

A photograph of an industrial site, likely a port or a large-scale construction area. The sky is filled with large, white, fluffy clouds, with some blue visible. In the foreground, a large, red gantry crane stands prominently on the right side. The crane has a complex structure with multiple levels and ladders. In the background, there are various industrial structures, including what appears to be a conveyor belt system and other cranes. The ground is a mix of dirt and paved areas. The overall scene is industrial and somewhat desolate.

# Corporate governance

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State of the art... modern facilities at the Port of Ngqura improve container handling from 22 to 28 with stretch target of 30 GCH.

# Corporate governance

## Introduction

Transnet is committed to the highest standards of corporate governance, including those advocated in the King Report on Governance for South Africa, 2009 (King III), effective 1 March 2010. The Company already has mature processes which are in full compliance with the requirements of King III insofar as is feasible for a State-owned Enterprise (SOE) with a single Shareholder and which is subject to the principles of the PMFA where it prevails over the Companies Act, 2008. More details regarding the Company's compliance to King III are set out later in this report. Sustainability, a key requirement of King III, is included as a core requirement of the Company's corporate governance processes. Transnet continues to successfully integrate sustainability reporting into its annual report as in the prior years. The Company's focus is on the application of the letter and spirit of sound corporate governance principles.

The Company has, as its sole Shareholder, the Government of the Republic of South Africa, with the Shareholder Representative being the Minister of Public Enterprises. As a public entity, it is subjected to the provisions of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). The PFMA requires the Company, as in the past, to conclude a Shareholder Compact with the Shareholder Representative. The Shareholder Compact contains Shareholder expectations in the form of predetermined objectives and key performance indicators and ensures alignment between the Board and the Shareholder Representative. Progress in respect of the performance indicators is continuously reviewed by the Board and is reported to the Shareholder Representative quarterly. In addition, this information is audited annually and reported in the annual financial statements of the Company.

Performance information in respect of the year ended 31 March 2010, as required by section 55(2)(a) of the PFMA, is set out in the Report of the Directors.

## Statement of compliance

The Board is of the opinion that, it is substantially compliant, in all material respects with the principles of the King II Report for the year under review. Further, the Board has embarked on a process to ensure that the principles of King III are integrated into the Company's and, as part of this, has requested the approval of the Shareholder Representative to amend certain aspects of the Company's constitutive documents.

The amendments that are being proposed to the Shareholder Representative in respect of the Articles of Association relate to the appointment of the Group Chief Executive and the process to remove a Board member from the Board in the interest of sound corporate governance.

## Code of Ethics

GRI 4.8

The Company has a strong culture of entrenched values, which forms the basis of the expected behaviour of its employees towards its stakeholders. These values are reflected in the approved and published Code of Ethics (Code). All management employment contracts make references to this Code.

The Code is reviewed and updated annually, and commits the Board, Senior Executives, Management and employees to the highest standards of behaviour when engaging with both internal and external stakeholders. In instances where an employee breaches the Code, the necessary disciplinary action is instituted in terms of the Company's Disciplinary Code and Procedure. The Group Company Secretariat has distributed a Transnet Handbook on the Code and other governance policies to all employees to create awareness of and to entrench the Company's values.

## Breach of governance procedures

During the year, the Company suspended Mr S Gama, the Transnet Freight Rail Chief Executive, and instituted disciplinary proceedings against him following allegations of serious governance breaches on two procurement contracts. The allegations, which were independently investigated, followed anonymous tip-offs. At all times, Mr Gama was treated fairly and afforded ample opportunity to make representations.

On 5 June 2010, the independent chairman of the disciplinary hearing found Mr Gama guilty of the charges brought against him including one of an irretrievable breakdown in his relationship with Transnet. At the time of finalising this report, the process was still unfolding. In the final stage of the proceedings, the chairman was to be requested, after hearing further submissions from the parties, to recommend an appropriate sanction.

It is important that Transnet continues to act consistently and appropriately against any breaches of its policies, values and procedures to inspire confidence in its operations amongst its suppliers and the public at large.

## Transnet's Culture Charter: "Living the Charter"

The Culture Charter (the Charter), developed in 2008, after a year-long process of employee mobilisation and engagement, sets out those behaviours that all Transnet employees are required to uphold and commit to, for Transnet to realise its strategic objectives. As the Company faced the impact of the global economic recession, it has become increasingly important to mobilise and align its workforce around the Transnet values contained in the Charter and to encourage employees to embrace the principles of productivity, efficiency, customer service and safety.

The second annual scoring of the Charter has been concluded with approximately 23 000 employees participating in the process. The results strongly indicate that treating each other with "dignity and respect" should be a focus area to ensure that this value is embedded into the fabric of the Company.

Although the Charter scoring results indicate that safety is top of mind for our employees, we still have difficulty in effectively translating this behaviour into the creation of a safe working environment characterised by the strictest adherence to the Company's operating procedures. Consequently, we have embarked on developing and implementing a Safety Culture Programme to entrench a culture of safety by promoting a safety mindset and focusing on reducing the number of unsafe acts in the work environment. The aim of this programme is to build a compact amongst all staff around the "Golden safety actions" that would set the benchmark for safe behaviours.

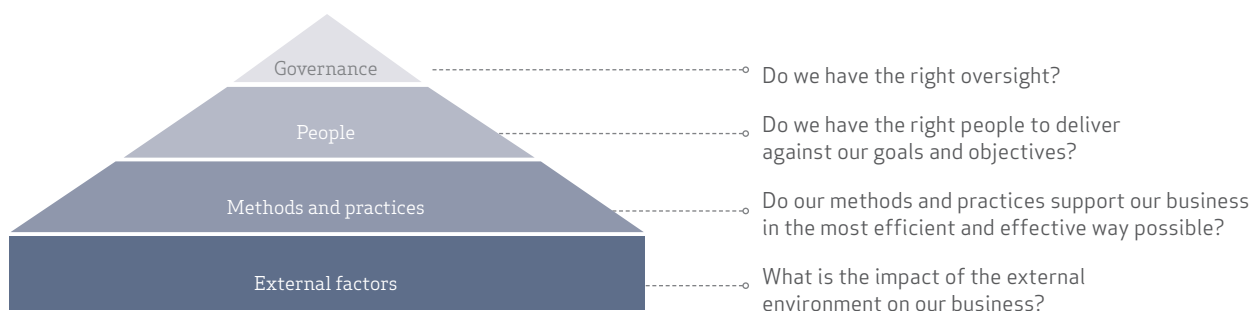
For further details on the Culture Charter please refer to the Sustainability report.

## Results of control environment review by Transnet Internal Audit

GRI 4.10

The Board recognises that a strong control environment is essential for the management of risk, improvement of performance, enhancement of governance and the strengthening of the reputation of the Company. The control framework maturity assessment™ (CFMA) was introduced to measure the strength of the overall control environment – across 15 sub-components in relation to governance, people, methods and practices, expressed as a maturity level (eg "basic", "evolving", "established", "advanced" or "leading").

The key components of the framework are depicted below:



1. **Governance** – Establishing effective oversight across the organisation, functional activities and business processes;
2. **People** – Having the right people to deliver against the goals and objectives of the Company; and
3. **Methods and practices** – Building methods and practices (systems and processes) to support efficient and effective ways of doing business.

An initial assessment was conducted in 2008 to determine the current and desired maturity state of the Company. A follow-up assessment is conducted annually to track progress. Results from the CFMA assessments in the last two years indicate that the overall maturity level has improved to an "established" level.

## Fraud Risk Management Plan

As required by section 29.1.1 of the Treasury Regulations prescribed under the PFMA, Transnet developed a Fraud Risk Management Plan, to manage the fraud risk exposure.

Ongoing awareness around the Tip-Offs Anonymous Hotline forms an integral part of Transnet's anti-fraud and anti-corruption efforts contained within its Fraud Risk Management Plan. The relationship between the Tip-Offs Anonymous Hotline and Fraud Risk Management initiatives is symbiotic, in that fraud risk management initiatives can directly influence or be influenced by the Tip-Offs Anonymous Hotline.



## Corporate governance (continued)

The table below provides a high level overview of allegations received over the last three financial years:

	2008	2009	2010	Total
<b>Total allegations</b>	<b>697</b>	<b>817</b>	<b>700</b>	<b>2 214</b>
Founded allegations*	110	156	136	402
Unfounded allegations**	587	647	386	1 620
In progress	-	14	178	192
<b>Total disciplinary cases</b>	<b>67</b>	<b>190</b>	<b>76</b>	<b>333</b>
- Acquitted	1	4	1	6
- Dismissed	19	11	10	40
- Final warning	32	25	41	98
- Resigned	7	15	-	22
- Verbal warning	2	87	10	99
- In progress	6	48	14	68
<b>Hotline allegations</b>	<b>636</b>	<b>741</b>	<b>631</b>	<b>2008</b>

\*Relates to allegations that have been investigated and have been substantiated which would lead to a disciplinary process.

\*\*Relates to allegations that have been investigated and have been unsubstantiated.

The increase in the total number of allegations between 2008 and 2009 can be attributed to the implementation of fraud awareness initiatives, which included increased awareness around the whistle-blower mechanism. During the financial year ended 31 March 2010, an education campaign relating to not utilising the whistle-blower mechanism for the reporting of grievance related matters, together with a more explicit approach of dealing with hotline calls by Tip-Offs Anonymous, resulted in a decrease in the total number of allegations, more specifically human resource related allegations, for the period.

Through the initiatives undertaken as part of the Fraud Risk Management Plan, Transnet will continue to focus on its zero tolerance for fraud dishonesty and unethical acts and, in so doing minimise the opportunity for employees and third parties to commit fraud and similar acts.

The Fraud Risk Management Plan for 2010/11 has been approved and the implementation thereof has commenced throughout the Company. The successful implementation of the various initiatives within the Fraud Risk Management Plan will ultimately assist Transnet in positioning itself as a leading organisation within the fraud risk management arena.

### Conflicts of interest

GRI 4.6

All non-executive Directors and Management are required to disclose their shareholding in external companies and their interest in contracts. They are also required to disclose directorships in external companies and whether any potential conflicts of interest may exist. The Group Company Secretary maintains the Declarations of Interest and Related Party Disclosures' Registers. In addition, the non-executive Directors and Management are required to declare all interests at the meetings they attend. The Related Party Disclosures' Register of both the Board and the Group Executive Committee is circulated at the first Board and Group Executive Committee meetings of the financial year and as and when there has been an amendment to the Register. Directors who have a conflict of interest on any matter to be discussed at the meeting are required to inform the Group Company Secretary prior to the meeting and the member is recused when the item is being discussed.

In addition, the Company requires all employees to sign confidentiality and declaration of interest forms when adjudicating on major procurement contracts - for example - locomotive contracts.

### Governance structure

GRI 4.1 - 4.3

#### Board of Directors

The Board's primary mandate is to ensure the sustainable and successful continuation of business activities by providing strategic direction to Executive management. Non-executive Directors are appointed to the Board by the Shareholder Representative on, generally, a three-year term which is confirmed annually at the annual general meeting (AGM). The Chairman of the Board engages continuously with the Shareholder Representative, as the final arbiter, on Board succession plans.

#### Board composition

The Company's Articles of Association provide that there shall not be less than 10 and not more than 18 Directors, of whom not less than eight shall be non-executive Directors and two Executive Directors. The Board comprises of 11 Directors of whom the majority totalling nine are non-executive, which includes the Acting Chairman with the remaining two serving in an executive capacity.

These non-executive Directors are all independent and have diverse skills, experience and backgrounds and are, in general, free from any business relationship that could generally, hamper their objectivity or judgement on the business and activities of the Company. All the non-executive Directors have unrestricted access to information, documents, records and property of the Company in fulfilling their responsibilities as non-executive Directors. In support of gender diversity and requirements of the Broad-Based Black Economic Empowerment Act, 2003, the composition of the Board has a 36,4% representation of women.

The majority of the non-executive Directors' term of office was extended by the Shareholder Representative at the 2009 AGM of the Company. For the period under review, Professor Geoff Everingham, an independent non-executive Director, was appointed by the Shareholder Minister as the Acting Chairman of the Board on 11 August 2009.

The following three non-executive Directors retired at the AGM on 11 August 2009:

- Mr FTM Phaswana;
- Dr I Abedian; and
- Mr BT Ngcuka.

The above non-executive Directors were not replaced by the Shareholder Representative at the AGM. Consequently, following a resolution of the Board, the following changes have been made to the Board Committees to accommodate the retirement of the three non-executive Directors on 11 August 2009:

- The Acting Chairman of the Board, Professor Everingham, was appointed Chairman (Acting) of the Corporate Governance and Nominations Committee;
- Ms Ramon was appointed Chairman (Acting) of the Group Audit Committee and an interim member of the Group Board Risk Committee;
- Ms Matyumza was appointed interim member of the Group Audit Committee; and
- Mr Hankinson was appointed interim member of the Corporate Governance and Nominations Committee.

The Shareholder Representative is currently in the process of identifying suitable candidates who will fill the vacant positions on the Board and it is expected that these members will be appointed at the next AGM of the Company to be held on 23 July 2010.

The Board, through its Corporate Governance and Nominations Committee, was engaged with the succession planning for filling the vacancy of the Group Chief Executive. This process was finalised in June 2009, and a recommendation was forwarded to the Shareholder Minister for approval, as required by the Company's Articles of Association. Whilst the Company has been in the position of operating with many officers in an acting capacity, there has been no adverse impact on the Company.

The non-executive Directors contribute a variety of skills, business acumen, independent judgement and experience on various issues, including strategy, performance and general leadership, whilst the Executive Directors provide an operational understanding of the Company. The Board therefore remains satisfied that there is an appropriate combination of knowledge, skills and attributes to deliver on its mandate.

## Board induction and information

In addition to the initial formal induction programme held when a new non-executive Director is appointed, in order to familiarise such Director with the Company's business environment, risk management processes and procedures, strategy governance framework, sustainability issues and fiduciary duties as contained in, amongst others, in the PFMA and the Companies Act (Act No 61 of 1973), the Board takes the view that all the non-executive Directors must be continuously educated in respect of the activities of the Company.

Ongoing training occurs when the Board and Committee meetings are convened at various operations around the country, to provide non-executive Directors with an opportunity to interact more actively with various parts of the business. On 31 July 2009 and 30 September 2009, the Group Risk Committee performed site visits at the Port of Saldanha and the Durban Container Terminal and Pier 1, respectively.

As a result of strategic issues dealt with by the Board during the year, including the NMPP cost review and environmental management issues, visits were undertaken to the NMPP construction site, the Port of Port Elizabeth and the Port of Ngqura in April 2010.

Transnet has maintained the practice of submitting focused and concise management reports to the Board as pre-reading material to Board meetings. Further, the practice by the Acting Group Chief Executive of circulating a management letter to the Board to keep non-executive Directors abreast of developments in the Company in the months when there are no scheduled Board meetings has continued.

## Board leadership

The Board continues to work as a collective in executing its responsibilities and has continued to constructively engage with the Acting Group Chief Executive, the Group Executive Committee and other members of Executive management.

The Acting Chairman and Acting Group Chief Executive work effectively together, with the Acting Chairman providing appropriate direction and guidance to the Acting Group Chief Executive (as and when required) whilst remaining independent.

From time to time the non-executive Directors convene to discuss matters affecting the Executive management. In these instances, a 'closed session' is held. The Board is satisfied that the Acting Chairman provides balanced feedback to the Acting Group Chief Executive subsequent to the Board's closed sessions and performance evaluation discussions.

## Board evaluation

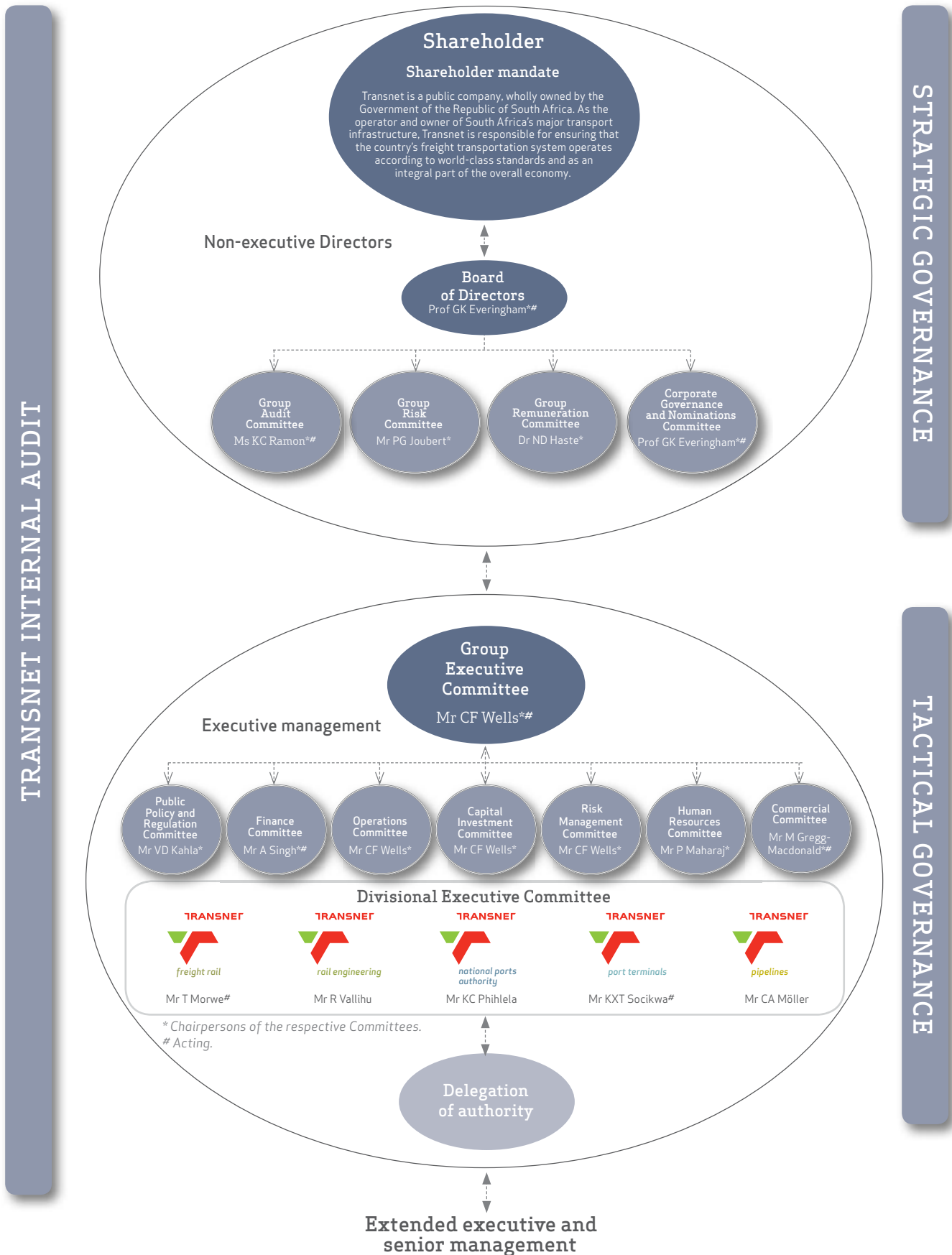
The Board is of the view that an evaluation of its performance and effectiveness ensures continuous improvement. The Board evaluation encompasses an evaluation of the Board, its Committees, the Acting Chairman, individual Directors, the Acting Group Chief Executive, the Group Company Secretary and overall risk management.

The Board evaluation report 2009 was presented to the Board's Corporate Governance and Nominations Committee and to the Board on 10 September and 13 October 2009, respectively. While there was general agreement with the findings, there were some differences of opinion, notably in respect of the monitoring of environmental issues impacting on the Company. Many of the points raised in the Board evaluation report are being dealt with internally, such as executive succession, through the talent management process that is in place. Further, on 27 November 2009 the Board developed an action plan which highlighted the key areas to be strengthened during the year ahead.



# Corporate governance (continued)

## Governance structure



Some of the key areas from the action plan include the following:

- The urgent need to amend the Articles of Association to be consistent with the recommendations of King III as it relates to the appointment of the Group Chief Executive – which requires that such appointment be a responsibility of the Board;
- The Group Chief Executive will continue to share with the Corporate Governance and Nominations Committee and the Board the Company's programme for identifying, developing and retaining talent from which to draw the future leadership of the Company;
- The Board should define a clear and regular process of communicating with the Shareholder Minister and broader Government structures (over and above the annual workshop, AGM, sharing of the financial results);
- Mandating the Group Audit Committee to develop an IT governance and risk management framework and consequently enhance reporting to the Board; and
- Improving the Board's awareness of environmental exposures impacting the Company through the submission of an environmental management report, and securing the Board's inputs on enhancing environmental management disclosures.

In implementing the proposed action plan, the following has occurred:

- The Company has already addressed correspondence to the Shareholder Representative with regard to the proposed amendments to the Articles of Association;
- The Corporate Governance and Nominations Committee in November 2010, will receive an update from the Acting Group Chief Executive regarding talent management and succession planning;
- The Group Company Secretariat has arranged Board training on IT Governance in August 2010 as part of enhancing the Board's IT governance knowledge; and
- Environmental matters have received significant focus during the year, reporting to the Board has improved and additional disclosure has been made in the annual financial statements.

The evaluation process, which has been in place for a number of years, assists the Board with focusing its attention on material issues.

The Board evaluation report, together with action plans to address identified areas of development, are submitted to the Shareholder Representative annually.

## Remuneration

GRI 4.5

Remuneration for non-executive Directors is approved in advance by the Shareholder Representative and confirmed at the AGM. The remuneration of the Directors is set out in the Report of the Directors.

Remuneration is based on independent remuneration advice provided to the Group Remuneration Committee. Transnet is currently benchmarking the remuneration of its non-executive Directors and is engaging with remuneration survey companies for information on the remuneration practices for non-executive Directors of organisations of a similar size and complexity.

The annual remuneration recommendations for both the executive and non-executive Directors are considered by the Group Remuneration Committee. Equally, the Group Remuneration Committee considers the performance measures and benefits when assessing remuneration.

## Group Company Secretarial function

The Group Company Secretary is responsible for developing systems and processes which enable the Board to discharge its functions efficiently and effectively. The function is responsible for advising the Board on corporate governance issues, inclusive of the requirements of the Companies Act and relevant governance legislation, setting the annual plan for the Board in conjunction with the Chairman, as well as keeping the Board updated on new relevant legislation. All Directors have access to the services and advice of the Group Company Secretary.

## Matters reserved for Board decision

While, through a detailed documented delegations process, the management of the Company is delegated to the Group Chief Executive by the Board, the following matters, amongst others, are expressly reserved for decision-making by the Board.

### Financial

- Approval of the strategy, business plans, annual budgets, the borrowing strategy and any subsequent material changes in strategic direction;
- Approval of annual financial statements and interim reports, as well as the declaration of dividends;
- Approval of any significant changes in accounting policies or practices;
- Recommendation for the Shareholder's approval of the acquisition or disposal of a significant shareholding in a company; and
- Recommendation for the Shareholder's approval of the acquisition or disposal of a significant asset.

### Statutory and administrative

- Recommending amendments to the Memorandum and Articles of Association of the Company to the Shareholder;
- Entering into a compact with the Shareholder;
- Appointment, removal or replacement of the external auditor of the Company;
- Approval of the rules and amendments thereto in respect of the defined benefit pension funds, having a material effect on the actuarial liabilities of those funds; and
- Appointment and removal of the Group Company Secretary.





## Corporate governance (continued)

### Regulatory

- Approval of terms and conditions of the Company's rights issues, public offers, capital issues or issues of convertible securities including shares or convertible securities issued for acquisitions;
- Approval of an authority to issue prospectuses, placing documents, listing particulars, rights offers or takeover or merger documents; and
- Recommending to the Shareholder the approval of any ordinary or special resolutions in respect of the Company.

### Human resources

- Appointment of, terms of reference and changes in the composition of, the Corporate Governance and Nominations Committee, the Group Audit Committee, the Group Risk Committee, the Group Remuneration Committee and such other Committees as the Board may appoint from time to time;
- Any changes in directors' fees and benefits as recommended by the Group Remuneration Committee and approved by the Shareholder; and
- Approval of any share or other incentive scheme, the rules applicable to any such scheme and any amendment to such rules as recommended by the Group Remuneration Committee, for submission to the Shareholder, if applicable.

## Key activities of the Board

Apart from carrying out the functions designated to the Board as Board Reserved Matters, the functions of the Board in the 2010 financial year included amongst others, the following:

- Approval of the annual Corporate Plan and Budget for the 2011 financial year;
- Approval of the Shareholder Compact for 2011 financial year;
- Approval of Transnet's borrowing strategy and plan;
- Approval of the Global Medium Term Note programme;
- Approval of the Implementation Plan for the Rail Secondary Network (Branch lines) strategy;
- Approval of the Fleet Plan for locomotives;
- Approval of the increase in costs for the NMPP;
- Approval of the Reputation Management Strategy;
- Approval of the Sale of Autopax Passenger Services (Pty) Limited to the Passenger Rail Agency of South Africa;
- Approval of the Manganese Transnet Services Agreement;
- Approval of the Tank Farm Strategy; and
- Approval of various issues relating to post-retirement benefit obligations.

In setting the Company's strategic direction, the Board approved a number of key focus areas to be addressed in the 2011 financial year and over the next five years. The overarching theme for the 2011 Corporate Plan is a Quantum Leap improvement in customer service, volume growth and the provision of infrastructural capacity.

The Board's annual agenda included themes that the Board used for in-depth analysis of specific areas of the business, particularly the ports and rail operational areas. These included the review of the container growth strategy and the proposals and recommendations to deal with Policy and Economic Regulation and the risks associated therewith, as well as human capital management.

## Schedule of attendance at Board of Directors' meetings from 1 April 2009 to 31 March 2010

Director	Date										
	23/4	2/06	18/6	28/07	24/08	10/09	21/09	13/10	26/10	27/11	12/02
Mr FTM Phaswana (Chairman)**	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Prof GK Everingham (Acting Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr I Abedian**	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ms NBP Gcaba	A	✓	✓	✓	A	✓	✓	A	✓	✓	✓
Dr ND Haste	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓
Mr MJ Hankinson	✓	✓	✓	A	✓	✓	✓	A	✓	✓	✓
Mr PG Joubert*	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	✓
Ms NNA Matyumza*	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓
Mr MP Moyo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr BT Ngcuka#	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ms NR Ntshingila	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	✓
Ms KC Ramon	✓	✓	✓	✓	A	A	A	A	✓	A	†
Mr A Singh	n/a	n/a	✓	✓	✓	✓	✓	✓	✓	A	✓
Mr CF Wells	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓

Present

A

Apology

\*

Member of the Board Ad Hoc Committee on Regulation

#

Retired during the year

n/a

Not applicable

Grey shade Special meetings were convened to discuss the succession planning for the position of the Group Chief Executive and the matters relating to the alleged irregular expenditure and the disciplinary process of the Chief Executive of Freight Rail.

†

Maternity leave

## Board committees

Consistent with King II and corporate governance best practice, the Board has established Committees to assist it in discharging its responsibilities. Each Committee has a mandate outlining the authority delegated to it by the Board. With the introduction of the King III Guidelines, the Board and its Committees had to review their mandates to ensure that the newly introduced responsibilities and obligations are adequately addressed. The mandate of each Committee sets out, amongst others, the purpose, composition, reporting responsibilities, terms of reference and the right of any member to seek and be provided with independent advice at the Company's expense if such member considers that necessary for the effective execution of his/her fiduciary duties to the Company.

The Group Company Secretary continues to provide secretarial services to the Board and all its Committees. The Board and its Committees are chaired by independent non-executive Directors. The majority of the members of the Committees are non-executive Directors.

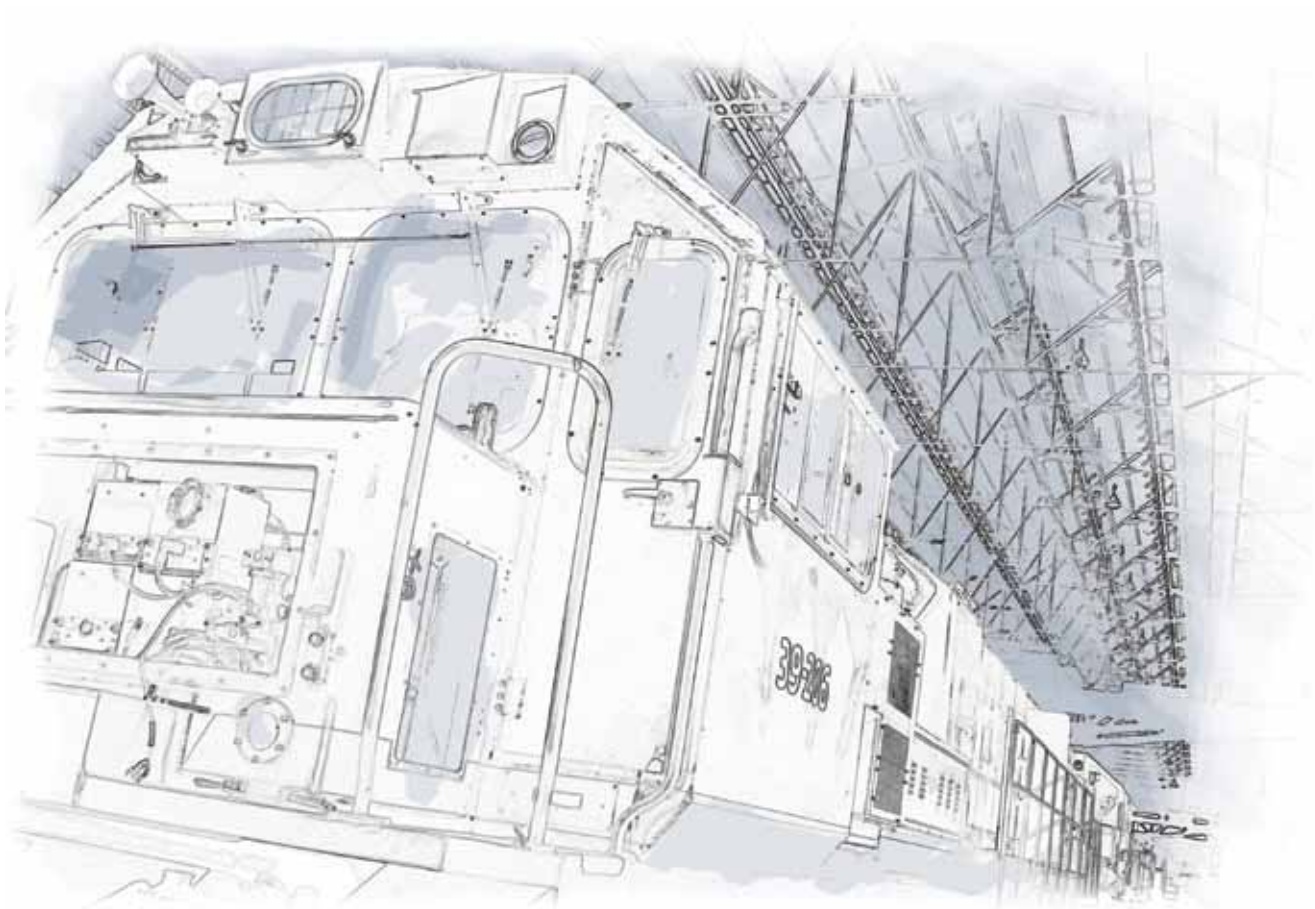
Minutes of the Committee meetings are available to all Directors and are included in the Board meeting documents. The Chairpersons of the Committees furnish reports on the activities of their Committees at each Board meeting. Executives considered relevant for the effective execution of the mandates of such Committees attend the Committee meetings by invitation.

The Board has established the following Committees to assist it in carrying out its role and responsibilities:

- Corporate Governance and Nominations Committee;
- Group Audit Committee;
- Group Remuneration Committee; and
- Group Risk Committee.

A meeting of the Ad Hoc Committee on Public Policy and Regulation is convened by the Acting Chairman of the Board as and when the need arises to deal with the current economic regulatory challenges confronting Transnet.

Further, to promote the principles of sound corporate governance, Professor Everingham stepped down from his role as the Chairman of the Group Audit Committee pursuant to his appointment as Acting Chairman of the Board.



# Corporate governance (continued)

## Corporate Governance and Nominations Committee

<b>Functions and mandate</b>	<p>The Corporate Governance and Nominations Committee sets the criteria for the nomination of Directors to be recommended to the Shareholder Representative for appointment to the Board. It also identifies, evaluates and recommends nominees to the Board, Board Committees and subsidiary Boards.</p> <p>The Corporate Governance and Nominations Committee ensures the existence of corporate governance best practice by, amongst others:</p> <ul style="list-style-type: none"> <li>• Reviewing and recommending any changes to Board membership and members of the Group Executive Committee;</li> <li>• Ensuring that an independent annual assessment of the performance of the Board is concluded and reviewing the effectiveness of all Board committees;</li> <li>• Reviewing periodically the format and content of the Board and committee mandates and ensuring that appropriate Board and committee structures are in place;</li> <li>• Appointing members of audit subcommittees of the Operating divisions/Specialist Units after each AGM in terms of the mandate of the divisional Audit subcommittees; and</li> <li>• Providing strategic oversight of the sustainability performance of the Company.</li> </ul> <p>In carrying out its succession planning responsibilities, particularly in respect of the selection of a Group Chief Executive, this committee extends an invitation to the Chairpersons of other Board committees who are not members of the Corporate Governance and Nominations Committee.</p>
<b>Key activities</b>	<p>Apart from carrying out the functions designated to it, the functions of the Committee in 2010 included amongst others, the following:</p> <ul style="list-style-type: none"> <li>• Succession planning for the position of the Group Chief Executive;</li> <li>• Recommended changes to Board Committee membership after the AGM;</li> <li>• Commissioned the appointment of an independent service provider to conduct an annual assessment of the performance of the Board;</li> <li>• Reviewed the Board and Committee mandates to be aligned to the King III requirements;</li> <li>• Reviewed the Company's Articles of Association to be aligned to the King III requirements; and</li> <li>• Recommended the approval of the Shareholder Compact for the 2011 financial year.</li> </ul>
<b>Members</b>	<p>The members of the Corporate Governance and Nominations Committee are:</p> <p>Mr FTM Phaswana (retired on 11 August 2009); Prof GK Everingham (Acting Chairman as from 24 August 2009); Ms NBP Gcaba; Ms NNA Matyumza; Mr BT Ngcuka (retired 11 August 2009); Mr MJ Hankinson (interim member as from 24 August 2009) and Mr CF Wells (member as from 12 November 2009).</p>

## Schedule of attendance at Corporate Governance and Nominations Committee meetings

Director	Date					
	7/4	23/4	2/6	10/9	12/11	11/2
Mr FTM Phaswana (Chairman) <sup>#</sup>	✓	✓	✓	n/a	n/a	n/a
Prof GK Everingham (Acting Chairman)	✓	✓	✓	✓	✓	✓
Ms NBP Gcaba	✓	A	✓	✓	✓	✓
Mr MJ Hankinson	n/a	n/a	n/a	✓	✓	✓
Mr BT Ngcuka <sup>#</sup>	A	✓	✓	n/a	n/a	n/a
Ms NNA Matyumza	✓	✓	✓	✓	A	✓
Mr CF Wells	n/a	n/a	n/a	n/a	✓	✓

✓	Present
A	Apology
*	Member of the Board Ad Hoc Committee on Regulation
#	Retired during the year
n/a	Not applicable
Grey shade	Special meeting

## Group Audit Committee

<b>Functions and mandate</b>	<p>The Group Audit Committee mandate includes the review and approval of the Group Audit Plan with the internal and external auditors, with specific reference to the proposed audit scope and approach to Group risk activities, the effectiveness of the audit and audit fees.</p> <p>All members of the Group Audit Committee are independent non-executive Directors and are financially literate. The Group Audit Committee convened five times during the 2010 financial year. The Operating divisions have audit subcommittees. Any unresolved matters are escalated to the Group Chief Financial Officer for resolution.</p> <p>The external and internal auditors have unrestricted access to the Group Audit Committee which ensures that their independence cannot be compromised and they are invited to all Group Audit Committee meetings. The Group Audit Committee holds closed sessions with the auditors where they can raise any issues which are not appropriate to raise in the presence of management.</p>
<b>Key activities</b>	<p>The Group Audit Committee performed a number of activities during the current year. Please refer to the Group Audit Committee Report for further details.</p>
<b>Members</b>	<p>The members of the Group Audit Committee are:</p> <p>Prof GK Everingham (resigned as Chairman on 24 August 2009); Ms KC Ramon (Acting Chairman from 24 August 2009 to 05 February 2010), Dr I Abedian (retired on 11 August 2009); Mr PG Joubert, Mr MP Moyo (Acting Chairman from 10 February to 19 April 2010) and Ms NNA Matyumza (interim member as from 24 August 2009).</p>

## Schedule of attendance at Group Audit Committee meetings

Director	Date				
	20/4	10/6	20/10	12/11	10/2
Prof GK Everingham (Chairman)**	✓	✓	n/a	n/a	n/a
Dr I Abedian#	✓	✓	n/a	n/a	n/a
Mr MP Moyo (Acting Chairman) ^^	✓	✓	✓	✓	✓
Mr PG Joubert	✓	✓	✓	✓	✓
Ms KC Ramon (Acting Chairman) †	✓	✓	✓	✓	†
Ms NNA Matyumza**	n/a	n/a	✓	A	✓

✓ Present

A Apology

# Retired during the year

n/a Not applicable

† Acting Chairman till going on maternity leave (24 August 2009 to 05 February 2010)

\*\* Resigned as Chairman of the Committee during the year

^^ Acting Chairman from 10 February 2010 till 19 April 2010

## Group Remuneration Committee

Functions and mandate	<p>All members of the Group Remuneration Committee are non-executive Directors.</p> <p>The Group Remuneration Committee considers and approves policy frameworks and practice standards in respect of remuneration and:</p> <ul style="list-style-type: none"> <li>• Determines, in line with the fee structure approved by the Shareholder Representative, the remuneration of the Chairman of the Board, which includes a mechanism for the assessment of the Chairman's performance;</li> <li>• Advises the Board of the recommendations it should make to the Shareholder Representative in respect of the remuneration of non-executive Directors, including the members of Board committees;</li> <li>• Reviews the Group Chief Executive's assessment of performance and approves the remuneration of non-executive Directors and the Executive management of the Company, giving consideration to both the short-term and long-term components of remuneration;</li> <li>• Approves the compulsory employee benefits applicable to all levels and categories of employees in the Company, notably retirement funding and healthcare benefits;</li> <li>• Is advised of remuneration policies and practices applied below Executive management level as deemed appropriate by the Group Chief Executive;</li> <li>• Reviews the Chairman's assessment of the performance of the Group Chief Executive and approves the remuneration of the Group Chief Executive;</li> <li>• Reviews the performance measures to be used for purposes of annual incentive bonuses for all employees and approves the criteria for participation in, and the terms applicable to such scheme;</li> <li>• Approves recommendations for awards in terms of long-term incentive plans;</li> <li>• Approves general principles relating to terms and conditions of employment contracts and any material changes thereto, including the terms of contracts of employment of key employees of the Company who perform functions in subsidiaries; and</li> <li>• Recommends a remuneration philosophy for disclosure in the annual financial statements, for approval by the Board.</li> </ul>
Key activities	<p>Apart from carrying out the functions designated to it, the functions of the Committee in the 2010 financial year included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• Approved the revised wage mandates for bargaining unit and package category employees;</li> <li>• Approved the technical skills strategy;</li> <li>• Approved the re-shaping of the workforce and cascading of the reward model to Bargaining Unit employees;</li> <li>• Approved the Short-term Incentive and Long-term Incentive Payment;</li> <li>• Approved the revised rules for the Long-term Incentive Scheme;</li> <li>• Approved the rules for the Short-term Incentive Plan 2009: Management Category Employees (Job Levels A – F and First Line Managers, Specialists and Technicians: Job Level G);</li> <li>• Approved the rules for Short-term Incentive Plan: Bargaining unit Employees (Excluding G Level);</li> <li>• Approved the Transnet Technician career path; and</li> <li>• Approved the wage mandate for the 2010/11 financial year.</li> </ul>
Members	<p>The members of the Group Remuneration Committee are:</p> <p>Dr ND Haste (Chairman); Ms NBP Gcaba (Deputy Chairperson); Dr I Abedian (retired 11 August 2009); Mr PG Joubert and Ms NR Ntshingila.</p>



# Corporate governance (continued)

## Schedule of attendance at Group Remuneration Committee meetings

Director	Date				
	3/4	17/6	7/7	14/10	10/2
Dr ND Haste (Chairman)	✓	✓	✓	✓	✓
Ms NBP Gcaba (Deputy Chairman)	✓	✓	✓	A	✓
Dr I Abedian#	✓	A	✓	n/a	n/a
Mr PG Joubert	✓	✓	✓	✓	✓
Ms NR Ntshingila	✓	✓	✓	✓	✓

✓	Present
A	Apology
#	Retired during the year
n/a	Not applicable
Grey shade	Special meeting

## Group Risk Committee

<b>Functions and mandate</b>	<p>Risk management is the responsibility of the Board. The Board has delegated the responsibility for providing assurance on the integrity, quality and reliability of the Group's risk management to the Group Risk Committee.</p> <p>As part of carrying out its responsibilities, the Group Risk Committee holds its meetings at various operating sites to review the major risks facing the operations as well as the progress achieved in embedding the enterprise risk management culture in the organisation. The Company's "Top 10" risks and their treatment are reviewed at each meeting of the Group Risk Committee.</p> <p>The functions of the Group Risk Committee include, amongst others, ensuring that risk definitions and contributing factors, together with risk policies, are formally reviewed on an annual basis, taking into account that risk, in its widest sense, includes market risk, operational risk and commercial risk, which in turn covers detailed combined risks.</p>
<b>Key activities</b>	<p>Apart from carrying out the functions designated to it, the functions of the committee in the 2010 financial year included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• Approved the Risk Management Plan for the 2011 financial year;</li> <li>• Recommended the approval of the Reputational Management Strategy to the Board;</li> <li>• Reviewed the Sustainability Report plan;</li> <li>• Reviewed the human resources risks – skill shortage, training and development; and</li> <li>• Approved the Group Risk Committee Annual Work Plan for the 2011 financial year.</li> </ul>
<b>Members</b>	<p>The members of the Group Risk Committee are:</p> <p>Mr PG Joubert (Chairman); Dr I Abedian (retired 11 August 2009); Ms NNA Matyumza; Prof GK Everingham; Mr MJ Hankinson; Ms KC Ramon (interim member as from 24 August 2009) and Mr CF Wells (member as from 12 November 2009).</p>

## Schedule of attendance at Group Risk Committee meetings

Director	Date				
	8/4	31/7	30/9	23/11	10/2
Mr PG Joubert (Chairman)	✓	✓	✓	✓	✓
Dr I Abedian#	✓	✓	n/a	n/a	n/a
Prof GK Everingham	✓	✓	✓	✓	✓
Ms NNA Matyumza	✓	✓	✓	✓	✓
Mr MJ Hankinson	✓	A	✓	✓	✓
Ms KC Ramon	n/a	n/a	✓	A	A
Mr C F Wells	n/a	n/a	n/a	✓	✓

✓	Present
A	Apology
#	Retired during the year
n/a	Not applicable

## Group Executive Committee

Functions and mandate	<p>The Group Executive Committee has established the following subcommittees:</p> <ul style="list-style-type: none"> <li>• Policy and Regulation Committee;</li> <li>• Finance Committee;</li> <li>• Operations Committee;</li> <li>• Capital Investment Committee;</li> <li>• Risk Management Committee;</li> <li>• Human Resources Committee; and</li> <li>• Commercial Committee.</li> </ul> <p>The Group Executive Committee assists the Group Chief Executive in the execution of the function delegated to him by the Board (with the power to sub-delegate by the Board which includes, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• The authority to take any action necessary to manage the Company and fulfil its responsibilities to the Board;</li> <li>• Provide strategic and operational direction to the business to ensure the successful implementation of the Company's strategy;</li> <li>• Provide oversight on operational and financial risk management; and</li> <li>• Review the Group Executive Committee Sub-committees decisions and approve such matters referred from such committees or alternatively recommend the decision to the Board.</li> </ul>
Key activities	<p>Apart from implementing the mandate designated to it, the more significant functions of the Committee in the 2010 financial year included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• Reviewed and approved all the Group Executive Committee mandates;</li> <li>• Recommended for approval, to the Board, the Sale of Autopax Passenger Services (Pty) Limited and Shosholozu Meyl to the Passenger Rail Agency of South Africa;</li> <li>• Recommended to the Group Remuneration Committee, the approval of the wage mandate;</li> <li>• Recommended to the Board, the approval of the Manganese Transnet Services Agreement;</li> <li>• Recommended to the Board, the approval of the reputation management strategy;</li> <li>• Recommended to the Board Risk Committee, the approval of the wagon strategy and master fleet management plan;</li> <li>• Recommended for approval, the Tank Farm Strategy;</li> <li>• Recommended to the Board, the approval of the 2010/11 Corporate Plan and Budgets;</li> <li>• Recommended to the Board, the approval of the Company's targets in respect of the Broad-Based Black Economic Empowerment Act;</li> <li>• Recommended to the Board, the approval of the Transnet's borrowing strategy and plan;</li> <li>• Recommended to the Board, the approval of the GMTN programme;</li> <li>• Recommended to the Board, the approval of the implementation plan for the Rail Secondary Network (Branch lines) strategy;</li> <li>• Recommended to the Board, the approval of the annual financial statements and interim reports;</li> <li>• Recommended to the Board, the approval of the various issues relating to post-retirement benefit obligations;</li> <li>• Approved the travel and subsistence policy;</li> <li>• Approved the gifts policy;</li> <li>• Approved the declaration of interests policy;</li> <li>• Approved the electronic communications policy;</li> <li>• Approved the Transnet National Ports Authority 2010/11 tariff application;</li> <li>• Approved the Transnet Pipelines 2010/11 tariff application;</li> <li>• Approved the restructuring of Transnet Rail Heritage preservation programme;</li> <li>• Approved the Code of Ethics policy;</li> <li>• Approved the Talent forum report;</li> <li>• Approved the restructuring proposal for arivia.com;</li> <li>• Approved the Golden safety rules;</li> <li>• Approved the South African Transport Services medical obligation;</li> <li>• Approved the Leadership development plan;</li> <li>• Approved the reward allocation and performance management framework and guidelines;</li> <li>• Approved the draft employment equity plan - April 2010 to March 2013; and</li> <li>• Approved the human resources delegation of authority.</li> </ul>
Members	<p>Transnet's Group Executive Committee is chaired by the Group Chief Executive (Acting).</p> <p>The members consist of the Acting Chief Financial Officer, Chief Operating Officer (position vacant), Group Executive: Human Resources, Group Executive: Office of the Group Chief Executive, Chief Risk Officer, Acting Group Executive: Commercial and Freight Corridors, Group Executive: Transnet Capital Projects, Operating divisions Chief Executive Officers and the Chief Audit Executive.</p>



## Corporate governance (continued)

### Schedule of attendance at Group Executive Committee meetings

Member	Date																
	14/5	16/4	22/5	28/5	8/6	30/6	17/7	28/7	19/8	26/8	2/9	23/9	19/10	18/11	11/12	29/1	26/2
Mr CF Wells	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr L van Niekerk#	✓	✓	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mr P Maharaj	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	✓
Mr VD Kahla	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	✓
Ms V Dunjwa	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓
Ms M Moses	✓	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr S Gama	✓	✓	✓	✓	✓	✓	✓	✓	A	A	■	■	■	■	■	■	■
Mr R Vallihu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	✓
Mr T Morwe	✓	✓	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	✓
Mr K Phihlela	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	✓	A	✓	✓	A	✓	A
Mr CA Möller	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr K Socikwa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr A Singh	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr M Gregg-Macdonald*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	✓	✓	✓
Mr V Oates*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	✓	✓	✓

✓	Present
A	Apology
*	Appointed during the year
#	Resigned during the year
n/a	Not applicable
Grey shade	Special meeting
■	Mr S Gama was suspended during the year, awaiting the outcome of a disciplinary hearing

### King Report on Governance for South Africa 2009, (King III) and Companies Act 2008

Transnet, listed as a Schedule 2, major public entity in the PFMA, undertook a maturity and compliance self-assessment against the requirements of the King III and the yet to be implemented Companies Act 2008, No 71 of 2008 (the Act).

The Transnet maturity model was used as a basis to assess the organisations governance maturity and identify areas requiring improvement. In conducting the maturity self assessment, the different aspects addressed by the regulatory requirements of King III, the Act and the PFMA, were used for assessment purposes. The maturity self-assessment indicated a 'desired state' which has subsequently been adopted in leading governance organisations. With attention having been given to the effective implementation of the PFMA over the past years, the assessment revealed full compliance with many of the King III principles, insofar as these are compatible with the Act and PMFA, and take account of the fact that the Company has a single Shareholder and that 'advanced' maturity had been attained, when assessed against the requirements of the PFMA. Certain amendments to the Company's Articles of Association have been proposed to the Shareholder in respect to two matters that are not fully consistent with King III principles.

