

Dear Sam Sole,

Transnet has noted with concern misleading reports intended to cast doubt on the integrity of the company's governance processes followed in the awarding and payment for services rendered by our suppliers.

It is regrettable that you have consistently pursued this line of thought despite our previous responses in this regard. We realise that our responses will always fall short of your preconceived ideas on how Transnet conducts its business. However, as a responsible company, Transnet still feels obliged to provide you with accurate information despite your heavy reliance on your so called "hard evidence, including documents and sources".

While we respect the role of the media as a key player in society, we also expect it to conduct itself with fairness and integrity.

Transnet has not previously challenged the false and sensationalistic allegations published but it will take steps going forward to protect its reputation.

Any reliance on our statement in any way must be quoted in the correct context with no deviation, omission or distortion. We trust that you will publish a balanced and unbiased article.

We are again attempting to provide you with facts on this issue, please find attached Transnet's response.

Thank you for the extension until Monday 12 September 2016 to provide you with a detailed response, if necessary.

TRANSNET STATEMENT TO AMABHUNGANE

In 2012, Transnet launched its Market Demand Strategy(MDS) to expand South Africa's rail, port and pipeline infrastructure, thereby increasing the country's transport capacity. The MDS is designed to make Transnet a catalyst of South Africa's economic growth and a major freight logistics service provider. As part of the programme Transnet awarded a R50 billion contract for the building of 1064 locomotives to four global original equipment manufacturers (OEMs) in March 2014.

The award has stringent local content, skills development and training commitments as dictated by the Supplier Development Programme.

In awarding the locomotive transaction, Transnet identified the need to appoint transaction advisors to ensure that the programme was undertaken

prudently with the requisite expertise for a transaction of this complexity and magnitude.

Following procurement processes approved by the appropriate delegated authority and in line with our policies and procedures, a contract for transaction advisory services was awarded to a consortium led by Mckinsey. In making this award, we paid significant attention to ensuring that there was no conflict of interest that could later derail and delay the process.

The initial scope of the transaction advisory work included advising on deal structuring, financing and funding options to minimise risk for Transnet.

The scope of work was later extended to include execution of the funding strategy. This was driven by an urgent need to respond to the tight delivery period and manage the impact on Transnet's balance sheet and funding.

Regiments was appointed to the transaction advisory consortium on the basis that it was a supplier development partner to McKinsey, which Mckinsey had chosen, in respect of other work at Transnet and the potential for further enhancing the benefits of their supplier development relationship.

Transnet awarded a separate contract to Regiments for the provision of various professional support services. The contract was awarded in line with our approved procurement policies and procedures.

Regiments subsequently informed Transnet that it was in a process of restructuring its shareholding and that, as a result thereof, an integral part of the Regiments Advisory Business unit, assets, staff and certain contracts would be assigned ultimately to Trillian Capital Partners. Regiments also authorised Trillian to execute the work and services relating to the contract on its behalf. Transnet considered and accepted the request in line with its clearly defined governance processes, including seeking approval through various levels of management, governance structures and committees of the Board, where required.

Transnet is satisfied that the transaction advisory and execution support has delivered significant and measurable benefits to Transnet in terms of speed of business case approval and contract negotiation, transparency of processes, cash flow management, significant savings related to the cost of funding and mitigating financing cost risk.

Further, in terms of these processes, all service providers in this transaction were paid for services rendered after we had satisfied ourselves that all obligations were fulfilled in terms of agreed contractual scope and that the

required deliverables and associated benefits were received. We have sufficient checks and balances to ensure we derive value from all contracts.

Regarding the use of consultants, Transnet assesses its need for specialised services on an ongoing basis and we award work to external parties based on these assessments, ensuring that there is no conflict of interest with Transnet employees. The grounds for utilising external service providers may range from level of expertise/skills required, to capacity to execute etc. This is also enshrined within the Transnet procurement processes which also prescribe the appropriate delegations or approval requirements for such engagements.

All queries related to the ownership of our suppliers and any third parties should be raised with them directly.

Any evidence of wrongdoing by Transnet (we are confident that there is none), should be reported to the relevant authorities and brought to the attention of our board of directors.

Transnet is willing to co-operate with any authority or investigative organisation where necessary.

Issued on behalf of Transnet SOC Ltd

By: Molatwane Likhetho, spokesperson

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