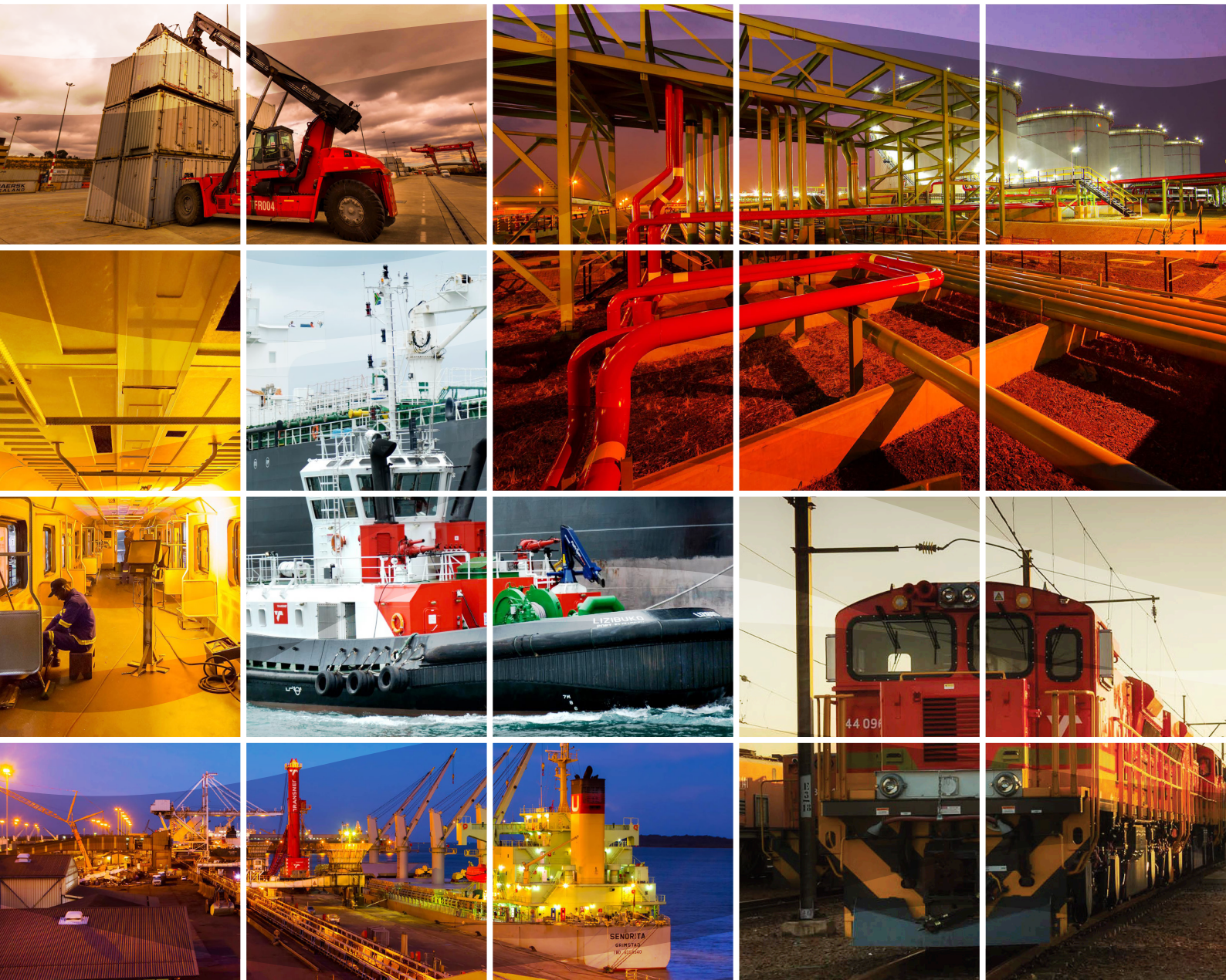


TRANSNET



UNABRIDGED GOVERNANCE REPORT 2022



Contents

- 1 Introduction
- 1 The governance structure of the Company as at 31 March 2022
- 2 Governance framework
- 2 Primary roles and responsibilities of the Board
- 3 Composition of the Board
- 5 Specific corporate governance requirements
- 6 Corporate governance oversight frameworks
- 8 Directors' induction and continuous development
- 9 Evaluation of the performance of the Board
- 10 Our Board members
- 14 Board of Directors
- 17 Audit Committee
- 19 Corporate Governance and Nomination Committee
- 21 Risk Committee
- 22 Finance and Investment Committee
- 23 Remuneration, Social and Ethics Committee
- 25 Climate change oversight
- 26 Annexure A: Application of King IV Principles

King IV references



P = Principle

King IV Report on Corporate Governance (King IV^{TM1})

¹ The copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.



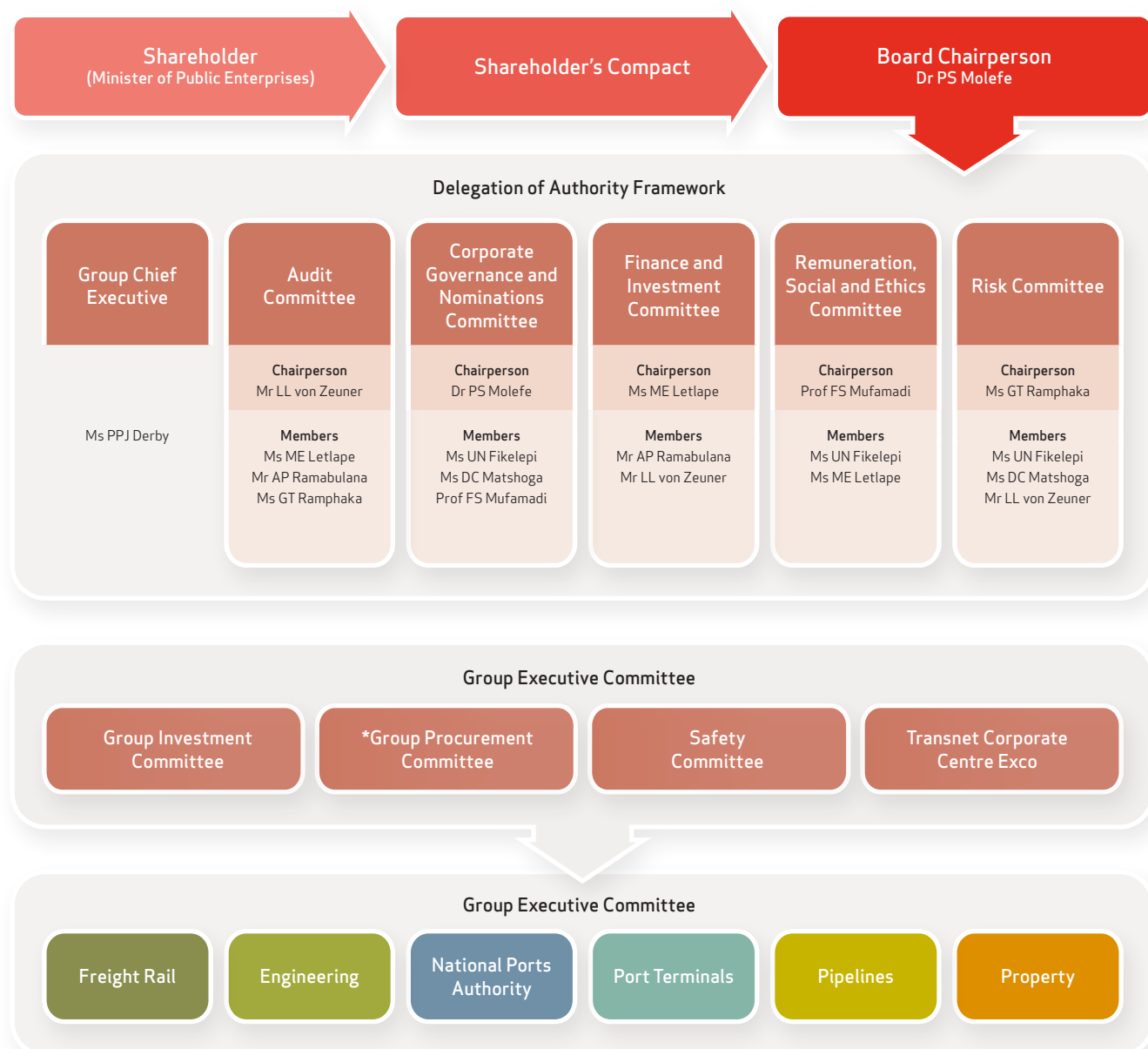
Introduction

Transnet SOC Ltd (the Company) is a state-owned entity whose Accounting Authority, i.e. the Board of Directors (the Board), reports to the Minister of Public Enterprises who is the Executive Authority and Shareholder Representative of the Company. The Shareholder's rights are represented in accordance with the provisions of the Public Finance Management Act, No 1 of 1999, as amended (PFMA), and the Companies Act, No 71 of 2008, as amended (the Companies Act). The Board plays an oversight role over the execution of the Company's strategy and monitors delivery of operational, commercial and statutory objectives. In executing the above, the Board ensures the Company's long-term financial, socio-economic and environmental sustainability while balancing the interests of its key stakeholders.

The Company annually enters into a Shareholder's Compact with the Shareholder Minister, which records key performance measures and indicators. The Board oversees and monitors the Company's performance against the agreed targets and ensures that adequate processes are in place for budget planning and allocation to advance the Company's mandate. The Board approves the Corporate Plan annually, which ensures execution of the Company's key plans and effective utilisation of resources.

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

The governance structure of the Company as at 31 March 2022



* The Group Procurement Committee ceased to exist upon coming into effect of the Central Bid Adjudication Committee

Governance framework

Governance is underpinned by effective leadership, oversight and management accountability based on a sound ethical foundation. In this regard, 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 Board continuously strives to ensure adherence to good governance principles when executing the Company's mandate in line with the

approved strategy, cognisant of the Company's risk appetite. The Board endeavours to follow the best governance practices as recommended by King IV in order to achieve a Transnet that has ethical culture, effective internal controls, legitimacy in business and good performance in line with the Company's strategic objectives. The Board ensures that recommended corrective actions appropriately address identified challenges when overseeing the implementation of the Company's strategy.

Primary roles and responsibilities of the Board

The Board of Directors serves as the Company's focal point and guardian of corporate governance. The approved Board and committee charters detail its leadership functions and oversight obligations. The core responsibilities of the Board include outcomes to steer and set the strategic direction for the Company, approve the policies and the plans that give effect to Transnet's strategy and set the direction for the business affairs of Transnet, oversee the governance and performance of Transnet and ensure accountable reporting and disclosure, play an oversight role and monitor the implementation of the strategy by Transnet management. The Board and committees may receive expert assistance in carrying out the aforementioned responsibilities. In this regard, the non-executive directors have access to:

- The Company's employees by submitting written requests to the Chairperson of the Board and the Group Chief Executive to engage with an employee;
- External auditors;
- Internal auditors; and
- Professional advisers.

The Board is satisfied that the non-executive directors of the Company are independent, in accordance with Principle 7 of the King IV Report on Corporate Governance for South Africa, and that they have delivered on their mandate and fulfilled their fiduciary duties for the year under review.

Roles of the Chairperson and the Group Chief Executive



King IV. P1

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 Group Chief Executive (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 implementation of the Company's strategy and the day-to-day management of the Company. The Group Executive Committee supports the GCE in the execution of her role.

The Board is satisfied that the Delegation of Authority (DOA) Framework clearly delineates the nature and extent of the authorities delegated by the Board to the GCE and specified governance structures and, 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.

Board committees



King IV. P8

The Board established the following statutory and non-statutory committees to assist it in achieving the Company's objectives through the DOA Framework and as required by the Memorandum of Incorporation (MOI), the Companies Act and as recommended by the King IV Report:

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

Effective meetings



King IV. P6

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

The Companies Act requires directors to disclose any personal financial interest that they or a related person have in respect of a matter to be considered at a meeting of the Board and to recuse themselves from the said meeting unless the committee decides otherwise, after due consideration. In support of the above, members and attendees of the Board and its committees declare their interests at the commencement of all formal meetings. Similarly, members and attendees of the Group Executive Committee and its subcommittees declare their interests prior to or at the commencement of formal meetings. The signed declarations are maintained by the Group Company Secretary.

The minutes of the Board and committee meetings are tabled at the next scheduled meeting for approval. Key governance matters, including Board attendance and decisions taken by the Board and its committees, are reported quarterly to the Shareholder Minister and as and when required.

Composition of the Board

Appointment of directors



The MOI is the Company's constitutive document aligned to various legislative requirements and is the cornerstone on which the Company is managed and governed. The Company, through the Shareholder Minister, complies with the prescribed requirements in the Companies Act and MOI for the Board's composition and the election, appointment and remuneration of the directors. 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.

Non-executive directors



The current non-executive directors were reappointed at the Company's 31st annual general meeting (AGM) after having served one term in office from May 2018 to May 2021. The Board comprises eight non-executive directors and two executive directors. The non-executive directors are:

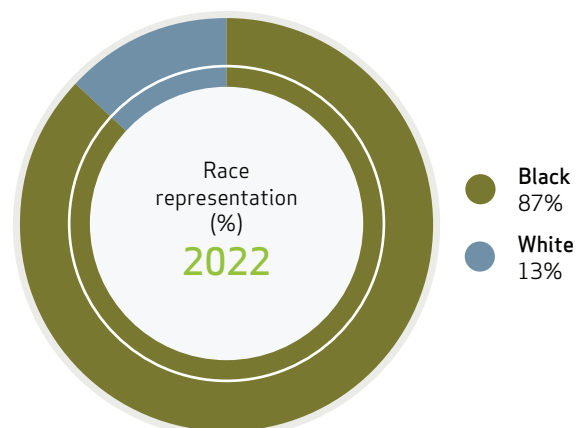
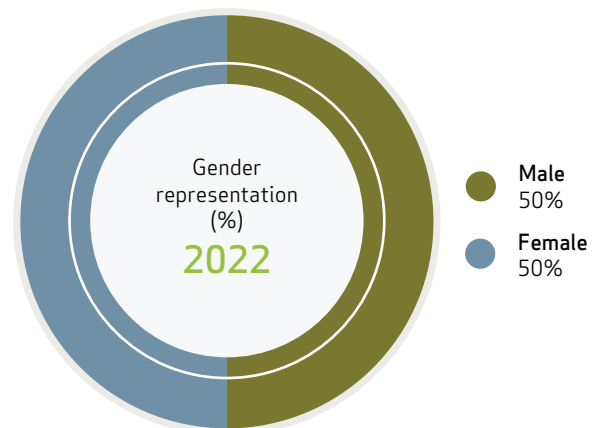
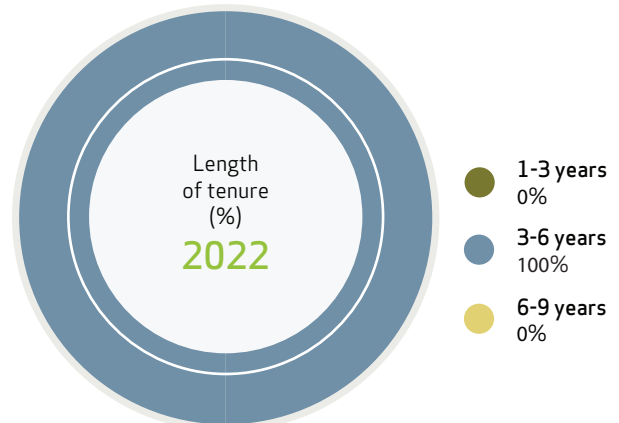
- Dr Popo Simon Molefe (Chairperson)
- Ms Ursula Nobulali Fikelepi
- Ms Mpho Emily Letlape
- Ms Dimakatso Cathrine Matshoga
- Prof Fholisani Sydney Mufamadi
- Mr Aluwani Percy Ramabulana
- Ms Gratitude Tsholofelo Ramphaka
- Mr Louis Leon von Zeuner

Executive directors



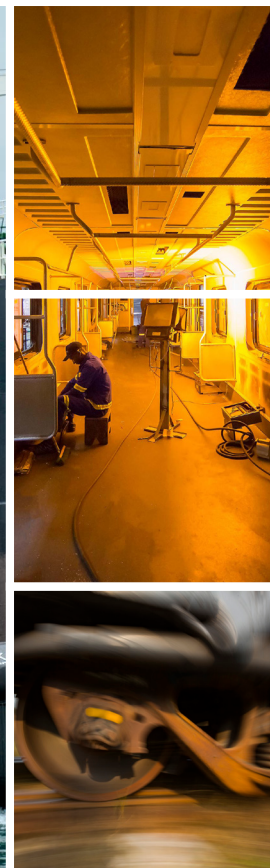
- Ms Portia Penelope Joy Derby is the Group Chief Executive (GCE) and an executive director of the Company since 1 February 2020.
- Ms Nonkululeko Sylvia Dlamini is the Group Chief Financial Officer (GCFO) and an executive director of the Company effective 1 July 2020.

Graphical representation of the Company's independent non-executive directors



Directors' knowledge and skills profile

Director's strength		Required skills
Business and organisational strength:	Oversight strength:	
<ul style="list-style-type: none"> • Investment • Project Management and Planning • Legal • Information Technology • Risk Management • Stakeholder Relations • Communications and Marketing • Human Resources and Industrial Relations • Finance • Accounting and Auditing • Policy Development • Economic Development • Procurement • Property Management 	<ul style="list-style-type: none"> • Governance • Leadership • Management • Strategy • Organisational Development 	<ul style="list-style-type: none"> • Legal • Logistics/Operations • Manufacturing



Specific corporate governance requirements

PFMA



King IV. P6

The PFMA designates the Board of Directors as the Company's Accounting Authority and further outlines the directors' fiduciary duties and responsibilities. The Company is classified 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, including 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



King IV. P6

The Company is governed in terms of the Companies Act and accordingly reports on the extent of its compliance with the Act as part of the Directors' Report in the Company's Annual Financial Statements (AFS).

The Company's Executive Committee (Exco) members are designated prescribed officers as defined by the Companies Act and Companies regulations, 2011 (*see Executive Leadership member profiles on pages 41 and 42 of the Integrated Report*). The Exco members serve as executives within their functional areas and Operating Divisions (ODs) and are responsible for implementing the Company strategy as approved by the Board. They exercise general executive control over and management of the whole or significant portion of the business and activities of the Company.

The appointment of prescribed officers is elevated to the Board of Directors for consideration, with the assistance of the Remuneration, Social, and Ethics Committees. The disclosure on the remuneration of prescribed officers is set out on page 98 of the Integrated Report as required in terms of disclosure requirements.

King IV



King IV. P6

The Company has adopted the principles espoused in the King IV Report on Corporate Governance for South Africa, 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 and in a transparent manner. The Company adheres to a majority of the King IV principles and recommendations as herein outlined and reported.

JSE Listings Requirements



King IV. P6

The JSE announced changes to the Debt Listings Requirements, which took effect on 30 September 2020. Most of the revisions follow the Equity Listings Requirements and seek to strengthen investor protection measures through improved transparency. The Company has since complied with these requirements.

The PFMA, Companies Act and Protection of Personal Information Act, No 4 of 2013 (POPIA)



King IV. P6

These legislations provide specific requirements pertaining to the Company's information and records management practices. These include Interim Financial Results and Annual Financial Statements that satisfy the International Financial Reporting Standards, and that the audited Annual Financial Statements must be submitted to the relevant authorities, as required. To that end, the Company strives to finalise its Annual Financial Statements within the set timelines and ensures that all critical stakeholders including the Shareholder Minister, National Treasury and the auditors have timely access to those audited annual financial statements.

Corporate governance oversight frameworks



King IV.P13

The MOI: In addition to setting out the rights, duties and responsibilities of the Shareholder, Board and management, the MOI contains matters that are reserved for the Board's decision. The MOI was reviewed and amended during the year under review and is subject to approval by the Shareholder Minister.

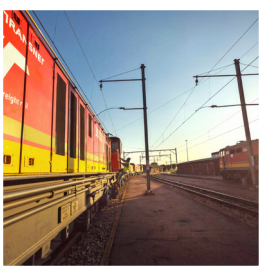
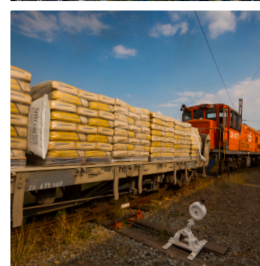
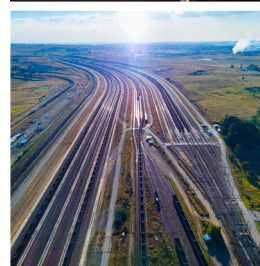
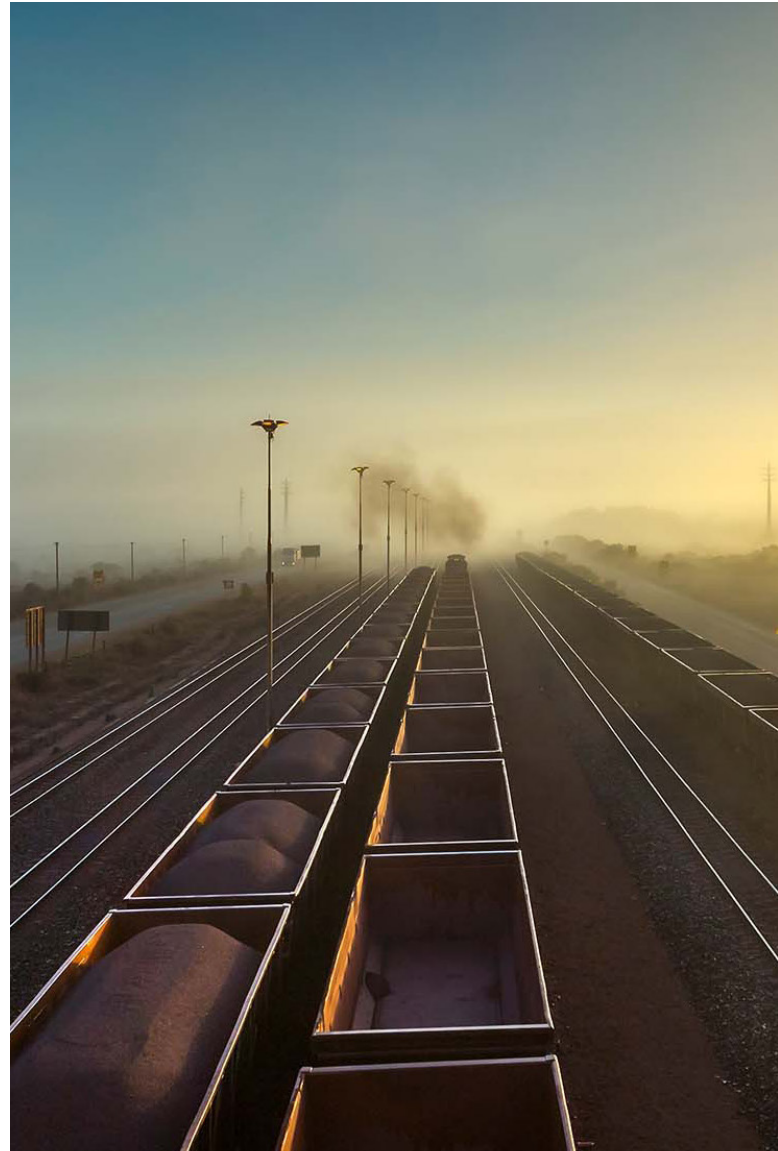
DOA Policy and Framework: The Board approved the DOA Policy and the Framework on 17 August 2021, which became effective on 1 October 2021. The DOA Framework, an annexure to the Policy, outlines Board-reserved matters, matters delegated to Board committees, the Group Chief Executive and prescribed officers. The DOA Framework is reviewed annually and as and when required for adequacy and completeness.

Board and its committees charters: The charters assist the Board and its committees to deliver and uphold effective governance. The charters define the roles and responsibilities, composition and standard protocols of the Board and its committees. The charters are regularly reviewed to ensure alignment with the Company's governance instruments of control, as well as its changing business needs. Similarly, the charters of the Group Executive Committee and its subcommittees are aligned with the charters of the Board and its committees. In turn, these charters inform the Annual Work Plans that direct the agendas and various board matters to be considered at the Board and its committee meetings.

Corporate Governance Framework: This framework aims to align the Company's governance processes with the Shareholder's directives as articulated in the Statement of Strategic Intent and all other governance instruments. The framework is currently being reviewed and undergoing approval at the relevant governance structures.

Board-approved policies and procedures: These seek to provide guidance on day-to-day operations and decision making, ensure compliance with relevant legislation, and streamline internal processes.

Management of potential conflicts of interest: The Board continuously reviews and improves governance instruments to ensure continued adherence to the prescribed standards of ethical and professional conduct. The Companies Act prohibits a director from using the position of director, or any information obtained while acting in the capacity of a director, to gain an advantage for themselves or any other person, or to knowingly cause harm to the Company or a subsidiary of the Company. In this regard, various policies are developed to regulate conflicts of interest, namely Domestic Prominent Influential Persons (DPIP) and Foreign Prominent Public Officials (FPPO) and Related Parties Policy, and Declaration of Interest and Related Party Disclosures Policies for Directors and Employees.



Delegation to management

Through the DOA Framework, the Board delegates powers to the Group Chief Executive to direct the business strategically 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. The Company further carries out its mandate through its Operating Divisions and subsidiaries, which receive delegations from the Group Chief Executive.

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

Executive	Position	Number of meetings attended out of 25 meetings held:
Ms P Derby	Group Chief Executive	22
Ms N Dlamini	Group Chief Financial Officer	22
Adv S Coetzee	Chief Legal Officer	22
Mr J Mdaki ¹	Chief Executive: Transnet Port Terminals	13
Ms BY Kani	Chief Business Development Officer	23
Mr R Mills	Chief Executive: Transnet Engineering	25
Ms S Mzimela	Chief Executive: Transnet Freight Rail	21
Adv M Phillips	Chief Executive: Transnet Pipelines	23
Mr P Munyai	Chief Information Officer	25
Mr V Nemukula	Chief Procurement Officer	24
Mr I Matsheka ²	Chief of People and Learning	14
Mr K Phahlamohlaka	Chief Executive: Transnet Property	25
Mr P Silinga	Chief Executive: Transnet National Ports Authority	21
Dr A Shaw	Chief Strategy and Planning Officer	24
Mr T Siyaya	Acting Group Treasurer	24
Ms S Khan ³	Chief Audit Executive	1
Mr B Kgomo ⁴	Chief Audit Executive	6
Ms X Ntshingila ⁶	Acting Chief Audit Executive	17
Mr K Ngema ⁵	Chief of People	11
Mr V Dube ⁵	Chief Executive: Transnet Ports Terminal	7
Ms H Chetty ⁷	Chief Digital Officer	0
Mr A Pillay ⁸	Group Treasurer	0

¹ Acting Chief Executive: Transnet Ports Terminal in September 2021, and confirmed as Chief Executive: Transnet Ports Terminal in March 2022.

² Appointed as acting Chief of People effective September 2021, and confirmed as Chief of People and Learning in November 2021.

³ Appointed as an Exco member effective March 2022.

⁴ Passed on during the year under review.

⁵ Resigned effective September 2021.

⁶ Acting Chief Audit Executive from July 2021 until February 2022.

⁷ Appointed Chief Digital Officer effective 1 April 2022.

⁸ Appointed Group Treasurer effective 1 May 2022.

Directors' induction and continuous development

The Group Company Secretary produces an annual in-house Board Training Plan, which addresses professional development requirements for the Board and its committees, as part of enhancing the directors' expertise. Directors are also encouraged to identify training and individual director development programmes of interest as part of their continuous development to assist them to carry out their fiduciary responsibilities. In addition, the Group Company Secretary regularly provides noteworthy governance reports and updates on governance trends to the Board. The training sessions conducted during the 2021/22FY are depicted in the table below:

Attendance	Date	Topic
Corporate Governance and Nominations Committee: Dr PS Molefe Ms UN Fikelepi Ms DC Matshoga Prof FS Mufamadi In attendance: Mr AP Ramabulana	20 May 2021	Compliance with the mandatory requirements of the Companies Act
Remuneration, Social and Ethics Committee: Prof FS Mufamadi Ms UN Fikelepi Ms ME Letlape	09 June 2021	Occupational Health and Wellness Workshop
Board of Directors: Ms PPJ Derby Ms NS Dlamini Ms UN Fikelepi Ms DC Matshoga Dr PS Molefe Prof FS Mufamadi Mr AP Ramabulana Ms GT Ramphaka	07 July 2021	Procurement Policy
Board of Directors: Ms PPJ Derby Ms NS Dlamini Ms UN Fikelepi Ms DC Matshoga Dr PS Molefe Prof FS Mufamadi Mr AP Ramabulana Ms GT Ramphaka	07 July 2021	PFMA Board Orientation
Board of Directors: Ms PPJ Derby Ms NS Dlamini Ms UN Fikelepi Ms DC Matshoga Dr PS Molefe Mr AP Ramabulana Ms GT Ramphaka	07 July 2021	Protection of Personal Information Act (POPIA)
Corporate Governance and Nominations Committee: Ms UN Fikelepi Ms DC Matshoga Dr PS Molefe Prof FS Mufamadi	17 March 2022	Companies Act Proposed Amendment Bill

Evaluation of the performance of the Board

The Department of Public Enterprises (DPE) prescribes that the Board should conduct an annual Board evaluation exercise, which is facilitated by an independent service provider. The evaluation assesses the performance of the Board and its committees. The Board Appraisal Assessment for the 2021/22FY is in progress and shall be submitted to the DPE upon completion.

Board and committee meeting attendance, key challenges and focus areas



King IV. P6

Schedule of directors' attendance at Board and committee meetings*

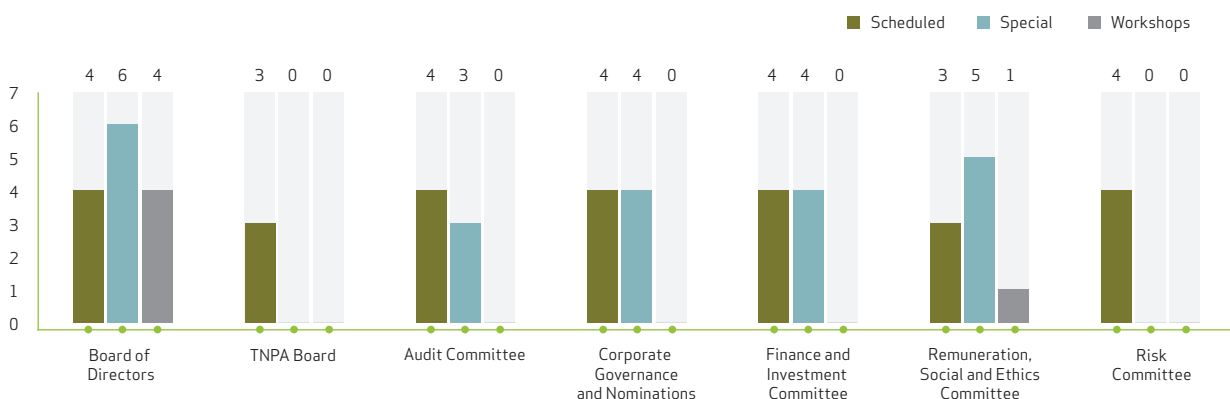
The table below discloses the number of meetings held during the year and the attendance of the respective directors for the financial year ended 31 March 2022.

Board/committee	Board	Audit Committee	Corporate Governance and Nominations Committee	Finance and Investment Committee	Remuneration, Social and Ethics Committee	Risk Committee	*NPA Board
Number of meetings held	10	7	8	8	8	4	3
Dr PS Molefe (<i>Chairperson</i>)	7	—	6	—	—	—	1
Ms PPJ Derby	9	—	—	—	—	—	2
Ms NS Dlamini	10	—	—	—	—	—	3
Ms UN Fikelepi	7	—	8	—	7	4	1
Ms ME Letlape	9	5	1 [#]	7	7	—	1
Ms DC Matshoga	7	—	7	—	—	4	1
Dr FS Mufamadi	7	—	6	—	8	—	2
Mr AP Ramabulana	10	7	—	6	—	—	1
Ms GT Ramphaka	10	6	—	—	—	4	1
Mr LL von Zeuner	7	7	—	7	—	4	3

* An interim NPA Board was appointed in July 2021 to assist with the governance of the Transnet National Ports Authority (TNPA).

[#] Attendee on behalf of Dr Molefe.

The diagram below indicates the number of scheduled and special meetings, and Workshops held during the year under review:



Our Board members



Dr Popo Molefe
Chairperson

Date of birth: April 1952

Date of appointment: May 2018



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
- 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



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
- Sisanda Holdings
- 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



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 Logistics (5% holding)
- Hald (Pty) Ltd (30% 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

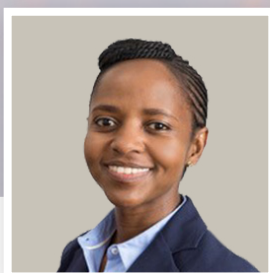


Qualifications:

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 Dimakatso Matshoga
Independent non-executive director

Date of birth: May 1978

Date of appointment: May 2018



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 Services (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)



Ms Ursula Fikelepi
Independent non-executive director

Date of birth: January 1973

Date of appointment: May 2018



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%)
- Emmaus Properties (100%)
- Grace Bible Church
- Mtizamo Capital
- Zelopahad Holdings (25%)

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 |



Prof Fholisani Mufamadi

Independent non-executive director

Date of birth: February 1959

Date of appointment: May 2018



Qualifications:

PhD (University of London);
MSc (University of London)

Directorship/Shareholding/Trusteeship:

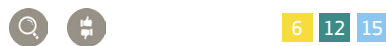
- Absa Bank Mozambique
- Environmental Economics Research Centre (0%)
- Implats Holdings Limited
- Muendanyi Consulting (100% holding)
- Zimplats (Chairman of the Board)

Ms Gratitude Ramphaka

Independent non-executive director

Date of birth: August 1979

Date of appointment: May 2018



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)

Mr Louis von Zeuner

Independent non-executive director

Date of birth: June 1961

Date of appointment: May 2018



Qualifications:

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

Directorship/Shareholding/Trusteeship:

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

Gender representation

50% male

50% female

Race representation

87,5% (7 African)

12,5% (1 White)

Excluding executive directors and Company Secretary.

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

2 6 15

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

Ms Shokie Bopape
Group Company Secretary

Date of birth: May 1969

Date of appointment: September 2020

1 3

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)

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 |

Board of Directors



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

The Board's primary mandate is to ensure the sustainable and successful continuation of business activities by providing strategic direction to the Company. The Shareholder Minister appoints non-executive directors to the Board on a three-year term, and these 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 the main undertakings and considerations during the year

Board	Chairperson	Members
<p>10 meetings held during the year</p> <p>Directors' attendance at Board meetings denoted by ()</p> <p>^ <i>Executive director</i> † <i>Independent non-executive director</i></p>	<p>Dr PS Molefe[†] (7)</p>	<p>› Ms UN Fikelepi[†] (7) › Ms GT Ramphaka[†] (10) › Ms ME Letlape[†] (9) › Mr LL von Zeuner[†] (7) › Ms DC Matshoga[†] (7) › Ms PPJ Derby[^] (9) › Prof FS Mufamadi[†] (7) › Ms NS Dlamini^{1^} (10) › Mr AP Ramabulana[†] (10)</p>

Summary of key activities and outputs (decisions, approvals, policies and procedures) for 2021/22FY

The Board held 10 meetings during the year under review where it:

Approved

- › Project Trout Business Case for submission as a non-binding offer
- › The incorporation of Transnet National Ports Authority (TNPA) as a wholly owned subsidiary of Transnet SOC Ltd pursuant to the provisions of the Companies Act, 2008 for recommendation to the Shareholder Minister
- › The transfer of the economic regulatory functions of TNPA to the Ports Regulator for recommendation to the Shareholder Minister
- › That the Group Chief Executive of Transnet SOC Ltd be delegated to give effect to the resolution and to sign all related documents regarding the corporatisation of TNPA
- › The draft AFS for the 2020/21FY for submission to the external auditors and National Treasury
- › The release of the draft reportable PFMA items to be included in note 39 of the 2020/21FY AFS, to the external auditors for the execution of the audit
- › The AFS for the 2020/21FY
- › The Audit Committee report for the 2020/21FY
- › The going concern assertion for the 2020/21FY
- › The press release for the 2020/21FY
- › The Management Representation Letter for the 2020/21FY – AFS
- › The Integrated Report for the 2020/21FY
- › The Governance section of the Integrated Report for the 2020/21FY
- › The 31st AGM pack
- › The Risk section of the Integrated Report
- › The 2020/21FY Board Evaluation Report
- › The King IV Application Register for inclusion in the Integrated Report and publishing on the Company's website
- › The Board Evaluation Report 2020 for submission to the Shareholder Minister
- › The directors' valuation of unlisted investments

Summary of key activities and outputs (decisions, approvals, policies and procedures) for 2021/22FY (continued)

- › The JSE disclosure
- › That an exemption be requested from the National Treasury in terms of section 55(2)(b)(i)
- › The write-off of condonations not approved by National Treasury (R1,3 billion)
- › The amnesty proposal for a limited period on the terms presented in the memorandum and subject to further ventilation of related matters as there were no financial losses identified
- › That the Request for Information (RFI) process for private sector participation (PSP) at Ngqura Container Terminal (NCT) commence
- › That the Shareholder Minister be informed that Transnet will issue an RFI to assess private sector interest in a PSP transaction at NCT
- › That the RFI process for a PSP at Durban Container Terminal (DCT) Pier 2 commence
- › That the Shareholder Minister be informed that Transnet will issue an RFI to assess private sector interest in a PSP transaction at DCT
- › The Supply Chain Management Policy
- › The Delegation of Authority Policy and Framework effective 1 October 2021
- › Transnet Retirement Fund (TRF) operational rule amendments 14 and 15
- › The appointments of Transnet employer representatives to serve as trustees on the Boards of Trustees of the Transnet Second Defined Benefit Fund (TSDBF), Transnet Retirement Fund (TRF) and Transnet Sub-Fund of the Transport Pension Fund (TTPF)
- › The TNPA Memorandum of Incorporation
- › That Transnet International Holdings SOC Ltd be retained as a dormant entity for purposes of future regional transaction structures; and that if future structures are required, a submission be made to the Board
- › The proposed amendments to the National Ports Act
- › The revised Transnet SOC Ltd Memorandum of Incorporation
- › The amendments to the Shareholder's Compact
- › The GCE's Performance Agreement
- › The Dividend Policy
- › The Financial Risk Management Policy
- › The Company Policy Framework
- › The Risk and Integrity Management Framework Implementation Plan
- › Transmed Medical Fund South African Transport Services (SATS) Funding in Transnet Engineering
- › The Transformational PSP Partnership at Richards Bay Multipurpose Terminal and series berths
- › The submission to go out on an RFI process for Transnet Automotive at terminals in the ports of Durban, Port Elizabeth and East London.
- › PSP in Transnet Fibre Network
- › City Deep PSP
- › The Joint Investment and External Partner Selection Framework
- › The request for the Chief Legal Officer to be mandated to represent Transnet to prove its claims against Trillian and sign the required resolutions
- › The final version of the 2021/22FY interim results and interim financial statements were delegated to the Audit Committee Chairperson and selected Board members for sign-off once all waivers are obtained
- › Interim Management Representation Letter for the 2021/22FY interim results
- › Going concern assessment for the 2021/22FY interim results
- › The submission to National Treasury for the condonation of irregular expenditure related to the extension of the contract value of Letsema Consulting without obtaining prior approval from National Treasury as required by the provisions of paragraph 9.2 of National Treasury Instruction 3 of 2016/17FY
- › That the confinement of the work to be delivered by the current contractor to the value of R9 848 422 (excluding VAT) or R11 325 685 (including VAT)
- › The parameters for the Request for Qualification (RFQ) for DCT Pier 2 and NCT, noting that some of these parameters may change during the process should additional information inform a more favorable parameter, in which case the Board will be requested to consider a change and a new Board mandate sought
- › The Mandlazi Community Richards Bay Land Claim Settlement based on the principles outlined in the letter signed by Transnet, the Land Claims Commission and the Community dated 2 December 2021
- › The Business Travel and Subsistence Allowance Policy subject to National Treasury Regulations
- › The key assumptions and principles used to develop the Financial, Capital Investment and Funding plans
- › The 2022/23FY funding mandate of R39 439 million
- › The retirement of the Tax Policy
- › Updating of the Domestic Medium-Term Note (DMTN) and the establishment of the IS thereto as contained in the annexure to the submission
- › That the GCE be delegated to make final amendments (including any latest necessary changes) to the PM and IS (herein also referred to as "Placement Documents") that may be necessary should there be conditional formal approval from the JSE
- › The management restructuring and agreed that the Remuneration, Social and Ethics Committee (REMSEC) would receive regular updates on the process
- › The appointment of Ms S Bopape as the Group Company Secretary effective 1 April 2022

Summary of key activities and outputs (decisions, approvals, policies and procedures) for FY2021/22 (continued)

Recommended:

- › To the Shareholder Minister, for onward recommendation to the Minister of Transport, that the amendment or suspension of section 14 of the National Ports Act, 2005, and the transfer of TNPA's economic regulatory functions be attended to when the Economic Regulation of Transport (ERT) Bill is enacted
- › To the Shareholder Minister for approval, an adjustment to the current fee structure of the non-executive directors as submitted at the AGM held on 23 October 2020 and deferred
- › To the Shareholder Minister and National Treasury, to approve, in the case of accelerated timelines, the deviation from the competitive bidding process to pursue an accelerated single source confinement for the disposal of 6 649 CR13/14 wagons to the existing iron ore export customers (Kumba, Assmang, Sedibeng and Afrimat) at an estimated value of R6,6 billion (excl VAT), and those existing customers (bidders) be approached via a Request for Proposal

Mandated:

- › The Remuneration, Social and Ethics Committee (REMSEC) to finalise Transnet Ports Terminal's incentive scheme in light of the urgency occasioned by the impending strike action
- › The chairpersons of the Risk Committee and the Audit Committee to attend the REMSEC to be part of the decision making on this matter
- › The Corporate Governance and Nominations Committee to approve the Corporate Plan, CIPC Checklist, CorpGov Annual Work Plan and Shareholder's Compact

Noted:

- › The Declaration of Interests and Related Party Disclosures of Non-Executive Directors

Key challenges facing the Board (what they were, responses and continuing challenges)

- › Filling of Board vacancies following the passing of one director and the resignation of four non-executive directors. The existing vacancies created a void with regard to certain skill sets.
- › Alignment of performance targets due to circumstances beyond the control of the Company, e.g. theft, vandalism, security of supply and irregular and unlawful contracts entered during the State Capture period
- › Poor financial performance and operational turnaround
- › Civil unrest and floods in KwaZulu-Natal as well as a cyberattack which resulted in business continuity plans being invoked
- › Impact of recovery from COVID-19 on operations, i.e. volumes and revenue generation
- › Theft on the pipeline causing spillages and environmental hazard
- › Safety, i.e. fires

Focus areas for 2022/23

- › Strengthening the internal control environment
- › Improving financial and operational performance
- › Post COVID-19 business recovery (financial (revenue generation and maintaining key financial ratios), people, operations (increasing volumes))
- › Updating business continuity plans and processes
- › Rationalisation of Company policies
- › Improvement in safety performance

Audit Committee



King IV. P8

The Audit Committee provided oversight of the financial reporting process, internal controls and compliance with regulations.

The Audit Committee comprises independent non-executive directors who are duly elected and appointed by the Shareholder Minister at the annual general meeting in line with legislative requirements. Seven meetings were held during the year and all quorum requirements were met.

The Audit Committee provides the following support to the Board:

- Assists the Board in discharging its duties to safeguard assets and evaluate internal control frameworks
- Reviews and assesses the integrity and effectiveness of the accounting, financial, compliance and other control systems
- Considers the internal and external audit process accounting principles and policies
- Strengthens the independence of the internal and external audit functions to ensure their effectiveness
- Ensures effective communication between the internal auditors, the external auditors, the Board, management and regulators
- Ensures compliance with and adherence to applicable legal, regulatory and accounting requirements
- Contributes to a climate of discipline and control which will reduce the opportunity for fraud

Summary of the main undertakings and considerations during the year

Audit Committee	Chairperson	Members
<p>7 meetings held during the year</p> <p>Directors' attendance at Audit Committee meetings denoted by ()</p> <p>[^] Executive director</p> <p>[†] Independent non-executive director</p>	<p>Mr LL von Zeuner[†] (7)</p>	<p>> Ms ME Letlape[†] (5)</p> <p>> Mr AP Ramabulana[†] (7)</p> <p>> Ms GT Ramphaka[†] (6)</p> <p>No external advisers attended committee meetings during the year.</p>

Summary of key activities and outputs (decisions, approvals, policies and procedures) for 2021/22FY

The committee held seven meetings during the year under review where, among others, it took the following key decisions:

Approved:

- > The 2021/22FY Combined Assurance Policy and Plan
- > The changes to the 2021/22FY Internal Audit Plan; recommended the update of the Domestic Medium-Term Note PM and the establishment of the IS thereto, to the Board for approval
- > The Transnet Internal Audit Charter for the 2022/23FY
- > The Interim Review Strategy and Engagement Letter with the Auditor-General of South Africa for the period ended 30 September 2021
- > Approved the revised Treasury counterparty limits

Summary of key activities and outputs (decisions, approvals, policies and procedures) for 2021/22FY (continued)

Recommended:

- › The draft AFS to the Board for approval and release to the external auditors and National Treasury
- › The release of the draft reportable PFMA items, to be included in note 39 of the 2020/21FY AFS, to the external auditors for the execution of their audit to the Board for approval
- › To the Board the request to National Treasury to obtain an exemption from section 55(2)(b) of the PFMA
- › The request to the Board to approve the write-off of condonations not approved by National Treasury
- › The Group AFS for the period ended 31 March 2021 to the Board for approval
- › Recommended the JSE Disclosure to the Board for approval
- › The Integrated Report to the Board for approval
- › The Audit Committee report for the period ended 31 March 2021 to the Board for approval
- › The going concern assessment for the period ended 31 March 2021 to the Board for approval
- › The press release for the period ended 31 March 2021 to the Board for approval
- › The Management Representation Letter for the period ended 31 March 2021 to the Board for approval
- › The director's valuation of unlisted investments and the balances in the accumulated impairment provisions relating to their carrying values for the year ended 31 March 2021 to the Transnet Board for approval
- › Recommended the Management Representation Letter for the period ended 31 March 2021 to the Board for approval
- › The Audit Committee report for the period ended 31 March 2021 to the Board for approval
- › The TNPA AFS and the TNPA Management Representation Letter to the TNPA Deemed Board
- › The ring-fenced AFS of TNPA for the year ended 31 March 2021 to the TNPA Interim Board of Directors for approval
- › The interim financial results/press release for the period ended 30 September 2021
- › The Management Representation Letter for the Transnet Group for the period ended 30 September 2021
- › The going concern assessment for the period ended 30 September 2021 to the Board for approval
- › The Fraud Risk Management Policy (FRMP) and a postponement of compliance with a minimum R10 billion liquidity buffer, and with maintaining an AB ratio of 1,2 times to the Board for approval

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

- › Risk of breaching the Company's loan covenants
- › Repeat Internal Audit findings on the Integrated Assurance
- › Lack of contract management
- › Recurrence of irregular expenditure transactions
- › Liquidity and funding challenges

Focus areas for 2022/23

- › Sound financial management and reporting
- › Sustainability of the Company post COVID-19
- › Improving the internal control environment
- › Improvement in environmental, social and governance (ESG) reporting

Corporate Governance and Nominations Committee



King IV. P6 & 8

- **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 it 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
- This is also in line with the requirements of the JSE.

The committee provides the following support to the Board:

- Ensures that the Board's composition and structure enables it to fulfil the obligations of the Board's mandate
- Advances and maintains the Company's Corporate Governance policies and frameworks
- 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 Remuneration, Social and Ethics Committee members for approval by the Board and confirmation by the Shareholder Minister at the annual general meeting 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 the main undertakings and considerations during the year

Corporate Governance and Nominations Committee	Chairperson	Members
<p>8 total number of meetings held during the year</p> <p>Directors' attendance at Corporate Governance and Nominations Committee meetings denoted by ()</p> <p>^ <i>Executive director</i> † <i>Independent non-executive director</i></p>	Dr PS Molefe [†] (6)	<ul style="list-style-type: none"> > Ms UN Fikelepi[†] (8) > Ms DC Matshoga[†] (7) > Prof FS Mufamadi[†] (6) <p>Non-executive/executive directors in attendance:</p> <ul style="list-style-type: none"> > Ms ME Letlape[†] (1)

Summary of key activities and outputs (decisions, approvals, policies and procedures) for 2021/22FY

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

Approved:

- > The Shareholder's Compact as delegated by the Board
- > The CIPC checklist as delegated by the Board
- > The revised 2021/2022FY Board Training Plan
- > The 2022/23FY Board Training Plan

Monitored:

- > Complaints to the Public Protector against Transnet
- > ICT governance compliance

Summary of key activities and outputs (decisions, approvals, policies and procedures) for 2021/22FY (continued)

Recommended:

- › The Monitoring of the Shareholder's Compact to the Board for approval
- › The Company Policy Framework to the Board for approval
- › The Transnet Retirement Fund operational rule amendments to the Board for approval
- › The King IV Application Register to the Board for approval
- › The appointments of proposed Transnet employer representatives (Trustees) on the Transnet Second Defined Benefit Fund (TSDBF), Transnet Retirement Fund (TRF) and Transnet Sub-Fund of the Transport Pension Fund (TTPF) to the Remuneration, Social and Ethics Committee for noting and to the Board for approval. Recommended the Transnet MOI to the Board for approval
- › The TNPA MOI to the Board for approval
- › The proposed amendments to the National Ports Act to the Board for approval
- › The 31st AGM pack to the Board for approval
- › The Governance section of the Integrated Report to the Board for approval
- › The amendments to the Shareholder's Compact to the Board for approval
- › That the Board approves to keep Transnet International Holdings (TIH) SOC Ltd as a dormant entity instead of dissolving it
- › The 2021 Board Evaluation Report to the Board for approval and onward recommendation to the Shareholder Minister for approval
- › The appointment of Ms S Bopape as the Group Company Secretary effective 1 April 2022

Noted:

- › The Declaration of Interests and Related Party Disclosures of Non-Executive Directors and Prescribed Officers

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

- › Board and committee composition too small. The Board has subsequently requested the Shareholder Minister to fill vacancies
- › Board evaluation frequency as required by DPE. The Chairperson continues to engage the Shareholder Minister on alignment of the Board evaluation process with best practice
- › The frequency of special meetings and written resolutions. Directors and management are engaging on streamlining the governance process to increase efficiencies
- › Filling of Board vacancies to address the skills gap
- › Challenges for the Board to implement succession planning in respect of non-executive directors and executive directors because the power of appointment resides under the Executive Authority and the Cabinet. The Company is reviewing the MOI and engagements with DPE are continuing

Focus areas for 2022/23

- › Better alignment of governance instruments
- › Streamlining of governance processes to increase efficiencies
- › Improved scheduling of Director Development initiative
- › Improved ICT environment
- › Streamlining and retiring Company policies that are not mandatory in terms of legislation

Risk Committee



King IV. P6 & 8

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 to the Board:

- Reviews and assesses the integrity of the risk control processes and systems
- Ensures that the risk policies are implemented and managed effectively in accordance with the Enterprise Risk Management Framework approved by the Board from time to time
- Ensures effective communication with internal and external auditors, the Audit Committee, the Board, management and regulators on risk management
- Contributes to a climate of discipline and control that 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 to remedy the risk

Summary of the main undertakings and considerations during the year

Risk Committee	Chairperson	Members
<p>4 total number of meetings held during the year</p> <p>Directors' attendance at the Risk Committee meetings denoted by ()</p> <p>^ Executive director † Independent non-executive director</p>	<p>Ms GT Ramphaka[†] (4)</p>	<p>> Ms UN Fikelepi[†] (4)</p> <p>> Ms DC Matshoga[†] (4)</p> <p>> Mr LL von Zeuner[†] (4)</p> <p>No external advisers attended committee meetings during the year.</p>

Summary of key activities and outputs (decisions, approvals, policies and procedures) for 2021/22FY

The committee held four meetings during the year under review where, amongst others, it:

Approved:

- > The insurance strategy
- > The Fraud Risk Management Plan
- > The insurance renewal quotes, terms and conditions

Recommended:

- > The Risk section of the Integrated Report to the Board for approval
- > The Risk Committee's Annual Work Plan to the Board for approval
- > Provided oversight and monitored risks and the associated mitigation actions in relation to infrastructure security issues, ICT, procurement, safety and operations

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

- > Reputation-related risks not always being properly managed
- > Funding and capital investment-related risks
- > Risks related to the maintenance of locomotives and the impact on the business and revenue
- > A more effective insurance strategy
- > The lack of integration between Transnet Engineering and Transnet Freight Rail affecting operations and business performance
- > High legal costs without traction in cases
- > Infrastructure security (cable theft and fuel theft)
- > Safety risks

Focus areas for 2022/23

- > ICT related risks
- > Security and safety related risks
- > Post-COVID people strategy related risks
- > Capital investment funding related risks
- > Locomotive maintenance-related risks
- > Improved integration between Transnet Engineering and Transnet Freight Rail
- > Adequacy of business continuity plans

Finance and Investment Committee



King IV. P6 & 8

The purpose of the Finance and Investment Committee is to:

- Advance and maintain the Company's financial and investment policies to ensure its financial sustainability
- Approve investment transactions within the committee's delegated authority
- Oversee trends in supplier development and localisation spend in line with Broad-Based Black Economic Empowerment plans and monitor progress on these plans
- Consider strategic growth investments and partnerships and make recommendations to the Board
- Monitor the implementation of strategic growth investments and partnerships against the approved plans
- Recommend divestments (disposals) to the Board in line with the DOA Framework
- Approve procurement strategies and oversee related awards in line with the DOA Framework
- Consider and approve property lease agreements in line with the DOA Framework

Summary of the main undertakings and considerations during the year

Finance and Investment Committee	Chairperson	Members
<p>8 total number of meetings held during the year</p> <p>Directors' attendance at the Finance and Investment Committee meetings denoted by ()</p> <p>^ <i>Executive director</i> * <i>Independent non-executive director</i></p>	<p>Ms ME Letlape* (7)</p>	<p>> Ms AP Ramabulana* (6) > Mr LL von Zeuner* (7)</p> <p>No external advisers attended committee meetings during the year.</p>

Summary of key activities and outputs (decisions, approvals, policies and procedures) for 2021/22FY

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

Approved:

- > The extension of the warrant of the New Multi-Product Pipeline (NMPP) TM1 accumulator tanks from end March 2021 to end March 2022
- > The budget guidelines
- > The retrospective revenue-generating contract to be entered into between ArcelorMittal South Africa (Pty) Ltd and Transnet Freight Rail to the estimated contract value of approximately R13 billion for a five-year period, effective 1 April 2020 to 31 March 2025, assuming an annual rate increase of 3,5%

Recommended to the Board for approval:

- > The Project Trout Business Case
- > The RFI processes for the PSP at the DCT Pier 2 and NCT
- > The proposed Supply Chain Management (SCM) Policy
- > The Transnet Dividend Policy, and onward recommendation to the Shareholder Minister for approval
- > The revised bid adjudication structure and associated DOA
- > The Fraud Risk Management Policy
- > A mandate to initiate a two-stage Request for Qualification (RFQ) and Request for Proposal (RFP) process for the six series berths (606, 607 and 608) at the Port of Richards Bay Multipurpose Terminal
- > A mandate to the Chief Executive: Transnet Port Terminals to initiate an RFQ process for the ports of Durban, East London and Port Elizabeth automotive terminals
- > The commencement on RFQ and RFP processes for a PSP in Transnet Engineering
- > An RFI process for a potential PSP transaction for the City Deep Container Terminal
- > A mandate to initiate an RFI process for the Kaalfontein Inland Automotive Terminal
- > The submission to National Treasury for the condonation of irregular expenditure related to the extension of the contract value of Letsema Consulting and the confinement of the work to be delivered by the current contractor, to the value of R9 848 422 (excluding VAT) or R11 325 685 (including VAT)
- > The parameters for the RFQ for DCT Pier 2, noting that some of the parameters may change during the process should additional information inform a more favorable parameter; and the evaluation criteria for DCT Pier 2 and NCT
- > Deviation from the competitive bidding process to pursue an accelerated single source confinement for the disposal of 6 649 CR13/14 wagons to existing iron ore export customers (Kumba, Assmang, Sedibeng and Afrimat) at an estimated value of R6.6 billion (excluding VAT); and that existing customers (bidders) be approached via an RFP
- > Framework for Joint Investment and External Partner Selection and onward recommendation to the Shareholder Minister for approval

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

- › Procurement transformation as it impacts the business; efforts are underway to reorganise the procurement function
- › Delay in collection of debts owed to Transnet. Various initiatives are in place to collect outstanding debts
- › Capital investment is a challenge but prioritisation efforts are being considered to ensure optimum investments in certain areas
- › Turning performance of the business is a major challenge. Improvement of the financial situation and business performance is underway

Focus areas for 2022/23

- › Financial sustainability post COVID-19
- › Revenue growth and diversification
- › Securing funding for capital projects
- › Impact of TNPA corporatisation on the Company's balance sheet
- › Mitigation/elimination of locomotive, infrastructure and security challenges
- › Delivery of maximum tonnages to achieve required improvements in revenue and financial performance
- › Monitoring and evaluation strategies implemented and changes made on business processes – codifying of lessons learnt and improvements made
- › Monitoring and evaluation of the PSP impact on business operations – codifying of lessons being learnt
- › Transformation and development of Transnet Property
- › Oversee the implementation of improvement in quality of business cases presented to the committee, with specific reference to the return on invested capital and other key financial measures
- › Oversee the successful implementation of major projects and initiatives that will contribute to the financial sustainability of the Company
- › Updates on the turnaround plan for the key corridors, coal line and the rebuild of the Natcor line damaged by floods
- › Security and update of the private sector collaboration initiatives and the impact thereof
- › Procurement turnaround

Remuneration, Social and Ethics Committee

King IV. P6 & 8

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), 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.

REMSEC 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
- 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 its social and ethics environment, with due regard to all relevant legislation, policies, legal requirements and codes of best practice
- Oversees the ethics management programme
- 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 percentage increase of the 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; and
 - Development of human resources issues.
- Approves the Succession Planning Policy and Procedures for the Group Executive Committee and Extended Executive Committee members, except for the executive directors

Remuneration, Social and Ethics Committee	Chairperson	Members
<p>8 meetings held during the year</p> <p>Directors' attendance at Remuneration, Social and Ethics Committee meetings denoted by ()</p> <p>^ Executive director † Independent non-executive director</p>	<p>Prof FS Mufamadi† (8)</p>	<p>› Ms UN Fikelepi† (7)</p> <p>› Ms ME Letlape† (7)</p>

Summary of key activities and outputs (decisions, approvals, policies and procedures) for 2021/22FY

The Committee held eight meetings in the year under review where it:

Approved:

- › Option 2 (zero percent annual increase for all employees; the extension of the universal medical cover to uncovered bargaining unit employees on a cost neutral basis through identified cost-saving opportunities; and the introduction of a short-term special dispensation incentive scheme) for a mandate to enter into wage negotiations for the 2021/22FY
- › The revised wage negotiation mandate
- › The mandate for the 2020/21FY management increases
- › The revised mandate in respect of bargaining unit and management employees
- › The recommendation for the non-award of the 2017/18FY long-term incentive
- › The decision to offer the voluntary separation packages (VSP) to all employees as well as targeted areas of the business
- › The sourcing of unbudgeted funding and spend on VSPs
- › The implementation of the additional identified longer-term measures
- › Immediate implementation of VSPs offered to employees affected by the relocation of TNPA
- › Immediate implementation of VSPs offered to employees not accommodated in the new structure
- › Company-wide invitation to employees to apply for the VSPs
- › The Anti-fraud and Corruption Policy, subject to minor amendments
- › The remuneration report for the period 1 April 2020 to 31 March 2021
- › Transnet Port Terminal's incentive scheme
- › The revised Acting and Responsibility Policy
- › The revised Exit Management Policy and resolved that the Transnet retirement age would be sixty-five (65) and should reflect as such in the policy
- › The revised Performance Management Policy
- › The revised Talent Acquisition Policy
- › The Succession Management Policy

Recommended:

- › The GCE's Performance Agreement for the 2021/22FY to the Board for approval
- › The revised Business Travel and Allowance Policy to the Board for approval
- › The stakeholder engagement Report to the Board for approval

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

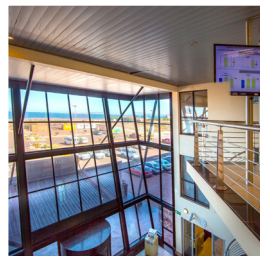
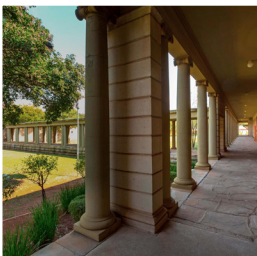
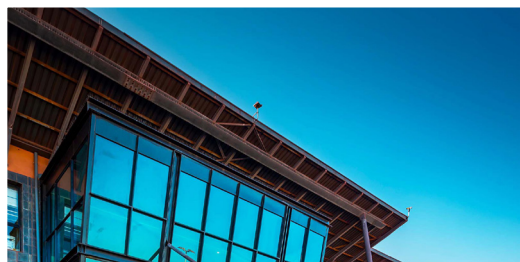
- › The Board vacancies increased pressure on the effective functioning of the Board. The Shareholder Minister is attending to the matter
- › Finalisation of disciplinary processes for senior employees. This subsequently received focus from the Chairperson of REMSEC and the Board Chair in an effort to reduce the backlog
- › There's a need to address employee and public safety and related fatalities. The safety function has subsequently been elevated to create focus across the business and engagement initiatives on public safety with employees and communities improved
- › Effecting consequence management measures in accordance with the PFMA. Various initiatives have been put in place on PFMA compliance and tracking as well as PFMA training to ensure timeous corrective action where appropriate

Focus for 2022/23

- › Improvements on ESG-related initiatives
- › Reorganisation initiatives considering the COVID-19 pandemic
- › Establishment of stronger collaboration with labour
- › Improvement on ethics-related initiatives

Climate change oversight

The Board has delegated its authority to the Remuneration, Social and Ethics Committee to oversee environment-related issues. The ESG report, including the impact of the Company's activities and products on the environment and society, is a standing item on the committee agenda.



Annexure A: Application of King IV Principles

Principle 1: Leadership

The Accounting Authority should lead ethically and effectively

Governance outcomes:

- Ethical Culture
- Legitimacy



King IV.P1

Application	Explanation
Declaration of interest (DOI) process	<ul style="list-style-type: none"> • There are Declaration of interest and related party disclosure policies for directors and employees are in place to govern the management of conflicts and related matters. • All directors and employees (including consultants and fixed-term contractors) are required to declare their interests annually or as and when there are changes in their interests in accordance with the policies. • The declaration of interest is a standing item on the agenda of all Board and committee meetings, Exco and committee meetings and all other key meetings where decisions are taken. • The declarations of interest for directors are presented to the Board for consideration prior to presentation at the AGM on the recommendation of the Corporate Governance and Nominations Committee. • The REMSEC reviews the declarations of interest of the directors and members of the Group Executive Committee for oversight purposes. • The Register of Declaration of Interests for Directors and Prescribed Officers is tabled at the Company's annual general meeting for noting by the Shareholder.
Management of ethics-related policies	<ul style="list-style-type: none"> • The Company has the following policies in place in support of creating ethical culture: Code of Ethics, No Gifts and Hospitality Policy, the Non-Executive Directorship and Trusteeships Policy, Whistle-blowing Policy, Anti-Bribery and Anti-Corruption Policy, Domestic Prominent Influential Persons and Foreign Prominent Public Officials Policy and the Lifestyle Audit Policy. These policies apply to both employees and directors.

Principle 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
- Legitimacy



King IV.P2

Application	Explanation
The Remuneration, Social and Ethics Committee	<ul style="list-style-type: none"> • The committee is responsible for the governance of ethics and ensures that the Company's ethical performance is assessed, monitored, reported and disclosed in the Company's Integrated Report. • Social and ethics matters are considered by the Remuneration, Social and Ethics Committee and there is a social and ethics focused meeting held on an annual basis. • The Company's Code of Ethics, which applies to the directors and employees of the Company, is reviewed every five years or as and when necessary.
Ethics Management Programme	<ul style="list-style-type: none"> • The Board has an approved Code of Ethics which is published on the Transnet website and incorporated into contractual arrangements with all employees and suppliers, and integrity pacts are concluded with all bidders and suppliers. • Ethics management is led from the office of the Chief Legal Officer who is an Exco member, in conjunction with the Chief of Security. • Aspects of the Code of Ethics are included in fraud and corruption awareness training and are accessible to all employees on the Company's intranet. • The Board has in support of its ethics management programme, approved the Transnet Lifestyle Audit Policy which is applicable to all employees. The Board of Directors, in support of all employees, also participates in the lifestyle audit process to set the tone from the top.
The Code of Ethics ('The code')	<ul style="list-style-type: none"> • The Code of Ethics includes the Company's values and guidelines, and sets out the ethical standards for business practice, individual business conduct, and assists all employees and directors with their ethical deliberations, choices, decisions and conduct.

Principle 3: Responsible corporate citizenship

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

Governance outcomes:

- Ethical Culture
- Legitimacy



King IV.P3

Application	Explanation
Good corporate citizenship	<ul style="list-style-type: none"> • The Board ensures that the Company is a responsible corporate citizen by complying with all national and international laws and standards, and adheres to its own Codes of Conduct and policies. The Company is also a signatory to the UN Global Compact and has extensive corporate social investment (CSI) programmes in place. • The Transnet Foundation is responsible for driving the Company's socio-economic developmental agenda to benefit communities along its operational footprint and other beneficiaries. • The Company's community investment programmes are underpinned by its commitment to uplifting and empowering communities through health interventions, promoting education and training, enabling effective asset utilisation to provide much needed infrastructure solutions, developing rural sports, and deploying employees' skills and competencies to effect positive changes in the various communities. • Socio-economic initiatives are managed at the highest level and form part of the Shareholder's Compact targets. • The ESG report is a standing item at the meetings of the Remuneration, Social and Ethics Committee, and the reports are tabled on a quarterly basis at the Audit Committee meetings. • The Board monitors CSI activities through REMSEC and reports on its CSI activities annually in the Integrated Report.

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



King IV.P4

Application	Explanation
Board strategic session and the deep dive	<ul style="list-style-type: none"> • 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.
Shareholder's Compact	<ul style="list-style-type: none"> • 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. The Board monitors the Company's performance against the targets set out in the Shareholder's Compact and ensures that there are adequate processes in place for budget planning and allocation to advance the Company's mandate. • The Shareholder's Compact was approved by the Corporate Governance and Nominations Committee as delegated by the Board in the year under review.
Corporate Plan	<ul style="list-style-type: none"> • The Corporate Plan was approved by the Board and submitted to the National Treasury and the Department of Public Enterprise as required by the PFMA. • The Transnet Corporate Plan is prepared annually by the Group Exco and approved by the Board. The Corporate Plan outlines the Company's strategy, objectives and plans, and details the initiatives and associated key performance indicators that will be implemented to achieve the Company's strategic objectives.
Risk identification assessment and Going concerns	<ul style="list-style-type: none"> • Transnet has adopted an Integrated Risk Management Policy and Enterprise Risk Management (ERM) Strategy and Framework as approved by the Board as part of the strategy review. • The Company continually performs regular risk identification assessments and reports these to the Risk Committee and elevates material changes in the Company's risk profile to the Board when so required. • The Audit Committee assesses the going concern assertion of the Company on regular basis and makes a statement to that effect in the Company's financial statements after submission to the Board.
Delegation of Authority (DOA) Policy and Framework	<ul style="list-style-type: none"> • The Delegation of Authority Policy, approved by the Board in May 2021, outlines and documents a structured decision-making architecture for the Board of Directors and management in order to promote effective and efficient governance in line with the approved Company structure. • The DOA Framework devolves the powers that vest with the Board as the Accounting Authority to various appointed functionaries and established governance structures to enable the business strategy and defines the limits of authority designated by the Board.
Company strategy	<ul style="list-style-type: none"> • Transnet revised and refined the Transnet Segment Strategy, which was approved by the Board on 18 February 2021 for implementation in the year under review.

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



King IV. P5

Application	Explanation
Department of Public Enterprise Quarterly Report	<ul style="list-style-type: none"> • 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 as required by the PFMA. • Key decisions taken and governance milestones achieved by the Board and its committees are reported quarterly to the Shareholder.
Integrated Report	<ul style="list-style-type: none"> • The Integrated Report provides information of material significance in creating short, medium and long-term value. • To ensure the integrity of the reporting, the Integrated Report is compiled and reviewed by an interdisciplinary management team prior to submission of relevant sections to the appropriate Board committees for recommendation to the Board for approval. Assurance on accuracy and reliability of financial information and sustainability matters is provided by the external auditor. • Key governance matters are reported in the Integrated Report by the Board and its committees in the governance section. • The Group Company Secretary certifies that the Company has filed with the Companies and Intellectual Property Commission all such returns and notices for the year end, as required in terms of the Companies Act, and that all such returns are true, correct and up to date.
Annual financial statements	<ul style="list-style-type: none"> • 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.

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
- Ethical Control
- Good Performance



King IV. P6

Application	Explanation
Annual review of the committee charters	<ul style="list-style-type: none"> • The Board and its committees have approved charters, which are reviewed on an annual basis for relevance and adequacy. • The Board and committee charters outline the roles and responsibilities of the Board and each committee.
Access to Company information	<ul style="list-style-type: none"> • The Board has unrestricted access to all Company information, records, documents and property subject to internal controls.
Board of Directors' meetings	<ul style="list-style-type: none"> • The Board meets at least four times a year. The number of meetings held and attendance thereof, together with decisions taken by the Board and its committees, are reported quarterly to the Shareholder and in the Integrated Report. • The Board is satisfied that it has fulfilled its duties and responsibilities in accordance with its charter for the reporting period.

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:

- Ethical Culture
- Effective Control
- Good Performance
- Legitimacy



King IV. P7

Application	Explanation
The Board should comprise appropriate knowledge, skills, experience, diversity and independence	<ul style="list-style-type: none"> • The Company's Memorandum of Incorporation (MOI) prescribes that the minimum number of directors is six (6) and the maximum number is fourteen (14) comprising not less than four (4) non-executive directors. There are currently 10 directors, of which 8 are independent non-executive directors and two are executive directors of diverse race, gender, age and possessing various skills and experience.
Composition of the Accounting Authority	<ul style="list-style-type: none"> • The Board of Directors and members of the Audit Committee and the Remuneration, Social and Ethics Committee are appointed by the Shareholder Minister. • The Board is appointed by the Shareholder on a three-year term renewable for two terms and as confirmed at every annual general meeting. The executive directors are appointed on five-year contract terms. • The Corporate Governance and Nominations Committee compiles the Board skills matrix for consideration by the Shareholder Minister as part of non-executive directors' succession planning activities. • The Corporate Governance and Nominations Committee, through the Board of Directors, recommends the appointment of executive directors to the Shareholder.
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"> • The Board of Directors currently comprises 10 directors, eight of whom are independent non-executive directors, including the Chairperson. • The Board has a minimum of two executive directors, consisting of the Group Chief Executive and Group Chief Financial Officer.

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 effective discharge of its duties

Governance outcomes:

- Ethical Culture
- Effective Control
- Good Performance
- Legitimacy



King IV. P8

Application	Explanation
The Board and its committees	<ul style="list-style-type: none"> • The Board of Directors established the Audit Committee and the Remuneration, Social and Ethics Committee as statutory committees as well as the Corporate Governance and Nominations Committee, Risk Committee, and Finance and Investment Committee as non-statutory committees. • 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. • 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 directors have fiduciary duties to ensure that the Company complies with all legislative and regulatory requirements, including the provisions of the Companies Act, the PFMA, and the King IV Code. • Information on Board committees is disclosed in the abridged governance section of the Integrated Report.
DOA Framework	<ul style="list-style-type: none"> • The DOA Framework, which forms part of the DOA Policy, was approved by the Board in August 2021.
The Board committee charters	<ul style="list-style-type: none"> • All Board committee charters were approved by the Board. • The respective committee Charters also clearly set out the composition, quorum, roles and responsibilities of each committee.

Principle 9: Evaluation of the performance of the Accounting Authority

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

Governance outcomes:

- Ethical Culture
- Effective Control
- Good Performance
- Legitimacy



King IV. P9

Application	Explanation
Board Performance Evaluation Policy	<ul style="list-style-type: none"> • There is an approved Board Performance Evaluation Policy, which sets out the principles that guide the performance and effectiveness of the Transnet Board, Board committees and individual directors.
Evaluation of the Group Company Secretary	<ul style="list-style-type: none"> • The performance of the Group Company Secretary was evaluated by the Board through the external evaluations. • The Board is satisfied with the performance of the Group Company Secretary.
Meeting Assessments	<ul style="list-style-type: none"> • Meeting assessments are conducted at least twice a year at the Board and subcommittee meetings.

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



King IV. P10

Application	Explanation
Appointment of the Group Chief Executive	<ul style="list-style-type: none"> • 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.
Delegation of power	<ul style="list-style-type: none"> • The Board of Directors delegates powers to the Group Chief Executive to manage the business strategically and provide adequate direction to the Company's operations to ensure that the strategy is successfully implemented through the DOA Framework. The Group Chief Executive is assisted by members of the Group Executive Committee to deliver on specific mandates in their areas of responsibility. • The DOA Policy and Framework also outlines both the Shareholder and Board-reserved matters.
Review of the Delegation of Authority Framework	<ul style="list-style-type: none"> • The Board approved the Delegation of Authority Policy and Framework, which outlines and documents a structured decision-making framework for the Board of Directors and management. It devolves the powers that vest with the Transnet Board as the Accounting Authority to the various appointed functionaries, and established governance and defined the limits of authority as designated by the Board.
Appointment of the Group Company Secretary	<ul style="list-style-type: none"> • The appointment of a Group Company Secretary is a statutory requirement for the Company. • The Group Company Secretary was appointed by the Board effective 1 April 2022.
Independent advice	<ul style="list-style-type: none"> • The Board and committee charters provide for authority to seek independent advice and to consult with specialists or consultants, facilitated by the Group Company Secretary.

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



King IV.P11

Application	Explanation
Integrated Risk Management Policy	<ul style="list-style-type: none"> • 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, namely strategic, tactical and operational. • 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.
Risk Committee	<ul style="list-style-type: none"> • The Board of Directors has established the Risk Committee which is responsible for oversight of risk related matters within the Company which include the following: <ul style="list-style-type: none"> - Enterprise Risk Management Strategy and Framework - Integrated Risk Management Plan - Risk Appetite and Tolerance Framework - Enterprise Risk Management Methodology - Risk maturity surveys - Business continuity management plans - Integrated Report (risk management section) - Corporate Plan (risk management section) - Risk and Integrity Management Framework (RIMF) Implementation Plan

Principle 12: Technology and information governance

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

Governance outcomes:

- Good Performance
- Effective Control
- Legitimacy



King IV.P12

Application	Explanation
ICT Governance Framework and IT Governance Charter	<ul style="list-style-type: none"> • The ICT Governance Framework and IT Governance Charter are communicated to the Board for review, approval and assessment for effectiveness. • The purpose of the 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 for the effective evaluating, directing, and monitoring of ICT within Transnet. • The purpose of the 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"> - Ensure clear accountability and responsibility for IT governance within the Transnet Group - Implement an IT governance structure that allows ICT to operate cohesively throughout Transnet and facilitate the achievement of strategic business objectives - Align IT governance with group-wide governance practices - Adopt IT governance good practices across the Group - Ensure that all ICT decisions are business case driven to the maximum benefit of the Group - Develop understanding and support of the practices driving the success of the Operating Divisions (ODs) - Attain and maintain the buy-in of the CIOs for transversal initiatives

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:

- Effective Control
- Good Performance
- Legitimacy

Application	Explanation
Delegation to management to implement, executive effective technology and information management	<ul style="list-style-type: none"> • The delegation of ICT from the Board to management is addressed in the DOA Framework which is approved by the Board. • The Risk Committee is delegated with the responsibility of exercising ongoing oversight of ICT risk management. • The Risk Committee also oversees the establishment and implementation of business continuity initiatives that enable Transnet to continue to operate under conditions of IT instability and to be able to recover from any serious risks.
ICT integration	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • ICT's challenges on disaster recovery plans, tests and reports were communicated to the Board and its subcommittees.
Ensuring responsiveness to cybersecurity and social media risks	<ul style="list-style-type: none"> • The Board receives feedback on the Transnet cybersecurity posture and plans. Transnet IT positions cybersecurity as a top priority and guards against negative publicity and reputational damage.
Monitoring of third-party and outsourced service provider risks	<ul style="list-style-type: none"> • Transnet calculates the potential risks or vulnerabilities by completing a service provider assessment for each third-party engagement and further conducts thorough due diligence before the relationship commences.

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:

- Effective Control
- Good Governance
- Legitimacy

Application	Explanation
Monitor and evaluate value delivered from technology investments and projects	<ul style="list-style-type: none"> • Apply benefits realisation management to plan for, monitor and track benefits realisation throughout the project delivery process: <ul style="list-style-type: none"> - 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

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

Application	Explanation
Management of the disposal of obsolete technology and information	<ul style="list-style-type: none"> • Governed by Divisional Bid Acquisition Council.
The ethical and responsible use of ICT and compliance with applicable laws	<ul style="list-style-type: none"> • The Board has requested and been provided with insight on the ICT's regulatory universe.
Oversee management of information (including use of information architecture, protection of privacy and security)	<ul style="list-style-type: none"> • ICT analyses information used by the organisation. • ICT tracks and enforces regulatory compliance (POPI Act) and conformance to regulatory policies, standards, architecture and procedures.
The overview of arrangements governing and managing technology and information	<ul style="list-style-type: none"> • The ICT Executive Committee has been established as a structure that provides feedback to the Group Executive Committee on matters pertaining to the ICT strategy, Corporate Plan and digital initiatives. Development and implementation of data and information architecture that supports confidentiality, integrity and availability of information.

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

Application	Explanation
Areas of current and future focus	<ul style="list-style-type: none"> • 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.
Significant changes, acquisitions, incident management and remedial action	<ul style="list-style-type: none"> • This is the primary role of the ICT leadership (ManCo and Operating Divisions) 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.

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 Culture
- Effective Control
- Good Governance
- Legitimacy



King IV. P13

Application	Explanation
Compliance management	<ul style="list-style-type: none"> • Transnet has a dedicated Regulation and Compliance function to assist the Board and management with discharging their compliance responsibilities. • The Regulation and Compliance function provides advice, risk management support, and independent monitoring and reporting on compliance controls for high-priority regulatory requirements. • Accountability for the implementation of compliance controls lies with management. • Approximately 174 primary pieces of legislation impact Transnet, inclusive of 45 strategic pieces of legislation. • Compliance is implemented through a risk-based approach using a decentralised model, with compliance officers appointed within Operating Divisions and Corporate Centre functions. • A Compliance Maturity Plan for the 2022/23FY was approved by the Risk Committee. • Compliance standards and frameworks are in place and improvements to adapt to our changing environments are constantly effected. • The stand-alone Compliance Policy will be retired with Compliance Policy Statements being incorporated into a Compliance Framework. • Inspections by environmental regulators are tracked, monitored and reported in the Integrated Report.

Principle 14: Remuneration governance

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

Governance outcomes:

- Ethical Culture
- Effective Control
- Legitimacy



King IV. P14

Application	Explanation
Remuneration, Social and Ethics Committee	<ul style="list-style-type: none"> • The Remuneration, Social and Ethics Committee considers the non-binding advisory vote of the Shareholder on the Company's remuneration policy, and assists the Board in setting and administering such remuneration policy and applicable practice standards which must be aligned to the strategy of the Company on an annual basis. • The REMSEC recommends the level of independent non-executive directors' fees to the Board for approval by the Shareholder Minister at the annual general meeting. The Board and the remuneration, social and ethics committee continuously assess the effectiveness of remuneration policies.
Remuneration policy	<ul style="list-style-type: none"> • The Remuneration Policy for management is in the process of review and finalisation, The policy will be submitted to the REMSEC and the Board for recommendation to the Minister in August 2022. The work plan for the finalisation of the remuneration policy was submitted to the DPE and several discussions have subsequently taken place with the DPE. • The remuneration policy and philosophy address organisation-wide remuneration and include provisions to attract, motivate, reward and retain human capital. • Remuneration policies and practices are aligned with the Transnet strategy, DPE Remuneration Guide and linked to individual performance. • The remuneration elements and design principles informing the remuneration arrangements for management employees will be included in the remuneration policy. • Remuneration elements for bargaining unit employees are contained in collective agreements. • Details of obligations in executive employment contracts with regard to leave entitlement for executives are included in the relevant policies as prescribed by the Companies Act. • The remuneration and implementation report is tabled annually for separate non-binding advisory votes by shareholders at the annual general meeting.
Remuneration report	<ul style="list-style-type: none"> • The remuneration report includes details of all fees paid to non-executive directors, and remuneration awarded to executive directors and prescribed officers during the reporting period. • The remuneration report includes all remuneration including short and long-term incentive amounts for the current and prior years for executive directors and prescribed officers.

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



King IV.P15

Application	Explanation
Combined assurance	<ul style="list-style-type: none"> • 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. • A Combined Assurance Policy has been developed and approved by the Audit Committee. • The Combined Assurance Plan for the 2022/23FY is presented to the Audit Committee for approval. The 2022/23FY plan has been approved. • Internal Audit's assurance responsibilities are defined in the Internal Audit Charter. • 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.
Assurance of external reports	<ul style="list-style-type: none"> • As a statutory requirement, External Audit provides assurance on the Transnet Annual Financial Statements and Integrated Report. • 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.

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

Application	Explanation
Internal Audit	<ul style="list-style-type: none"> • The Board has delegated to the Audit Committee the responsibility to provide oversight on Internal Audit and External Audit activities. • The Internal Audit Charter, which details 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. • To ensure independence of the Internal Audit function, the CAE reports functionally to the Audit Committee and administratively to the Group Chief Executive. • 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 Transnet Internal Audit's performance of its responsibilities on an annual basis. • The CAE has direct access to the Chairperson of the Audit Committee. • The CAE is a permanent Transnet employee and a member of the Executive Committee with limited rights to ensure independence, i.e. no voting rights. • Internal Audit prepares and submits a risk-based plan annually to the Audit Committee for approval. The 2022/23FY Audit Plan has been approved. • An annual statement on the effectiveness of the governance, risk management and controls is submitted to the Audit Committee. The 2021/22 Internal Audit Assessment has been noted by the Audit Committee. • 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. • Annually, all Internal Audit staff complete a declaration confirming conformance to the Code of Ethics. • All employees including Internal Audit staff complete annual declarations of interest and independence.

Principle 16: Stakeholder

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

Governance outcomes:

- Ethical Culture
- Ethical Leadership



King IV.P16

Application	Explanation
Stakeholder relationships	<ul style="list-style-type: none"> • 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. • 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 key performance indicator in the balanced scorecards of stakeholder relationship owners. • Stakeholder engagement is centralised, with Corporate Affairs being responsible for coordination of this function, 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). • 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. • Stakeholder engagement practices are aligned with the Delegation of Authority Framework. • Community Champions enhance provision of feedback on communities' grievances and developments. • A Group Stakeholder Engagement Forum (GSE Forum) has been established. • The Terms of Reference guides the rules of engagements for the GSE Forum. • The Stakeholder Engagement Report provides an overview of engagements with critical stakeholders.
Shareholder Relationship, including the Annual General (AGM) Meeting	<ul style="list-style-type: none"> • There is continuous engagement with the Shareholder Minister and the Department of Public Enterprises. • The AGM notice was published on the Company's website. • The Auditor-General of South Africa was present at the Company's 31st AGM held on 29 October 2021.

