



TRANSNET



REINVENT FOR GROWTH

UNABRIDGED GOVERNANCE REPORT **2023**

CONTENTS

INTRODUCTION	1
EXECUTIVE SUMMARY	2
LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP	2
STRATEGY, PERFORMANCE AND REPORTING	3
GOVERNANCE STRUCTURES AND DELEGATION	4
GOVERNANCE FUNCTIONAL AREAS	8
EFFECTIVE MEETINGS	12
THE BOARD OF DIRECTORS	13
BOARD COMMITTEES	13

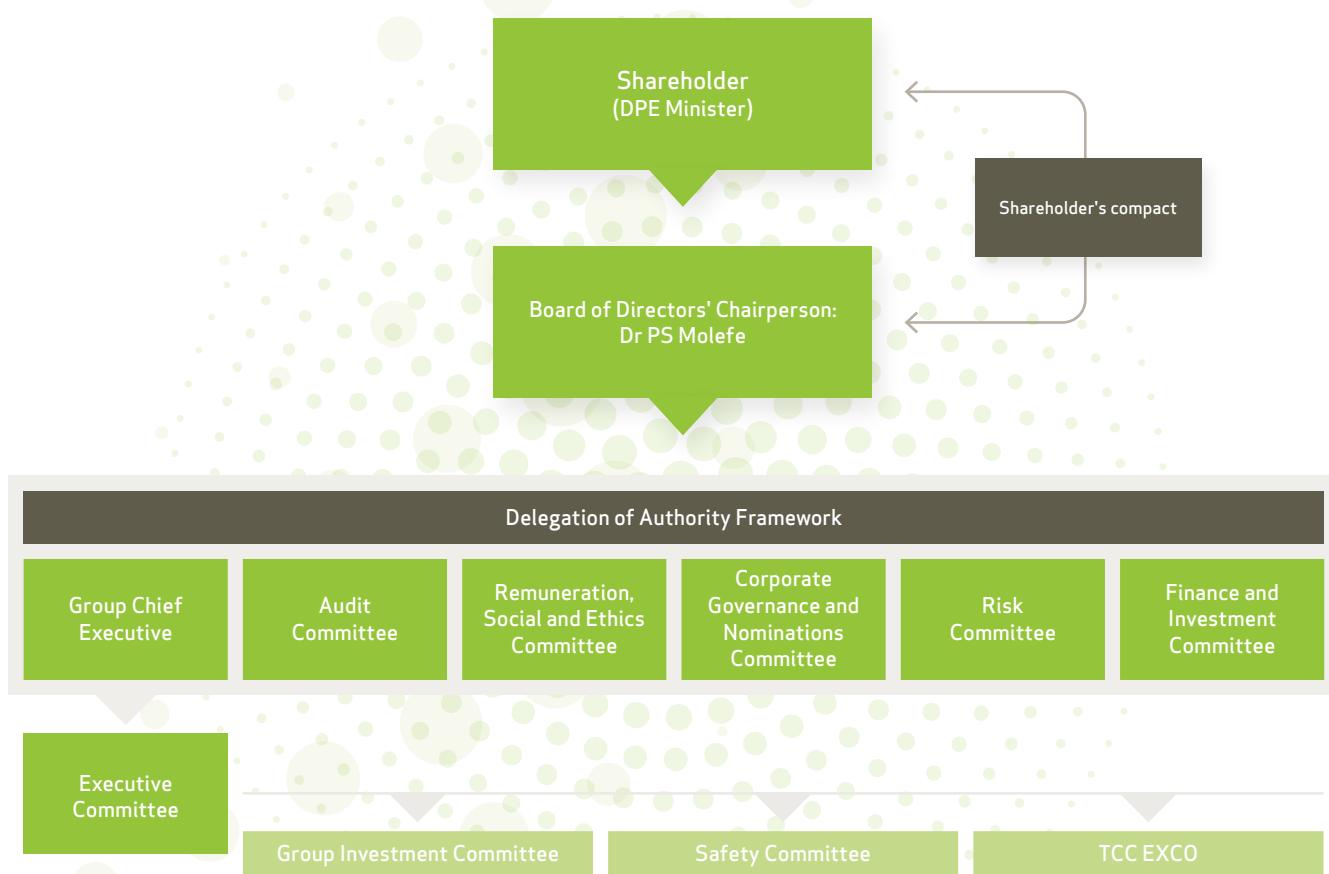
**REINVENT
FOR GROWTH**





INTRODUCTION

Transnet SOC Ltd ("The Company") has adopted the principles espoused in the King IV Report on Corporate Governance for South Africa, 2016 ("King IV"), in conjunction with the regulatory provisions, to achieve the overarching outcomes of sound governance, namely an ethical culture, good performance, effective control as well as transparent operational and social legitimacy. This Governance Report outlines, in detail, the application of King IV as recommended in the principles.





EXECUTIVE SUMMARY

The Board of Directors ("the Board") of the Company as the Accounting Authority, reports to the Minister of Public Enterprises, who also serves as the Executive Authority and Shareholder Representative of the Company on behalf of the government of the Republic of South Africa, as the Shareholder. The Shareholder is represented in accordance with the provisions of the Public Finance Management Act, No. 1 of 1999, as amended ("PFMA"), and the Companies Act, No. 71 of 2008, as amended, ("the Companies Act").

A new Board was appointed on a three-year term with effect from 12 July 2023 to 11 July 2026. The appointment of the new Board is aimed at enhancing Board performance in propelling the strategy of the Company and its role as an essential component in the South African freight and logistics industry.

The Board plays an oversight role over the execution of the Company's strategy and monitors delivery of operational and commercial objectives while meeting regulatory obligations. In executing the above, the Board ensures the Company's long-term financial, socio-economic, and environmental sustainability, while balancing the interests of stakeholders.

The Company concludes a Shareholder's Compact outlining key performance measures and indicators with the Shareholder Representative annually. The Board oversees and monitors the performance of the Company against the above targets and ensures sound budget planning and allocation to advance the mandate of the Company. The Board approves an annual Corporate Plan and monitors it to ensure the implementation of the Company's key objectives and the effective utilisation of resources.

The Company is the Shareholder of two wholly-owned subsidiaries, namely Transnet International Holdings SOC Ltd, incorporated on 29 August 2017 and Transnet National Ports Authority SOC Ltd, which is currently being considered for corporatisation in line with the National Ports Act, No. 12 of 2005.

The Board is satisfied that the Non-Executive Directors of the Company who are independent, in accordance with Principle 7 of King IV have delivered on the Company's mandate and fulfilled its fiduciary responsibilities for the year under review.

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

Principle 1: The Accounting Authority should govern ethically and effectively.

Declaration of Interest (DOI) Process

The company has policies on Declaration of Interest and Related Party Disclosures for Directors and Employees in place that govern the management of conflicts and/or related party disclosures. All Directors and Employees, (including consultants and fixed term contractors) are required to declare their interests annually or as and when there are changes in their interests in accordance with these policies. The reports of the declarations of interest for Directors and Prescribed Officers are presented to the Board for consideration prior to presentation at the Annual General Meeting ("AGM") on recommendation of the Corporate Governance and Nominations Committee (CorpGov). The Remuneration, Social and Ethics Committee (REMSEC) oversees the declarations of interest of the Prescribed Officers for oversight purposes. The Register of Declaration of Interests for Directors and Prescribed Officers are tabled at the Company's AGM for noting by the Shareholder. Furthermore, the day to day declaration of interest is a standing item on the agenda of all Board and committee meetings, Exco and its sub-committee meetings and all other key meetings where decisions are taken.

Management of Ethics related policies

The Company has policies governing ethics across the company in support of creating and enhancing of an ethical culture, namely, Code of Ethics Commitment statement, No Gifts and Hospitality Policy, Non-Executive Directorship and Trusteeships Policy, Whistle-blowing Policy, Anti-Bribery and Anti-Corruption Policy, Domestic Prominent Influential Persons and Foreign Prominent Public Officials Policy and the Lifestyle Audit Policy. These policies apply to both employees and Directors.

Principle 02 – The Accounting Authority should govern the ethics of the organisation in a way that supports the establishment of an ethical culture

The Remuneration, Social and Ethics Committee

The Committee is responsible for the governance of ethics and ensures that the Company's ethical performance is assessed, monitored, reported and disclosed in the Company's Integrated Report. Social and ethics matters are dealt with by the Remuneration, Social and Ethics Committee.

The Code of Ethics (Code of Ethics Commitments statement)

The Code of Ethics was retired and replaced by the Code of Ethics Commitment statement. The purpose of the Commitment Statement is to affirm the Company's ethical principles and standards of acceptable behaviour. These apply to all Non-Executive Directors, employees, suppliers, service providers, customers and other relevant stakeholders, in fulfilling their responsibilities and obligations to the Company. The Statement also provides for the nomination of ethics ambassadors across the company to ensure buy in and ownership of the ethics programme from employees.

Ethics Management Programme

The Board approved the Lifestyle Audit Policy, which continues to be rolled out across the Company and is applicable to all employees, in support of its ethics management programme. The Board of Directors also participates in the Lifestyle Audit as and when required to set the tone from the top.

The Board has also approved an Ethics Management Programme, led by the Chief Legal Officer in collaboration with the Chief of Security.



Principle 03: The Accounting Authority should ensure that the organisation is and is seen to be a responsible corporation citizen

Corporate Citizenship

The Board complies with all national and international legal requirements and standards and adheres to its own codes and policies when dealing with matters pertaining to conducting the business of the Company. The Company is also a signatory to the UN Global Compact and has Corporate Social Investment (CSI) programmes in place.

The Transnet Foundation is responsible for driving the Company's socio-economic developmental agenda to benefit both communities along its operational footprint nationwide and other beneficiaries. Socio-economic initiatives are managed at the highest level and form part of the Shareholder's Compact targets as approved.

The Company's community investment programmes are underpinned by the commitment to uplifting and empowering communities through health interventions, promoting education and training, enabling effective asset utilisation to providing much needed infrastructure solutions, developing rural sports, deploying employees' skills and competencies to effect positive changes in various communities.

The Environment, Social and Governance (ESG) Report is a standing item at the REMSEC, and the report is tabled on a quarterly basis at the Audit Committee where the various activities related to the ESG strategy are reported on.

The Board monitors Corporate Social Investment ("CSI") activities through REMSEC and reports on its CSI activities annually in the Integrated Report.

STRATEGY, PERFORMANCE AND REPORTING

Principle 04: The Accounting Authority should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process

Corporate Plan

The Company annually prepares the Corporate Plan, which is approved by the Board. The Corporate Plan outlines the Company's strategic objectives, plans, and details the initiatives and associated key performance indicators to be implemented to achieve the Company's strategic objectives.

The Corporate Plan was approved by the Board and submitted to the National Treasury ("NT") and the Department of Public Enterprise ("DPE") as required by the PFMA.

Shareholder's Compact

The Company annually enters into a Shareholder's Compact with the Shareholder Minister. The Shareholder's Compact mandates the Company to deliver on numerous strategic deliverables, a process which is overseen by the Board. The Board monitors the Company's performance against the targets set out in the Shareholder's Compact and ensures that adequate processes and internal controls are in place for budget planning and allocation to effectively advance the Company's mandate.

Company Strategy

The Company reviewed and refined the Transnet Segment Strategies, which was approved by the Board. The Segment Strategies were defined for each of Transnet's key market segments, from which more than 80% of 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. The orientation is to move away from focusing on transport modes towards the performance of customer value chains. Supply chain performance and competitiveness will become the primary unit of analysis for the Company. The implementation of the Segment Strategies has progressed well and is accordingly disclosed in the Company's Corporate Plan.

Board Strategic Session and the Deep Dive

The Board holds Strategy Workshops and Deep Dive sessions where matters of a strategic nature are discussed. Initiatives and recommendations from these sessions are formulated into strategies and plans and then submitted to the Board for consideration to inform the Corporate Plan and Shareholder's Compact.

Risk Identification, Assessment, Evaluation, Monitoring, Reporting and Going concerns

The Company has adopted an Integrated Risk Management Policy, Enterprise Risk Management (ERM) Strategy and Framework as approved by the Board as part of the strategy review.

The Company performs regular risk identification, assessments, evaluation and monitoring, and reports these to the Risk Committee. Material changes in the company's risk profile are escalated to the Board when required.

The Audit Committee regularly assesses the Going Concern Assertion of the Company and makes a statement to that effect in the Company's financial statements after submission to the Board.

Principle 05: The Accounting Authority should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short- medium- and long-term prospects

Integrated Report

The Integrated Report provides information of material significance in creating short, medium and long-term value.

To ensure the integrity of reporting, the Integrated Report is compiled and reviewed by an inter-disciplinary team prior to submission of the relevant sections at the appropriate Board committees for recommendation to the Board for approval. Assurance on accuracy and reliability of financial information and sustainability matters is provided by the External Auditor.

Key governance matters are reported in the Integrated Report by the Board and its Committees in the governance section.



STRATEGY, PERFORMANCE AND REPORTING continued

Annual Financial Statements

The Company issues audited Interim and Annual Financial Statements in line with applicable legislation. The Company also reports on the extent of its compliance with the Companies Act in the Directors' Report in the Annual Financial Statements.

Department of Public Enterprise Quarterly Report

The Board ensures that the Company adheres to all procedures for reporting to the Executive Authority through the submission of quarterly reports as required by the PFMA. In this regard, key decisions taken and governance milestones achieved by the Board and its committees are reported to the Shareholder Minister.

Companies and Intellectual Property Commission Compliance

The Group Company Secretary certifies that the Company has filed all returns and notices for the year end with the Companies and Intellectual Property Commission ("CIPC"), as required in terms of the Companies Act, and that all such returns are true, correct and up to date.

GOVERNANCE STRUCTURES AND DELEGATION

Principle 06: The Accounting Authority should serve as the focal point and custodian of corporate governance in the organisation

The Memorandum of Incorporation ("MOI")

In addition to setting out the rights, duties and responsibilities of the Shareholder, Board and Management, the MOI outlines matters reserved for the various role players' decision. The MOI was reviewed and amended during the year under review to enhance corporate governance practices.

Delegation of Authority (DOA) Policy and Framework

The Company's delegation of powers is entailed in the Board approved DOA Policy and Framework. The DOA Framework, an annexure to the DOA Policy, outlines Board-reserved matters, matters delegated to the various Board committees, the Group Chief Executive and Prescribed Officers. The DOA Framework is reviewed annually or as and when required for adequacy and relevance.

Board of Directors' Meetings

The Board meets at least four times a year. The number of meetings held and attendance thereof, together with decisions taken by the Board and its committees, are reported quarterly to the Shareholder and in the Integrated Report.

The Board is satisfied that it has fulfilled its duties and responsibilities in accordance with its charters for the reporting period.

Annual Review of the Committee Charters

The Charters assist the Board and its committees to deliver and uphold effective governance. The respective committee charters define, amongst others, the roles and responsibilities, composition and standard protocols of the Board and its committees. The charters are regularly reviewed to ensure alignment with the Company's governance instruments of control, regulatory requirements, as well as changing business needs.

Board-approved Policies and Procedures

The Company has Board approved policies and procedures, which provide guidance on day-to-day operations and decision making, ensure compliance with relevant legislation, management of governance related matters and the streamlining of internal processes.

Access to Company Information

The Board has unrestricted access to all Company information, records, documents and property.

Principle 07: The Accounting Authority should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively

The Board should comprise of appropriate knowledge, skills, experience, diversity and independence

The Company's MOI prescribes the minimum number of directors as six (6) and the maximum number as fourteen (14), comprising not less than four (4) Non-Executive Directors. Following the appointment of eight (8) new Non-Executive Directors, reappointment of two (2) and rotation of four (4) Non-Executive Directors, effective 12 July 2023, the Board comprises twelve (12) directors, of whom ten (10) are independent Non-Executive Directors and two (2) Executive Directors of diverse gender and age possessing various skills and experience.

The Non-Executive Directors are:

1. Mr Andile Sangqu (Chairperson)
2. Ms Refilwe Buthelezi
3. Mr Martin Debel
4. Mr Busisa Jiya
5. Ms Lebogang Letsoalo
6. Dr Popo Molefe
7. Prof Fholisani Mufamadi
8. Mr Dipak Patel
9. Ms Boitumelo Sedupane
10. Ms Mosadiwamaretwa Zambane

Executive Directors are:

11. Ms Portia Penelope Joy Derby (Group Chief Executive)
12. Ms Nonkululeko Sylvia Dlamini (Group Chief Financial Officer)



Composition of the Board

The Board of Directors and members of the Audit Committee are appointed by the Shareholder Minister as prescribed by the legislation, the MOI and standards of good practice.

The Board is appointed by the Shareholder on a three-year term, renewable for a maximum of two terms and as confirmed at every AGM. The Executive Directors are appointed in an ex officio capacity.

The Corporate Governance and Nominations Committee compiles the Board skills matrix for consideration by the Shareholder Minister as part of Non-Executive Directors' succession planning and for continuous director development purposes.

The Corporate Governance and Nominations Committee, through the Board of Directors, recommends the appointment of Executive Directors to the Shareholder.

Independent Advisor

The Board has, in accordance with the Company's MOI, appointed Ms Zolisa Zwakala as an independent advisor to the Audit Committee. Ms Zwakala resumed office on 6 July 2023 and shall serve as an independent advisor and attend Committee meetings by invitation.

Ms Zolisa Zwakala is a qualified Chartered Accountant (CA (SA)) and a Certified Internal Auditor (CIA).

Ms Zwakala shall provide guidance and financial skills related support to the Audit Committee and the Board. This will assist the Committee to discharge its mandate effectively and efficiently.

Non-executive Directors' demographics



The Board skills matrix (Excluding Executive Directors)

Directors' strength		
Business and organisational strength:	Oversight strength:	Required skills/Qualifications
<ul style="list-style-type: none"> • Investment • Insurance • Banking • Risk and compliance management • Human resources, people management and industrial relations • Legal • Finance • Accounting and auditing • Procurement • Policy development • Stakeholder relations • Asset management • Business development and marketing • Economic development • Transport and logistics management • Project management • Supply chain management • Taxation • Shared services • Climate change 	<ul style="list-style-type: none"> • Governance • Leadership • Management • Strategy • Organisational development 	<ul style="list-style-type: none"> • Chartered accountant



GOVERNANCE STRUCTURES AND DELEGATION continued

Principle 08: The Accounting Authority should ensure that its arrangements for delegation within its own structures promote independent judgment and assist with the balance of power and effective discharge of its duties

The Board and its committees

The Board of Directors established the Audit Committee and the Remuneration, Social and Ethics Committee as statutory committees in accordance with legislation. The Corporate Governance and Nominations Committee, Risk Committee, Finance as well as the Investment Committee were also established as non-statutory committees of the Board.

The Board is accountable to the Shareholder Minister on all the decisions taken by any Board committee and by any Member of the Board authorised on its behalf. The Board of Directors has fiduciary duties to ensure that the Company complies with all legislative and regulatory requirements, including the provisions of the Companies Act, the PFMA, and the key governance instruments including King IV.

Committee Composition

The Board committees have a minimum of 3 members each as prescribed by the MOI. The respective Board committee charters make provision for the minimum number of members required for each Committee. The table below depicts the composition of each committee as of 1 August 2023:

Statutory Committees:

Audit	Remuneration, Social and Ethics
Chairperson	Chairperson
Ms Refilwe Buthelezi	Prof FS Mufamadi
Mr Martin Debel	Mr Busisa Jiya
Mr Busisa Jiya	Ms Lebogang Letsoalo
Mr Dipak Patel	Ms Boitumelo Sedupane
Ms Boitumelo Sedupane	Ms Mosadiwamaretlw Pearl Zambane

Non-Statutory Committees:

Corporate Governance and Nominations	Risk	Finance and Investment
Chairperson	Chairperson	Chairperson
Mr Andile Sangqu	Ms Mosadiwamaretlw Pearl Zambane	Mr Dipak Patel
Ms Refilwe Buthelezi	Ms Lebogang Letsoalo	Ms Refilwe Buthelezi
Prof Fholisani Mufamadi	Dr Popo Molefe	Mr Martin Debel
Mr Dipak Patel	Mr Dipak Patel	Ms Lebogang Letsoalo
Ms Mosadiwamaretlw Pearl Zambane	Ms Boitumelo Sedupane	Mr Busisa Jiya

Principle 09: The Accounting Authority should ensure that the evaluation of its own performance and that of its own committees, its chair and its individual members, support continued improvement in its performance and effectiveness

Board Performance Evaluation Policy

The approved Board Performance Evaluation Policy, sets out the principles that guide the performance and effectiveness of the Board, Board committees and individual Directors.

Board Performance Evaluation

The Department of Public Enterprises (“DPE”) prescribes that the Board should conduct an annual Board evaluation exercise, which is facilitated by an independent service provider. The evaluation assesses the performance of the Board and its committees. The Board Appraisal score for the 2021/22FY was 4.25 out of 5.

Meeting Assessments

Meeting Assessments are conducted regularly at the Board and committee meetings.



Directors' induction and continuous development

The Group Company Secretary develops an in-house Board Training Plan, to address the training and development needs of the Board and its committees. The Plan focuses on topical, legislative and/or regulatory issues and recommendations from the Independent Board Evaluation Report. Similarly, individual Board members are also encouraged to identify their own areas of interest for their personal training and development.

Directors' induction and continuous development sessions conducted in the 2022/23FY:

Training Topic	Date	Attendee
Governance for NPO's	12 May 2022	1. Ms UN Fikelepi
Digital transformation for Executives	23 May 2022	1. Ms UN Fikelepi
Unpacking Liquidity, Solvency and Going Concern	3 June 2022	1. Ms UN Fikelepi 2. Ms ME Letlape
Programme Level 1 – Workshop for A Company Secretary in A Listed Company	13 June 2022	1. Ms UN Fikelepi
Best Practice guidelines on communication and information flow between Boards, Committees and Management	28 June 2022	1. Ms DC Matshoga 2. Ms ME Letlape
Corporate Governance Lessons	14 July 2022	1. Dr PS Molefe 2. Ms DC Matshoga 3. Ms ME Letlape
The Balance Sheet unpacked	22 July 2022	1. Ms ME Letlape
South African Heavy Haul Association (SAHHA) National Rail Policy Discussion	2 – 4 August 2022	1. Ms GT Ramphaka
The Director's Stress Toolkit	22 August 2022	1. Ms UN Fikelepi
Retrenchment Simplified	2 September 2022	1. Ms GT Ramphaka
A Regulatory Overview of Takeovers, Acquisitions and Disposals	20 October 2022	1. Ms UN Fikelepi
Technology Governance	27 February 2023	1. Ms DC Matshoga 2. Ms UN Fikelepi 3. Dr PS Molefe 4. Ms PPJ Derby 5. Ms NS Dlamini
Mastering Risk Maturity	22 and 23 February	1. Ms UN Fikelepi
Board Performance and Succession Planning – how critical is the process?	24 March 2023	1. Ms DC Matshoga 2. Ms PPJ Derby 3. Ms NS Dlamini

Principle 10: The Accounting Authority should ensure delegation to management to contribute to role clarity and effective exercise of authority and responsibilities

Appointment of the Executive Directors, the Prescribed Officers, and the Group Company Secretary

The Board of Directors recommends preferred candidates for the appointment of the Group Chief Executive to the Shareholder Minister, who makes the appointment. The recruitment of Prescribed Officers is submitted to the Board for noting, with the involvement of the Remuneration, Social and Ethics Committee.

The Chief Audit Executive is appointed by and is accountable to the Audit Committee.

The appointment of the Group Company Secretary is a statutory requirement with the current incumbent having been appointed by the Board effective 01 April 2022.

Evaluation of the Group Company Secretary

The Performance of the Group Company Secretary was evaluated by the Board through the external evaluation process. The Board is satisfied with the performance of the Group Company Secretary.

Delegation to Management

The Board of Directors delegates powers to the Group Chief Executive to manage the business strategically and provide adequate direction to the Company's operations to ensure that the strategy is successfully implemented in terms of the DOA Policy and Framework. The Group Chief Executive is assisted by members of the Group Executive Committee to deliver on specific functions in their respective areas of responsibility. The Company further carries out its mandate through its Operating Divisions and subsidiaries, which receive delegations from the Group Chief Executive.



GOVERNANCE FUNCTIONAL AREAS

Principle 11: Risk Governance

The Accounting Authority should govern risk in a way that supports the organisation in setting and achieving its strategic objective

Integrated Risk Management Policy

The Board has approved the Integrated Risk Management Policy, which paved the way for a more cohesive approach to risk management in the company at three levels namely, strategic, tactical and operational.

The purpose of the Integrated Risk Management Policy is to outline the Company's policy directive and commitment to risk governance, implementation of risk management processes, risk monitoring and risk reporting.

Risk Committee

The Board of Directors have established a Risk Committee which is responsible for oversight of risk related matters within the Company which include the following:

1. Enterprise Risk Management Strategy and Framework;
2. Integrated Risk Management Plan;
3. Risk Appetite and Tolerance Framework;
4. Enterprise Risk Management Methodology;
5. Risk Maturity Surveys;
6. Business Continuity Management Plans;
7. Integrated Report (Risk Management section);
8. Corporate Plan (Risk Management section); and
9. Risk and Integrity Management Framework (RIMF) Implementation Plan.

Principle 12: Technology and Information Governance

The Accounting Authority should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

ICT governance framework and IT Governance charter

The ICT Governance Framework and IT Governance Charter are regularly submitted to the Board for review, assessment for effectiveness and approval. The purpose of the ICT framework is to define the requirements for implementing effective ICT structures, principles, processes and practices that will enable effective IT and Digital Governance within the Company. The framework sets out the foundation for the effective evaluation and monitoring of ICT activities within the Company.

The purpose of the charter on the other hand, is to define and assign roles and responsibilities for IT Governance to relevant stakeholders within the Company in order to:

- Ensure clear accountability and responsibility for IT Governance within Transnet Group;
- Implement an IT Governance structure that allows ICT to operate cohesively throughout the Company and enable the achievement of strategic business objectives;
- Align IT Governance with group-wide governance practices;
- Adopt IT Governance good practices across Transnet Group;
- Ensure that all ICT decisions are business case driven to the maximum benefit of the Group;

- Develop understanding and support of the practices driving the success of the Operating Divisions (ODs); and
- Attain and maintain the buy-in of the CIOs for transversal initiatives.

Delegation to management to implement and executive effective technology and information management

The ICT Delegation from the Board to Management is addressed in the DOA Framework approved by the Board. The Risk Committee is delegated with the responsibility of exercising ongoing oversight of ICT risk management. The Risk Committee also oversees the establishment and implementation of business continuity initiatives that enable the Company to continue to operate under conditions of ICT instability and to be able to recover from any serious risks.

ICT integration

There is integration of people, technologies, information, and processes across the company. There is ethical and responsible use of technology and information and compliance with relevant laws.

ICT role in ensuring business resilience

ICT related challenges on disaster recovery plans, tests and reports were reported to the Board and its Committees in the year under review.

Ensuring responsiveness to cyber security and social media risks

The Board is regularly briefed on the Company's cyber security posture and plans. The Company positions cyber security as a top priority and thus aids the Company in guarding against any resultant negative impact and reputational damage.

Monitoring of third-party and outsourced service provider risks

The Company calculates the potential risks or vulnerabilities by completing a service provider assessment for each third-party engagement and further conducts thorough due diligence before the relationship commences. Monitoring of Domestic Politically Exposed Person; Prominent Influential Person & Foreign Politically Exposed Person have been incorporated within the Tender process to identify high-risk persons. These include standards checks for High-Value tenders.

Monitor and evaluate value delivered from technology investments and projects

The company constantly monitors Investments and technology related projects to ensure that the company derives full value from such investments

Management of the disposal of obsolete technology and information.

This aspect is governed by the Divisional Bid Acquisition Council.

The ethical and responsible use of ICT and compliance with applicable laws

The Board has requested and been provided with insight on the ICT's regulatory universe.



Oversee management of information (including use of information architecture, protection of privacy and security)

ICT analyses information used by the company. ICT tracks and enforces regulatory compliance (POPI Act) and conformance to policies, standards, architecture and procedures.

The overview of arrangements governing and managing technology and information

The ICT Executive Committee has been established as a structure that provides feedback to the Group Executive Committee on matters pertaining to ICT Strategy, Corporate Plan and Digital initiatives. Development and Implementation of data and information architecture supports confidentiality, integrity and availability of information.

Areas of current and future focus

ICT aims to employ a digital first culture to digitise both existing and next-generation products and services. The digital first approach is enabled by the provision of digital platforms as well as disruptive and enabling technologies to support digital transformation which underpins a strong digital backbone and leverages on an ecosystem that includes strategic partnerships to ensure that ICT provides agile and innovative services.

Significant changes, acquisitions, incident management and remedial action

The primary role of the ICT Leadership (Management Committee (ManCO) and Operating Divisions) in conjunction with the IT Service Providers is to monitor this aspect of ICT. The Change Advisory Board delivers support to a change-management team by advising on requested changes, assisting in the assessment and prioritisation of changes. Acquisitions are concluded by the Transnet Acquisition Council facilitated by the Supply Chain Management Department. Incident Management, Problem Management and remedial actions are managed by the ICT Service Management team reporting to the Enterprise Technology Services functional unit.

Principle 13: Compliance Governance

The Accounting Authority should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen

Compliance Management

The Company has a dedicated Regulation and Compliance function to assist the Board and Management with discharging their compliance responsibilities. The Regulation and Compliance Function provides advice, risk management support, independent monitoring and reporting on compliance controls for high-priority regulatory requirements. Accountability for the implementation of compliance controls resides with Management.

Approximately 176 primary pieces of legislation impact the Company, inclusive of 53 Strategic pieces of legislation. Compliance is implemented through a risk-based approach using a decentralised model, with Compliance Officers appointed within Operating Divisions and at Corporate Centre.

The Group Executive Committee approved the Compliance Strategy for 2023/24FY which contains a significant focus on accountability and integration. Compliance Standards and Frameworks are in place and improvements to adapt to our changing environments are regularly implemented. The standalone Compliance Policy is to be retired with Compliance Policy Statements being incorporated into the Compliance Framework. Inspections by environmental regulators are tracked, monitored and reported in the Integrated Report.

Principle 14: Remuneration Governance

The Accounting Authority should ensure that the organization remunerates fairly; responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in short, medium, and long term

Remuneration, Social and Ethics Committee

The Remuneration, Social and Ethics Committee considers the non-binding advisory vote of the Shareholder on the Company's Remuneration Policy and assists the Board in setting and administering such remuneration policy and applicable practice standards which are annually aligned to the strategy of the Company.

The Remuneration, Social and Ethics Committee recommends the level of independent Non-Executive Directors' fees to the Board for approval by the Shareholder Minister at the Annual General Meeting. The Board and the Remuneration, Social and Ethics Committee continuously assess the effectiveness of the committee and its policies.

Remuneration Policy

The Remuneration Policy for Management is in the process of review and finalisation. Several discussions have taken place with the DPE to ensure alignment with the DPE Remuneration Guide. Upon completion, the policy will be submitted to REMSEC and Board for approval.

The Remuneration Policy/philosophy addresses company-wide remuneration and includes provisions to attract, motivate, reward and retain human capital (for management). Remuneration policies and practices are aligned with the Company strategy, DPE Remuneration Guide and linked to both company and individual performance.

Remuneration elements for bargaining unit employees are contained in collective agreements.

Details of obligations in executive employment contracts with regard to leave entitlement for executives are included in the relevant policies as prescribed by the Companies Act.

The remuneration and implementation report is tabled annually for separate non-binding advisory vote by the Shareholder at the Annual General Meeting.

Remuneration Report

The remuneration report includes details of all fees paid to Non-Executive Directors, and remuneration awarded to Executive Directors and Prescribed Officers during the reporting period.

The remuneration report includes all remuneration including Short and Long-Term incentive amounts for the current and prior year for Executive Directors and Prescribed Officers.



GOVERNANCE FUNCTIONAL AREAS continued

Principle 15: Assurance

The Accounting Authority should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organisation's external reports

Internal Audit

The Board has delegated to the Audit Committee the responsibility to provide oversight on Internal Audit and External Audit activities. The Internal Audit Charter which details the Internal Audit's purpose, status, authority and responsibilities is approved by the Audit Committee. The Internal Audit Charter is reviewed and updated on an "as and when required" basis, with an annual minimum frequency.

The Chief Audit Executive (CAE) ensures that Transnet Internal Audit ("TIA") has sufficient and adequate skills for the performance of the internal audit function. To ensure independence of the Internal Audit function, the CAE reports functionally to the Audit Committee and administratively to the Group Chief Executive. The appointment of the CAE was approved by the Audit Committee and there are mechanisms in place for continuous performance assessment and monitoring.

The Audit Committee reviews TIA's performance of its responsibilities on an annual basis. The CAE has direct access to the Chairperson of the Audit Committee. The CAE is a permanent employee of the Company and a member of the Executive Committee with limited rights to ensure independence, i.e., no voting rights.

The Internal Audit prepares and submits a risk-based plan annually to the Audit Committee for approval. The 2023/24FY Audit Plan was approved by the Audit Committee at its meeting of 26 May 2023 for approval. The 2022/23FY Internal Audit Plan was approved by the Audit Committee in February 2022.

An annual statement on the effectiveness of the governance, risk management and internal controls is submitted to the Audit Committee for their consideration. On 25 July 2022, the Audit Committee noted the 2022/23FY Control Environment Assessment (CEA) and Internal Financial Controls ("IFC") Assessment. The 2023/24FY CEA and IFC Assessments will be presented at the Audit Committee meeting scheduled for 25 August 2023 for noting.

As part of Internal Audit's Quality Assurance and Improvement Program, internal quality assurance is conducted continuously, and an external independent review conducted every five years. The 2022 External Quality Assurance Review of the internal Audit Function returned a Generally Conforms outcome, the highest level of conformance per the Internal Audit Standards.

Annually, all Internal Audit staff complete a declaration confirming conformance to the Code of Ethics. For the 2022/23FY all internal audit staff have completed the required declaration and no non-conformance have been identified. All employees, including Internal Audit staff, also complete annual declarations of interest and independence.

The CAE has also confirmed that the function has carried out its duties free from any undue influence and no material threats to its independence and incidents of impaired objectivity or contraventions to any professional code of conduct have occurred during the recently completed FY2022/23 internal audit plan execution.

Combined Assurance

Combined Assurance Forums have been established across all Operating Divisions as well as for specific transversal Priority Focus Areas (PFA). Rollout and implementation of the approved Combined Assurance Policy and Framework remains ongoing across the business. Combined Assurance Maps have been developed and are in the progress of being rolled out within the company.

Engagements with External Audit are ongoing to ascertain areas of possible reliance on work performed by TIA for external audit scope modification to reduce audit costs and fatigue across the business.

Combined Assurance reports as well as reports from Internal Audit and External Audit are submitted to the Audit Committee to enable them to form their opinion on the integrity of information and effectiveness of the control environment. The Combined Assurance Plan for the 2023/24FY has been submitted to the Audit Committee for approval.

Assurance of External Reports

As a statutory requirement, External Audit provides assurance on the Company's Financial Statements. External Audit performs a review of the Integrated Report to ensure alignment with the audited annual financial statements. As part of the Risk Based Audit Plan, Internal Audit provides assurance on the Corporate Plan development process and performance target assumptions, amongst other reviews.

Principle 16: Stakeholder

In the execution of its governance roles and responsibilities, the Accounting Authority should adopt a stakeholder inclusive approach that balance the needs, interests and expectation of material stakeholders in the best interests of the organisation over time

Stakeholder Relationships

The Board delegates authority to the Group Chief Executive, who reports to the Board, on all material stakeholder issues and takes responsibility for incorporating these into the Company's strategy and risk management. Stakeholder engagement practices align with the Company's Culture Charter and supporting values.

Engagement principles include inclusivity, accountability, materiality and responsiveness.

Stakeholder engagement performance is measured as a key performance indicator in the Balanced Scorecards of appointed Stakeholder Relationship Owners. Stakeholder management is managed by the Corporate Affairs department, with the Board having overall responsibility for stakeholder management.

The annual Stakeholder Engagement Report provides an overview of the stakeholder engagements in the Company, and is reported to the Remuneration, Social and Ethics Committee and to the Board.

The Company has adopted guidelines from the AA1000 standards (Accountability Principles Standard 2008 and the AA1000 Stakeholder Engagement Standard 2011). The annual Stakeholder Engagement Report should measure the quality of material stakeholder relationships and appropriate responses to the outcomes. The Stakeholder Engagement Policy and Procedure are approved at Board level.



Stakeholder Management

Stakeholder engagement practices are aligned with the Delegation of Authority Framework.

A Group Stakeholder Engagement Forum coordinates and integrates common approaches to stakeholder management. Regional Stakeholder Engagement Forums enhance management and provide feedback on communities' engagements, grievances and developments.

Stakeholder Engagement Frameworks set out a procedure and process for managing all stakeholder engagements in the Company. The Company's Stakeholder universe provides a list of critical and material stakeholders with interest or influence on the Company.

Shareholder Relationship; including the Annual General (AGM) Meeting

There is continuous engagement with the Shareholder Minister and the Department of Public Enterprises. The Annual General Meeting notice was published on the company's website. The Auditor General South Africa was present at the Company's 32nd Annual General Meeting held on 27 July 2022.



ANNEXURE A: KING IV APPLICATION

EFFECTIVE MEETINGS

KING IV. P1, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15 and 16

The Board and its committees meet regularly and as and when required by the business. The meetings are facilitated by the Group Company Secretary and are planned for the financial year to execute the Annual Work Plans, in accordance with the approved corporate calendar. When necessary and after appropriate consultation, special meetings may be called at the Chairperson's or any Director's request. The Group Company Secretary timeously prepares and dispatches meeting packs to the Board and its committees members to enable proper preparation and meaningful deliberation of matters.

Members and attendees of the Board and its committees are required to declare their interests at the commencement of all formal meetings. Similarly, members and attendees of the Group Executive Committee and its subcommittees declare their interests prior to or at the commencement of formal meetings. The minutes of the Board and committee meetings are tabled at the next scheduled meeting for approval.

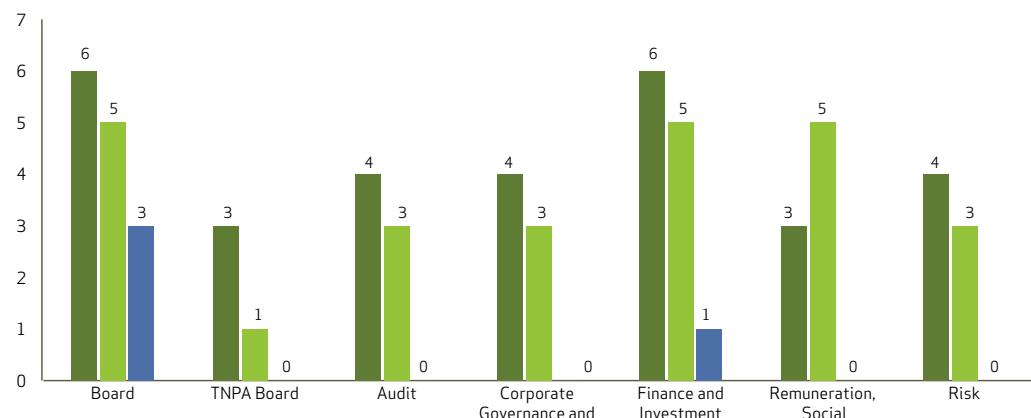
Schedule of directors' attendance at Board and committee meetings

Board/Committee	Board	Interim TNPA board	Audit committee	Corporate governance and nominations committee	Finance and investment committee	Remuneration, Social and Ethics committee	Risk committee
Number of meetings held	11	4	7	7	11	8	7
Dr P.S Molefe (Chairperson)	9	-	-	6	-	-	-
Ms PPJ Derby	9	-	-	-	-	-	-
Ms NS Dlamini	10	-	-	-	-	-	-
Ms UN Fikelepi	8	-	-	7	-	3	7
Ms ME Letlape	10	-	7	-	11	7	-
Ms DC Matshoga	7	2	-	7	-	-	7
Prof FS Mufamadi	5	3	-	1	-	8	-
Mr AP Ramabulana	10	-	5	-	11	-	0
Ms GT Ramphaka*	8	-	5	-	-	-	4
Mr LL Von Zeuner#	7	4	5	-	9	-	3

* Ms Gratitude Ramphaka resigned as a non-executive director, effective 06 Dec 2022

Mr Louis Von Zeuner resigned as a non-executive director effective 23 February 2023

Board and Committee Meetings for the 2022/23FY





THE BOARD OF DIRECTORS

KING IV. P8

The Board's purpose is to ensure that the Company is a sustainable organisation capable of fulfilling its objectives, statutory and otherwise. In order to fulfil this purpose, the Board must direct and control the business of the Company. Directors owe a fiduciary duty to the Company.

The Board held 11 meetings during the year under review and some of the matters addressed by the Board are outlined below:

1. Personnel Protection Policy
2. Annual Financial Statements (AFS) for the 2021/22FY
3. Audit Committee Report for the 2021/22FY
4. Going Concern Assertion
5. Press Release
6. Management Representation Letter for the 2021/22FY - AFS
7. Directors' valuation of unlisted investments
8. JSE Disclosure
9. 2022 Integrated Annual Report
10. 32nd Annual General Meeting Pack
11. King IV Application Register for the 2021/22FY
12. ICT Governance Policy
13. Capital Budgets for the 2022/23FY
14. Enterprise and Supplier Development (ESD) Policy
15. Interim Draft Financial Statements
16. Going Concern
17. Annual Financial Statements Management Representation Letter
18. Supply Chain Management Policy
19. Board Evaluation Report
20. Compliance Framework
21. Companies and Intellectual Properties Commission (CIPC) Checklist
22. Security Screening and Vetting Policy
23. Financial, Funding and Capital Investment Plans
24. Trade Receivables Discount Policy
25. Corporate Plan
26. Shareholder Recapitalisation Arrangements
27. SCM Complaints Management Procedure

BOARD COMMITTEES

The board has established the following Board Committees:

1. Audit Committee:

KING IV. P8

The Board has delegated the Committee to oversee the efficiency and effectiveness of the operational, accounting, financial, compliance, technology and other control systems within the Company, thereby ensuring the reliability and integrity of information generated through these systems.

Committee Composition as at 31 March 2023:

Audit

Chairperson

Mr AP Ramabulana (Interim Chairperson)

Appointed as an Interim Chairperson effective 1 March 2023

Ms ME Letlape

Ms UN Fikelepi (Additional member)

Appointed as a Committee member effective 1 March 2023



ANNEXURE A: KING IV APPLICATION continued

The Committee held 7 meetings during the year under review and some of the matters addressed by the Committee are outlined below:

Approved	Recommended
1. Audit Strategy and fees for the 2021/22FY 2. FY2021 Additional Audit Fees and Audit Overruns 3. TIA Service Provider Contracts 4. Revised Internal Audit Charter 5. Changes to the Internal Audit Plan 6. Capital Budget and Investment Plan 7. Treasury Counterparty Limits 8. Year end audit strategy (March 2023) and Audit Fees for the 2022/23FY	1. Draft Annual Financial Statements for the 2020/21FY 2. The Committee recommended the funding mandate for the 2022/23FY to the Board for approval. 3. Financial and Funding Plan 4. GMTN Prospectus 5. Foreign Borrowing Limit: FBL conditions 6. Annual Financial Statements (AFS) for the 2021/22FY 7. Audit Committee Report for the 2021/22FY 8. Press Release 9. Management Representation Letter for the 2021/22FY – AFS 10. Directors' valuation of unlisted investments 11. JSE Disclosure 12. 2022 Q2 (Interim) Draft Financial Statements 13. Management Representation Letters 14. Trade Receivables Discounting Policy

2. Remuneration, Social and Ethics Committee

KING IV. P6 and 8

The Board has delegated the Committee to oversee the Social and Ethics functions, Safety, Security, People Management, Remuneration and (ESG) sustainable development.

Committee Composition as at 31 March 2023:

Remuneration, Social and Ethics
Chairperson
Prof FS Mufamadi
Ms ME Letlape
Ms UN Fikelepi

The Committee held 8 meetings during the year under review and some of the matters addressed by the Committee are addressed below:

1. New Transnet Management Rewards Framework
2. Wage negotiation mandate
3. TNPA Marine Aviation Remuneration Dispensation
4. TRF Rule Amendments 16,17,18 and 19
5. Proposed Transnet Succession Process
6. Retirement of the Energy and Water Policies
7. 2022 Annual Stakeholder Engagement Report
8. 2022 Annual Remuneration Report
9. Bargaining Unit Incentive Scheme
10. Transmed Medical Fund – South African Transport Services (SATS) Pensioners Funding for 2023

3. Corporate Governance and Nominations Committee:

KING IV. P6 & 8

The Board has delegated the Committee to oversee the Company's compliance with, and approach to, all applicable regulation and guidelines related to corporate governance matters as well as recommending all proposed appointments of members of directors to subsidiary boards through a formal, rigorous, and transparent process as well as to ensure that there are plans in place for orderly succession and development of a diverse pipeline for succession.



Committee Composition as at 31 March 2023:

Corporate Governance and Nominations
Chairperson
Dr PS Molefe
Ms DC Matshoga
Ms UN Fikelepi
Ms UN Fikelepi

The Committee held 7 meetings during the year under review and some of the matters addressed by the Committee are outlined below:

1. Board Induction Pack
2. Board Training and Development Plan
3. Board and its Committee Composition
4. Annual Declaration of Interest Register for Directors
5. Delegation of Authority framework

4. Finance and Investment Committee

KING IV. P6 and 8

The Board has delegated the Committee to oversee the investment strategies, to achieve a high level of confidence in investors in the Group Companies' credit worthiness.

Committee Composition as at 31 March 2023:

Finance and Investment
Chairperson
Ms ME Letlape
Mr AP Ramabulana
Ms DC Matshoga
<i>Appointed as a Committee member effective 14 March 2023</i>

The Committee held 11 meetings during the year under review and some of the matters addressed by the Committee are outlined below:

1. 2023/24FY Budget Guidelines
2. SCM KPIs for the 2022/23FY
3. Outcome based Security Solution
4. Transnet Port Terminals (TPT) Long-Term Master Services Agreement with Original Equipment Manufacturers (OEMs)

5. Risk Committee

KING IV. P6 and 8

The Board has delegated the Committee to oversee the quality, integrity and reliability of enterprise risk management strategies and practices.

Committee Composition as at 31 March 2023:

Risk
Chairperson
Ms UN Fikelepi
<i>Appointed as a Committee Chairperson with effect from 11 January 2023</i>
Ms DC Matshoga
Mr AP Ramabulana
<i>Appointed as a Committee member effective 14 March 2023</i>

The Committee held 7 meetings during the year under review and some of the matters addressed by the Committee are outlined below:

1. Top Strategic Risk Review
2. Insurance Renewal for the 2023/24FY
3. Monitoring of the Fraud Risk Management Plan
4. ICT Governance Policy and Framework
5. Treasury Financial Risk Management

TRANSNET



WWW.TRANSNET.NET