improving workplace conditions and developing skills, competencies and capabilities.

The demand for rail services in the past two years has been affected by the combined impact of supply chain issues, rising commodity prices, energy constraints, adverse weather conditions (drought and flooding), plant closures and a number of customers being placed under business rescue. These factors have placed significant strain on rail operations and the financial strength of the Group.

While some major commodity prices declined during the second half of 2021, prices still remain above the pre-pandemic levels of the final quarter of 2019, providing further support to commodity exporters. In the near term, a further easing in iron ore, platinum and palladium prices is expected. Conversely, oil and coal prices are expected to continue to increase in response to the recovery in demand. Over the longer term, easing coal and iron ore prices are expected to offset gradually rising precious metal prices. These trends challenge Transnet Freight Rail's effort to grow freight volumes and attract traffic from road to rail where road hauliers are dominant and very competitive and as a result placed significant pressure on Segment Strategy aspirations.

Despite the improving economy, Transnet Freight Rail during Financial Year 2022 resulted in tonnage decline of 5.6 per cent. from the prior year, against overall economic growth of 4.6 per cent. The core purpose of Transnet Freight Rail is to plan, provide and monitor the execution performance of rail haulage to provide logistics services across integrated and optimised corridors. Its focus areas include:

- Optimising rail haulage services by providing rail service designs (e.g. corridor execution) to logistics partners and Transnet businesses compromising key interfaces, connections and integration points;

- Main line and branch line haulage;

- Monitoring and deviation management;

- Yard operations;

- Shunting in yards, maintenance facilities, terminals and/or private sidings;

- Managing locomotive and wagon fleet plans and deployment to execute the Integrated Train Plan;

- Planning and integration of rolling stock maintenance carried out by Transnet Engineering;

- Crew capacity, training, management and utilisation; and

- Planning and integration of permanent ways, overhead traction equipment, signalling and trackside condition monitoring equipment and maintenance.

Transnet Freight Rail has a Corridor Model to respond to the rapidly changing business, market and policy environments, and to drive improved business performance and competitiveness. The Corridor Model is designed to improve decision-making, responsiveness to customer needs and integrated problem solving. The characteristics of each corridor are unique and are leveraged to improve corridor efficiencies and optimise integrated supply chains for key Transnet commodity sector growth.

North Corridor ("**NorthCor"**)

The NorthCor comprises a diverse mix of line types and capacities which together feed both domestic and export markets and transports more than 40 per cent. of total Transnet Freight Rail freight volumes. The most prominent line section is the heavy haul export line between Ermelo South and Richards Bay which serves the Mpumalanga coalfields via a feeder network known as the coal backbone. The system also serves the Waterberg coalfields by means of the Waterberg line and the Gauteng freight ring.

The dominant flow direction is from Lephalale towards Pyramid South and Richards Bay with export coal, domestic coal, Eskom coal, chrome, ferrochrome and cement being the top commodities. Chrome and ferrochrome flows originate between Phokeng and Pendoring and are mainly transported to Richards Bay for export. Domestic coal originates from Mpumalanga and Lephalale and is transported to various destinations around the country. The corridor is focusing on asset efficiencies for coal flows as well as creating opportunities for growth of other mining commodities.

Ore Corridor ("**OreCor**")

The ore line is one of two main heavy haul lines in South Africa. The iron ore corridor stretches 861 km from Sishen in the Northern Cape to Saldanha on the Western Cape coast. The ore line provides a world-class platform of heavy haul capabilities (30 tons per axle), technologies and efficiencies. The current iron ore export operation is optimised with 348 CR13/14 wagon trains. In Financial Year 2022, OreCor set a new weekly record of 1.36 million tons. The corridor has become an international player in providing a diverse range of heavy haul logistics solutions for growing local and international markets and has been accommodating manganese exports since 2014. The ore line introduced a 375 CR17 wagon manganese operation in September 2018, which is the longest production train in the world. Main commodities transported on the corridor are iron ore, manganese, cement and lime. OreCor has a world-class operating ratio of less than 50 per cent. For the OreCor, to support customer growth demands under fluctuating global commodity prices, it is essential that logistics costs are kept at a minimum. Economies of scale and density are critical to efficiency and effectiveness.

North-East Corridor ("**NorthEastCor**")

The NorthEastCor stretches from the Limpopo River at Beitbridge in the Limpopo province through Komatipoort to Richards Bay on the east coast and from Pyramid/Rayton/Emalahleni to Komatipoort. The corridor conveys 14 per cent. of Transnet Freight Rail's freight volumes.

The NorthEastCor strategically links the South African rail freight business with that of multiple SADC countries mainly through Eswatini, Zimbabwe, Mozambique, Zambia and the Democratic Republic of Congo. Commodities are transported via various border posts or gates of entry such as Komatipoort, Golela, Beitbridge, Livingstone and Sakania. The corridor has three prominent linear flows:

- Phalaborwa to Maputo and Richards Bay, mainly transporting magnetite and rock phosphate;
- Emalahleni to Maputo, mainly transporting chrome and coal; and
- Intermodal (reefers) originating from Tzaneen, Musina and Bela Bela destined for Durban.

Cape Corridor ("**CapeCor**")

The CapeCor stretches from Warrenton in the north-east to Cape Town in the south. Corridor lines from the key mining area surrounding Hotazel in the Northern Cape connect to the ports of Port Elizabeth (Gqeberha) and Ngqura in the south-east providing the primary export channel for South Africa's manganese exports. Corridor links between mines and the Central Corridor also enable the transportation of manganese and iron ore for domestic markets. The corridor also includes various branch lines such as the Bellville-Bitterfontein and De Aar-Upington lines and sections of the lines from Bloemfontein to East London and Gqeberha. The corridor presents opportunities for the growth of automotive, fruit, cement, lime, grain and wheat. The CapeCor also includes the line linking the port of Cape Town to the Reef and connects with the ore line and Namibia. Growth opportunities lie in over-border traffic to Namibia and general freight growth in containerised agricultural products. Less-than-train-load operations require agile operating models and innovative solutions to optimise asset utilisation and grow the customer base.

Container Corridor ("**ContainerCor**")

The ContainerCor, previously known as the NatCor, links Durban with the economic hub of Gauteng through an extensive rail network. The ContainerCor extends to Port Shepstone, Kroonstad and Richards Bay and includes connectivity to branch lines serving the grain and timber sectors. The ContainerCor is a key logistics corridor of South Africa's freight transportation network and is vital in facilitating economic growth for the country. The main components of the corridor consist of the port of Durban, normally a well-established road, rail and pipeline links to Gauteng, and inland freight terminals to service the broader Gauteng area and countries to the north of South Africa's borders. These well-established links are currently in repair following the devastating floods in KwaZulu-Natal. Commodities conveyed on the ContainerCor include containers, automotive, grain, fuel, coal and chrome. The corridor also offers export connectivity to various back-of-port facilities around Durban to act as storage buffers to alleviate port congestion.

Central Corridor ("**CentralCor**")

The CentralCor is geographically positioned in the centre of the Transnet Freight Rail network and fulfils an enabling role for cross-network traffic to/from other corridors. It is often referred to as a 'hybrid' corridor or ail junction. Its geographic scope extends from the Pretoria operational area in the north to as far south as Vereeniging onto Warrenton and westwards towards the Botswana border, incorporating the operating areas of Lichtenburg and Krugersdorp.

The enabling network comprises the key junction and interface railway areas of Pretoria, Isando and Sentrarand and with PRASA. This central hub is the pivot or junction for rail traffic moving between the other corridors, that totals between 20 and 40mtpa, with high-revenue commodities such as chrome (between Rustenburg and Richards Bay, Maputo and Emalahleni), coal (from Lephalale to Richards Bay, Vanderbijlpark and Newcastle), iron ore (from Postmasburg to Bijlkor and Newcastle) and manganese (Postmasburg to Richards Bay) and time-sensitive traffic of containers and vehicles (between Isando, Pretoria and Durban).

Fluidity and increased velocity through the central hub are vital to the reduction of cycle times and enabling general freight flows through the area. The central hub provides access for customers on the Reef to all ports and neighbouring countries (Botswana, Mozambique, Zimbabwe, Zambia and the Democratic Republic of Congo). Most of CentralCor's rail demand is from the areas of Krugersdorp, Lichtenburg, Vereeniging and bidirectional traffic between Botswana and South Africa. This is known as the volume-generating part of CentralCor and includes the branch line network that supports the maize triangle in North West province.

Customers

Transnet Freight Rail's major customers in each Corridor include, but are not limited to:

North Corridor	Thungela Operations (PTY) LTD; Glencore Operations SA (PTY) LTD; South 32 SA Coal Holdings (PTY) LTD; EXXARO Coal (PTY) LTD; Arcelor Mittal (PTY) LTD; SASOL South Africa (PTY) LTD; South Dunes Coal Terminal Comp. SOC; ESKOM Holdings SOC LTD; SAPPI South Africa LTD; ARXO Logistics (PTY) LTD
Ore Line	Sishen Iron Ore CO (PTY) LTD (KUMBA); Assmang LTD Chrome Ore; United Manganese Kalahari; Kudumane Manganese Resources (PTY) LTD; Tshipi E Ntle Manganese Mining (PTY); Sedibeng Iron Ore (PTY) LTD; Afrimat Iron Ore (PTY) LTD; Pretoria Portland Cement CO LTD; Afrisam (PTY) LTD
North East Corridor	Palabora Copper (PTY) LTD; Foskor Zirconia (PTY) LTD; MTC Consultants CC; Samancor Chrome LTD; Glencore Operations SA (PTY) LTD; Kangra Coal (PTY) LTD Local; Dwarsrivier Chrome Mine (PTY) LTD; ESKOM Holdings SOC LTD; Unicoal Trading (Mauritius); South Dunes Coal Terminal Comp. SOC LTD
Cape Corridor	Arcelor Mittal (PTY) LTD; Samancor Manganese (PTY) LTD; Assmang LTD Chrome Ore; Tshipi E Ntle Manganese Mining (PTY) LTD; United Manganese Kalahari; Kudumane Manganese Resources (PTY) LTD; Kalagadi Manganese (PTY) LTD; PMG Mining (PTY) LTD; Lidino Trading 514 (PTY) LTD; Sebilo Resources (PTY) LTD
Container Corridor	MSC Logistics (PTY) LTD; Maersk Line PTA/PLZ; Natal Portland Cement Newcastle; C Steinweg Bridge (PTY) LTD; Armgold Harmony F/Gold JV CO. Nyala; Glencore Operations SA (PTY) LTD; Toyota South Africa Motors (PTY) LTD; Shell SA Marketing (PTY) LTD; SASOL South Africa (PTY) LTD Seaboard Overseas Trading Shipping (PTY) LTD
Central Corridor	Afrisam (PTY) LTD; SASOL South Africa (PTY) LTD; Pretoria Portland Cement CO LTD; Hellmann Worldwide Logistics LTD; Ford Motor Company SA (PTY) LTD; Arcelor Mittal (PTY) LTD; Botswana Ash (PTY) LTD; MSC Logistics (PTY) LTD; WesCoal Trading (PTY) LTD; Seaboard Overseas Trading Shipping (PTY) LTD

Transnet Freight Rail's top 10 customers by total tonnage and revenue contribution for Financial Year 2022 are reflected in the table below:

Rank	Customer	Revenue (R million)	Tons (million)	% Revenue Share	%Tons Share
1	Sishen Iron Ore Co (Pty) Ltd	4,958	39.09	13.11	22.64
2	Assmang Ltd Chrome Ore	3,873	16.77	10.24	9.71
3	Glencore Operations Sa (Pty) Ltd	2,834	14.58	7.49	8.44
4	Thungela Operations (Pty) Ltd	2,666	14.91	7.05	8.64
5	South 32 Sa Coal Holdings (Pty) Ltd	2,038	11.54	5.39	6.68
6	Arcelor Mittal (Pty) Ltd	2,027	5.01	5.36	2.90
7	Palabora Copper (Pty) Ltd	1,619	6.29	4.28	3.64
8	Exxaro Coal (Pty) Ltd	1,421	6.60	3.76	3.82
9	Samancor Manganese (Pty) Ltd	1,189	2.33	3.14	1.35
10	United Manganese Kalahari	0,929	1.98	2.46	1.15
	Top 10 Customers	23,554	119.10	62.29	68.98
	Rest Of Customers	14,258	53.55	37.71	31.02
	Total	**37,812**	**172.65**	**100.00%**	**100.00%**

Source of Revenue and Pricing

Transnet Freight Rail's primary source of revenue is generated through the transportation of commodities by rail and is expressed in revenue generated per ton. Miscellaneous income (for example use of auxiliary rail equipment) as well as penalties where customers do not follow procedures or adhere to agreements (for example loading and offloading of wagons within agreed norms) is applied to ensure revenue protection and asset utilisation.

Revenue per ton, on average, has increased since 2005 for each of export coal, export iron ore and general freight as a result of tariff increases as well as optimising the traffic (sales) mix given the resources available. See also "*Operating and Financial Review—Significant Factors Affecting the Group's Past Financial Condition and Results of Operations—Volume and Pricing*". During 2015, the Ministers of Public Enterprises and Transport established an Inter-Ministerial Committee as part of developing an Interim Rail Economic Regulatory Capacity (the "**IRERC**") for the rail sector. The IRERC convened its first meeting in February 2015 and has agreed on nine priority work streams that will be developed as the nucleus of skills and capacity in the area of economic regulation in the rail sector. The IRERC will provide the necessary advice and recommendations to the Ministers of Transport and Public Enterprises on issues including price setting, access to the network and dispute resolution. On 12 August 2015, the Department of Transport published the Green Paper on National Rail Policy, 2015. Transnet has sent a representative to join IRERC from July 2022. On March 2022, the cabinet approved the release of the Department of Transport's White Paper on National Rail Policy, 2022 (the "**White Paper**"). Transnet had submitted comments on the draft White Paper in December 2017, and had extensive consultations with the Department of Transport to refine and align on key issues.

Freight volumes, and therefore revenue, are secured in the form of commercial contracts between Transnet Freight Rail and its customers. Transnet Freight Rail also enters into "take or pay agreements" where appropriate and possible to ensure freight volume commitments. These contracts provide for payments to Transnet if the volume of transportation contracted for is not provided to Transnet. Some "take or pay" contracts include reciprocal arrangements based on freight volume commitments and capacity provisions. For example, export coal is currently transported under "take or pay" contractual arrangements between Transnet and its coal export customers who use the RBCT. Reciprocal arrangements in favour of RBCT coal export customers also exist if Transnet does not provide the required capacity as per agreement.

Similar contracts exist for some (mostly mining) commodities in the general freight segment as well as for the iron ore export customers.

Assets, Capacity and Development

Transnet Freight Rail owns most of the tracks it uses for transport, the underlying land, the overhead lines used for distributing the electricity from Eskom and all of the rolling stock that it currently uses. Rolling stock capacity has generally grown with freight volumes transported. The rolling stock fleets are being modernised as part of the Segment Strategy.

Transnet's sustainability requires investments that will modernise operations, significantly improve effectiveness and efficiency, and generate increased value to its customers and regional trade. Leveraging assets, core businesses, competencies and capabilities to develop new operating models and supply chain value propositions, expand services and enter into entrepreneurial partnerships underpin Transnet's strategic direction beyond the Segment Strategy.

The following table sets forth certain business performance statistics relating to Transnet Freight Rail's operations for Financial Years 2020, 2021 and 2022:

		For the six months ended 30 September		**For the year ended 31 March**		
	UoM	**2022**	**2021**	**2022**	**2021**	**2020**
Key performance area and indicator						
Volume and revenue growth Commodity classification						
General freight business	mt	27.0	31.9	60.2	63.4	81.0
Export coal	mt	26.2	29.6	58.3	66.9	72.5
Export iron ore	mt	28.3	28.7	54.6	53.0	58.9
Total volumes	mt	81.5	91.0	173.1	183.3	212.4
Volume and revenue growth						
Financial value creation						
EBITDA margin	per cent.	24.5	31.6	29.9	36.3	42.0
Operating profit margin	per cent.	0.5	9.9	6.6	15.9	22.4
Infrastructure						
Capital expenditure[(a)]	R million	4,891	4,122	10,037	11,926	13,932
Operational efficiency						
General freight business						
Locomotive efficiency[(b)]	GTK 000/ locomotive / month	2,617	3,177	3,664	3,702	4,177
Wagon turnaround time	days	14.29	11.7	13.79	11.0	9.8

	UoM	For the six months ended 30 September 2022	2021	For the year ended 31 March 2022	2021	2020
Export coal						
Locomotive efficiency[(b)]	GTK 000/ locomotive / month	15,660	20,085	14,161	17,052	18,002
Wagon cycle time	hours	86.5	70.8	70.83	69.0	62.4
Export iron ore						
Locomotive efficiency[(b)]	GTK 000/ locomotive / month	46,069	49,976	42,735	42,209	46 686
Wagon cycle time	hours	88.9	90.4	90.4	110.0	95.0
Human capital						
Employment equity	per cent.	93.1	91.1	92.8	90.6	89.8
Training spend	per cent. of personnel cost	1.5	1.3	0.9	2.1	2.8
Employee turnover	per cent.	1.42	1.77	7.8	3.4	3.8
Employee headcount (permanent)	number	23,302	25,361	23,465	25,614	26,053
Safety, health and environment						
Cost of risk	per cent. of revenue	14.29	6.5	9.9	7.0	6.8
DIFR	rate	0.74	0.76	0.74	0.61	0.73
Rail Safety Incidents	number	118	103	227	217	379
Lost time injuries	number	128	135	441	424	517
Public fatalities	number	33	58	95	95	109
Employee fatalities	number	3	1	1	4	6
LTIFR	rate	0.69	0.62	0.74	0.77	0.88
Number of derailments – Mainline	number	49	31	78	70	88
Number of derailments – Shunting	number	55	58	121	122	147

Notes:

(a) Excluding capitalised borrowing costs

(b) Excluding shunting and B-fleet locomotives

Transnet Engineering

Services

Transnet Engineering is comprised of three customer-focused organisations. These organisations include Manufacturing, Maintenance and Services and Engineering.

- Manufacturing – Dedicated to the repair, upgrade, conversion and manufacture of locomotives, wagons, coaches, port handling equipment and fabrication. Capabilities vary across product lines.

- Maintenance and Services – Dedicated to the maintenance and services of locomotives, wagons and strengthening services in port equipment.

- Engineering – Dedicated to the sustaining and further development of engineering capability of the organisation to reach higher capability and performance to meet future needs.

The three customer-facing organisations are enabled by Facilities & Infrastructure which is focused on Safety, Plant and Equipment Maintenance; Environment; Information Communications Technology; and Capital Project Management. Additionally, these are supported by the Supply Chain Unit which aims to get the right products to the core operations and at the right time.

While distinct in their operations, the organisations complement one another to enable Transnet Engineering to supply a wide range of specialised products. Transnet Engineering provides:

- refurbishment, upgrade, manufacturing and maintenance of electrical alternating current and direct current diesel locomotives;

- manufacturing and maintenance of freight wagons for various commodities;
- overhaul, upgrading, new build and maintenance of suburban and mainline passenger rail coaches;
- maintenance and engineering services to ports equipment and infrastructure across the Southern African Development Community region; and
- associated components and services, such as rotating machines, rolling stock equipment, cast components, wheels, tarpaulins, intermodal containers, cleaning and logistic services, and port and terminal equipment.

Transnet Engineering had total revenue of R8,901 million in Financial Year 2022, an increase of 8.7 per cent. as compared to Financial Year 2021 and also achieved cross-border revenue of R260 million (2021: R173 million) against a target of R183 million. In Financial Year 2022, its external revenues accounted for 0.67 per cent. of the Group's total external revenue. Operating costs for Financial Year 2022 amounted to R10,398 million as compared to R9,665 million for Financial Year 2021. This marginal increase is primarily due to a material cost increase of R619 million driven by larger sales volumes and increased material prices such as steel as well as a payroll cost increase of R161 million driven by larger sales volumes and a one-off voluntary severance pay. Transnet Engineering also made a research and development expenditure of R98 million (2021: R142 million), against a target of R99 million. The reduction in research and development spend was a result of funding constraints due to the Operating Division's profitability in the 2022 Financial Year as well as the implementation of Transnet Engineering's cost containment initiatives.

This resulted in a negative EBITDA of R1,497 million for Financial Year 2022, an increase of 1.6 per cent. from the negative R1,474 million recorded in Financial Year 2021.

Transnet Engineering has plants and depots spread throughout South Africa, creating a network of sites that serve the main rail corridors and ports. The six main plants are in Cape Town, Durban, Germiston, Bloemfontein, Pretoria and Uitenhage. These plants serve as regional centres for their satellite depots and provide them with support services. There are a total of 143 maintenance depots and yards. Out-of-service heavy maintenance and manufacturing are undertaken at the plants while the depots concentrate on in-service maintenance of rolling stock.

The total headcount at Transnet Engineering is 8,538 employees, which includes 52 trainees and 94 fixed term contracted. Manufacturing and Maintenance and Services hold the highest headcount, 78 per cent. of the total. The organisation has 176 engineers and a capacity to train 3,500 students. Of the total headcount, 88 per cent. are the skilled and semi-skilled labour workforce, comprising of nearly 2,000 artisans and 570 master artisans.

Transnet Engineering's competency is based on its technological knowledge relating to its ongoing product research and development and its product application experience. Transnet Engineering seeks to establish a comprehensive 'total service' solution for railway operators in order to achieve optimum equipment fleet availability and reliability by applying a high standard of precision, combined with integrated maintenance and lifecycle management. Transnet Engineering has the capacity to support a fleet size of approximately 70,000 freight wagons, at least 2,500 locomotives and 5,000 coaches. Upgrade, conversion, wreck repair and build capacity extends to approximately 3,500 new wagons, more than 400 locomotives and 800 coaches per year. Work is performed in accordance with railway standards and codes of practice, and all Transnet Engineering depots are International Organisation for Standardisation ("**ISO**") 9001:2008 accredited. Transnet Engineering has positioned itself as a reputable OEM for rail wagons, coaches, and other components. Transnet Engineering has made progress in developing its OEM status for locomotives with the manufacturing of the 'Trans Africa' locomotive at its facilities in Koedoespoort.

As a result of a three-year memorandum of understanding between the CSIR and Transnet, knowledge and guidance was shared with Transnet Engineering which assisted in the development of the first locally produced traction control system, which is still in use on the first trans-Africa locomotive. Following the success of the first such understanding, Transnet Engineering signed a further memorandum of understanding with the CSIR in Financial Year 2021, which is intended to encourage innovation across the Group.

Strategy

Transnet Engineering has faced several challenges including reduced orders from Transnet Freight Rail and minimal sales from the rest of Africa over the past few years, exacerbated by an escalating cost base, relatively low utilisation of skilled labour and supply chain inefficiency. Additionally, the business is faced with a stagnant domestic market place with declining demand and sales. Together these challenges have also adversely impacted the financial sustainability of the organisation and limited on its ability to undertake key activities required to operate efficiently and modernise the organisation. Consequently, Transnet Engineering has not been able to adequately service the market. The current business model is no longer sustainable and immediate interventions are required to turn the business around.

Considering these challenges, the division has speedily realigned with the shifts in demand. Transnet Engineering's three-phase strategy includes organising the company in a way that its performance can be measured accurately and determine where it is generating or losing cash, secondly, optimize operations and take decisions about the assets that are losing cash. The third phase is for Transnet Engineering to operate as a sustainable business.

Therefore, Transnet Engineering's key strategic initiatives for the near-term include:

- Re-modelling the business through implementing structural changes and addressing excess capacity, including the alignment of facilities, infrastructure and support for affordable and sustainable business;

- Conceptualising the Transnet Engineering Leasing Company operating model positioning Transnet Engineering as the asset owner (rolling stock and port equipment) and leasing these assets to the market;

- Expanding the Transnet Engineering offering to other parts of Transnet, such as with the Ports Maintenance Business Unit that will assume responsibility for scheduled maintenance and major maintenance interventions of port equipment for Transnet Port Terminals; and

- Expanding the Transnet Engineering maintenance and manufacturing offering to adjacent industries in South Africa, diversifying revenue streams for Transnet Engineering.

Transnet Engineering's performance is assessed in terms of the availability and reliability of locomotives used for freight flows. Availability is a measure of the number of available locomotives against the total active fleet in the network. The target is approximately 90 per cent. across the commodities. The reliability metric (measured as "faults per million kms") is a reflection of the quality of workmanship and the threshold is 25, 40, and 18 for GFB, Coal, and Ore respectively. Some key factors contributing to Transnet Engineering's performance on these KPIs include challenges with the supply chain performance, including OEM supply challenges related to the 1064 contracts and funding constraints.

	Coal		Ore		GFB	
	Availability	**Reliability**	**Availability**	**Reliability**	**Availability**	**Reliability**
2017/18..................	92.0%	16	92.8%	3.29	89.6%	28.65
2018/19..................	89.8%	16.78	91.7%	13	89.8%	20.81
2019/20..................	87.9%	21.48	90.3%	10.32	85.7%	28.61
2020/21..................	78.3%	29.72	90.0%	9.87	81.4%	27.12
2021/22..................	83.6%	N/A	91.5%	N/A	84.4%	N/A

Despite declining maintenance funding and manufacturing orders from Transnet Freight Rail, Transnet Engineering will, in line with its updated strategy covered elsewhere in this document, expand maintenance services to other parts of Transnet (e.g. Transnet Port Terminals) and other SOCs. Thereafter, as one of South Africa's largest engineering firms, it will pursue additional manufacturing and remanufacturing work in adjacent markets in order to improve its operational and financial sustainability.

Customers

Transnet Engineering is the major provider of services in the South African market for maintenance, repair, refurbishment, conversion, and new build of locomotives, wagons and coaches for use in freight and passenger rail operations. Further, Transnet Engineering is responsible for the availability and reliability of Transnet Freight Rail's rolling stock. The principal customer of Transnet Engineering is Transnet Freight Rail, the only domestic mainline freight railway operator, which provided 94.8 per cent. of the segment revenue for Financial Year 2022. Transnet Engineering's principal external customers are CFM (Mozambique), Alstom (formerly known as Bombardier Transport), Progress Rail, Impala Platinum and Sasol which accounted for 38.1 per cent., 24.4 per cent., 17.9 per cent., 8.9 per cent. and 7.6 per cent. of the total external revenue, respectively, for the Operating Division in Financial Year 2022.

Transnet Engineering also provides refurbishment services to customers located outside of the Republic of South Africa and has set up maintenance workshops in targeted countries. Transnet Engineering has signed memoranda of understanding with several African countries, including Tanzania, Zambia and the Democratic Republic of Congo under which Transnet Engineering intends to supply and maintain rolling stock as well as provide skills transfer.

Source of Revenue and Pricing

Transnet Engineering's tariffs are not subject to approval by any external agencies. Tariffs are currently set on a cost-recovery basis to assist Transnet Engineering in generating a reasonable commercial return on work performed for other Operating Divisions in the Group.

Intellectual Property and Technology

Technology is fundamental to Transnet Engineering's business. Transnet has established relationships with OEMs and railway engineering specialists across the globe. Transnet Engineering is working with OEMs and others to address obsolescence in rolling stock manufacturing and refurbishment. These range from technologies to replace single components to major upgrades of locomotives in collaboration with OEMs. Furthermore, following the Segment Strategy, Transnet Engineering is firmly focused on the future through its dedicated research and development and innovation function designed to enhance and optimise existing products and services, to develop new products and services for the African market and to invest in fundamental research activities.

Transnet National Ports Authority

Transnet National Ports Authority is responsible for the safe, efficient, effective and economic functioning of the national ports system of the Republic of South Africa, which it manages, controls and administers. Transnet National Ports Authority is the provider of port infrastructure and marine services at all eight fully operational commercial ports in the Republic of South Africa: Port of Saldanha, Port of Cape Town, Port of Mossel Bay, Port of East London, Port of Port Elizabeth (Gqeberha), Port of Durban, Port of Richards Bay and the Port of Ngqura.

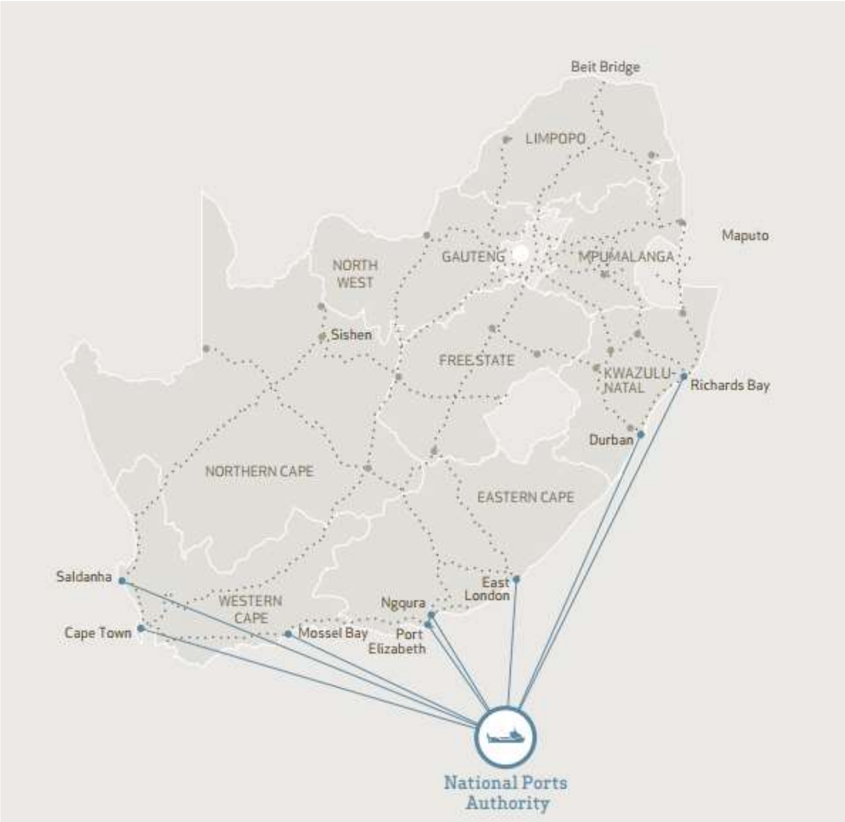
Services

Each of the Republic of South Africa's major ports serves the market of its adjacent hinterland. To a large extent, these markets determine the nature and types of cargo handled by each port. Transnet National Ports Authority's core services include:

- planning, providing, maintaining and improving port infrastructure;
- providing and coordinating marine related services;
- providing port services, including managing port activities and the port regulatory function at all South African ports; and
- providing navigation aids to assist the navigation of vessels within port limits and along the coast.

Transnet National Ports Authority's business is divided into two key operational areas: port infrastructure and maritime operations. Port infrastructure and maritime operations (which includes dredging, navigation aids, ship repair and marine operations) are provided in five market segments: containers, dry bulk, liquid bulk, break-bulk and automotive. The major commodities handled at the ports are coal, iron ore, containers, automotives, steel, fruit, ferrochrome, petroleum products and manganese.

The following map indicates the locations of the eight operational ports under the control of Transnet National Ports Authority:



Transnet National Ports Authority offers a combination of complementary port facilities and services. Each port has a natural geographic territory with a defined market, which drives the nature of services, facilities and the types of cargo handled at each port. A fundamental factor that links these ports is the backdrop of rapidly increasing trade resulting from the Republic of South Africa's economic growth and globalisation. See "*Operating and Financial Review—Significant Factors Affecting the Group's Past Financial Condition and Results of Operations*".

Transnet National Ports Authority contributed 15.03 per cent. to the Group's total external revenue in Financial Year 2022. Containers, break-bulk, automotive, dry bulk and liquid bulk contributed R11,875 million, R2,661 million, R1,512 million, R5,817 million and R1,384 million, respectively, of external revenues for Financial Year 2022. Transnet National Ports Authority had total revenue of R12,548 million in Financial Year 2022, an increase of 8.57 per cent. as compared to R11,558 million in Financial Year 2021. Transnet National Ports Authority received a 0.0 per cent. tariff increase in Financial Year 2022.

Operating costs for Financial Year 2022 amounted to R5,034 million as compared to R4,856 million for Financial Year 2021. This marginal increase is primarily due increased business following the COVID-19 related slowdown.

This resulted in EBITDA of R7,514 million for Financial Year 2022, an increase of 12.1 per cent. from R6,702 million recorded in Financial Year 2021.

Strategy

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

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

- To plan, provide, maintain and improve port infrastructure;
- To promote the use, improvement and development of ports and control land use within the ports, having the power to lease port land under conditions that it determines;

- To promote greater representativity and, in particular, to increase participation in port operations for historically disadvantaged people;

- To provide or arrange marine-related services (i.e. pilotage services, tug assistance, berthing services, dredging and hydrographic services);

- To ensure that adequate, affordable and efficient port services and facilities are provided, including regulatory oversight over all port activities; and

- To assist the navigation of vessels within port limits and along the coast.

The Transnet National Ports Authority occupies a strategic position in the country's transport logistics chain, managing South Africa's eight commercial seaports. The ninth port, Port Nolloth, does not handle any commercial cargo and is in its entirety leased to De Beers Consolidated Diamond Mines. The ports under the control of the Transnet National Ports Authority span the South African coastline, which measures approximately 2,800km. Operating within the port industry, the Transnet National Ports Authority provides its services to port users which include terminal operators, shipping lines, ships' agents, cargo owners and the clearing and forwarding industry.

The Transnet National Ports Authority strategy is anchored by the 5 strategic levers, namely customer service, cost control, people, asset utilisation and safety. These have been integrated to 6 Transnet National Ports Authority business performance objectives priority areas, namely Terminal Oversight, Infrastructure, Property, People, Supply Chain Management and Systems. These six strategic focus areas are commonly known as TIPPSS.

Transnet National Ports Authority's objective is to become financially sustainable and cost-effective Smart Port System enabled by empowered workforce and a seamless value chain strategically positioned to unlock economic growth in an environmentally sustainable manner.

Transnet National Ports Authority has a capital budget of R2.5 billion over Financial Year 2023 and a capital budget of R30 billion over the subsequent five-year period to realise the desired end state and strategic objectives set out.

Port Infrastructure

<u>Port of Durban</u>: The Port of Durban has a total land and water area of 1,854 hectares. The port has 58 berths and over 3,900 commercial vessels call at the port each year. It was developed primarily for import cargo. However, over the years, cargo flows have changed significantly and exports have become more important.

The Port of Durban is the main container, liquid bulk and automotive port of South Africa and handles approximately 58 per cent. of South Africa's container traffic, 67 per cent. of all liquid bulk cargo and 67.5 per cent. of all automotive transport. The Durban Container Terminal (the "**DCT**") is the second-largest in Africa based on TEUs processed. The Port of Durban has generally experienced growth in freight volumes since the development of the DCT in 1977. The port has a dry-dock for ship repair. The port also has two dedicated container terminals and two separate facilities that handle automotives and petrochemicals, respectively. The role of the port is to be the leading port in the SADC region and South Africa's leading multi-cargo port focusing on the containers, automotive, liquid bulk and cruise industries.

<u>Port of Cape Town</u>: The Port of Cape Town is a full service, general cargo port, operating 24 hours a day, seven days a week. Marine services include port navigation, pilotage, towage, mooring, pollution control and security. Bunkers are supplied through pipeline at Eastern Mole and Landing Wall, other bunker supplies also include barge or road trucks. The port has three ship repair facilities, namely two dry docks and one synchro-lift. Conventional cargo is worked in the Duncan dock where undercover, open and cold storage is available. Extensive pre-cooling facilities at specialised terminals cater for fish, deciduous and citrus fruit exports. A container terminal is situated at the Ben Schoeman dock. This together with the Multi-Purpose Terminal in the Duncan dock facilitates container handling in the port.

The quays at the container terminal are equipped with modern cranes and mechanical lifting equipment. The Port of Cape Town is fully equipped to handle all types of break-bulk, bulk and containerised cargo through its specialised terminals. It has the benefit of a wide variety of well-equipped cargo terminals linked to a well-established inland transport infrastructure. Additionally, Cape Town is a popular destination for the cruise industry and the port has recently developed a passenger terminal to cater for growing numbers of cruise vessels into Cape Town. Vessels calling are typically containers, conventional, reefer, fishing, passenger, research and oil & gas supply vessels.

The Port of Cape Town is well positioned to serve as a hub for cargoes between Europe, the Americas, Africa, Asia and Oceania. Regular inter-port feeder services benefit the container terminal, which is regarded as a gateway for African countries. The container terminal also benefits from direct rail links with the Gauteng area, which can decrease transit time for some containers. This is made possible by the direct railing of containers which eliminates the sailing time to other ports in the Republic of South Africa.

Port of Richards Bay: The Port at Richards Bay was initially built as a bulk port to export 26 million tonnes of coal over the first ten years. The port has since diversified and now handles other types of cargoes. Presently this port handles in excess of 100 million tonnes of cargo annually. This makes it the Republic of South Africa's leading port in terms of volume handled. The Port is also the largest in the Republic of South Africa in terms of surface area, with total port area of 3,773 hectares (2,026 hectares of land and 1,746 hectares of water area). The gross lettable land area amounts to 899.1 hectares of which 644.5 hectares are leased and 30.4 hectares are currently not being utilised. In terms of the port's development, undeveloped land of 108 hectares has been allocated for medium term port development and a further 111 hectares is reserved for long-term future port expansion.

The port has six cargo handling terminals, including a dry bulk terminal for imports and exports of ores, minerals and woodchips, a multi-purpose terminal for break-bulk cargo, including ferrochrome, pig iron, steel, forest products, granite, aluminium, bagged cargo, containers, heavy and abnormal loads, and one of the largest export coal terminals in the world with a current capacity to export 75 million tonnes per annum, as well as a chemical tank farm for liquid bulk products stored in tanks.

The port has adequate rail capacity to accommodate a modest growth in the various freight categories in this time period. In the medium term, there will be a requirement to extend the northern rail line that services the dry bulk, break bulk and container berths. A turning balloon will be required at the eastern end of the line to allow for the efficient turnaround of trains.

The most significant change in the long-term, i.e., beyond 2050, is the realignment of the Richards Bay Coal Terminal and liquid bulk (southern) line. The port will receive one of South Africa's first LNG terminals which is expected to be operational during the short term with the construction of an LNG berth.

Port of Port Elizabeth (Gqeberha): The Port of Port Elizabeth (Gqeberha) is the fifth largest port in the Republic of South Africa, based on tonnage handled, and the sixth largest in terms of revenue earned, based on information for Financial Year 2021. The port has one of the Republic of South Africa's five container terminals, as well as a car terminal and bulk, dry bulk, liquid bulk, general cargo and cold storage facilities.

The port aims to be Sub-Saharan Africa's premier automotive transhipments hub. Transnet believes this is achievable due to a geographically well positioned, customer centric, multi-cargo port that prides itself on flexibility and service excellence.

Most of the cargo flowing through the Port of Port Elizabeth (Gqeberha) is generated in, or is destined for, the greater Algoa Bay area, reaching up to the Sundays River and Langkloof Valleys. Some cargo is transported by rail and road to and from the Free State and Gauteng. The Gqeberha area is heavily industrialised and intensively farmed. Traditionally, Gqeberha and nearby Uitenhage, which is part of the Nelson Mandela Metropolitan Municipality, have been the centre of the South African automotive industry. As a result, Gqeberha imports large volumes of containerised components and raw materials for this industry. Fully built units are also imported and exported.

The bulk of exports consist of agricultural products: timber, wool, textiles, skins and hides in containers, as well as palletised citrus and deciduous fruit. Manganese ore, motor vehicle industry related products and steel are also exported.

"Catalytic Projects" have been instituted to facilitate investment opportunities and drive sustainability as well as future growth including the (i) decommissioning / remediation of the Manganese and Liquid Bulk terminal and the construction of a world-class automotive terminal in its place; (ii) the Port Elizabeth (Gqeberha) Container Terminal deepening; and (iii) the Marina development.

Port of Saldanha: The Port of Saldanha is the only iron ore handling port in the Republic of South Africa. It exports iron ore from the mines at Sishen and Khumani in the Northern Cape (some 861 kilometres north-east of Saldanha). The port also handles base metals, mineral sands, steel and granite, and serves as an import port for a crude oil storage facility situated near the port.

Although the Port of Saldanha was originally constructed during the early 1970s to facilitate the export of iron ore and bulk crude oil, break-bulk terminals were subsequently added to the port facilities in the port. Port facilities consist of a 990 metre long jetty with two iron ore berths and one crude oil berth joined to the north shore of the harbour by a 3,100 metre causeway. In addition, there is an 874 metre multi-purpose terminal quay facility for break-bulk cargo handling.

East London: The East London Port specialises in servicing the automotive industry and has a modern automotive terminal (with real time tracking and monitoring of units) that is linked directly to an adjacent automobile production plant through a private road and bridge that was commissioned by the port. There are a total of eleven commercial berths that offer container, automotive, break-bulk, bulk grain and bulk liquid (refined petroleum products) handling facilities. The East London Port is the only river-based port in the Republic of South Africa and is serviced by a national rail network system providing access to all major cities within the borders of the Republic of South Africa and neighbouring states. In addition, the East London Port also has a dry-dock for vessel repairs and maintenance.

In Financial Year 2022, across all port terminals, automotive imports increased by 88 per cent., and exports increased by 16 per cent., each as compared to Financial Year 2021. In response, the port will increase its capacity to handle automotive by investing in an additional automotive berth and expanding its storage capacity in the short term.

Port of Mossel Bay: The Port of Mossel Bay has historically been a fishing port with limited commercial cargo activity. Ship repair facilities are available to vessels of less than 280 tons and 32 meters in length. The port is unique as it provides off-shore handling facilities that enable import and export of refined products from a refinery situated close to the port. A road and rail network connects Mossel Bay to the consumer markets and industrial zones of the Republic of South Africa and other parts of Southern Africa.

Port of Ngqura: The Port of Ngqura was largely operational in October 2009 as a two berth container terminal. The construction of two additional berths to provide a total quay length of 1,310 metres was completed in March 2010. The dredging of the bund wall in front of these berths was completed in September 2012. The port is a deepwater port (16.5m) capable of handling the larger new generation container vessels, such as the Super Post-Panamax container vessel. The Port of Ngqura consists of basic port infrastructure, such as breakwater, entrance channels, a sand bypass system and appropriate landside infrastructure. The port has seven berths and back-up areas – four berths for containers, two berths for multi-purpose/bulk cargo and a liquid bulk berth. The port intends to provide increased capacity for the national ports system served by a rail network linking it to the hinterland. The marine fleet consists of a pilot boat and three 75 tonne bollard pull tug boats to allow for the safe docking of vessels. The Port of Ngqura and Port of Port Elizabeth (Gqeberha) play a complementary role in their service offering. The relocation of manganese and liquid bulk from Port of Port Elizabeth (Gqeberha) to the Port Ngqura will vitalise the waterfront development.

Cargo imported and exported through South African ports is categorised into containers, break-bulk, bulk (including liquid bulk and dry bulk) and automotive. The volume of each of these categories handled at the eight ports operated by the Transnet National Ports Authority is set out below for Financial Years 2020, 2021 and 2022:

	For the six months ended 30 September		**For the year ended 31 March**		
	2022	**2021**	**2022**	**2021**	**2020**
Volume					
Dry bulk (mt)	86,404,026	85,286,016	172,297,810	174,672,719	182,601,465
Liquid bulk (mkl)	17,933,610	20,194,571	38,140,401	41,757,492	41,865,365
Break-bulk (mt)	2,737,983	2,705,496	5,590,992	3,730,547	4,722,824
Automotive (units)	433,828	355,565	700,561	481,150	776,762
Containers (‘000 TEUs)	2,183	2,112	4,131	3,916	4,538

Dry Bulk Cargo: Bulk consists of dry bulk and liquid bulk. The major commodities in dry bulk are coal, iron ore and manganese.

Iron ore contributed approximately 34 per cent. of total dry bulk volumes in the six months ended 30 September 2021 as compared to 34 per cent. in the six months ended 30 September 2022. Iron ore contributed approximately 33 per cent. of total dry bulk volumes in Financial Year 2022 as compared to 31 per cent. in Financial Year 2021. Coal contributed approximately 35 per cent. of total dry bulk volumes in the six months ended 30 September 2021 as compared to 37 per cent. for the six months ended 30 September 2022. Coal contributed approximately 37 per cent. of total dry bulk volumes in Financial Year 2022 as compared to 40 per cent. for Financial Year 2021. The fuel industry contributes the majority of volumes in liquid bulk, with petrochemicals and the oil industries/sectors being the two major contributors. Transnet’s ports handled 20,194,571 million kilolitres of liquid bulk in the six months ended 30 September 2021 and 17,933,610 million kilolitres in the six months ended 30 September 2022. Transnet’s ports handled 38.1 million kilolitres of liquid bulk in Financial Year 2022 and 41.8 million kilolitres in Financial Year 2021.

Dry Bulk Cargo handled by the eight ports totalled 85,286,016 million metric tonnes and 86,404,026 million metric tonnes in the six months ended 30 September 2021 and the six months ended 30 September 2022, respectively. The Port of Richards Bay handled 46 per cent. and 44 per cent. of total bulk cargo handled by the eight ports for the six months ended 30 September 2021 and the six months ended 30 September 2022, respectively. The Port of Durban accounted for 9 per cent. and 10 per cent. of total bulk cargo handled by the eight ports for the six months ended 30 September 2021 and the six months ended 30 September 2022, respectively. The Port of Saldanha handled 36 per cent. and 37 per cent. of total bulk cargo handled by the eight ports for the six months ended 30 September 2021 and the six months ended 30 September 2022, respectively. The Port of Cape Town accounted for 1 per cent. and 1 per cent. of total bulk cargo handled by the eight ports for the six months ended 30 September 2021 and the six months ended 30 September 2022, respectively. The Port of Port Elizabeth (Gqeberha) handled 5 per cent. and 6 per cent. of total bulk cargo handled by the eight ports for the six months ended 30 September 2021 and the six months ended 30 September 2022, respectively, whilst the Port of Ngqura handled 3 per cent. of total dry bulk cargo for the relevant periods.

The breakdown of bulk landed (both imported and coastwise), shipped (both exported and coastwise) and transhipped at the eight ports in the Republic of South Africa for the 6 months ended 30 September 2022 measured in metric tonnes is set out below (coastwise means any cargo moving between two South African coastal cities):

Table 1: Bulk Cargo for the six months ended 30 September 2022

	Richards Bay	Durban	East London	Ngqura	Port Elizabeth (Gqeberha)	Mossel Bay	Cape Town	Saldanha	Total
Bulk Cargo handled									
Landed									
Imports	2,039,946	2,264,774	19,475	159,500	36,221	-	355,152	27,500	4,902,568
Coastwise...........	-	-	-	-	-	-	-	-	-
Total cargo landed............	2,039,946	2,264,774	19,475	159,500	36,221	-	355,152	27,500	4,902,568
Shipped									
Exports	35,847,969	6,548,726	41,800	1,909,072	5,179,016	-	197,406	31,528,480	81,252,469
Coastwise...........	19,500	22,319	-	-	-	-	22,122	80,548	144,489
Total cargo shipped..........	35,867,469	6,571,045	41,800	1,909,072	5,179,016	-	219,529	31,609,027	81,396,958
Transhipment cargo	-	-	-	104,500	-	-	-	-	104,500
Total cargo handled	37,907,415	8,835,818	61,275	2,173,072	5,215,237	-	574,681	31,636,527	86,404,026
Per cent. Contribution...	44%	10%	0.1%	3%	6%	0%	1%	37%	100 %

Dry Bulk Cargo handled by the eight ports totalled 172.2 million metric tonnes in Financial Year 2022, of which the export tonnage was 94 per cent. larger than the import tonnage. The Port of Richards Bay handled 47 per cent. of total bulk cargo handled by the eight ports for Financial Year 2022. The Port of Durban accounted for 9 per cent. of total bulk cargo handled by the eight ports for Financial Year 2022. The Port of Saldanha handled 35 per cent. of total bulk cargo handled by the eight ports for Financial Year 2022. The Port of Cape Town accounted for 1 per cent. of total bulk cargo handled by the eight ports for Financial Year 2022. The Port of Port Elizabeth (Gqeberha) handled 6 per cent. of total bulk cargo handled by the eight ports for Financial Year 2022. The Port of Mossel Bay and Port of East London handled less than 1 per cent. and the Port of Ngqura handled 3 per cent. Bulk Cargo for Financial Year 2022.

The breakdown of bulk landed (both imported and coastwise), shipped (both exported and coastwise) and transhipped at the eight ports in the Republic of South Africa in Financial Year 2022 measured in metric tonnes is set out below (coastwise means any cargo moving between two South African coastal cities):

Table 2: Bulk Cargo for FY 2022

	Richards Bay	Durban	East London	Ngqura	Port Elizabeth (Gqeberha)	Mossel Bay	Cape Town	Saldanha	Total
Bulk Cargo handled									
Landed									
Imports	4,398,871	4,561,919	15,025	551,072	87,264	—	714,400	40,780	10,369,330
Coastwise...........	—	—	—	—	—	—	17,665	—	17,665
Total cargo landed............	**4,398,871**	**4,561,919**	**15 025**	**551,072**	**87,264**	**—**	**732,065**	**40,780**	**10,386,995**
Shipped									
Exports	75,985,419	10,679,187	—	3,903,726	9,969,024	—	303,831	61 069 628	161,910,814
Coastwise...........	—	—	—	—	—	—	—	—	—
Total cargo shipped..........	**75,985,419**	**10,679,187**	**—**	**3,903,726**	**9,969,024**	**—**	**303,831**	**61 069 628**	**161,910,814**
Transhipment cargo	—	—	—	—	—	—	—	—	—
Total cargo handled	**80,384,290**	**15,241,106**	**15,025**	**4,454,798**	**10,056,287**	**—**	**1,035,896**	**61,110,407**	**172,297,810**
Per cent. Contribution...	47%	9%	0%	3%	6%	0%	1%	35%	100 %

Break-bulk Cargo: The main commodity contributors for break-bulk are steel, ferrochrome, fruit and granite. The breakdown of break bulk cargo landed (both imported and coastwise), shipped (both exported and coastwise) and transhipped at the eight ports in the Republic of South Africa in Financial Year 2022 is set out below measured in metric tonnes:

Table 3: Break-Bulk Cargo for the six months ended 30 September 2022

	Richards Bay	**Durban**	**East London**	**Ngqura**	**Port Elizabeth (Gqeberha)**	**Mossel Bay**	**Cape Town**	**Saldanha**	**Total**
Breakbulk Cargo handled Landed									
Imports	8,901	1,421,389	198	90	38,839	—	123,241	—	1,592,659
Coastwise	—	1,029	—	—	—	5,861	1,340	—	8,230
Total breakbulk landed	8,901	1,422,419	198	90	38,839	5,861	124,580	—	1,600,889
Shipped									
Exports	313,542	360,577	3,979	9	72,872	—	120,238	230,527	1,101,726
Coastwise	—	—	—	—	—	—	—	—	—
Total bulk shipped	313,542	360,577	3,979	9	72,872	—	120,238	230,527	1,101,726
Transhipment cargo	744	14,815	—	—	289	—	21,006	—	35,367
Total breakbulk handled	321,699	1,797,811	4,177	82	112,001	5,861	265,825	230,527	2,737,983
Per cent. contribution	12%	66%	0.2%	0%	4%	0.2%	10%	8%	100%

Table 4: Break-Bulk Cargo for FY 2022

	Richards Bay	**Durban**	**East London**	**Ngqura**	**Port Elizabeth (Gqeberha)**	**Mossel Bay**	**Cape Town**	**Saldanha**	**Total**
Breakbulk Cargo handled Landed									
Imports	84,085	2,820,528	101	6,278	165,084	—	296,737	137	3,372,949
Coastwise	11,295	392	—	—	233	12 450	181	—	24,551
Total breakbulk landed	**95,379**	**2,820,920**	**101**	**6 278**	**165,317**	**12 450**	**296,918**	**137**	**3,397,500**
Shipped									
Exports	**854,988**	**499,387**	**11,777**	**9**	**35,701**	—	**125,998**	**618,811**	**2,146,671**
Coastwise	—	—	—	—	—	—	—	—	—
Total bulk shipped	**854,988**	**499,387**	**11,777**	**9**	**35,701**	—	**125,998**	**618,811**	**2,146,671**
Transhipment cargo	**1,018**	**9,599**	—	—	—	—	**36,203**	—	**46,821**
Total breakbulk handled	**951,386**	**3,329,907**	**11,879**	**6 287**	**201,018**	**12,450**	**459,118**	**618,948**	**5,590,992**
Per cent. contribution	**17%**	**60%**	**0%**	**0%**	**4%**	**0%**	**8%**	**11%**	**100%**

Containers: Transnet National Ports Authority's ports handled a total of 2.2 million TEUs of containers for the six months ended 30 September 2022. Of this total, Durban handled 1.3 million TEUs (representing 59 per cent. of the total, while Cape Town handled 466 TEUs (representing 21 per cent. of the total) and Ngqura handled 334 TEUs (representing 15 per cent. of the total). The number of containers (in TEUs) landed, shipped, coastwise and transhipped for each port in the six months ended 30 September 2022 is set out below:

Table 5: Container Cargo for the six months ended 30 September 2022

Containers Invoiced	Richards Bay			Durban			East London			Ngqura			Port Elizabeth (Gqeberha)			Cape Town			Total		
	Full	Empty	Total	Full	Empty	Total	Full	Empty	Total	Full	Empty	Total	Full	Empty	Total	Full	Empty	Total	Full	Empty	Total
Landed:																					
Deepsea ...	- 24	22	- 2	553,968	64,625	618,593	14,626	-	14,626	56,309	34,949	91,258	18,988	15,752	34,740	18,988	15,752	34,740	764,117	203,546	967,663
Coastwise	-	-	-	76	1,595	1,671	-	2,480	2,480	882	2,671	3,553	-	2,077	2,077	-	2,077	2,077	1,315	19,900	21,215
Transhipped	-	-	-	94,215	20,918	115,133	-	-	-	11,521	34,037	45,558	6,354	361	6,715	6,354	361	6,715	74,328	14,883	59,445
Total Landed	- 24	22	- 2	648,259	87,138	735,397	14,626	2,480	17,106	45,670	3,583	49,253	12,634	17,468	30,102	12,634	17,468	30,102	839,760	208,563	1,048,323
Shipped:																					
Deepsea ...	63	59	122	395,491	188,502	583,993	1,175	13,767	14,942	40,154	24,715	64,869	29,737	15,771	45,508	29,737	15,771	45,508	635, 627	293,509	929,136
Coastwise	-	-	-	450	5,989	6,439	136	3,090	3,226	2,212	1,427	3,639	-	250	250	-	250	250	2,845	12,474	15,319
Transhipped	-	-	-	8,054	1,132	9,186	-	-	-	148,947	67,359	216,306	9,341	5,477	14,818	9,341	5,477	14,818	187,038	81,359	268,397
Total Shipped	63	59	122	403,995	195,623	599,618	1,311	16,857	18,168	191,313	93,501	284,814	39,078	21,498	60,576	39,078	21,498	60,576	825,510	387,342	1,212,852
Grand Total	39	81	**120**	1,052,254	282,761	**1,335,015**	15,937	19,337	**35,274**	236,983	97,084	**334,067**	51,712	38,966	**90,678**	51,712	38,966	**90,678**	1,665,270	595,905	**2,261,175**
Per cent. contribution			0%			**59%**			**2%**			15%			4%			21%			**100%**

Transnet National Ports Authority's ports handled a total of 4.4 million TEUs of containers for Financial Year 2022. Of this total, Durban handled 2.7 million TEUs (representing 61 per cent. of the total), while Cape Town handled 841,609 TEUs (representing 19 per cent. of the total) and Ngqura handled 703,439 TEUs (representing 16 per cent. of the total). The number of containers (in TEUs) landed, shipped, coastwise and transhipped for each port in Financial Year 2022 is set out below:

Table 6: Container Cargo for FY 2022

	Richards Bay			Durban			East London			Ngqura			Port Elizabeth (Gqeberha)			Cape Town			Total		
Containers Invoiced	Full	Empty	Total	Full	Empty	Total	Full	Empty	Total	Full	Empty	Total	Full	Empty	Total	Full	Empty	Total	Full	Empty	Total
Landed:																					
Deepsea..................	341	928	1,269	1,135,471	106,776	1,242,247	15,952	—	15,952	99,759	46,316	46,075	27,754	19,586	47,340	221,490	135,449	356,939	1,500,767	309,055	1,809,822
Coastwise	41	61	102	620	4,776	5,396	—	254	254	451	1,222	1,673	107	1,334	1,441	1,771	33,697	35,468	2,990	41,344	44,334
Transhipped..........	—	—	—	**209,822**	**50,093**	**259,915**	—	—	—	**160,737**	**59,019**	**219,756**	**7,207**	**5,668**	**12,875**	**19,697**	**5,588**	**25,285**	**397,463**	**120,368**	**517,831**
Total Landed	382	989	1,371	1,345,913	161,645	1,507,558	15,952	254	16,206	260,947	106,557	367,504	35,068	26,588	61,656	242,958	174,734	417,692	1,901,220	470,767	2,371,987

Shipped:																					
Deepsea	296	-	296	2,316	29,134	31,450	92	1,106	1,198	40	3,125	3,165	—	688	688	570	2,956	3,526	3,314	37,009	40,323
Coastwise	—	—	—	8,054	1,132	9,186	—	—	—	148,947	67,359	216,306	9,341	5,477	14,818	20,696	7,391	28,087	187,038	81,359	268,397
Transhipped..........	5,523	436	5,959	753,612	460,785	1,214,397	847	16,069	16,916	211,969	123,966	335,935	49,254	23,213	72,467	332,263	91,654	423,917	1,353,468	716,123	2,069,591
Total Shipped	**5,227**	**436**	**5,663**	**743,242**	**430,519**	**1,173,761**	**755**	**14,963**	**15,718**	**62,982**	**53,482**	**116,464**	**39,913**	**17,048**	**56,961**	**310,997**	**81,307**	**392,304**	**1,163,116**	**597,755**	**1,760,871**
Grand Total	**5,905**	**1,425**	**7,330**	**2,099,525**	**622 430**	**2,721,955**	**16,799**	**16,323**	**33,122**	**472,916**	**230,523**	**703,439**	**84,322**	**49,801**	**134,123**	**575,221**	**266,388**	**841,609**	**3,254,688**	**1,186,890**	**4,441,578**
Per cent. contribution			**0%**			**61%**			**1%**			**16%**			**3%**			**19%**			**100%**

Customers

Transnet National Ports Authority's customers include terminal operators, shipping lines, ship agents, cargo owners and the clearing and forwarding industry. No single customer contributed more than 10 per cent. of Transnet National Ports Authority's external revenue in the six months ended 30 September 2022. Transnet National Ports Authority's largest external customers are Rennies Ships Agency (Pty) Ltd, and Sturrock Grindrod Maritime (Pty) Ltd, which each accounted for approximately 4 per cent. of Transnet National Ports Authority's external revenue in Financial Year 2022.

Source of Revenue, Pricing and Tariffs

Overview

In terms of Section 72 (1) (a) of the Ports Act, the Transnet National Ports Authority is required, with the approval of the Ports Regulator of South Africa, to determine tariffs for services and facilities offered by the Transnet National Ports Authority and to annually publish a Tariff Book containing those tariffs.

The Port Directives[19] require that Transnet National Ports Authority submit annual tariff proposals to the Ports Regulator for approval and that, prior to any substantial alteration of a tariff, Transnet National Ports Authority consult with the National Port Consultative Committee created by section 82 of the Ports Act. In terms of the Port Directives, when considering the proposed tariffs for the Transnet National Ports Authority, the Ports Regulator of South Africa must ensure that such tariffs allow the Authority to:

a) recover its investment in owning, managing, controlling and administering ports and its investment in port services and facilities;
b) recover its costs in maintaining, operating, managing, controlling and administering ports and its costs in providing port services and facilities; and
c) earn a return commensurate with the risk of owning, managing, controlling and administering ports and of providing port services and facilities.

The Tariff Methodology, approved by the Ports Regulator of South Africa, considers a revenue requirement or rate of return approach and embodies the aforementioned requirements of the Port Directives. In determining its revenues, the Transnet National Ports Authority, applies the Tariff Methodology issued by the Ports Regulator of South Africa.

Transnet National Ports Authority earns the majority of its revenue by charging tariffs for the provision of three basic services: marine services, provision and maintenance of port infrastructure and leasing of port land to terminal operators and tenants. Marine services include the provision of pilot services to bring vessels in and out the port (basic fee plus an incremental charge based on per 100 tons or part thereof of the gross tonnage ("**GRT**")), tug services to bring vessels in and out of the port (per service based on vessel GRT, basic fee plus an incremental charge based on per 100 tons or part thereof of the GRT and berthing services to vessels tying-up/untying alongside the berth in port (basic fee plus an incremental charge based on per 100 tons or part thereof of the GRT). The provision and maintenance of port infrastructure, port terminals and port facilities generates revenues through port dues (basic fee per 100 tons or part thereof plus incremental charge per 100 tons or part thereof per 24-hour period, a part of a 24-hour period being applied pro rata) for the provision and maintenance of entrance channels, breakwaters, basins, and maintenance dredging inside port limits, Cargo dues for the provision and maintenance of port infrastructure and berth dues for vessel occupying quays or repair quays while not engaging in cargo working. In addition, Transnet National Ports Authority generates revenue by leasing port land to terminal operators and tenants for a rental fee. Finally, Transnet National Ports Authority also generates revenue through vessel traffic service charges (per vessel GRT per port call) and light dues for the provision of navigational aids alongside the coast of the Republic of South Africa and within ports (per 100 tons or part thereof of the GRT).

Tariffs

On 31 July 2015[20], the Ports Regulator approved and published[21] the Tariff Strategy that sets out the strategic direction for the South African port system, in order to provide port users and stakeholders with the envisaged port tariffs over the next two years. The Tariff Strategy follows a coherent cost infrastructure model that considers the allocation of assets in the similar manner prescribed by the Transnet National Ports Authority. The Tariff Strategy is premised on the following guiding principles:

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19 The Port Directives were approved on 13 July 2009 (gazetted on 06 August 2009) and amended on 29 January 2010.

20 Revised on 31 March 2020 due to change in asset valuation methodology

21 Published in 2015 and commenced implementation in FY 2017/18

- *Cost causation:* To provide port users with the correct pricing signals when utilising port facilities;
- *Cost minimisation:* The use of a cost recovery revenue mode in an approach to minimise costs;
- *Distribution of benefits:* To achieve equity and reasonability between causers and beneficiaries of costs; and
- *Practicality:* For practicality and ease of implementation of the Tariff Strategy.

These guiding principles aim to introduce a more flexible approach of facilitating pricing in the ports sector in order to establish an appropriate level of tariffs that better reflects the underlying costs. These principles are also aimed at enforcing transparency and certainty.

The underlying principle of the Tariff Strategy is the user pay principle where cost-based tariffs are formulated based on asset cost allocations with the intention to bring real benefits to customers through charging cost reflective tariffs. This results in customer categories currently over-charged experiencing a reduction in tariffs , whereas those categories that are currently subsidised would see their tariffs rebased. These principles have been considered during the gradual adjustment of the tariff book since Financial Year 2018 and is envisaged that it will continue beyond Financial Year 2023

On 30 July 2020, Transnet National Ports Authority submitted its tariff application for Financial Year 2022 to the Ports Regulator. The application of the Tariff Methodology resulted in an allowable revenue of R13,569 million translating into an average tariff adjustment of 19.74 per cent. Whilst acknowledging the outcome of the applied Tariff Methodology, given the impact of the COVID-19 pandemic, slow economic growth, underinvestment and increasing levels of unemployment, among others, the Transnet National Ports Authority requested the Ports Regulator to consider an inflationary tariff adjustment for FY 2022 forecasted (at the time) at 3.80 per cent.

On 30 November 2020, the Ports Regulator made the tariff determination for Transnet National Ports Authority, enabling the Transnet National Ports to recover R11,970 million in revenues which translated into an average tariff adjustment of 0.00 per cent. for Financial Year 2022. In its Tariff Record of Decision for Financial Year 2022 the Ports Regulator further stated:

- Marine services and related tariffs to increase by 5 per cent.;
- Container (Full) export cargo dues to decrease by 10 per cent.;
- Container (Full) import cargo dues to decrease by 3 per cent.;
- Coal export cargo dues to increase by 5 per cent.;
- Magnetite export cargo dues to increase by 5 per cent.; and
- All other tariffs to remain unchanged.

This determination resulted in a 5.27 per cent. decrease in allowed revenue from R12,636 million in Financial Year 2021 to R11,970 million in Financial Year 2022.

On 16 August 2021, the Transnet National Ports Authority submitted its Tariff Application for Financial Year 2023 to the Ports Regulator. In its application, Transnet National Ports Authority requested allowable revenue of R13,482 million, comprising of real estate business revenue of R4,085 million and marine business revenue of R9,397 million. This translated into an average tariff adjustment of 9.40 per cent. for Financial Year 2023.

On 15 December 2021, the Ports Regulator made the tariff determination for Transnet National Ports Authority, allowing the Transnet National Ports to recover R13,627 million in revenues and translating into an average tariff adjustment of 4.80 per cent. for Financial Year 2023, as compared to the 13.84 per cent. increase in allowed revenue from R11,970 million in Financial Year 2022.

Allowed revenue of R13.6 billion includes real estate revenue of R4.1 billion which is planned to grow by 5.8 per cent. from R3.9 billion (included in the R12.0 billion). This lease income is excluded from the tariff adjustment determinations as leases are individually contracted. The abovementioned 13.84 per cent. growth is mainly attributable to real estate revenue growth, the regulator forecasted higher volumes in Financial Year 2022, projected volume growth of 7.84 per cent. for Financial Year 2023, which resulted in an average tariff adjustment of 4.8 per cent.

Regulation

Transnet National Ports Authority is regulated by various port and maritime legislation, including the Ports Act.

The Ports Act defines the legislative and regulatory environment relevant to ports and the port authority. The main function of Transnet National Ports Authority is to own, manage, control and administer ports to ensure their efficient and economic functioning. The Ports Act sets out various functions of Transnet National Ports Authority.

Transnet National Ports Authority may, by notice in the *Government Gazette*, issue port rules with the approval of the Minister of Transport, for the control and management of ports and the approaches thereto as well as maintenance of safety, security and good order in ports.

Apart from setting out the functions of Transnet National Ports Authority, the Ports Act authorises Transnet National Ports Authority to enter into agreements with a person, whereby that person is authorised to design, construct, rehabilitate, develop, finance, maintain or operate a port terminal or port facility in the Republic of South Africa or provide services relating thereto. Any such agreement must provide that Transnet National Ports Authority annually monitors and reviews the performance of that person operating a terminal or facility or providing a service in terms of a performance standard specified in the agreement.

Section 29 of the Ports Act establishes the Ports Regulator. The main functions of the Ports Regulator are to:

- exercise economic regulation of the ports system in line with the Government's strategic objectives, which includes the annual approval of Transnet National Ports Authority's tariffs;
- promote equity of access to ports and to facilities and services provided in ports;
- monitor the activities of Transnet National Ports Authority to ensure that it performs its functions in accordance with the Ports Act;
- hear complaints and appeals under the Ports Act; and
- regulate the provision of adequate, affordable and efficient port services and facilities.

The Ports Act establishes Transnet National Ports Authority as:

- the regulator of aspects of the port precinct; and
- the entity regulated by the Ports Regulator.

In terms of being the regulator of aspects of the port precinct, the Ports Authority performs the function as the manager, controller and administrator of ports, Transnet National Ports Authority must, amongst other things, control port services through licensing or entering into agreements with operators; and is expressly mandated to regulate and control the following:

- navigation within port limits and the approaches to ports;
- the entry of vessels into ports, and their stay, movements or operations in and departures from ports;
- the loading, unloading and storage of cargo and the embarkation and disembarkation of passengers;
- the development of ports;
- off-shore cargo-handling facilities, including navigation in the vicinity of such facilities;
- pollution and the protection of the environment within the port limits; and
- the enhancement of safety and security within the port limits.

In terms of being the regulated entity, the Ports Authority must have its tariffs approved by the Ports Regulator and may have its decisions overturned by the Ports Regulator.

Furthermore, as the regulated entity:

- Any port user or licensed operator whose rights are adversely affected by a decision of the Ports Authority may appeal against that decision to the Ports Regulator.

- Any complaint against the Authority may be lodged by a port user with the Regulator on the ground that:

  - access to ports and port facilities are not provided in a non-discriminatory, fair and transparent manner;

  - small and medium-sized enterprises owned by historically disadvantaged groups do not have an equitable opportunity to participate in the operation of facilities in the ports environment; and

  - Transnet is treated more favourably and that it derives an unfair advantage over other transport companies.

In addition, security measures that affect Transnet National Ports Authority's business include the International Ship and Port Facility Security Code (the "**ISPS Code**"), which was implemented in 2004, and, to the extent that Transnet National Ports Authority's terminals handle cargo destined for the United States, the global security initiatives emanating from the U.S. Safe Ports Act of 2006, specifically the Container Security Initiative and the Secure Freight Initiative.

The Ports Act has had a significant impact on Transnet National Ports Authority. In its preparation to comply with the provisions of the Ports Act, Transnet National Ports Authority has:

- drafted port rules, which have been approved by the Minister of Transport. These port rules aim to ensure proper control and management of ports, the regulation and control of navigation with the approaches to ports and the maintenance of safety, security and good order in ports as well as the protection of the environment;

- prepared guidelines, approved as Transnet policy, for the issuing of agreements, licences and permits;

- submitted its annual tariff applications to the Ports Regulator for approval; and

- commenced the provision of a framework for conversion of deemed licences to deal with the transitional arrangement for existing port service providers (i.e. parties that provided port services on or before 26 November 2006 are deemed to hold licences to provide such services and must apply to Transnet National Ports Authority for new licences within six months of a date to be set by the Minister of Public Enterprises).

Assets

Transnet National Ports Authority owns all port land, port infrastructure (such as breakwaters, seawalls channels, basins, quay walls and jetties), marine fleet and other equipment utilised to serve vessels calling and acquired at its ports in the discharge of its functions in terms of the Ports Act both on the landside and the waterside. Land within the ports owned by the Ports Authority may under no circumstances be sold.

Section 11 of the ICM provides for the ownership of coastal public property to vest in the citizens of the Republic of South Africa and to be held in trust by the Government on their behalf. It further prohibits the sale, alienation and transfer of coastal public property. Sections 65 and 66 of the ICM prevent, among other things, persons from occupying any part of, constructing, or erecting any building, road, barrier or structure on or in coastal public property without being awarded a lease by the Minister of Environmental Affairs (formerly the Minister of Environmental Affairs and Tourism). Section 96 of the ICM provides for the demolition of any structure constructed unlawfully on coastal public property prior to the implementation of the ICM. Finally, section 98 of the ICM provides for the repeal of certain legislation that currently governs the use of coastal property, including the Sea Shore Act, 1935, which legislation now continues in effect in parallel with the remaining provisions of the ICM. On 8 May 2015, the Minister of Environmental Affairs exempted Transnet from the application of section 11 of the ICM to the extent that it applies to port infrastructure, subject to certain conditions, which Transnet believes will protect its ownership of port infrastructure. See "*Risk Factors – Transnet risks losing substantial assets to nationalisation by the Government should the South African National Environmental Management: Integrated Coastal Management Act, 2008, as amended be fully enacted in its current form*".

Transnet Port Terminals

Transnet Port Terminals was established in 2000 when Transnet's then existing port division, Portnet, was divided into landlord and operations businesses, namely Transnet National Ports Authority and what is now known as Transnet Port Terminals, respectively. Transnet Port Terminals manages 16 cargo terminals situated across seven of the eight ports along the South African coastline and provides cargo handling services for container, bulk, break-bulk and automotive cargos.

Services

Transnet Port Terminals provides a range of cargo-handling and storage services to a wide variety of customers, including shipping lines, freight forwarders and cargo owners in the container, bulk, break-bulk and automotive cargo sectors. It provides these services at the 16 cargo terminals it operates across seven of the eight South African ports.

Bulk Terminals: Transnet Port Terminals has five bulk terminals located at Richards Bay, Saldanha, Durban, East London and Port Elizabeth (Gqeberha) that handle a variety of commodities including iron ore, manganese, magnetite, woodchips, anthracite, steam coal and agri-bulk products such as soya and maize. Transnet Port Terminal's total bulk handling capacity is presently 91.5mt per annum. Feasibility studies to increase the Richards Bay Terminal's export capacity are currently in progress to determine logical capacity tranches and will incrementally increase capacity in line with volumes. Transnet Port Terminals is also currently developing a Ngqura manganese export terminal with the intention to terminate operations at the Port Elizabeth (Gqeberha) Manganese Terminal once the manganese terminal at Ngqura is operational.

Break-Bulk Terminals: Transnet Port Terminal's break-bulk or multi-purpose terminals are located in Cape Town, Durban, East London, Port Elizabeth (Gqeberha), Richards Bay and Saldanha. Cargoes at those terminals include, but are not limited to, steel, granite, paper, cement, rice and project cargo.

Automotive Terminals: Transnet Port Terminals operates automotive terminals at the Ports of Durban, Port Elizabeth (Gqeberha) and East London. See also "*—Transnet National Ports Authority—Services*". The Durban Automotive Terminal handles approximately two-thirds of all the seaborne vehicles leaving or entering the Republic of South Africa.

Container Terminals: Transnet Port Terminals includes five container terminals, two of which are in Durban, and one in each of Cape Town, Port Elizabeth (Gqeberha) and Ngqura. Durban is the Republic of South Africa's busiest port as measured by capacity and throughput and has a capacity of 3.1 million TEUs per annum. The Durban Berth Deepening Project, will reinstate the Durban Container Terminal capacity to 2.9 million TEUs, increasing the Port of Durban's capacity to 3.6 million TEUs per annum. The Port of Ngqura became operational in October 2009 and its capacity has been increased to 1.3 million TEUs per annum. The Ngqura Container Terminal is a well-located hub for transhipment traffic connecting the Far East and Europe between the Americas and East and West Africa. The Cape Town Container Terminal currently has a capacity of 1,000,000 TEUs per annum. The container-handling facility at Port Elizabeth (Gqeberha) is capable of handling approximately 300,000 TEUs a year and specialises in cargoes for the vehicle manufacturing and vehicle components industries. (See also "*—Transnet National Ports Authority—Services—Containers Segment*"). The capacity increases undertaken throughout Transnet's terminals are demand driven.

Since its inception, Transnet Port Terminals played a key role in supporting the Government's export-led growth strategy. In Financial Year 2022, Transnet Port Terminals contributed 21.2 per cent. to the Group's total external revenue compared to 18.4 per cent. and 19.5 per cent. in Financial Year 2020 and Financial Year 2021, respectively.

Container volumes increased by 4.4 per cent. to 4,131,468 TEUs for the year ended 31 March 2022 from 3,959,049 TEUs for year ended 31 March 2021. The container sector has been positively impacted by a combination of an increase in imported empty containers for use during the reefer season and the ramp-up strategy which focuses on improved efficiencies, productivity and equipment availability in our terminals.

Bulk and break-bulk volumes increased by 42.6 per cent. from 94.4mt in the year ended 31 March 2021 to 96.9mt in the year ended 31 March 2022 as a result of the improved global economic environment following the COVID-19 pandemic.

Automotive volumes increased by 48.2 per cent. to 719,138 units in the year ended 31 March 2022 from 485,375 units in the year ended 31 March 2021. The increase in volumes resulted from the improved global economic environment following the COVID-19 pandemic.

Total revenue increased by 11.0 per cent. from R13,094 million in Financial Year 2021 to R14,535 million in Financial Year 2022 primarily due to volume growth during Financial Year 2022.

Operating costs for Financial Year 2022 amounted to R10,329 million as compared to R9,463 million for Financial Year 2021. This 9 per cent. increase was primarily due to VSP payments and salary increases as well as rising rental, fuel and electricity costs. These increases were partially offset by lower stevedoring and other costs.

This resulted in EBITDA of R4,206 million for Financial Year 2022, an increase of 15.8 per cent. from R3,631 million recorded in Financial Year 2021.

Strategy

Transnet's strategic objectives under Segment Strategy include:

- Growing the core: increasing market concentration in its core business and geography;
- Geographic: building market share in chosen markets beyond the core;
- Vertical integration/value chain disruption: increasing scope in the value chain; and
- Adjacencies and diversification: leveraging capabilities to enter business near to or far from today's core.

Transnet Port Terminals divisional strategy is aligned to the Segment Strategy and focuses on growing the core, defending market share, pursuing new business opportunities in adjacent markets and diversifying. Transnet Port Terminals will contribute to the Segment Strategy as follows:

- growing volumes and improving market share of all four sectors in which Transnet Port Terminals operates;
- improving performance, productivity and efficiencies;
- improving customer relationship management;
- promoting sustainable business practices;
- expansion and maintenance of economic infrastructure;
- prioritising safety, skills development and procurement;
- creating regulatory certainty and compliance with policy; and
- driving research and development and deploying cutting edge technologies.
- enabling regional integration; and
- integrating new business into the supply chain both forwards and backwards.

Customers

Transnet Port Terminals' major customers represent a broad spectrum of the economy and include the shipping industry, vehicle manufacturers, the agriculture, timber and forest industries, the mining industry and exporters of minerals, metals and granite. Other diversified revenue streams includes the inland terminal operations and port related opportunities on the continent of Africa. Transnet Port Terminals' major customers are Mediterranean Shipping Company and Maersk, which accounted for 13.4 per cent. and 11.0 per cent. of Transnet Port Terminals' total revenue for the year ended 31 March 2022.

Source of Revenue, Pricing and Tariffs

Transnet Port Terminals earns revenues through the levying of charges for loading, offloading and other cargo handling charges as well as for the storage of cargo. The tariffs charged by Transnet Port Terminals are not regulated.

Assets

Transnet Port Terminals operates each of its terminals, and owns all the port handling equipment, including cranes used in the loading/unloading of cargo to/from the ships to the stacking areas, excluding those assets that have been used as security for borrowing by Transnet.

Regulation

The Ports Act promulgates the parameters within which Transnet Port Terminals operate. Transnet Port Terminals has developed a Compliance Risk Management and a Minimum Control Framework, which have been rolled out across the business and aids as a control to ensure compliance with the Ports Act.

Pursuant to Transnet National Ports Authority's general notice issued on 2 December 2011, inviting all terminal operators who managed or operated a terminal prior to 26 November 2006 to apply for a terminal operator licence within six months from 1 December 2011, Transnet Port Terminals has been issued 20 terminal operator licences with effect from 1 July 2012, covering all terminals operated by Transnet Port Terminals except the Ngqura Container Terminal, which has been granted a container terminal operator licence under different terms.

A container terminal operator licence was granted to the Ngqura Container Terminal as per section 57 of the Ports Act, pursuant to the Minister of Transport issuing a section 79 directive on 3 October 2012 for a period of 3 years. After the expiry of the section 79 directive granted in October 2012, Transnet Port Terminals was granted a permanent licence to operate Ngqura Container Terminal and the Dry Bulk Terminal in the Port of Ngqura for an indefinite period, through a section 79 directive with effect from 11 March 2016. Transnet Port Terminals is operating the Ngqura Container Terminal for loading, shipment, transhipment, storage of containers and plans to operate the Dry Bulk Terminal to handle manganese in the Port of Ngqura.

Compliance with environmental legislation is closely monitored through the implementation of an environmental management framework aligned and certified to Environmental Management System ISO 14001, the international standard that specifies requirements for an effective environmental management system (the "**ISO 14001 Standard**"). Together with the environmental control framework that is being implemented, environmental compliance is monitored through rigorous internal audits as well as the ISO 14001 system audits.

Transnet Pipelines

Transnet Pipelines is a major transporter of a range of petroleum and gas products through approximately 3,800 kilometres of underground pipelines, traversing five provinces in the Republic of South Africa. It transports more than 80 per cent. of all refined products required for the inland market, more than 70 per cent. of jet fuel required at OR Tambo International Airport and 100 per cent. of crude oil requirements for the National Petroleum Refiners of South Africa refinery. Transnet Pipelines fulfils the strategic objective of ensuring the security of the supply of petroleum products to the inland market.

Services

Transnet Pipelines currently transports refined petroleum products (petrol and diesel), crude oil, aviation turbine fuel ("**Avtur**") and methane rich gas. A storage and distribution facility at Tarlton is used for cross-border refined petroleum products for distribution to Botswana.

Transnet Pipelines is regulated by the NERSA and is governed by the Petroleum Pipelines Act and the Gas Act, 2001 (the "**Gas Act**"). The NERSA sets or approves tariffs and governs the licensing of operation and construction of pipeline networks as well as storage and loading facilities.

In the six months ended 30 September 2022, the total petroleum volumes transported were 7,979 million litres compared to 7,609 million litres for the six months ended 30 September 2021. The 4.9 per cent. increase in petroleum volumes is a result of improved economic activity. Transnet Pipelines transported 264 million cubic meters of gas in the six months ended 30 September 2022 compared to 266 million cubic meters in the six months ended 30 September 2021. Ordered versus delivered volumes was at 97.5 per cent. in the six months ended 30 September 2022 compared to the 99.4 per cent for the six months ended 30 September 2021 and the planned versus the actual delivery times was at 86.7 per cent. for the six months ended 30 September 2022 compared to 88.3 per cent. for the six months ended 30 September 2021.

Revenue for the for the six months ended 30 September 2022 amounted to R2,842 million as compared to R2,598 million for the six months ended 30 September 2021. This increase of 9.4 per cent. is mainly attributable to the increase in allowable revenue and increase in volumes. Operating costs for the six months ended 30 September 2022 amounted to R182 million as compared to R320 million for the six months ended 30 September 2021. This decrease was primarily due to the reassessment of the environmental provision in the current year based on the remediation activities to be undertaken on site and the review of a litigious claim. This resulted in an EBITDA of R2,660 million for the six months ended 30 September 2022, an increase of 16.8 per cent. from the R2,277 million recorded for the six months ended 30 September 2021.

In Financial Year 2022, the total petroleum volumes transported were 15,350 million litres compared to 13,067 million litres in Financial Year 2021. The 17.5 per cent. increase in petroleum volumes is a result of the relaxation of the strict COVID-19 lockdown levels that led to an improvement in the performance of various sectors in the economy. Transnet Pipelines transported 527 million cubic meters of gas in Financial Year 2022 compared to 493 million cubic meters in Financial Year 2021. Moreover, ordered versus delivered volumes were above budget at 98.9 per cent. (2021: 95.0 per cent.) and the planned versus the actual delivery times was at 88.3 per cent. (2021: 83.2 per cent.). Operating costs for Financial Year 2022 amounted to R1,564 million as compared to R6,944 million for Financial Year 2021. This decrease was primarily due to improved cost management and control.

This resulted in an EBITDA of R3,719 million for Financial Year 2022, an increase of 281.2 per cent. from the negative R2,052 million recorded in Financial Year 2021.

Strategy

Transnet Pipelines regulated by NERSA and is the largest multi-product pipeline operator in Southern Africa with more than 55 years' experience in operating and maintaining a 3,800km high-pressure petroleum and gas pipeline network in South Africa. Transnet Pipelines' core strategic mandate is to ensure petroleum security of supply for the inland market and gas security of supply for the KwaZulu-Natal market using environmentally responsible methods while ensuring optimum efficiency.

Transnet Pipelines is strategically positioned to enable regional integration from pipelines to other modes of transport and currently transports:

- More than 80 per cent. of all refined products required for the inland market;
- More than 70 per cent. of all jet fuel required at OR Tambo International Airport;
- 100 per cent. of crude requirements for the National Petroleum Refiners of South Africa ("**NATREF**") refinery;
- 500 million cubic metres per annum of methane-rich gas to KwaZulu-Natal from Secunda; and
- 100 per cent. of Tarlton Distribution Terminal volumes of which 60 per cent. is distributed cross-border.

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

- New market participants in line with the Liquid Fuels Charter expectations which places emphasis on the promotion of BBBEE and overall sector transformation;
- Clean fuels as envisaged by the Department of Mineral Resources and Energy which necessitates increased import terminal capacity due to the inability of local refineries to produce clean fuels in the medium to long term; and
- The expected increase of fuel imports as per recent developments regarding future plans of local refineries which will be enabled and facilitated by the existing capacity on the NMPP.

The decommissioning of the Durban to Johannesburg Pipeline (the "**DJP**") is currently in execution and the displacement and cleaning of the main line is estimated to be completed by May 2022. The latest approved completion date for the remaining activities of the project is 2029. Based on the outcomes of the current studies, the DJP servitude from Durban to Kroonstad will be retained for potential future utilisation. The NMPP is in full operation with a current capacity of 148 million litres per week. The line is capable of transporting two diesel grades (D10 and D50) and two unleaded petrol grades (93 and 95) as well as jet fuel. The inland accumulation facility, located in the strategic node of Jameson Park, Gauteng (TM2) with a capacity of 180 million litres, facilitates security of supply to the inland economic hub and surrounding areas. A seamless integrated rail and pipeline service offering to customers is currently in operation to OR Tambo International Airport to ensure jet fuel security of supply.

Transnet Pipelines is ideally positioned as an enabler in delivering the Transnet Natural Gas Network Strategy which is aligned to the country's energy demand in conjunction with other relevant state-owned entities and stakeholders. This will be achieved through utilising the existing infrastructure as a base to grow the natural gas supply chain logistics network by collaborating with the private sector and other state-owned companies. The key objective is to develop, finance, construct, operate and maintain liquefied natural gas (LNG) midstream infrastructure to enable the import of LNG into the ports of Richards Bay and Ngqura.

The table below sets out key statistics for Transnet Pipelines for Financial Years 2020, 2021 and 2022:

Key Statistics

	For the six months ended 30 September		For the year ended 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
Infrastructure					
Capital expenditure (R millions)................................	45	193	330	499	412
Efficiency					
Operating cost per Ml.km (Nominal R/Ml.km)	217	269	236	1,233	227
Volume					

	For the six months ended 30 September		For the year ended 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
Total petroleum volumes (million litres)	7,979	7,609	15,350	13,067	17,763
Total gas volumes (million m3)..............................	**264**	**266**	**527**	**493**	**511**

Customers

Transnet Pipelines' customers include the Republic of South Africa's largest fuel companies, such as British Petroleum South Africa (BPSA), Astron Energy, Engen, Sasol Oil, Sasol Gas, Shell and TotalEnergies. These customers together accounted for 100 per cent. of Transnet Pipelines' segment external revenues for the six months ended 30 September 2022 and for Financial Year 2022.

In addition to these major clients, Transnet Pipelines helps facilitate new entrants into the pipeline network in line with the Petroleum Pipelines Act, 2003.

Sources of Revenue and Pricing

<u>Overview</u>

In accordance with the Petroleum Pipelines Act, the NERSA is mandated to set petroleum pipeline tariffs and approve storage tariffs. Pursuant to the Gas Act, Transnet must also submit its gas transmission tariffs to the NERSA, in order for the NERSA to "monitor and approve, and if necessary, regulate" Transnet's tariffs. The NERSA issues separate licences for construction, conversion and operation of petroleum infrastructure. Therefore, Transnet must, from time to time, submit applications to the NERSA to amend Transnet's petroleum pipeline operating and construction licences in order to reflect changes to the operation and construction of the pipeline system. See also "*Risk Factors—Risks Related to Transnet's Business—Transnet is exposed to risks associated with the economic regulation of its business—Transnet Pipelines*".

<u>Tariffs</u>

The percentage increase in petroleum pipeline tariffs for the Financial Years 2020, 2021 and 2022 amounted to 10.95 per cent., 11.60 per cent. and 2.39 per cent., respectively.

<u>*Petroleum Tariffs*</u>

<u>*2021 Financial Year*</u>

On 1 August 2019, Transnet Pipelines filed its Financial Year 2021 tariff application. In its application Transnet Pipelines applied for an allowable revenue of R7,583 million, which was an increase of 33.49 per cent. compared to the allowable revenue of R5,682 million (as per NERSA's Financial Year 2020 decision). On 26 February 2020, NERSA set tariffs for the 2021 financial year that allowed Transnet Pipelines to realise a 9.01 per cent. increase in allowable revenue, amounting to R6,194 million. This difference between the allowable revenue applied for by Transnet Pipelines and the allowable revenue approved by NERSA was due to NERSA deciding to implement prudency findings as identified by Transnet in its *Report on the Multi-Product Pipeline (MPP) Project to the Department of Public Enterprises* pending the finalisation of the NERSA's own prudency assessment. In the aforementioned report, Transnet identified an amount of R3.16 billion which NERSA decided to implement in its 2021 tariff decision.

<u>*2022 Financial Year*</u>

On 30 September 2021, Transnet Pipelines filed its Financial Year 2022 tariff application. In its application Transnet Pipelines applied for an allowable revenue of R5,504 million which was a decrease of 11.15 per cent. compared to the allowable revenue of R6,194 million per NERSA's 2021 tariff decision. The decrease in allowable revenue was mainly due to a lower Weighted Average Cost of Capital ("**WACC**"). On 25 February 2021, NERSA set tariffs for the 2022 Financial Year that allowed Transnet Pipelines to realise an allowable revenue of R5,504 million.

<u>*Gas Tariffs*</u>

Transnet Pipelines filed its Multi-Year Piped-Gas Transmission Pipeline (Lilly pipeline) Tariff Application on 9 December 2019. In its application, Transnet Pipelines requested and NERSA subsequently approved an allowable revenue of R125.44 million (an increase of 0.55 per cent. from the 2020 Financial Year) for Financial Year 2021, an allowable revenue of R133.03 million (an increase of 6.05 per cent.) for Financial Year 2022 and an allowable revenue of R140.49 million (an increase of 5.61 per cent.) for Financial Year 2023. On 25 June 2020, NERSA approved the Lilly pipeline Multi-Year Tariff Application with the following tariffs:

- R7.01/GJ for the Financial Year 2021;
- R7.31/GJ for Financial Year 2022; and
- R7.71/GJ for Financial Year 2023.

Tarlton Storage Tariffs

On 4 October 2019, Transnet Pipelines submitted its Multi-Year (Financial Years 2021-2023) Tarlton Storage Tariff Application to the NERSA. In its application, Transnet Pipelines recommended a reduction in its Financial Year 2021 tariff from 12.30 cents per litre (c/l) to 9.60 c/l (Financial Year 2021); 10.83 c/l (Financial Year 2022) and 12.05 c/l (Financial Year 2023).

On 5 March 2020, the NERSA approved Transnet Pipeline's multi-year Tarlton Storage Facility tariffs as per its application.

Assets

Transnet Pipelines currently owns approximately 3,800 kilometres of high pressure pipeline network with associated infrastructure and property. Transnet Pipelines' network comprises a system of the refined product network, crude oil, Avtur and gas pipelines. The petroleum network has five intake points, as well as 13 delivery stations and 26 pump stations.

The Transnet Pipelines infrastructure includes the tank farm at Tarlton with storage and distribution facilities that have an operating capacity of approximately 30 million litres. This facility is mainly used for cross-border deliveries into Botswana. The Tarlton facility also includes a refractionator which is used to process intermixture to optimise operations.

The NMPP

The NMPP is a strategic investment to secure the long-term supply of petroleum products from the coast to the inland market (predominantly Gauteng). It is one of the largest and most complex multi-product pipelines in the world. An innovative engineering project in concept, design and implementation, the 555 kilometres of 24 inch pipeline (mainline) and 162 kilometres of 16 inch pipelines pipeline of the of the NMPP system of assets are buried underground.

Some of the benefits of the NMPP Phase 1 include an increase in pipeline capacity to 8.7 billion litres per annum resulting in a significant reduction in the number of tankers on the road, and a cost-effective and efficient mode of moving petroleum products in an environmentally friendly manner. The Phase 2 upgrade will have a maximum capacity of 11 billion litres per annum. The 24-inch trunk-line from Durban to Jameson Park commenced operations in single product mode, such as diesel lower sulphur in January 2012, and transported approximately 4,348 billion litres of diesel and petrol in Financial Year 2021. See "*Transnet Pipelines—Strategy*" for further information.

Transnet Property

Transnet Property, part of the Other Division of Transnet, currently manages a portfolio of commercial and residential properties consisting of 13 per cent. of Transnet's total property portfolio, which are leased out to external and internal tenants. The remainder of the property portfolio is still managed by the respective Operating Divisions, but service level agreements are being put in place for Transnet Property to provide property management and other specialised services to some of the other Operating Divisions and Transnet Corporate Centre. Transnet Property's core capabilities include strategic asset management, property development and property management.

Services

Transnet Property's capabilities include strategic asset management, property development and property management. Property management includes leasing and lease administration, marketing, portfolio management, facilities management and property administration, consisting of billing and collections. Apart from portfolio management, Transnet Property also provides specialised property services to other Operating Divisions and Transnet Corporate Centre.

The key services include property valuation, municipal valuation monitoring, land surveys and registration, property inventory management and geographic information, as well as deeds management. However, going forward, Transnet Property's core capability will be expanded as Transnet Property shifts towards broader asset management which encompasses property investments and developments.

Revenue increased by 23 per cent. to R609 million for the six months ended 30 September 2022 compared to the base of R495 million for the six months ended 30 September 2021. The increase was mainly due to annual rental escalations from commercial properties and a portfolio increase from transfers of commercial properties from other Operating Divisions to Property.

Revenue decreased by 7.5 per cent. in Financial Year 2022 to R937 million from R1,013 million in Financial Year 2021 mainly due to transfer of property to TNPA that resulted in a decrease of rental revenue that was generated with this property, as well as that the property sector is still recovering from the impact of the COVID-19 pandemic, which led to the closing down of commercial spaces.

Strategy

Transnet Property became a more prominent division within the Other Division, following a new strategy, which was premised on the consolidation of the entire Transnet property portfolio. This strategy was approved by the Board of Directors on 31 March 2021.

The new approach to managing property assets will enable Transnet Property to maximise the returns from the property portfolio and grow the asset base, and it will see Transnet Property become a hub for immovable property matters, and allow Transnet to benefit from best commercial property practices and professional expertise. There will be a shift from basic property management of non-core properties to a full-scale asset management approach of the entire Transnet property portfolio.

At a high level, Transnet Property's strategic focus areas, aligned to the Transnet strategic focus areas for optimising the property portfolio, include the following:

- Implementing an optimal property management model to increase occupancy, improve collections and enhance facilities management;
- Implementing regional marketing structures to better serve customer needs;
- Implementing PSP projects to optimise portfolio returns and strengthen the balance sheet;
- Consolidating the operations of the Company in Transnet-owned properties to eliminate rentals to external landlords;
- Conducting lease audits for revenue protection and to minimise revenue leakage;
- Conducting regulatory compliance audits to ensure safety and to protect the Company's reputation; and
- Implementing effective utilities management to ensure accurate billing by municipalities to reduce costs and improve recoveries.

Some of these strategic initiatives are already in progress and certain milestones have been achieved. For instance, the Transnet head office has been moved from the leased offices at Waterfall in Midrand and employees relocated to various Transnet-owned buildings. Various other leases in Johannesburg and Durban were cancelled and employees moved into Transnet-owned buildings.

The table below sets out key statistics for Transnet Property for Financial Years 2020, 2021 and 2022:

Key Statistics

	For the six months ended 30 September		For the year ended 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
Capex (R millions)	30.5	35.5	70.3	166.2	165.4
EBITDA	(428)	95.6	112.1	235	309
Collection Index%	88	62	67	61	87
Recovery ratio%	26	62.4	44.7	68	77

Customers

Transnet's client base is universal and cuts across a number of economic agents of the country with either direct or indirect interests such as rail, oceanic, engineering and ports operations. These industries can be mainly classified with Commercial and Industrial interests in Retail, Transport, Warehousing, Logistics, Pharmaceuticals, Automotive and State Institutions.

Transnet Property has various tenants in office, retail, industrial and warehousing properties as well as residential properties. Some of the tenants in the office space include the Northern Cape Premier's Office, the Free State Department of Health, the Hawks, the City of Cape Town and the Passenger Rail Agency of South Africa. In the industrial and warehousing category, key tenants include, among others, Shoprite, Rovos Rail Tours, Grindrod Intermodal, DHL, Newlyn Investments, Defy, Aspen Pharmacare, Access Freight, MSC and Solwethu Marine Services.

Transnet Property's flagship Carlton Shopping Centre, has a tenant mix that includes leading local brands such as Pick n Pay, Woolworths, Timberland, Edgars, Mr Price Kids, Absa, Nedbank, Standard Bank, Capitec, Clicks, McDonald's, Nando's and KFC. In the near future, this is expected to create more interest around the retail precinct, which will result in additional tenants taking up space in anticipation of the spin-offs from the redeveloped Carlton Centre.

Assets

Transnet Property has a vast portfolio consisting of various asset types which vary with a myriad of economic operations by its clients in its portfolio. The commercial portfolio consists of offices, warehouses, retail buildings and land. Residential property consists of vacant stands, houses and mass housing comprising hostels, lodges and line camps. The disposal of the residential portfolio will pave the way for more investment in the commercial portfolio.

The property portfolio is spread across the country with the key commercial properties located in most major cities and towns (i.e., Johannesburg, Pretoria, Durban, Pietermaritzburg, Empangeni/Richards Bay, East London, Gqeberha, Cape Town, Bloemfontein and Kimberley). The Transnet Property portfolio is well-positioned, both geographically and economically to provide enablement to Transnet's operations in ports and on the rail as well as general private sector clients.

Capital Investment Plan

Transnet's critical role in the economy is more pronounced because of the urgency in economic recovery and growth as captured in the Economic Reconstruction and Recovery Plan, with economic infrastructure a central pillar of the plan. Effective allocation of limited capital, and exploring innovative and alternative funding sources through partnerships, will therefore be critical in ensuring that the Capital Investment Plan is realised.

To support investment in network infrastructure, institutional reforms of network industries and state-owned companies, commercial partnerships between state-owned companies and the private sector need to become a norm of doing business, particularly to leverage large-scale investments in core economic infrastructure and to increase efficiencies in the operation of economic networks.

Private sector partnerships are expected to ensure that:

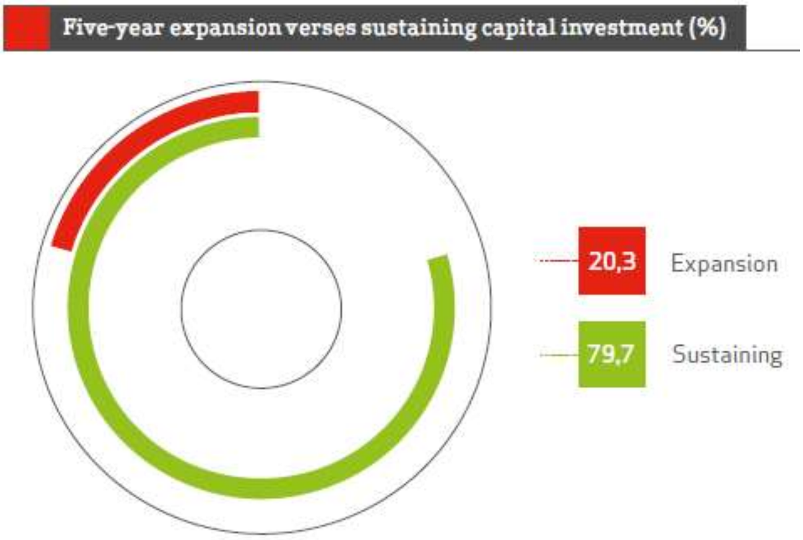
- Transnet's infrastructure and operations risks are mitigated;
- The use of Transnet's assets are optimised for economic value creation;
- The growth of priority commodities and sectors is supported;
- Transnet concentrates on its core business; and
- The Company is positioned for sustainability in the short, medium and long term.

The goal is to create a more competitive freight system that appropriately leverages the strengths of the public and private sectors. A competitive freight system is one that enables competitive supply chains and this is where Transnet's key focus is, particularly with respect to its top eight commodity segments, which account for more than 80 per cent. of revenue.

The bulk of Transnet's capital investment in the next five years will therefore be used for maintenance and improving existing capacity ahead of expansion for these priority commodity segments throughout the transport value chain (rail, ports and pipelines).

The Capital Investment Plan has been curtailed to affordable and sustainable levels with a stronger focus on core maintenance initiatives and attracting suitable private sector and industry partners to undertake key expansion projects and programmes. For Transnet, its own investment must lead and complement private sector investment and raise the level of total investment in the freight system.

Transnet plans to spend R98.9 billion on capital investment over the next five years of which 79.7 per cent. (R78.9 billion) will be spent on maintenance and sustaining capital investment. A significant portion of this capital (R39.1 billion) will be spent on maintaining and sustaining permanent ways and rolling stock (locomotives and wagons), while the remainder is planned for port fleet and pipeline equipment.



The envisaged investment per functional portfolio over the next five years is tabled below:

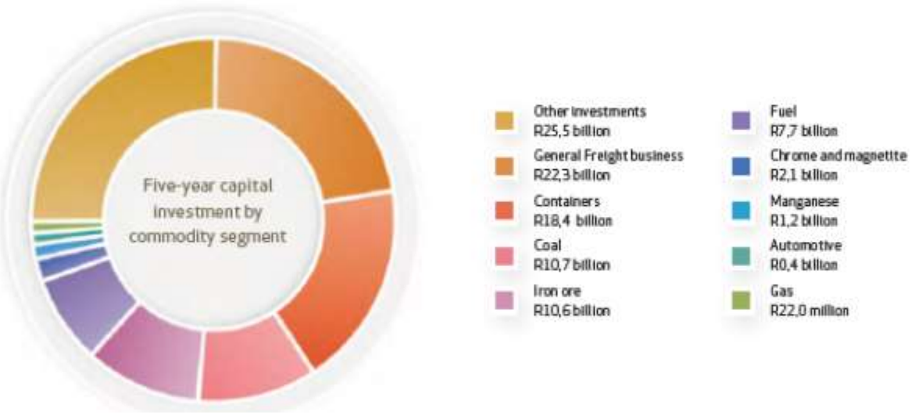
	Budget 2022/23	Projections 2023/24	2024/25	2025/26	2026/27	Total five years
			(R million)			
Transnet Freight Rail	10,755	6,421	7,856	9,234	9,754	44,020
Transnet Engineering	105	—	—	—	—	105
Transnet National Ports Authority	2,454	2,475	6,821	9,665	8,588	30,003
Transnet Port Terminals	2,273	3,618	3,355	2,660	2,107	14,013
Transnet Pipelines	1,305	1,106	1,767	1,436	439	6,053
Transnet Property	741	930	455	441	367	2,934
Transnet Corporate Centre	390	593	348	279	190	1,800
Total	**18,023**	**15,143**	**20,602**	**23,715**	**21,445**	**98,928**

The General Freight business consists of all containerised goods, agriculture products, timber, cement and steel and other minerals such as chrome, magnetite and manganese. Other commodities consist of maintenance services, manufacturing products, break-bulk and other supporting unit services.

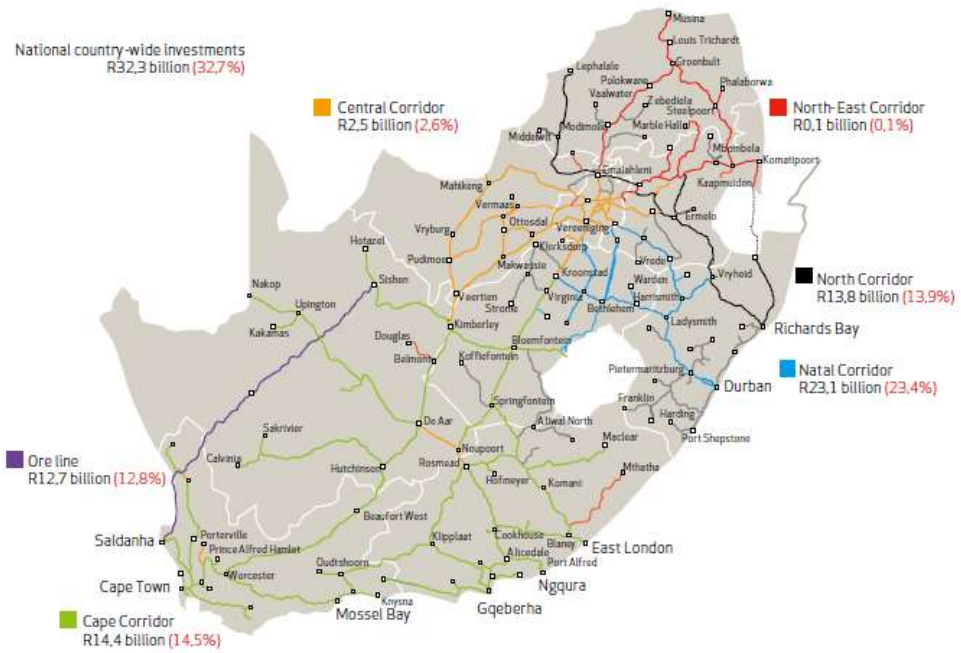
The Cape Corridor plans to spend almost 14.5 per cent. of the five-year Capital Investment Plan, with the key focus on projects that support the container and manganese commodities. The Container Corridor plans to spend almost 23.4 per cent. of the five-year Capital Investment Plan, with the key focus on projects that support the container, chrome, magnetite, refined petrol and diesel commodities.

The high level of investment in sustaining capital is as a result of the significant backlog in infrastructure and rolling stock, coupled with planned mid-life and cyclical maintenance on fleet and port equipment. As depicted below, a significant portion of capitalised maintenance will be spent on fleet and pipeline equipment. Sustaining capital investment for the next five years is listed below (of which R16.5 billion is for Financial Year 2023).

Five-year capital investment by commodity segment



Five-year capital investment by corridor



The high level of investment in sustaining capital is as a result of the significant backlog in infrastructure and rolling stock, coupled with planned mid-life and cyclical maintenance on fleet and port equipment. As depicted below, a significant portion of capitalised maintenance will be spent on fleet and pipeline equipment. Sustaining capital investment for the next five years is listed below (of which R16.5 billion is for FY 2023).

	Rail	Ports	Other	Total
		(R million)		
Permanent ways	14,717	122	25	14,864
Locomotives	8,841	—	—	8,841
Wagons	11,534	—	—	11,534
Port facilities	—	18,410	—	18,410
Floating craft	—	4,202	—	4,202
Land, buildings and structures	853	3,473	3,672	7,998
Pipeline networks	—	—	1,662	1,662
Intangible assets and other	—	—	690	690
Machinery and equipment	4,802	2,415	3,472	10,689
Total	**40,747**	**28,622**	**9,521**	**78,890**

Of the R6.0 billion spent under the Capital Investment Plan for the six months ended 30 September 2022, of which R5.7 billion was spent to maintain current infrastructure and equipment and R0.3 billion was spent on expanding capacity, 82 per cent. was spent by Transnet Freight Rail, 9 per cent. by Transnet National Ports Authority, 8 per cent. by Transnet Port Terminals, 1 per cent. on Transnet Pipelines and 0 per cent. was spent by Transnet Engineering, Transnet Property and the specialist units, collectively.

Of the R13.2 billion spent under the Capital Investment Plan for Financial Year 2022, of which R11.3 billion was spent to maintain current infrastructure and equipment and R1.9 billion was spent on expanding capacity, 75.8 per cent. was spent by Transnet Freight Rail, 9.0 per cent. by Transnet National Ports Authority, 11.7 per cent. by Transnet Port Terminals, 2.5 per cent. on Transnet Pipelines and 1.1 per cent. was spent by Transnet Engineering, Transnet Property and the specialist units, collectively.

The Group's spending under the Capital Expenditure Programme for Financial Year 2021 (excluding capitalised borrowing costs) amounted to R15.9 billion, with R13.7 billion spent to maintain current infrastructure and equipment and R2.2 billion spent on expanding capacity.

Of the R15.9 billion spent under the Capital Expenditure Programme for Financial Year 2021, 74.9 per cent. was spent by Transnet Freight Rail, 4.3 per cent. by Transnet National Ports Authority, 14.6 per cent. by Transnet Port Terminals, 3.1 per cent. on Transnet Pipelines and 3.0 per cent. was spent by Transnet Engineering, Transport Property and the specialist units, collectively.

Capital Planning and Execution

Optimising the freight system is fundamentally about optimising industry supply chains as opposed to optimising transport modes. It is this perspective that principally informs the Financial year 2023 planning cycle and, for this reason, that the analytic lens for strategy, planning and capital allocation purposes will be mainly the key commodity segments and supply chains that Transnet supports.

The bulk of Transnet's capital investment in the next five years will therefore be used for rehabilitation and maintenance of assets to industry standard and restoring and/or protecting existing capacity ahead of expansion for these priority commodity segments throughout the transport value chain (rail, ports and pipelines).

The Capital Investment Plan has been curtailed to affordable and sustainable levels with a stronger focus on core maintenance initiatives and attracting suitable private sector and industry partners to undertake key expansion projects and programmes. For Transnet, its own investment must lead and complement private sector investment and raise the level of total investment in the freight system.

Transnet aims to fulfil its mandate of reducing the cost of doing business, ensuring security of supply and enabling economic growth by:

- Ensuring competitive supply chains;
- Maximising rail utilisation by accelerating the road-rail modal shift and maximising the role of rail in national transportation;
- Partnering for growth by leveraging the private sector in the provision of infrastructure and operations;
- Integrating South Africa with the region and the rest of the world; and
- Optimising socio-economic impact by creating Black business opportunities in Transnet's delivery to the market.

To deliver on its mandate in capital investment planning, the strategy is premised on:

- **Fixing the core**: Transnet will continue to focus on its five key strategic focus areas of customer service, people, asset utilisation, safety and cost control. This is mainly targeted at priority segments and networks to address security of supply concerns and to restore the nameplate capacity of existing infrastructure and channels; and
- **Partnerships for growth**: Requirements for long-term growth were identified as a modal shift from road to rail; a low-carbon energy-efficient freight system; the creation of international hub ports; increased maritime connectivity; a high-performing core transport network; a robust infrastructure funding model able to ensure capacity ahead of demand; targeted skills development strategies; co-ordinated investment across an international network; and supplier development plans linked to long-term infrastructure investment plans.

Capital portfolio and prioritisation principles

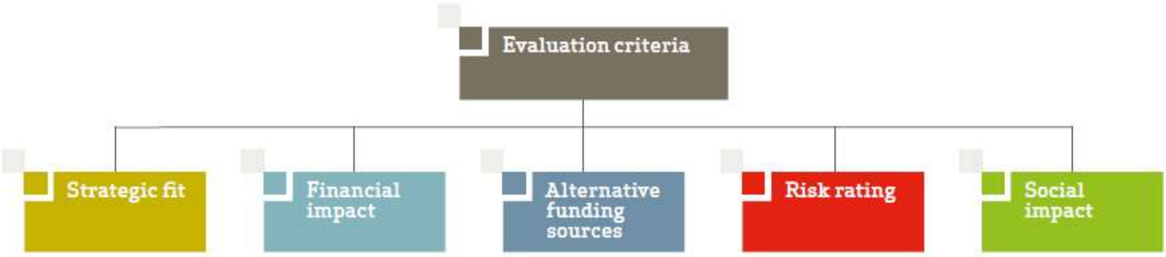
To ensure the Capital Investment Plan aligns to the strategy, is affordable and creates value for the Company and its stakeholders, the following prioritisation principles have been developed, and some elements of these principles were used to inform the capital portfolio:

- All capital investment projects, be they infrastructure-related or a partnering approach, will be evaluated through the lens of each segment. The focus is on covering the cost of capital by way of growth in revenue, profitability and market share for the segment overall;

- Investment opportunities will be evaluated within their context as part of a segment or logistics supply chain and business case;

- The investment opportunity must show the impact of the investment decision on the overall logistics supply chain, segment and Transnet's performance; and

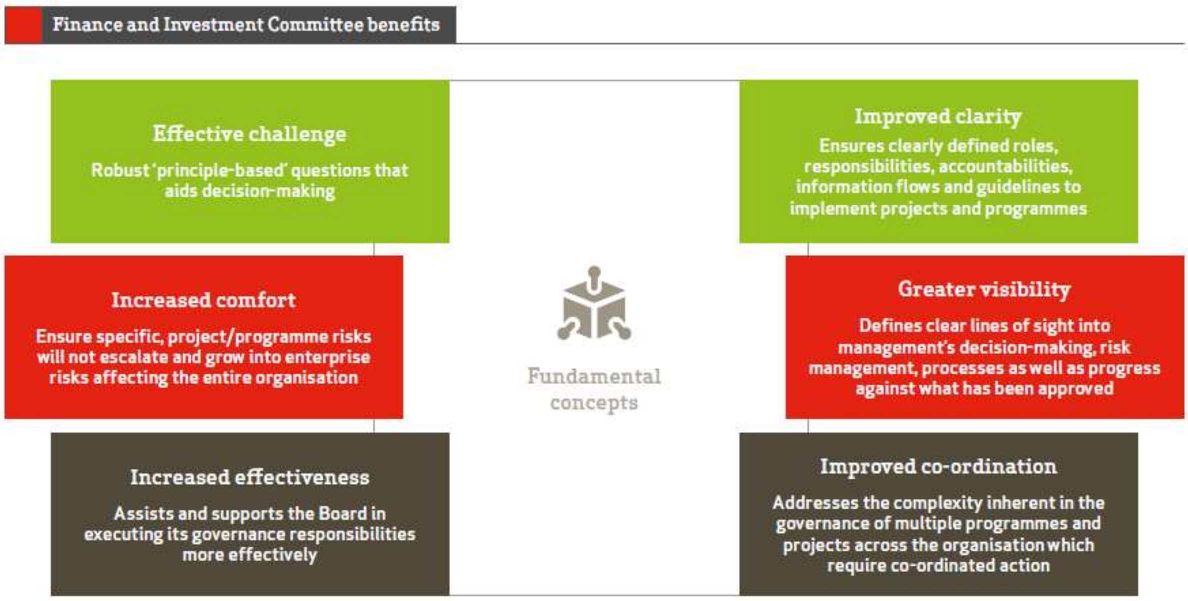
- All capital projects (including individual projects) will be evaluated using the following five evaluation criteria:



Capital Approval and Governance

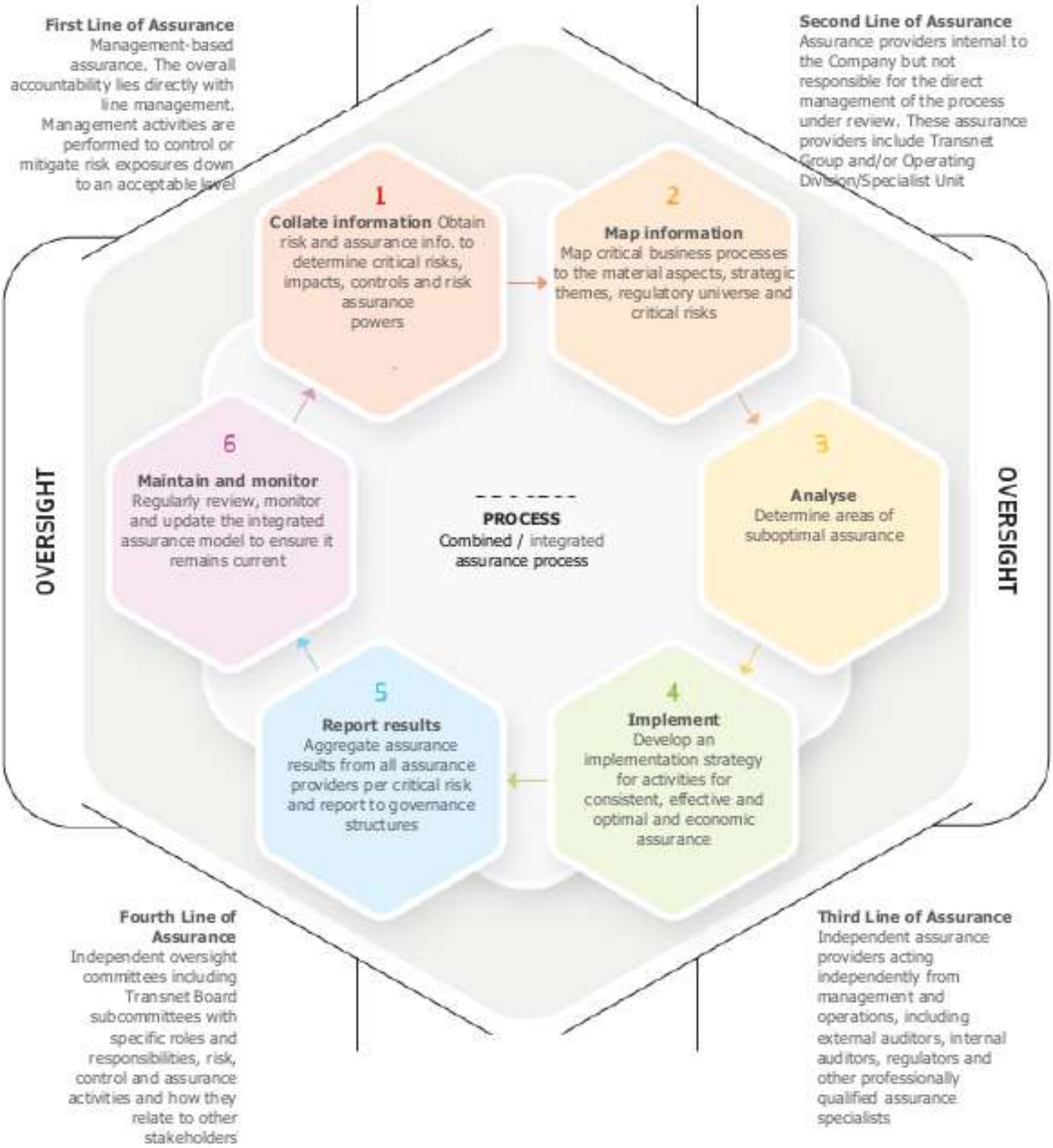
Transnet's investment governance is an organisational framework that enables effective and transparent capital investment decision-making. This ensures that the right capital projects and programmes are progressed through their respective lifecycles in order to collectively deliver on predefined Company strategic objectives. Investment decision focus for capital projects and programmes is based on risk, quality, viability, sustainability and portfolio fit to create maximum strategic value. Transnet's Finance and Investment Committee will enable and support effective decision-making.

The benefits of Transnet having the Finance and Investment Committee are depicted in the diagram below.



Transnet has further strengthened its capital governance environment in line with specific governance principles through the introduction of various assurance functions such as the Capital and Procurement Assurance Forum reporting into the Combined Assurance Framework, as laid out via the below diagram:

Combined Assurance Framework



The Capital Assurance Forum was also established to ensure the following assurance functions occur to support effective investment decision-making:

- Gate Reviews are a means of reviewing compliance to the Project Lifecycle Process (the "**PLP**") in terms of completeness, quality and good governance, alignment with project objectives, viability of the project, and recommending that the project proceeds to the next phase;
- Business case validations that serve to give assurance to relevant Transnet approval committees that the investment business case developed is accurate, comprehensive and aligned to the Company strategy;
- Interim reviews that assess actual performance (overall health) and forecast performance of a capital project/programme and the capital project's continued relevance and viability in relation to business case baseline objectives. Interim reviews also assist in controlling and escalating unacceptable deviations to decision-makers; an effective means to demonstrate accountability and identification of measures to improve the Project under review.
- Post-implementation reviews that are conducted on a capital project/programme to evaluate whether objectives were met, to determine how effectively the capital project/programme was run, to capture learning points for future improvements and to ensure that Transnet gets the greatest possible benefits from its investments;

- Asset care that is an activity conducted on existing infrastructure to provide the business with an independent assessment on the state of its infrastructure assets;

- A stronger focus on Asset Life Cycle Management principles utilising and strengthening relationships with OEMs;

- Shutdown assurance that is an activity that allows for an independent view on business performance during shutdown activities, which evaluates the effectiveness of the shutdown activities from a cost, schedule and quality point of view. It provides feedback to the business units on their effectiveness during shutdown activities;

- Technical oversight that provides the business with an independent technical assessment on capital expenditure, capitalised operating expenditure and engineering activities related to maintenance; and

- Technical assurance that provide the business with an independent technical assessment on capital projects at any given stage from development through to execution.

Capital Investment Proposals

Capital investment proposals are generated in the Operating Divisions and if required by the DOA Framework to be approved at a Group or Board level, then they are submitted to the Group Capital Development and Assurance for review, after which they will be submitted to the Group Investment Committee for recommendation to the relevant DOA authority level. The investment proposal must clearly state the case for investment, which includes a clear description of the issue and the proposed solution and the expected benefit from the proposal. It must also state whether the proposed capital project is an expansionary or sustaining capital project. The estimated total cost together with the capital project execution plan, procurement plan and key milestones are drafted in the submission. The various asset classes involved (for example rolling stock and equipment infrastructure) and the results of the financial evaluation model (net present value, internal rate of return and discounted payback period) are also included in the capital investment proposals. Other criteria included in the investment proposal submissions are cost, time (both direct and indirect), quality, local content, safety and risk.

Divisional Investment Committees

Divisional Investment Committees may approve capital projects with an estimated total cost of up to R600 million, except for the Chief Officer: Advanced Manufacturing which is able to approve projects with an estimated total cost of up to R500 million, to the extent the projects have been included in the approved Capital Expenditure Programme. Operating Divisions thus have autonomy over these investments and apply the necessary governance and controls for unforeseen projects not included in the approved capital investment projects.

Capital Investment Committee

The Capital Investment Plan is overseen by the Group Investment Committee (the "**GIC**"), a sub-committee of the Transnet Executive Committee ("**Transnet Exco**"), which is chaired by the Group Chief Financial Officer. The GIC is responsible for:

- ensuring that capital investment projects are consistent with the strategic focus of the Group;

- ensuring that capital expenditure decisions are in accordance with the budget and the Corporate Plan (as defined below) approved by the Board of Directors;

- maximising social and economic return;

- monitoring the implementation of project plans to ensure approved capital expenditure projects are carried out with minimal or no delays;

- acting as the final point of accountability for investment decisions within the GIC mandate and determining whether projects that exceed R800 million should proceed to the Transnet Exco, the Finance and Investment Committee and the Board of Directors for further consideration; and

- risk management and mitigation across the capital portfolio.

The GIC may approve projects up to an estimated total cost of R800 million. Lower approval limits apply to unforeseen projects.

Transnet Exco

The PFMA requires that Transnet submit a corporate plan annually to the Minister of Finance covering the affairs of Transnet for the next three Financial Years (the "**Corporate Plan**"). See "*Regulation*". The Group Exco approves the following as per the Corporate Plan:

- Approval and termination of investment cases in the pre-feasibility and feasibility stages:
    - Approval of projects exceeding R1 billion in expenditures; and
    - Approval of termination of projects with expenditures exceeding R1 billion, but not exceeding R3 billion.
- Approval and termination of investment case in the bankable feasibility and execution cases:
    - Approval of projects with expenditures exceeding R1 billion, but not exceeding R2 billion.

Transnet Exco recommends unbudgeted/unforeseen expenditures exceeding R1.5 billion per investment case up to but not exceeding R3 billion (cumulative) unless Board authorisation is obtained.

Finance and Investment Committee

The Finance and Investment Committee is authorised to approve projects included in the Corporate Plan as follows:

- Recommend the enterprise investment portfolio to the Board.
- Approval and termination of investment cases in the pre-feasibility and feasibility stages:
    - Projects exceeding R3 billion in expenditures.
- Approval and termination of investment cases in the bankable feasibility and execution cases:
    - Approval of projects greater than R2 billion and less than R3 billion.
- Finance and Investment Committee approves unbudgeted/unforeseen expenditures exceeding R1 billion, but neither exceeding R1.5 billion (per investment case) nor exceeding R3 billion (cumulative).

GCE and Group Chief Financial Officer

The GCE can recommend the enterprise investment portfolio to the Finance and Investment Committee and make recommendations on the termination of the functional investment portfolios. The GCE can:

- Approve unbudgeted and unforeseen Investments above R400 million but not exceeding R1 billion (per investment case); and
- Recommend such cases exceeding R1.5 billion (per investment case) up to but not exceeding R3 billion (cumulative).

The Group Chief Financial Officer in terms of the approval and termination of an investment case (bankable feasibility and execution cases) can recommend projects greater than R1 billion and less than R2 billion. The Group Chief Financial Officer can approve the reallocation of the capital expenditure budget in line with the strategic plans of the Company.

Board of Directors

The Board has in terms of the Corporate Plan, the final approval for the enterprise investment portfolio, as well as the terminations of the functional investment portfolios. It can recommend and/or approve in terms of the investment cases (bankable feasibility and execution cases), as per the significance and materiality framework.

The Board approves unbudgeted and unforeseen investments as provided for in the approved significance and materiality framework, up to, but not exceeding, R7.3 billion (per investment case) and up to but not exceeding R7.3 billion (cumulative).

Competition

Transnet Freight Rail is in the process of transitioning from being a rail freight carrier to an integrated rail based logistics solution provider with the view to become a fourth-party logistics service provider whose value propositions, services and strategic partnerships address the entire logistics supply chain. The Directors believe achievement of this strategy will contribute to ensuring sustainable road-to-rail shift in the Republic of South Africa.

Although Transnet Freight Rail has a 100 per cent. market share on transportation of export iron ore and coal, there is significant competition with road haulers on the transportation of general freight volumes. Through cooperation and strategic partnerships with other logistics services providers, historically viewed as competitors, Transnet Freight Rail, together with its customers and new partners has begun developing innovative integrated logistics solutions that generate increased supply chain value.

Although Transnet Engineering faces competition in maintenance and fabrication mandates, there is a significant backlog of maintenance and construction work at Transnet Freight Rail, which Transnet Engineering believes will continue to provide it with an ongoing stream of work.

Pursuant to the Ports Act, all commercial ports fall under the jurisdiction of the Ports Authority. Transnet National Ports Authority is the landlord for all commercial ports within the Republic of South Africa. Within this context, Transnet National Ports Authority faces no competition within the Republic of South Africa in the performance of its functions as a landlord ports authority. There is a possibility that the commercial ports of South Africa as a whole may face competition regionally or globally, i.e., in cases where shipping companies, freight forwarders and other port customers use other nearby ports, such as Maputo, Mozambique, instead of ports in the Republic of South Africa.

South Africa's container throughput is ranked third in the African continent accounting for 14.2 per cent. in 2020. South Africa's market share declined from 18 per cent. in 2015 to 14.2 per cent. in 2020 with CAGR declining by 2.4 per cent. The South African market share and its ranking is expected to remain among the top 3 in the continent over the short to medium term. However, container throughput is expected to recover from the adverse impact of COVID-19 related declines over the medium term with long-term significant improvements driven by port development plans and regional economic growth.

Ranking	Country	TEU Throughput 2015	TEU Throughput 2020	CAGR 2015-2020	As % of World	As % of Africa
1	Morocco	3,965,000	6,980,958	9.9	0.9	24.6
2	Egypt	7,185,300	5,928,454	-3.2	0.7	20.9
3	South Arica	4,662,300	4,029,000	-2.4	0.5	14.2
4	Togo	380,800	1,725,270	28.6	0.2	6.1
5	Nigeria	1,400,000	1,528,520	1.5	0.2	5.4
6	Kenya	1,076,100	1,311,000	4.0	0.2	4.6
13	Mauritius	361,109	438,078	3.9	0.1	1.5
14	Mozambique	418,350	437,128	0.9	0.1	1.5
17	Tanzania	612,600	363,024	-9.9	0.05	1.3
18	Namibia	280,019	166,795	9.8	0.02	0.6

Source: UNCTAD, 2022

Transnet Port Terminals faces domestic competition from some smaller private port terminals with respect to break-bulk cargo. It also faces competition from other bulk terminal operators in the eight commercial ports operated by Transnet National Ports Authority. At Richards Bay, for example, the coal terminal is owned and operated by the coal mining exporters rather than Transnet. Regionally, Transnet Port Terminals faces competition from port terminals operated by Dubai Ports World in Mozambique and Djibouti, amongst others. Transnet Port Terminals faces growing competition from the Port of Maputo and Walvis Bay.

Transnet Pipelines additionally faces competition from road transport providers, specifically on the Durban-Gauteng corridor.

Compliance and Governance Matters

The Zondo Commission has found that Transnet was the major site of state capture. The Zondo Commission heard extensive evidence on the award of irregular contracts in Transnet, the inflation of cost, the payment of kickbacks to certain OEMs, the payment of sales commission to companies controlled by Gupta entities and how Transnet's procurement and contracting processes were subverted. The current Transnet management and the Board were active participants in uncovering the corruption as well as the governance and procurement irregularities. The Chairperson of the Board and senior Transnet employees gave evidence before the Zondo Commission and Transnet actively assisted the investigators of the Zondo Commission in uncovering evidence of wrongdoing. The Board also commissioned its own forensic investigations.

The Zondo Commission finalised its findings in January 2022 and declared the issuance of a six-volume report during the period January 2022 to June 2022. This report found that state capture at Transnet involved a systemic scheme of securing illicit and corrupt influence or control over the decision-making. Corrupt actors gained control over staff appointments and governance bodies and ensured influence over large procurements and capital expenditure by changing procurement mechanisms, the altering of bid criteria to favour corrupt suppliers and the payment of inflated costs and advance payments.

On 4 January 2022, the first volume of the Zondo Commission report was issued. Transnet has taken the recommendations of the Zondo Commission seriously. In the first volume issued by the Zondo Commission findings were made concerning TNA advertising placed in the TNA and the TNA breakfasts. A finding was made that Mr Brian Molefe, the Group Chief Executive of Transnet at the time and Mr Sigonyela, the General Managers of Corporate Affairs facilitated the use of public funds in a manner that was disadvantageous to Transnet. Transnet asked Mr Sigonyela to respond to the findings of the

Zondo Commission and instead Mr Sigonyela chose to resign from Transnet, which resignation Transnet accepted. Mr Brian Molefe had already left Transnet by the time of the state capture allegations.

Transnet has brought civil recovery litigation in respect of all the major transaction listed by the Zondo Commission's report and this litigation is currently ongoing.

In February 2022, the Zondo Commission issued its second volume, including various findings, including the (i) the appointment/reinstatement of senior executives including the Zondo Commission's findings on alleged political interference and other improprieties; (ii) the procurement of 1,259 locomotives with China South Rail, China North Rail, General Electric and Bombardier Transportation, including the Zondo Commission's findings on alleged misrepresentation, corruption, kickbacks and other improprieties; (iii) the alleged creation of monopoly and scheme for money laundering through McKinsey, Regiments and Trillian; and (iv) the improper procurement processes and transactions, including those associated with Neotel, Homix and T-Systems.

The Zondo Commission also made recommendations concerning Transnet in the second volume of the Zondo Commission report. There is one recommendation that Transnet is required to act upon, and Transnet has briefed senior counsel on the matter. This recommendation consists of steps to be taken by Transnet in terms of section 77 of the Companies Act 71 of 2008 to recover from those members of the previous Board who supported the unjustified settlement agreement between Transnet and Mr Gama concluded on 23 February 2011. This amount would consist of approximately R17 million paid to and for the benefit of Mr Gama pursuant to the agreement. Transnet has briefed senior counsel to assist with advice on how to action this remedial action in view of the limits imposed by the Companies Act that any action in terms of section 77 must be taken within three years of the action complained of. Transnet is waiting for counsel's opinion.

The remaining recommendations are directed at the National Prosecuting Authority with specific recommendations on further investigations with a view to criminal prosecution of named individuals. None of the individuals named for further investigation are currently employed by Transnet or are serving as Board members, nor do any of the current Directors have any current relationship with any of the former Directors who were implicated by the findings of the Zondo Commission.

Standing Committee on Public Accounts

On 22 November 2017, Transnet was asked to appear before the Standing Committee on Public Accounts ("**SCOPA**") to discuss potentially irregular expenditure for the Financial Year 2017 as well as commitments and accruals, deviations from the open bidding process and extensions of contracts and other matters of interest to SCOPA. Transnet officials appeared again before SCOPA on 28 November 2018 for a further hearing. Following the second hearing, Transnet officials were unable to appear before SCOPA for a third meeting on 6 December, following which Transnet was summonsed to appear before SCOPA on 23 and 24 January 2018 to discuss contract policies and the nature of the relationship between Transnet and the National Treasury. Following the meetings on 23 and 24 January, Transnet believes that SCOPA's review process is now complete and Transnet has indicated it will continue to take steps to ensure adequate contract management processes are in place as described in "—*Procurement Framework*" below.

Public Protector

As a means to strengthen the constitutional democracy in the Republic of South Africa, the Office of the Public Protector is empowered, to investigate, report on and to take appropriate remedial action, on any conduct in the state affairs or in any sphere of government, that is alleged or suspected to be improper or to result in any impropriety or prejudice. Transnet as a state-owned company ("**SOC**") is also subject to investigations by the Public Protector as when instructed or requested by the public.

As of 2016, the Public Protector commenced investigations into the Company relating to complaints of improper and unethical conduct by the President of the Republic of South Africa and officials of state organs due to their alleged inappropriate relationship with the Gupta family, including Transnet. Investigation into Government departments to determine, in particular, if there were any business dealings or improper relationships with the Gupta family resulting in irregularities, undue enrichment, corruption and undue influence in the awarding of Government tenders or contracts to their companies, mining licences, Government advertisements in the "New Age" newspaper and any other Government services.

All the state capture-related complaints were referred to the Zondo Commission for further investigation, upon its establishment. The Transnet-related matters are dealt with in the second volume of the Zondo Commission report.

Competition Commission

Transnet received a summons from the Competition Commission to respond to areas of concern relating to potential exclusionary commercial conduct of its rail and port operations. Transnet has responded to the summons by providing the requisite documentation as well as additional financial and accounting information to support its own findings, including information on Transnet Freight Rail's asset register. During December 2019, the Competition Commission's preliminary findings indicated that Transnet National Ports Authority and Transnet Port Terminals had charged excessive pricing and had engaged in exclusionary conduct/preferential treatment on the part of both Operating Divisions. Given that the NPA is a creation of statute, Transnet has made every effort to ensure there are clear lines of accountability, group-level oversight, and mutual transparency between the two divisions. As such, any summation to the contrary needs to be evidenced with factual findings. Transnet's legal counsel met with the Competition Commission on 27 July 2020, wherein the Competition Commission advised that it was amenable to settlement of all the investigations against Transnet and requested Transnet to present a settlement proposal for all matters. Transnet submitted a revised settlement proposal on all the Competition Commission investigations on 29 January 2021. Since then, Transnet and the Competition Commission have been engaged in discussions to resolve all matters under investigation, with the last meeting held on 14 February 2022. To-date no settlement has been reached between the Parties and engagements are on-going.

PFMA

Over the past four financial years the external auditors qualified the annual financial statements of Transnet on the basis of occurrence, accuracy and completeness of irregular expenditure. In response to these qualifications, the Company embarked on a PFMA improvement programme which has both a long-term and short-term emphasis, which collectively focuses on addressing the audit qualifications and improving internal controls, to ensure that a sustainable process is in place where all information required by the PFMA are identified, actioned and reported timeously. The PFMA improvement programme was implemented through an enhanced financial year 2021 remedial plan to deal with the root cause and the recommended remedial action that is required to create sustainable solutions around people, processes and systems in the procurement environment and to reduce the occurrence of irregular expenditure. Planned outcomes of the PFMA remedial plan include:

- Improved procurement processes with the aim to automate all procurement practices and in line with Transnet's digitisation strategy;

- Enhanced IT System to ensure accuracy and completeness of reporting; and

- Development and implementation of internal control measures to ensure accurate and complete reporting of irregular and wasteful expenditure.

Significant progress has been made, on a number of initiatives aimed to resolve legacy procurement matters and to strengthen the controls across the organisation.

As a result of continued audit qualifications, a number of engagements have been held with the National Treasury, to seek departure and ring-fencing of legacy irregular expenditure matters. Pursuant to Transnet's application, the National Treasury has granted an exemption from the specified provisions of the Treasury Regulations issued in terms of the PFMA and National Treasury Instruction No. 2 of 2019/2020. The approval of an exemption from section 55 (2)(b)(i)(ii) &(iii) of the PFMA for a period of three years starting from Financial Year 2022 to Financial Year 2024. The aim of the exemption is to allow Transnet an opportunity to develop and implement internal control measures in ensuring accurate and complete reporting of irregular and wasteful expenditure. As a direct result, the amounts at issue, under the exemption, are no longer required to be disclosed in the notes to the annual financial statements and therefore subject to audit procedures. They continue to be reflected in the Issuer's overall financial results, but are only detailed with particularity in the Issuer's integrated report.

To date, Transnet has ensured that consequence management and remediation actions are continuously being undertaken; this includes matters handed over to the Special Investigating Unit (the "**SIU**") for further investigations. Courts have also been approached to have certain contracts linked to fraudulent activities set aside.

Procurement Framework

As part of its procurement procedures and controls, the Company conducts internal "High Value Tender" audits for tenders in excess of R100 million to ensure that procurement processes are followed. The "High Value Tender" audit process was implemented in 2013 and has since been reviewed. The process enables the supply chain to detect any shortcomings at key gateways in the bid process and to make appropriate corrections before any award of business is made. This audit process is undertaken by an independent audit firm that audits the procurement controls according to the internal audit plan and produce a report for Transnet internal audit. For tenders not reaching the "High Value Tender" threshold, that is, below R100 million, assurance is provided by the Transnet Supply Chain Governance department. Compliance audits are conducted on a sample basis by the independent audit firm on tenders below the "High Value Tender" threshold.

To address procurement irregularities as found by the Zondo Commission, the Company has implemented a number of additional preventative measures, including:

- the Transnet Procurement Procedures Manual (now called the Goods and Services Manual) and Supply Chain Management Policy were revised to address procurement irregularities and/or internal control deficiencies;
- updating the Integrity Pact included in the Company's procurement documentation, which must be signed by suppliers to include language prohibiting any bribe or benefit to any person or third party related to the contract in exchange for any advantage in the bidding process or implementation of the contract;
- implementing the Fraud Risk Management Plan, which will increase the Company's focus on fraud prevention and detection initiatives, bribery and corruption awareness education;
- implementation of a project to reduce non-compliance with procurement processes;
- re-establishing sub-audit committee meetings for each of Transnet's Operating Divisions, which aim to review and assess the integrity and effectiveness of the accounting, financial, compliance and other control systems and to contribute to a climate of discipline and control which is intended to reduce the opportunity for fraud in the first instance, and to enable the early identification of potential control issues;
- implementation of a revised DOA Framework, in which the award of procurement contracts are approved by Adjudication Committees, in accordance with values thresholds as per the DOA. from R2 million and above;
- implementing risk assessments and due diligence checks on material contracts and conflict of interest checks on low-value contracts by an independent firm;
- implementation of a Domestic Prominent Influential Persons ("**DPIP**") and Foreign Prominent Public officials ("**FPPO**") and related Individuals Policy where respondents to tenders are required to disclose any commercial relationship, in which respect, risks assessments and due diligence checks are conducted to assess potential risks that may be posed by such business relationships;
- disbanding of the Acquisitions and Disposals subcommittee, which had the Board involved in procurement awards;
- the vetting of State Security conducted on Transnet Procurement officials and on Bid Adjudication Committee members;
- implementation of an e-tender submission system, which acts as an interim measure that focuses on the electronic submission of tenders by prospective bidders and forms part of the bigger programme to automate and transform Transnet's procurement processes and ensures standardisation in the issue and receipt of bids and to enhance controls in the security of documents and procurement processes;
- implementation of the Procurement Process Automation Project, a long-term initiative which focuses on digitally enabling the standardised procurement processes across Transnet, improved procurement efficiency, reduced legislative and internal policy non-compliance and improved communication, collaboration, visibility, tracking and reporting of critical parameters;
- implementation of a process to review active procurement contracts and all payments to ensure completeness, accuracy and compliance to the Public Finance Management Act;
- implementing lifestyle audits on members of the senior leadership team and throughout the organisation;
- engagement sessions and training held with procurement staff and business departments;
- implementing the combined assurance model in accordance with King IV on procurement transactions;
- effective 11 March 2022, the Minister of Finance exempted Transnet from the Preferential Procurement Policy Framework Act, 2000, and Preferential Procurement Regulations 2017 until new Regulations take effect, or the Constitutional Court confirms that the Supreme Court of Appeal order of invalidity regarding the PPR 2017 is suspended for 12 months;

- the Constitutional Court confirmed the suspension of the order of invalidity on 30 May 2022, causing the PPR 2017 to be valid until 27 January 2023 or if new regulations are promulgated, whichever comes first. Accordingly, the exemption no longer applies. Following the Constitutional Court's judgment, Transnet is currently applying the PPR 2017 until 27 January 2023 or until new regulations are promulgated, whichever comes first. Thereafter, the application of preferential procurement regulations will become a policy decision. National Treasury has indicated that all state organs should, by 27 January 2023, ensure that they have procurement policies in place that align with the Constitutional Court judgment or new preferential procurement regulations, if those are promulgated. Accordingly, Transnet is working on a preferential procurement policy that will come into effect when the PPR 2017 falls away on 27 January 2023 or when new regulations are promulgated;

- Transnet is still pursuing certain exemptions from the PPPFA that will enable a more robust procurement system. This includes the use of reverse auctions to ensure competitive pricing; and

- effective 1 April 2022, the National Treasury PFMA Supply Chain Management Instruction 03 of 2021/22, repealed the requirement of prior approval by the National Treasury related to deviations from normal bidding procedures and the expansion and variations of contracts, aligning with section 51(1)(iii) of the PFMA, confirming the authority and responsibility of the Board of Directors to determine an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective, further improving Transnet's procurement responsiveness to operational requirements.

Property

The following table sets out information on Transnet's immovable property as at 31 March 2022:

Operating division	Land		Building and Structures
	Plots of land	Total Area in Hectares	Components
Freight Rail	27,607	81,455	22,119
National Ports Authority	192	58,183	6,001
Engineering	54	109	2,266
Port Terminals	—	—	11
Property	3,287	4,399	15,842
Pipelines	69	59	285
Other[(1)]	2,153	20,829	-
Total	**33,362**	**165,033**	**46,524**

Note:

(1) Other is to be allocated to Operating Divisions.

Employees

The table below presents the number of actual employees employed by each Operating Division and Transnet Property of Transnet as at 31 March 2020, 2021 and 2022 and for the six months ended 30 September 2021 and 2022:

	As at 30 September		As at 31 March		
	2022	2021	2022	2021	2020
Operating Division					
Transnet Freight Rail	**27,063**	**28,464**	**25,719**	**29,952**	**29,714**
Managerial	2,060	2,561	2,088	2,590	2,483
Non-managerial	25,003	25,903	23,631	27,362	27,231
Transnet Engineering	**8,402**	**9,543**	**8,538**	**9,897**	**10,328**
Managerial	905	1,084	912	1,106	1,099
Non-managerial	7,497	8,459	7,625	8,787	9,229
Transnet National Ports Authority	**3,874**	**4,232**	**3,893**	**4,249**	**4,165**
Managerial	999	1,120	987	1,109	1,011
Non-managerial	2,875	3,112	2,906	3,140	3,154
Transnet Port Terminals	**9,107**	**9,613**	**8,977**	**9,734**	**9,596**
Managerial	508	601	505	641	523
Non-managerial	8,599	9,012	8,472	9,093	9,073
Transnet Pipelines	**627**	**701**	**625**	**709**	**711**
Managerial	135	156	135	155	155
Non-managerial	492	545	490	554	556
Transnet Property	**666**	**429**	**666**	**435**	**412**
Managerial	177	83	131	85	82
Non-managerial	489	346	535	350	330
Other[(1)]	**1,639**	**932**	**1,598**	**882**	**1,488**
Total	**51,378**	**53,914**	**50,015**	**55,827**	**56,414**

Note:

(1) Other includes Transnet Corporate Centre and Transnet Group Capital (Transnet Group Capital included in 2020 only).

A significant feature of Transnet's workforce is the high level of unionisation. The threshold for union recognition in Transnet is 25 per cent. of employees within the bargaining unit across Transnet, in compliance with the provisions of the Recognition Agreement (as defined below). Transnet currently recognises two unions, SATAWU and UNTU, and the union membership accounts for approximately 82 per cent. of non-management employees. Union recognition is governed by a collective agreement that provides the framework for engagement, consultation, negotiation and shop steward governance with Transnet's recognised unions (the "**Recognition Agreement**"). Union recognition is verified and confirmed annually based on the membership numbers.

Transnet believes it has a positive relationship with its recognised unions and that this has facilitated productive collective bargaining discussions. Transnet usually has in place multi-year wage agreements for all bargaining unit employees. A one-year wage agreement was concluded for the period from 1 April 2021 to 31 March 2022 to facilitate the recovery of the Company from COVID-19 pandemic shutdowns. Transnet is currently in negotiations for a new multi-year agreement for bargaining unit employees. The intention is to continue to enter into long-term wage agreements to maintain stability in the business.

Transnet is not immune to challenges from minority unions within Transnet seeking recognition. Minority trade unions will only be recognised by Transnet once they have achieved the threshold for recognition. The labour relations climate within the context of the Republic of South Africa is challenging and Transnet is committed to resolving issues through constructive engagement and the established dispute resolution mechanisms. Transnet continues to pursue a positive labour engagement environment and progressive labour relations policies and practices.

The Group operates two defined benefit funds and a defined contribution fund. It is a condition of employment for new employees to join the Transnet Retirement Fund (defined contribution). The other two funds are closed defined contribution funds. The assets of each fund are held separately from those of the Group and are administered by the funds' trustees. The defined benefit funds are actuarially valued by professional independent consulting actuaries on an annual basis. In addition, the Group provides post-retirement medical benefits to qualifying employees and pensioners.

Health and Safety

Transnet strives to operate in and maintain a safe and healthy workplace. It is committed to compliance with the broad and safety relevant regulatory universe provision and permutations, with priority focus given to South African Occupational Health and Safety Act 85 of 1993 and its requisite regulations. Transnet pursues international and best practice standards through its TIMS which is aligned and accredited ISO 45001 for Health and Safety practices and applications.

Transnet has adopted a Zero Harm vision, underpinned by the believe that workplace and public injuries are preventable. It thus aims to minimise workplace injuries and both employee and public fatalities resulting from business operations and keep them at the lowest practicable rate.

The Lost Time Injuries ("**LTIs**") performance was maintained with a 4 per cent. variance in performance, where the number of LTIs increased to 441 for Financial Year 2022 from 424 for the preceding financial year. The number of LTIs for the six months ended 30 September 2022 was 216, compared to 242 for the six months ended 30 September 2021.

Transnet achieved a 25 per cent. improvement in employee fatalities performance, where there was a decrease from 4 fatalities in Financial Year 2021 to an improved total of 3 in Financial Year 2022. The number of employee fatalities for the six months ended 30 September 2022 was 5, compared to 2 for the six months ended 30 September 2021. The fatalities have been investigated through a board of inquiries that are led by independent investigators with legal and technical expertise using the Transnet recommended investigative model and techniques. The cause and factors found are subsequently mitigated to avoid recurrence of similar incidents and serve as lessons learnt.

Transnet experienced a 17 per cent. (16 absolute public fatalities) deterioration in performance in its public fatalities performance, where there was an increase from 95 public fatalities in Financial Year 2021 to a total of 111 in Financial Year 2022. The number of public fatalities for the six months ended 30 September 2022 was 39, compared to 80 for the six months ended 30 September 2021. The above outlined performance met the goal set through the key safety performance indicator termed Lost Time Injury Frequency Rate ("**LTIFR**"). The Transnet LTIFR performance has continued to trend well below the risk tolerance, with an achievement of 0.69 against the risk tolerance of 0.75. This is a slight decrease from the previous year's performance of 0.62 against the same 0.75 risk tolerance.

In order to further advance these metrics, safety is one of the five key strategic focus areas of the Company. The strategic intent of Group Safety is to provide an integrated approach to the management of safety at Transnet and to provide governance, oversight, and assurance in this regard. Group Safety over the past financial year embarked on a process of establishing itself as a new functional area at Transnet Group, setting up governance structures and identifying the necessary resources and capacity to successfully mitigate key safety risks in the business.

Although in an infancy stage, Group Safety has established various forums where safety is tabled at the highest levels of the organisation. The Safety Executive Committee was established as a sub-committee of the Group Exco to enable a dedicated focus on safety thereby giving it the impetus it needs at the highest levels of the Company. The safety integration forums, established to enable the integration between the Group and the Operating Divisions for an integrated approach and alignment with Transnet's business objectives, continue to take place monthly. The Safety Assurance Forum, as part of Transnet's Combined Assurance, was also set up to provide the critical second line of assurance across the business.

Specific emphasis for the 2023 Financial Year will be placed on implementing the functional activities of Group Safety to fulfil the role of a corporate functional area. Group Safety will play the critical role of oversight, monitoring, advising, producing leading metrics that contribute to organisational priorities, mitigating safety risks across the organisation and ensuring assurance is provided to the business as a provider of second line of assurance. This oversight is executed with the focus of supporting assurance providers, including Transnet Internal Audit and Compliance. Past monitoring and/or oversight has been performed in collaboration with Compliance and Corporate Sustainability at various Transnet operational sites, thereby minimising management disruption and streamlining the outcomes.

In 2022, Transnet is required to apply for the renewal of its safety permit, the licence to operate, which is key to the sustainability of Transnet, and which emphasises the criticality of safety. The necessary human and organisational resources will need to be appointed to fulfil the functional activities stated herein to continue the trajectory of transforming Transnet's safety maturity from reactive to interdependent. With a renewed focus on the importance of safety, the benefits should be noticeable to internal and external stakeholders of Transnet, inclusive of the Company's communities and customers.

Transnet expects a high probability of having its permit renewed in the second half of 2022. As the Group has submitted its application for renewal within the timeframe required, the Railway Safety Regulator of South Africa ("**Railway Safety Regulator**") can only issue the permit with special conditions. However, in the event that the Group's application is denied, the Railway Safety Regulator has the discretion to (i) issue a contravention notice with penalty for operating without a valid safety permit or (ii) order transfer to resubmit the application within the period determined and issue the Company an interim permit to operate.

Security

Group Risk Management Plan

In response to the Treasury Regulations prescribed under the PFMA, Transnet developed a Fraud Risk Management Plan, effective from Financial Year 2009, to manage the Group's fraud risk exposure. Following the formation of the Zondo Commission, the Investigations and Fraud Risk Management function has been centralised under Group Security. The function's key objective is to identify, investigate and mitigate fraud and corruption risks specific to the Company. This is in keeping with Government's 2020 – 2030 National Anti-corruption Strategy. The primary function of Investigations and Fraud Risk Management is to ensure that all allegations of fraud and/or corruption are investigated, breaches in internal controls identified during the investigation process are reported, controls are tested to identify the susceptibility of business processes to fraud and corruption and to ensure mitigation of identified risks.

Following the allegations of state capture, the function has been strategically repositioned into a centralised structure to ensure that fraud and corruption risks are assessed against current and new scams and trends orchestrated by domestic and international role players. This function will also liaise and co-ordinate activities and share information with relevant law enforcement agencies and will furthermore share learnings with other state-owned companies.

Mitigating measures to combat corruption, as found in the Zondo Commision's report, include:

- Develop and implement universal standardised procedures, policies and standards;
- Develop and implement a case selection, allocation and prioritisation methodology (in-house versus outsourced as well as complexity and resources allotment);
- Formalise internal and external stakeholder engagement prior to, during and upon completion of investigations and fraud risk management programmes;
- Procure adequate systems that meet organisational needs;
- Commence the development of an in-house-specific capability to manage case allocation and management reporting;
- Implement a centralised reporting structure with revised reporting lines to strengthen independence and objectivity;
- Separate specific tasks as per investigations and fraud risk management;
- Develop and implement a communication plan to communicate the benefits of a centralised Investigations and Fraud Risk Management function and its impact; and
- In addition, Transnet has established a committee to investigate and report to the Group's internal control committee on the results of its investigations.

Transnet has also established the Internal Audit Forensics unit, which is an internal governance unit that address all improper or unlawful occurrences within Transnet. Transnet believes that the consistent use of the Internal Audit Forensics unit reflects employees' confidence in the whistle-blower mechanism and forms an integral part of Transnet's anti-fraud and anti-corruption efforts contained within its Fraud Risk Management Plan. Anti-fraud working group committees are convened regularly to ensure the effectiveness of the Fraud Risk Management Plan and to consider matters reported through the Tip-Offs Anonymous Hotline.

Security Management

During Financial Year 2020 and Financial Year 2021, following the allegations of state capture and the formation of the Zondo Commission, Transnet reviewed its protective security strategy through an interactive process that incorporated input from key internal and external stakeholders, such as the South African Police Service (the "**SAPS**") and the State Security Agency.

The overall strategy development took into consideration applicable legislative requirements and international codes, including the ISPS Code and the Ports Act, both of which are applicable to the commercial sea ports, and the National Key Points Act, 1980, which is applicable to the pipelines and other key point installations. Other key drivers in the security environment are the overall Segment Strategy, the enterprise risk management architecture and the Transnet Freight Corridor strategy, which is a freight transportation plan along defined corridors of significant economic importance to Transnet's freight operations. The main corridors are the coal line, Container Corridor and the iron ore and manganese corridors. Security resources are allocated and deployed along these corridors to address the specific security-related concerns relating to each corridor.

The protective security strategy is aimed at protecting Transnet's customers and employees, as well as securing Transnet's physical and non-physical assets. The Transnet protective security strategic goals will be achieved through intelligence-led operations within strategic alliances, with security technologies as a key driver. In implementing the protective security strategy, operational frameworks have been developed in all the Operating Divisions in line with the aim of the strategy.

Transnet has integrated its security efforts by introducing security working groups and outcome-based security outsourcing at certain hotspots, and by collaborating with key external role-players, such as the SAPS. Transnet Pipelines' pump stations, which are declared national key points, have been upgraded in line with the prescribed standards. All security service providers and Transnet's security staff deployed at these sites are accredited as national key point service providers and security officers, respectively.

In an effort to further improve its security management capacity throughout the Group, in Financial Year 2020, Transnet undertook to decentralise the Group's security structure to add capacity at the operational level. The security programme has adopted a 'Hybrid Security Model', with most of the security services outsourced to the private security industry and governed by proprietary security personnel monitoring service level agreements. Relevant security policies, including information classification and standards, have been developed to assist members of staff and visitors in knowing their security obligations while on Transnet premises.

The theft of Transnet's copper cable remains a significant impediment to the reliability and predictability of Transnet's freight business. Security costs amounted to R1,467 million in Financial Year 2020 and R1,742 million in Financial Year 2021 and are forecast to be R1,738 million in Financial Year 2022. The largest portion in direct security losses was due to stolen copper cables and products, as well as motor vehicles and tarpaulin. Transnet Freight Rail is particularly vulnerable to theft and has instituted a plan to replace copper cables in high-risk areas with cables comprising other materials in order to reduce the incidents of theft, and has engaged railway police and a private security company to patrol its track. The enforcement of the Second Hand Goods Act, 2009 is gradually contributing to the mitigation of cable theft risks because the law requires second hand goods dealers to keep proper records of all transactions they complete, and allows the SAPS full access to these records. Transnet hopes that these initiatives will aid in protecting its copper and other assets.

Transnet is also adversely affected by organised crime syndicates targeting its container trains en route. Transnet continues to use a specialised company to supply and fit specialised locks to safeguard containers. The locking mechanisms of the specialised locks are changed regularly to prevent criminals from forging keys. In addition, identified container trains are being escorted through crime 'hotspot' areas. Transnet continues to work with key stakeholders to reduce incidents of theft on its railway line and this includes partnering with customers to find solutions.

In line with the ISPS Code and the Merchant Shipping (Maritime Security) Regulations, 2004 published pursuant to the Merchant Shipping Act, 1951, Transnet National Ports Authority is in the process of enhancing its port surveillance at all eight commercial sea ports.

The ISPS Code came into being as a result of a resolution by the United Nations Security Council in response to vulnerabilities in the maritime sector. Transnet National Ports Authority has been fully compliant with the ISPS Code since 29 June 2004. In order to become compliant, Transnet upgraded its security, retrained its security personnel, re-fenced port boundaries and installed advanced security features including closed-circuit television for some of its terminals and automatic identification systems that allow for remote ship identification by port control.

In Financial Year 2023 and beyond, Transnet intends to improve its security efforts by intensifying contract management of its outsourced security service providers and focusing on outcome based operations.

Environment

Transnet's ecological footprint extends across the entirety of South Africa and therefore traverses various types of ecosystems, some of which provide ecological functions that support surrounding communities. Given the extent of Transnet's operational footprint and the evolving conditions and obligations of the progressive national legislative framework for environmental management, the Company's activities trigger numerous primary regulatory requirements. Compliance with these regulatory requirements are monitored on an ongoing basis.

As such, the Company aims to comply with, and surpass regulatory requirements enshrined in the Constitution of South Africa of 1996, NEMA and its associated regulations, international standards as well as internal policies and frameworks. Transnet is guided by the objectives set out in the United Nations Sustainable Developmental Goals and the National

Development Plan to reduce global water insecurity and climate change impacts, to prevent pollution, minimise waste and restore natural habitats, which could have been impacted by our operations.

Moreover, following discussions at the 26th United Nations Climate Change Conference (COP26), environmental, social and governance (ESG) requirements will become more critical and intensify. Consequently, Transnet, like many other businesses, will experience immense pressure to transition to low-carbon activities and energy supplies to contribute to South Africa's net zero trajectory. Transnet has set a net zero target by 2040. Substantial work will be conducted to ensure the achievement of identified key milestones and that progress is tracked. Transnet believes that this early mover commitment will attract interest from green climate funders, in particular assistance in the form of grants to identify critical initiatives required to enable net zero pathways.

Environmental Operational Risk

In 2016, Transnet developed the TIMS to standardise and integrate duplicated efforts and to reduce the cost of risk control, improve records management and increase the speed of decision making through a digital platform in a manner that is aligned to internationally renowned practices. This integrated approach enables Transnet, in view of its size and complexity, to simplify and standardise processes across its operations, allowing it to work as a single unit with unified objectives, thereby enhancing business efficiency and guaranteeing improvements in measuring and monitoring the performance of the entire organisation. Guided by the International Organization for Standardization ("**ISO**") standards, 18 core procedures were developed and are being implemented across all Operating Divisions. To date Transnet has been certified for Occupational Health and Safety Management System (ISO 45001:2019), Environmental Management System (ISO 14001:2015) and Quality Management System (ISO 9001:2015).

Environmental Licences and Permits

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

A number of Acts require environmental authorisations, air emissions licences or permits related to water use and these need to be obtained before a particular activity or business operation can commence or be undertaken. In order to manage the risks associated with either the validity or adequacy of existing permits or delays in obtaining new or amended permits to enable business continuity. In 2021, a company-wide review of all environmental authorisations, licences and permits was undertaken to establish the completeness of the compliance obligation register and to determine high-level business risks that are associated with the licenses and permits. An environmental register was established and monitored from a central platform wherein a renewal process is initiated for licences that are within a 12-month expiry period, those licences that have shortcomings relating to strategic objectives of the Company get escalated to the competent authorities for review.

Significant Environmental Incidents

Attempted theft or theft incidents on the Transnet pipeline have led to and may lead to future product spillages which as a result may pollute the environment including water and other natural resources. Most recently, on 9 March 2022, a diesel spillage incident took place at block valve 51 outside Harrismith, in the Free State province as a result of fuel theft. Whilst Transnet Pipelines implemented necessary measures to mitigate the impact of the spill, due to the water flow of the river, ongoing maintenance of the various booms is required, which may be costly or subject Transnet to liability.

In Financial Year 2022, there were three directives issued following Transnet reporting of significant incidents. These incidents were as a result of pipeline spillages at Mooi River on 1 March 2021, Creswell Park on 31 July 2021 and Azaadville on 23 August 2021. The spillages were contained and recovered where possible, whereafter Environmental Site Assessments ("**ESA**") were conducted to determine the extent of the impact on the natural environment as per the risk-based approach approved by the Department of Forestry, Fisheries and the Environment ("**DFFE**"). The ESAs are conducted following a guideline for site assessment and authorises prioritisation of spillage sites according to high/medium/low risk, where remediation is only required for high-risk sites, while the low- and medium-risk sites only require monitoring after clean-up. Following submission of the ESAs the DFFE, Cresswell Park and Adzaadzville were rated as 'low risk' and closed following clean-up, while Mooi River was rated 'medium risk' and is currently being monitored.

For the period the remaining directive was issued to the Port of Richards Bay for non-compliance with the conditions of the atmospheric emission license ("**AEL**"). An AEL amendment was lodged with the relevant municipality and is still awaited. Thus far, no fine has been issued.

Fines

One monetary fine was issued to Transnet Engineering for its Koedoespoort plant on 21 September 2021. A Section 22A application was submitted to the City of Tshwane where a fine of R200,000 was paid before the application could be processed. The application is still being processed by the Municipality and Transnet Engineering is awaiting a decision.

Claims

There are a number of claims that have been lodged against Transnet as a result of the product spillage incidents, mainly from the farms affected which have experienced losses in production. These claims are being dealt with by Transnet's internal legal department, which interacts with the claimants with a view of settling the claims in time. There are a number of liabilities as well emanating from the product spillage incidents through environmental pollution. Transnet has entered into an agreement with DFFE to ensure that all the incident sites are contained, assessed and ranked according to risk. High-risk sites are also remediated as per the requirements of the contaminated land framework. Transnet communicates feedback as to the implementation of the agreement to DFFE on a quarterly basis.

- Historic Asbestos Land Contamination and financial provisioning for rehabilitation

Contaminated areas from legacy asbestos caused by historic spillages during the transportation of asbestos from mines has been identified across Transnet operations In accordance with the requirements of the National Environmental Management Waste Act, 2008 Transnet has identified contaminated areas throughout its operations and continues to develop remedial actions following detailed risk assessments at the affected sites. Financial provisions are made for such environmental liabilities, which relate to the requirement to restore contaminated sites or the remediation/rehabilitation of contaminated areas. A programme for rehabilitation of these sites is in the process of being developed following assessments of all identified areas.

Compliance

DEA inspections are mandated by national environmental statutory requirements, in particular, the NEMA.

Air Quality Management

Government Notice 893 published in Government Gazette 37054 of 22 November 2013 is entitled "*a list of activities which result in atmospheric emissions which have or may have a significant detrimental effect on the environment, including health conditions, social conditions, economic conditions, ecological conditions or cultural heritage*" and was published under the National Environmental Management: Air Quality Act, 2004.

An AEL is a licence that, pursuant to the National Environmental Management Air Quality Act, 2014, is issued by the relevant atmospheric emission licensing authority (the metropolitan or district municipality for the area in which the regulated listed activity (see the paragraph above) is or is to be carried out). The relevant atmospheric emission licensing authority issues an AEL in accordance with the terms of the National Environmental Management Air Quality Act, 2014. AELs have been received for the following Transnet Pipelines facilities: Alrode, Kroonstad, Ladysmith, Langlaagte, Rustenburg, Tarlton, Waltloo, Witbank, Terminal 1 (Durban, Island View) and Terminal 2 (Heidelberg, Jameson Park). Transnet Pipelines is busy with the implementation of AEL conditions. Transnet Port Terminals is in possession of AELs for Richards Bay, Port Elizabeth (Gqeberha) and Saldanha.

Waste Management

Transnet's operations generate a variety of waste streams. The Directors believe that it is important for this waste to be managed in a manner that meets the requirements of the law and minimises harm to the environment. Transnet's waste management objectives are to increase waste diverted from landfills through waste reduction and recycling, to increase revenue through waste recycling activities and to improve waste management practices.

In accordance with the requirements of the National Environmental Management Waste Act, 2008, Transnet has identified contaminated areas throughout its operations and has developed management plans for hydrocarbon-contaminated areas. In addition, Transnet continues to manage the quality and quantity of effluent discharged by implementing effluent monitoring programmes at all effluent discharge points and treatment plants across the Group.

In keeping with Transnet's philosophy of being an environmentally responsible corporate citizen, Transnet acknowledges that historic asbestos contamination requires an integrated and cohesive approach. Accordingly, Transnet has continued to implement a Group-wide asbestos remediation and rehabilitation programme and has initiated engagement with the Department of Mineral Resources for possible collaboration with respect to such programmes. Currently, Transnet Freight Rail is in the process of rehabilitating certain asbestos-contaminated sites where exposure to asbestos interferes with the day-to-day implementation of the Group's infrastructure development and maintenance operations. In Financial Year 2022, 30.4 tons of asbestos were removed from contaminated sites.

Stakeholder Engagement

Transnet has instituted bi-monthly meetings with the key Government departments to track progress and deal with issues that may arise during the implementation of the Capital Investment Plan, as well as the interpretation and implementation of the environmental impact regulations. Both Transnet and the DEA report to the Presidential Infrastructure Coordinating Committee on all environmental impact assessment processes related to projects included in the Government's National Infrastructure Plan.

Mitigating and Adapting to Climate Change

Climate change impacts are beginning to be observed across the Republic of South Africa with an increased frequency and severity of extreme weather events, changes in rainfall patterns and increased temperatures experienced in Financial Year 2022. Transnet has begun assessing where, how and to what degree climate change could impact the Group's operations and is implementing an adaptation roadmap to ensure resilience and provide incremental transitions. Transnet is collaborating with the relevant national authorities on aligning with a National Climate Adaptation Strategy.

In Financial Year 2021 and Financial Year 2022, Transnet progressed its objective of mitigating and adapting to climate change by:

- continuing to shift freight transportation from roads to rail in order to reduce carbon emissions in the transport sector with Transnet's cumulative carbon emission savings from road-to-rail over the period 2015 to 2022 totalling 3,122mt CO_2 as per the below graph;

- reducing carbon emissions over the period 2015 to 2022 by 24.7 per cent. from 4,34mt CO_2 in 2015 to 3,27mt CO_2 in 2022 for an overall carbon emissions intensity reduction of 12.5 per cent. compared to Financial Year 2015, as per the below graph;

- improving energy efficiency over the period 2015 to 2022 with 8.9 per cent. from 18.0 ton/GJ in 2015 to 19.6 ton/GJ in 2022, as per the below graph;

- reviewing and approving the new Transnet's Energy and Carbon Strategy to account for the ramifications of the Paris commitment on climate change and committing to net zero emissions by 2040;

- continuing to implement the ISO energy management system across the business;

- continuing to implement energy efficiency initiatives across the Group;

- researching alternative energy technologies, including regenerative braking energy storage systems, renewables and green hydrogen;

- developing a new strategy to conduct climate change-related technical activities in support of Transnet's path to net zero emissions and the execution of the new energy strategy and climate change response plan and responding holistically and methodically to its climate change-related risks and opportunities;

- developing a risk and vulnerability assessment framework to assess Transnet's adaptive capacity and tolerance to climate-related risks under the current and projected climatic variabilities;

- developing a transition framework towards a more sustainable, low-carbon, equitable energy system and climate change resilient environment that considers community life, including employment preservation, equality, economic stability, and environmental protection; and

- developing net zero pathways to test stress the preliminary net zero models in terms of costing, affordability and roll-out time scales in order to achieve the 2040 target.

Through these policies, Transnet has improved its metrics as to the emission intensity, energy-efficient performance and its carbon footprint, as evident in the below table.

	Financial year							
	2014/15	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Emission intensity (kgCO2/ton)	11.2	10.7	10.4	10.1	9.9	10.2	9.9	9.8

Energy-efficient performance (ton/GJ)	18.0	18.7	18.9	19.0	19.1	19.9	19.6	19.6
Carbon footprint (mtCO2e)	4.34	3.99	3.95	4.00	3.77	3.85	3.22	3.27

Socio-economic development

Transnet, as an SOC, was incorporated in terms of the Companies Act, 2008 to accelerate sustainable socio-economic development and to improve the quality of life of the people of the Southern African Development Community. This mandate is mainly carried out by driving financial and non-financial investments in the social and economic infrastructure sector. As part of Transnet's new Growth and Renewal Strategy, private sector partnerships will help to escalate positive socio-economic development outcomes for South Africa.

Transnet has rolled out various capital investment projects and programmes in support of the Government's growth strategy. Investment in infrastructure is a key enabler of the New Growth Path's targets. The quantum of its infrastructure capital expenditure, which was mainly geared at initiatives such as Operation Phakisa, Section 56 PSPs and Corridor Expansion Projects, was used as a key input into estimating the Company's macroeconomic impact in the South African economy and regionally. Transnet's macroeconomic impact was evaluated using a general equilibrium economic impact model, with the Transnet Social Accounting Matrix ("**SAM**") as a basis.

The SAM forecasts various socio-economic impact parameters to be realised through the implementation of projects as follows:

- Job opportunities for the unskilled and skilled sectors of the economy;
- Estimations of financial impact on households in the respective project areas;
- Per capita GDP contributions;
- Skills development potential; and
- Enterprise and Supplier Development through localisation targets as one of the approaches.

Through the use of the SAM model, Transnet's socio-economic benefits were realisable through the creation of employment and enterprise opportunities in various regions across South Africa. An estimated total of 46,360 job opportunities were to be induced as part of the overall impact of the capital injection into the economy. While Transnet boasts the achievements realised through its capital injection into the economy, Transnet also recognises that there are areas of improvement required to embed monitoring capability into the SAM model to enable continuous tracking of the benefits across individual projects. This will strengthen Transnet's ability to report factual and verifiable statistics going forward. One of the key initiatives in the year ahead will be to review and improve the SAM model. This will assist Transnet to use the model for project performance evaluation and monitoring of the immediate and residual impacts of its initiatives.

At the core of the Sustainable Development Goals ("**SDGs**") is the ultimate objective of ensuring the long-term transformation, improvement and continuous betterment of the livelihoods of all people. The nexus and interrelatedness of all 17 SDGs with people and social emancipation are evidence of this aspirational SDO.

The Transnet Foundation is the custodian of all the Company's CSI initiatives, taking careful precautions when selecting beneficiaries under its community development programmes. Selection is based on a comprehensive needs analysis undertaken within and in collaboration with the different communities. The basis of this approach is the appreciation that initiatives aimed at stabilising social challenges should be carried out with an in-depth appreciation of the respective social contexts. In 2021, Transnet invested R112.2 million in community development initiatives across South Africa, following investments of R163.4 million in 2020. The 2021 investment constituted R107.7 million in planned initiatives in the areas of health, education, sport, employee volunteerism and socio- economic infrastructure development. An unplanned, but critical amount of R4.5 million was invested in COVID-19 food relief efforts.

Given the challenges of COVID-19, Transnet expanded its commitment to community healthcare by extending the reach of its Phelophepa I and II Healthcare Trains into the Gauteng province, with the trains now servicing all nine provinces. Transnet also collaborated closely with the Department of Health to temporarily join with the provincial governments of KwaZulu-Natal and the Eastern Cape to scale up their COVID-19 screening and testing efforts. The experience of reaching communities located in remote areas that ordinarily have limited access to healthcare facilities remains ever humbling. These lessons learnt will be used as critical input for future considerations for expanding the healthcare train service to those who reside in remote areas of South Africa.

To combat the continuing ravaging impact of COVID-19, the Phelophepa I and II Healthcare Trains have gone into 2022 with plans to support Government's COVID-19 vaccine implementation plans. In addition to its normal health services, the Phelophepa I and II Healthcare Trains will add COVID-19 vaccine administration to their service offerings.

Through Transnet Engineering's R&D, two coaches were retrofitted into vaccine storage facilities, which were added onto the existing Phelophepa I and II Healthcare Trains. The two coaches have the added capability of storing and transporting vaccines, even those requiring ultra-low temperature storage conditions. Collectively, these initiatives are an indicator of Transnet's commitment to partnership with Government to restore the state of good health in South Africa.

In addition to the Phelophepa I and II Healthcare Trains, the Transnet Foundation has received a new refurbished train called Transvaco modelled on the existing Phelophepa Healthcare trains. This newly refurbished train was specially designed and built by Transnet Engineering to further strengthen the transportation of bulk COVID-19 vaccines and to provide fully fledged vaccination services to far flung and remote areas. Transvaco was modelled on the existing Phelophepa I and II Healthcare Trains to provide fully fledged vaccination services.

Information and Communications Technology

Transnet's Information and Communications Technology ("**ICT**") is committed to providing essential support and capability to the entire business by enabling the organisation's strategic focus areas (customer service, asset utilisation, people, safety and security and cost control). While advances in technology continue to disrupt industries, an increase in adoption of the emerging and innovative digital technologies in the supply and logistics sector presents Transnet with business challenges and opportunities. The accelerated pace of doing business has heightened both customers' and employees' expectations towards IT-enabled products and services, requiring organisations such as Transnet to re-envisage how to deliver business objective-driven services to customers and strategic business partners. These changes further emphasise the urgent need for Transnet to build digital capabilities that will enable an agile and digital organisational culture.

ICT continuously strengthens its value proposition by accelerating digital transformation while continually meeting changing business needs. In enabling a successful, sustainable and scalable digital transformation, ICT needs to strike a balance between traditional ICT functions and capabilities and the adoption of emerging technologies by ensuring continuous delivery of IT services through the modernisation of the network infrastructure along with ongoing management and monitoring of potential cyber threats across the ICT landscape. These two IT (network and cybersecurity) critical areas are fundamental and the backbone to successfully implementing all the enterprise IT traditional and digital-enabled products and services.

ICT Objectives

Key objectives of Transnet ICT are:

- Upgrading and refreshing ailing ICT infrastructure;
- Enhancing the capability, responsiveness and reliability of the ICT function in Transnet;
- Moving to service excellence and driving operational efficiency and reliability;
- Improved network connectivity across the Company;
- Enhanced levels of information and cybersecurity;
- Business process automation to reduce paper-based processing and enforce governance and compliance requirements;
- Enabling digital business transformation across the Company;
- Introduction of new business capabilities through disruptive and emerging technologies;
- Integrated data platforms and systems;
- Building internal ICT and digital skills capabilities; and
- Harmonisation, modernisation and integration of systems and applications.

Insurance

Transnet's operations are subject to normal hazards of operational and geographic risks, including accidents, fire and weather-related perils. Transnet maintains insurance policies necessary to reasonably protect against the financial impact arising from unexpected events when the amount of the potential loss would be significant enough to prevent normal business operations. The purchase of these policies is coordinated by an internal insurance department, with applicable limits, coverage, scope and deductibles that Transnet believes are reasonable and prudent after all means of controlling or preventing the risk have been considered. Transnet cannot, however, assure purchasers of the Notes that this insurance will be adequate to protect it from expenses related to potential future claims for personal injury, property damage and business interruption or that these levels of insurance will be available in the future at commercially reasonable prices. Transnet does not insure against certain risks to the extent that such risks are uninsurable or because coverage is unavailable at what Transnet considers to be appropriate price levels.

Litigation and Other Proceedings

Transnet is involved in legal proceedings, including commercial arbitration, employment matters, disputes with customers, concessionaires and partners, as well as general commercial disputes that arise from time to time in the ordinary course of business.

External vessel operator dispute

Transnet faces a claim in which the owners and underwriters of a plaintiff issued summons against Transnet for loss of a vessel and damages arising from alleged breaches of legal and statutory duties imposed upon Transnet, as well as alleged breaches of legal duties owed by Transnet to the plaintiff in the circumstances. The summons relates to the loss of the vessel and cargo. Transnet continues to defend all claims.

1064 review application

On 9 March 2021, Transnet and the SIU jointly launched a substantive application in the High Court to review and set aside the locomotive supply agreements concluded with four OEMs, namely China South Rail, China North Rail, Bombardier Transport and General Electric. While Transnet seeks specific relief from each OEM, it intends to ensure that all contracts are set aside and for the court to award a just and equitable remedy. The litigation is currently in progress.

Transnet and the SIU have also brought proceedings in the SIU Special Tribunal against CRRC E-Loco Supply (previously China South Rail) for the seizure and forfeiture of CRRC funds in South Africa. The basis of Transnet and the SIU claim is the Business Service Agreements (the "**BDSAs**") which provided that approximately 21 per cent. of all money paid by Transnet to CRRC was paid over to Gupta entities overseas. Judgment in this matter is currently pending. Should the agreements be set aside by the courts, unsecured loans amounting to R7,264 million (2020: R8,222 million) would become payable and would be subject to negotiations between Transnet and the banks.

Investigation by the Zondo Commission and tribunal outcomes

The Zondo Commission finalised its findings in January 2022 and issued a six-volume report during the period January 2022 to June 2022. Transnet has expressed a commitment to take all necessary legal and disciplinary action where appropriate to enact the recommendations in the report. The second volume of the report examined state capture at Transnet in particular, whereas the remaining volumes focused on corruption at other entities within South Africa with the exception of the last volume which encompassed a summary of the recommendations given to all entities examined in the report, including Transnet. See "*—Compliance and Governance Matters*".

Special tribunal outcome

Transnet and the SIU successfully launched proceedings against a former Group Executive of Transnet. In a judgment delivered on 31 August 2021, the SIU special tribunal ordered the previous executive and his various trusts to pay back to Transnet R26.4 million after which he was found guilty of disgorgement of secret profits while employed by Transnet. Transnet had already dismissed the previous executive in a disciplinary process based on the investigation report of the SIU.

Total SA and Sasol Oil v Transnet Pipelines

Total and Sasol claimed damages, initially separately, against Transnet for contractual damages amounting, cumulatively, to over R1.8 billion. Litigation has been ongoing since 2013 by Total and since 2018 by Sasol.

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

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

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

McKinsey and Transnet

In November 2020, McKinsey approached Transnet with an offer to return the fees earned by McKinsey in respect of projects contracted with Transnet (where McKinsey was associated with Regiments Capital) in full and final settlement of all and any claims that Transnet may have had against McKinsey. Transnet and McKinsey entered into a settlement agreement on 21 May 2021 in terms of which McKinsey paid Transnet R870 million on 31 May 2021.

MV "Smart" Matters

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

In three separate matters, the owners, the time charterers and the cargo owners of the cargo on the MV "Smart" are claiming a total of approximately U.S.$235 million, amounting to approximately R3.1 billion, from Transnet for damages allegedly arising from the grounding of the vessel. Transnet had elected to dispute the claims. Since then, the time charterers, have been successful against the owners of the MV "Smart" in arbitration, and have since filed a Notice of Withdrawal of their action against Transnet.

The claims are insured for up to a maximum of R400 million.

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

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

Transnet National Ports Authority's application was dismissed by the High Court. Transnet National Ports Authority sought leave to appeal against that order which was recently refused by court. Transnet National Ports Authority has applied for leave to appeal in the SCA.

A case management meeting was held on 1 December 2020 between Transnet National Ports Authority representatives, the owners and the cargo owners. Among other things, Transnet National Ports Authority attorneys were seeking access to the documentation used in the arbitration. The owners regard such documentation as either privileged or irrelevant, a claim Transnet has disputed.

Transnet is currently considering next steps, including possibly launching an application to compel the owners to disclose the arbitration documentation.

Siyakhuphuka Review Application

A review Application was instituted against Transnet National Ports Authority's decision to refuse to approve a container terminal in Richards Bay for Siyakhuphuka. The application seeks to compel the Minister of Public Enterprise to corporatise Transnet National Ports Authority within 6 months of the court order being granted.

The matter was opposed by all the respondents including the Minister of Public Enterprise and awaits the allocation of a hearing date.

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

MANAGEMENT

Board of Directors

Board of Directors Composition

The Board of Directors has delegated management accountability to the GCE through the DOA Framework. Matters reserved for decision by the Board of Directors include approvals and recommendations of financial, statutory and regulatory, administrative and human resources policies and procedures, amongst other matters. The Board Committees' mandates are specifically reserved for decision by the Board of Directors. This Board-level decision-making function is subject to the Memorandum of Incorporation of Transnet (the "**MoI**"), the PFMA and other applicable legislation, on the basis of any recommendation as may be made from time to time by the GCE.

The MoI provides that there shall be no less than 6 and no more than 14 Directors, of whom at least 4 must be non-executive Directors, and 2 must be executive Directors, provided that the Board shall at all times consist of a majority of non-executive directors. As of 31 March 2022, the Board of Directors comprised 10 Directors, of whom eight are independent non-executive Directors, including the Chairperson. The current Board's tenure came to an end in May 2021 but the Shareholder Representative subsequently renewed their term of office until further notice. All the non-executive Directors, including the Chairperson, are of the view that they are independent non-executive Directors free from any business relationship that could hamper their objectivity or independent judgment on the business of Transnet.

As of 31 March 2022, the Board of Directors comprised 10 Directors, of whom eight were independent non-executive Directors, including the Chairperson. The Board of Directors currently has zero vacancies. All the non-executive Directors, including the Chairperson, are of the view that they are independent non-executive Directors free from any business relationship that could hamper their objectivity or independent judgment on the business of Transnet.

At the annual general meeting of Transnet (the "**AGM**") held in 2021, the Shareholder Representative re-appointed all of the Directors then sitting on the Board of Directors to continue with its functions for an undetermined period until further notice.

The following table sets forth the nine members of the Board of Directors at the date of this Base Listing Particulars:

Name	Date of Birth	Current Position	Member of Board Since
Dr Popo Simon Molefe	26 April 1952	Non- Executive Chairperson	2018
Ms Portia Penelope Joy Derby	28 December 1969	Executive Director and Group Chief Executive	2020
Ms Nonkululeko Sylvia Dlamini	25 October 1973	Executive Director and Group Chief Financial Officer	2020
Mr Louis Leon von Zeuner	14 June 1961	Non-Executive Director	2018
Ms Ursula Nobulali Fikelepi	15 January 1973	Non-Executive Director	2018
Ms Dimakatso Cathrine Matshoga	22 May 1978	Non-Executive Director	2018
Ms Mpho Emily Letlape	23 March 1959	Non-Executive Director	2018
Mr Aluwani Percy Ramabulana	1 October 1971	Non-Executive Director	2018
Dr Fholisani Sydney Mufamadi	28 February 1959	Non-Executive Director	2018

Transnet's non-executive Directors are elected on a three-year term, renewable annually at the AGM.

The GCE is Ms Portia Derby, who was appointed on 1 February 2020.

The business address of each Director is 138 Eloff Street, Braamfontein, Johannesburg 2001, Republic of South Africa.

As at the date of this Base Listing Particulars, Transnet is not aware of any potential conflicts of interest between the duties of the Directors listed above to Transnet and their private interests or duties.

Dr Popo Simon Molefe

Dr Popo Molefe serves as Executive Chairperson of Lereko Investments (Pty) Ltd. He is a former Non-Executive Director of Armaments Corporation of South Africa, the Central Energy Fund and the Strategic Fuel Fund and the former Chairperson of the PRASA. Mr Molefe has been the Chairperson of Morvest Business Group Limited since July 2004. He served as Non-Executive Director of Petroleum, Oil and Gas Corporation of South Africa (Pty) Ltd (PETROSA). His leadership expertise, knowledge of transport and logistics, mineral resources and diverse industries are expected to add value to the Board.

Ms Portia Derby

Ms Portia Derby has over 20 years of experience, having served as the Director-General of the Department of Public Enterprises from 2005 to 2009. Portia also acted as the Chief Operating Officer of the Department of Trade and Industry and has served on various boards, including the Board of Metair Investment and SAFCOL. She holds an Honours Degree in Economics from the University of KZN and an MBA from the University of the Witwatersrand.

Ms Nonkululeko Dlamini

Ms Nonkululeko Dlamini is a seasoned executive, with almost 20 years' experience in financial roles in state-owned companies, having spent a number of years at the Industrial Development Corporation and Eskom where she was the Chief Financial Officer. She holds a BComm degree from the University of the Witwatersrand, and a Higher Diploma in Accounting (CTA) from the University of Natal (now UKZN).

Mr Louis von Zeuner

Mr Louis von Zeuner obtained a Bachelor of Economics (BEcom) from the University of Stellenbosch in 1987. He is the former Deputy Group Chief Executive for Absa Group Limited, having spent 31 years with the Absa Group from 1981 to 2012 where he held several executive positions including Group Executive Director and Managing Director. His areas of expertise are in investment, financial management, auditing, risk management and leadership.

Ms Ursula Nobulali Fikelepi

Ms Ursula Nobulali Fikelepi obtained a Master of Business Administration (MBA) from GIBS in 2010, LLM from University of New Hampshire, USA in 2001, LLB from University of Cape Town in 1997 and a BA in Law from Rhodes University in 1994. She is an Attorney of the High Court of South Africa since February 2000. Ms. Fikelepi is currently a consultant at Phukubje Pierce Masithela Attorneys. Prior to this, Ms. Fikelepi served as General Manager: Legal, Risk and Compliance at South African Airways (SAA) between 2013 and 2017 and has also been a Deputy Director General at the DPE. Her areas of expertise are in corporate legal and regulatory, mergers and acquisitions.

Ms Dimakatso Catherine Matshoga

Ms. Dimakatso Catherine Matshoga obtained a Master of Business Administration (MBA) from Management College of South Africa in 2011, a Postgraduate Diploma in Project Management from the School of Project Management in 2005 and BSc Electronic Engineering from University of Natal in 2002. Ms. Matshoga is currently the Managing Executive & Principal Consultant at Atafala Consulting. Her areas of expertise are in engineering and project management, strategy, rail transport.

Ms Mpho Emily Letlape

Ms. Mpho Emily Letlape obtained a Masters in Management (Human Resources) from Wits Business School in 1998, Strategic Human Resource Management from Harvard Business School in 2001 and BSc Computer Science and Psychology from University of Fort Hare. Ms. Letlape is currently a Director of Companies and Executive Advisor, to Accenture Management Consulting, Tower Recruitment Group, Sapphire Logistics. Prior to this, Ms. Letlape was the Deputy Vice Chancellor of University of Johannesburg between 2014 and 2016. Her areas of expertise are in Human Resources Management and ICT.

Mr Aluwani Percy Ramabulana

Mr Aluwani Percy Ramabulana obtained a B.Sc Chemical Engineering from Oregon State University (USA) in 1996 and an MBA from Nyenrode University, Netherlands in 2000. He is currently the Chief Executive and the founder of MDZ Fleet Solutions, SA. Prior to this, Mr Ramabulana was the CEO of Daimler Fleet Management (PTY) Ltd, in SA from 2008 to 2012. His areas of expertise are in engineering, financial management and corporate governance.

Dr Fholisani Sydney Mufamadi

Dr Fholisani Sydney Mufamadi obtained a PhD (Political Economy of the Automotive Industry) from University of London in 2009 and a Doctorate of Science from the Igbinedion University, Okada, Nigeria in 2004. Dr Mufamadi is the former Minister of Provincial and Local Government. He played a key role as one of the founding members of COSATU and in representing the ANC in CODESA. Dr Mufamadi is currently the Director of the School of Leadership in the Faculty of Management at the University of Johannesburg. His areas of expertise are in leadership, transformation, labour, and public policy.

Senior Management

Group Exco Composition

The following table sets forth certain information on the members of the Group Exco, comprising Transnet's senior management, as at the date of this Base Listing Particulars:

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

Information regarding the members of the Group Exco as at the date of this Base Listing Particulars is set out below to the extent that they are not members of the Board of Directors as listed above.

Transnet is not aware of any potential conflicts of interest between the duties to Transnet and the members of the Group Exco listed above and their private interests or duties.

The business address for each member of the Group Exco is 138 Eloff Street, Braamfontein, Johannesburg 2001, Republic of South Africa.

Ms Portia Derby

Ms Derby's biography is included above. See "—*Board of Directors Composition*".

Ms Nonkululeko Dlamini

Ms Dlamini's biography is included above. See "—*Board of Directors Composition*".

Ms Yolisa Kani

Ms. Yolisa Kani is an astute business executive with 22 years' experience in Transport Engineering, Planning & Operations. She joined Transnet after serving as the Head of Public Policy in Southern Africa at Uber Technologies, where she was responsible Public Policy and expansions into new markets in Southern Africa. Previously she also held senior government positions in the Ekurhuleni Metro, the Cross-Border Road and Transportation Agency as well as the City of Johannesburg. She has a BSc (Hons) in Applied Science qualification, with a specialisation in Transportation Engineering from the University of Pretoria. She holds certificates in Accounting and Economics from Harvard University. She has also undergone an Advanced Professional Training in Integrated Transport Solutions in Germany, Spain and Geneva through the Union for International Transport Planners.

Adv. Sandra Coetzee

Adv. Sandra Coetzee joined Transnet as the Chief Legal Officer, after spending several years at the Independent Power Producer Office of the Development Bank of Southern Africa, with her most recent role as the Acting Head, responsible for managing its day-to-day operations. Sandra is an astute business executive with over 20 years' of industry experience, gained in various senior roles across diverse industries and in both the public and private sector. Sandra is an admitted advocate of the High Court of South Africa with a BLC and LLB from University of Pretoria. She has senior leadership programme certificates from the University of Cambridge and London School of Economics

Mr Andre Frank Pillay

Mr Pillay joined Transnet as Group Treasurer, he has a career that spans 25 years, possesses a proven track record in managing the largest corporate treasury in South Africa, presiding over a debt and derivative portfolio in excess R500 billion. He started his career in the capital markets as a money market dealer at the Iscor Pension Fund. He progressed to bond and derivatives trader and later as bond portfolio manager at Cadiz Asset management. Andre later joined the National Treasury as Chief Director making him responsible for, amongst others, the raising of funding according to fiscal requirements. He worked at the South African Reserve Bank responsible for Reserves Management, on a portfolio worth of U.S.$50 billion dollars, ensuring the optimal management and investment of this portfolio. He then joined Eskom as head of funding and was later appointed as Group Treasurer of Eskom. This was followed by him moving to Telkom as Group Treasurer before joining Transnet.

Mr Itumeleng Matsheka

Mr Itumeleng Matsheka is the Chief of People Management & Learning and joined Transnet as Head of the Transnet Academy in 2020 from Sasol where he held various senior HR leadership roles over a 14-year period. He has close to 30 years of experience in both public and private sector organisations in diverse industries such as energy, petro-chemicals, mining, motor manufacturing, tax and customs revenue and postal services.

Mr Ralph Mills

Mr Ralph Mills is the Chief Executive of Transnet Engineering and joined Transnet after serving four years as CEO of global defence and aerospace innovation firm, Paramount Advance Technologies, where he helped rebuild the organisation into a high-tech international manufacturing business. As a seasoned business executive with over 20 years' experience in the sector, Ralph has led major development and projects manufacturing companies such Paramount, Denel and African Defence Systems. Ralph's technical expertise is in complex systems and integration of the land, air, sea and joint operations. He also has extensive leadership and business turnaround experience in heavy engineering, international business development and people leadership skills. He holds a Bachelor's degree in Military Science from the SA Military Academy at the University of Stellenbosch, and a Masters in Business Leadership from the University of South Africa's School of Business Leadership.

Mr Pandelani Munyai

Mr Pandelani Munyai joined Transnet as its Chief Information Officer after serving as a Technology, Business Strategy and Innovation Executive at Liquid Telecom, where he was responsible for developing a digital transformation strategy to transform and overhaul old business processes. Prior to that he spent several years as the Chief Technology Officer at the State Information Technology Agency. As incoming CIO, Pandelani will ensure that information and communication technology is a strategic enabler for the Transnet group, delivering on cost effective and innovate solutions to support and facilitate the groups' overall business strategy. Pandelani has a Master of Business Leadership from UNISA, a Master of Electronic Engineering from the University of Pretoria, a BSc Electrical Engineering from the University of Cape Town and a BSc Physics and Mathematics from the University of Venda.

Ms Sizakele Mzimela

Ms Siza Mzimela is the Chief Executive of Transnet Freight Rail, having joined Transnet after serving 18 months as interim CEO of SA Express. Siza is a seasoned business executive with almost 30 years' industry experience, gained in various senior roles across diverse industries and in both the public and private sector. She started her career at Standard Bank and later worked for Total SA before moving into aviation. In 2010, Siza was the Group Chief Executive Officer at South African Airways. She was also one of the founding members who launched the first majority black female-owned commercial airline in South Africa, Fly Blue Crane. She has a BA Economics and Statistics from the University of Swaziland and a Certificate in Management from Henley College and a graduate of the Transnet Executive Development Programme (GIBS). She has completed a number of other programmes at GIBS, including the London School of Economics and Cambridge University.

Mr Pepi Silinga

Mr Pepi Silinga joined Transnet on 1 October 2020 after spending several years as the CEO of the Coega Development Corporation. Pepi has over 30 years of economic and developmental experience. He has previously served on a number of public sector Boards notably, the CSIR, Brand SA, and the International Development Trust. Pepi has received recognition for his contributions to the national developmental agenda of South Africa, which resulted in his appointment in 2017 by the Gauteng Government to implement and operate a R19 billion SEZ in Tshwane. Pepi holds a BSc in Civil Engineering from the University of Natal–Durban, Master of Engineering from the University of Witwatersrand, an MBA from the Heriot Watt University, in Edinburgh, MDP from UNISA, CMP from Stellenbosch, AMP from INSEAD and a Chartered Director (IoD-UK). He was also admitted as a Fellow of the South African Academy of Engineering in 2006.

Adv. Michelle Jean Phillips

Adv. Michelle Phillips is the Chief Executive of Transnet Pipelines, after serving as the Acting Chief Executive of Transnet Port Terminals. Michelle has 21 years' experience in Transnet and has progressed through the ranks in the organisation, after starting her career as a Legal Advisor for the Transnet Port business. At Transnet Pipelines, Michelle formed part of the NAVIS TOS implementation team at Pier 1 Container Terminal in 2006 and went on to become the Terminal Manager of the first RTG Container terminal in South Africa. Michelle is an admitted Advocate of the High Court with a B Juris LLB from the Nelson Mandela University, Port Elizabeth (Gqeberha). She has participated in various Executive Development leadership programmes at GIBS and IMD and has obtained certificates for several International Terminal Operations Management Programmes from Antwerp, Rotterdam, Paris and Le Havre.

Mr Jabulani Mdaki

Jabu Mdaki is the Chief Executive of Transnet Port Terminals. An experienced executive leader with over 30 years' experience in engineering, petrochemicals and ports, Jabu joined Transnet in January 2020 as the Managing Executive for the Durban Terminals, and has been acting CE at TPT since September 2021. Before joining Transnet, Jabu was the General Manager: Operations/Maintenance at RBCT, where he was responsible for providing leadership and strategic direction to optimise supply chain performance and led a turnaround in that organisation which resulted in improved productivity and overall business performance.

Dr Andrew Shaw

Dr Andrew Shaw joined Transnet on 1 July 2020, as the Chief Strategy Officer from PwC where he was a partner and the Capital Projects and Infrastructure, Transport and Logistics Leader for Africa. He has over 25 years' experience in the delivery of innovative transport sector initiatives and has worked globally across the full capital project delivery lifecycle; from strategy formulation and policy sector reform to commercial due diligence and planning to operations optimisation and programme management. Andrew holds a BSc and MSc in Engineering, a PhD in Transport Economics from the University of Leeds and an MBA from the University of Reading, UK.

Mr Kapei Phahlamohlaka

Mr Kapei Phahlamohlaka is the Chief Executive of Transnet Property. Starting his career at the Public Investment Corporation in 1999, he has over 20 years experience within the property industry. Kapei has made some notable strides in the industry, including serving as a non-executive director of the South African Council of Shopping Centres and a Board Member of the Property Sector Charter Council. He has also previously served on the Board of Arch Property Fund and Gateway Real Estate Africa in Mauritius, and was also appointed to the Pareto Limited Board in 2015. Kapei holds a Bachelor of Arts (Hons) and Bachelor of Laws (LLB) from UNISA and a Master of Business Administration (MBA) from Regent Business School.

Ms Sayeeda Khan

Ms Sayeeda Khan is the Group Chief Audit Executive. She holds over 20 years of experience in auditing, having been the Group Executive for the Risk and Compliance departments for Altron as well as Chief Risk and Compliance Officer for BCX, a subsidiary of Telkom. She is a Certified Information Systems Auditor, Certified Internal Auditor and a Chartered Accountant. She holds a Diploma in Accountancy and a Bachelor in Accountancy from the University of Durban.

Ms Hema Chetty

Ms Hema Chetty is the Chief Digital Officer. She has over 17 years of auditing experience. Prior to this role, she spent over 12 years at Standard Bank having most recently been its Chief Operating Officer for the Group Internal Audit Function. Hema holds a Bachelor of Commerce in Internal Auditing (Hons) degree, as well as a Bachelor of Commerce in Financial Accounting, both from the University of Pretoria. She has also completed an Executive programme in Digital Transformation, from the Massachusetts Institute of Technology (MIT) Sloan School of Management in the United States.

Mr Vuledzani Nemukula

Mr Vuledzani Nemukula is the Chief Procurement Officer, after spending several years as CEO of global trading and logistics management company Oreport. Vuledzani has 26 years of experience in supply chain management gained in large organisations, both private and public. In 2011, he led the procurement services at Telkom as its Group Executive for

Procurement Services after spending six years as Chief Procurement Officer at Eskom. He has a BSc from the University of Cape Town; an MBA from the University of Wales in the United Kingdom; an Advanced Business Management Programme from the University of Johannesburg; an Advanced Management Programme from INSEAD and an Oxford Executive Leadership Programme from Oxford University's Saïd Business School.

Corporate Governance – King IV

The Board of Directors is committed to the application of the good governance as reflected in the Code of Corporate Practices and Conduct of the King IV Report on Corporate Governance for South Africa, 2016 ("**King IV**") in conjunction with applicable regulatory provisions to achieve the overarching principles of sound governance, namely: responsibility, accountability, fairness and transparency.

Board of Directors

The Board of Directors met 4 times and had 8 special meetings between 1 April 2021 and 31 March 2022.

The Board of Directors is principally responsible for directing and controlling the business of Transnet, and ensuring its long-term economic, social and environmental sustainability. This responsibility includes it being the deemed Board of Transnet National Ports Authority in terms of the Ports Act. In an effort to corporatise TNPA, the Shareholder Representative has appointed Directors to serve on the TNPA Board. The Board of Directors offers leadership that results in the achievement of the strategy by directing and approving Transnet's strategic and operational objectives, and by monitoring Transnet's performance against the targets outlined in the Shareholder's Compact. It further ensures that adequate budget planning processes are in place to advance Transnet's mandate by providing an oversight role over Transnet's socio-economic programmes.

Committees:

In line with the requirements of the Companies Act, and to ensure that delegation within the Board's own structures promotes independent judgment and assists with the balance of power and effective discharge of its duties, the Board established the Audit Committee and REMSEC as statutory Committees. The Audit Committee's constitution, functioning and reporting adhere strictly to the requirements of both the PFMA and the Companies Act while REMSEC serves as the Social and Ethics Committee established in terms of the Companies Act. In addition to the statutory committees, the following committees have been constituted to assist in the achievement of Transnet's objectives:

- Finance and Investment Committee;
- Risk Committee; and
- Corporate Governance and Nominations Committee.

The Board Committees' mandates are achieved through annual work plans, which set out areas for consideration or focus each financial year for each of the Board Committees based on their respective mandates, and periodical Board workshops, focusing on strategic planning and review of the Corporate Plan and budgets ("**Annual Work Plans**"). The Board of Directors also convene "Deep Dive" sessions to review specific and/or strategic projects for adequacy, completeness and continuous improvement. The Group Company Secretary coordinates site visits to enable the Board of Directors to monitor progress in operations as part of induction, and to interact with various stakeholders, ranging from employees to service providers and key customers.

Audit Committee: The Audit Committee is constituted as a statutory committee of Transnet in respect of its statutory duties in terms of the Treasury Regulation and the applicable provisions of the PFMA and the Companies Act, and as a committee of the Board of Directors in respect of all duties assigned to it by the Board of Directors in terms of its mandate. Transnet has complied and intends to continue to comply with the Companies Act and the PFMA requirements for the functioning and reporting of the Audit Committee. The Audit Committee comprises independent non-executive Directors who are duly elected by the Shareholder Representative at the AGM in line with legislative requirements. The Audit Committee provides oversight on, amongst others, the integrity, and effectiveness of the accounting, financial, compliance and other control systems.

The Audit Committee provides the following supporting activities to the Board of Directors:

- assists the Board of Directors in discharging its duties relating to the safeguarding of assets and the evaluation of internal control frameworks within Transnet;

- reviews and assesses the integrity and effectiveness of the accounting, financial, compliance and other control systems;

- considers the internal and external audit processes and the accounting principles and policies;

- strengthens the independence of the internal and external audit functions to ensure their effectiveness;

- ensures effective communication between the internal auditors, the external auditors, the Board of Directors, management and regulators;

- ensures compliance with and adherence to applicable legal, regulatory and accounting requirements; and

- contributes to a climate of discipline and control which will reduce the opportunity for fraud.

The Audit Committee met 4 times and had 3 special meetings in the period between 1 April 2021 and 31 March 2022. It is chaired by Mr Von Zeuner and has three additional members. In line with the Companies Act, the Audit Committee reviews and approves Transnet's audit plan with the external auditors, with specific reference to the terms of engagement thereof, the proposed audit scope and approach to the Company's risk activities, the effectiveness of the audit and the audit fees.

Risk Committee: The Board has delegated the quality, integrity and reliability of Transnet's risk management procedures and formally reviewing the Group's risk management policies annually to the Risk Committee. In order for the Risk Committee to provide an independent and objective oversight of risk management within Transnet, the Risk Committee:

- reviews and assesses the integrity of the risk control processes and systems;

- ensures that the risk policies are managed effectively and in accordance with the ERM Framework approved by the Board from time to time;

- reviews the ERM Framework, risk philosophy, strategy, policies and processes recommended by the Group Exco and considers reports by the Group Exco on implementation and communication to ensure incorporation into the culture of the Company;

- contributes to a climate of discipline and control which will ensure adherence to standard operating procedures and ensure reduction of operational losses; and

- assesses any significant risk control failings or weaknesses identified and their potential impact and confirms that appropriate action has been or is being taken.

The Risk Committee met at least 4 times between 1 April 2021 and 31 March 2022 to review the major risks facing the company, as well as the progress achieved in improving risk management throughout the Group. The Risk Committee is currently chaired by Ms Fikelepi and has two additional members and 13 attendees from the Group Exco.

Remuneration, Social and Ethics Committee: The Board of Directors has established the REMSEC in terms of the applicable provisions of the Companies Act to assist in discharging the Board of Directors' responsibilities, consistent with King IV and general corporate governance best practice. The mandate outlining the authority delegated to it by the Board of Directors includes the purpose of the REMSEC, composition, reporting responsibilities, terms of reference and the right of any member to seek and be provided with independent advice at Transnet's expense, if such member considers that necessary for the effective execution of his or her fiduciary duties to Transnet. REMSEC does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management. The purpose of the Remuneration, Social and Ethics Committee is to:

- advise the Board in regard to responsible corporate citizenship and the ethical relationship between Transnet and its stakeholders, both internally and externally. REMSEC will manage Transnet's legal and moral obligations for its economic, social and natural environment, including the objectives and standards of Transnet's conduct and activities;

- manage and monitor Transnet's activities to achieve and maintain world-class standards in Transnet's social and ethics environment, with due regard to all relevant legislation, policies, legal requirements and codes of best practice;

- oversee the ethics management programme implemented by management;

- ensure that competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high performance employees at all levels in support of realising corporate objectives, and to safeguard Shareholder interests;
- review the design and management of salary structures, policies and incentive schemes and to ensure that they motivate sustained high performance and are linked to corporate performance;
- review the mandates of the remuneration committees of the business divisions of Transnet, and to approve the remuneration policies and practices recommended by them;
- develop and implement a policy of remuneration philosophy for disclosure to enable a reasonable assessment of reward practices and governance processes to be made by stakeholders;
- recommend the level of independent non-executive Directors' fees to the Board for approval by the Shareholder Representative at the AGM;
- ensure compliance with applicable laws and codes;
- consider and make recommendations on all human capital matters related to the:
    - restructuring of Transnet;
    - disposal of assets/part of Transnet's business;
    - acquisition of assets/new business; and
    - development of human resources issues; and
- recommend to the Board the succession planning policy and procedures for the Group Exco (other than executive Directors) and the Extended Transnet Executive Committee, which supports the office of the GCE.

REMSEC met 3 times and had 6 special meeting times between 1 April 2021 and 31 March 2022. The Remuneration, Social and Ethics Committee is chaired by Dr Mufamadi and has three additional members.

<u>Corporate Governance and Nominations Committee:</u> The Corporate Governance and Nominations Committee is constituted as a committee of Transnet in respect of all duties assigned to it by the Board. The purpose of the Corporate Governance and Nomination Committee is to:

- ensure that the Board's composition and structure enables it to fulfil the obligations of the Board Mandate and advance and maintain Transnet's corporate governance policies and the Corporate Governance Framework;
- set criteria for the nomination of independent non-executive Directors to be recommended to the Board for appointment to the Board Committees, other than the Audit Committee;
- nominate potential Audit Committee members for consideration by the Board and election by the Shareholder Representative at the AGM;
- nominate potential Remuneration, Social and Ethics Committee members for approval by the Board, and confirmation by the Shareholder Representative at the AGM, or through a written resolution;
- recommend to the Board, the non-executive Directors who will serve on Board Committees;
- ensure that best practice succession planning policies, and processes are implemented in respect of Executive Directors and independent non-executive Directors;
- administer and manage the selection process of the GCE on behalf of the Board and make recommendations on the top three candidates, in order of priority, to the Board, by complying with the Guidelines for the appointment of a Chief Executive for a State Owned Enterprise; and
- develop, update and recommend to the Board, the governance principles to be applicable to Transnet.

The Corporate Governance and Nominations Committee met 3 times and had 3 special meeting times between 1 April 2021 and 31 March 2022. The Corporate Governance and Nominations Committee is currently chaired by Dr Molefe and has three additional members. In addition to establishing the criteria for the nomination of directors, the Corporate Governance and Nominations Committee is responsible for ensuring that an annual assessment of the performance of the Board of Directors and a periodic review of the effectiveness of the Board Committees occurs. The Corporate Governance and Nominations Committee is responsible for ensuring that appointed members have the relevant skills. Additionally, it recommends training and induction for members.

Finance and Investment Committee: The Finance and Investment Committee is constituted as a committee of Transnet in respect of all duties assigned to it by the Board. The Finance and Investment Committee oversees the review of Transnet's procurement and provisioning systems, monitors compliance with procurement policies and practices, monitors trends in procurement spend, considers strategic acquisitions and disposals and makes consequent recommendations to the Board of Directors, and considers potential PSP models and approves acquisitions (where so delegated by the Board of Directors in accordance with the DOA Framework). The Finance and Investment Committee provides the following support activities to the Board of Directors:

- advances and maintains Transnet's acquisition and disposal policies;
- approves procurement transactions within the Finance and Investment Committee's delegated authority;
- monitors trends in supplier development spend and progress on plan;
- considers strategic acquisitions and disposals and makes recommendations to the Board of Directors;
- considers, for recommendation to the Board of Directors, potential private-sector participation models;
- reviews quarterly capital expenditure reports, and monitors the execution of approved projects;
- monitors the implementation of strategic acquisitions against the approved plans; and
- approves procurement strategies for proposed acquisitions and disposals to the Board of Directors in line with the DOA Framework.

The Finance and Investment Committee met 4 times and had 1 special meeting between 1 April 2020 and 31 March 2021. The Finance and Investment Committee is currently chaired by Ms Letlape and has two additional members. Due to the magnitude of the Group's investment programme, the Finance and Investment Committee is scheduled to meet on a monthly basis with other meetings scheduled as supplementary meetings. Should there be no need to convene a meeting, supplementary meetings will be accordingly cancelled.

Group Exco: The GCE has authority to manage Transnet within the powers delegated to the GCE by the Board of Directors. The Group Exco is constituted to assist the GCE in the management of Transnet. The Group Exco assists the GCE to guide and control the overall direction of the business of Transnet and acts through the GCE, as the medium of communication with the Board of Directors. The role of the Group Exco is to implement the strategic direction provided by the Board to the business, and sufficient direction to the operations to ensure that the strategy is successfully implemented.

The Committee also provides:

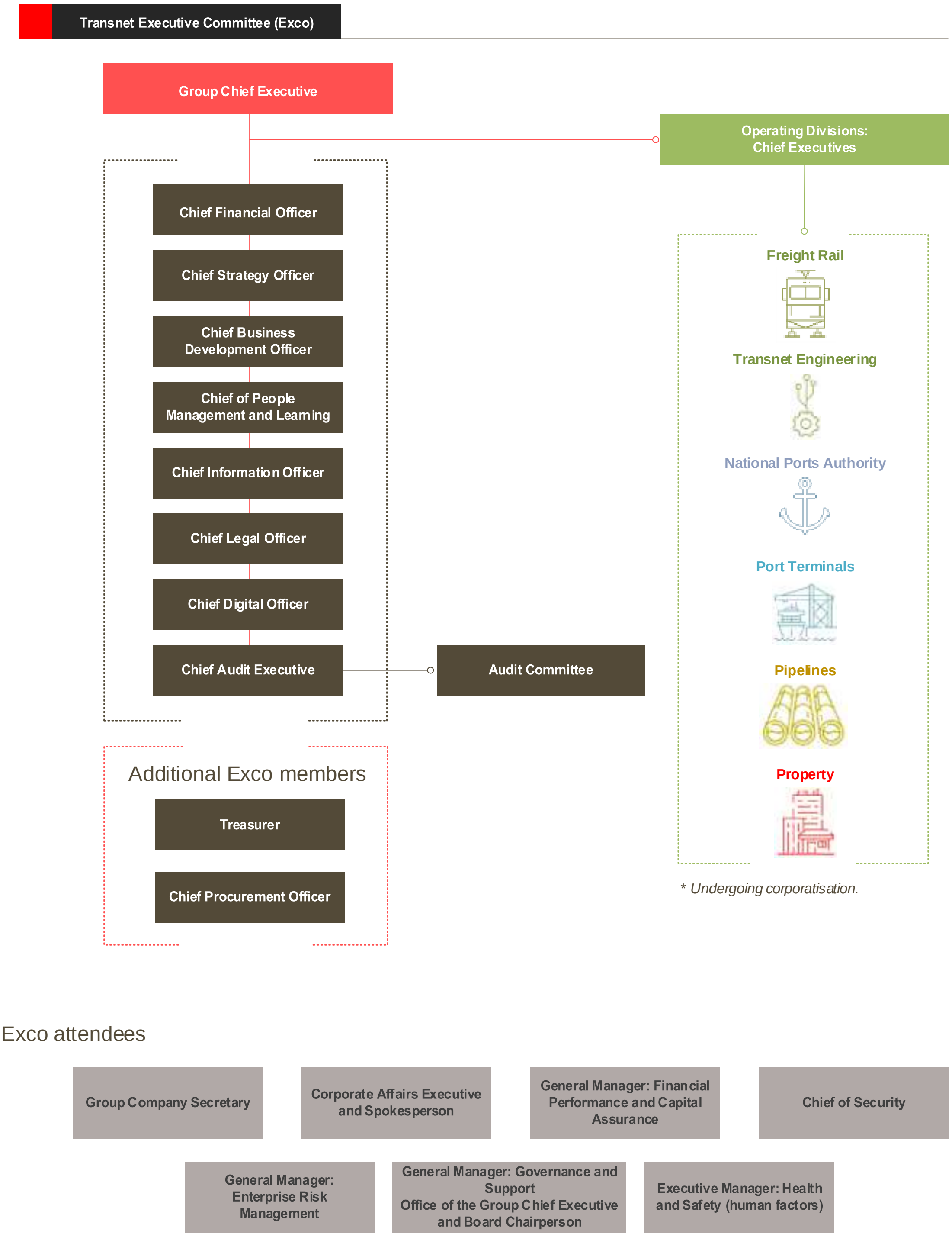
- Strategic direction to the business and provide sufficient direction to the operations to ensure that the strategy is successfully implemented;
- Leadership and direction of the Company's activities;
- Guidance and direction on the In-House Consulting, and ensures seamless execution thereof;
- Oversight for financial and operational risk management, including IT risks, across the Company; and
- Oversight, Leadership and Direction of the Company Cultures, Ethics and Governance.

  In addition, it reviews:

- The Company's monthly operational and financial performance, salient decisions taken by its supporting structures, and take decisions referred to it, including approval of policies; and

- Provides oversight for strategic, tactical and operational risks.

The below is the current structure of the Group Exco:



The Group Exco met 15 times and had 11 special meetings between 1 April 2021 and 31 March 2022. The Group Exco is currently chaired by the Group Chief Executive with 17 individuals as members of the Group Exco.

Compensation

The following table sets out the remuneration for members of the Group Exco for Financial Year 2022, with comparative total remuneration figures for Financial Years 2021 and 2020:

Executive remuneration—guaranteed

Name	Salary	Post-retirement benefit fund contributions	Other contributions	Other payments	Total 2022	Total 2021	Total 2020
			(R thousand)				
TC Morwe(2) (6)	—	—	—	—	—	—	804
EAN Sishi(3) (6)	—	—	—	—	—	—	7,687
T Jiyane(6)	—	—	—	—	—	—	1,534
GJE de Beer(8)	—	—	—	—	—	—	5,567
KV Reddy(10)	—	—	—	—	—	2,238	4,477
X Mpongoshe(4)	—	—	—	—	—	317	3,802
M Mahomedy(2) (3) (6)	—	—	—	—	—	—	12,177
SA Vorster(6) (7)	—	—	—	—	—	—	3,220
R Madiba(7)	—	—	—	—	—	—	2,428
T Majoka(5) (10)	—	—	—	—	—	480	3,334
GLN Sithole(7)	—	—	—	—	—	—	4,596
S Qalinge (8)	—	—	—	—	—	—	4,599
N Mdawe(7) (8)	—	—	—	—	—	—	2,755
LM Moodley(8)	—	—	—	—	—	—	3,399
LL Tobias(7)	—	—	—	—	—	—	4,441
MA Fanucchi(8)	—	—	—	—	—	—	4,556
PPJ Derby(1)	7,784	714	2	—	8,500	8,500	1,417
M Phillips(7) (8)	3,919	279	2	—	4,200	4,623	2,146
K Phihlela(7)	—	—	—	—	—	2,400	2,399
S Khathi(7)	—	—	—	—	—	1,442	2,541
MD Gregg-Macdonald(2) (3) (9	—	—	—	—	—	11,397	4,127
K Ngema(6) (7) (8)	2,315	208	1	2.432	4,956	4,757	—
P Munyai(8)	3,828	297	2	—	4,127	3,382	—
BL Kgomo(8)(12)	1,021	98	1	194	1,314	3,250	—
V Nemukula(8)	3,570	328	2	—	3,900	3,900	—
N Dlamini (1) (11)	5,798	-	2	—	5,800	3,375	—
A Shaw(8)	4,608	490	2	—	5,100	3,824	—
S Coetzee(8)	5,398	-	2	—	5,400	4,950	—
B Kani(8)	3,803	295	2	—	4,100	3,759	—
S Mzimela(8)	6,098	-	2	—	6,100	6,100	—
R Mills(8)	3,935	383	2	—	4,320	3,960	—
V Dube(6) (8)	2,319	150	1	5,028	7,498	4,037	—
M Silinga(8)	5,375	523	2	—	5,900	2,950	—
K Phahlamohlaka(11)	4,267	331	2	—	4.600	2,683	—
L Sesoko(5) (10)	—	—	—	—	—	1,330	—
X Ntshingila(5) (10)	1,106	118	1	1,090	2,315	821	—
IK Matsheka(11)	2,225	173	1	—	2,399	—	—
S Khan(11)	328	30	—	—	358	—	—
DJ Mdaki(5)(11)	1,556	151	1	513	2,221	—	—
T Siyaya(5) (6) (7)	1,479	115	2	1,424	3,020	643	—
Total	**70,732**	**4,683**	**32**	**10,681**	**86,128**	**85,118**	**82,006**

Notes:

(1) Group executives who are members of the Board of Directors.
(2) Group executives who were members of the Board of Directors.
(3) Includes settlement in respect of service termination.
(4) Member of Group Exco for one month of the financial year.
(5) Acted as Group Exco member.
(6) Contract terminated during the prior financial year.
(7) Acted as Group Exco member in the prior financial year.
(8) Contract terminated during the financial year.
(9) Acted as Group Chief Financial Officer from 1 April to 30 June 2020, and appointed as Group Treasurer from 1 July to 19 October 2020.
(10) Left Group Exco during the financial year.
(11) Appointed as Group Exco member during the financial year.
(12) Mr BL Kgomo passed away in July 2021.

In addition to the above amounts, Group executives are eligible for performance-based bonuses at the discretion of the Board of Directors. The following table sets out the bonuses of the Group executives for Financial Year 2022, which will be paid during Financial Year 2023, with comparative total performance-based bonuses for Financial Years 2021 and 2020:

Name	Long-term incentive	Short-term incentive	Total 2022	2021	2020
			(R thousand)		
TC Morwe(2) (6)	—	—	—	—	—
EAN Sishi(3) (6)	—	—	—	—	—
T Jiyane(6)	—	—	—	—	—
GJE de Beer(8)	—	—	—	—	—
KV Reddy(10)	—	—	—	—	1,006
X Mpongoshe(4)	—	—	—	—	—
M Mahomedy(2) (3) (6)	—	—	—	—	—
SA Vorster(6) (7)	—	—	—	—	—
R Madiba(7)	—	—	—	—	210
T Majoka(5) (10)	—	—	—	—	402
GLN Sithole(7)	—	—	—	—	594
S Qalinge (8)	—	—	—	—	—
N Mdawe(7) (8)	—	—	—	—	—
LM Moodley(8)	—	—	—	—	—
LL Tobias(7)	—	—	—	—	574
MA Fanucchi(8)	—	—	—	—	—
PPJ Derby(1)	—	—	—	—	—
M Phillips(7) (8)	—	—	—	—	373
K Phihlela(7)	—	—	—	—	934
S Khathi(7)	—	—	—	—	405
MD Gregg-Macdonald(2) (3) (9	—	—	—	—	899
K Ngema(6) (7) (8)	—	—	—	—	—
P Munyai(8)	—	—	—	—	—
BL Kgomo(8)(12)	—	—	—	—	—
V Nemukula(8)	—	—	—	—	—
N Dlamini (1) (11)	—	—	—	—	—
A Shaw(8)	—	—	—	—	—
S Coetzee(8)	—	—	—	—	—
B Kani(8)	—	—	—	—	—
S Mzimela(8)	—	—	—	—	—
R Mills(8)	—	—	—	—	—
V Dube(6) (8)	—	—	—	—	—
M Silinga(8)	—	—	—	—	—
K Phahlamohlaka(11)	—	—	—	—	—
L Sesoko(5) (10)	—	—	—	—	—
X Ntshingila(5) (10)	—	—	—	—	—
IK Matsheka(11)	—	—	—	—	—
S Khan(11)	—	—	—	—	—
DJ Mdaki(5)(11)	—	—	—	—	—
T Siyaya(5) (6) (7)	—	—	—	—	—
Total	**—**	**—**	**—**	**—**	**5,397**

Notes:

(1) Group executives who are members of the Board of Directors.
(2) Group executives who were members of the Board of Directors.
(3) Includes settlement in respect of service termination.
(4) Member of Group Exco for one month of the financial year.
(5) Acted as Group Exco member.
(6) Contract terminated during the prior financial year.
(7) Acted as Group Exco member in the prior financial year.
(8) Contract terminated during the financial year.
(9) Acted as Group Chief Financial Officer from 1 April to 30 June 2020, and appointed as Group Treasurer from 1 July to 19 October 2020.
(10) Left Group Exco during the financial year.
(11) Appointed as Group Exco member during the financial year.
(12) Mr BL Kgomo passed away in July 2021.

None of the members of the Board of Directors or the members of the Group Exco hold shares in Transnet or have share-based incentive plans. Employment contracts with directors and members of the Group Exco do not provide for special benefits upon termination and they did not provide for any such benefits in Financial Years 2022, 2021 and 2020.

Group Company Secretary Function

The Board of Directors adheres to the requirements of the Companies Act and has appointed a competent and qualified Group Company Secretary. The Group Company Secretary is responsible for developing systems and processes to enable the Board of Directors to discharge its functions efficiently and effectively. The Group Company Secretary prepares Annual Work Plans for the Board of Directors as informed by the strategic direction of Transnet. These Annual Work Plans are approved by the respective governance structures for implementation and are continually tracked to assess progress. The Group Company Secretary advises the Board of Directors on corporate governance issues, the requirements of the Companies Act and other relevant legislation. The Board of Directors has unfettered access to the services and advice of the Group Company Secretary.

SHAREHOLDER

The Government is the sole Shareholder of Transnet, owning its entire issued share capital of 12,660,986,310 ordinary shares as at 31 March 2022. Transnet is a "*public entity*", specifically a "*national public entity*", as defined in the PFMA. Transnet is listed as a "*major public entity*" in Schedule 2 (*Major Public Entities*) to the PFMA. The Minister of Public Enterprises represents the Government in its capacity as sole shareholder of Transnet. See "*Regulation*".

Shareholder's Compact

The Shareholder's Compact between Transnet and the Government was signed on 30 June 2021 in respect of Financial Year 2021. The Shareholder's Compact mandates Transnet to deliver on numerous strategic deliverables, including sustainable economic, social and environmental outcomes. The Shareholder's Compact mandates Transnet to assist in lowering the cost of doing business in the Republic of South Africa and enabling economic growth through providing appropriate ports, rail and pipeline infrastructure and operations in a cost effective and efficient manner and within acceptable benchmark standards. The key performance areas include capital and financial efficiency, operational efficiency and effectiveness, infrastructure investments as well as developmental objectives. The targets set are measured quarterly and are reported quarterly to the Government.

REGULATION

Set out below is a summary of the three most significant statutes which regulate the structure and the financial affairs (in particular, the borrowings) of Transnet. This description does not purport to be a complete description of all of the laws and regulations which are applicable to Transnet and its business, and should not be read as such.

Introduction

Transnet is a company which was incorporated on 19 February 1990 under the Old Companies Act pursuant to the Legal Succession Act. The Government is Transnet's sole Shareholder. The Minister of Public Enterprises is the Shareholder Representative and represents the Government in its capacity as Shareholder.

Transnet was formed as a result of the transfer of the commercial enterprise of the South African Transport Services to Transnet as the Republic of South Africa's railway, port and pipeline operator. With effect from 1 May 2011, Transnet changed its name from Transnet Limited to Transnet SOC Ltd.

In terms of the applicable public finance management legal framework, Transnet enters into the Shareholder's Compact with the Government (represented by the Shareholder Representative) annually. The Shareholder's Compact mandates Transnet to deliver on numerous strategic deliverables, including sustainable economic, social and environmental outcomes. The Shareholder Compact, read with the significance and materiality framework (which is also agreed/reviewed annually with the Shareholder Representative), sets materiality thresholds of the transactions Transnet may conclude.

The MoI is aligned with the provisions of the PFMA, the Companies Act and the Ports Act. The MoI was approved by the Minister of Public Enterprises on 25 June 2013, and was lodged with the Companies and Intellectual Property Commission of South Africa (the "**CIPC**"). During 2021, another review of the MOI was undertaken and submitted to the Shareholder Representative for consideration.

The three most significant statutes which regulate the structure and the financial affairs (in particular, the borrowings) of Transnet are the Legal Succession Act, the Companies Act and the PFMA. As an SOE, Transnet's primary governing legislation regulating the financial management and governance of Transnet is the PFMA.

Legal Succession Act

Transnet is a company which was incorporated on 19 February 1990 under the Old Companies Act pursuant to the Legal Succession Act.

In terms of the Legal Succession Act, certain provisions of the Companies Act do not apply to Transnet while the Government is the only beneficial member and shareholder thereof (see "*Companies Act*" below).

Section 2(3) of the Legal Succession Act provides, among other things, that the Minister of Public Enterprises (as Shareholder Representative) "*shall exercise the rights of the [Government] as member and shareholder of [Transnet]*".

In terms of section 19(1) of the Legal Succession Act, without derogating from Transnet's capacity in terms of its MoI and the provisions of the Companies Act, or from any of Transnet's powers to issue financial instruments, Transnet may for so long as the Government holds all the issued equity shares of Transnet, with the consent of the Shareholder Representative, acting with the concurrence of the Minister of Finance, issue financial instruments of whatever nature, including stock, securities, bills, promissory notes, debentures, debenture stock, bonds, annuities and negotiable certificates of deposit.

The term "*financial instruments*" is not defined in the Legal Succession Act, but given the wording of section 19(1) of the Legal Succession Act, the Notes must be regarded as "*financial instruments*" for the purposes of the Legal Succession Act. The Government is the sole Shareholder of Transnet. Accordingly, the prior written approval of the Shareholder Representative (that is, the Minister of Public Enterprises) and the prior written concurrence of the Minister of Finance, in terms of section 19 of the Legal Succession Act, is required for the issue of the Notes under this Base Listing Particulars and the terms and conditions of such Notes. See, in addition "—*PFMA*" below and the requirements of the PFMA for the issue of the Notes under this Base Listing Particulars and the terms and conditions of such Notes.

Section 19 of the Legal Succession Act also provides that the provisions of the Companies Act in respect of debentures do not apply to any of the "*financial instruments*" referred to above. The "*financial instruments*" referred to above must, where applicable, trade in the same markets in which similar financial instruments issued by the Government or statutory bodies are being traded. Where applicable, the "*financial instruments*" referred to above may be listed on a stock exchange in the same manner and subject to the same requirements and procedures as similar financial instruments issued by the Government or statutory bodies.

In addition, in terms of section 19(8) of the Legal Succession Act "*n]o charge, tax, stamp duty, fees or other costs of any nature whatsoever are payable in respect of the issue or transfer*" of any of the "*financial instruments*" referred to above. See "*Taxation—The Republic of South Africa*".

Section 89(1) of the Ports Act repeals the Legal Succession Act in so far as the Legal Succession Act relates to "*any provision for the management and operation of the ports*" referred to in the Ports Act. Notwithstanding the aforesaid, in terms of section 89(2) of the Ports Act, the port regulations made under section 21 of the Legal Succession Act and which were in force immediately prior to the commencement of the Ports Act remain in force in so far as they are not inconsistent with the Ports Act, until amended or repealed under the Ports Act. Subject as aforesaid, the Legal Succession Act remains in effect for all other purposes relating to Transnet.

Companies Act

The Companies Act came into effect on 1 May 2011 and, subject as set out below, has replaced the Old Companies Act in its entirety.

Transnet is a "*company*" under the Companies Act. It is also a "*state-owned company*" under the Companies Act in that (i) it is an enterprise that is registered in terms of the Companies Act as a company and (ii) it is listed as a public entity in Schedule 2 to the PFMA.

Transnet is subject to, among other things, the enhanced accountability and transparency provisions of the Companies Act.

Section 5(4) of the Companies Act provides that if there is an inconsistency between any provision of the Companies Act and a provision of any other national legislation, the provisions of both Acts apply concurrently, to the extent that it is possible to apply and comply with one of the inconsistent provisions without contravening the second; and to the extent that it is impossible to apply or comply with one of the inconsistent provisions without contravening the second:

- any applicable provisions of, among others, the PFMA prevail in the case of an inconsistency involving any of them, subject to certain exceptions; or

- the provisions of the Companies Act prevail in any other case, subject to certain exceptions.

Section 9 of the Companies Act provides for modified application of the Companies Act with respect to "*state-owned companies*". In terms of section 9(1) of the Companies Act, subject to, among others, section 5(4) of the Companies Act, any provision of the Companies Act that applies to a public company applies also to a "*state-owned company*", except to the extent that the Minister of Trade, Industry and Competition has granted an exemption in terms of section 9(3) of the Companies Act.

In terms of section 9(2) of the Companies Act, among other things, the member of the Cabinet responsible for "*state-owned companies*" may request the Minister of Trade, Industry and Competition to grant a total, partial or conditional exemption from one or more provisions of the Companies Act, applicable to all "*state-owned companies*", any class of "*state-owned companies*", or to one or more particular "*state-owned companies*".

Section 9(3) of the Companies Act provides that the Minister of Trade, Industry and Competition, by notice in the *Government Gazette* after receiving the advice of the CIPC, may grant an exemption contemplated in section 9(2) of the Companies Act (a) only to the extent that the relevant alternative regulatory scheme ensures the achievement of the purposes of the Companies Act at least as well as the provisions of the Companies Act and (b) subject to any limits or conditions necessary to ensure the achievement of the purposes of the Companies Act.

Section 39 of the Companies Act, dealing with the subscription for shares, does not apply to a "*state-owned company*", except to the extent that the "*state-owned company's*" memorandum of incorporation provides otherwise. There are a few additional provisions of the Companies Act which either do not apply to a "*state-owned company*" or have a modified application.

The Companies Act establishes shareholders' rights against companies and directors, and directors, prescribed officers and committee members will now face more extensive and stricter grounds for personal liability for their actions in the company than they did under the Old Companies Act. The Companies Act introduces class action suits against companies, directors and company officers by persons whose rights are affected by the company. Companies will thus face a greater risk of litigation and the costs thereof.

Schedule 5 of the Companies Act provides that, until a date to be determined by the Minister of Trade, Industry and Competition, the Old Companies Act will continue to apply with respect to the winding up and liquidation of companies under the Companies Act as if the Old Companies Act had not been repealed, subject to certain provisions set out in

Schedule 5. Accordingly, the winding-up of companies continues to be regulated by both the Old Companies Act and the Insolvency Act, 1936 of South Africa (the "**Insolvency Act**").

Chapter 6 of the Companies Act provides for "*business rescue*", a substantively non-judicial, pre-insolvency commercial process that, in the first instance, aims to rescue a financially distressed company and maximise the likelihood of the company's continued existence on a solvent basis. If "*business rescue*" is not possible, the aim of "*business rescue*" is to ensure an outcome which provides a better return for the creditors or shareholders of a financially distressed company than would result from its immediate liquidation.

The business rescue process is formalised following the filing of a board resolution (or application to court to commence the proceedings) and each significant step in the process may allow intervention of "*affected persons*" on application to the court. This does, however, remain an engagement amongst the business rescue practitioner (who will be a qualified professional experienced in managing companies in difficulty) and "*affected persons*" (being shareholders, creditors and employees (individually or through their representative trade unions) of the Issuer) in devising a business rescue plan to rescue the Issuer.

Once appointed, a business rescue practitioner may, in terms of section 136 of the Companies Act (subject to certain exceptions), during business rescue proceedings and "*despite any provision of an agreement to the contrary*", (A) entirely, partially or conditionally suspend, for the duration of the business rescue proceedings, any obligation of Transnet that (i) arises under an agreement to which Transnet was a party at the commencement of the business rescue proceedings and (ii) would otherwise become due during those business rescue proceedings or (B) apply urgently to a court to entirely, partially or conditionally cancel, on any terms that are "*just and reasonable in the circumstances*", any obligation of Transnet contemplated in sub-paragraph (A).

Accordingly, if Transnet becomes subject to business rescue under Chapter 6 of the Companies Act, **t**he business rescue practitioner may, during business rescue proceedings and despite any provision to the contrary in any agreement to which Transnet is a Party, (A) entirely, partially or conditionally suspend, for the duration of the business rescue proceedings, any obligation of Transnet that arises under any agreement to which Transnet is a Party and which would otherwise become due during those business rescue proceedings or (B) apply urgently to a court to entirely, partially or conditionally cancel, on any terms that are "*just and reasonable in the circumstances*", any obligation of Transnet contemplated in sub-paragraph (A).

Section 133(1) of the Companies Act provides for a general moratorium on legal proceedings against Transnet as follows: "*During business rescue proceedings, no legal proceeding, including enforcement action, against the [Issuer], or in relation to any property belonging to the [Issuer], or lawfully in its possession, may be commenced or proceeded with in any forum, except"*, among other things, *"(a) with the written consent of the practitioner; [or] (b) with the leave of the court and in accordance with any terms the court considers suitable; … [or] (e) proceedings concerning any property or right over which the [Issuer] exercises the powers of a trustee*".

In terms of section 133(2) of the Companies Act "*[d]uring business rescue proceedings, a guarantee or surety by [Transnet] in favour of any other person may not be enforced by any person against [Transnet] except with leave of the court and in accordance with any terms the court considers just and equitable in the circumstances*".

A new draft amendment bill to the Companies Act (the "**Companies Amendment Bill**") was published for public comment on 1 October 2021. According to the explanatory memorandum published together with the Companies Amendment Bill, three broad categories of policy objectives are sought to be addressed by the proposed amendments to the Companies Act, namely (i) ease of doing business, (ii) achievement of equity as between directors and senior management on the one hand and shareholders and workers on the other and (iii) efforts to counter money laundering and terrorism. The changes in the Companies Amendment Bill include, among others, provision for (i) the preparation, presentation and voting on companies' remuneration policies and directors' remuneration implementation reports, (ii) the concept of a "true owner" (in essence the natural person who is the ultimate and true owner and last person in the chain of holders of a specific security in a company, who can direct the registered holder or for whose benefit the securities exist) and the filing of a copy of the company's securities register and register of disclosure of beneficial owners with the Companies and Intellectual Property Commission and (iii) the presentation and approval of the social and ethics committee report at a shareholders' meeting. The period for public comment closed on 31 October 2021. A revised draft of the Companies Amendment Bill is awaited.

PFMA

The PFMA establishes the National Treasury. The aims of the PFMA are, among other things, to regulate financial management and governance in the Government, provincial governments and "*public entities*" (such as SOEs), to ensure that all revenue, expenditure, assets and liabilities of those governments and "*public entities*" are managed efficiently and effectively, and to provide for the responsibilities of persons entrusted with financial management in those governments and "*public entities*".

Transnet is a "*public entity*", specifically a "*national public entity*", as defined in the PFMA. Transnet is listed as a "*major public entity*" in Schedule 2 (*Major Public Entities*) to the PFMA. Transnet is an institution to which the PFMA applies.

The PFMA requires Transnet, as a "*public entity*", to have an "*accounting authority*", which must be accountable for the purposes of the PFMA. The "*accounting authority*" must, among other duties, exercise the duty of utmost care to ensure reasonable protection of the assets and records of the "*public entity*" and act with fidelity, honesty, integrity and in the best interests of the "*public entity*" in managing the financial affairs of the "*public entity*".

The PFMA defines an "*accounting authority*" as "*a body or person mentioned in section 49*". Section 49(2)(a) of the PFMA provides that if the "*public entity*" has a board or other controlling body, that board or controlling body is the "*accounting authority*" for that "*public entity*".

The Board is the "*board or other controlling body*" of Transnet and, accordingly, the Board is the "*accounting authority*" for Transnet for purposes of the PFMA.

The PFMA imposes numerous obligations and responsibilities on "*accounting authorities*" including, among others, obligations relating to annual reports and financial statements. The Board, as the "*accounting authority*" for Transnet, is subject to these obligations and responsibilities.

In terms of section 66(1) of the PFMA, Transnet, as an institution to which the PFMA applies, may not "*borrow money*" or "*enter into any other transaction that binds or may bind [Transnet] … to any future financial commitment*", unless such borrowing or other transaction:

- is authorised by the PFMA; and
- in the case of "*public entities*", is also authorised by other applicable legislation not in conflict with the PFMA (see "—*Legal Succession Act*" above).

In addition, in terms of section 66(3)(a) of the PFMA (subject to section 66(6) of the PFMA – see below), "*[p]ublic entities may only through the following persons borrow money … or enter into any other transaction that binds or may bind that public entity to any future financial commitment: ….. (a) A public entity listed in Schedule 2: The accounting authority for that Schedule 2 public entity*".

Transnet is a "public entity" listed in Schedule 2 (Major Public Entities) to the PFMA. Accordingly, the issue of the Notes under this Base Listing Particulars must be effected "*through*" the "*accounting authority*" for Transnet. The Board is the "*accounting authority*" for Transnet. The Board must therefore (subject to section 66(6) of the PFMA – see below) approve the issue of the Notes under this Base Listing Particulars and the terms and conditions of such Notes.

Section 66(6) of the PFMA provides, among other things, that a "*person mentioned*" in, among others, section 66(3)(a) of the PFMA may not delegate a power conferred in terms of section 66(3)(a) of the PFMA, except with the prior written approval of the Minister of Finance. Accordingly, if the DOA Framework provides for the delegation, by the "*accounting authority*" for Transnet (that is, the Board), of any such power, such delegation requires the prior written approval of the Minister of Finance.

Section 66(7)(b) of the PFMA provides that "*[a] public entity authorised to borrow money" "may not borrow money in a foreign currency above a prescribed limit, except when that public entity is a company in which the state is not the only shareholder*".

There are no general notices under the PFMA or the Treasury Regulations providing for prescribed foreign borrowing limits for purposes of section 66(7)(b) of the PFMA. In practice, a request for the relevant foreign borrowing limit would be submitted by the relevant "*public entity*" to the Minister of Finance who would then approve (or decline) the request and, if the request is approved, specify the relevant foreign borrowing limit and the condition/s on which it is granted. A common condition for a "*public entity*" issuer of foreign currency denominated notes would be that the "*public entity*" consult with the Assets and Liabilities Division of the National Treasury before undertaking any issuances of foreign currency denominated notes.

The Government is the sole Shareholder of Transnet. Accordingly, Transnet may not borrow money in a foreign currency above the prescribed limit. The foreign currency amount of the Notes issued by Transnet under this Base Listing Particulars must therefore not exceed the foreign currency amount specified by the Minister of Finance pursuant to section 66(7)(b) of the PFMA, and the issue of such Notes will be subject to such condition/s as may be prescribed by the Minister of Finance.

RELATED-PARTY TRANSACTIONS

In the ordinary course of business, Transnet enters into transactions with companies controlled by its Shareholder, its directors and managers and associated parties. Services rendered to related parties principally comprise transportation services. Services purchased from related parties principally comprise energy, telecommunications, information technology and property related services. Transnet believes that these transactions are entered into on an "arm's length" basis and their terms do not substantially differ from standard market terms. Furthermore, neither Transnet nor any of its related parties are obligated to procure from or render services to their related parties.

Transactions with related parties

The following table sets forth Transnet's transactions with public enterprises, Government entities and associates of Transnet for Financial Years 2022, 2021 and 2020. For additional information, see footnote 33 to the Consolidated Annual Financial Statements incorporated by reference in this Base Listing Particulars.

	As at or for the year ended 31 March		
	2022	**2021**	**2020**
		(R million)	
Services rendered			
Major public enterprises	639	727	452
Other public enterprises	1,097	1,369	1,575
Government business enterprises	817	87	520
Associates	2	23	29
Subsidiaries	22	22	28
	2,577	**2,228**	**2,604**
Services received			
Major public enterprises	3,618	3,288	3,446
Other public enterprises	1,001	835	651
Government business enterprises	3,953	291	350
	8,572	4,414	4,447
Amount due (to)/from			
Major public enterprises	(6,402)	(3,502)	(1,511)
Other public enterprises	(415)	138	257
Government business enterprises	(1,466)	(998)	(1,527)
Associates	-	1	16
	(8,283)	**(4,361)**	**(2,765)**

During the Financial Year 2022, the Group raised R226 million, a decrease from the R416 million raised in Financial Year 2021 in relation to provisions and write-offs of bad debts on related parties and at year-end the Group had a provision of R1,241 million (2021: R1,278 million) against debtors pertaining to related parties.

The AGSA is Transnet's independent external auditor, and has been involved in the external audit process since Financial Year 2019. The AGSA is a government entity in the national sphere, but has not been disclosed as a related party as they are independent in terms of the constitution. In Financial Year 2017, Transnet entered into interest rate swaps with the Transnet Second Defined Benefit Fund. Transnet's significant related parties include Eskom and Prasa.

Employee Loans

In Financial Years 2022, 2021 and 2020 none of the members of the Board of Directors or the senior managers has or had loans from the Group. Further, none of the members of the Board of Directors or the senior managers had significant influence in any entity with which the Group had significant transactions during Financial Year 2022, 2021 and 2020.

Other

Transnet also provides guarantees for certain debt of affiliates. As of 31 March 2022, Transnet had provided guarantees of liabilities of affiliates to third parties in the amount of R152 million (2021: R236 million). The decrease in guarantees relates mainly to the expiry of a guarantee of R66 million and the reduction in value of a performance guarantee due to attaining certain performance milestones.

EXCHANGE CONTROLS

The information below is not intended as legal advice and it does not purport to describe all the considerations that may be relevant to a prospective investor in the Notes. Prospective investors in the Notes who are non-South African residents or emigrants from the Common Monetary Area (as defined below) are urged to seek further professional advice with regard to the purchase of Notes.

General

The Exchange Control Regulations provide for exchange controls which, among other things, restrict the export of capital from the Republics of South Africa and Namibia and the Kingdoms of Eswatini and Lesotho (collectively the "**Common Monetary Area**"). These exchange controls are administered by the Exchange Control Authorities and regulate transactions involving South African residents.

These exchange controls are administered by the Minister of Finance or an officer in the National Treasury. The Minister of Finance has in terms of the Exchange Control Regulations delegated to the Exchange Control Authorities the powers, functions and duties assigned to and imposed on the National Treasury under the Exchange Control Regulations. The Exchange Control Authorities are therefore responsible for the day to day administration of exchange controls in South Africa. The purpose of exchange controls is to prevent the loss of foreign currency resources through the transfer abroad of real or financial capital assets held in South Africa, effectively control the movement of financial and real assets into and out of South Africa, and avoid interfering with the efficient operation of the commercial, industrial and financial system.

It is expected that South African exchange controls will continue to operate for the foreseeable future. The Government has, however, committed to relaxing exchange controls gradually and significant relaxation has occurred in recent years. It is the stated objective of the South African authorities to achieve equality of treatment between South African residents and non-South African residents in relation to inflows and outflows of capital. This gradual approach towards the abolition of exchange controls adopted by the Government is designed to allow the economy to adjust more smoothly to the removal of controls that have been in place for a considerable period of time.

In terms of the Exchange Control Regulations, no South African residents or offshore subsidiary of a South African resident may subscribe for or purchase any of the Notes or beneficially own or hold any of the Notes unless specific approval has been obtained from the Exchange Control Authorities or such subscription, purchase or beneficial holding or ownership is otherwise permitted under the South African exchange control regulations or the rulings promulgated thereunder (including, without limitation, the rulings issued by the Exchange Control Authorities providing for foreign investment allowances applicable to persons who are residents of South Africa under the applicable exchange control laws of South Africa).

For the purposes of the Exchange Control Regulations, a South African resident is any person (including a legal entity) who (or which) has taken up permanent residence, is domiciled or is registered in the Republic of South Africa. A non-resident is any person (including a legal entity) who (or which) is not a South African resident. If a non-resident entity maintains a branch in the Republic of South Africa, then such branch will be deemed to be a separate legal entity, and will be considered to be South African resident for the purposes of the Exchange Control Regulations.

The application of the Exchange Control Regulations is set out in the Currency and Exchanges Manual for Authorised Dealers, as read with the Exchange Control Circulars and the Exchange Control Directives, each published by the SARB.

Applications for approval under the Exchange Control Regulations are effected through "authorised dealers" which are approved by the SARB as authorised dealers in foreign currency and which assist the Exchange Control Authorities with the monitoring and enforcement of the Exchange Control Regulations (the "**Authorised Dealers**"). Authorised Dealers include the major South African banks and certain local branches of foreign banks.

Notes may only be issued in bearer form in accordance with the requirements of South African law which includes the prior approval of the South African Minister of Finance, or any person authorised by the Minister of Finance in accordance with Regulation (15(6)(a)) of the South African Exchange Control Regulations.

Exchange Control Approvals

An approval under the Exchange Control Regulations may take the form of (i) a "specific" approval granted pursuant to a specific individually-motivated application to the Exchange Control Authorities for exchange control approval or (ii) a "general pre-approval" which may take the form of an Exchange Control Circular or Directive and which, subject to the terms of the approval, applies generically to certain classes of transactions or all transactions of a particular kind. Exchange Control Circulars and Directives are issued only to Authorised Dealers and are not generally made public.

The approval contemplated in a “general pre-approval” can be granted by Authorised Dealers, subject to compliance by the applicant with the applicable conditions specified in the relevant Exchange Control Circular or Directive.

The onus for obtaining all exchange control approvals (or for ensuring that the relevant transaction is covered by a “general pre-approval”) lies with the relevant South African resident.

Transnet

The prior written approval of the Exchange Control Authorities is required for the issuance of Notes under the Programme.

On 22 June 2022, the Exchange Control Authorities granted approval for the issuance of Notes under the Programme with an aggregate principal amount of up to USD1.5 billion (“**Exchange Control Approval**”). The Exchange Control Approval is valid for a period of 12 months. Insofar as the Issuer seeks to issue Notes under the Programme in excess of the amount covered by the Exchange Control Approval or beyond the approval period, the Issuer would seek a further approval from the Exchange Control Authorities at the relevant time. Such approval will be obtained in advance of any issuance in excess of the current approval obtained, and where the Issuer seeks to extend such approval beyond the period granted this will be obtained in advance of any expiry thereof.

The Exchange Control Approval is subject to certain conditions, for example, with regard to listing, issue size, coupon, fees, costs and reporting.

In addition, the Exchange Control Approval is granted on the basis that, South African private individuals may only subscribe for Notes utilising their foreign investment allowances. Qualifying South African institutional investors who utilise their pre-approved prudential offshore allowances are exempted and may subscribe for Notes.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, save for the text in italics and subject to completion in accordance with the provisions of Part A of the relevant Pricing Supplement, will be incorporated by reference into each Global Note or Global Certificate and shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or Global Certificate(s) representing each Series. These terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All terms that are not defined in these terms and conditions will have the meanings given to them in Part A of the relevant Pricing Supplement. References in these terms and conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued pursuant to an Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated on or around 25 January 2023 between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent and exchange agent, The Bank of New York Mellon SA/NV, Luxembourg Branch as paying agent and transfer agent and The Bank of New York Mellon, New York Branch as registrar, paying agent and transfer agent and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") dated on or around 25 January 2023 executed by the Issuer in relation to the Notes. The fiscal agent, the exchange agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Exchange Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrar**", the "**Transfer Agents**" and the "Calculation Agent(s)", and which expressions include any successor fiscal agent, registrar, paying agent, transfer agent and calculation agent or additional agent appointed from time to time in connection with the Notes and, together, the "**Agent(s)**". References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Paying Agents, the Transfer Agents and any references to an "**Agent**" is to any one of them.

The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are bound by, and deemed to have notice of, all of the provisions of the Agency Agreement and the Deed of Covenant applicable to them.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or, as the case may be, the person in whose name a Registered Note is registered in the register, as defined below (or, in the case of a joint holding, the first named thereof). Capitalised terms used but not otherwise defined herein shall have the meanings given to them in the relevant Pricing Supplement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects (including as to listing) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Agency Agreement and the Deed of Covenant (i) are available for inspection or collection during normal business hours at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents, the initial specified offices of which are set out in the Agency Agreement or (ii) may be provided by email to a Noteholder following their prior written request to any Paying Agent and provision of proof of holding and identity (in a form satisfactory to the relevant Payment Agent). If the Notes are to be admitted to trading on the London Stock Exchange's International Securities Market, the applicable Pricing Supplement will be published on the website of the London Stock Exchange through a regulatory information service or published in any other manner permitted by the International Securities Market Rulebook effective as of 1 January 2021 (as may be modified and/or supplemented and/or restated from time to time).

The final terms of the Notes are set out in Part A of the relevant pricing supplement document (the "**Pricing Supplement**"). References to the "relevant Pricing Supplement" are to Part A of the Pricing Supplement (or the relevant provisions thereof) relating to the Notes.

1. Form, Denomination and Title

The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") as specified in the relevant Pricing Supplement in each case in the Specified Denomination(s) stated in the relevant Pricing Supplement provided that the minimum Specified Denomination of Rule 144A Notes shall be U.S.$200,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis specified in the relevant Pricing Supplement.

If this Note is a Registered Note, it may be an Amortising Note, depending on the Redemption/Payment Basis specified in the relevant Pricing Supplement.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates (each a "**Certificate**") and, save as provided in Condition 2 (*Transfers of Registered Notes*), each Certificate shall represent the entire holding of Registered Notes by the same holder. Each Certificate will be numbered serially with an identifying number which will be recorded in the register which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**").

Title to the Bearer Notes, the Coupons and the Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the Register maintained by the Registrar in accordance with the provisions of the Agency Agreement. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate), other than the endorsed form of transfer, in the case of Registered Notes, and no person shall be liable for so treating the holder.

2. Transfers of Registered Notes

(a) **Transfer of Registered Notes:** Subject to Conditions 2(e) (*Regulations Concerning Transfers and Registration*) and 2(f) (*Closed Periods*), Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the relevant Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a holder are being transferred) the principal amount of the balance of Registered Notes not transferred is a Specified Denomination. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(b) **Exercise of Options or Partial Redemption in respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a redemption of, some only of a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(c) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(a) (*Transfer of Registered Notes*) or (b) (*Exercise of Options or Partial Redemption in respect of Registered Notes*) shall be available for delivery within five business days of (i)(A) receipt of the request for exchange, form of transfer or Exercise Notice (as defined in the Agency Agreement) or (B) the relevant Amortisation Date, as applicable, and (ii) surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2 (*Transfers of Registered Notes*), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business (including dealings in foreign currencies) in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) **Exchange and Transfer Free of Charge:** The exchange and transfer of Registered Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) **Regulations Concerning Transfers and Registration:** All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or (if applicable) for payment of the final Amortisation Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d) (*Redemption at the Option of the Issuer*), (iii) after any such Note has been called for redemption by the Issuer pursuant to Condition 6(d) (*Redemption at the Option of the Issuer*) or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(b) (*Registered Notes*)).

3. **Status**

The Notes and the Coupons relating to them constitute direct, unconditional and (subject to Condition 4(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application and subject to Condition 4(a) (*Negative Pledge*), at all times rank at least pari passu with all other unsecured and unsubordinated indebtedness and other monetary obligations of the Issuer, present and future.

4. **Covenants**

(a) **Negative Pledge:** So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement), the Issuer shall not, and shall ensure that none of its Material Subsidiaries shall, create, or permit to create, any Encumbrance, other than a Permitted Encumbrance, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (save for that which has been accorded preferential rights by law[22]), or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto securing the Notes and the Coupons equally and rateably with any such Relevant Indebtedness, guarantee or indemnity or providing such other security for the Notes and the Coupons as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders, unless the provision of any such security is waived by an Extraordinary Resolution of the Noteholders.

In these Conditions:

"**Encumbrance**" means any mortgage, pledge, hypothecation, assignment, deposit by way of security or any other agreement or arrangement (whether conditional or not and whether relating to existing or to future assets), having the effect of providing a security interest to a creditor or any agreement or arrangement to give any form of security to a creditor but excluding statutory preferences and any security interest arising by operation of law.

"**Group**" means the Issuer and its Subsidiaries.

"**Indebtedness**" means any indebtedness in respect of monies borrowed and (without double counting) guarantees (other than those given in the ordinary course of business) given, whether present or future, actual or contingent, excluding any intra-Group indebtedness.

"**Material Subsidiary**" means any Subsidiary of the Issuer which represents more than 15 per cent. of the total consolidated assets of the Issuer as reflected in the Issuer's most recent consolidated audited financial statements, or accounts for more than 15 per cent. of the Issuer's total consolidated attributable income before tax, as reflected in the Issuer's most recent consolidated audited financial statements.

"**Permitted Encumbrance**" means:

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[22] As at the date of this Base Listing Particulars, no Relevant Indebtedness of the Issuer has been accorded preferential rights by law, by way of an Encumbrance.

(a) any Encumbrance existing as at the Issue Date of the first Tranche of the Notes[23]; or

(b) any Encumbrance with respect to the receivables of the relevant entity which is created pursuant to any securitisation or like arrangement in accordance with normal market practice and whereby the Indebtedness is limited to the value of such receivables; or

(c) any Encumbrance with respect to inter-company Indebtedness incurred between the Issuer and its Subsidiaries; or

(d) any Encumbrance created over any asset owned, acquired, developed or constructed by the relevant entity, being an Encumbrance created for the sole purpose of financing or refinancing that asset owned, acquired, developed or constructed, provided that the Indebtedness so secured shall not exceed the bona fide market value of such asset or the cost of that acquisition, development or construction (including all interest and other finance charges, adjustments due to changes in circumstances and other charges reasonably incidental to such cost, whether contingent or otherwise) and where such market value of costs both apply, the higher of the two; or

(e) any Encumbrance over deposit accounts securing the loan to the relevant entity of funds equal to the amounts standing to the credit of such deposit accounts; or

(f) any Encumbrance created in the ordinary course of the relevant entity's business over stock-in-trade, inventory, accounts receivable or deposit accounts including any cash management system; or

(g) any Encumbrance subsisting over any asset of any Subsidiary of the Issuer prior to the date of such entity becoming a Subsidiary of the Issuer and not created in contemplation of such entity becoming a Subsidiary of the Issuer and any substitute Encumbrance created over that asset (but in any such case the amount of the Indebtedness secured by such Encumbrance, may not be increased).

"**Relevant Indebtedness**" means any Indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the counter or other securities market.

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

(b) **Change of Principal Business:** So long as any of the Notes remains outstanding, the Issuer will not cease to carry on any of the principal businesses carried on by it at the Issue Date of the first Tranche of the Notes (being the business divisions of the Issuer comprising Transnet Freight Rail, Transnet Engineering, Transnet National Ports Authority, Transnet Port Terminals and Transnet Pipelines), nor will it enter into any agreement to do so (a "**Business Change**"), save for any Business Change arising as a result of Government Intervention and in the case of such Government Intervention, only where such Business Change (i) will not lead to a Negative Rating Event, or (ii) is otherwise approved by an Extraordinary Resolution of the Noteholders.

In these Conditions:

"**Government Intervention**" means any administrative, executive or legislative act, whether of a commercial, legal or political nature, of the Government of the Republic of South Africa or any administrative authority, department, political subdivision or taxing authority thereof or therein.

"**Investment Grade Rating**" means BBB- or better by Standard & Poor's or Baa3 or better by Moody's.

"**Negative Rating Event**" means (i) 90 days after the date of the Business Change or, as the case may be, the Change of Control, the Issuer does not have an Investment Grade Rating on a global rating scale from each of the

[23] As at the date of this Base Listing Particulars, there are no outstanding Permitted Encumbrances of the nature described in this clause (a).

Rating Agencies, or (ii) within 90 days of the date of the Business Change or, as the case may be, the Change of Control, any of the Rating Agencies has placed the Issuer under consideration for rating review, and such Rating Agency actually downgrades the rating of the Issuer to below an Investment Grade Rating on a global rating scale within the later of (a) 90 days after the date of the Business Change or, as the case may be, the Change of Control and, (b) 60 days from the public announcement of such rating review.

"**Rating Agency**" means each of Standard & Poor's Credit Market Services Europe Limited and its successors ("**Standard & Poor's**") and Moody's Investors Service Ltd and its successors ("**Moody's**") or any other rating agency of equivalent international standing specified from time to time by the Issuer.

5. **Interest and Other Calculations**

(a) **Interest on Fixed Rate Notes:** Each Note paying a fixed rate of interest (a "**Fixed Rate Note**") bears interest on its outstanding principal amount from the Interest Commencement Date at the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f) (*Calculations*).

(b) **Interest on Floating Rate Notes**:

(i) *Interest Payment Dates*: Each Note paying a floating rate of interest (a "**Floating Rate Note**") bears interest on its outstanding principal amount from the Interest Commencement Date at the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f) (*Calculations*).

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as the sum of the Margin and the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as a Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating (i) if "2006 ISDA Definitions" is specified in the applicable Pricing Supplement, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**") and as amended and updated as at the Issue Date of the first Tranche of the Notes; or (ii) if "2021 ISDA Definitions" is specified in the applicable Pricing Supplement, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions as published by ISDA as at the Issue Date of the first Tranche of the Notes (together, the "**ISDA Definitions**"), and under which:

(a) the Floating Rate Option is as specified in the relevant Pricing Supplement;

(b) the Designated Maturity, if applicable, is a period specified in the relevant Pricing Supplement;

(c) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Pricing Supplement; and

(d) if the Floating Rate Option is an Overnight Floating Rate Option, the Overnight Rate Compounding Method is one of the following as specified in the applicable Pricing Supplement:

(i) Compounding with Lookback;

(ii) Compounding with Observation Period Shift; or

(iii) Compounding with Lockout; and

(e) if the Floating Rate Option is a Compounded Index Floating Rate Option, the Index Method is Compounded Index Method with Observation Period Shift as specified in the applicable Pricing Supplement.

In connection with the Overnight Rate Compounding Method, references in the ISDA Definitions to numbers or other items specified in the relevant confirmation shall be deemed to be references to the numbers or other items specified for such purpose in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**", "**Overnight Floating Rate Option", "Overnight Rate Compounding Method**", "**Compounding with Lookback, Compounding with Observation Period Shift**", "**Compounding with Lockout", "Averaging with Lookback**", "**Averaging with Observation Period Shift**", "**Averaging with Lockout**", "**Compounded Index Floating Rate Option**", "**Index Method**" and "**Compounded Index Method with Observation Period Shift**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(a) Where Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations.

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (Brussels time) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(b) If the Relevant Screen Page is not available or if sub-paragraph (a)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (a)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Issuer shall request the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

(c) If paragraph (b) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Euro-zone inter-bank market, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) **Zero Coupon Notes:** If a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and the relevant redemption amount is not paid when due, or improperly withheld or refused, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 6(b)(i) (*Zero Coupon Notes*)).

(d) **Accrual of Interest:** Interest shall cease to accrue on each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) from the due date for redemption unless, upon due presentation, payment of the relevant redemption amount is improperly withheld or refused, in which event it shall continue to bear interest in accordance with Condition 5 (*Interest and Other Calculations*) (after as well as before judgment) at the Rate of Interest in the manner provided in this Condition 5 (*Interest and Other Calculations*) to the Relevant Date (as defined in Condition 8 (*Taxation*)).

(e) Margin, Maximum/Minimum Rates of Interest and Rounding:

(i) If any Margin is specified in the relevant Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) (*Interest on Floating Rate Notes*) by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country or countries, as the case may be, of such currency.

(f) **Calculations**: The amount of interest payable in respect of each Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the relevant Pricing Supplement, and the Day Count Fraction for such Interest Accrual Period, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note (as adjusted, in the case of Amortising Notes, to reflect any partial redemption of such Note pursuant to Condition 6(a)(ii) (*Amortising Notes*) if applicable) divided by the Calculation Amount, (for this purposes, a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.), provided that where an Interest Amount is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(g) **Determination and Publication of Rates of Interest, Interest Amounts, Early Redemption Amounts and Optional Redemption Amounts**: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any other determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Early Redemption Amount or the Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Early Redemption Amount or Optional Redemption Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other competent authority so require, such exchange or other competent authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange or other competent authority of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii) (*Business Day Convention*), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10 (*Events of Default*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) **Definitions**: In these Conditions:

"**Alternative Currency**" means such currency or currencies specified as such in the relevant Pricing Supplement.

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET2 system is open (a "**TARGET2 Business Day**"); and/or

(iii) in the case of a currency and/or one or more Business Centres (other than the TARGET2 System) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) (other than the TARGET2 System) or, if no currency is indicated, generally in each of the Business Centres (other than the TARGET2 System); and/or

(iv) if TARGET2 System is specified as a Business Centre in the Pricing Supplement, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET System**") is open;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/365**" or "Actual/Actual-ISDA" is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/360**" is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 360;

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] - (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30.

(v) if "30E/360" or "Eurobond Basis" is specified in the relevant Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] - (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30.

(vi) if "**30E/360 (ISDA)**" is specified in the relevant Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] - (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_2 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30; and

(vii) if "**Actual/Actual-ICMA**" is specified in the relevant Pricing Supplement,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Broken Amount**" means the amount, if any, specified in the relevant Pricing Supplement;

"**Calculation Amount**" means the amount, if any, specified in the relevant Pricing Supplement.

"**Designated Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

"**Determination Date**" means the date specified as such in the relevant Pricing Supplement or, if none is so specified, the Interest Payment Date.

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Euro-zone**" means the region comprising member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Fixed Coupon Amount**" means the amount, if any, specified in the relevant Pricing Supplement.

"**Fixed Interest Payment Date**" means the date, if any, specified in the relevant Pricing Supplement.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the relevant Pricing Supplement, shall mean the Fixed Coupon Amount or Broken Amount specified in the relevant Pricing Supplement as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the relevant Pricing Supplement.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Pricing Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET2 Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement as the same may be adjusted in accordance with the relevant Business Day Convention.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the First Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the relevant Pricing Supplement.

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent.

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of this Note and that is either specified hereon or calculated or determined in accordance with the provisions in the relevant Pricing Supplement.

"**Reference Banks**" means the principal Euro-zone office of four major banks in the Euro-zone inter-bank market as selected by the Issuer.

"**Reference Rate**" means EURIBOR.

"**Relevant Financial Centre**" has the meaning specified in the relevant Pricing Supplement.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

"**Relevant Time**" has the meaning specified in the relevant Pricing Supplement.

"**Specified Currency**" in relation to any series of Notes means the currency specified as such in the relevant Pricing Supplement or, if none is specified, the currency in which the Notes are denominated.

(i) **Calculation Agent**: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency **Agreement**). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(j) **Linear Interpolation**: Where Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Fiscal Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate **Determination** is specified as applicable in the relevant Pricing Supplement) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the relevant Pricing Supplement), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Fiscal Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

(k) **Benchmark Discontinuation**

(i) Independent Adviser and Issuer

If a Benchmark Event occurs in relation to an Original Reference Rate at any time when these Conditions provide for any remaining Rate of Interest (or any component part thereof) to be determined by reference to such Original Reference Rate, then:

(A) the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(k)(ii) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread (in accordance with Condition 5(k)(iii) (*Adjustment Spread*)), and any Benchmark Amendments (in accordance with Condition 5(k)(iv) (*Benchmark Amendments*)), by no later than five Business Days prior to the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or any component part thereof) is to be determined by reference to the Original Reference Rate (the "**IA Determination Cut-off Date**"); and

(B) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate, failing which an Alternative Rate, and/or (in either case) the applicable Adjustment Spread, prior to the relevant IA Determination Cut-off Date in accordance with Condition 5(k)(i)(A) (*Independent Adviser and Issuer*), then the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(k)(ii) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread (in accordance with Condition 5(k)(iii) (*Adjustment Spread*)), and any Benchmark Amendments (in accordance with Condition 5(k)(iv) (*Benchmark Amendments*)), by no later than the Interest Determination Date relating to the next

Interest Period for which the Rate of Interest (or any component part thereof) is to be determined by reference to the Original Reference Rate.

(ii) Successor Rate or Alternative Rate

If the Independent Adviser or the Issuer, as applicable (in accordance with Condition 5(k)(i) (*Independent Adviser and Issuer*)), determines that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5(k)(iii) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5(k) (*Benchmark Discontinuation*)); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5(k)(iii) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5(k) (*Benchmark Discontinuation*)).

(iii) Adjustment Spread

If any Successor Rate or Alternative Rate is determined in accordance with Condition 5(k)(i) (*Independent Adviser and Issuer*), the Independent Adviser or the Issuer, as applicable (in accordance with Condition 5(k)(i) (*Independent Adviser and Issuer*)), shall determine an Adjustment Spread (which may be expressed as a specified quantum or a formula or methodology for determining the applicable Adjustment Spread (and, for the avoidance of doubt, an Adjustment Spread may be positive, negative or zero)), which Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a relevant component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(iv) Benchmark Amendments

If any Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread is determined in accordance with this Condition 5(k) (*Benchmark Discontinuation*) and the Independent Adviser or the Issuer, as applicable, acting in good faith and a commercially reasonable manner determines (A) that amendments to these Conditions are necessary to follow market practice or to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(k)(v) (*Notices*), without any requirement for the consent or approval of Noteholders or Couponholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

(v) Notices

The Issuer will promptly notify the Fiscal Agent, any Calculation Agent and, in accordance with Condition 14 (*Notices*), the Noteholders and Couponholders promptly of any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(k) (*Benchmark Discontinuation*). Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

The Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread and the Benchmark Amendments (if any) will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the applicable Adjustment Spread and the Benchmark Amendments (if any)) be binding on the Issuer, the Fiscal Agent, any Calculation Agent, the Noteholders and the Couponholders as of their effective date.

(vi) Fallbacks

Without prejudice to the obligations of the Issuer under the provisions of this Condition 5(k) (*Benchmark Discontinuation*), the Original Reference Rate and the fallback provisions provided for in Condition 5(b) (*Interest on Floating Rate Notes*) will continue to apply unless and until a Benchmark Event has occurred.

If, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest (or any component part thereof) on the relevant Interest Determination Date, no Successor Rate or Alternative Rate (as applicable) or (in either case) applicable Adjustment Spread is determined and notified to the Fiscal Agent and any Calculation Agent, in each case in accordance with this Condition 5(k) (*Benchmark Discontinuation*), by such Interest Determination Date, the Original Reference Rate will continue to apply for the purposes of determining such Rate of Interest (or any component part thereof) on such Interest Determination Date, with the effect that the fallback provisions provided for in Condition 5(b) (*Interest on Floating Rate Notes*) will (if applicable) continue to apply to such determination.

For the avoidance of doubt, this Condition 5(k) (*Benchmark Discontinuation*) shall apply to the determination of the Rate of Interest (or any component part thereof) on the relevant Interest Determination Date only, and the Rate of Interest (or any component part thereof) applicable to any subsequent Interest Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(k) (*Benchmark Discontinuation*).

(vii) Definitions

In these Terms and Conditions:

"**Adjustment Spread**" means either (x) a spread (which may be positive, negative or zero), or (y) a formula or methodology for calculating a spread, which in either case is to be applied to the Successor Rate or the Alternative Rate (as the case may be) in accordance with Condition 5(k)(iii) (*Adjustment Spread*), and is the spread, formula or methodology which:

(A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) in the case of an Alternative Rate or (where (A) above does not apply) in the case of a Successor Rate, the Independent Adviser or the Issuer, as applicable, determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(C) (if the Independent Adviser or the Issuer, as applicable, determines that neither (A) nor (B) above applies) the Independent Adviser or the Issuer, as applicable, determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be);

"**Alternative Rate**" means an alternative to the Original Reference Rate which the Independent Adviser or the Issuer, as applicable, determines in accordance with Condition 5(k)(ii) (*Successor Rate or Alternative Rate*) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) for debt securities with a commensurate interest period and in the same Specified Currency as the Notes, or if the Independent Adviser or the Issuer, as applicable, determines that there is no such rate, such other rate as the Independent Adviser or the Issuer, as applicable, determines in its sole discretion is most comparable to the Original Reference Rate;

"**Benchmark Amendments**" has the meaning given to it in Condition 5(k)(iv) (*Benchmark Amendments*);

"**Benchmark Event**" means, with respect to an Original Reference Rate:

(A) the Original Reference Rate ceasing to exist or be published or administered; or

(B) the later of (1) the making of a public statement by the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (2) the date falling six months prior to the specified date referred to in (B)(1); or

(C) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued; or

(D) the later of (1) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (2) the date falling six months prior to the specified date referred to in (D)(1); or

(E) the later of (1) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (2) the date falling six months prior to the specified date referred to in (E)(1); or

(F) it has or will prior to the next Interest Determination Date become unlawful for the Issuer, the Fiscal Agent, any Calculation Agent or any other party specified in the applicable Pricing Supplement as being responsible for calculating the Rate of Interest (or any component part thereof) or any Paying Agent to calculate any payments due to be made to any Noteholder or Couponholder using the Original Reference Rate; or

(G) the making of a public statement by the supervisor of the administrator of such Original Reference Rate announcing that such Original Reference Rate is no longer representative or may no longer be used;

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise in the international debt capital markets appointed by the Issuer, at its own expense, under Condition 5(k)(i) (*Independent Adviser and Issuer*);

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the relevant Rate of Interest (or any component part thereof) in respect of any Interest Period(s) (provided that if, following one or more Benchmark Event(s), such originally-specified benchmark or screen rate (or any Successor Rate or Alternative Rate which has replaced it) has been replaced by a (or a further) Successor Rate or Alternative Rate and a Benchmark Event subsequently occurs in respect of such Successor Rate or Alternative Rate, the term "**Original Reference Rate**" shall include any such Successor Rate or Alternative Rate);

"**Relevant Nominating Body**" means, in respect of an Original Reference Rate:

(A) the central bank for the currency to which the Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate; or

(B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (1) the central bank for the currency to which the Original Reference Rate relates, (2) any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate, (3) a group of the aforementioned central banks or other supervisory authorities or (4) the Financial Stability Board or any part thereof; and

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

6. Redemption, Purchase and Options

(a) Final Redemption and Amortising Notes:

(i) *Final Redemption*: Unless previously redeemed, or purchased and cancelled, each Note will be finally redeemed on the Maturity Date specified in the relevant Pricing Supplement at its Final Redemption Amount, or, in the case of an Amortising Note, at its final Amortisation Amount.

(ii) *Amortising Notes*: Unless previously redeemed, or purchased and cancelled, each Registered Note specified in the relevant Pricing Supplement as being an Amortising Note shall be partially redeemed on each Amortisation Date at the related Amortisation Amount specified in the relevant Pricing Supplement. The outstanding principal amount of each such Amortising Note shall be reduced by the relevant

Amortisation Amount for all purposes (including, without limitation, calculations of interest pursuant to Condition 5(f) (*Calculations*) and the Early Redemption Amount described in Condition 6(b)(ii) (*Other Notes*)) with effect from the related Amortisation Date, unless payment of the relevant Amortisation Amount is improperly withheld or refused, in which case such amount shall remain outstanding until the Relevant Date relating to such Amortisation Amount.

(b) **Early Redemption**:

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 10 (*Events of Default*) shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the relevant Pricing Supplement.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the relevant Pricing Supplement, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 10 (*Events of Default*) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(d) (*Accrual of Interest*).

Where such calculation is to be a made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the relevant Pricing Supplement.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 10 (*Events of Default*), shall be (A) in the case of Notes other than Amortising Notes, the Final Redemption Amount of such Note, (B) in the case of Amortising Notes, the outstanding principal amount of such Note, or (C) such amount as is otherwise specified in the relevant Pricing Supplement.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is a Fixed Rate Note or a Zero Coupon Note), on giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b)(ii) (*Other Notes*)) (together with interest accrued to the date fixed for redemption), if:

(i) the Issuer has or will become obliged to pay additional amounts as described under Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of South Africa or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the date on which agreement is reached to issue of the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that:

(A) where the Notes may be redeemed at any time, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due, or

(B) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified in the relevant Pricing Supplement, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the relevant Pricing Supplement) redeem all or, if so provided, part of the Notes on any Optional Redemption Date (Call). Any such redemption of Notes shall be at their Optional Redemption Amount (Call) together with interest accrued (if any) to such date.

If redeemable in part, any such redemption must be of a minimal amount of not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, as specified in the relevant Pricing Supplement.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or, in the case of Registered Notes, shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes to be redeemed, which shall have been drawn in such place and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders**:

(i) *Put Option*: If Put Option is specified in the relevant Pricing Supplement, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the relevant Pricing Supplement), redeem such Note on the Optional Redemption Date(s) (Put) specified in the relevant Exercise Notice at its Optional Redemption Amount together (if applicable) with interest accrued (if any) to the date fixed for redemption.

(ii) *Change of Control*: If a Change of Control Event occurs, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving notice to the Issuer at any time during the Redemption Period, redeem such Note on the Redemption Date at the Change of Control Redemption Amount together (if applicable) with interest accrued to the date fixed for redemption.

Immediately upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 14 (*Notices*) specifying the nature of the Change of Control Event.

For the purpose of these terms and conditions:

A "**Change of Control**" will occur if at any time the Government of the Republic of South Africa ceases to own, directly or indirectly, more than 50 per cent. of the issued share capital of the Issuer or ceases to control, directly or indirectly, the Issuer. For the purpose of this Condition, the Government of the Republic of South Africa will be deemed to "**control**" the Issuer if (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) it has the power to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of the Issuer or otherwise controls, or has the power to control, the affairs and policies of the Issuer.

A "**Change of Control Event**" will occur if at any time a Change of Control occurs, save for any such Change of Control as does not lead to a Negative Rating Event or as is otherwise approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

"**Exercise Notice**" means a notice in the form obtainable from the Paying Agents which must be delivered to a Paying Agent by any Noteholder wanting to exercise its option in accordance with Condition 6(e)(i) (*Put Option*) or Condition 6(e)(ii)) (*Change of Control*).

"**Redemption Date**" means, in respect of any Redemption Period, the date which falls 14 days after the date on which the relevant holder exercises its option in accordance with Condition 6(e)(iii) (*Exercise Notice*).

"**Redemption Period**" means, in relation to any Change of Control Event, the period from and including the date on which a Change of Control Event occurs (whether or not the Issuer has given the notice referred to in the second paragraph of this Condition 6(e)(ii) (*Change of Control*) in respect of such event) to and including the date falling 60 days after the date on which any such notice is given, provided that if no such notice is given, the Redemption Period shall not terminate.

(iii) *Exercise Notice*: In order to exercise the option contained in Condition 6(e)(i) (*Put Option*) or 6(e)(ii)(*Change of Control*), the holder must, not less than 15 nor more than 30 days before the relevant Optional Redemption Date (Put) (in the case of exercise of the option contained in Condition 6(e)(i) (*Put Option*)) or during the Redemption Period (in the case of exercise of the option contained in Condition 6(e)(ii) (*Change of Control*)) deposit (in the case of a Bearer Note) such Note (together with all Coupons and unexchanged Talons) with any Paying Agent or (in the case of a Registered Note) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option Exercise Notice in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the relevant period. No Note, Coupon or Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Purchases:** The Issuer and any Subsidiary may at any time purchase Notes (provided that all Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Notes so purchased, while held by or on behalf of the Issuer or any Subsidiary, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating the quorum at any meeting of Noteholders or for the purposes of Conditions 10 (*Events of Default*) and 11(a) (*Meetings of Noteholders*).

(g) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any Subsidiary may be surrendered for cancellation, in the case of a Bearer Note by surrendering such Note together with all Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of a Registered Note, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. Payments and Talons

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank. For the purpose of this Condition 7 (*Payments and Talons*), "**bank**" means a bank in the Principal Financial Centre for such currency.

(b) **Registered Notes**:

(i) *Principal*: Payments of principal (which, for the purposes of this Condition 7(b)(i) (*Registered Notes*) in respect of Amortising Notes, shall include the final Amortisation Amount but not other Amortisation Amounts) in respect of Registered Notes shall be made against presentation and surrender or, in the case of part payment of any sum due, endorsement, of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) *Interest*: Interest (which, for the purposes of this Condition 7(b)(ii) (*Interest*) in respect of Amortising Notes, shall include all Amortisation Amounts other than the final Amortisation Amount) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. Dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Currency Election**

If agreed between the Issuer and the Exchange Agent and so specified in the relevant Pricing Supplement, any Noteholder may make an irrevocable election (a "**Currency Election**") by notice to the Exchange Agent, in the form specified in the Agency Agreement, to receive such payment in any Alternative Currency, such notice to be received by the Exchange Agent no later than the close of business in the location of its specified office on the 10th Business Day and no earlier than the 15th Business Day prior to the date on which the relevant payment of principal or interest under the Notes becomes due and payable.

A separate Currency Election must be made and notice delivered in respect of each payment for which a Noteholder requests payment in an Alternative Currency. Upon the making of any such Currency Election, the Exchange Agent shall, subject to Condition 7(f) (*Failure to Convert Currency*), convert such payment into such Alternative Currency and the Fiscal Agent shall make payment thereof on the relevant payment date in accordance with these Conditions and the provisions of Clause 4.7 of the Agency Agreement.

The Fiscal Agency Agreement provides that a Currency Election may only be made whilst the relevant Notes are represented by a Global Note and held by a Common Depositary on behalf of Euroclear Bank SA/NV and/or Clearstream Banking S.A. Accordingly Notes in respect of which a Currency Election applies will not be eligible for clearing through the Depository Trust Company and will clear only through Euroclear and Clearstream, Luxembourg.

(e) **Currency Conversion by the Exchange Agent**

(i) If a Currency Election has been made pursuant to Condition 7(d) (*Currency Election*), the Exchange Agent shall, on receipt of the funds from the Issuer, purchase the relevant Alternative Currency or Alternative Currencies with the related Specified Currency at a purchase price calculated on the basis of the rate (the "**Applicable Exchange Rate**") which the Exchange Agent uses for conversion of the Specified Currency into the relevant Alternative Currency for delivery on the date for payment in respect of the Notes and deduct any spread, charges, fees or commissions payable to it and thereafter pay the resulting net amount (the "**Conversion Amount**") for delivery on such date. In no event shall the Issuer or the Exchange Agent be liable to any party for the Applicable Exchange Rate so obtained or such amounts so deducted, but the Issuer shall be liable to each of the relevant Noteholders for payment to them of their *pro rata* share of the applicable Conversion Amount.

(ii) The Exchange Agent shall give notice in accordance with Condition 14 (*Notices*) to the Fiscal Agent, the Paying Agents, Transfer Agents, Registrar (as the case may be) and the Noteholders of the Conversion Amount and the Applicable Exchange Rate at which the Alternative Currency or Alternative Currencies were purchased.

(iii) The Issuer and the Exchange Agent shall have no obligation whatsoever to compensate or indemnify any Noteholder against any difference between their *pro rata* share of the Conversion Amount received and their *pro rata* share of the amount due and payable had the relevant payment been made in the Specified Currency.

(iv) The Exchange Agent may rely conclusively on its internal foreign exchange conversion rate (including for the avoidance of doubt, any third party indices forming the basis for such conversion rate) as the basis for determining the Applicable Exchange Rate and neither the Exchange Agent, nor any other Agent shall be liable to any Noteholder, the Issuer or any third party for any losses resulting from or associated with the use by the Exchange Agent of the Applicable Exchange Rate or associated with the determination of the Applicable Exchange Rate.

(f) **Failure to Convert Currency**

(i) If, for any reason, it is not possible for the Exchange Agent to purchase the relevant Alternative Currency or Alternative Currencies with the relevant Specified Currency, the Exchange Agent shall give notice to the Fiscal Agent, Paying Agents, Transfer Agents and/or Registrar (as the case may be) and the Noteholders through Euroclear/Clearstream, Luxembourg and the payment shall instead be made in the Specified Currency.

(ii) The Issuer and the Exchange Agent shall have no obligation whatsoever to compensate or indemnify any Noteholder in the event that it is not possible for the Exchange Agent to purchase the relevant Alternative Currency or Alternative Currencies, and accordingly, the inability of the Exchange Agent to purchase the Alternative Currency or Alternative Currencies will not constitute an Event of Default (as defined below) or otherwise breach these Conditions.

Under the terms of the Agency Agreement, the Fiscal Agent will need to have received cleared funds from the Issuer by no later than 10.00 a.m. (in the relevant jurisdiction) on the Business Day prior to the relevant date for payment in respect of Notes for which no Alternative Currency is specified in the relevant Pricing Supplement and the Exchange Agent will need to have received cleared funds from the Issuer by no later than 10.00 a.m. (in the relevant jurisdiction) on the third Business Day prior to the relevant date for payment in respect of Notes for which an Alternative Currency is specified in the relevant Pricing Supplement in order to make any payments to Noteholders on such date. If the Fiscal Agent or the Exchange Agent receives cleared funds from the Issuer after such time, the Fiscal Agent or the Exchange Agent (as the case may be) will use reasonable efforts to pay or convert funds as soon as practicable thereafter.

(g) **Payments subject to laws:** All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment and any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 thereof, any regulations or agreements otherwise thereunder, official interpretations thereof ("**FATCA**"), or any law implementing an intergovernmental approach to FATCA, but without prejudice to the provisions of Condition 8 (*Taxation*).

(h) **Appointment of Agents:** The Agents initially appointed by the Issuer and their respective specified offices are listed below. The Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of any of the Agents and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having its specified offices in London so long as the Notes are admitted to trading on the London Stock Exchange's International Securities Market and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. Dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(i) **Unmatured Coupons and unexchanged Talons**:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, they should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9 (*Prescription*)).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may reasonably require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(j) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9 (*Prescription*)).

(k) **Non-Business Days:** If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" in the relevant Pricing Supplement and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (whether TARGET2 System is specified as a Financial Centre) which the TARGET2 System is open; or

(iii) (in the case of a payment in euro) which the TARGET2 Business Day.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of South Africa or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Republic of South Africa other than the mere holding of the Note or Coupon; or

(b) presented or (if applicable) surrendered (or (if applicable) in respect of which the relevant Certificate is presented or (if applicable) surrendered) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting or, as the case may be, surrendering it for payment on such thirtieth day.

Notwithstanding any other provision of this Condition 8 (*Taxation*), none of the Issuer, the Fiscal Agent, and Paying Agent or any other person shall be required to pay any additional amounts in respect of any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code, otherwise required pursuant to FATCA or required pursuant to any law implementing an intergovernmental approach to FATCA.

If the Issuer becomes subject generally at any time to any taxing jurisdiction, authority or agency other than or in addition to the Republic of South Africa, references in this Condition 8 (*Taxation*) and in Condition 6(c) (*Redemption for Taxation Reasons*) to the Republic of South Africa shall be read and construed as references to the Republic of South Africa and/or to such other jurisdiction, authority or agency.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation or, as the case may be, surrender of the Note or Coupon (or (if applicable) the relevant Certificate) being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Amortisation Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 (*Redemption, Purchase and Options*) or any amendment or supplement to it, (ii) "**interest**" shall (except as provided in Condition 7(a) (*Bearer Notes*) be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 (*Interest and Other Calculations*) or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

9. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events ("**Events of Default**") occurs, the holder of any Note may by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, declare that such Note is immediately due and repayable, whereupon the Early Redemption Amount of such Note together with accrued interest to the date of redemption shall become immediately due and payable, unless such Event of Default shall have been remedied prior to the receipt of such notice by the Fiscal Agent:

(a) **Non-Payment:** default is made in the payment on the due date of principal in respect of any of the Notes, or default is made for more than five Business Days in the payment on the due date of interest in respect of any of the Notes; or

(b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 30 calendar days after written notice of such default addressed to the Issuer shall have been delivered to the Issuer or the Fiscal Agent at its specified office by any Noteholder; or

(c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any Material Subsidiary for or in respect of Material Indebtedness becomes due and payable (or becomes capable of becoming due and payable) prior to its stated maturity by reason of any event of default or the like (howsoever described), (ii) any such Material Indebtedness is not paid when due or, as the case may be, within any applicable grace period or (iii) the Issuer or any Material Subsidiary fails to pay when due or, as the case may be, within any applicable grace period any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, save in each case where the liability in respect of the relevant indebtedness, guarantee or indemnity is being contested by the Issuer or such Material Subsidiary, as the case may be, in good faith and by all appropriate means; or

(d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or a material part of the property, assets or revenues of the Issuer or any Material Subsidiary and is not discharged, withdrawn or stayed within 30 calendar days; or

(e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any Material Subsidiary in respect of all or a material part of the property, assets or revenues of the Issuer or such Material Subsidiary, as the case may be, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager, business rescue practitioner or other similar person); or

(f) **Insolvency:** the Issuer or any Material Subsidiary (i) is (or is deemed by a court to be) insolvent or bankrupt or unable to, or admits its inability to, pay its debts (or any class of its debts) as they fall due, (ii) stops, suspends or threatens to stop or suspend payment of its debts, (iii) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or (iv) a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Issuer, or any Material Subsidiary or (v) is or becomes "financially distressed" (as that term is defined in the Companies Act, 2008 of South Africa) (the "**Companies Act**"); or

(g) **Winding-up:** (i) the Issuer or any Material Subsidiary is placed in liquidation, dissolved or wound up, whether provisionally or finally or is placed in "business rescue" (as that term is defined in the Companies Act) proceedings, whether provisionally or finally, or any process similar thereto, (ii) an order is made or an effective resolution is passed for the winding-up, dissolution or liquidation of, or the commencement of "business rescue" (as that term is defined in the Companies Act) proceedings in relation to, the Issuer or any Material Subsidiary, (iii) save as permitted by Condition 4 (*Covenants*) the Issuer ceases or threatens to cease, or is required to cease, to carry on the whole or a substantial part of its business or operations or disposes of the whole or a substantial part of its business or operations or any Material Subsidiary ceases or threatens to cease, or is required to cease, to carry on the whole or substantially all of its business or operations or disposes of the whole or substantially all of its business or operations, in each case except (A) on terms approved by an Extraordinary Resolution of the Noteholders or (B) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in another Subsidiary of the Issuer or the Issuer or (iv) where, and to the extent that, the judicial management or liquidation of, or the commencement of business rescue proceedings in relation to, the Issuer or any Material Subsidiary requires the authorisation of an Act of Parliament enacted specifically for this purpose, such Act of Parliament authorising such liquidation or judicial management or commencement of business rescue proceedings is so enacted; or

(h) **Judicial Proceedings:** the Issuer or any Material Subsidiary (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable compromise with creditors, liquidation, winding-up, "business rescue" (as that term is defined in the Companies Act) or insolvency or other similar laws or compromises or attempts to compromise with its creditors generally (or any significant class of creditors) (including the obtaining of a moratorium) or any meeting of creditors is convened by the Issuer or any Material Subsidiary to consider a proposal for an arrangement of compromise with its creditors generally (or any significant class of creditors); or

(i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable or (iii) to make the Notes admissible in evidence in the courts of the Republic of South Africa is not taken, fulfilled or done; or

(j) **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or

(k) **Analogous Events:** any event occurs which under the laws of the Republic of South Africa has an analogous effect to any of the events referred to in paragraphs (d) to (h) above.

For the purpose of this Condition,

"**Material Indebtedness**" means any Indebtedness amounting in aggregate to an amount which equals or exceeds 0.5 per cent. of the total assets of the Issuer as set out in the Issuer's most recent published financial statements from time to time (or its equivalent in other currencies) at the time of the relevant Event of Default.

11. Meetings of Noteholders and Modification

(a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders (including by way of conference call or by use of a videoconference platform) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions or the Deed of Covenant. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in aggregate principal amount of the Notes for the time being outstanding or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend any date(s) for the payment of the principal of the Notes (including any Amortisation Date(s)) or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest is shown in the relevant Pricing Supplement, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary the Final Redemption Amount, any Amortisation Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, (viii) to approve a Business Change pursuant to Condition 4(b) (*Change of Principal Business*), or (ix) to change the governing law of the Notes, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders or consent given by way of electronic consents through the relevant clearing systems will take effect as if it were an Extraordinary Resolution. A resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification:** The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. The parties to the Agency Agreement shall not agree, without the sanction of an Extraordinary Resolution, to any modification of the Agency Agreement (including any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement) which is not of a formal, minor or technical nature, or is not made to correct a manifest error.

12. Replacement of Notes, Coupons and Talons

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent in London (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificate, Coupons or further Coupons) and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Certificate, Coupons or Talons must be surrendered before replacements will be issued.

13. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (so that, for the avoidance of doubt, references in the conditions of such notes to "**Issue Date**" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

Notwithstanding the foregoing, further Notes that are not issued pursuant to a "qualified reopening" for U.S. federal income tax purposes shall be issued with an ISIN or CUSIP different from those for the original Notes and shall not form a single series with the original Notes.

14. Notices

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner that complies with any other relevant rules of any stock exchange or other relevant authority on which the Notes are for the time being or by which they have for the time being admitted to trading.

Any such notice shall be deemed to have been given on the date of such publication or, if required to be published more than once or on different dates, on the first date on which publication is made in all required newspapers.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

15. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

16. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17. **Governing Law and Jurisdiction**

(a) **Governing Law:** The Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with the Notes, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The Courts of England have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons (including any dispute relating to their existence, validity or termination or any non-contractual obligations arising out of or in connection with them) and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Coupons and Talons only, and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Service of Process:** The Issuer appoints Law Debenture Corporate Services Limited, 8th Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14 (*Notices*). Nothing shall affect the right of any Noteholder to serve process in any manner permitted by law.

(d) **Waiver:** The Issuer irrevocably agrees that, should any Proceedings be taken anywhere (whether for any injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) in relation to those Proceedings (including without limitation, immunity from the jurisdiction of any court or tribunal, suit, service of process, injunctive or other interim relief, any order for specific performance, any order for recovery of land, any attachment (whether in aid of execution, before judgment or otherwise) of its assets, any process for execution of any award or judgment or other legal process) shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. The Issuer irrevocably agrees that it and its assets are, and shall be, subject to such Proceedings, attachment or execution in respect of its obligations under the Notes.

(e) **Consent:** The Issuer irrevocably and generally consents in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

In the case of Bearer Notes, upon the initial deposit of a Global Note with a Common Depositary and, in the case of Registered Notes, upon the registration of the relevant Global Certificate in the name of a nominee for a Common Depositary and delivery of the relevant Global Certificate to such Common Depositary, Euroclear and/or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Notes in the name of a nominee for DTC and delivery of the relevant Global Certificate to the Custodian for DTC, DTC will credit each participant with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. Notes that are initially deposited with a Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear and/or Clearstream, Luxembourg or other clearing systems.

Notes in respect of which a Currency Election applies will not be eligible for clearing through DTC and will clear only through Euroclear and Clearstream, Luxembourg.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg, DTC or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be) for its share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange

Temporary Global Notes

Each Temporary Global Note will be exchangeable free of charge to the holder, on or after its exchange date (the "**Exchange Date**"):

(i) if the relevant Pricing Supplement indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (see "*Subscription and Sale—Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole but not in part and on a day after the expiry of 40 days after its issue upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

Permanent Global Notes

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part (except as provided under "*—Partial Exchange of Permanent Global Notes*"), for Definitive Notes if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates held through Euroclear or Clearstream

If the applicable Pricing Supplement state that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(a) *(Transfer of Registered Notes*) may only be made:

(i) in whole, but not in part, if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) in whole, or in part, with the Issuer's consent,

provided that, in the case of any transfer pursuant to (i) above, the Registered Noteholder has given the relevant Registrar not less than 30 days' notice at its specified office of the Registered Noteholder's intention to effect such transfer.

Global Certificates Held Through DTC

If the Pricing Supplement state that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of those Notes held in DTC. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of DTC, but will limit the circumstances in which the Notes may be withdrawn from DTC. Transfers of the holding of Notes represented by that Rule 144A Global Certificate pursuant to Condition 2(a) *(Transfer of Registered Notes*) may only be made:

(i) in whole, but not in part, if such Notes are held on behalf of a Custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Rule 144A Global Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

(ii) in whole, or in part, with the Issuer's consent,

provided that, in the case of any transfer pursuant to (i) above, the relevant Registered Noteholder has given the relevant Registrar not less than 30 days' notice at its specified office of the Registered Noteholder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Rule 144A Global Certificate shall bear the legend applicable to such Notes as set out in "*Transfer Restrictions*".

Delivery of Notes

On or after any due date for exchange the holder of a Global Note may, in the case of an exchange in whole, surrender such Global Note or, in the case of a partial exchange, present it for endorsement to, or to the order of, the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or (in the case of a Permanent Global Note) Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Base Listing Particulars, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that has not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

Exchange Date means, in relation to a Temporary Global Note the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, after that on which the notice requiring exchange is given or, where applicable, after the 15th day on which a clearing system is closed for business, and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Listing Particulars. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchanged for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(i)(v) (*Unmatured Coupons and unexchanged Talons*) will apply to the Definitive Notes only.

Interest Calculations

For so long as all of the Notes of a Series are represented by one or more Global Notes or Global Certificates, as applicable, the amount of interest payable in respect of the Notes for any Calculation Period (as defined in Condition 5(h) (*Definitions*)) shall be equal to the product of the Rate of Interest, the aggregate principal amount outstanding of the Notes represented by the Global Notes or Global Certificates, as applicable, and the Day Count Fraction for such Calculation Period, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) (for this purposes, a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.).

Record Date

Each payment in respect of a Global Certificate will be made to the person shown as the Noteholder in the Register at the close of business on the Clearing System Business Day before the due date for such payment (the "**Record Date**"), where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business.

Prescription

Claims against the Issuer in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*)).

Meetings

The holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall (unless such Permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each Note comprising such Noteholder's holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its final redemption) will be effected by a reduction in the nominal amount of the relevant Permanent Global Note or its presentation to or to the order of the Fiscal Agent for endorsement in the relevant schedule of such Permanent Global Note or, in the case of a Global Certificate, by a reduction in the aggregate principal amount of the Certificates in the register of the Certificate holders, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a Permanent Global Note or a Global Certificate may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Amortisation Amounts (if any) thereon.

Issuer's Option

Any option provided to the Issuer in the Conditions of any Notes while such Notes are represented by a Permanent Global Note or a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that the Issuer's option is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (as the case may be).

Noteholders' Option

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note or a Global Certificate may be exercised by the holder of the Permanent Global Note or Global Certificate, as the case may be, by giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent or Transfer Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent or Transfer Agent, as the case may be, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation or, in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificate in the register of the Certificate holders.

Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate.

CLEARING AND SETTLEMENT

Book-Entry Ownership

Bearer Notes

The Issuer may make applications to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons may be deposited with a Common Depositary for Euroclear and/or Clearstream, Luxembourg or an Alternative Clearing System as agreed between the Issuer and the Dealer. Transfers of interests in such Temporary Global Notes or Permanent Global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Euroclear and Clearstream, Luxembourg or, if appropriate, the Alternative Clearing System.

Notes may only be issued in bearer form in accordance with the requirements of South African law which includes the prior approval of the South African Minister of Finance, or any person authorised by the Minister of Finance in accordance with Regulation (15(6)(a)) of the South African Exchange Control Regulations.

Registered Notes

The Issuer may make applications to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate (which may, for the avoidance of doubt, be a Regulation S Global Certificate or a Rule 144A Global Certificate). Each Global Certificate deposited with a Common Depositary for, and registered in the name of, a nominee for Euroclear and/or Clearstream, Luxembourg will have an ISIN and a Common Code.

The Issuer or an agent appointed for such purpose that is an eligible DTC participant may make application to DTC for acceptance in its book-entry settlement system of the Registered Notes represented by a Rule 144A Global Certificate. Each such Rule 144A Global Certificate will have a CUSIP number. Each Rule 144A Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "*Transfer Restrictions*". In certain circumstances, as described below in "*Transfer of Registered Notes*," transfers of interests in a Rule 144A Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Notes to be cleared through the facilities of DTC, the Custodian, with whom the Rule 144A Global Certificates are deposited, and DTC, will electronically record the nominal amount of the Rule 144A Notes held within the DTC system. Investors may hold their beneficial interests in a Rule 144A Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Rule 144A Global Certificate registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of such Rule 144A Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Rule 144A Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payment by DTC participants to owners of beneficial interests in such Rule 144A Global Certificate held through such DTC participant will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither the Issuer, the Fiscal Agent or any Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating, to or payments made on account of, ownership interests in any Rule 144A Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of a Regulation S Global Certificate and/or a Rule 144A Global Certificate. Individual Certificates will only be available, in the case of Notes initially represented by a Regulation S Global Certificate, in amounts specified in the relevant Pricing Supplement, and, in the case of Notes initially represented by a Rule 144A Global Certificate, in minimum amounts of U.S.$200,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s), or higher integral multiples of U.S.$1,000, in certain limited circumstances described below.

Payments through DTC

Payments in U.S. Dollars of principal and interest in respect of a Rule 144A Global Certificate registered in the name of a nominee of DTC will be made to the order of such nominee as the registered holder of such Note. Payments of principal and interest in a currency other than U.S. Dollars in respect of Notes evidenced by a Rule 144A Global Certificate registered in the name of a nominee of DTC will be made or procured to be made by the Paying Agent in such currency in accordance with the following provisions. The amounts in such currency payable by the Paying Agent or its agent to DTC with respect to Notes held by DTC or its nominee will be received from the Issuer by the Paying Agent who will make payments in such currency by wire transfer of same day funds to the designated bank account in such currency of those DTC participant entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of payments of interest, on or prior to the third business day in New York City after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least twelve business days in New York City prior to the relevant payment date, to receive that payment in such currency. The Paying Agent will convert amounts in such currency into U.S. Dollars and deliver such U.S. Dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment that did not elect to receive such payment in such currency. The Agency Agreement sets out the manner in which such conversions are to be made.

Transfer of Registered Notes

Transfers of interests in Global Certificates within Euroclear, Clearstream, Luxembourg and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Rule 144A Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Rule 144A Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in a Regulation S Global Certificate may only be held through Euroclear or Clearstream, Luxembourg. Beneficial interests in Rule 144A Global Certificates may be held through Euroclear, Clearstream, Luxembourg or DTC. In the case of Registered Notes to be cleared through Euroclear, Clearstream, Luxembourg and/or DTC, transfers may be made at any time by a holder of an interest in a Regulation S Global Certificate to a transferee who wishes to take delivery of such interest through a Rule 144A Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the distribution compliance period (as used in "*Subscription and Sale*") relating to the Notes represented by such Regulation S Global Certificate will only be made upon receipt by any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Notes represented by such Regulation S Global Certificate will only be made upon request through Euroclear or Clearstream, Luxembourg by the holder of an interest in the Regulation S Global Certificate to the Fiscal Agent of details of that account at DTC, Euroclear or Clearstream, Luxembourg, or as the case may be, to be credited with the relevant interest in the Rule 144A Global Certificate. Transfers at any time by a holder of any interest in the Rule 144A Global Certificate to a transferee who takes delivery of such interest through an Regulation S Global Certificate will only be made upon delivery to any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC, Euroclear or Clearstream, Luxembourg, or as the case may be, to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under "*Transfer Restrictions*," cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Fiscal Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date. The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Certificates will be effected through the Fiscal Agent, the Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Fiscal Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see "*Transfer Restrictions*".

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Rule 144A Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Rule 144A Global Rule 144A are credited and only in respect of such portion of the aggregate nominal amount of the relevant Rule 144A Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Rule 144A Global Certificates for exchange for Individual Certificates (which will, in the case of Rule 144A Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, any Paying Agent or any Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Rule 144A Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by Individual Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream, Luxembourg or DTC.

Individual Certificates

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will be permitted only (i) in the case of Rule 144A Global Certificates in the circumstances set forth in "*Summary of Provisions Relating to the Notes while in Global Form—Exchange— Global Certificates Held Through DTC*" or (ii) in the case of Regulation S Global Certificates in the circumstances set forth in "*Summary of Provisions Relating to the Notes while in Global Form—Exchange—Global Certificates held through Euroclear or Clearstream*". In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

(i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Certificates; and

(ii) in the case of a Rule 144A Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefore on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the U.S. secondary market generally are required to settle within three business days ("**T+3**"), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the United States between the date of pricing and the date that is three business days prior to the relevant Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+3, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is three business days prior to the relevant Issue Date should consult their own adviser.

TAXATION

The following summary of certain South African, United States, and European Union consequences of ownership of Notes is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Base Listing Particulars. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Notes. This summary does not constitute a legal opinion or tax advice, the summary is of a general nature and is included herein solely for information purposes. In addition this summary does not purport to address all tax aspects that may be relevant to a holder of Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Base Listing Particulars, and of any actual changes in applicable tax laws after such date.

The Republic of South Africa

The following is a summary of the material South African tax consequences of the acquisition, ownership and disposition of the Notes by South African tax residents and non-residents who will be beneficial owners of the Notes. The summary does not cover all aspects of South African tax that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership, or disposition of the Notes by particular investors.

Securities Transfer Tax

The issue, transfer and redemption of the Notes will not attract securities transfer tax under the Securities Transfer Tax Act, 2007 of South Africa (the "**Securities Transfer Tax Act**") as the Notes are not "*securities*" as envisaged by the Securities Transfer Tax Act.

Value-Added Tax Act

No VAT is payable on the issue or transfer of the Notes. The issue, sale or transfer of the Notes constitute "financial services" as defined in section 2 of the Value-Added Tax Act, 1991 (the "**VAT Act**"). In terms of section 2 of the VAT Act, the issue, allotment, drawing, acceptance, endorsement, or transfer of ownership of a debt security as well as the buying and selling of derivatives constitute a financial service, which is exempt from VAT in terms of section 12(a) of the VAT Act. The Notes constitute "debt securities" as defined in section 2(2)(iii) of the VAT Act.

However, commissions, fees or similar charges raised for the facilitation of the issue, allotment, drawing, acceptance, endorsement, or transfer of ownership of Notes will be subject to VAT at the standard rate (currently 15 per cent.), except where the recipient is a non-resident as contemplated below.

Services rendered to non-residents who are not in South Africa when the services are rendered, are subject to VAT at the zero rate in terms of section 11(2)(l) of the VAT Act.

Income Tax

Under current taxation law in South Africa, a "resident", as defined in section 1 of the Income Tax Act, 1962 (the "**Income Tax Act**"), is subject to income tax on his/her worldwide income. Accordingly, all holders of Notes who are residents of South Africa will generally be liable to pay income tax, subject to available deductions, allowances, and exemptions, on any income (including income in the form of interest) earned in respect of the Notes.

In terms of section 24J of the Income Tax Act, broadly speaking, any discount or premium to the principal amount of a Note is treated as part of the interest income on the Note. Interest income which accrues (or is deemed to accrue) to a Noteholder is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day-to-day basis until that Noteholder disposes of the Note or until maturity. The day-to-day basis accrual is determined by calculating the yield to maturity (as defined in section 24J of the Income Tax Act) and applying this rate to the capital involved for the relevant tax period. The premium or discount is treated as interest for the purposes of the exemption under section 10(1)(h) of the Income Tax Act.

Section 24JB deals with the taxation of "financial assets" and "financial liabilities" for certain "covered persons". Noteholders should seek advice as to whether these provisions may apply to them. To the extent that purchasers or subscribers constitutes a "covered person", as defined in section 24JB of the Income Tax Act, and section 24JB applies, the purchasers or subscribers will be taxed in accordance with the provisions of section 24JB of the Income Tax Act and the capital gains tax provisions would not apply.

Non-residents of South Africa are subject to income tax on all income derived from a South African source (subject to domestic exemptions or relief in terms of applicable double taxation treaties). Under current law, interest income is derived from a South African source if it is incurred by a South African tax resident (unless it is attributable to a foreign permanent establishment of that resident) or if it is derived from the utilisation or application in South Africa by any person of funds or credit obtained in terms of any form of "interest-bearing arrangement". The Notes will constitute an "interest-bearing arrangement". The Issuer is tax resident in South Africa as at the date of the Programme. Accordingly, the interest earned by a Noteholder will be from a South African source and subject to South African income tax unless such interest income is exempt from South African income tax under section 10(1)(h) of the Income Tax Act (see below).

Under section 10(1)(h) of the Income Tax Act, any amount of interest which is received by or accrues to (during any year of assessment) any person that is not a resident of South Africa is exempt from income tax, unless:

(a) that person is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve-month period preceding the date on which the interest is received by or accrues to that person; or

(b) the debt from which the interest arises is effectively connected to a permanent establishment of that person in South Africa.

If a Noteholder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, an exemption from or reduction of any South African tax liability may be available under an applicable double taxation agreement. Furthermore, certain entities may be exempt from income tax. Investors are advised to consult their own professional advisers as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act or under an applicable double taxation agreement.

Taxation of Foreign Exchange Gains and Losses

As the Notes are denominated in U.S.$, a South African tax resident Note holder who is (1) a company; (2) a trust carrying on a trade; or (3) a natural person who holds the Notes as trading stock may be required to account for foreign exchange gains and losses on translation and realisation of the Notes in accordance with the provisions of section 24I of the Income Tax Act. Such persons may be required to include in or deduct from their income any translation and realisation exchange gains or losses on the Notes.

No taxable foreign exchange gains or losses will arise for such persons if the Notes are attributable to a permanent establishment of such person outside of South Africa and the functional currency of that permanent establishment is the currency in which the Notes are denominated.

No foreign exchange gains or losses on translation and realisation of the Notes will arise for non-resident Note holders in accordance with the provisions of section 24I of the Income Tax Act, unless such Notes are attributable to a South African permanent establishment of such non-resident holder.

Capital Gains Tax

Capital gains and losses of residents of South Africa on the disposal of Notes are subject to capital gains tax unless the Notes are purchased for re-sale in the short-term as part of a scheme of profit making, in which case the proceeds will be subject to income tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. In terms of section 24J(4A) of the Income Tax Act, where an adjusted loss on transfer or redemption includes interest which has been included in the income of the holder, that amount qualifies as a deduction from the income of the holder during the year of assessment in which the transfer or redemption takes place and should accordingly not give rise to a capital loss.

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that person in South Africa during the relevant year of assessment.

Purchasers are advised to consult their own professional advisers as to whether a disposal of Notes will result in a liability to capital gains tax.

Withholding Tax

A withholding tax on South African-sourced interest (see the section "*Income Tax*" above) paid to or for the benefit of a Non-Resident (at a rate of 15 per cent. of the amount of the interest) ("**Withholding Tax**") applies in terms of Part IVB of the Income Tax Act. The withholding tax may be reduced by the application of relevant double taxation treaties.

However, payments of interest under Notes held by Non-Resident Noteholders will be exempt from Withholding Tax if such Notes are listed on a "*recognised exchange*". The International Securities Market of the London Stock Exchange plc ("**LSE**") is a "*recognised exchange*". Accordingly, payments of interest under Notes held by Non-Resident Noteholders will be exempt from Withholding Tax for so long as the Notes are listed on the LSE or another "*recognised exchange*".

Payments of interest under Notes held by a Non-Resident will also be exempt from the Withholding Tax if:

(a) that Non-Resident is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve-month period preceding the date on which the interest is paid; or

(b) the debt claim in respect of which that interest is paid is effectively connected with a permanent establishment of that Non-Resident in the Republic of South Africa.

United States

The following discussion is a summary based upon present law of certain material U.S. federal income tax considerations for prospective purchasers of Registered Notes. This discussion addresses only U.S. holders (as defined below) purchasing Registered Notes in an original offering at the issue price (as defined below) and that hold such Registered Notes as capital assets and use the U.S. Dollar as their functional currency. This discussion is a general summary. It is not a substitute for tax advice. This discussion does not address the tax treatment of prospective purchasers subject to special rules, such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, pass-through entities (including partnerships and S corporations), tax-exempt entities, dealers in securities or foreign currencies, traders in securities that elect to mark to market, prospective purchasers liable for the alternative minimum tax, investors required to take certain amounts into income no later than the time such amounts are reflected on their audited financial statements, U.S. expatriates individual retirement accounts and other tax-deferred accounts, or persons holding the Registered Notes as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction. This section does not address Registered Notes that are due to mature more than 30 years from the date on which they are issued. The U.S. federal income tax consequences of owning Registered Notes that are due to mature more than 30 years from their date of issue will be discussed in the applicable Pricing Supplement. This summary does not address U.S. federal estate and gift, U.S. state and local or foreign tax law.

This summary does not discuss Bearer Notes. In general, U.S. federal income tax law imposes significant adverse consequences on U.S. holders of Bearer Notes. U.S. holders should consult their own tax advisers regarding the restrictions and penalties imposed under U.S. federal income tax law with respect to Bearer Notes and any other tax consequences with respect to the acquisition, ownership and disposition of any of such notes.

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a note that is (i) a citizen or individual resident of the United States for U.S. federal income tax purposes, (ii) a corporation or other business entity treated as a corporation organised in or under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in a partnership that holds Registered Notes will depend on the status of the partner and the activities of the partnership. Partnerships are urged to consult their own tax advisors regarding the specific tax consequences to their partners of purchasing, owning and disposing of such Registered Notes.

There may be further discussion of the U.S. federal income tax treatment of Registered Notes in the Pricing Supplement for each Series of Registered Notes.

Payments of Stated Interest

Interest paid on a Registered Note will be taxable to a U.S. holder as ordinary interest income at the time it accrues or is received in accordance with the holder's method of accounting for U.S. federal income tax purposes, provided that the interest is "qualified stated interest" (as defined below). Interest income earned by a U.S. holder with respect to a Registered Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the holder's foreign tax credit limitation. The rules regarding foreign tax credits are complex and prospective investors should consult their tax advisers about the application of such rules to them in their particular circumstances. Special rules governing the treatment of interest paid with respect to OID Registered Notes (as defined below), Registered Notes issued with payment contingencies and foreign currency Registered Notes ("**foreign currency Registered Notes**") are described under "—*Original Issue Discount*", "—*Contingent Payment Debt Instruments*" and "—*Foreign Currency Registered Notes*", respectively.

Original Issue Discount

A Registered Note that has an "issue price" that is less than its "stated redemption price at maturity" will be considered to have been issued with original issue discount ("**OID**") for U.S. federal income tax purposes (and will be referred to as an "**OID Registered Note**") unless the amount of the discount does not exceed a *de minimis* threshold (as described below) or the Registered Note is a short-term Registered Note (as defined below). The "issue price" of a Registered Note generally will be the first price at which a substantial amount of the Registered Notes are sold to the public. The "stated redemption price at maturity" of a Registered Note generally will equal the sum of all payments required to be made under the Registered Note other than payments of "qualified stated interest" ("**QSI**"). QSI is stated interest unconditionally payable in cash or in property (other than in debt instruments of the issuer) at least annually during the entire term of the Registered Note at a single fixed rate of interest. In addition, subject to certain limitations, QSI includes, among other things, stated interest on a "variable rate date instrument" that is unconditionally payable in cash or in property (other than in debt instruments of the issuer) at least annually at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information. A rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Registered Note is denominated. Notice will be given in the relevant Pricing Supplement when the Issuer determines that a particular Note will bear interest that is not QSI.

If the difference between a Registered Note's stated redemption price at maturity and its issue price does not exceed a *de minimis* amount, i.e., $^1/_4$ of 1 per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity, the Registered Note will not be considered to have OID. U.S. holders of Registered Notes with a *de minimis* amount of OID will include this OID in income, as capital gain, on a *pro rata* basis as principal payments are made on the Registered Note.

A U.S. holder of OID Registered Notes will be required to include any QSI payments in income in accordance with the holder's method of accounting for U.S. federal income tax purposes. U.S. holders of OID Registered Notes that mature more than one year from their date of issuance will be required to include OID in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received. The amount of OID includible in income by a U.S. holder of an OID Registered Note is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. holder held the Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. The "accrual period" for an OID Registered Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note's adjusted issue price at the beginning of such accrual period and its yield to maturity over (b) the sum of any qualified stated interest allocable to the accrual period. The yield to maturity of a Note is the discount rate that causes the present value of all payments on the Note as of its original issue date to equal the issue price of such Note. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of QSI) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of an OID Registered Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortisation of any bond premium, as described below) and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, a U.S. holder will have to include in income increasingly greater amounts of OID in successive accrual periods.

A U.S. holder may make an election to include in gross income all interest that accrues on any Registered Note (including stated interest, acquisition discount, OID, *de minimis* OID and unstated interest, as adjusted by any amortisable bond premium) in accordance with a constant yield method based on the compounding of interest, and may revoke such election only with the permission of the Internal Revenue Service (the "**IRS**") (a "**constant yield election**").

Certain Registered Notes bearing interest at a variable rate are subject to special OID rules. In the case of a variable rate Registered Note, both the yield to maturity and QSI will be determined as though the Registered Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable on the date of issue or, in the case of certain variable rate Registered Notes, the rate that reflects the yield to maturity that is reasonably expected for the variable rate Registered Note. In certain cases, variable rate Registered Notes that bear stated interest and are issued at par may have OID, with the result that the inclusion of interest in income may vary from the actual cash payments of interest made on such variable rate Registered Notes.

Short-term Registered Notes

A Registered Note that matures one year or less from its date of issuance (a "**short-term Registered Note**"), will be treated as being issued at a discount and none of the interest paid on the Registered Note will be treated as QSI. In general, a cash method U.S. holder of a short-term Registered Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so. Holders who so elect and certain other holders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. holder who is not required and who does not elect to include the discount in income currently, any gain realised on the sale, exchange, or retirement of the short-term Registered Note will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry short-term Registered Notes in an amount not exceeding the accrued discount until the accrued discount is included in income.

Optional Redemption

The Issuer may have an unconditional option to redeem, or U.S. holders may have an unconditional option to require the Issuer to redeem a Registered Note prior to its stated maturity date. Under applicable regulations, if the Issuer has an unconditional option to redeem a Registered Note prior to its stated maturity date, this option will be presumed to be exercised if, by utilising any date on which the Registered Note may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Registered Note as the stated redemption price at maturity, the yield on the Registered Note would be lower than its yield to maturity. If the U.S. holders have an unconditional option to require the Issuer to redeem a Registered Note prior to its stated maturity date, this option will be presumed to be exercised if making the same assumptions as those set forth in the previous sentence, the yield on the Registered Note would be higher than its yield to maturity. If this option is not in fact exercised, the Registered Note would be treated solely for purposes of calculating OID as if it were redeemed, and a new Registered Note were issued, on the presumed exercise date for an amount equal to the Registered Note's adjusted issue price on that date. The adjusted issue price of an OID Registered Note is defined as the sum of the issue price of the Registered Note and the aggregate amount of previously accrued OID, less any prior payments other than payments of QSI.

Amortisable Bond Premium and Acquisition Premium

If a U.S. holder purchases a Registered Note for an amount that is greater than the amount payable (other than payments of QSI) at maturity, the holder will be considered to have purchased the Registered Note with amortisable bond premium equal in amount to the excess of the purchase price over the amount payable at maturity. The holder may elect to amortise this premium, using a constant yield method, over the remaining term of the Registered Note. A holder who elects to amortise bond premium must reduce his tax basis in the Registered Note by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations then owned and thereafter acquired by the holder and may be revoked only with the consent of the IRS.

If a U.S. holder makes a constant yield election (as described under "—*Original Issue Discount*") for a Registered Note with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the holder's debt instruments with amortisable bond premium. With respect to a U.S. holder that does not elect to amortise bond premium, the amount of bond premium constitutes a capital loss when the bond matures.

Special rules apply to OID Registered Notes purchased at a premium. In general, a U.S. holder that purchases an OID Registered Note for an amount that is greater than the Note's adjusted issue price but less than or equal to the sum of all amounts payable on the note after the purchase date (other than payments of QSI) will be considered to have purchased the OID Registered Note at an acquisition premium. Under the acquisition premium rules, the amount of OID that the U.S. holder must include in its gross income with respect to the OID Registered Note for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

Market Discount

If a U.S. holder that purchases a Registered Note (other than a short-term Registered Note) for an amount that is less than its stated redemption price at maturity (or in the case of an OID Registered Note, its adjusted issue price), the amount of the difference will be treated as market discount, unless this difference is less than a specified *de minimis* amount.

A U.S. holder generally will be required to treat any principal payment (or in the case of an OID Registered Note, any payment that does not constitute QSI) on, or any gain on the sale, exchange, retirement or other disposition of such Note, as ordinary income to the extent of the market discount accrued on the Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. holder pursuant to an election by such Holder to include market discount in income as it accrues, or pursuant to a constant yield election by such Holder. In addition, a U.S.

holder may be required to defer until the maturity of the Note or its earlier disposition (including certain non-taxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Notes.

If a U.S. holder makes a constant yield election for a Note with market discount, such election will result in a deemed election for all market discount bonds acquired by the holder on or after the first day of the first taxable year to which such election applies.

Disposition of the Registered Notes

A U.S. holder will generally recognise gain or loss on the sale, retirement or other taxable disposition of a Registered Note in an amount equal to the difference between the U.S. Dollar value of the amount realised (less any accrued but unpaid interest, which will be taxable as ordinary interest income to the extent not previously included in income) and the U.S. holder's adjusted tax basis in the Note determined in U.S. Dollars. A U.S. holder's adjusted tax basis in a Registered Note generally will equal the acquisition cost of the Registered Note increased by the amount of OID and market discount included in the U.S. holder's gross income and decreased by the amount of any payment received from the Issuer other than a payment of QSI and the amount of any amortisable bond premium that the U.S. holder took into account. Gain or loss, if any, will generally be U.S. source income for purposes of computing a U.S. holder's foreign tax credit limitation. For these purposes, the amount realised does not include any amount attributable to accrued interest on the Registered Note. Amounts attributable to accrued interest are treated as interest (as described under "—*Payments of Stated Interest*").

Except as described below, gain or loss realised on the sale, exchange or retirement of a Registered Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Registered Note has been held for more than one year. Exceptions to this general rule apply to the extent of any accrued discount on a short-term Registered Note not previously included in the holder's taxable income. See "—*Original Issue Discount*" *and "—Short-term Registered Note"*. In addition, other exceptions to this general rule apply in the case of foreign currency Registered Notes, and contingent payment debt instruments. See "—*Foreign Currency Registered Notes*" and "—*Contingent Payment Debt Instruments*". Certain non-corporate U.S. holders (including individuals) may qualify for preferential rates for U.S. federal income tax purposes with respect to long-term capital gains. The deductibility of capital losses is subject to limitation.

Contingent Payment Debt Instruments

If the terms of the Registered Notes provide for certain contingencies that affect the timing and amount of payments (including Registered Notes with a variable rates of interest that do not qualify as "variable rate debt instruments") they will be "contingent payment debt instruments" ("**CPDIs**") for U.S. federal income tax purposes. Under the rules that govern the treatment of CPDIs, no payment on such Registered Notes qualifies as QSI. Rather, a U.S. holder must account for interest for U.S. federal income tax purposes based on a "comparable yield" and the differences between actual payments on the CPDI and the CPDI's "projected payment schedule" as described below. The comparable yield is determined by the Issuer at the time of issuance of the CPDI. The comparable yield may be greater than or less than the stated interest, if any, with respect to the CPDI. Solely for the purpose of determining the amount of interest income that a U.S. holder will be required to accrue on a CPDI, the Issuer will be required to construct a "projected payment schedule" that represents a series of payments the amount and timing of which would produce a yield to maturity on the CPDI equal to the comparable yield. Neither the comparable yield nor the projected payment schedule constitutes a representation by the Issuer regarding the actual amount, if any, that the CPDI will pay.

For U.S. federal income tax purposes, a U.S. holder will be required to use the comparable yield and the projected payment schedule established by the Issuer in determining interest accruals and adjustments in respect of an optionally exchangeable Registered Note, unless the holder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS. A U.S. holder, regardless of the holder's method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a CPDI at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the CPDI (as set forth below).

A U.S. holder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a CPDI for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a CPDI for a taxable year:

- will first reduce the amount of interest in respect of the CPDI that a holder would otherwise be required to include in income in the taxable year; and

- to the extent of any excess, will give rise to an ordinary loss equal to so much of this excess as does not exceed the excess of the amount of all previous interest inclusions under the CPDI over the total amount of the U.S. holder's net negative adjustments treated as ordinary loss on the CPDI in prior taxable years.

Any net negative adjustment in excess of the amounts described above will be carried forward to off-set future interest income in respect of the CPDI or to reduce the amount realised on a sale, exchange or retirement of the CPDI.

Upon a sale, exchange or retirement of a CPDI, a U.S. holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the holder's adjusted basis in the CPDI. A U.S. holder's adjusted basis in a Registered Note that is a CPDI generally will be the acquisition cost of the Registered Note, increased by the interest previously accrued by the U.S. holder on the Registered Note under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any non-contingent payments and the projected amount of any contingent payments previously made on the Registered Note. A U.S. holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations. In addition, if a holder recognises loss above certain thresholds, the holder may be required to file a disclosure statement with the IRS (as described under "—*Reportable Transactions*").

A U.S. holder will have a tax basis in any property, other than cash, received upon the retirement of a contingent payment debt instrument including in satisfaction of a conversion right or a call right equal to the fair market value of the property, determined at the time of retirement. The holder's holding period for the property will commence on the day immediately following its receipt.

Foreign Currency Registered Notes

The rules applicable to foreign currency Registered Notes could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Registered Note to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Registered Notes are complex and may depend on the holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a holder should make any of these elections may depend on the holder's particular U.S. federal income tax situation. U.S. holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Registered Notes.

A U.S. holder who uses the cash method of accounting and who receives a payment of QSI in a foreign currency with respect to a foreign currency Registered Note will be required to include in income the U.S. Dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. Dollars at the time, and this U.S. Dollar value will be the U.S. holder's tax basis in the foreign currency. A cash method holder who receives a payment of QSI in U.S. Dollars pursuant to an option available under such Registered Note will be required to include the amount of this payment in income upon receipt.

An accrual method U.S. holder will be required to include in income the U.S. Dollar value of the amount of interest income (including OID or market discount if such U.S. holder has elected to accrue market discount, but reduced by acquisition premium and amortisable bond premium, to the extent applicable) that has accrued with respect to a foreign currency Registered Note during an accrual period. The U.S. Dollar value of the accrued income will be determined by translating the income at the average rate of exchange in effect during the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. holder will recognise ordinary income or loss with respect to accrued interest income on the date the income is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. Dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period (or, where a holder receives U.S. Dollars, the amount of the payment in respect of the accrual period) and the U.S. Dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue OID.

An accrual method U.S. holder or a cash method U.S. Holder accruing OID may elect to translate interest income (including OID) into U.S. Dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

OID, market discount, acquisition premium and amortisable bond premium on a foreign currency Registered Note are to be determined in the relevant foreign currency.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as on the sale, exchange or retirement of the foreign currency Registered Note. Any exchange gain or loss will be ordinary income or loss as described below.

A U.S. holder's tax basis in a foreign currency Registered Note, and the amount of any subsequent adjustment to the holder's tax basis, will be the U.S. Dollar value amount of the foreign currency amount paid for such foreign currency Registered Note, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. holder who purchases a foreign currency Registered Note with previously owned foreign currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. holder's tax basis in the foreign currency and the U.S. Dollar value of the foreign currency Registered Note on the date of purchase.

A U.S. holder generally will recognise gain or loss on the sale, exchange or retirement of a foreign currency Registered Note in an amount equal to the difference between the U.S. Dollar value of the amount realised (less any accrued but unpaid interest, which will be taxable as ordinary interest income to the extent not previously included in income) and the U.S. holder's adjusted tax basis in the foreign currency Registered Note, determined in U.S. Dollars. The U.S. Dollar amount realised will be the value of the foreign currency received at the spot exchange rate on the date of disposition (or, if the foreign currency Registered Note is traded on an established securities exchange and the holder is a cash method or an electing accrual method U.S. holder, the settlement date). A U.S. holder's adjusted tax basis in a foreign currency Registered Note generally will be the U.S. Dollar value of the foreign currency used to purchase the foreign currency Registered Note at the spot exchange rate on the purchase date (or, if the foreign currency Registered Note is traded on an established securities exchange and the holder is a cash method or an electing accrual method U.S. holder, the settlement date), decreased by any amortised bond premium and increased by the U.S. Dollar amount of OID and market discount included in the U.S. holder's income with respect to the foreign currency Registered Note, if any. If an accrual method U.S. holder elects to translate foreign currency received into U.S. Dollars at the spot exchange rate on the settlement date of the purchase or sale of a foreign currency Registered Note that is traded on an established securities market rather than the date of purchase or sale, the election must be applied consistently from year to year by the U.S. holder with respect to all debt instruments denominated in non-U.S. currencies that are traded on established securities markets, and cannot be changed without the consent of the IRS.

Gain or loss realised upon the sale, exchange or retirement of a foreign currency Registered Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. Dollar value of the foreign currency principal amount of the Registered Note, determined on the date of disposition (or, if the Registered Note is traded on an established securities exchange and the holder is a cash method or an electing accrual method U.S. holder, the settlement date) and (ii) the U.S. Dollar value of the foreign currency principal amount of the Registered Note, determined on the date the U.S. holder acquired the Registered Note. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Registered Notes described above. Currency exchange gain or loss will be recognised only to the extent of the total gain or loss realised by the holder on the sale, exchange or retirement of the foreign currency Registered Notes. Such currency exchange gain or loss will generally be U.S.-source income for foreign tax credit limitation purposes. Any gain or loss realised by these holders in excess of the currency exchange gain or loss will be capital gain or loss except, in the case of a short-term Registered Note, to the extent of any discount not previously included in the holder's income. Holders should consult their own tax advisor with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Registered Notes accrue.

For purposes of this discussion, the "spot exchange rate" generally means a rate that reflects a fair market rate of exchange available to the public for currency under a "spot contract" in a free market and involving representative amounts. A "spot contract" is a contract to buy or sell a currency other than the U.S. Dollar on or before two business days following the date of the execution of the contract. If such a spot rate cannot be demonstrated, the IRS has the authority to determine the spot rate. The "average rate" for an accrual period (or partial period) is the average of the spot exchange rates for each business day of such period or other average exchange rate for the period reasonably derived and consistently applied by a U.S. holder.

Medicare Contribution Tax

Certain U.S. holders that are individuals, estates or trusts will be required to pay an additional 3.8 per cent. Medicare tax on, among other things, interest on, and capital gains from the sale or other disposition of, Registered Notes.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with accruals of OID, if any, and payments, on the Registered Notes and the proceeds from a sale or other disposition of the Registered Notes. A U.S. holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle them to a refund, provided that the required information is furnished to the IRS.

Certain U.S. holders may be required to report to the IRS information with respect to their investment in Registered Notes not held through an account with a domestic financial institution. U.S. holders should consult their own tax advisors regarding any reporting obligations they may have as a result of their acquisition, ownership or disposition of Registered Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. holder may be required to treat a foreign currency exchange loss from the Registered Notes as a reportable transaction if the loss exceeds U.S.$50,000 in a single taxable year, if the U.S. holder is an individual or trust, or higher amounts for other U.S. holders. In the event the acquisition, ownership or disposition of Registered Notes constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. holder will be required to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. In addition, the Issuer and its advisors may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. holders, and to furnish this list and certain other information to the IRS upon written request.

U.S. holders should consult their own tax advisers regarding any filing or reporting requirements that may apply to their acquisition, ownership and disposition of Registered Notes. Failure to make certain filings can result in significant penalties.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES.

European Union

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal for a Directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes is, however, expected to be exempt.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

ERISA AND CERTAIN OTHER U.S. CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans.

Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice (directly or indirectly) for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the notes of a portion of the assets of any Plan, as defined below, a fiduciary should determine, among other things, whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any federal, state, local, non-U.S. or other laws, rules or regulations that are substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code (each of the foregoing, "**Similar Law**") relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws. Section 406 of ERISA and Section 4975 of the Code which are among the ERISA and Code fiduciary provisions governing plans, prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Notes are acquired by a Plan with respect to which any of the Issuer, the Arrangers or the Dealers or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes, or that, if an exemption is available, it will cover all aspects of any particular transaction. Unless otherwise provided in a supplementary base listing particulars or the relevant Pricing Supplement, by its purchase of any Notes (or any interest in a Note), each purchaser (whether in the case of the initial purchase or in the case of a subsequent transfer) will be deemed to have represented and agreed either that (i) it is not, and is not acting on behalf of, and for so long as it holds a Note (or any interest therein) will not be an ERISA Plan or other Plan, or an entity whose underlying assets include the assets of any such ERISA Plan or other Plan (each of the foregoing, a "**Benefit Plan Investor**"), or a governmental, church or non-U.S. plan which is subject to any Similar Law or (ii) its acquisition, holding and disposition of the Notes (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan, any violation of Similar Law) for which an exemption is not available. Any purported purchase of a Note that does not comply with the foregoing shall be null and void *ab initio*.

Each purchaser and transferee that is, or is acting on behalf of, a Benefit Plan Investor, will be further deemed to represent, warrant and agree that (i) none of the Issuer, the Arrangers and the Dealers or any of their respective affiliates has provided any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Benefit Plan Investor ("Plan Fiduciary"), has relied as a primary basis in connection with its decision to invest in the Notes, and they are not otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or the Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of the Notes and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes. Governmental plans and certain church and non-U.S. plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of Notes to a Plan is in no respect a representation by the Issuer, the Arrangers or the Dealers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in the amended and restated dealer agreement dated on or about 25 January 2023 (the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arrangers, from time to time the Notes will be offered by the Issuer to the Permanent Dealers, and the Permanent Dealers may agree to purchase such Notes. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Certain of the Dealers and their respective affiliates have, in the past, performed investment banking and advisory services for, and provided credit facilities to, the Issuer for which they have received customary fees and expenses.

Each of the Dealers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer in the ordinary course of their respective businesses. The Issuer may apply all or part of the proceeds of any Notes issued pursuant to the Programme in repayment of all or part of any such credit facilities.

The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer or sell Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Series of which such Notes are a part, within the United States or to, or for the account or benefit of, a U.S. person and it will have sent to each distributor, dealer or person to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

(A) Where the D Rules are specified in the relevant Pricing Supplement as being applicable in relation to any Tranche of Notes, each Dealer will be required to represent, undertake and agree (and each additional Dealer appointed under the Programme will be required to represent, undertake and agree) that:

  (i) except to the extent permitted under the D Rules (a) it has not offered or sold, and will not offer or sell, any Bearer Notes to a person who is within the United States or its possessions or to a U.S. person, and (b) it has not delivered and will not deliver within the United States or its possessions Bearer Notes in definitive form that are sold during the restricted period;

(ii) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees and agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person, except as permitted by the D Rules;

(iii) if it is a U.S. person, it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and, if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of United States Treasury Regulations §1.163-5(c)(2)(i)(D)(6);

(iv) with respect to each affiliate (if any) that acquires from such Dealer Bearer Notes for the purposes of offering or selling such Notes during the restricted period, such Dealer either repeats and confirms the representations, undertakings and agreements contained in sub-clauses (i), (ii), (iii) and (v) on such affiliate's behalf or agrees that it will obtain from such affiliate for the benefit of the Issuer the representations, undertakings and agreements contained in such sub-clauses (i), (ii), (iii) and (v); and

(v) shall obtain for the benefit of the Issuer the representations, undertakings and agreements contained in sub-clauses (i), (ii), (iii), (iv) and (v) of this paragraph from any person other than its affiliate with whom it enters into a written contract (a "distributor" as defined in United States Treasury Regulations §1.163-5(c)(2)(i)(D)(4)), for the offer or sale during the restricted period of the Bearer Notes.

(B) In addition, where the C Rules are specified in the relevant Pricing Supplement as being applicable in relation to any Tranche of Notes, such Notes must in their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer will be required to represent, undertake and agree (and each additional Dealer will be required to represent, undertake and agree) that, in connection with the original issuance of the Notes:

(i) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Bearer Notes within the United States or its possessions; and

(ii) it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or such Dealer is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Bearer Notes.

Terms used in sub-clauses (A) and (B) have the meanings given to them by the Code and the regulations thereunder, including the C Rules and the D Rules.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Base Listing Particulars has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Listing Particulars does not constitute an offer to any person in the United States or to any U.S. person, other than any QIB within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Base Listing Particulars by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Listing Particulars as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Listing Particulars as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iii) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation;

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Listing Particulars as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Listing Particulars as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(i) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iii) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA.

Other UK regulatory restrictions

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

(i) in relation to any Notes which have a maturity of less than one year:

   (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business;

   (b) it has not offered or sold and will not offer or sell any Notes other than to persons:

      (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

      (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses;

   where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Republic of South Africa

Each Dealer has severally represented, warranted and agreed that it will not offer or sell any Notes and/or solicit any offers for subscription for or sale of any of the Notes in the Republic of South Africa other than in accordance with (i) the South African Exchange Control Regulations and the policies and directives of the Exchange Control Authorities, (ii) the Companies Act in such a manner that does not result in the offering or issuance of the Notes being classified as an "offer to the public" as defined in the Companies Act, (iii) the South African Banks Act, 1990, (iv) the Commercial Paper Regulations promulgated under the South African Banks Act, 1990 and (v) any other applicable laws and regulations of the Republic of South Africa in force from time to time.

In particular, each Dealer has severally represented, warranted and agreed that it will not offer Notes for subscription, or otherwise sell any Notes, to any person who, or which, is a "resident" (as defined in the Exchange Control Regulations) other than in strict compliance with the Exchange Control Regulations in effect from time to time, and, without prejudice to the foregoing, that it will take all reasonable measures available to it to ensure that no Note will be purchased by, or sold to, or beneficially held or owned by, any such "resident" other than in strict compliance with the Exchange Control Regulations in effect from time to time.

This Base Listing Particulars does not, nor does it intend to, constitute a "registered prospectus" (as that term is defined in section 95(1)(k) of the Companies Act) prepared and registered under the Companies Act, and accordingly no offer of Notes will be made or any Notes sold to any prospective investors in South Africa other than pursuant to section 96(1) of the Companies Act and provided further that such offer or sale is in compliance with the Exchange Control Regulations and/or applicable laws and regulations of South Africa in force from time to time.

Information made available in this Base Listing Particulars should not be considered as "advice" as defined in the Financial Advisory and Intermediary Services Act, 2002 of South Africa.

Republic of Italy

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge that the offer of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, Notes may not be offered, sold or delivered, nor may copies of this Base Listing Particulars or any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Italian Financial Services Act**") and Italian CONSOB regulations; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-*ter* of CONSOB Regulation No. 11973 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of this Base Listing Particulars or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"), CONSOB Regulation No. 20307 of 15 February 2018, as amended from time to time; and

(ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; or

(iii) in compliance with any other applicable laws and regulations including any relevant notification or limitations which may be imposed by CONSOB or the Bank of Italy.

In Italy, in accordance with Article 100-bis of Financial Services Act, where no exemption applies under (a) and (b) above, Notes which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are regularly distributed on the secondary market in Italy to non-qualified investors must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the intermediaries transferring the Notes being liable for any damages suffered by potential purchasers.

Belgium

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Pricing Supplement, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 2 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**"), being any natural person resident or located in Belgium and acting for purposes which are outside his/her trade, business or profession, and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan, No. 25 of 1948, as amended, the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5 Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other applicable laws, regulations and ministerial guidelines of Japan.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors (as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario)) and are permitted clients (as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations). Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws.

Securities legislation in certain provinces or territories of Canada might provide a Canadian investor with remedies for rescission or damages if this Base Listing Particulars (including any amendment hereto) contains a misrepresentation; provided that the remedies for rescission or damages are exercised by the investor within the time limit prescribed by the securities legislation of the investor's province or territory. The investor should refer to any applicable provisions of the securities legislation of its province or territory for particulars of these rights and/or consult with a legal adviser.

If applicable, pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering of any Notes.

Switzerland

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that, in Switzerland, this Base Listing Particulars is not intended to constitute an offer or solicitation to purchase or invest in any Notes. Accordingly, each Dealer has represented to and agreed with, and each further Dealer appointed under the Programme will be required to represent to and agree with, the Issuer that the Notes have not been and will not be publicly offered, sold or advertised, directly or indirectly, by such Dealer in, into or from Switzerland within the meaning of the Swiss Financial Services Act (the "**FinSA**") and no application has been or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Base Listing Particulars nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA or has been or will be filed with or approved by a Swiss review body pursuant to Article 52 of the FinSA, and neither this Base Listing Particulars nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. Neither this Base Listing Particulars nor any other offering or marketing material relating to the offering of the Notes has been or will be filed by the Issuer or any Dealer with or approved by any Swiss regulatory authority to admit such Notes to trading on the SIX Swiss Exchange or any other trading venue (exchange or multilateral trading facility) in Switzerland.

Hong Kong

Each of the Dealers has represented to and agreed with, and each further Dealer appointed under the Programme will be required to represent to and agree with, the Issuer that such Dealer:

- has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes that are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than: (i) to "professional investors" as defined in the SFO and any rules made under the SFO or (ii) in other circumstances that do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or that do not constitute an offer to the public within the meaning of the C(WUMP)O, and

- has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Listing Particulars has not been and will not be registered as a prospectus with the MAS. Accordingly, each Dealer has represented to and agreed with, and each further Dealer appointed under the Programme will be required to represent to and agree with, the Issuer that such Dealer has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause any Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Listing Particulars or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor (for the purposes of this section, as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (for the purposes of this section, as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person that is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or

(b) a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of such trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust, as applicable, has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor, to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA,
- where no consideration is or will be given for the transfer,
- where the transfer is by operation of law,
- as specified in Section 276(7) of the SFA, or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

The Pricing Supplement in respect of any Notes may include a legend entitled "Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore" that will state the product classification of the applicable Notes pursuant to Section 309B(1) of the SFA; however, unless otherwise stated in the applicable Pricing Supplement, all Notes shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products). This notification or any such legend included in the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of Section 309B(1)(c) of the SFA.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Base Listing Particulars.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Base Listing Particulars or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed (and each further Dealer appointed under the Programme will be required to agree) that it will comply with all relevant laws, regulations and directives in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes or publishes this Base Listing Particulars, any other offering material or any Pricing Supplement (in all cases at its own expense) and neither the Issuer nor any other Dealer shall have responsibility therefor. Other persons into whose hands this Base Listing Particulars or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Listing Particulars or any Pricing Supplement or any related offering material, in all cases at their own expenses.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of this Base Listing Particulars, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acquiring such Notes for its own account, or for the account of one or more QIBs and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

2. The Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

3. (a) The purchaser of the Notes will be deemed to represent, warrant and agree that either (i) it is not, and is not acting on behalf of, and for so long as it holds a Note (or any interest therein) will not be, and will not be acting on behalf of, a Benefit Plan Investor, or a governmental, church or non-U.S. plan which is subject to any Similar Law, or (ii) its acquisition, holding and disposition of the Notes (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan, any violation of Similar Law) for which an exemption is not available. Any purported purchase of a Note that does not comply with the foregoing shall be null and void ab initio.

   (b) Each purchaser and transferee that is, or is acting on behalf of, a Benefit Plan Investor, will be further deemed to represent, warrant and agree that (i) none of the Issuer, the Arrangers and the Dealers or any of their respective affiliates has provided any investment recommendation or investment advice on which it, or any Plan Fiduciary, has relied as a primary basis in connection with its decision to invest in the Notes, and they are not otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or the Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of the Notes and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes.

4. The Rule 144A Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend substantially to the following effect:

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB"), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE NOTES.

   EACH PURCHASER OF THIS NOTE (OR ANY INTEREST HEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF, (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 THE CODE (EACH OF THE FOREGOING, A "**BENEFIT PLAN INVESTOR**"), OR (IV) A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF

SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL CHURCH OR NON-U.S. PLAN, ANY VIOLATION OF SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

EACH PURCHASER AND TRANSFEREE THAT IS, OR IS ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR, WILL BE FURTHER DEEMED TO REPRESENT, WARRANT AND AGREE THAT (I) NONE OF THE ISSUER, THE ARRANGERS AND THE DEALERS OR ANY OF THEIR RESPECTIVE AFFILIATES HAS PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE ON WHICH IT, OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR ("**PLAN FIDUCIARY**"), HAS RELIED AS A PRIMARY BASIS IN CONNECTION WITH ITS DECISION TO INVEST IN THE NOTES, AND THEY ARE NOT OTHERWISE UNDERTAKING TO ACT AS A FIDUCIARY, AS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(E)(3) OF THE CODE, TO THE BENEFIT PLAN INVESTOR OR THE PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S ACQUISITION OF THE NOTES AND (II) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT IN THE NOTES.

5. It understands that the Issuer, the Registrar, the relevant Dealer(s) and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

6. It understands that the Rule 144A Notes will be evidenced by a Rule 144A Global Certificate. Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes pursuant to resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Listing Particulars and the Notes, will be deemed to have represented, agreed and acknowledged that:

(i) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and is purchasing the Notes in an offshore transaction pursuant to Regulation S.

(ii) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(iii) (A) The purchaser of the Notes (or any interest therein) will be deemed to represent, warrant and agree that either (i) it is not, and is not acting on behalf of, and for so long as it holds a Note (or any interest therein) will not be, and will not be acting on behalf of, a Benefit Plan Investor, or a governmental, church or non-U.S. plan which is subject to any Similar Law, or (ii) its acquisition, holding and disposition of the Notes (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan, any violation of Similar Law) for which an exemption is not available. Any purported purchase of a Note that does not comply with the foregoing shall be null and void *ab initio*. (B) Each purchaser and transferee that is, or is acting on behalf of, a Benefit Plan Investor, will be further deemed to represent, warrant and agree that (i) none of the Issuer, the Arrangers and the Dealers or any of their respective affiliates has provided any investment recommendation or investment advice on which it, or any Plan Fiduciary, has relied as a primary basis in connection with its decision to invest in the Notes, and they are not otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or the Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of the Notes and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes.

(iv) It understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

EACH PURCHASER OF THIS NOTE (OR ANY INTEREST HEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF, (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 THE CODE (EACH OF THE FOREGOING, A "BENEFIT PLAN INVESTOR"), OR (IV) A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY VIOLATION OF SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

EACH PURCHASER AND TRANSFEREE THAT IS, OR IS ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR, WILL BE FURTHER DEEMED TO REPRESENT, WARRANT AND AGREE THAT (I) NONE OF THE ISSUER, THE ARRANGERS AND THE DEALERS OR ANY OF THEIR RESPECTIVE AFFILIATES HAS PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE ON WHICH IT, OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR ("PLAN FIDUCIARY"), HAS RELIED AS A PRIMARY BASIS IN CONNECTION WITH ITS DECISION TO INVEST IN THE NOTES, AND THEY ARE NOT OTHERWISE UNDERTAKING TO ACT AS A FIDUCIARY, AS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(E)(3) OF THE CODE, TO THE BENEFIT PLAN INVESTOR OR THE PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S ACQUISITION OF THE NOTES AND (II) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT IN THE NOTES.

(v) It understands that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(vi) It understands that the Notes offered in reliance on Regulation S will be represented by the Regulation S Global Certificate. Prior to the expiration of the distribution compliance period, before any interest in the Rule 144A Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

Transnet is a limited liability company incorporated in the Republic of South Africa and the majority of its assets and the assets of its subsidiaries are currently located outside the United States and the United Kingdom. In addition, the majority of Transnet's directors and executive officers are residents of countries other than the United States and the United Kingdom. As a result, it may be impossible for Noteholders to:

- effect service of process within the United States or the United Kingdom upon Transnet or any of its directors or executive officers named in this Base Listing Particulars; or
- enforce, in the U.S. or English courts, judgments obtained outside U.S. or English courts against Transnet or any of Transnet's directors and executive officers named in this Base Listing Particulars, including actions under the civil liability provisions of the U.S. securities laws or any state or territory of the United States.

In addition, it may be difficult for Noteholders to enforce, in original actions brought in courts in jurisdictions located outside the United States or the United Kingdom, liabilities predicated upon U.S. securities laws or upon English laws.

Choice of Law

In any proceedings for the enforcement of the obligations of the Issuer under the Notes, the South African courts will generally give effect to the choice of foreign law as contemplated in the Notes and the Terms and Conditions as the governing law thereof.

Jurisdiction

Subject to the paragraph below, the Issuer's (i) irrevocable submission under the Notes and the Terms and Conditions to the jurisdiction of a foreign court, and (ii) agreement not to claim any immunity to which the Issuer or its assets may be entitled, is generally legal, valid, binding and enforceable under the laws of the Republic of South Africa, and any judgment obtained in the foreign jurisdiction will be recognised and be enforceable by the courts of the Republic of South Africa without the need for re-examination of the merits. The appointment by the Issuer of an agent within the jurisdiction of a foreign court to accept service of process in respect of the jurisdiction of the foreign court is generally valid and binding on the Issuer.

Under South African law, a South African court will not accept a complete ouster of jurisdiction, although generally it recognises party autonomy and gives effect to choice of law and submission to jurisdiction provisions. However, jurisdiction remains within the purview of the South African court. A South African court may, in certain instances, assume jurisdiction provided that (in terms of the "doctrine of effectiveness") there are sufficient jurisdictional connecting factors in respect of the matter brought against the defendant. South African courts may, in rare instances, choose not to give effect to a choice of jurisdiction clause, if, for example, such choice is contrary to South African public policy. Proceedings before a South African court may be stayed if the subject of the proceedings is concurrently before any other court.

Recognition and Enforcement of Foreign Judgments

Subject to the paragraph below, a judgment rendered by any foreign court of competent jurisdiction against the Issuer in respect of any of its obligations under the Notes and the Terms and Conditions will generally be recognised by a South African court and will generally be enforced in South Africa against the Issuer without the re-examination or re-litigation of any of the matters which are the subject of that judgment.

In cases connected with the mining, production, importation, exportation, refinement, possession, use or sale of or ownership to any matter or material, of whatever nature, whether within, outside, into or from the Republic of South Africa, the permission of the Minister of Trade, Industry and Competition is required under the Protection of Businesses Act, 1978 (the "**Protection of Businesses Act**") before a South African Court will give effect to a foreign judgment relating to these matters. In addition, irrespective of whether or not permission from the Minister of Trade, Industry and Competition is required to enforce a foreign judgment, a South African court will not, in terms of the Protection of Businesses Act, enforce a foreign judgment for multiple or punitive damages.

Subject to the qualifications described in the paragraph above, a judgment obtained in a court of competent jurisdiction outside the Republic of South Africa will be recognised and enforced by ordinary action in accordance with procedures ordinarily applicable under South African law for the recognition and enforcement of foreign judgments; provided that (i) the foreign judgment was final and conclusive and is not superannuated, (ii) the recognition and enforcement of the foreign judgment by the South African courts is not contrary to South African public policy in that, among other things, the foreign judgment was not obtained by fraud or rendered contrary to natural justice, and does not involve the enforcement of foreign penal or revenue laws and (iii) the foreign court in question had jurisdiction and competence according to the applicable rules recognised by the laws of South Africa.

The principal requirements in regard to South African public policy include that the foreign judgment must not have been obtained by fraudulent or improper means or have been given contrary to natural justice and must not involve the enforcement of foreign revenue or penal law (*e.g.*, fines or governmental levy (distinct from private judgments)). A foreign judgment will probably not be recognized in South Africa if the foreign court exercised jurisdiction over the defendant solely by virtue of an attachment to found jurisdiction or on the basis of domicile alone. South African courts have, as a matter of public policy, generally not enforced awards for multiple or punitive damages. It is generally accepted that it would be contrary to public policy for a court in South Africa to apply the law of a foreign jurisdiction when dealing with the insolvency of a South African party.

In terms of the Conventional Penalties Act, 1962 (the **CP Act**), a creditor may not, in respect of an act or omission which is the subject of a penalty stipulation, recover both the penalty and damages or except where expressly provided for, damages in lieu of the penalty. In addition, if upon the hearing of a claim for a penalty it appears to the court that the penalty is out of proportion to the prejudice suffered by the creditor by reason of the act or omission in respect of which the penalty was stipulated, the court may reduce the penalty to such an extent as it considers equitable in the circumstances; provided that in determining the extent of that prejudice the court must take into consideration not only the creditors' proprietary interest but every other rightful interest which may be affected by the act or omission in question. Neither the CP Act nor the common law provides guidance as to the defined limits of what would constitute an undue penalty in any given circumstances and is determined on a case-by-case basis.

Where obligations are to be performed in a jurisdiction outside South Africa they may not be enforceable under the laws of South Africa to the extent that such performance would be illegal or contrary to public policy under the laws of South Africa or the foreign jurisdiction, or to the extent that the law precludes South African courts from granting extra-territorial orders. South African courts have the discretion of refusing the granting of orders with extra-territorial effect if the granting of such order would be ineffectual.

An arbitral award obtained outside of South Africa must be recognised and enforced in accordance with sections 16 and 17 of the International Arbitration Act, 15 of 2017 (the "**SA International Arbitration Act**"). A party will be required as a matter of South African law to bring a fresh application to court to have the foreign arbitral award recognised and enforced in South Africa.

Any such award which has been made an order of court pursuant to the provisions of the SA International Arbitration Act may be enforced in the same manner as any judgment or order to the same effect, subject to the provisions of section 18 of the SA International Arbitration Act. In this respect, a South African court may refuse to recognise or enforce a foreign arbitral award if (i) the court finds that: (A) a reference to arbitration of the subject matter of the dispute is not permissible under the law of South Africa; or (B) the recognition or enforcement of the award is contrary to public policy of the Republic of South Africa; or (ii) the party against whom the award is invoked, proves to the satisfaction of the court that: (A) a party to the arbitration agreement had no capacity to contract under the law applicable to that party; (B) it did not receive the required notice regarding the appointment of the arbitrator or of the arbitration proceedings or was otherwise not able to present its case; (C) the award deals with a dispute not contemplated by, or not falling within the terms of the reference to arbitration, or contains decisions on matters beyond the scope of the reference to arbitration, save that an award which contains decisions on matters not submitted to arbitration may be recognised or enforced to the extent that it contains decisions on matters submitted to arbitration which can be separated from those on matters not so submitted; (D) the constitution of the arbitration tribunal or the arbitration procedure was not in accordance with the relevant arbitration agreement or, if the agreement does not provide for such matters, with the law of the country in which the arbitration took place; (E) the arbitration agreement is invalid under the law to which the parties have subjected it, or where the parties have not subjected it to any law, the arbitration agreement is invalid under the law of the country in which the award was made; or (F) the award is not yet binding on the parties, or has been set aside or suspended by a competent authority of the country in which, or under the law of which, the award was made. The court may postpone the hearing of an application for enforcement of a foreign arbitral award if the court is satisfied that an application for setting aside the award has been made to a competent authority of the country in which, or under the law of which, the application was made.

Effect of Business Rescue and Liquidation on Civil Proceedings

Business rescue

Chapter 6 of the Companies Act provides for "business rescue", a substantively non-judicial, pre-insolvency commercial process that, in the first instance, aims to rescue a "financially distressed" company and maximise the likelihood of the company's continued existence on a solvent basis. If "business rescue" is not possible, the aim of "business rescue" is to ensure an outcome which provides a better return for the creditors or shareholders of a "financially distressed" company than would result from the immediate liquidation of the company.

The “business rescue” provisions of Chapter 6 provide for a general moratorium on legal proceedings against a company which has been placed under “business rescue”. During “business rescue” proceedings, no legal proceeding, including enforcement action, against a company which has been placed under “business rescue”, or in relation to any property belonging to that company, or lawfully in its possession, may be commenced or proceeded with in any forum, except, among other things, (a) with the written consent of the “business rescue practitioner” or (b) with the leave of the court and in accordance with any terms the court considers suitable (see “*Regulation*”).

Insolvency

In principle, the winding-up of a company on the basis of its insolvency will be regulated by the Companies Act, the Old Companies Act and the Insolvency Act. Where a company is placed in liquidation by a South African court, the liquidation is deemed by law to have commenced at the time of presentation to the court of the application for liquidation. An application for liquidation is presented to the court when the application is filed with the Registrar of the Court. This typically occurs some time before the court grants an order for the liquidation.

Under South African law, the position of the company is “frozen” as from the date of the commencement of the liquidation and upon the granting of an order for the liquidation, the company will be in the custody of and under the control of the Master (Regulatory) and thereafter the liquidator, once appointed, the company’s affairs will be dealt with subject to the provisions of the Insolvency Act and the Old Companies Act, notwithstanding any contractual arrangements to the contrary contained in any agreements.

In general and subject to certain exceptions, civil proceedings (including arbitration proceedings) instituted by or against an insolvent company are automatically stayed on the liquidation of the insolvent company’s estate until the appointment of a liquidator. A plaintiff/creditor wishing to continue with such proceedings against the insolvent company must give notice of its intention to do so within a period of three weeks from the date of that the liquidators are finally appointed which appointment takes place at the first meeting of creditors, in accordance with the provisions of the Insolvency Act and the Old Companies Act, failing which the proceedings lapse. In circumstances where the court finds that there was a reasonable excuse for a failure to give the requisite notice, it has a discretion to allow a plaintiff/creditor to continue with proceedings on such conditions as it thinks fit. Execution against the insolvent company’s assets is similarly stayed.

LEGAL MATTERS

Certain matters of U.S. law will be passed on for Transnet by Freshfields Bruckhaus Deringer LLP, Transnet's English and U.S. counsel, and certain matters of South African law will be opined on for Transnet by ENSafrica, Transnet's South African counsel.

Certain matters of English law and U.S. law will be passed on for the Arrangers and the Dealers by Allen & Overy LLP, the Arrangers' and the Dealers' English and U.S. counsel, and certain matters of South African law will be opined on for the Arrangers and the Dealers by Bowman Gilfillan Inc., South African counsel.

INDEPENDENT AUDITORS

Transnet's Consolidated Annual Financial Statements (i) for the financial year ended 31 March 2020 incorporated by reference in this Base Listing Particulars have been audited by SizweNtsalubaGobodo Grant Thornton, independent auditors as stated in their audit report appearing herein; and (ii) for the years ended 31 March 2021 and 2022 incorporated by reference in this Base Listing Particulars have been audited by the Auditor-General of South Africa. Transnet's Consolidated Interim Financial Information as at and for the six months ended 30 September 2021 and 2022 have been reviewed by the Auditor-General of South Africa, as stated in their review report incorporated by reference herein. The registered office of SizweNtsalubaGobodo Grant Thornton is 20 Morris Street East, Woodmead, 2191, Johannesburg, the Republic of South Africa. The registered office of the Auditor-General of South Africa is 4 Daventry Street, Lynwood Bridge Office Park, Lynnwood Manor, Pretoria, the Republic of South Africa.

The Shareholder Representative requires that the external audit be put out to tender every five years. SizweNtsalubaGobodo Grant Thornton's tenure concluded as at 31 March 2020. The Auditor-General of South Africa's tenure is scheduled to conclude at 31 March 2025.

DESCRIPTION OF CERTAIN INDEBTEDNESS

The following is a description of the material indebtedness of the Group as at the date of this Base Listing Particulars.

As of 30 September 2022, Transnet had outstanding total financial indebtedness of approximately R127,564 million before taking into account the effect of hedges.

Euro Medium Term Note Programme

On 15 April 1998, Transnet established a U.S.$1.0 billion Euro Medium Term Note Programme (the "**EMTN Programme**"). On 17 April 1998, Transnet issued R2 billion 13.5 per cent. notes due 18 April 2028 under the EMTN Programme. On 30 March 1999, Transnet issued a further R1.5 billion 10 per cent. notes due 30 March 2029 under the EMTN Programme. The notes issued under the EMTN Programme are guaranteed by an unconditional and irrevocable guarantee of the Government.

Covenants, Representations and Warranties and Events of Default

The EMTN Programme documentation contains representations and warranties and undertakings common to agreements of this type and include customary operating and financial covenants, subject to certain agreed exceptions, including covenants that restrict Transnet's ability and the ability of its principal subsidiaries (being subsidiaries of Transnet whose profit before tax, gross assets or net tangible worth represents 10 per cent. or more of the consolidated profits before tax of the Transnet Group, or consolidated net tangible worth of the Transnet Group) to create or permit the creation of any encumbrances other than in certain circumstances including, but not limited to: those created in the ordinary course of business as security only for indebtedness under export, credit or trade finance facilities relating to those goods or documents of title; those otherwise prohibited but arising in the ordinary course of business but not exceeding U.S.$50 million, those granted to secure project finance indebtedness granted, and those encumbrances arising out of rights of the consolidation, combination or set-off of any bank or financial institution created in the course of a foreign exchange, swap or derivative transaction in the ordinary course of business.

The EMTN Programme documents contain customary events of default, including, but not limited to, non-payment, breach of other obligations set forth in the terms and conditions of the notes and the trust deed, ceasing to carry on or threatening to cease to carry on the whole or a substantial part of its business operations, unlawfulness or repudiation of obligations, certain insolvency, winding-up or related events, any default in relation to certain indebtedness not being paid when due or becoming due and payable before its specified maturity, denial, revocation or failure to receive any necessary governmental authorisation, permit or licence, failure of the guarantee to be in full force and effect or repudiation of the guarantee by the guarantor, and repossession of any asset leased, hired or purchased by the Issuer with a value in excess of U.S.$10,000,000 due to failure to pay under such lease or purchase agreement.

Domestic Medium Term Note and Commercial Paper Programme

On 13 September 2007, Transnet established its DMTN Programme. On 25 October 2015, Transnet increased the size of its DMTN Programme to R80 billion. Pursuant to the establishment of the DMTN Programme, Transnet issued several series of notes (collectively the "**Programme Notes**"), and various commercial paper issuances. The issue date, description of the Programme Notes and the maturity dates for each of the Programme Notes and the issue date range, description of the outstanding commercial paper and the maturity dates for each of the commercial paper issuances as at 31 March 2022 is as follows:

Notes Issues

Issue date	Description of notes	Maturity date
Between 6 November 2008 and 31 March 2022	R7,000,000,000 Senior Unsecured Fixed Rate Notes	6 November 2023
Between 8 February 2022 and 31 March 2022	R550,000,000 Senior Unsecured Floating Rate Notes	14 February 2025
Between 14 February 2020 and 31 March 2022	R2,500,000,000 Senior Unsecured Floating Rate Notes	14 February 2025
Between 19 August 2010 and 31 March 2022	R10,000,000,000 Senior Unsecured Fixed Rate Notes	19 August 2025

Issue date	Description of notes	Maturity date
Between 11 August 2021 and 31 March 2022	R1,930,000,000 Senior Unsecured Floating Rate Notes	13 August 2026
Between 7 February 2022 and 31 March 2022	R316,000,000 Senior Unsecured Floating Rate Notes	7 February 2027
Between 9 November 2007 and 31 March 2022	R8,565,000,000 Senior Unsecured Fixed Rate Notes	14 November 2027
Between 8 February 2022 and 31 March 2022	R200,000,000 Senior Unsecured Fixed Rate Notes	7 February 2029
Between 9 October 2014 and 31 March 2022	R4,622,000,000 Senior Unsecured Fixed Rate Notes	9 October 2030

Commercial Paper Issues

Issue date	Description of notes	Maturity date
Between 8 February 2022 and 31 March 2022	R556,000,000 Senior Unsecured Zero Coupon Notes	7 February 2023
Between 14 February 2022 and 31 March 2022	R532,000,000 Senior Unsecured Zero Coupon Notes	13 February 2023
Between 11 March 2022 and 31 March 2022	R535,000,000 Senior Unsecured Zero Coupon Notes	10 March 2023

Covenants, Representations and Warranties

The documents relating to the DMTN Programme contain representations and warranties and undertakings common to agreements of this type and include customary operating and financial covenants, subject to certain agreed exceptions, including covenants that restrict Transnet's ability and the ability of its material subsidiaries to: create or permit to the creation of any encumbrances other than those permitted under the programme, and form or procure the formation of a trust or appoint or procure the appointment of an agent to hold any security rights for the benefit or on behalf of noteholders.

The Programme documents contain customary events of default, including, but not limited to, non-payment, breach of other obligations set forth in the agreement, failure to obtain any necessary consent, licence, approval or authorisation, and certain insolvency, winding-up or related events.

KfW IPEX-Bank GmbH Facility Agreement

On 13 November 2019, Transnet signed a seven-year, R1.6 billion facility agreement with KfW IPEX-Bank GmbH for proceeds to be applied towards the procurement of any goods and/or services procured from European Union suppliers and/or their subsidiaries. The loan was fully drawn on 22 January 2020.

Development Bank of Southern Africa Limited ("DBSA") Loan Agreement

On 28 November 2019, Transnet signed a fifteen-year, R4 billion loan agreement with DBSA for proceeds to be applied towards expansionary capital expenditure programme. The loan was fully drawn on 15 September 2020. Subsequently, on 25 March 2022, Transnet signed a 15-year, R2 billion loan agreement with DBSA for proceeds to be applied towards capital expenditure. This loan was fully drawn on 31 March 2022.

The Standard Bank of South Africa Limited Facility Agreement

On 30 June 2020, Transnet signed a seven-year, R2 billion facility agreement with The Standard Bank of South Africa Limited for proceeds to be applied towards its capital expenditure programmes. The loan was fully drawn on 30 July 2020.

New Development Bank Facility Agreement

On 30 March 2021, Transnet signed a fifteen-year, R3.5 billion facility agreement with the New Development Bank for proceeds to be applied towards financing the upgrade and modernisation of the Durban Container Terminal. The loan was partially drawn on 7 September 2021.

FirstRand Bank Limited/ Industrial Development Corporation of South Africa Limited Facility Agreement

On 28 March 2022, Transnet signed a twelve month, R3 billion facility agreement with the FirstRand Bank Limited and Industrial Development Corporation of South Africa Limited for proceeds to be applied towards operational and capital expenditure. The loan was fully drawn on 28 March 2022.

Funding activities following the 2022 Financial Year

Since Financial Year 2022, Transnet has executed the following funding activities:

On 26 July 2022, Transnet repaid the U.S.$1.0 billion 4 per cent. notes which were due on 26 July 2022.

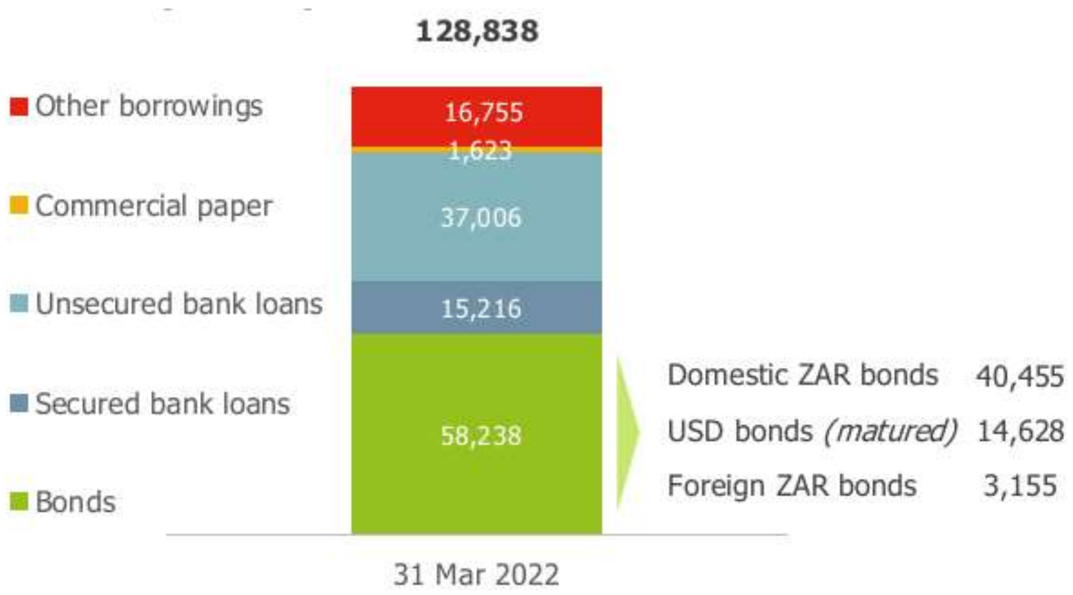
On 22 July 2022, Transnet signed a R12.6 billion bridge funding with proceeds to be applied towards payment obligations and all hedging arrangements relating to Transnet's TNUS22 notes (which matured on 26 July 2022) and payment of the upfront fees and other costs and expenses incurred by the Group in connection with the R12.6 billion bridge-to-bond facility as provided by the Arrangers and Dealers (the "**Bridge-to-Bond Facility**"). The Bridge-to-Bond Facility was fully drawn on 25 July 2022.

On 21 June 2022, Transnet raised a U.S.$685 million syndicated loan from multilateral and commercial financial institutions with proceeds to be applied towards general corporate purposes of the Group. The loan was fully drawn on 18 July 2022.

Capital structure and debt profile

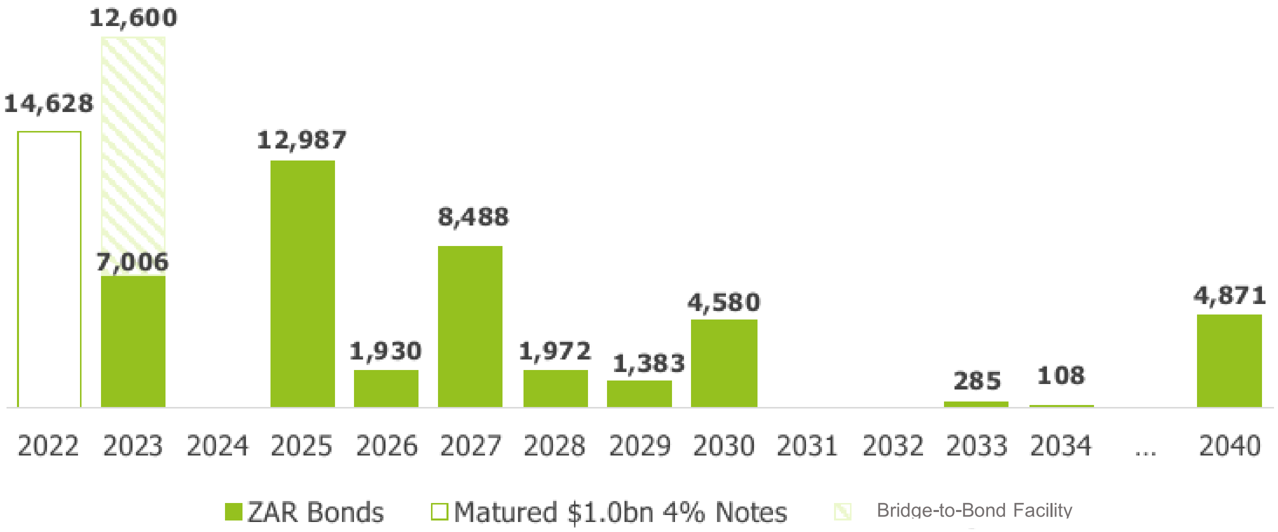
As of 31 March 2022, Transnet had the following capital structure and debt profile, as outlined in the below charts.

Debt Instruments



Note:
(1) Figures indicated in ZAR million.

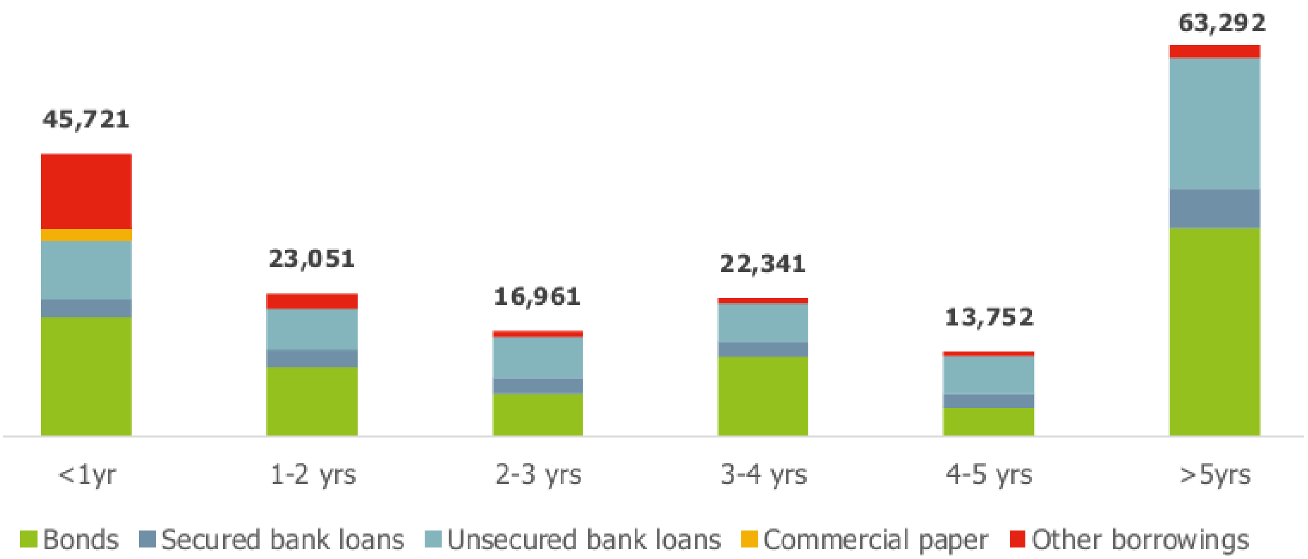
Bond and bridge loan maturity profile



Note:

(1) Figures indicate the carrying values in ZAR million.

Other financial liabilities



Note:

(1) Figures indicated in ZAR million.

(2) Contractual maturities including interest payments and excluding the impact of netting arrangements.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MIFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of United Kingdom (the "**UK**") domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "**EUWA**") ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any [distributor / person subsequently offering, selling or recommending the Notes (a "**distributor**")] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS –** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [MiFID II] [Directive 2014/65/EU (as amended, "**MiFID II**")]; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][24]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the [UK / United Kingdom ("**UK**")]. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the [EUWA / European Union (Withdrawal) Act 2018 (as amended, the "**EUWA**")]; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.**]**[25]

[**NOTIFICATION UNDER SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT 2001 (2020 REVISED EDITION) OF SINGAPORE (AS AMENDED, THE "SFA")** In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), The Issuer has determined the classification of the Notes to be capital markets products other than: (a) "prescribed capital

[24] Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products and no key information document will be prepared in the EEA or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

[25] Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products and no key information document will be prepared in the UK or the issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

markets products" (as defined in the CMP Regulations 2018) and (b) "Excluded Investment Products" (as defined in the Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][26]

[**CONFIRMATION REQUIRED BY PARAGRAPH 3(5)(j) OF THE COMMERCIAL PAPER REGULATIONS -** [specify], being the Issuer's auditors as at the Issue Date of this Tranche of Notes, have confirmed in writing that nothing has come to their attention which causes them to believe that the issue of this Tranche of Notes under the Programme, pursuant to the Base Listing Particulars [, the supplement to the Base Listing Particulars dated [•]] (as read with these Pricing Supplement) will not comply in all material respects with the provisions of the Commercial Paper Regulations.]

Pricing Supplement dated [•]

Transnet SOC Ltd

Legal Entity Identifier ("LEI"): 378900B07CD6F01EA796

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$ [•]
Global Medium Term Note Programme

Part A: Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Listing Particulars dated 25 January 2023 [and the supplemental Base Listing Particulars dated [•]] (the "**Base Listing Particulars**"). This document constitutes the Pricing Supplement of the Notes described herein. This document must be read in conjunction with the Base Listing Particulars in order to obtain all the relevant information. The Base Listing Particulars is available for viewing at the website of the London Stock Exchange through a regulatory information service (http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Listing Particulars with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Listing Particulars dated [original date] [and the supplemental Base Listing Particulars dated [•]] which have been incorporated by reference into the Base Listing Particulars dated 25 January 2023 (the "**Original Conditions**"). This document constitutes the Pricing Supplement of the Notes described herein. This document must be read in conjunction with the Base Listing Particulars dated [current date] [and the supplemental Base Listing Particulars dated [•]] (the "**Base Listing Particulars**"), including the Original Conditions, in order to obtain all the relevant information. The Base Listing Particulars is available for viewing at the website of the London Stock Exchange through a regulatory information service (http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

1.	Issuer:	Transnet SOC Ltd
2.	[(i)] Series Number:	[•]
	[(ii) Tranche Number:	[The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [•] below, which is expected to occur on or about [*date*]]

[26] Legend to be included on front of the Pricing Supplement if the Notes: (a) do not constitute prescribed capital markets products as defined under the CMP Regulations 2018 and (b) will be offered in Singapore.

(if fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]

3.	Specified Currency:	[•]
4.	Currency Election:	[Applicable]/[Not Applicable] [•]
	[Alternative Currency or Currencies	[•]]
5.	Aggregate Nominal Amount of Notes:	
	[(i)] Series:	[•]
	[(ii) Tranche:	[•]]
6.	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
7.	(i) Specified Denominations	[•]
	(ii) Calculation Amount (in relation to calculation of interest for Notes in global form):	[•]
8.	(i) Issue Date:	[•]
	(ii) Interest Commencement Date:	[•]
9.	Maturity Date:	[•]
10.	Interest Basis:	[[•] per cent. Fixed Rate] [[•]] +/- [•] per cent. Floating Rate] [Zero Coupon] (See paragraph(s) 16/17/18 below)
11.	Redemption/Payment Basis:	[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount.] [Amortising Notes (See paragraph 22 below)]
12.	Change of Interest or Redemption/Payment Basis:	[•]
13.	Put/Call Options:	[General Put Option] [Change of Control Put Option] [Call Option] (See paragraph(s) 19/20/21 below)
14.	[Date approval for issuance of Notes obtained:	[•] [and [•], respectively]

Provisions relating to Interest (if any) Payable

16.	Fixed Rate Note Provisions	[Applicable]/[Not Applicable]

	(i) Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
	(ii) Interest Payment Date(s):	[•] in each year [adjusted in accordance with [•]]/not adjusted]
	(iii) Fixed Coupon Amount[(s)] (Applicable to Notes in definitive form, and in relation to notes in global form see Conditions):	[•] per Calculation Amount
	(iv) Broken Amount(s) (Applicable to Notes in definitive form, and in relation to notes in global form see Conditions):	[[•] per Calculation Amount payable on the Interest Payment date falling [in/on] [•]]
	(v) Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / 30E/360 / Eurobond basis / 30E/360 (ISDA)]
	(vi) Determination Dates:	[[•] in each year]
17.	Floating Rate Note Provisions:	[Applicable/Not Applicable]
	(i) Specified Interest Payment Dates:	[•][, subject to adjustment in accordance with the Business Day Convention set out in (iv) below /, not subject to adjustment, as the Business Day Convention in (iii) below is specified to be Not Applicable]
	(ii) First Interest Payment Date:	[•]
	(iii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(iv) Business Centre(s):	[•]
	(v) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
	(vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[•]
	(vii) Screen Rate Determination:	[Applicable / Not Applicable]
	- Reference Rate:	[•] month [EURIBOR]
	- Interest Determination Date(s):	[•]
	- Relevant Screen Page:	[•]
	(viii) ISDA Determination:	[Applicable / Not Applicable]
	- ISDA Definitions	[2006 / 2021] ISDA Definitions
	- Floating Rate Option:	[•]
	- Designated Maturity:	[•]

- Reset Date:	[•]
- Compounding:	[Applicable / Not Applicable] (*If not applicable, delete the remaining items of this sub-paragraph*)
- Compounding Method:	[Compounding with Lookback Lookback: [[•] Applicable Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]] [Compounding with Observation Period Shift Observation Period Shift: [[•] Observation Period Shift Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)] Observation Period Shift Additional Business Days: [•]/[Not Applicable]] [Compounding with Lockout Lockout: [[•] Lockout Period Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)] Lockout Period Business Days: [•]/[Applicable Business Days]]
- Averaging:	[[Applicable/Not Applicable] *(If not applicable, delete the remaining items of this subparagraph)*
- Averaging Method:	[Averaging with Lookback Lookback: [[•] Applicable Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]] [Averaging with Observation Period Shift Observation Period Shift: [[•] Observation Period Shift Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)] Observation Period Shift Additional Business Days: [•]/[Not Applicable]] [Averaging with Lockout Lockout: [[•] Lockout Period Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)] Lockout Period Business Days: [•]/[Applicable Business Days]]
- Index Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining items of this subparagraph)*
- Index Method:	Compounded Index Method with Observation Period Shift Observation Period Shift: [[•] Observation Period Shift Business Days]/[As specified in the Compounding/Averaging Matrix (as defined in the 2021 ISDA Definitions)]

			Observation Period Shift Additional Business Days: [•]/[Not Applicable]]
	(ix)	Margin(s):	[+/-][•] per cent. per annum
	(x)	Minimum Rate of Interest:	[•] per cent. per annum
	(xi)	Maximum Rate of Interest:	[•] per cent. per annum
	(xii)	Day Count Fraction:	[•]
	(xiii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
	(xiv)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*).]
18.	Zero Coupon Note Provisions:		[Applicable/Not Applicable]
	Amortisation Yield:		[•] per cent. per annum

Provisions relating to Redemption

19.	Call Option		[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount:	[•] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[•] per Calculation Amount
		(b) Maximum Redemption Amount:	[•] per Calculation Amount
	(iv)	Notice period:	[•]
20.	General Put Option:		[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii)	Notice period:	[•]
21.	Change of Control Put Option:		[Applicable/Not Applicable]
	(i)	Redemption Date:	[•]

	(ii)	Change of Control Redemption Amount:	[•] per Calculation Amount
	(iii)	Put Period:	[•]
22.	Amortising Notes:		[Applicable/Not Applicable]
	Amortisation Dates:		Amortisation Amounts of each Note:
	[•]		[•] per Calculation Amount
	[•]		[•] per Calculation Amount
	[•]		[•] per Calculation Amount
23.	Final Redemption Amount of each Note:		[[•] per Calculation Amount][See paragraph 22 above]
24.	Early Redemption Amount:		[•] per Calculation Amounts

General Provisions Applicable to the Notes

25.	Form of Notes:		Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]. [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] Registered Notes: [Global Note Certificate exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Global Note Certificate]
26.	Financial Centre(s) or other special provisions relating to payment dates:		[Not Applicable]/[[•]]
27.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):		[Yes]/[No]
28.	Commercial Paper Regulations		[Not Applicable]/[Applicable – see Part B (Other Information) to this Pricing Supplement]

Distribution

29.	(i)	If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
30.	If non-syndicated, name of Dealer:		[Not Applicable/*give name*]

31.	U.S. Selling Restrictions:	[Reg S Compliance Category for all Notes: TEFRA C/TEFRA D for Bearer Notes]
32.	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared in the EEA, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified*.)
33.	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified*.)
34.	Prohibition of Sales to Belgian Consumers:	[Applicable/Not Applicable] (*N.B. advice should be taken from Belgian counsel before disapplying this selling restriction*)

[Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement. [[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading].]

Signed on behalf of the Issuer:

By:

Duly authorised

By:

Duly authorised

Part B: Other Information

1.	**Listing and Admission to Trading**	
	(i) Listing and admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's International Securities Market with effect from [•]] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's International Securities Market with effect from [•]] [Not Applicable.]
	(ii) Estimate of total expenses related to admission to trading:	[•]
2.	**Ratings**	
	Ratings:	The Notes to be issued [have been] [are expected to be] rated: Standard & Poor's: [•] Moody's: [•] [*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]
3.	**[Interests of Natural and Legal Persons involved in the [Issue/Offer]**	

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and their affiliates in the ordinary course of business]

4.	**[Reasons for the Offer, Estimated Net Proceeds and Total Expenses]**	
	[(i)] Reasons for the offer:	See "*Use of Proceeds*" in the Base Listing Particulars / *Give details*] (*See "Use of Proceeds" wording in the Base Listing Particulars – if reasons for offer differ from what is disclosed in the Base Listing Particulars, give details.*)
	[(ii)] Estimated net proceeds:	[•]
	[(iii)] Estimated total expenses:	[•]]
5.	**[Fixed Rate Notes only - YIELD**	
	Indication of yield:	[•]
6.	**Disclosures required under the Commercial Paper Regulations paragraphs – 3(5)(a) to 3(5)(j)**	
	Aggregate amount of Commercial Paper (as defined in the Commercial Paper Regulations) issued by the Issuer prior to the Issue Date:	[•]

To the best of the Issuer's knowledge and belief, the Issuer estimates that it will issue during the Issuer's current financial year Commercial Paper (as defined in the Commercial Paper Regulations) in the following aggregate amount (excluding this Tranche of Notes):	[•]

7. **Operational Information**

ISIN:	[•]
CFI:	[[•] [See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
FISN:	[[•] [See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
Common Code:	[•]
CUSIP Number:	[•]
Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking S.A. and/or DTC and the relevant identification number(s):	[Not Applicable/give name(s) and number(s) [and address(es)]]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying and Transfer Agent(s):	[•]
Names and addresses of additional Paying and Transfer Agent(s) (if any):	[•]

Annex A to the Pricing Supplement

COMMERCIAL PAPER REGULATIONS UNDER THE SOUTH AFRICAN BANKS ACT

DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS PUBLISHED UNDER THE SOUTH AFRICAN BANKS ACT, 1990, AS AMENDED, IN RELATION TO THIS ISSUE OF NOTES

The Issuer is required to make the disclosure set out below pursuant to paragraph 3(5) of the exemption notice published in terms of the South African Banks Act, 1990 (the "**Banks Act**") under Government Notice 2172 in Government Gazette 16167 of 14 December 1994 (the "**Commercial Paper Regulations**") exempting the designation of certain activities from falling within the meaning of "the business of a bank" (as that term is defined in the Banks Act).

1. **Paragraph 3(5)(a)**

   The "*ultimate borrower*" (as defined in the Commercial Paper Regulations) is the Issuer.

2. **Paragraph 3(5)(b)**

   The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.

3. **Paragraph 3(5)(c)**

   The auditor of the Issuer is The Auditor General of South Africa.

4. **Paragraph 3(5)(d)**

   As at the date of this Pricing Supplement (but excluding this issue):

   (a) the Issuer [has nil Commercial Paper (as defined in the Commercial Paper Regulations) in issue]/[the Issuer has issued ZAR[•],000,000,000 Commercial Paper (excluding this issue and each other issuance of Notes, issuing on the same Issue Date) (as defined in the Commercial Paper Regulations)]; and

   (b) the Issuer estimates that it will issue [nil additional Commercial Paper]/[ZAR[•],000,000,000 Commercial Paper (excluding this issue and each other issuance of Notes, issuing on the same Issue Date)] during the remainder of the current financial year, ending [31 March 2023].

5. **Paragraph 3(5)(e)**

   All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the Notes is contained in this Pricing Supplement and the Base Listing Particulars.

6. **Paragraph 3(5)(f)**

   As at the date of this Pricing Supplement, there has been no material adverse change in the Issuer's financial position since the date of its last audited annual financial statements.

7. **Paragraph 3(5)(g)**

   The Notes issued will be listed.

8. **Paragraph 3(5)(h)**

   The funds to be raised through the issue of the Notes are to be used by the Issuer for its general corporate purposes

9. **Paragraph 3(5)(i)**

   The obligations of the Issuer in respect of the Notes are unsecured.

10. **Paragraph 3(5)(j)**

    The Auditor General of South Africa, the statutory auditor of the Issuer, has confirmed that their review did not reveal anything that indicates that this issue of Notes issued under this Pricing Supplement does not comply in all respects with the Commercial Paper Regulations.

GENERAL INFORMATION

1. **Listing:** It is expected that each Tranche of the Notes which is to be admitted to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Bond or Certificates in respect of each Tranche. Application has been made to the London Stock Exchange for such Notes to be admitted to trading on the Market. The admission to trading of the Programme in respect of the Notes is expected to be granted on or about 26 January 2023.

2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue of the Notes and the performance of its obligations under the Notes.

3. **Significant/Material Change:** There has been no material adverse change in the prospects of the Issuer or the Issuer and its subsidiaries (taken as a whole) since 31 March 2022.

   There has been no significant change in the financial or trading position of the Issuer or the Issuer and its subsidiaries (taken as a whole) since 30 September 2022.

4. **Yields:** The yield for any particular Tranche of Notes will be specified in the applicable Pricing Supplement and will be calculated at the Issue Date on the basis of the Issue Price. The applicable Pricing Supplement in respect of any Floating Rate Bonds will not include any indication of yield. The yield specified in the applicable Pricing Supplement in respect of a Tranche of Note will not be an indication of future yield.

5. **Legal and Arbitration Proceedings:** Other than as disclosed herein under "*Business—Compliance and Governance Matters*" and "*Business—Litigation and Other Proceedings*", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the recent past, during the twelve months preceding the date of this Base Listing Particulars, a significant effect on the financial position or profitability of the Issuer or the Group.

6. **Clearing Systems:** The Notes have been accepted for clearance through the Euroclear, Clearstream, Luxembourg and/or DTC systems (which are the entities in charge of keeping the records). The appropriate Common Code, the ISIN and/or the CUSIP Number (and, where applicable, the identification number, together with any further appropriate information, for any other relevant clearing system) for each Series of Notes will be specified in the relevant Pricing Supplement.

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855 Luxembourg. The address of the DTC is 55 Water Street, New York, NY 10041. The address of any Alternative Clearing System will be specified in the relevant Pricing Supplement.

7. **Bearer Notes:** Each Bearer Note with an original maturity of more than one year issued in compliance with the D Rules, Coupon and Talon will bear the following legend:

   "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code of 1986, as amended".

8. **Issue Price:** The issue price and the amount of the relevant Notes to be issued under the Programme will be determined, before filing of the relevant Pricing Supplement of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

9. **Documents Available:** For a period of 12 months following the date of this Base Listing Particulars, copies of the following documents will, when published in accordance with the ISM Rulebook, be available for inspection from https://www.transnet.net/InvestorRelations/Pages/GMTN.aspx:

   (i) the Agency Agreement (which includes the form of the Notes, Coupons, Talons and Certificates);

   (ii) the Deed of Covenant;

   (iii) the MoI of the Issuer;

(iv) a copy of this Base Listing Particulars together with any Supplement to this Base Listing Particulars or further Base Listing Particulars; and

(v) the most recently prepared memorandum containing the disclosure requirements of the Commercial Paper Regulations published in Government Notice 2172 in Government Gazette 16167 of 14 December 1994 under section 90 of the South African Banks Act, 1990, as amended to the extent they are applicable.

10. **Financial Statements:** Copies of the Issuer's Consolidated Annual Financial Statements may be obtained, and copies of the Agency Agreement will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

11. **Auditors:** The Consolidated Annual Financial Statements of the Issuer have been audited without qualification (other than the qualification with respect to irregular expenditure and losses through criminal conduct in note 39 and note 42 to the Consolidated Financial Statements of the Issuer for the years ended 31 March 2020 and 31 March 2021, respectively) for the (i) year ended 31 March 2020 by SizweNtsalubaGobodo Grant Thornton, independent auditors, 20 Morris Street East, Woodmead, 2191, Johannesburg, the Republic of South Africa; and (ii) years ended 31 March 2021 and 2022 by the Auditor-General of South Africa, independent auditors, 4 Daventry Street, Lynwood Bridge Office Park, Lynnwood Manor, Pretoria, the Republic of South Africa. Each of SizweNtsalubaGobodo Grant Thornton and the Auditor-General of South Africa have given, and not withdrawn, their written consent to the inclusion of their auditors' reports in this Base Listing Particulars in the form and context in which it is included. Each of SizweNtsalubaGobodo Grant Thornton and the Auditor-General of South Africa have authorised the contents of their auditors' reports referred to above as part of this Base Listing Particulars. Each of SizweNtsalubaGobodo Grant Thornton and the Auditor-General of South Africa accept responsibility, as applicable, for the auditors' reports contained in this Base Listing Particulars. To the best of the knowledge and belief of each of SizweNtsalubaGobodo Grant Thornton and the Auditor-General of South Africa (who have taken all reasonable care to ensure that such is the case) the information contained in the auditors' reports, as applicable, is in accordance with the facts and contains no omission likely to affect their import. A written consent under the Prospectus Rules is different from a consent filed with the U.S. Securities and Exchange Commission under Section 7 of the Securities Act. As the Notes have not and will not be registered under the Securities Act, neither SizweNtsalubaGobodo Grant Thornton nor the Auditor-General of South Africa have filed a consent under Section 7 of the Securities Act.

12. **Registration Number and Telephone Number:** Transnet SOC Ltd's registration number is 1990 /000900/ 30. Transnet SOC Ltd's telephone number is +27 11 308 2600.

13. **Dealers transacting with the Issuer:** Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Issuer, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of the Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GLOSSARY

The definitions set out below apply throughout this Base Listing Particulars unless the context requires otherwise. A reference in this glossary to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

"**1064 Locomotive Programme**"	Transnet Freight Rail's programme to purchase 1,064 locomotives, with contracts awarded in March 2017;
"**AEL**"	a licence that, pursuant to the South African National Environmental Management: Air Quality Act, 2004, as amended, is issued by the relevant atmospheric emission licensing authority;
"**Affiliates**"	in respect of any Dealer, is as defined under Rule 501(b) of Regulation D of the U.S. Securities Act 1933, as amended;
"**AGM**"	the annual general meeting of Transnet;
"**Alternative Clearing System**"	any clearing system other than Euroclear or Clearstream, Luxembourg;
"**Amended Guidelines**"	the Amendment to the Guidelines for Monitoring and Approving Piped-Gas Transmission and Storage Tariffs published by the NERSA;
"**Annual Work Plans**"	guidance setting out areas for consideration or focus each financial year for each of the Board Committees based on their respective mandates;
"**Arrangers**"	Absa Bank Limited, J.P. Morgan Securities plc and The Standard Bank of South Africa Limited;
"**Australian Dollars**" **or** "**AUD**"	the lawful currency of Australia;
"**Authorised Dealers**"	"authorised dealers" which are approved by the SARB as authorised dealers in foreign currency and which assist the Exchange Control Authorities with the monitoring and enforcement of the Exchange Control Regulations;
"**Avtur**"	aviation turbine fuel;
"**Banking Act**"	Legislative Decree, No. 385 of 1 September 1993, as amended;
"**Base Listing Particulars**"	the base listing particulars attached to this electronic transmission;
"**BBBEE**"	broad based black economic empowerment;
"**Bearer Notes**"	the Notes of each Series issued in bearer form;
"**Benefit Plan Investor**"	an ERISA Plan or other Plan, or an entity whose underlying assets include the assets of any such ERISA Plan or other Plan;
"**Board**" or "**Board of Directors**"	the board of directors of the Company from time to time;
"**Board Committees**"	collectively, the following Transnet committees: Audit Committee, Remuneration, Social and Ethics Committee, Finance and Investment Committee, Risk Committee, and Corporate Governance and Nominations Committee;
"**Bridge-to-Bond Facility**"	the R12.6 billion bridge-to-bond facility as provided by the Arrangers and Dealers, which was fully drawn on 25 July 2022;
"**British Pounds**", "**Pounds**", "**Sterling**" **or** "**£**"	the lawful currency of the United Kingdom;
"**C Rules**"	the United States Treasury Regulations §1.163-5(c)(2)(i)(c);

"**Cabinet**"	the Cabinet of the Government;
"**Capital Expenditure Programme**"	Transnet's previous capital expenditure programme;
"**Capital Investment Plan**"	Transnet's current capital expenditure programme;
"**Certificate**"	each registered certificate representing Registered Notes;
"**Clearing System Business Day**"	means a day on which each clearing system for which the Global Certificate is being held is open for business;
"**Clearstream, Luxembourg**"	Clearstream Banking S.A.;
"**Code**"	the Internal Revenue Code of 1986, as amended;
"**Common Depositary**"	the common depositary to which Global Notes may be deposited on the issue date;
"**Common Monetary Area**"	the Republics of South Africa and Namibia and the Kingdoms of Eswatini and Lesotho;
"**Companies Act**"	the South African Companies Act, 2008, as amended;
the "**Company**", "**Transnet**" or the "**Issuer**"	Transnet SOC Ltd, a company incorporated in the Republic of South Africa with registration number 1990/000900/30 whose registered office is at 148 Eloff Street, Braamfontein, Johannesburg, 2000;
"**Conditions**"	the terms and conditions of the Notes;
"**CONSOB**"	means the *Commissione Nazionale per le Società e la Borsa*;
"**Consolidated Annual Financial Statements**"	the Group's audited consolidated annual financial statements as at and for Financial Years 2022, 2021 and 2020;
"**Corporate Governance Framework**"	Transnet's Corporate Governance Framework;
"**Corporate Plan**"	the corporate plan submitted by Transnet to the Minister of Finance in the terms of the PFMA;
"COVID-19"	a novel strain of coronavirus (SARS-CoV-2);
"**CPDIs**"	contingent payment debt instruments;
"**CRA Regulation**"	Regulation (EU) No 1060/2009;
"**CSIR**"	the South African Council for Scientific and Industrial Research;
"**Custodian**"	the custodian to which a Rule 144A Global Certificate may be deposited on the relevant issue date;
"**D Rules**"	the United States Treasury Regulations §1.163-5(c)(2)(i)(D);
"**DEA**"	the South African Department of Environmental Affairs;
"**Dealer Agreement**"	the dealer agreement dated on or about 25 January 2023 between the Issuer, the Permanent Dealers and the Arrangers;
"**Deed of Covenant**"	the deed of covenant dated on or around 25 January 2023 governing individual investors' rights against the Issuer;

"**Definitive Notes**"	Definitive Notes, interests in which can be obtained by exchanging interests in Temporary Global Notes;
"**Department of Transport**"	the South African Department of Transport;
"**DIFR**"	the disabling injury frequency rate measuring the number of work-related injury rate that result in fatalities, permanent disability, partial disability or temporary disability per 200,000 employee hours;
"**Director**"	a director of the Company;
"**distributor**"	any person subsequently offering, selling or recommending the Notes;
"**DJP**"	the Durban to Johannesburg Pipeline;
"**DOA Framework**"	the Delegation of Authority Framework approved by the Board of Directors;
"**DMTN Programme**"	Transnet's Domestic Medium Term Note and Commercial Paper Programme;
"**DTC**"	the Depository Trust Company;
"**EEA**"	the European Economic Area;
"**EMTN Programme**"	the U.S.$1.0 billion Euro Medium Term Note Programme established by the Company on 15 April 1998;
"**ERISA**"	the U.S. Employee Retirement Income Security Act, 1974, as amended;
"**ERISA Plans**"	An "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA;
"**ERM Framework**"	the Enterprise Risk Management Framework established by Transnet;
"**Eskom**"	Eskom Holdings SOC Ltd, a company incorporated in the Republic of South Africa with registration number 2002/015527/30 whose registered office is at Megawatt Park, 2 Maxwell Drive, Sunninghill, Gauteng, 2157;
"**EU**"	the European Union, first established by the treaty made at Maastricht on 7 February 1992;
"**EU Benchmarks Regulation**"	Regulation (EU) 2016/1011;
"**Euro**", "**EUR**" **or** "**€**"	the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the treaty establishing the European Community, as amended;
"**Euroclear**"	Euroclear Bank SA/NV;
"**EUWA**"	European Union (Withdrawal) Act 2018, as amended;
"**Exchange Act**"	the United States Securities Exchange Act of 1934, as amended;
"**Exchange Control Authorities**"	the Financial Surveillance Department of the SARB;
"**Exchange Control Regulations**"	the Exchange Control Regulations, 1961 promulgated pursuant to the South African Currency and Exchange Act, 1933, as amended;
"**FATCA**"	Sections 1471 through 1474 of the Code;
"**FCA**"	the Financial Conduct Authority of the United Kingdom;

"**FIEA**"	the Financial Instruments and Exchange Act of Japan, No. 25 of 1948, as amended;
"**Pricing Supplement**"	the relevant Pricing Supplement in respect of the issue of any Notes;
"**Financial Period**"	a Financial Year of the Company or the first financial half of a given year;
"**Financial Services Act**"	Legislative Decree, No. 58 of 24 February 1998, as amended;
"**Financial Year**"	the financial year of the Company ended 31 March of the relevant year;
"**Fitch**"	Fitch Ratings Inc.;
"**foreign currency Registered Notes**"	Registered Notes that are denominated in a specified currency other than the U.S. Dollar or the payments of interest or principal on which are payable in a currency other than the U.S. Dollar;
"**FRMP**"	the Board-approved Financial Risk Management Policy;
"**FSMA**"	the Financial Services and Markets Act 2000, as amended;
"**GCE**"	Transnet's Group Chief Executive;
"**GDP**"	the Republic of South Africa's real gross domestic product;
"**GFA Agreement**"	the grant funding agreement concluded between Transnet and the Department of Energy in 2010 which provides for a grant of R4.5 billion for the construction of the NMPP;
"**GIC**"	the Group Investment Committee;
"**Global Certificates**"	the Rule 144A Global Certificate together with the Regulation S Global Certificate;
"**Global Notes**"	the Permanent Global Notes together with the Temporary Global Notes;
"**Government**"	the Government of the Republic of South Africa;
"**Group**"	the Issuer, its Operating Divisions and its subsidiaries;
"**GT**"	gross tonnage;
"**GTK**"	gross tonne kilometres, a unit of measurement of the total gross weight (in metric tonnes) of freight loaded and empty active wagons multiplied by the distance (in kilometres) travelled by the freight locomotives;
"**IAS**"	International Accounting Standard;
"**IASB**"	International Accounting Standards Board;
"**ICM**"	the South African National Environmental Management: Integrated Coastal Management Act, 2008, as amended;
"**ICT**"	information communication and technology;
"**IFRS**"	International Financial Reporting Standards;
"**Income Tax Act**"	the South African Income Tax Act, 1962, as amended;
"**Insolvency Act**"	the South African Insolvency Act, 1936, as amended;
"**Interest**"	"interest" as defined in section 24J of the Income Tax Act;

"**International Arbitration Act**"	the South African International Arbitration Act, 2017, as amended;
"**Investor's Currency**"	a currency or currency unit of an investor's financial activities;
"IRERC"	The Interim Rail Economic Regulatory Capacity;
"**IRS**"	the Internal Revenue Service;
"**ISO**"	the International Organisation for Standardisation;
"**ISO 14001 Standard**"	the ISO standard that specifies requirements for an effective environmental management system;
"**ISPS Code**"	the International Ship and Port Facility Security Code;
"**Japanese Yen**", "**Yen**", "**JPY**" **or** "**¥**"	the lawful currency of Japan;
"**JSE**"	JSE Limited, a company incorporated in the Republic of South Africa with registration number 2005/022939/06 and licenced as an exchange in terms of the South African Financial Markets Act, 2012, as amended;
"**King IV**"	the South African Code of Corporate Practices and Conduct as set out in the King IV Report on Corporate Governance for South Africa, 2016;
"**km**"	kilometre;
"**Legal Succession Act**"	the South African Legal Succession to the South African Transport Services Act, 1989, as amended;
"**London Stock Exchange**"	London Stock Exchange plc or its successor(s);
"**LTIFR**"	the lost time injury frequency rate, the number of recorded LTIs over 12 months x 200,000, divided by total hours worked by all employees during the calendar year;
"**LTIs**"	lost time injuries, any workplace injury sustained by an employee while on the job that prevents them from being able to perform their job for at least one day/shift;
"**m**"	metre;
"**Market**"	the London Stock Exchange's International Securities Market;
"**MiFID II**"	Directive 2014/65/EU;
"**MiFID Product Governance Rules**"	the MiFID Product Governance rules under EU Delegated Directive 2017/593;
"**ml.km**"	million litre kilometres;
"**MoI**"	the Memorandum of Incorporation of Transnet;
"**Moody's**"	Moody's Investors Service Ltd;
"**mt**"	Metric million tonne;
"**mtpa**"	metric million tonne per annum;
"**MTSF**"	Medium-Term Strategic Framework of the Government;
"**National Treasury**"	the National Treasury of the Republic of South Africa;

"**NDP 2030**"	the Government's National Development Plan 2030;
"**NEMA**"	the South African National Environmental Management Act, 1998, as amended;
"**NERSA**"	the regulatory authority known as the "National Energy Regulator of South Africa" established as a juristic person in terms of section 3 of the South African National Energy Regulation Act, 2004, as amended;
"**NMPP**"	the New Multi-Purpose Pipeline of Transnet Pipelines;
"Non-Resident"	for purposes of the Income Tax Act, a person who or which is not a Resident;
"**Notes**"	the medium term notes issued under the Programme;
"**Noteholder**"	the holders of the Notes;
"**OEM**"	original equipment manufacturer;
"**Official List**"	the list maintained by the FCA in accordance with section 74(1) of FSMA for the purposes of Part VI of FSMA;
"**OID**"	original issue discount; for U.S. federal income tax purposes;
"**OID Registered Note**"	a Registered Note that has an "issue price" that is less than its "stated redemption price at maturity";
"**Old Companies Act**"	the (now repealed) South African Companies Act, 1973, as amended;
"**Other Division**"	includes Transnet Property, Transnet Group Capital (where applicable), Transnet Corporate Centre, and Transnet Foundation;
"**Permanent Dealers**"	the persons listed as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated;
"**Permanent Global Note**"	a permanent global note, an interest in which can generally be obtained by exchanging an interest in a Temporary Global Note;
"**Petroleum Pipelines Act**"	the South African Petroleum Pipelines Act, 2003, as amended;
"**PFMA**"	the South African Public Finance Management Act, 1999, as amended;
"**Plan**"	a "plan" defined in and subject to section 4975 of the Code and ERISA Plans together;
"**Ports Act**"	the South African National Ports Act, 2005, as amended;
"**Ports Regulator**"	the Ports Regulator established by section 29 of the Ports Act;
"**PRASA"**	the corporation known as the "Passenger Rail Agency of South Africa" established as a legal person in terms of section 22 of the Legal Succession Act;
"**President**"	the President of the Republic of South Africa;
"**PRIIPs Regulation**"	Regulation (EU) No 1286/2014;
"**Programme**"	the Global Medium Term Note Programme described in this Base Listing Particulars;
"**Programme Notes**"	the several series of notes issued pursuant to the establishment of the DMTN Programme;

"**Prospectus Regulation**"	Regulation (EU) 2017/1129;
"**Protection of Businesses Act**"	the South African Protection of Businesses Act, 1978, as amended;
"**PSP**"	private sector participation;
"**QSI**"	qualified stated interest;
"**Qualified Institutional Buyer**" or "**QIB**"	a Qualified Institutional Buyer, as defined in Rule 144A under the Securities Act;
"**Railway Safety Regulator**"	the Railway Safety Regulator of South Africa;
"**RBCT**"	the Richards Bay Coal Terminal;
"**Recognition Agreement**"	the collective agreement that provides the framework for engagement, consultation, negotiation and shop steward governance with Transnet's recognised unions;
"**Record Date**"	the Clearing System Business Day before the due date for such payment;
"**Registered Notes**"	the Notes of each Tranche to be issued in registered form;
"**Regulation No. 11971**"	CONSOB Regulation, No. 11971 of 14 May 1999, as amended;
"**Regulation S**"	Regulation S under the Securities Act;
"**Regulation S Global Certificate**"	the permanent registered global certificate representing Registered Notes which are sold in an "offshore transaction" within the meaning of Regulation S;
"**Resident**"	a "Resident" as defined in section 1 of the Income Tax Act;
"**Rule 144A**"	Rule 144A under the Securities Act;
"**Rule 144A Global Certificate**"	the permanent registered global certificate representing Rule 144A Notes;
"**Rule 144A Notes**"	registered Notes which are sold in the United States to QIBs within the meaning of Rule 144A;
"**SAP**"	SAP SE, a German software company;
"**SAPS**"	the South African Police Service;
"**SARB**"	the South African Reserve Bank;
"**SARS**"	the South African Revenue Services;
"**SDGs**"	The Sustainable Development Goals;
"**Securities Act**"	the United States Securities Act of 1933, as amended;
"**Securities Transfer Tax Act**"	the South African Securities Transfer Tax Act, 2007, as amended;
"**Series**"	series of Notes having one or more issue dates and on terms otherwise identical, in which the Notes will be issued;
"**Shareholder**"	the Government in its capacity as the sole shareholder of Transnet;
"**Shareholder's Compact**"	the shareholder's agreement entered into, on an annual basis, between Transnet and the Government, represented by the Shareholder Representative;

"**Shareholder Representative**"	the Minister of Public Enterprises, in their capacity as representative of the Government as Shareholder;
"**short-term Registered Note**"	a short-term Registered Note;
"**Similar Law**"	any federal, state, local, non-U.S. or other laws, rules or regulations that are substantially similar to the prohibited transactions provisions of Section 406 of ERISA or Section 4975 of the Code;
"**SOE**"	state-owned enterprise;
"**South Africa**"	the Republic of South Africa;
"**South African Rand**", "**Rand**", "**R**" **or** "**ZAR**"	the lawful currency of the Republic of South Africa;
"**Specified Currency**"	the currency specified as such in the terms or conditions of the Notes or, if none is specified, the currency in which the Notes are denominated;
"**Specified Denomination**"	the minimum specified domination of the Notes;
"**Stabilisation Manager(s)**"	the Dealer or Dealers (if any) named as the stabilisation manager(s) in the relevant Pricing Supplement;
"**Standard & Poor's**"	Standard & Poor's Credit Market Services Europe Limited;
"**StatsSA**"	Statistics South Africa;
"**STER Bill**"	the South African Single Transport Economic Regulation Bill, 2015;
"**SWH**"	Ship Working Hour;
"**T+3**"	the period of three business days within which trades in the United States secondary market are generally required to settle;
"**TEFRA**"	the United States Tax Equity And Fiscal Responsibility Act of 1982, as amended;
"**Temporary Global Note**"	the temporary global note in bearer form without interest coupons, representing Bearer Notes;
"**TEU**"	twenty-foot equivalent unit, an inexact unit of cargo capacity used to describe the capacity of container ships and terminals;
"**TIH**"	Transnet International Holdings SOC Limited, a company incorporated in the Republic of South Africa with registration number 2017/388315/30 whose registered office is at 148 Eloff Street, Braamfontein, Johannesburg, 2000;
"**TNPA corporatisation**"	the reorganisation of Transnet National Ports Authority into a separate corporate entity, wholly owned by Transnet SOC Ltd;
"**Tonne kilometre**"	a unit of measurement of the freight transportation performed by a railroad during a given period, the total of which consists of the sum of the products obtained by multiplying the aggregate weight of each shipment in metric tonnes during the given period by the number of kilometres for which it is carried;
"**TPL corporatisation**"	the reorganisation of Transnet Pipelines into a separate corporate entity;
"**Tranche**"	a tranche of notes, one or more of which are comprised within a Series;
"**Transnet Engineering**"	the Engineering core business Operating Division of Transnet;

"**Transnet Freight Rail**"	the Freight Rail core business Operating Division of Transnet;
"**Transnet National Ports Authority**"	the National Ports Authority core business Operating Division of Transnet;
"**Transnet Pipelines**"	the Pipelines core business Operating Division of Transnet;
"**Transnet Port Terminals**"	the Port Terminals core business Operating Division of Transnet;
"**Transnet Property**"	the Property core business of Transnet;
"**U.S.**"	the United States;
"**U.S. Dollar**", "**$**", "**USD**" **or** "**U.S.$**"	the lawful currency of the United States;
"**U.S. holder**"	a beneficial owner of a note that is (i) a citizen or individual resident of the United States for U.S. federal income tax purposes, (ii) a corporation or other business entity treated as a corporation organised in or under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source;
"**UK Benchmarks Regulation**"	Regulation (EU) No. 2016/1011 as it forms part of UK domestic law by virtue of the EUWA;
"**UK CRA Regulation**"	Regulation (EU) 1060/2009 as it forms part of UK domestic law by virtue of the EUWA;
"**UK MiFIR**"	Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of UK domestic law by virtue of the EUWA;
"**UK MiFIR Product Governance Rules**"	The UK MiFIR Product Governance rules under the FCA Handbook Product Intervention and Product Governance Sourcebook;
"**UK PRIIPs Regulation**"	Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA;
"**UK Prospectus Regulation**"	Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA;
"**Value-Added Tax Act**"	the South African Value-Added Tax Act, 1991, as amended;
"**VaR**"	value at risk;
"**VAT**"	value added tax imposed in terms of the Value-Added Tax Act;
"**Vol**"	volume; and
"**White Paper**"	the White Paper on National Rail Policy, 2017 published by the Department of Transport;
"**Withholding Tax**"	a withholding tax on Interest paid to non-Residents, as contemplated in the Income Tax Act.

ISSUER

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138 Eloff Street
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The Republic of South Africa

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United Kingdom

PAYING AGENT AND TRANSFER AGENT

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To the Issuer

For the year ended 31 March 2020

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For the years ended 31 March 2021 and 2022

Auditor-General of South Africa
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