



Transnet  
Governance  
Report  
2021

# Governance Report for the 2020/21 financial year

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### King IV references



King IV Report on  
Corporate Governance<sup>TM1</sup>  
for South Africa 2016

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# The role of the Board of Directors

## Ethical, effective leadership and corporate citizenship



King IV. P1

The Board of Directors (the Board), as the Accounting Authority, reports to the Minister of Public Enterprises as the Executive Authority/Shareholder Minister. The Shareholder's rights are represented according to the stipulations of the PFMA and the Companies Act, and associated procedures are in place to govern the activities of the Board. The Board is responsible for approving, directing and overseeing the overall Company strategy as well as the associated operational, commercial and statutory objectives of Transnet SOC Ltd (the Company). During this process, the Board balances the interests of stakeholders and ensures that the Company's long-term economic, social and environmental sustainability is achieved. Transnet complies with the requirements of the Companies Act, namely sections 88(2) (e) and (f) in relation to filing the required returns and notices.

Pursuant to National Treasury Regulation 29, the Company annually enters into a Shareholder's Compact with the Shareholder Minister documenting mandated key performance measures and indicators and the Board approves the annual corporate plan. The Board oversees and monitors the Company's performance against the targets and ensures that adequate processes are in place for budget planning and allocation to advance the Company's mandate.

## Appointment of directors



King IV. P8

The Company, through the Shareholder Minister, adheres to the prescribed requirements in the MOI for the Board's composition and the election, appointment and remuneration of the Board members. The Corporate Governance and Nominations Committee is responsible for the succession planning of the Board (based on the related skills requirements and skills matrix) for recommendation to the Shareholder Minister. The Company continues to provide indemnification and insurance for directors and prescribed officers, the extent and adequacy of which is reviewed annually.

Pursuant to the announcement made by President Cyril Ramaphosa on the corporatisation of Transnet National Ports Authority as an independent subsidiary of Transnet, in line with the National Ports Act of 2005, the Company is preparing for and introducing governance alignment in accordance with the instructions of the president. In the intervening period, an Interim TNPA Board was appointed effective 1 July 2021 while DPE and Transnet are putting governance systems in place. The Company is also the Shareholder of a wholly owned subsidiary, namely Transnet International Holdings SOC Ltd, incorporated on 29 August 2017 which is currently dormant.

## Non-executive directors



King IV. P8

A non-executive director shall hold office for a term of three years from the date of appointment, subject to confirmation of appointment at the annual general meeting (AGM). The appointment of the current non-executive directors has been extended until further notice after having served one term in office from May 2018 to May 2021. In terms of the Company's MOI, no person can be appointed as a non-executive director for more than three consecutive terms. The Board comprises eight non-executive directors and two executive directors. The vacancies on the Board negatively impact the directors in effectively discharging their duties. The Company has however been reassured that the Shareholder Minister is attending to the vacancies.

## Executive directors



King IV. P8

Ms Portia Penelope Joy Derby who was appointed as the Group Chief Executive and an executive director of the Company on 1 February 2020, remains in office.

Ms Nonkululeko Sylvia Dlamini was appointed as the Group Chief Financial Officer and an executive director of the Company, effective 1 July 2020.

## Board committees



King IV. P8

The Board established the following committees to assist it in achieving the Company's objectives as required by the Companies Act, No 71 of 2008 (the Companies Act):

- Audit Committee
- Corporate Governance and Nominations Committee
- Finance and Investment Committee
- Remuneration, Social and Ethics Committee
- Risk Committee

The Group Executive Committee members attend Board meetings as standing attendees or by invitation.

The Board delegated some of its authority to these committees through the Delegation of Authority (DOA) Framework and the committee charters to ensure that delegation within the Board's own structures promotes independent judgement and assists with the balance of power and effective discharge of its duties. The charters set out the terms of reference of the Board and its committees and are achieved through the execution of the Annual Work Plans, effective meetings, periodic Board strategy workshops, operational site visits and deep dive sessions.

# Frameworks and governance philosophy

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Governance is underpinned by effective leadership, oversight and management accountability based on a sound ethical foundation. The Board continuously strives to ensure adherence to good governance principles when executing the Company's mandate in line with the approved strategy taking into consideration the Company's opportunities and risks in accordance with its risk appetite. In overseeing the implementation of the Company's strategy, the Board ensures that the recommended corrective actions appropriately address identified challenges. The Board sets the tone for ethical leadership which forms the foundation for good corporate governance. Sound governance principles and processes define and steer the responsibilities of the Board and actively promote a sustained governance culture throughout the organisation. The Company has adopted the King IV principles in conjunction with regulatory provisions to achieve the overarching principles of sound governance, namely responsibility, accountability, fairness and transparency.

Further key activities performed by the Board and its committees are set out in the Governance in action section from page 15.

## Structure

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The Board has reviewed and implemented appropriate governance structures to meet its responsibilities in line with all legislative and regulatory requirements. These governance structures operate within the approved Board and committee charters, with clear authority and delegation and are aligned with the law and best practice. The performance of the governance structures is assessed annually through the Board's independent evaluation process and through self-assessments.

## Effective meetings

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The Board and its committees meet frequently and as prescribed by business requirements. The meetings are facilitated by the Group Company Secretariat and are planned for the financial year in the approved Annual Work Plans and Corporate Calendar. Special meetings may be convened at the request of the Chairperson or any member, when necessary and after appropriate consultation. All meetings are managed by the respective Chairpersons and are well attended. Timely, relevant and accurate information is provided to the Board and its committees to enable proper deliberation of matters by the Board and its committees.

The minutes of the Board and committee meetings are circulated to the committee chairpersons and members for comment and are approved at the next meeting. The digitisation of meeting packs has introduced real-time availability of information in preparation for meetings. Key governance matters including Board attendance and decisions taken by the Board and its committees are reported quarterly to the Shareholder, and as and when required.

## Monitoring

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The Board monitors the implementation of the Company's revised strategy and ensures that corrective action is taken as required. This includes:

- Obtaining assurance that internal control systems are effective;
- Performing regular risk identification assessments;
- Ensuring that the Company complies with all legislative and regulatory requirements, and monitoring the legislative landscape;
- Delegating the implementation of an effective compliance framework and plan to management;
- Ensuring that there is an effective risk-based Internal Audit function as reported by Internal Audit in the integrated report;
- Overseeing information and communications technology (ICT) governance;
- Investing in appropriate IT infrastructure, taking the business strategy and model into account;
- Evaluating significant investments and expenditure; and
- Ensuring that information security and assets are effectively managed to support the business requirements as reviewed.

## Communication

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Management ensures that relevant and accurate information is communicated within the governance structures and to relevant stakeholders. This is achieved through, amongst others:

- Defined and approved information flow within the governance structures;
- Statutory filing;
- Approved stakeholder communication guidelines;
- Regular communication with employees on various matters; and
- Approved annual financial statements and the integrated report.

## Specific governance requirements

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### PFMA

The PFMA outlines the fiduciary duties and responsibilities of the Board and requires that it serves as the Company's Accounting Authority. The Company is identified as a major business entity and is listed under Schedule 2 of the PFMA. The Board ensures that the Company adheres to the requirements of the PFMA for the assessment of risk, the annual budget submissions, and the conclusion of the annual Shareholder's Compact. In addition, the Board also ensures that the Company adheres to all procedures for

quarterly reporting to the Executive Authority through the submission of quarterly PFMA reports to the Shareholder Minister.

## **Companies Act**

The Company reports on the extent of its compliance with the Companies Act in the Directors' Report in the annual financial statements.

## **Prescribed officers**

The Company has defined its prescribed officers as Executive Committee members (see Group Executive Committee members for brief profiles set out on pages 26 to 29 of the Integrated Report 2021). They are deemed to exercise or regularly participate in the executive control of the Company as contemplated in the Companies Act and its regulations. The recruitment of prescribed officers is elevated to Board level for noting, with the involvement of the Remuneration, Social and Ethics Committee. The disclosure on the remuneration of prescribed officers is set out on page 75 of the integrated report.

## **King IV**

The Company has adopted the King IV principles in conjunction with regulatory provisions to achieve the overarching outcomes of sound governance, namely an ethical culture, good performance, effective control as well as operational and social legitimacy. The Company attempts to do so substantively and not simply in form to achieve the above outcomes. Transnet adheres to a majority of the King IV principles and recommendations as herein outlined and reported.

The PFMA, Companies Act and Protection of Personal Information Act, No 4 of 2013 (POPIA) provide specific requirements pertaining to the Company's records management practices. These include interim financial results and annual financial statements that satisfy the International Financial Reporting Standards, and the audited annual financial statements to be submitted to the relevant authorities as required. To that end, the Company finalises its annual financial statements within the set timelines and ensures that the Shareholder Minister has timely access to those audited annual financial statements, however COVID-19 has had an impact on the set timelines.

### **The Company's governance instruments include the:**

- **Memorandum of Incorporation (MOI):** In line with the provisions of the Companies Act, the MOI contains matters that are specifically reserved for the Board's decision;
- **Delegation of Authority (DOA) Policy and Framework:** The DOA Framework is reviewed annually, or as and when required in line with business requirements, for adequacy and completeness as approved by the Board. The review takes cognisance of the Company's strategic objectives and related business model. The DOA Policy was approved by the Board of Directors in a meeting held on 11 May 2021. The purpose of this policy is to guide, outline and document a structured decision-making framework for the Board of Directors and management to promote effective and efficient governance in accordance with the approved

Company structure. The DOA Framework, which is an Annexure that forms part of the policy, was approved by the Board on 17 August 2021. The framework outlines Board-reserved matters, matters delegated to Board committees, the Group Chief Executive and Executive Committee members;

- **Charters of the Board and its committees:** These charters are regularly reviewed to ensure alignment with the MOI, the provisions of the Companies Act and the DOA Framework, as well as any other changing business requirement. Similarly, the charters of the Group Executive Committee and its subcommittees are aligned with the DOA Framework and the charters of the Board and its committees;
- Board-approved policies and procedures; and
- Corporate Governance Framework.

## **Compliance**



King IV. P1, P3 & P13

The Company recognises its accountability to all its stakeholders under the applicable regulatory requirements and is committed to high standards of integrity in the conduct of its business. In view of the importance of complying with the ever-increasing universe of regulatory requirements and the increased national and international emphasis placed on the control thereof, the Chief Legal Officer keeps the company abreast of its compliance obligations on a regular basis. Internal controls are continuously being designed, tested, and monitored to assure continued compliance.

The Company has an established compliance function as well as a Compliance Policy that is aligned to the Company Policy Framework. The purpose of the Compliance Policy is to set out the Company's commitment to complying with applicable regulatory requirements and establish the key responsibilities and obligations of the various role-players. The Company considers non-compliance with legislative and regulatory requirements as a key risk, as it not only exposes the Company to fines and civil claims, but can also result in a loss of operational licences and cause reputational harm. The PFMA requires the Board to ensure that the Company and its employees comply with the provisions applicable to Schedule 2 companies, as well as any other applicable legislation. The compliance function therefore identifies, assesses and monitors critical controls associated with regulatory requirements, statutory licences, codes and standards applicable to the Company. Compliance is managed at the Operating Divisions and reported on centrally.

The Risk Committee is mandated to annually review and approve the Transnet's Compliance Plan, which details procedures for identifying regulatory risks and monitoring compliance with applicable regulatory requirements. The Compliance Plan is aligned to the Company strategy to mitigate compliance risk exposures emerging from the execution of the strategy and it is noted by the Audit Committee.

## Management of potential conflicts of interest



King IV.P13

The Companies Act codifies the fiduciary duties of directors and prohibits the use of position and/or confidential information for personal gain or to benefit another person improperly. The Board continuously reviews and improves governance instruments to ensure continued adherence to the prescribed standards of ethical and professional conduct. In this regard, various policies are reviewed and developed. In the year under review, the Domestic Prominent Influential Persons (DPIP) and Foreign Prominent Public Officials (FPPO) and Related Parties Policy was approved and the declaration of interest and related party disclosure policies for directors and employees were reviewed and amended for implementation.

Where a director or a prescribed officer has any direct or indirect personal or private business interest in a particular matter, that director or prescribed officer must be recused from the proceedings when the matter is considered, unless the Board, Board committee or Group Executive Committee and its subcommittees, as the case may be, decide otherwise after consideration.

Members and attendees of the Board and its committees declare their interests at the commencement of all its formal meetings. Similarly, members and attendees of the Group Executive Committee and its subcommittees declare their interests prior to or at the commencement of its formal meetings. These declarations are maintained by the Group Company Secretariat. In addition, non-executive directors and all Transnet employees are required to file an annual declaration of interest form with the Group Company Secretariat at the beginning of each financial year or within 30 days from date of appointment. Any changes in interests during the year necessitate the filing of a revised declaration of interest form. The declaration of interest and related-party disclosure policies for directors and employees are revised every five years, or as required, in line with the Company policy framework. In addition, the Company requires all employees to sign confidentiality and declaration of interest forms when adjudicating on procurement contracts, and this practice is strictly enforced.

The Board and the Group Executive Committee note their respective annual declarations of interest and related-party disclosure registers. The Corporate Governance and Nominations Committee and the Remuneration, Social and Ethics Committee conduct annual reviews of the filed declaration of interest forms of the Board and Group Executive Committee members for oversight purposes.

## Management of ethics



King IV.P2 & P3

The Company's Code of Ethics (the Code) promotes a culture of entrenched values, principles, standards and norms that guide the behaviour of its employees. The Code aims to instil values of honesty, respect and integrity to guide employees to engage

ethically with all the Company's stakeholders. All employment contracts refer to the Code and thereby commit employees to the highest standards of ethical behaviour. The Code also binds non-executive directors to the highest standard of ethical behaviour. The Company's service providers, suppliers and trade partners are also subject to the Code. Aspects of the Code are included in fraud and corruption awareness training and are accessible to all employees on the Company's intranet. The Code is reviewed every five years or as and when required for adequacy and appropriateness and is currently under review.

In addition to the Code, the Company concludes integrity pacts with all bidders and suppliers. Integrity pacts have replaced Transnet's supplier code of conduct. Each party agrees to avoid all forms of dishonesty, fraud and corruption, including practices that are anti-competitive in nature, negotiations made in bad faith and under-pricing. As part of ethics management enhancement, the Company introduced the no gifts and hospitality policy approved by the Board in May 2020. The Company continuously reviews the declaration of interest system to increase efficiencies in the management of declarations. The development of the DPIP and FPPO and related parties policy will also enhance the management of ethics within the Company.

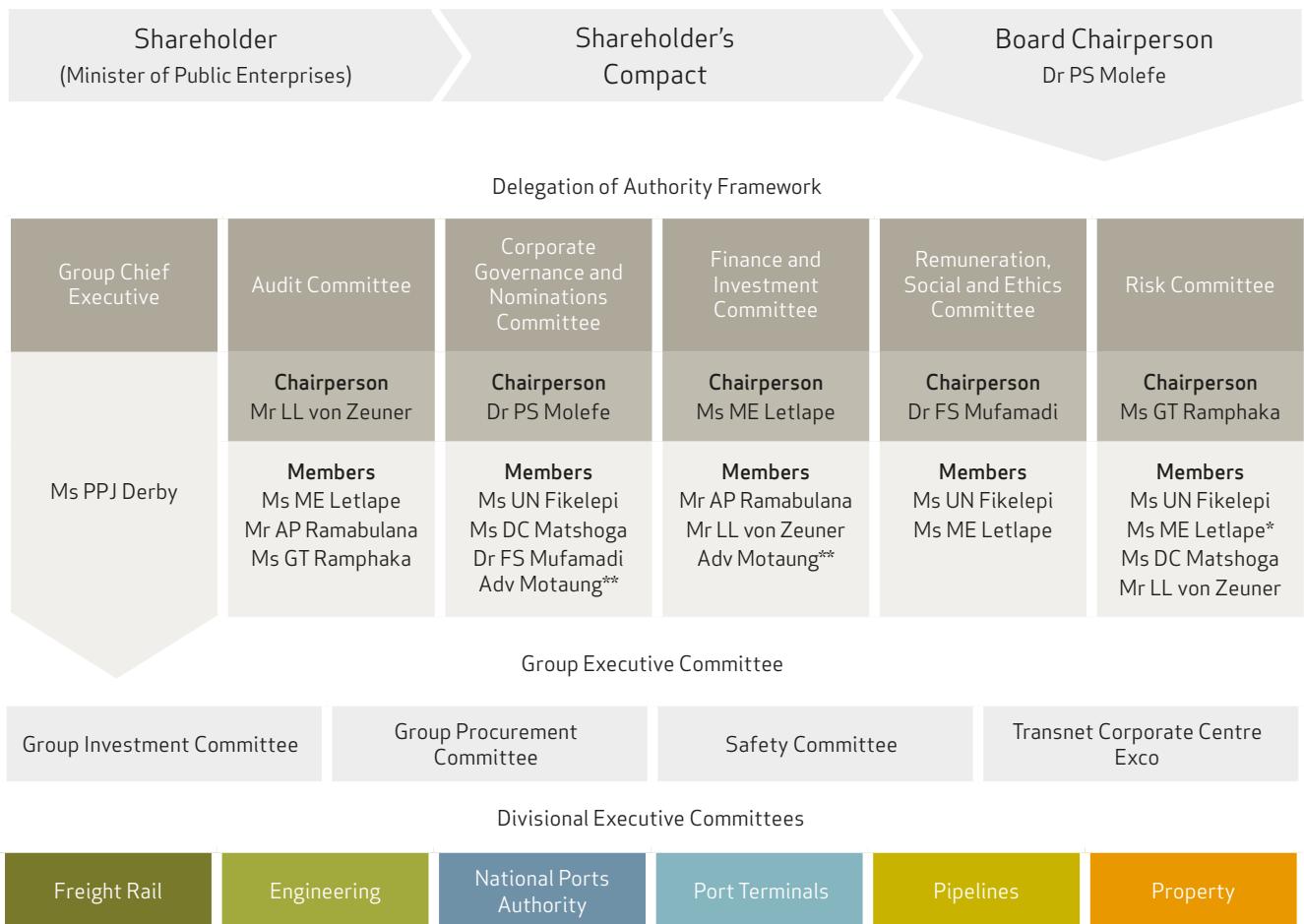
The Company's Tip-Offs Anonymous Hotline (the Hotline) enables employees, customers and trade partners to report concerns about unethical or unlawful behaviour. The Hotline is outsourced to a third party to ensure independent, seamless investigation without prejudice. The Hotline is available 24 hours a day, seven days a week and call centre agents converse in all 11 official South African languages. All irregularities, whether reported through external or internal reporting channels, are investigated through an established forensics investigation process and are reported on regularly to the Board and its committees.

## Governance in action

### Structure and composition of governance committees

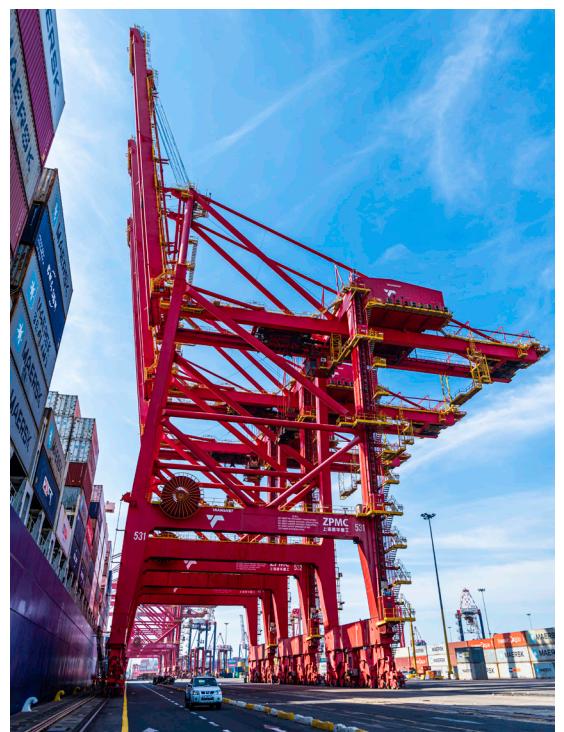
The Company's governance structure is derived from its mandate. The Board is tasked with ensuring that the Company is sustainable and capable of delivering on its objectives. The Board delegates powers to its committees whose members are specialists in their respective fields and areas of governance. The Board also delegates powers to the Group Chief Executive to strategically direct the business and to provide adequate direction to the Company's operations to ensure that the strategy is successfully implemented. The Group Chief Executive is assisted by the Group Executive Committee to deliver on specific mandates based on the DOA Framework. The Company further carries out its mandate through its Operating Divisions, which receive delegations from the Group Chief Executive.

# Transnet's governance structure



\* Ms ME Letlape was removed as a Risk Committee member effective 1 April 2021.

\*\* Adv Motaung passed away on 22 September 2020



# Integrated reporting elements



King IV. P8, P11, P13, P14 & P16

The Board and the Group Executive Committee have respectively established committees to ensure effective management and monitoring of the business, and to respond to the elements of the Company's mandate and strategy. The link between management and the various governance structures is indicated below:

Integrated reporting element	Required activities	Group Executive Committee and other governance structures	Board committee
<b>Stakeholder engagement and relationships</b>	<ul style="list-style-type: none"><li>Effective stakeholder engagement and responsiveness</li></ul>	<ul style="list-style-type: none"><li>Group Executive Committee</li></ul>	<ul style="list-style-type: none"><li>Remuneration, Social and Ethics Committee</li></ul>
<b>Risks and opportunities</b>	Effective identification and assessment of material issues	<ul style="list-style-type: none"><li>Group Executive Committee</li><li>Safety Committee</li></ul>	<ul style="list-style-type: none"><li>Risk Committee</li><li>Audit Committee</li></ul>
<b>Strategy and resource allocation</b>	Appropriate strategic response including: <ul style="list-style-type: none"><li>Processes and controls</li><li>Initiatives and activities</li><li>Resource allocation</li></ul>	<ul style="list-style-type: none"><li>Group Investment Committee</li><li>Procurement Committee</li></ul>	<ul style="list-style-type: none"><li>Audit Committee</li><li>Finance and Investment Committee</li><li>Remuneration, Social and Ethics Committee</li></ul>
<b>Performance and outlook</b>	Appropriate performance measurement and management including: <ul style="list-style-type: none"><li>Applicable lead and lag indicators</li><li>Setting of targets, accountability and incentivisation</li></ul>	<ul style="list-style-type: none"><li>Group Investment Committee</li><li>Group Executive Committee</li></ul>	<ul style="list-style-type: none"><li>Corporate Governance and Nominations Committee</li><li>Remuneration, Social and Ethics Committee</li><li>Finance and Investment Committee</li></ul>
<b>Remuneration</b>	Appropriate remuneration structure to align performance against strategy in short, medium and long-term incentives	<ul style="list-style-type: none"><li>Group Executive Committee</li></ul>	<ul style="list-style-type: none"><li>Remuneration, Social and Ethics Committee</li></ul>
<b>Governance</b>	Governance and assurance processes to oversee execution of strategy and structures in accordance with policy and regulation	<ul style="list-style-type: none"><li>Group Executive Committee</li></ul>	<ul style="list-style-type: none"><li>Corporate Governance and Nominations Committee</li><li>Risk Committee</li><li>Audit Committee</li></ul>

## Board composition



King IV.P7

The Company's MOI stipulates that the Board shall consist of a minimum of six and a maximum of 14 directors, comprising not less than four non-executive directors and two executive directors, provided that the Board shall at all times consist of a majority of non-executive directors. As at 31 March 2021, the Board comprise 10 directors, eight of whom are non-executive, including the Chairperson.

The non-executive directors have diverse qualifications, skills, experience and competencies. They are principally free from any business relationship that could hamper their objectivity or judgement in terms of the business and activities of the Company. All the non-executive directors have unrestricted access to the Company's information, documents, records and property in the interest of fulfilling their fiduciary duties and responsibilities. The non-executive directors contribute their skills, business acumen, independent judgement and experience on various matters, including strategy, corporate governance, performance and general leadership, while the executive directors provide an operational understanding of the Company's strategies and management requirements.

## Roles of the Chairperson and Group Chief Executive



King IV.P10

The Board ensures that the appointment of and delegation to management contribute to role clarity and effective exercise of authority and responsibility. The roles of the Chairperson and the GCE are separate, with their individual responsibilities clearly defined. The Chairperson is an independent non-executive director and is responsible for leading the Board and ensuring its effectiveness. The GCE is an executive director and is responsible for the execution of the Company's strategy and the day-to-day management of the business of the Company. The GCE is supported by the Group Executive Committee.

The Board is satisfied that the DOA Framework clearly records the nature and extent of the authorities delegated by the Board to the GCE and specified governance structures and/or, in turn, by the GCE to the members of the Group Executive Committee in order to implement certain decisions by or on behalf of the Company. It includes, to the extent necessary and/or incidental thereto, the authority to discharge all the duties, obligations and powers imposed upon the deemed authority under the National Ports Act..

## Core responsibilities of the Board

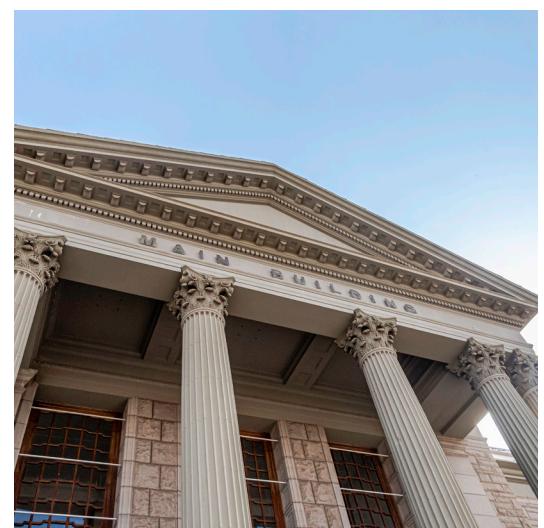


King IV.P7

The Board of Directors serves as the Company's focal point and guardian of corporate governance. The approved Board and committee charters detail the process for executing its leadership function. The charters explicitly outline the processes for the Board and committees to receive expert assistance in carrying out their responsibilities. The non-executive directors have access to:

- The Company's employees by submitting a written request to the Chairperson of the Board and the GCE to engage with an employee;
- External auditors;
- Internal auditors; and
- Professional advisers.

There are procedures in place for management to present documents to the Board so that informed decisions can be made. Within its mandate for the year under review, the Board attended to various matters and is satisfied that it has fulfilled its obligations. The Board comprises an appropriate balance of knowledge, skills, experience, diversity and independence, enabling it to objectively and effectively discharge its duties. The Board is satisfied that the non-executive directors of the Company are independent, in accordance with Principle 7 of the King IV code.



## Directors' induction and continuous development



King IV. P7

In an ever changing business, economic, legislative and regulatory environment, director development plays a pivotal role in enhancing board effectiveness. Changes and precedents in innovation and in the way business is conducted require boards to be up-to-date with these developments, thereby significantly reducing and managing the company's risks. As part of enhancing the directors' skills, the Group Company Secretariat develops an annual in-house Board Training Plan which, identifies professional development requirements for the Board and its committees. Due to COVID-19 constrains the approved training plan was not executed for the period under review, however the training plan was carried over to the next financial year. Individual directors are also encouraged to identify their own development and training needs to enable them to meet their fiduciary duties.

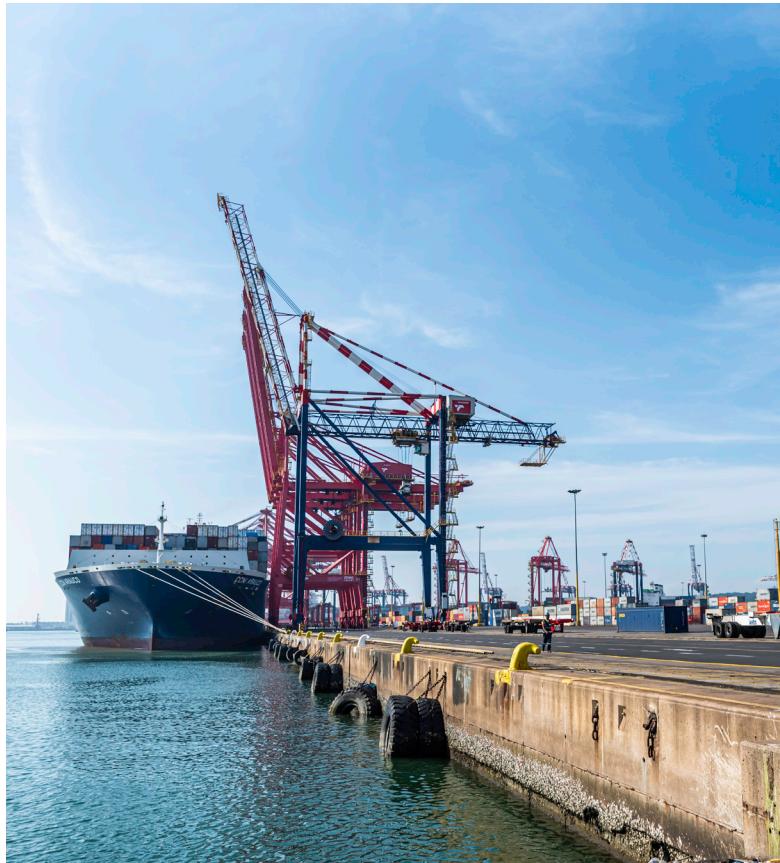
## Independent performance evaluation of the Board, its committees and directors



King IV. P7

The Shareholder Minister requires SOC boards to conduct an annual board evaluation, facilitated by an independent external service provider. A hybrid approach has been implemented by the Company where a self-assessment is conducted through a programme linked to the Company's Governance Assessment Instrument that has been utilised by the Company since 2013. The Board ensures the evaluation of its own performance and that of its committees. In this regard, the Board conducted an internal self-assessment in the second quarter of the FY2020/21. The findings of the internal self-assessment were considered by the Board and appropriate action plans were formulated to address identified gaps. On 31 March 2021 the Board of Directors approved the Board Performance Evaluation Policy, the purpose of which is:

- To set out principles that guide the performance and effectiveness of the Transnet Board, Board committees and individual directors, and
- To enable Board members to identify skill gaps, knowledge and expertise required and to develop performance improvement plans to ensure Board effectiveness and performance improvement.



## Directors' balance of skills and expertise

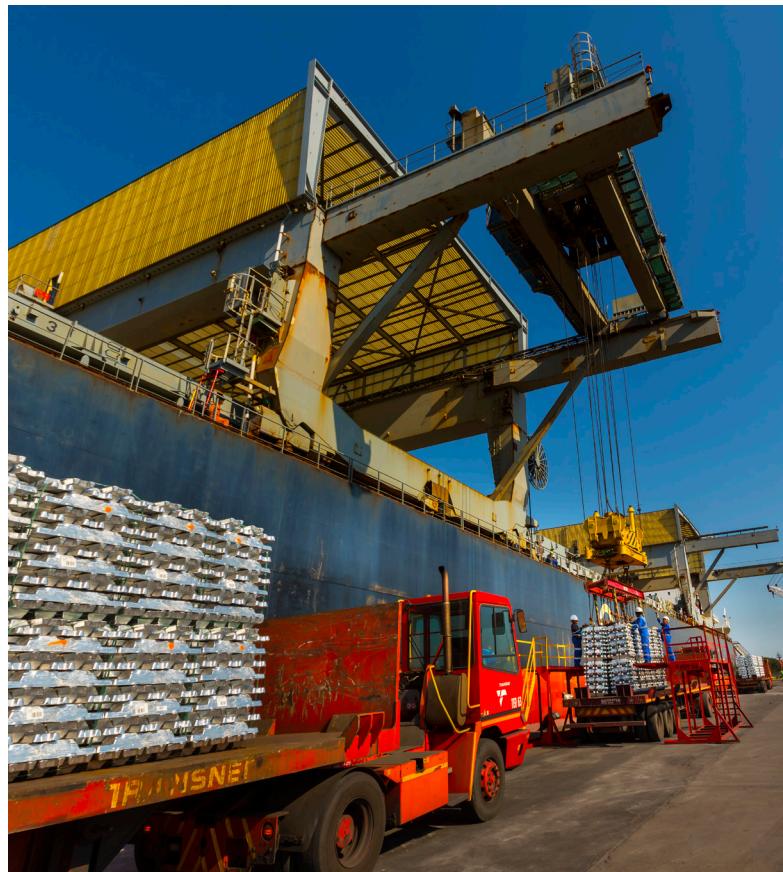


King IV. P7

The table below reflects the skills and expertise which are balanced to ensure effective discussions in fulfilling the Board's mandate.

### Director's strengths

Oversight strengths						
Governance	Leadership	Management	Organisational Development	Strategy		
Business and organisational strengths						
Economic Development	Procurement	Property Management	Investment	Project Management and Planning	Legal	Information Technology
Risk Management	Stakeholder Engagement	Communications and Marketing	HR and Industrial Relations	Finance	Accounting and Auditing	Policy Development
Required skills						
Finance (preferably a Chartered Accountant qualification)	Operations/logistics		Manufacturing		Legal	



# Our Board members



## Dr Popo Molefe

Chairperson

Date of birth: April 1952

Date of appointment: May 2018



1 2 9 11

### Qualifications:

Honorary Doctorate (Leadership Aptitude) (University of North West); Certificate of Conflict Resolution (Harvard University); Course on Governance (Harvard University); Certificate of Completion of Business Leadership Course (Pennsylvania University)

### Directorship/Shareholding/Trusteeship:

- Aberdeen Offshore Engineering (Pty) Ltd
- Andru Mining (Pty) Ltd
- Bigbit Trading
- Devland Meat Production
- Friedshelf 1516
- Global Aviations Operations (Pty) Ltd
- Lereko Broad-based Consortium 212
- Lereko Metier Capital Growth Fund (LMCGF)
- Lereko Eco
- Lereko Investments (Pty) Ltd
- Lereko Metier Investors (Pty) Ltd
- Lereko Metier Trustees
- Lereko Mobility
- Lereko Systems
- Mabele Trust
- Marble Gold
- Mooki Trust
- Mopisi
- Popo Molefe Foundation
- Sunshine Street Investments 71 (Pty) Ltd
- Tedcor (Pty) Ltd

## Ms Portia Derby

Group Chief Executive

Date of birth: December 1969

Date of appointment: February 2020

2 6 11 15 19

### Qualifications:

MBA (University of the Witwatersrand); BSc (Hons) Economics (University of KwaZulu-Natal); BSc Geology and Economics (University of KwaZulu-Natal); Management Advancement Programme Certificate

### Directorship/Shareholding/Trusteeship:

- JoyAnanda Investments (50% holding)
- LPA Properties (50% holding)
- Pholela Trust
- Tandimanzi (Pty) Ltd
- Ubu Investment Holdings (60% holding)

## Mr Aluwani Ramabulana

Independent non-executive director

Date of birth: October 1971

Date of appointment: May 2018



1 2 4 5 6 9 11

### Qualifications:

MBA (Nyenrode Universiteit; The Netherlands); BSc (Chemical Engineering) (Oregon State University); Executive Development Programme (IMD, Lausanne Switzerland); Certificate in Corporate Governance and Risk Management

### Directorship/Shareholding/Trusteeship:

- Balxores - 100%
- Bono Lithihi Investment Holdings (Pty) Ltd - 100%
- DataQwip Rentals (60% holding)
- Lateospace (49% holding)
- MDZ Capital (100% holding)
- MDZ Fleet Solutions (100% holding)
- MDZ Holdings Trust - 100%
- MDZ Logistics (100% holding)
- Mudzi Palfinger JV (51% holding)
- Sabanoscope - 33%
- Timeless Moments - 100%

## BOARD COMMITTEES



Audit



Corporate Governance and Nominations



Finance and Investment



Remuneration, Social and Ethics



Risk



### Ms Mpho Letlape

*Independent non-executive director*

Date of birth: March 1959

Date of appointment: May 2018



2 8 10 11 18

#### Qualifications:

Bachelor of Computer Science and Psychology (University of Fort Hare); Management Advanced Programme (Wits Business School); Strategic Human Resources Management (University of Cape Town Graduate School); Leading Change (Harvard Business School); Strategic Perspective in NPO Management (Harvard Business School); Orchestrating Winning Performance (IMD) (Harvard Business School); Strategic Human Resources (Harvard Business School)

#### Directorship/Shareholding/Trusteeship:

- Africa Harm Reduction Alliance
- Food Forward South Africa
- Lethushane (Pty) Ltd (100%)
- Lethushaneng Advisory Services (100%)
- National Research Foundation
- South African Women in Dialogue
- Standard Bank Tutuwa Community Foundation NPC
- Tower Group
- Vinton Holdings Foundation

### Ms Ursula Fikelepi

*Independent non-executive director*

Date of birth: January 1973

Date of appointment: May 2018



1 2 3 6 7 11

#### Qualifications:

MBA (Gordon Institute of Business Science); LLM (University of New Hampshire USA); LLB (University of Cape Town); BA Law (Rhodes University)

#### Directorship/Shareholding/Trusteeship:

- Emmaus Holdings (100% holding)
- Mtizamo Africa (Pty) Ltd (16%) (resigned)
- Mtizamo Capital (resigned)
- Mtizamo Properties (Pty) Ltd (16%) (resigned)

### Ms Dimakatso Matshoga

*Independent non-executive director*

Date of birth: May 1978

Date of appointment: May 2018



1 2 11 13 17 18 19

#### Qualifications:

MBA (Management College of South Africa); BSc (Electronic Engineering) (University of KwaZulu-Natal); PD in Project Management (School of Project Management); PrEng and Certified Director (Institute of Directors in Southern Africa (IoDSA))

#### Directorship/Shareholding/Trusteeship:

- Atafala Enterprises t/a Atafala Consulting (100%)
- Atafatsa Foundation (non-profit company) (33,3% holding)
- ATISSA Engineering and Environmental (in deregistration process)
- Isa-Stra Tech Solutions (20% holding)
- Sustainable Heating Holding Company (withdrawal in progress)
- Sustainable Heating 7 (withdrawal in progress)
- SAtion SA Digital (NPC) - (Director)

## BOARD MEMBERS' COMPETENCIES

1 Corporate Governance	8 ICT and Systems Engineering	15 Auditing and Accounting
2 Management and Leadership	9 Transformation and Socio-economic Development	16 Procurement and Supply Chain
3 Legal Compliance and Regulatory	10 HR and Industrial Relations	17 Construction and Engineering
4 Infrastructure, Logistics and Manufacturing	11 Strategy and Planning	18 Project Management
5 Business Development, Marketing and Sales	12 Risk Management	19 Transport (Road, Rail, Shipping, Aviation)
6 Finance, Economics and Investment	13 Stakeholder Relations	20 Operations Management
7 Business Process Re-engineering	14 Policy Development	21 Property Management



### Dr Fholisani Mufamadi

Independent non-executive director

Date of birth: February 1959

Date of appointment: May 2018



2 9 10 14

Qualifications:  
DSc Honoris Causa (Igbinedion University);  
PhD (University of London); Honorary  
Professor (Political and Government  
Studies) (Nelson Mandela Metropolitan  
University); MSc (University of London)

Directorship/Shareholding/Trusteeship:

- Absa Bank Mozambique
- Adcorp Holdings Ltd
- Implats Holdings Ltd
- Muendanyi Consulting (100% holding)
- Luthuli Peace & Development Institute
- Public & Environmental Economics  
Research Centre (0%)
- Zimplats (Chairman of the Board)

### Ms Gratitude Ramphaka

Independent non-executive director

Date of birth: August 1979

Date of appointment: May 2018



6 12 15

Qualifications:  
CA(SA); BAcc (Hons) (University of the  
Witwatersrand); BCom (University of  
the Witwatersrand); Auditing Specialist  
Course (Advanced Accounting and  
Auditing); Auditing Professional Training  
(Advanced Auditing and Professional  
Training)

Directorship/Shareholding/Trusteeship:

- Mbabo Transport Services cc  
(dormant – being deregistered)

### Mr Louis von Zeuner

Independent non-executive director

Date of birth: June 1961

Date of appointment: May 2018



1 2 3 6 7 12

Qualifications:  
Chartered Director CD(SA) (IoDSA);  
B.Economics (University of Stellenbosch)

Directorship/Shareholding/Trusteeship:

- FirstRand Bank Ltd
- FirstRand Ltd
- Mahela Group Holdings (Pty) Ltd
- Telkom SA SOC Ltd
- Tongaat Hulett Ltd
- University of the Free State (Council)
- Wildeklawer Investments (Pty) Ltd

### Gender representation

50% male

50% female

Excluding executive directors and Company Secretary.

### Race representation

87,5% (7 African)

12,5% (1 White)

### BOARD COMMITTEES



Audit



Corporate Governance and Nominations



Finance and Investment



Remuneration, Social and Ethics



Risk



### Ms Nonkululeko Dlamini

*Group Chief Financial Officer*

Date of birth: October 1973

Date of appointment: July 2020

### Adv Oupa Motaung<sup>1</sup>

*Independent non-executive director*

Date of birth: August 1970

Date of appointment: May 2018

### Ms Shokie Bopape

*Interim Group Company Secretary*

Date of birth: May 1969

Date of appointment: September 2020



2 6 15

3 6 17

1 3

#### Qualifications:

CA(SA); BCom (University of the Witwatersrand); Higher Diploma in Accounting (CTA) (University of Natal)

#### Directorship/Shareholding/Trusteeship:

- Coalition Trading 363 (AR final deregistration)
- Melody Hills Trading 127 (AR final deregistration)
- Rosherville Properties

#### Qualifications:

LLM (Tax Law) (University of the Witwatersrand); LLB (University of the Witwatersrand); BProc (University of the Witwatersrand); HDip Company Law (University of the Witwatersrand); AIPSA Diploma (University of Pretoria); Advanced Certificate in Construction Law (University of Pretoria); Certificate in Banking and Financial Markets (University of the Witwatersrand)

#### Directorship/Shareholding/Trusteeship:

- Condochlo (100% holding)
- Epic Telecommunication
- Kuena Construction Projects (100% holding)
- Miracle Mile 74 Investment
- Nordaspan (100% holding)
- Orthorox (deregistration – dormant)
- Thulo Trustees (100% holding)
- Twende Investments (10% holding)
- Vaxiscore Investment (100% holding)

#### Qualifications:

BJuris (University of KwaZulu-Natal); LLB (University of KwaZulu-Natal); MA (Social Policy - Industrial Stream) (UKZN); Postgraduate qualification in Strategic leadership (GIBS); CSSA Professional Postgraduate Qualification: Company Secretarial and Governance Practice (Chartered Secretaries Southern Africa)

<sup>1</sup> Adv Motaung passed away in September 2020.

### BOARD MEMBERS' COMPETENCIES

- |   |   |
|---|---|
| 1 | Corporate Governance                        |
| 2 | Management and Leadership                   |
| 3 | Legal Compliance and Regulatory             |
| 4 | Infrastructure, Logistics and Manufacturing |
| 5 | Business Development, Marketing and Sales   |
| 6 | Finance, Economics and Investment           |
| 7 | Business Process Re-engineering             |

- |    |   |
|----|---|
| 8  | ICT and Systems Engineering                   |
| 9  | Transformation and Socio-economic Development |
| 10 | HR and Industrial Relations                   |
| 11 | Strategy and Planning                         |
| 12 | Risk Management                               |
| 13 | Stakeholder Relations                         |
| 14 | Policy Development                            |

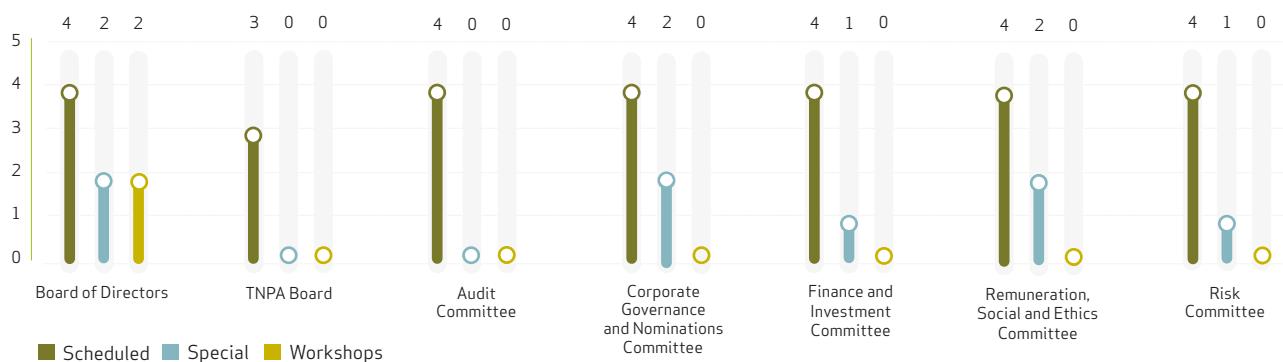
- |    |  |
|----|--|
| 15 | Auditing and Accounting                    |
| 16 | Procurement and Supply Chain               |
| 17 | Construction and Engineering               |
| 18 | Project Management                         |
| 19 | Transport (Road, Rail, Shipping, Aviation) |
| 20 | Operations Management                      |
| 21 | Property Management                        |

# Core responsibilities of the Board

## Board and committee meetings



The graphs below indicate the number of scheduled and ad hoc meetings held during the year under review.



## Schedule of directors' attendance at Board and committee meetings\*

The table below discloses the number of meetings held during the year and the attendance of the respective directors for the financial year ended 31 March 2021.

Board/committee	Board	Audit Committee	Finance and Investment Committee	Corporate Governance and Nominations Committee	Remuneration, Social and Ethics Committee	Risk Committee	TNPA Deemed Board
<b>Number of meetings held</b>	<b>6</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>3</b>
Dr PS Molefe (Chairperson)	6	—	—	6	—	—	3
Ms PPJ Derby	4	—	—	—	—	—	2
Ms NS Dlamini <sup>1</sup>	5	—	—	—	—	—	3
Ms UN Fikelepi	6	—	—	6	5	5	3
Mr MD Gregg-Macdonald <sup>2</sup>	1	—	—	—	—	—	1
Ms ME Letlape	6	4	5	—	6	5	3
Ms DC Matshoga	6	—	—	6	—	5	3
Adv OM Motaung <sup>3</sup>	3	—	1	1	—	—	1
Dr FS Mufamadi	6	—	—	6	6	—	3
Mr AP Ramabulana	6	4	5	—	—	—	3
Ms GT Ramphaka	6	4	—	—	—	5	3
Mr LL von Zeuner	6	4	5	—	—	4	3

<sup>1</sup> Appointed as the Group Chief Financial Officer and executive director of the Company with effect from 1 July 2020.

<sup>2</sup> Reappointed as the Acting Group Chief Financial Officer from 1 April 2020 until 30 June 2020.

<sup>3</sup> Adv Motaung passed away on 22 September 2020.

# Board, its Committees and summary of key activities and outputs for FY2020/21



King IV. P1, P3, P4, P5, P6, P8, P9, P10, P11, P12, P13, P14, P15 & P16

Board	Chairperson	Members
<p><b>6</b> meetings held during the year Directors' attendance at Board meetings denoted by () ^ Executive director † Independent non-executive director</p>	Dr PS Molefe* (6)	<ul style="list-style-type: none"> <li>› Ms PPJ Derby^ (4)</li> <li>› Ms NS Dlamini^† (5)</li> <li>› Ms UN Fikelepi† (6)</li> <li>› Mr MD Gregg-Macdonald^‡ (1)</li> <li>› Ms ME Letlape† (6)</li> <li>› Ms DC Matshoga† (6)</li> <li>› Adv OM Motaung^§ (3)</li> <li>› Dr FS Mufamadi† (6)</li> <li>› Mr AP Ramabulana† (6)</li> <li>› Ms GT Rampakha† (6)</li> <li>› Mr LL von Zeuner† (6)</li> </ul>

<sup>1</sup> Appointed as the Group Chief Financial Officer and executive director of the Company with effect from 1 July 2020.  
<sup>2</sup> Reappointed as the Acting Group Chief Financial Officer with effect from 1 April 2020 until 30 June 2020.  
<sup>3</sup> Adv Motaung passed away on 22 September 2020.

## Summary of the Board's charter

The Board's primary mandate is to ensure the sustainable and successful continuation of business activities by providing strategic direction to the Company. Non-executive directors are appointed to the Board by the Shareholder Minister on a three-year term. The appointments are confirmed at the AGM. The Chairperson of the Board engages continuously with the Shareholder Minister who is the final arbiter on the Board's succession plans and approver of transaction applications in accordance with the provisions of section 54 of the PFMA.

King IV imposes specific responsibilities on the Board. The non-executive directors embrace these and acknowledge that the Board is primarily responsible for ensuring that the Company's strategy, risk compliance, performance and sustainability are inseparable. The Board provides effective leadership based on an ethical foundation of responsibility, accountability, fairness and transparency.

## Summary of key activities and outputs (decisions, approvals, policies and procedures) for FY2020/21

The Board held six meetings during the year under review where it:

- › Approved the appointment of the Finance and Investment Committee Chairperson
- › Recommended to the Shareholder Minister an increase of 4,7% to the fee structure of the non-executive directors, effective 1 April 2020
- › Approved the Sponsorship and Donation Policy
- › Approved the Media, Communications and Events Protocol Policy
- › Approved the Crisis Communication Policy
- › Delegated the Audit Committee to approve the draft annual financial statements, on behalf of the Board, for release to the external auditors and National Treasury
- › Approved the revised draft FY2020/21 Shareholder's Compact for submission to the Shareholder for signature;
- › Approved the FY2020/21 draft Significance and Materiality Framework
- › Recommended to the Shareholder Minister the payment of a long-term incentive in the amount of R1 051 951,68 to Mr Krishna Reddy, who was a prescribed officer at the time of the FY2016/17 vesting for approval
- › Approved the Company Scorecard, and the Group Chief Executive performance contract and mandated the Chairperson to sign the Group Chief Executive performance contract
- › Approved the appointment of Ms S Bopape as interim Group Company Secretary
- › Approved the integrated report for the FY2019/20
- › Approved the annual financial statements for the financial year ending 31 March 2020
- › Approved the Audit Committee Report for the FY2019/20
- › Approved the going concern assertion for the FY2019/20
- › Approved the Global Medium Term Note (GMTN) Programme financials for the FY2019/20
- › Approved the Management Representation Letter for the FY2019/20 – Group AFS
- › Approved the annual ring-fenced financial statements for the FY2019/20 – TPL
- › Approved the Management Representation Letter for the FY2019/20 – Socio-Economic Development
- › Approved the Management Representation Letter for the FY2019/20 – TPL
- › Approved the directors' valuation of unlisted investments
- › Approved the time extension of the transformer upgrades at substations and related power supply infrastructure on the ore line
- › Approved the interim annual financial statements for the period ended 30 September 2020
- › Approved the press release advert for the period ended 30 September 2020

### **Summary of key activities and outputs (decisions, approvals, policies and procedures) for FY2020/21 (continued)**

- › Approved the going concern assertion for the period ended 30 September 2020
- › Approved the GMTN financial results for the period ended 30 September 2020
- › Approved the Transnet Medical Scheme – SATS top-up funding 2021
- › Approved the appointment of Ms NS Dlamini as Debt Officer and Public Officer
- › Approved the Integrated Risk Management Policy
- › Approved the termination the Group Company Secretary's employment, effective 31 October 2020
- › Approved the FY2020/21 Shareholder's Compact for submission to the Shareholder Minister
- › Approved that discussions and negotiations be entered into with the Minister on the Shareholder's Compact targets and measurements by a subcommittee comprising members of the Board
- › Approved that the Chairperson of the Board signs the Shareholder Compact on behalf of the Board of Directors
- › Approved the DPIP and FPPO Policy
- › Approved the addendum to the Board Performance Evaluation Policy subject to engagements with the Shareholder Minister regarding the frequency of assessments
- › Approved the appointment of the following Transnet representatives to serve on the Board of directors of Commercial Cold Storage (Pty) Ltd:
  - Ms Yolisa Kani, Chief Business Development Officer;
  - Ms Andiswa Dlanga, Managing Executive for Saldanha Terminals; and
  - Mr Donald Benning, Regional Financial Manager
- › Approved the appointments of the following Transnet representatives to the GABCON Holdings board
  - Mr Rudzani Ligege, Managing Executive: Central Corridor;
  - Ms Marelize Labuschagne, Chief Financial Officer, Transnet Freight Rail; and
  - Ms Fadzai Nyamasve, General Manager: Growth & Diversification
- › Approved the following for implementation and publishing on the Company website:
  - Declaration of interest and related parties disclosure policy for employees
  - Declaration of interest and related parties disclosure policy for directors
- › Approved the removal of Ms M Letlape as a member of the Risk Committee
- › Approved the Directors' Remuneration Frameworks, subject to the comments of the Board being addressed
- › Approved the Transnet Property Strategy
- › Approved the Transnet Pipelines budget deviation for FY2021/22
- › Approved the Transnet Enterprise Risk Management Framework
- › Approved the Transnet Risk Appetite and Tolerance Framework
- › Approved the termination of the tenure of the Board of Trustees of the South African Football Association (SAFA)/Transnet School of Excellence as provided for in clause 10.6.4 of the Trust Deed
- › Approved the appointment of the Transnet representatives as part of the Board of Trustees to oversee the operations of the School on an interim basis, to ensure compliance with the provisions of the Trust Deed consisting of the following individuals:
  - Mr Sindile Mxunyelwa, Governance and Risk Specialist, TPT Supply Chain
  - Mr Thabiso Dikolomela, Executive Manager, Strategy, Transnet Corporate Centre (TCC)
  - Ms Manisha Rampersadh, Senior Manager: Compliance, TCC
  - Mr Lloyd Mc Patie, General Manager: Financial Performance and capital assurance
  - Ms Sizakele Mzimela, Transnet Freight Rail Chief Executive
- › Delegate authority to the Group Chief Executive or her delegate to engage SAFA and other key stakeholders represented on the Board of Trustees on the following:
  - Termination of the tenure of the Board of Trustees of the SAFA/Transnet School of Excellence due to non-compliance with the Deed of Trust
  - Restoration of governance through the appointment of new representatives who will constitute part of the Board of Trustees of the SAFA/Transnet School of Excellence (SoEx) on an interim basis
- › Approved the publishing of the King IV Compliance Register on the Company website
- › Ratified the decision taken by the Group Chief Executive in terms of clause 9.8.1.5 of the Board mandate, through a written resolution process, appointing the following Transnet employer representatives to serve as directors on the Board of directors of Godisa Supplier Development Fund (Pty) Ltd (Godisa):
  - Ms Mapaseka Lukhele, General Manager: Corporate Sustainability;
  - Mr Lloyd McPatie, General Manager: Financial Performance and Capital Assurance as a director of Godisa
  - Mr Asief Barday, Executive Manager: Finance, Transnet Freight Rail (TFR), as an alternate director of Godisa
- › Approved the Companies and Intellectual Property Commission (CIPC) compliance report for submission to the CIPC

### **Key challenges (what they were, responses and continuing challenges)**

- › Filling of Board vacancies. Long existing vacancies effecting capacity of the Board
- › Continuation of state capture-related activities
- › Realisation of achievement of Shareholder Compact objectives
- › Business turn around
- › Locomotives related challenges impacting revenue
- › Capacity of the Group Company Secretariat Department

### **Focus areas for 2021/22**

- › Successful reorganisation of the business
- › Strengthening internal control measures
- › Emphasis on consequence management and close out of protracted matters
- › Improving operational performance
- › Post COVID-19 Business Recovery Strategy (financial, people, operations)



<b>Audit Committee</b>	<b>Chairperson</b>	<b>Members</b>
<p><b>4</b> meetings held during the year</p> <p>Directors' attendance at Audit Committee meetings denoted by ()</p> <p>^ Executive director † Independent non-executive director</p>	<p>Mr LL von Zeuner<sup>†1</sup> (4)</p> <p><sup>1</sup> Appointed the Chairperson of the committee with effect from 15 June 2020.</p>	<p>› Ms ME Letlape<sup>†</sup> (4) › Mr AP Ramabulana<sup>†</sup> (4) › Ms GT Rampaka<sup>†</sup> (4)</p> <p>No external advisers attended committee meetings during the year.</p>
<b>Summary of the committee's mandate</b>		
<p>The Company continued to comply with the requirements of the Companies Act for the functioning and reporting of the Audit Committee. PFMA requirements for the composition and election of the Audit Committee are strictly observed.</p> <p>The Audit Committee comprises independent non-executive directors who are duly elected and appointed by the Shareholder Minister at the AGM in line with legislative requirements. Four scheduled meetings were held during the year and all quorum requirements were met.</p> <p>The Audit Committee provides the following support activities to the Board:</p> <ul style="list-style-type: none"> <li>› Assists the Board in discharging its duties to safeguard assets and evaluate internal control frameworks</li> <li>› Reviews and assesses the integrity and effectiveness of the accounting, financial, compliance and other control systems</li> <li>› Considers the internal and external audit process accounting principles and policies</li> <li>› Strengthens the independence of the internal and external audit functions to ensure their effectiveness</li> <li>› Ensures effective communication between the internal auditors, the external auditors, the Board, management and regulators</li> <li>› Ensures compliance with and adherence to applicable legal, regulatory and accounting requirements</li> <li>› Contributes to a climate of discipline and control which will reduce the opportunity for fraud</li> <li>› Assists the Board in discharging its duties pertaining to the governance of ICT</li> </ul>		
<b>Summary of key activities and outputs (decisions, approvals, policies and procedures) for FY2020/21</b>		
<p>The committee held four meetings during the year under review where it:</p> <ul style="list-style-type: none"> <li>› Recommended the draft annual financial statements for the FY2019/20</li> <li>› Recommended the integrated report for the FY2019/20</li> <li>› Recommended the press release/advert for the 2019/20 financial results</li> <li>› Recommended the going concern assertion for the FY2019/20</li> <li>› Recommended the GMTN programme financials for the FY2019/20</li> <li>› Recommended the PFMA Losses and Expenditure Report</li> <li>› Recommended the Management Representation Letter for the FY2019/20 - Group AFS</li> <li>› Recommended the Management Representation Letter for the FY2019/20 - AOPO</li> <li>› Recommended directors' valuation of unlisted investments</li> <li>› Recommended the Management Representation Letter for the Socio-economic Developmental Outcomes to be included in the Integrated Report</li> <li>› Recommended the annual ring-fenced financial statements for the FY2019/20 - TPL</li> <li>› Recommended the Management Representation Letter for the FY2019/20 - TPL</li> <li>› Recommended the annual financial statements for the FY2019/20 - TNPA</li> <li>› Recommended the Management Representation Letter for the FY2019/20 - TNPA</li> <li>› Recommended the interim financial results for the period ended 30 September 2020</li> <li>› Recommended the going concern assessment for the period ended 30 September 2020</li> <li>› Recommended the press release/advert for the period ended 30 September 2020</li> <li>› Recommended the Management Representation Letter for the period ended 30 September 2020</li> <li>› Approved the FY2020/21 Internal Audit Charter</li> <li>› Approved the proposed changes to the FY2020/21 Internal Audit Plan</li> <li>› Approved the retirement of the Transnet Tax Policy</li> <li>› Approved the revised Tax Strategy; and approved that the Group Chief Financial Officer be delegated to sign the Tax Strategy</li> <li>› Approved the review strategy for Transnet and subsidiaries for the review of interim financial information for the period ending 30 September 2020</li> <li>› Approved the Audit Engagement Letter for the year ended 31 March 2021</li> <li>› Approved the risk-based Internal Audit Plan and Budget for the FY2021/22</li> <li>› Approved the changes to the Internal Audit Plan for the FY2020/21</li> <li>› Ratified the approval of: <ul style="list-style-type: none"> <li>- The key assumptions and principles used to develop the financial, capital investment and funding plans</li> <li>- The financial, capital investment and funding plans for inclusion in the FY2021/22 Corporate Plan</li> </ul> </li> </ul>		

### Key challenges (what they were, responses and continuing challenges)

- › The risks of breaching the Company's loan covenants
- › The Integrated Assurance Plan and Transnet Internal Audit (TIA) findings remain sources of concern
- › Lack of contract management and the Company's exposure to recurrence of irregular expenditure transactions
- › Liquidity and funding challenges

### Focus areas for 2021/22

- › Financial risks as a result of COVID-19
- › Impact of COVID-19 on Company sustainability
- › Increasing internally generated revenue
- › Improvement of internal control environment

Remuneration, Social and Ethics Committee	Chairperson	Members
<p><b>6</b> meetings held during the year</p> <p>Directors' attendance at Remuneration, Social and Ethics Committee meetings denoted by ()</p> <p><sup>^</sup> Executive director <sup>†</sup> Independent non-executive director</p>	Dr FS Mufamadi <sup>†</sup> (6)	<ul style="list-style-type: none"> <li>› Ms UN Fikelepi<sup>†</sup> (5)</li> <li>› Ms ME Letlape<sup>†</sup> (6)</li> </ul>

### Summary of the committee's mandate

King IV Principle 8 Recommended Practice 65, recommends that the Board should consider allocating oversight of remuneration to a dedicated committee or adding it to the responsibility of another committee as it is appropriate for the organisation.

The Companies Act, section 72(4) in line with the Companies Act, regulation 43 states the need for every state-owned Company; every listed public company and any other company that has in any two of the previous five years scored above 500 points in terms of regulation 26 (2) to appoint a social and ethics committee.

The committee provides the following support activities to the Board:

- › Advises the Board regarding responsible corporate citizenship and the ethical relationship between the Company and its stakeholders, both internally and externally. The committee manages the Company's legal and moral obligations for its economic, social and natural environment, including the objectives and standards of the Company's conduct and activities
- › Manages and monitors the Company's activities to achieve and maintain world-class standards in the Company's social and ethics environment, with due regard to all relevant legislation, policies, legal requirements and codes of best practice
- › Oversees the ethics management programme implemented by management
- › Ensures 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 the Shareholder's interests
- › Reviews the design and management of salary structures, policies and incentive schemes and ensures that they motivate sustained high performance and are linked to corporate performance
- › Reviews the mandates of the remuneration committees of the subsidiaries of Transnet and approves their recommended remuneration policies and practices
- › Develops and implements a remuneration philosophy for disclosure to enable a reasonable assessment of reward practices and governance processes to be made by stakeholders
- › Recommends the level of independent non-executive directors' fees to the Board
- › Ensures compliance with applicable laws and codes
- › Considers and makes 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
  - Development of human resources issues
- › Approves succession planning policy and procedures for the Group Executive Committee (other than executive directors) and the Extended Executive Committee members

## **Summary of key activities and outputs (decisions, approvals, policies and procedures) for FY2020/21**

The committee held six meetings in the year under review where it:

- › Recommended the top-up payment for the Transmed Medical SATS funding 2020 to the Finance and Investment Committee for recommendation to the Transnet Board for final approval
- › Approved and signed off on the ground rules that govern the new Short-Term Incentive Scheme for management employees Recommended the Long-Term Incentive new design control to the Board for approval, subject to it being discussed with each REMSEC member prior to it being retabled at the REMSEC
- › Approved the Acting Policy for executive directors and Prescribed Officers policy based on the mandate from the Transnet Board for onward recommendation to the Board for noting purposes
- › Approved the amendments made to the new Lifestyle Audit Policy for onward recommendation to the Board for noting purposes
- › Approved the mandate for the FY2020/21 Management increases
- › Recommended the Remuneration Report for the FY2019/20 to the Board for approval
- › Approved the proposed phased-in approach to wage negotiations for the period commencing on 1 April 2021
- › Approved the adjustment of the Long-Term Incentive performance rating from 2.5 to 3 to be applied prospectively
- › Approved the Long-Term Incentive performance measures to finalise the design of the scheme
- › Approved the principle of moving towards a universal medical aid for Transnet employees, within the constraints of affordability for the Company
- › Approved the amendments to the Transnet Lifestyle Audit Policy as proposed by the Board
- › Recommended the adjustment of the remuneration package of the Group Chief Financial Officer, Ms Nonkululeko Dlamini, to the Shareholder Minister for approval
- › Recommended the proposed fee structure for the non-executive directors to the Board for onward recommendation to the Shareholder Minister for approval

## **Key challenges (what they were, responses and continuing challenges)**

- › Non-executive directors' remuneration
- › Finalisation of disciplinary processes for all employees especially senior employees in light of widespread corruption allegations
- › Measures to address employee and public safety and fatal incidences
- › Need to effect consequence management measures in accordance with PFMA

## **Focus for 2021/22**

- › Implementation of energy-efficient initiatives
- › Reorganisation initiatives amid COVID-19 pandemic
- › Establishing a stronger collaboration with labour



<b>Corporate Governance and Nominations Committee</b> <b>6</b> meetings held during the year Directors' attendance at Corporate Governance and Nominations Committee meetings denoted by ()	<b>Chairperson</b> Dr PS Molefe* (6)	<b>Members</b> > Ms UN Fikelepi† (6) > Ms DC Matshoga† (6) > Adv OM Motaung <sup>‡1</sup> (1) > Dr FS Mufamadi† (6) No external advisers attended committee meetings during the year. <small><sup>1</sup> Adv O Motaung passed on 22 September 2020.</small>
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### Summary of the committee's mandate

**King IV Principle 8 Recommended Practice 60**, Recommends that the Board should consider allocating oversight of the following to a dedicated committee or adding it to the responsibility of another committee as is appropriate for the organisation.

- > The process of nominating, electing and appointing members of the Board
- > Succession planning in terms of members of the Board
- > Evaluation of the performance of the Board

The committee provides the following support activities to the Board:

- > Ensures that the Board's composition and structure enable it to fulfil the obligations of the Board's mandate and advance and maintain the Company's corporate governance policies and the Corporate Governance Framework
- > Sets criteria for the nomination of directors to be recommended to the Board for appointment to the committees of the Board, other than the Audit Committee
- > Nominates potential Audit Committee members for appointment by the Shareholder Minister
- > Nominates potential REMSEC members for approval by the Board and confirmation by the Shareholder Minister at the AGM or through a written resolution
- > Ensures that best practice succession planning policies are implemented in respect of executive directors and independent non-executive directors
- > Administers and manages the selection process of the Group Chief Executive on behalf of the Board and makes 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*

### Summary of key activities and outputs (decisions, approvals, policies and procedures) for FY2020/21

The committee held six meetings during the year under review where, among others, it:

- > Recommended the AGM arrangements and statutory authorisation applicable to the proposed agenda to Board for approval
- > Recommended the Company Policy Framework to the Board for approval
- > Recommended the Shareholder's Compact to the Board for approval
- > Approved a combined structure of action and discussion minutes as proposed and recommended same to the Board for approval
- > Recommended the No Gifts and Hospitality Policy to the Board for approval
- > Recommended the appointment of the Finance and Investment Committee Chairperson to the Board for approval
- > Approved the digital implementation of the Training Plan through online platforms (MS Teams, Webinars, etc. as part of the offerings by the training institutions)
- > Recommended the Monitoring of the Shareholder's Compact for FY2020/21 to the Board for noting
- > Recommended the Draft Corporate Governance Report for inclusion in the integrated report for the FY2019/20 to the Board for approval
- > Approved the resolutions of the AGM, subject to proposed amendments
- > Recommended the appointment of Ms S Bopape as Interim Group Company Secretary to the Board for approval
- > Recommended the Board committee skill set, composition and effectiveness to the Board for approval
- > Recommended the Corporate Plan for the FY2021/22 to the Board for approval
- > Recommended the FY2021/22 Shareholder's Compact for submission to the Shareholder Minister
- > That discussions and negotiations be entered into with the Shareholder Minister on the Shareholder's Compact targets and measurements by a subcommittee comprising members of the Board
- > That the Chairperson of the Board signs the Shareholder Compact on behalf of the Board of Directors

### **Summary of key activities and outputs (decisions, approvals, policies and procedures) for FY2020/21 (continued)**

- › Recommended the Politically Influential Persons Policy to the Board for approval subject to:
  - Ensuring that the extent of disclosures is aligned to other listed companies; a benchmark should be conducted in that regard;
  - Further discussions with regard to the supply chain management disclosure requirements. The GCE was mandated to lead this discussion with the JSE and revert to the Board;
  - A workshop being held to deepen the understanding of the subject matter; and
  - The JSE being engaged with regard to a transitional period
- › Recommended the Lending Policy to the Board for approval, subject to the Group Chief Financial Officer engaging the JSE to obtain clarity on the exclusions and related-party disclosures and this would be strengthened in the policy
- › Recommended that the Board approves the addendum to the Supply Chain Management Policy
- › Recommended that the Board approves the addendum to the Board Performance Evaluation Policy
- › Approved the appointment of the following Transnet representatives to serve as directors on the Board of the Commercial Cold Storage (Pty) Ltd:
  - Ms Yolisa Kani, Chief Business Development Officer
  - Ms Andiswa Dlanga, Managing Executive for Saldanha Terminals
  - Mr Donald Benning, Regional Financial Manager
- › Recommended that the Board approves the appointments of the following Transnet representatives to the GABCON Holdings Board
  - Mr Rudzani Ligege, Managing Executive: Central Corridor
  - Ms Marelize Labuschagne, Chief Financial Officer
  - Ms Fadzai Nyamasve, General Manager: Growth and Diversification
- › Recommended the following to the Board for approval:
  - The termination of the tenure of the current Board of Trustees of the SAFA/Transnet School of Excellence is provided for in clause 10.6.4 of the Trust Deed
- › Recommended that the Board approves the publishing of the King IV Compliance Register on the Company website
- › Recommended that the Board ratifies the decision taken by the Group Chief Executive in terms of clause 9.8.1.5 of the Board mandate, through a Written Resolution process, appointing the following Transnet employer representatives to serve as directors on the Board of directors of Godisa Supplier Development Fund (Pty) Ltd (Godisa):
  - Ms Mapaseka Lukhele, General Manager: Corporate Sustainability;
  - Mr Lloyd McPatie, General Manager: Financial Performance and Capital Assurance as a director of Godisa; and
  - Mr Asief Barday, Executive Manager: Finance, Transnet Freight Rail, as an alternate director of Godisa
- › Recommended that the Board approves the CIPC compliance report for submission to the CIPC
- › Recommended the talent management and succession planning project plan which to be used for the identification of successors for the executive directors to the Board for approval
- › Approved the Board training and development plan subject to finalisation of the Board evaluation process, and incorporating any training requirements which may arise
- › Recommended the removal of Ms M Letlape as a member of the Risk Committee to the Board for approval

### **Key challenges (what they were, responses and continuing challenges)**

- › Alignment of Governance Instruments
- › Director development and continuous Board improvement
- › Board composition and evaluation
- › Capacity of Company Secretariat

### **Focus areas for 2021/22**

- › Alignment of Governance Instruments
- › Improved director development amid the COVID-19 pandemic
- › Role of the director in COVID-19

<b>Risk Committee</b> 5 meetings held during the year Directors' attendance at Risk Committee meetings denoted by () <small>^ Executive director † Independent non-executive director</small>	<b>Chairperson</b> Ms GT Ramphaka <sup>†</sup> (5)	<b>Members</b> › Ms UN Fikelepi <sup>†</sup> (5) › Ms ME Letlape <sup>†1</sup> (5) › Ms DC Matshoga <sup>†</sup> (5) › Mr LL von Zeuner <sup>†</sup> (4)
<small><sup>1</sup> Ms ME Letlape was removed as a member of the Risk Committee with effect from 30 March 2021.</small>		

### Summary of the committee's mandate

King IV Principle 11 Recommended Practice 1 recommends that the Board should assume responsibility for the governance of risk by setting the direction for which the risk should be approached and addressed in the organisation.

King IV Principle 8 Recommended Practice 62 recommends that the Board should consider allocating oversight of risk governance to a dedicated committee or adding it to the responsibility of another committee as it is appropriate for the organisation.

The Risk Committee provides the following support activities to the Board:

- › 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 Enterprise Risk Management Framework approved by the Board from time to time
- › Ensures effective communication with the internal and external auditors, the Audit Committee, the Board, management and regulators on risk management
- › Contributes to a climate of discipline and control which will reduce opportunities for fraud and other operational losses
- › Assesses any significant risk control failings or weaknesses and their potential impact, and confirms that appropriate action has or is being taken

### Summary of key activities and outputs (decisions, approvals, policies and procedures) for FY2020/21

The committee held six meetings during the year under review where it:

- › Approved the FY2020/21 Compliance Plan
- › Recommended the Integrated Risk Management Policy to the Board for approval
- › Approved the Integrated Risk Management Plan for year 1
- › Approved the Integrated Risk Report and recommended to the Board for approval as part of the integrated report
- › Recommended the Enterprise Risk Management (ERM) Strategy and Framework to the Board for approval
- › Recommended the Transnet Risk Appetite Framework to the Board for approval
- › Approved the Transnet Strategic Risk Profile

### Key challenges (what they were, responses and continuing challenges)

- › Reputational risks
- › Funding and capital investment related risks
- › Alignment of committee mandate to risk-specific functions
- › Risk related to locomotive maintenance and the effect on the business and revenue
- › Integration of COVID-19 on people and business risks

### Focus areas for 2021/22

- › The committee has further streamlined and integrated risk reporting to ensure effective oversight
- › ICT and information-related risks
- › People risks
- › Security and safety risks
- › Procurement transformation related risks

<b>Finance and Investment Committee</b>	<b>Chairperson</b>	<b>Members</b>
<p><b>5</b> meetings held during the year</p> <p>Directors' attendance at Finance and Investment Committee meetings denoted by ()</p> <p><sup>^</sup> Executive director <sup>†</sup> Independent non-executive director</p>	Ms ME Letlape <sup>†</sup> (5)	<ul style="list-style-type: none"> <li>› Adv OM Motaung<sup>†<sup>1</sup></sup> (1)</li> <li>› Mr AP Ramabulana<sup>†</sup> (5)</li> <li>› Mr LL von Zeuner<sup>†</sup> (5)</li> </ul> <p><sup>1</sup> <i>Adv O Motaung passed away on 22 September 2020.</i></p>
<b>Summary of the committee's mandate</b>		
<p>The purpose of the Finance and Investment Committee is to:</p> <ul style="list-style-type: none"> <li>› Advance and maintain the Company's financial and investment policies to ensure its financial sustainability</li> <li>› Approve investment transactions within the committee's delegated authority</li> <li>› Oversee trends in supplier development and localisation spend in line with Broad-Based Black Economic Empowerment plans, and monitor progress on these plans</li> <li>› Consider strategic growth investments and partnerships and make recommendations to the Board</li> <li>› Monitor the implementation of strategic growth investments and partnerships against the approved plans</li> <li>› Recommend divestments (disposals) to the Board in line with the DOA Framework</li> <li>› Approve procurement strategies and oversee related awards in line with the DOA Framework</li> <li>› Consider property lease agreements in line with the DOA Framework</li> </ul>		
<b>Summary of key activities and outputs (decisions, approvals, policies and procedures) for FY2020/21</b>		
<p>The committee held five meetings during the year under review where it:</p> <ul style="list-style-type: none"> <li>› Recommended the decision taken by the TPT Acting Chief Executive to proceed with an award for 23 straddle carriers via an option on an existing contract with Kalmar Industries, due to critical operational requirements and prior to National Treasury granting approval, to the Board for ratification</li> <li>› Recommended that the decision taken by the TPT Acting Chief Executive to proceed with an award for two second-hand mobile harbour cranes to Liebherr-Africa (Pty) Ltd, due to critical operational requirements and prior to National Treasury granting approval, to the Board for ratification</li> <li>› Approved the extension of the warrant from March 2020 to March 2021</li> <li>› Recommended that the retirement of the Transnet Tax Policy document be submitted to the Transnet Audit Committee for approval</li> <li>› Recommended that the Audit Committee approve the revised Transnet Tax Strategy and delegate authority to the Group Chief Financial Officer to sign the Tax Strategy</li> <li>› Recommended that Transnet make advanced quarterly payments to Transmed during the 2021 calendar year, commencing in January 2021, not exceeding R36 347 500 to the Corporate Governance and Nominations Committee, for further recommendation to the Board for approval</li> <li>› Recommended the Property Strategy to the Board for approval</li> <li>› Recommended that the Board approve over 10% deviation in operating expenditure for the FY2020/21, for Transnet Pipelines</li> <li>› Approved the extension of the warrant validity period of the NMPP TM1 Phase 1A project, from the current date of the end of the FY2017/18 to December 2022</li> <li>› Recommended the Corporate Plan for FY2021/22 to the Board for approval, subject to the incorporation of the inputs and comments made by the committee</li> <li>› Recommended the annual budgets as part of FY2021/22 Corporate Plan to the Board for approval</li> </ul>		
<b>Key challenges (what they were, response and continuing challenges)</b>		
<ul style="list-style-type: none"> <li>› Procurement transformation as it impacts the business</li> <li>› Collection of debts</li> <li>› Optimising the various portfolios to improve the financial situation</li> </ul>		
<b>Focus for 2021/22</b>		
<ul style="list-style-type: none"> <li>› Financial sustainability post COVID-19</li> <li>› Revenue growth and diversification</li> <li>› The impact of TNPA corporatisation on the Company's balance sheet</li> </ul>		

## Group Executive Committee meetings

Schedule of members' attendance at Group Executive Committee meetings held during the period under review:

<b>Members</b>	<b>23 meetings</b>
Ms PPJ Derby	23
Ms NS Dlamini <sup>1</sup>	15
Ms S Coetzee <sup>2</sup>	20
Mr V Dube <sup>3</sup>	16
Ms BY Kani <sup>4</sup>	21
Mr B Kgomo <sup>5</sup>	19
Mr S Khathi <sup>6</sup>	6
Mr MD Gregg-Macdonald <sup>7</sup>	14
Ms S Lund <sup>8</sup>	1
Ms S Mzimela <sup>9</sup>	21
Mr R Mills <sup>10</sup>	20
Ms X Mpongoshe <sup>11</sup>	2
Mr T Majoka <sup>12</sup>	2
Mr P Munyai	22
Mr V Nemukula	22
Mr K Ngema	17
Ms X Ntshingila <sup>13</sup>	3
Mr K Phahlamohlaka <sup>14</sup>	12
Mr K Phihlela <sup>15</sup>	9
Ms M Phillips	22
Mr K Reddy <sup>16</sup>	4
Mr P Silinga <sup>17</sup>	9
Mr T Siyaya <sup>18</sup>	8
Ms L Sesoko <sup>19</sup>	7
Mr A Shaw <sup>20</sup>	17

<sup>1</sup> Appointed with effect from 1 July 2020

<sup>2</sup> Appointed to Exco with effect from 1 May 2020

<sup>3</sup> Appointed to Exco with effect from 1 July 2020

<sup>4</sup> Appointed to Exco with effect from 1 May 2020

<sup>5</sup> Appointed to Exco with effect from 1 June 2020; passed on 26 July 2021

<sup>6</sup> Ceased to be a member of Exco effective 1 July 2020

<sup>7</sup> Resigned with effect from October 2020

<sup>8</sup> Ceased to be a member of Exco effective 30 April 2020

<sup>9</sup> Appointed to Exco with effect from 1 May 2020

<sup>10</sup> Appointed to Exco with effect from 1 May 2020.

<sup>11</sup> Ceased to be a member of Exco effective 31 May 2020

<sup>12</sup> Ceased to be a member of Exco effective 30 April 2020

<sup>13</sup> Ceased to be a member of Exco effective 31 May 2020

<sup>14</sup> Appointed with effect from 1 September 2020

<sup>15</sup> Ceased to be a member of Exco effective 30 September 2020

<sup>16</sup> Ceased to be a member of Exco effective 30 June 2020

<sup>17</sup> Appointed with effect from 1 October 2020

<sup>18</sup> Appointed as Acting Group Treasurer with effect from October 2020

<sup>19</sup> Ceased to be a member of Exco effective 31 July 2020

<sup>20</sup> Appointed with effect from 1 July 2020.

# Application of King IV Principles

## Principle 1: Leadership

The Accounting Authority should lead ethically and effectively

### Governance outcome:

- Ethical culture

### Legend:

Complete

In-progress

Not started



Planned actions	Status update	Narrative statement
Enhancement of the Declaration of Interest (DOI)	Green	<ul style="list-style-type: none"> <li>• All Transnet employees (including consultants and fixed-term contracts) are required to declare annually on the automated DOI system and the non-executive directors are required to declare manually</li> <li>• The GCE has delegated powers to the Chief of Security to oversee and monitor the DOI</li> <li>• In March 2021 the Board of Directors reviewed and approved the DOI and related-party disclosures policies for directors and Transnet employees</li> <li>• The DOI is a standing item on the agenda of all Board and committee meetings as well as Exco and committee meetings</li> <li>• The DOIs for directors are presented to the Board for noting</li> <li>• The Corporate Governance and Nominations Committee and the Remuneration, Social and Ethics Committee conduct annual reviews of the filed DOI forms of the members of the Board and Group Executive Committee for oversight purposes</li> </ul>
Establishment of ethics-related policies	Green	<ul style="list-style-type: none"> <li>• The Company has established a No Gifts and Hospitality Policy, The Non-Executive Directorship and Trusteeships Policy, Transnet Whistle-blowing Policy and Anti-bribery and Anti-corruption and Lifestyle Audit Policy in support of the Company's Code of Ethics</li> </ul>

## Principle 2: Organisational ethics

Govern the ethics of the organisation in a way that supports the establishment of an ethical culture

### Governance outcomes:

- Ethical culture
- Effective control

Planned actions	Status update	Narrative statement
Appointment of an Ethics Officer	Yellow	<ul style="list-style-type: none"> <li>• The Chief Legal Officer, as delegated by the GCE, is in the process of appointing an Ethics Officer</li> <li>• The Ethics Officer shall lead the institutionalisation of a mature and sustainable Ethical Culture within Transnet and spearhead ethics and integrity programmes to promote ethical conduct and emphasise managerial responsibility for ethical behaviour</li> </ul>
The Remuneration, Social and Ethics Committee (REMSEC)	Green	<ul style="list-style-type: none"> <li>• 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</li> <li>• A social and ethics-focused meeting is held on an annual basis</li> <li>• The Company's Code of Ethics, which applies to the directors and employees of the Company, is reviewed every three years or as and when necessary</li> </ul>
Ethics Management Programme	Green	<ul style="list-style-type: none"> <li>• The Board has an approved Code of Ethics which is published on the Transnet website and incorporated into contractual arrangements with suppliers, and integrity pacts are concluded with all bidders and suppliers</li> <li>• The Chief Legal Officer is responsible for the Ethics Management Programme</li> <li>• Aspects of the Code are included in fraud and corruption awareness training and are accessible to all employees on the Company's intranet</li> <li>• The Board, in support of its Ethics Management Programme, has approved the Transnet Lifestyle Audit Policy which is applicable to all employees. The Board further resolved to participate in the Lifestyle Audit process to set the tone at the top</li> </ul>
The Code of Ethics (the Code)	Green	<ul style="list-style-type: none"> <li>• The Code includes the Company's values, guidelines and the process for external directorships for executive and non-executive directors</li> <li>• The purpose of the Code is to set out ethical standards for business practice, individual business conduct and to assist all employees and non-executive directors with their ethical deliberations, choices, decisions and conduct</li> </ul>

### Principle 3: Responsible corporate citizenship

Ensure that the organisation is and is seen to be a responsible corporation citizen

**Governance outcome:**

Ethical culture

Planned actions	Status update	Narrative statement
Good corporate citizenship		<ul style="list-style-type: none"> <li>The Board ensures that the Company is a responsible corporate citizen by complying with all national and international laws, standards, and adherence to its own codes of conduct and policies in which the Company operates</li> <li>The Company is a signatory to the UN Global Compact and has extensive corporate social investment (CSI) programmes in place</li> <li>The Transnet Foundation is responsible for driving the Company's socio-economic development agenda to benefit communities</li> <li>The Company's community investment programmes are underpinned by its commitment to uplifting and empowering communities through health interventions, promoting education, enabling effective asset utilisation to provide much needed infrastructure solutions, developing rural sports and employing our employees' skills and competencies to effect positive change in the communities</li> <li>Socio-economic initiatives form part of the Shareholder's Compact targets</li> <li>The CSI Activities Report is tabled for noting at the REMSEC on a quarterly basis</li> <li>The Board reports on its CSI activities in the integrated report</li> </ul>

### Principle 4: Strategy and performance

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

**Governance outcome:**

Good performance

Planned actions	Status update	Narrative statement
Shareholder's Compact		<ul style="list-style-type: none"> <li>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 the Board oversees. It monitors the Company's performance against the targets outlined in the Shareholder's Compact and ensures that adequate processes are in place for budget planning and allocation to advance the Company's mandate</li> </ul>
Corporate Plan		<ul style="list-style-type: none"> <li>The Corporate Plan was approved by the Board and submitted to National Treasury and the DPE</li> <li>The Corporate Plan is prepared on an annual basis by the Exco and is approved by the Board. The Corporate Plan outlines the Company's strategy, objectives and plans, and details the initiatives and associated KPIs that will be implemented to achieve the Company's strategic objectives</li> </ul>
Board strategic session and the deep dive		<ul style="list-style-type: none"> <li>The Board holds strategy workshops and deep dive sessions where matters of a topical and strategic nature are discussed in detail. Initiatives and recommendations from these sessions are then formulated into strategies and plans and submitted to the Board for formal consideration</li> </ul>
Risk identification assessment and going concerns		<ul style="list-style-type: none"> <li>Transnet has adopted an Integrated Risk Management Policy and Framework, Enterprise Risk Management (ERM) Strategy and Framework. The GM: ERM performs regular risk identification assessments and these are reported to the Risk Committee</li> <li>The Audit Committee assesses the going concern assertion of the Company on a regular basis and makes a statement to that effect in the Company's financial statements</li> </ul>
DOA Framework		<ul style="list-style-type: none"> <li>The Board approved the DOA Policy in May 2021, which outlines and documents a structured decision-making framework for the Board of Directors and management in order to promote effective and efficient governance in line with the approved Company structure; and to devolve the powers that vest with the Transnet Board as the Accounting Authority to various appointed functionaries and established governance structures to enable the business strategy and define the limits of authority designated by the Board</li> <li>The current DOA Framework is in the process of being approved by the Board (26 July 2021) to align with the new structure of the business</li> </ul>
Company strategy		<ul style="list-style-type: none"> <li>Transnet has revised its strategy which was approved by the Board in February 2021</li> </ul>

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## Principle 5: Reporting

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

**Governance outcomes:**

- Effective control
- Legitimacy

Planned actions	Status update	Narrative statement
Department of Public Enterprise Quarterly Report		<ul style="list-style-type: none"><li>• The Board ensures that the Company adheres to all procedures for quarterly reporting to the Executive Authority through the submission of quarterly reports to the Shareholder Minister</li><li>• Decisions taken by the Board and its committees are reported quarterly to the Shareholder</li></ul>
Integrated report		<ul style="list-style-type: none"><li>• The integrated report provides information of material significance in creating short, medium and long-term value</li><li>• To ensure the integrity of the reporting, the integrated report is compiled and reviewed by management first, and relevant sections are tabled at the appropriate Board committees before being tabled to the Board for final approval. Assurance on accuracy and reliability of financial matters is provided by the External Audit</li><li>• Decisions taken by the Board and its committees are reported in the integrated report</li></ul>
Annual financial statements		<ul style="list-style-type: none"><li>• 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</li></ul>

## Principle 6: Primary roles and responsibilities of the Accounting Authority

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

**Governance outcomes:**

- Ethical culture
- Good performance

Planned actions	Status update	Narrative statement
Annual review of the committee charters		<ul style="list-style-type: none"><li>• The Board and its committees have approved charters which are reviewed for adequacy on an annual basis</li></ul>
Access to Company information		<ul style="list-style-type: none"><li>• The Board has unrestricted access to all Company information, records, documents and property subject to following a Board-approved internal control</li></ul>
Board of Directors' meetings		<ul style="list-style-type: none"><li>• The Board meets at least six 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</li><li>• The Board is satisfied that it has fulfilled its duties and responsibilities in accordance with its charter for the reporting period</li></ul>

## Principle 7: Composition of the Accounting Authority

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

### Governance outcomes:

- Effective control
- Ethical culture
- Good performance
- Legitimacy

Planned actions	Status update	Narrative statement
Composition of the Accounting Authority		<ul style="list-style-type: none"> <li>• The Board of Directors, members of the Audit Committee and REMSEC are appointed by the Shareholder Minister</li> <li>• The Board is elected by the Shareholder on a three-year term renewable at the next AGM. The executive directors are appointed on a five-year contract</li> <li>• The committee compiles a Board skills matrix for consideration by the Shareholder Minister as part of non-executive directors' succession planning activities</li> <li>• The Corporate Governance and Nominations Committee through the Board of Directors recommends the appointment of executive directors to the Shareholder</li> </ul>
The MOI of the Company provides that the Board shall at all times consist of a majority of independent non-executive directors		<ul style="list-style-type: none"> <li>• The Board of Directors currently comprises 10 directors, eight of whom are independent non-executive directors, including the Chairperson</li> <li>• The Board has a minimum of two executive directors, consisting of the Group Chief Executive and Group Chief Financial Officer</li> </ul>
The Board should comprise appropriate knowledge, skills, experience, diversity and independence		<ul style="list-style-type: none"> <li>• In terms of the Company's MOI, the minimum number of directors is six (6) and the maximum number is fourteen (14) comprising not less than four (4) non-executive directors, and currently we have 10 directors, of whom eight are independent non-executive directors</li> <li>• Vacancies on the Board led to some of the skills and competencies being compromised</li> </ul>

## Principle 8: Committees of the Accounting Authority

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

### Governance outcomes:

- Effective control
- Ethical culture
- Good performance
- Legitimacy

Planned actions	Status update	Narrative statement
The Board and its committees		<ul style="list-style-type: none"> <li>• The Board of Directors established the Audit Committee and the REMSEC as statutory committees as well as the Corporate Governance and Nominations Committee, Risk Committee, and Finance and Investment Committee as non-statutory committees</li> <li>• The Board committees have a minimum of three members. The respective Board committee charters make provision for the minimum number of members required for each committee</li> <li>• 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 a duty to ensure that the Company complies with all legislative and regulatory requirements, including the provisions of the Companies Act, the PFMA, and the King IV Report</li> <li>• Information on Board committees is disclosed under the Governance Report in the integrated report</li> </ul>
DOA Framework		<ul style="list-style-type: none"> <li>• The Board approved the Delegation of Authority Policy in May 2021, which outlines and documents a structured decision-making framework for the Board of Directors and management in order to promote effective and efficient governance in line with the approved Company structure; and to devolve the powers that vest with the Transnet Board as the Accounting Authority to various appointed functionaries and established governance structures to enable the business strategy and define the limits of authority designated by the Board</li> <li>• The draft DOA Framework which aligns to the new structure of the business is on the Board Agenda (26 July 2021) for approval</li> </ul>
The Board committee charters		<ul style="list-style-type: none"> <li>• With the exception of the Risk Committee and REMSEC, all Board committee charters were approved by the Board</li> <li>• The charters also clearly set out the composition, quorum and responsibilities of the committees</li> </ul>

## Principle 9: Evaluations of the performance of the Accounting Authority

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

### Governance outcomes:

- Effective control
- Ethical culture
- Good performance
- Legitimacy

Planned actions	Status update	Narrative statement
External Board evaluation	Yellow	<ul style="list-style-type: none"><li>• The annual Board evaluation including its committees, Chairperson and individual members was conducted by an external service provider, appointed through an approved procurement process. The Board Evaluation Report will be tabled for noting at the AGM</li></ul>
Internal Board evaluation	Green	<ul style="list-style-type: none"><li>• The Board conducted an internal online self-assessment during the FY2020/21 through a Governance Assessment Instrument used by the Company, in line with the directive issued by the Shareholder Minister to conduct six-monthly self-assessments</li></ul>
Board Performance Evaluation Policy	Green	<ul style="list-style-type: none"><li>• The Board has approved a Board Performance Evaluation Policy to set out the principles that guide the performance and effectiveness of the Transnet Board, Board committees and individual directors</li></ul>
Evaluation of Group Company Secretary	Green	<ul style="list-style-type: none"><li>• The Performance of the Group Company Secretary was evaluated by the Board through the internal and external evaluations</li><li>• The Board is satisfied with the performance of the internal and external evaluation of the Company Secretary</li></ul>

## Principle 10: Appointment and delegation to management

The Accounting Authority should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities

### Governance outcomes:

- Effective control
- Ethical culture
- Good performance
- Legitimacy

Planned actions	Status update	Narrative statement
Appointment of the Group Chief Executive	Green	<ul style="list-style-type: none"><li>• The Board of Directors recommends the preferred candidates for the appointment of the Group Chief Executive to the Shareholder Minister who makes the final appointment</li></ul>
Delegation of power	Green	<ul style="list-style-type: none"><li>• Through the DOA Framework, the Board of Directors delegates powers to the Group Chief Executive to direct the business strategically and provide adequate direction to the Company's operations to ensure that the strategy is successfully implemented. The Group Chief Executive is assisted by members of the Group Executive Committee to deliver on specific mandates</li><li>• The Board reserved matters are outline in the DOA Framework</li></ul>
Annual review of the DOA Framework	Green	<ul style="list-style-type: none"><li>• The Board approved the Delegation of Authority Policy in May 2021, which outlines and documents a structured decision-making framework for the Board of Directors and management in order to promote effective and efficient governance in line with the approved Company structure; and to devolve the powers that vest with the Transnet Board as the Accounting Authority to various appointed functionaries and established governance structures to enable the business strategy and define the limits of authority designated by the Board</li><li>• The draft DOA Framework, which aligns with the new structure of the business, is on the Board Agenda (26 July 2021) for approval</li></ul>
Appointment of the Group Company Secretary	Green	<ul style="list-style-type: none"><li>• The appointment of a Group Company Secretary is a statutory requirement for the Company. The Interim Group Company Secretary was appointed by the Board within the prescribed timeframe as per the Companies Act</li></ul>
Independent advice	Green	<ul style="list-style-type: none"><li>• The Board and committee charters provide for authority to seek independent advice and to consult with specialists or consultants, facilitated through the Group Company Secretary's office</li></ul>

## Principle 11: Risk governance

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

### Governance outcomes:

- Effective control
- Ethical culture
- Good performance
- Legitimacy

Planned actions	Status update	Narrative statement
Integrated Risk Management Policy		<ul style="list-style-type: none"> <li>• The Board has approved the Integrated Risk Management Policy which paved the way for a more cohesive approach to risk management in the organisation at three levels: strategic, tactical and operational</li> <li>• The purpose of the Integrated Risk Management Policy is to outline Transnet's policy directive and commitment to risk governance, implementation of risk management processes, risk monitoring and risk reporting</li> <li>• The Board of Directors have established a Risk Committee which is responsible for oversight of risk related matters within the Company which include: <ul style="list-style-type: none"> <li>- Enterprise Risk Management Strategy and Framework and Enterprise Risk Management Standards</li> <li>- Integrated Risk Management Plan</li> <li>- Risk Appetite and Tolerance Framework</li> <li>- Enterprise Risk Management Methodology</li> <li>- Risk Maturity Surveys</li> <li>- Business Continuity Management Plans</li> <li>- Risk-based Transnet Internal Audit Plan</li> </ul> </li> </ul>

## 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

### Governance outcomes:

- Good performance
- Effective control
- Legitimacy

Planned actions	Status update	Narrative statement
ICT Governance Framework and IT Governance Charter		<ul style="list-style-type: none"> <li>• The ICT Governance Framework and IT Governance Charter are communicated to the Board for review, approval and assessment for effectiveness</li> <li>• 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 Transnet. The framework sets out the foundation to effectively evaluate, direct and monitor ICT within Transnet</li> <li>• The purpose of this charter is to define, assign and communicate roles and responsibilities for IT governance to relevant stakeholders within Transnet in order to: <ul style="list-style-type: none"> <li>- Ensure clear accountability and responsibility for IT governance within the Transnet Group</li> <li>- Implement an IT governance structure that allows ICT to operate cohesively throughout Transnet and facilitate the achievement of strategic business objectives</li> <li>- Align IT governance with group-wide governance practices</li> <li>- Adopt IT governance good practices across the Group</li> <li>- Ensure that all ICT decisions are business case driven to the maximum benefit of the Group</li> <li>- Develop understanding and support of the practices driving the success of the individual ODs</li> <li>- Attain and maintain the buy-in of the CIOs for transversal initiatives</li> </ul> </li> </ul>

## 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

### Governance outcomes:

- Good performance
- Effective control
- Legitimacy

Planned actions	Status update	Narrative statement
Delegation to management to implement, executive effective technology and information management		<ul style="list-style-type: none"><li>• The ICT delegation from the Board to management is addressed in the DOA Framework, which is approved by the Board</li><li>• The Risk Committee is delegated with the responsibility of exercising ongoing oversight of ICT risk management</li><li>• In particular, the Risk Committee oversees the establishment and implementation of a business continuity arrangement that allows Transnet to operate under conditions of instability and to withstand and recover from any serious risk issues</li></ul>
ICT integration		<ul style="list-style-type: none"><li>• There is integration of people, technologies, information and processes across the organisation. There is ethical and responsible use of technology and information, and compliance with relevant laws</li></ul>
ICT role in ensuring business resilience		<ul style="list-style-type: none"><li>• ICT's challenges on disaster recovery plans, tests and reports were communicated to the Board and its subcommittees</li></ul>
Ensuring responsiveness to cybersecurity and social media risks		<ul style="list-style-type: none"><li>• Board seeks feedback on the Transnet cybersecurity posture and plans. Transnet IT positions cybersecurity as a top priority and guards against negative publicity and reputational damage</li></ul>

## 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

### Governance outcomes:

- Good performance
- Effective control
- Legitimacy

Planned actions	Status update	Narrative statement
Monitoring of third-party and outsourced service provider risks		<ul style="list-style-type: none"><li>• Transnet calculates the potential risks or vulnerabilities by completing a service provider assessment for each third-party engagement and also conducts thorough due diligence before the relation commences</li></ul>
Monitor and evaluate value delivered from technology investments and projects		<ul style="list-style-type: none"><li>• Apply Benefits Realisation Management to plan for, monitor and track benefits realisation throughout the project delivery process:<ul style="list-style-type: none"><li>- Pre-Execution Planning</li><li>- FEL 1 – Identify and Quantify Benefits</li><li>- FEL 2 – Value and Appraise Benefits</li><li>- FEL 3 – Value and Appraise Benefits</li><li>- FEL 4 – Benefits Planning</li><li>- Execution Phase (and Closeout)</li><li>- Benefits Realisation</li><li>- Benefits Realisation Report</li><li>- Benefits Review Health Check</li><li>- Post Implementation</li><li>- User Adoption Change Management reports</li></ul></li></ul>

## 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

**Governance outcomes:**

- Good performance
- Effective control
- Legitimacy

Planned actions	Status update	Narrative statement
Management of the disposal of obsolete technology and information		<ul style="list-style-type: none"> <li>• Governed by Transnet Acquisition Council</li> </ul>
The ethical and responsible use of ICT and compliance with applicable laws		<ul style="list-style-type: none"> <li>• Board has requested and been provided with insight on the ICT's regulatory universe</li> </ul>
Oversee management of information (including use of information architecture, protection of privacy and security)		<ul style="list-style-type: none"> <li>• ICT analyses information used by the organisation</li> <li>• ICT tracks and enforces regulatory compliance (POPI Act) and conformance to regulatory policies, standards, architecture and procedures</li> </ul>
The overview of arrangements governing and managing technology and information		<ul style="list-style-type: none"> <li>• 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</li> <li>• Development and implementation of data and information architecture that supports confidentiality, integrity and availability of information</li> </ul>

## 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

**Governance outcomes:**

- Good performance
- Effective control
- Legitimacy

Planned actions	Status update	Narrative statement
Areas of current and future focus		<ul style="list-style-type: none"> <li>• ICT aims to employ a digital-first culture to digitise both existing and next-generation products and services</li> <li>• 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</li> <li>• Leveraging an ecosystem that includes strategic partnerships to ensure that ICT provides agile and innovative services</li> </ul>
Significant changes, acquisitions, incident management and remedial action		<ul style="list-style-type: none"> <li>• This is the primary role of the ICT leadership (ManCo and Operating Divisions) in conjunction with the IT service providers</li> <li>• The Change Advisory Board delivers support to a change management team by advising on requested changes, and assisting in the assessment and prioritisation of changes</li> <li>• Acquisitions are concluded by the Transnet Acquisition Council facilitated by the Supply Chain Management Department</li> <li>• Incident management, problem management and remedial actions are managed by the ICT Service Management team reporting to the Enterprise Technology Services functional unit</li> </ul>

## 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

### Governance outcomes:

- Ethical leadership
- Ethical culture
- Good performance
- Legitimacy

Planned actions	Status update	Narrative statement
Compliance management		<ul style="list-style-type: none"> <li>• Transnet has a dedicated Compliance function to assist the Board and management with discharging their compliance responsibilities</li> <li>• The Compliance function provides advice, risk management support, independent monitoring and reporting on compliance controls for high-priority regulatory requirements</li> <li>• Accountability for the implementation of compliance controls lies with management</li> <li>• Approximately 191 primary pieces of legislation impact Transnet, inclusive of 45 strategic pieces of legislation</li> <li>• Compliance is implemented through a risk-based approach using a decentralised model, with Compliance Officers appointed within Operating Divisions and Corporate Centre functions</li> <li>• Compliance Maturity Plan for FY2021/22 was approved by the Risk Committee</li> <li>• Compliance standards and frameworks are in place and improvements to adapt to our changing environments are constantly effected</li> <li>• The Compliance Policy is currently under review to be finalised by July 2021</li> <li>• Inspections by environmental regulators are tracked, monitored and reported in the integrated report</li> </ul>

## Principle 14: Remuneration governance

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

### Governance outcomes:

- Ethical culture
- Effective control
- Legitimacy

Planned Actions	Status Update	Narrative Statement
Remuneration, Social and Ethics Committee		<ul style="list-style-type: none"> <li>• The REMSEC 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 must be aligned to the strategy of the Company on an annual basis</li> <li>• The REMSEC recommends the level of independent non-executive directors' fees to the Board for approval by the Shareholder Minister at the AGM. The Board and the REMSEC continuously assess the effectiveness of remuneration policies</li> </ul>
Remuneration policy		<ul style="list-style-type: none"> <li>• The remuneration policy for management is in the process of review and finalisation</li> <li>• The policy will be submitted to the REMSEC and Board for recommendation to the Minister in August 2021. The work plan for the finalisation of the remuneration policy was submitted to the DPE</li> <li>• The remuneration policy/philosophy addresses organisation-wide remuneration and includes provisions to attract, motivate, reward and retain human capital</li> <li>• Remuneration policies and practices are both aligned with entity strategy and linked to individual performance</li> <li>• The remuneration elements and design principles informing the remuneration arrangements for management employees will be included in the remuneration policy</li> <li>• Remuneration elements for bargaining unit employees are contained in collective agreements</li> <li>• Details of obligations in executive employment contracts of leave pay entitlement for executives are included in the relevant policies as prescribed by the Companies Act</li> <li>• The remuneration and implementation report is tabled annually for separate non-binding advisory votes by shareholders at the AGM</li> </ul>
Remuneration Report		<ul style="list-style-type: none"> <li>• 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</li> <li>• The remuneration report includes all remuneration including short and long-term incentive amounts for the current and prior years for executive directors and prescribed officers</li> </ul>

## 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.

### Governance outcomes:

- Effective control
- Legitimacy
- Ethical culture

Planned actions	Status update	Narrative statement
Combined assurance		<ul style="list-style-type: none"> <li>• A Combined Assurance Model, which aims to streamline collective assurance effort in order to enable senior management, the Audit Committee and the Board to obtain a comprehensive, holistic view of the effectiveness of internal controls over the organisation's governance and risk management, is in the process of being rolled out. The Combined Assurance Model sets out the roles and responsibilities of the three lines of assurance</li> <li>• The Combined Assurance Plan for FY2021/22 is presented to the Audit Committee for approval</li> <li>• Internal Audit's assurance responsibilities are defined in the Internal Audit Charter</li> <li>• 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</li> </ul>
Assurance of external reports		<ul style="list-style-type: none"> <li>• As a statutory requirement, External Audit provides assurance on the Transnet financial statements and integrated report</li> <li>• As part of the Risk-based Audit Plan, Internal Audit provides assurance on the Corporate Plan and Shareholder's Compact performance targets, amongst other reviews</li> </ul>

## 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.

### Governance outcomes:

- Effective control
- Legitimacy
- Ethical culture

Planned Actions	Status Update	Narrative Statement
Internal Audit		<ul style="list-style-type: none"> <li>• The Audit Committee, a subcommittee of the Transnet Board, is delegated the responsibility to provide oversight on Internal Audit and External Audit activities</li> <li>• The Internal Audit Charter which details Internal Audit's purpose, status, authority and responsibilities is approved by the Audit Committee. The Internal Audit Charter is continuously reviewed and updated. The Chief Audit Executive (CAE) ensures that Internal Audit has sufficient and adequate skills for the performance of the Internal Audit function</li> <li>• To ensure independence of the Internal Audit function, the CAE reports functionally to the Audit Committee and administratively to the Group Chief Executive</li> <li>• 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</li> <li>• The CAE has direct access to the Chairperson of the Audit Committee</li> <li>• The CAE is a permanent Transnet employee and a member of the Executive Committee</li> <li>• Annually, Internal Audit prepares and submits a risk-based plan to Audit Committee for approval. The FY2021/22 Audit Plan has been approved</li> <li>• An annual statement on the effectiveness of the governance, risk management and controls is submitted to the Audit Committee. The 2020/21 Internal Audit Assessment has been noted by the Audit Committee</li> <li>• As part of Internal Audit's Quality Assurance and Improvement Programme, internal quality assurance is conducted continuously and an external independent review is conducted every five years</li> <li>• Annually, all Internal Audit staff complete a declaration confirming conformance to the Code of Ethics</li> </ul>

## Principle 16: Stakeholder

In the execution of its governance role and responsibilities, the Accounting authority should adopt a stakeholder-inclusive approach that balances the needs, interests and expectation of material stakeholders in the best interests of the organisation over time

### Governance outcomes:

- Ethical culture
- Ethical leadership

Planned actions	Status update	Narrative statement
Stakeholder relationships		<ul style="list-style-type: none"> <li>• Stakeholder engagement practices are aligned with the Delegation of Authority Framework</li> <li>• A Grievance mechanism is established for communities</li> <li>• A Group Stakeholder Engagement Forum (GSE Forum) has been established</li> <li>• The Memorandum of Incorporation sets out the rules governing the conduct of the company</li> <li>• 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 Transnet's strategy and risk management</li> <li>• Stakeholder engagement practices align with the Company's Culture Charter and supporting values</li> <li>• Engagement norms include inclusivity, accountability and responsiveness</li> <li>• Stakeholder engagement performance is measured as a key performance indicator in the Balanced Scorecards of Stakeholder Relationship Owners</li> <li>• Stakeholder engagement is centralised with Corporate Affairs being responsible for coordination of this function, but the Board has overall responsibility for stakeholder engagement</li> <li>• The monitoring and evaluation of stakeholder engagement is reported to the Remuneration, Social and Ethics Committee and to the Board</li> <li>• Transnet has adopted guidelines from the AA1000 standards (Accountability Principles Standard 2008 and the AA1000 Stakeholder Engagement Standard 2011)</li> <li>• The Stakeholder Engagement Report incorporates the measurement of the quality of material stakeholder relationships and appropriate responses to the outcomes. The Stakeholder Engagement Policy and Procedure are approved at Board level</li> </ul>
Shareholder relationship, including the AGM		<ul style="list-style-type: none"> <li>• There is continuous engagement with the Shareholder Minister and the DPE</li> <li>• The AGM notice was published on the Company's website</li> <li>• Both SizweNtsalubaGobodo GT and the Auditor-General South Africa were present at the Company's 30th AGM held on 23 October 2020</li> </ul>



# Our control environment in brief

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## Integrated procurement management

- Optimally regulated infrastructure-related procurement and delivery management with the Finance and Investment Committee's terms of reference
- Developed the Infrastructure Procurement and Delivery Management Framework with procurement rules, procedures and processes
- Procurement Ombudsman
- Up-to-date compliance assurance for high-value tender processes
- Transnet DOA Framework
- Efficient and effective contract management, with SCM Contract Management Procedure Manual and Procurement Procedure Manual
- SCM Policy and robust, independent complaints handling
- Adherence to strict set of laws, codes, rules and standards, including but not limited to:
  - Section 217(1) of the Constitution and section 51(1)(a)(iii) of the PFMA;
  - Promotion of Administrative Justice Act, No 3 of 2000 that was issued in terms of section 33 of the Constitution;
  - The Construction Industry Development Board Act, No 38 of 2000 (CIDB Act), and the regulations thereto;
  - The Promotion of Access to Information Act, No 2 of 2000;
  - The Preferential Procurement Policy Framework Act, No 5 of 2000 (PPPFA), and the regulations thereto (PPPFA regulations); and
  - Instruction notes are also issued by National Treasury, which regulate Transnet's procurement processes

## Internal audit

- Accords with section 51 of the PFMA
- Governed by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA standards)
- An Independent Assurance function that is functionally accountable to the Audit Committee
- The mandate and terms of reference are included in the Internal Audit Charter that is approved annually by the Audit Committee
- Transnet Internal Audit is a fully outsourced function operating under the strategic leadership of the Chief Audit Executive, a Transnet permanent employee and a Group Executive Team member
- Internal Audit implements the approved Strategic Audit Plan, and the panel of forensic firms assists with forensic investigations
- Develops and executes a risk-based audit plan

## Enterprise risk management and integrated assurance

- The Board delegates the Risk Management function to the Risk Committee
- The strategic risk profile is generated from the Transnet Enterprise Risk Management Strategy Framework, based on ISO 31000: 2009

- Transnet's Integrated Assurance Model manages risks and controls, and encompasses the assurances provided by management, internal specialists, internal audit, external audit as well as external advisers and service providers
- First line of defence: Assurances provided by direct line management, which is blanket assurance across the full scope of risks and controls
- Second line of defence: Assurance providers who are internal to the Company, but not directly responsible for the management of the process under review
- Third line of defence: Assurance providers who act independently from management and the Company's operations
- Fourth line of defence: Independent oversight committees with specific responsibilities pertaining to the risk, control and assurance of Transnet's activities and the impact of these activities on stakeholders

## Strategic execution and performance management

- Transnet's performance targets are confirmed in the annually negotiated Shareholder's Compact
- Transnet manages the execution of its strategic imperatives through the Company's Strategic Execution Framework, which is designed to achieve:
  - Visibility of strategic execution to identify and close execution gaps;
  - Group-wide integration and alignment of strategic initiatives and critical processes;
  - Problem-solving and analytical tools, and follow through with solutions-driven actions;
  - A risk-based execution process to monitor strategic outcomes; and
  - A platform for collaboration and seamless execution of strategic initiatives

## Ethics and fraud management

- The Code of Ethics (the Code) enables a culture of entrenched values, principles, standards and norms
- All employment contracts refer to the Code, committing employees and leadership (executive and non-executive directors) to the highest standards of ethical behaviour
- Integrity pacts are concluded with all bidders and suppliers
- Fraud and corruption awareness training is provided annually to all employees
- Service providers, suppliers and trade partners are also subject to the Code, which is revised every five years or as required
- The Group Company Secretary is responsible for policy development, review, and CLO/Chief Security is responsible for the implementation of the Code
- Aspects of the Code are included in fraud and corruption awareness training and are accessible to all employees on the Company's intranet
- The Fraud and Corruption Risk Management Strategy provides mechanisms for the prevention, early detection and investigation of irregularities

- A Tip-Offs Anonymous Hotline (the Hotline) enables employees, customers and trade partners to report concerns about unethical or unlawful behaviour
  - All irregularities reported through external and internal reporting channels are investigated through a forensics investigation process
- customers and trade partners to report concerns about unethical or unlawful behaviour

## Governance of stakeholder management and engagement

- The Board delegates authority to the GCE who reports to the Board on all material stakeholder issues and takes responsibility for incorporating these into Transnet's strategy and risk management
- Stakeholder engagement practices align with the Company's Culture Charter and supporting values
- Engagement norms include inclusivity, accountability and responsiveness
- Stakeholder engagement performance is measured as a KPI in the balanced scorecards of stakeholder relationship owners
- Stakeholder engagement is decentralised, but the Board has overall responsibility for stakeholder engagement
- The monitoring and evaluation of stakeholder engagement is reported to the Remuneration, Social and Ethics Committee and to the Board
- Transnet has adopted guidelines from the AA1000 standards (Accountability Principles Standard 2008 and the AA1000 Stakeholder Engagement Standard 2011)

## ICT management and governance

Information and Communication Technology (ICT) within Transnet is a key strategic enabler and partner for the success of the Business Strategy. ICT is essential to manage the transactions, information and knowledge necessary to initiate and sustain Transnet's operations thereby ensuring growth.

As mission critical business processes are supported and enabled by ICT, any failure of ICT in this capacity could result in Transnet being significantly exposed to the risk of not meeting its strategic objectives and its obligations to its shareholders. As a result, well defined, executed and communicated IT and Digital Governance is imperative in order to achieve Transnet's business objectives continuously.

According to the IT Governance Institute, IT Governance is "an integral part of enterprise governance and consists of the leadership and organisational structures and processes that ensure that the organisation's IT sustains and extends the organisation's strategies and objectives.

1. Set the approach and approve the policy for technology and information governance (including adoption of appropriate frameworks and standards)
  - The ICT Governance Framework and IT Governance Charter are communicated to the Board for review, approval and assessment for effectiveness
  - In support of the achievement of the Transnet strategic outcomes, Group ICT has adopted values and principles as contained in the Transnet ICT House of Value

2. Delegate the effective management of technology and information implementation to management
  - Board Risk Committee is delegated with the responsibility of exercising ongoing oversight of ICT risk management
  - In particular, the Risk Committee oversees the establishment and implementation of business continuity arrangement that allows Transnet to operate under conditions of instability, and to withstand and recover from any serious risk issues

3. Oversee results of management's implementation of the following:

- *ICT integration*

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

- *ICT role in ensuring business resilience*

ICT's challenges on disaster recovery plans, tests and reports were communicated to the Board and its sub-committees

- *Ensure responsiveness to cybersecurity and social media risks*

Board seeks feedback on the Transnet cybersecurity posture and plans. Transnet IT positions cybersecurity as a top priority, and guards against negative publicity and reputational damage

On 22 July 2021, the cyber-attack occurred that resulted in ransomware being deployed on Transnet network by an unknown attacker affecting multiple machines.

The Incident response team was brought in to assist with the secure rebuild of the active directory servers. Transnet was already in the process of rolling out the Microsoft E5 security suite. This has been fast tracked and all machines that are brought back on line have the E5 security stack deployed.

ICT deployed a separate Endpoint Detection and Response and forensic agent on all machines before they are brought back online.

All older operating systems have been upgraded to current operating systems and fully patched before being brought back online.

ICT deployed a web access firewall, reverse proxy and anti-distributed denial of service system for all public web sites.

The Targeted Threat Protection email hygiene solution was already in place.

All customer interfaces and NAVIS terminal operating system have returned to normal.

Other essential tools are being procured so as to fast track the deployment as required to further secure the environment.

- *Monitor third-party and outsourced service provider risks*

Transnet calculates the potential risks or vulnerabilities by completing a service provider assessment for each third-party engagement and also conducts thorough due diligence before the relationship commences

- *Monitor and evaluate value delivered from technology investments and projects*

Apply Benefits Realisation Management to plan for, monitor and track benefits realisation throughout the project delivery process:

#### **Pre-Execution Planning:**

- FEL 1 – Identify and quantify benefits
- FEL 2 – Value and appraise benefits
- FEL 3 – Value and appraise benefits
- FEL 4 – Benefits planning

#### **Execution Phase (and closeout):**

##### **Benefits Realisation**

- Benefits Realisation report
- Benefits review health check

##### **Post Implementation:**

User adoption change management reports

- *Management of the disposal of obsolete technology and information*  
Governed by the Acquisition Committee of the Board
- *The ethical and responsible use of ICT and compliance with applicable law*  
Board has requested and been provided with insight on the ICT's regulatory universe

#### **4. Oversee management of information (including use information architecture, protection of privacy and security)**

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

#### **5. Oversee 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 that supports confidentiality, integrity and availability of information

#### **6. 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
- Leveraging an ecosystem that includes strategic partnerships to ensure that ICT provides agile and innovative services

#### **7. Significant changes, acquisitions, incident management and remedial action**

- This is the primary role of the ICT leadership (ManCo and ODs) in conjunction with the IT service providers
- The Change Advisory Board delivers support to a change management team by advising on requested changes, and 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

## **Regulatory compliance**

- Group Regulatory and Compliance ensures that the outcome of its plan is aligned with the mandates of the Audit Committee and Risk Committee and executes its areas of focus from an annual Board-approved Compliance Plan
- Managers are responsible for ensuring compliance as it relates to their areas of accountability
- More than 200 primary regulatory requirements impact Transnet
- Compliance is implemented through a risk-based approach using a decentralised model, with Compliance Officers appointed within ODs and Corporate Centre functions
- The Compliance function independently monitors and reports on compliance controls relating to high-priority regulatory requirements
- The Compliance function assists and supports the Board and management to discharge their compliance responsibilities



# Acronyms and abbreviations

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AGM	Annual general meeting
DOA	Delegation of Authority
DPE	Department of Public Enterprises
DPIP	Domestic Prominent Influential Persons
FPPO	Foreign Prominent Public Officials
ICT	Information and communications technology
IT	Information technology
MOI	Memorandum of Incorporation
PFMA	Public Finance Management Act, No 1 of 1999
POPIA	Protection of Personal Information Act, No 4 of 2013
REMSEC	Remuneration, Social and Ethics Committee
SAFA	South African Football Association
SOC	State-owned Company
TCC	Transnet Corporate Centre
TIA	Transnet Internal Audit
TNPA	Transnet National Ports Authority
TPT	Transnet Port Terminals

