



Corporate governance

Port of Ngqura.

Corporate governance defines and directs the responsibilities of Transnet's Board of Directors (Board), the Group Executive Committee, officers, managers and other internal stakeholders. Through effective governance the Company sets objectives, develops plans for achieving them and establishes procedures for monitoring performance. Furthermore, Transnet's policy framework specifies ethical practices and provides for the protection of stakeholder interests. Effective corporate governance requires ongoing commitment. The Company, therefore, attempts to apply the letter and spirit of sound corporate governance principles to all corporate decisions and actively drives the associated ethos of high culture standards to all levels of the Company.

Introduction

As a public entity, Transnet is subject to the provisions of the Public Finance Management Act No 1, 1999, of South Africa (PFMA).

The PFMA requires the Board to act with fidelity, honesty, integrity and in the best interests of the Company in managing its financial affairs.

During the year, Transnet Internal Audit performed a corporate governance review to assess the maturity of corporate governance practices against Transnet's governance framework, including applicable provisions of the PFMA.

Transnet Internal Audit concluded that Transnet's governance position is "advanced", meaning that the governance maturity and effectiveness is at a level where activities are consistently applied and well understood by management and employees across the Company. The areas that were rated as "advanced" are, amongst others:

- Determining the direction of the Company in response to the mandate and taking into consideration risks facing the Company and Transnet's risk appetite;
- Ensuring effective meetings take place to facilitate appropriate decision-making; and
- Monitoring the implementation of the organisational strategy and ensuring that corrective action is taken when appropriate.

However, there is marginal room for enhancement to introduce leading practices in certain key areas. The Company continues to strive towards a governance maturity level that will position Transnet as a leader in corporate governance.

Areas identified by Transnet Internal Audit as requiring further improvement have already been addressed. These included (but were not limited to) filling vacancies at Board level, increasing focus on compliance, refining the manner in which the Board discharges its responsibility for establishing a governance framework, as well as establishing a Social and Ethics Committee of the Board. The Company plans on reaching a "Leading" position by the end of 2012.

In compliance with the requirements of the PFMA, the Board concludes an annual Shareholder's Compact with the Shareholder Representative. The Shareholder's Compact contains Shareholder expectations in the form of predetermined objectives and key performance information, and ensures that the Board and the Shareholder Representative are aligned in their understanding and acceptance of strategic objectives. Progress on performance is regularly reviewed by the Board and reported to the Shareholder Representative quarterly. This continuous engagement with the Shareholder Representative ensures strategic alignment and serves as an early warning mechanism.

SIGNED SHAREHOLDERS' COMPACT

ensures the Board and the Shareholder Representative are aligned in their understanding and acceptance of strategic objectives.



Code of ethics

The Company promotes a culture of principled and ethical behaviour in all aspects of the business. Values are entrenched through an approved and published Code of Ethics (Code) which guides employee behaviour in all internal and external stakeholder relations. The Code is reviewed annually and commits the Company's Directors and employees to the highest standards of ethical behaviour. All management employment contracts make reference to this Code. Transnet's service providers, suppliers and trade partners are also subject to the Code of Ethics.

In instances where an employee breaches the Code, the necessary disciplinary action is instituted in terms of the Company's Disciplinary Code and Procedures.



www.tip-offs.com
transnet@tip-offs.com
08800003056

Transnet's approach to compliance

Transnet is an "early adopter" of leading practice in establishing a formal compliance function and framework. This is evidenced by the Company's Board approving the Group Compliance Policy in November 2006. As is the case with all Company policies, the Group Compliance Policy is reviewed bi-annually and updated when necessary. This policy forms the foundation for the Transnet Compliance Framework.

The Company considers non-compliance with legislative requirements as a key risk as it not only

exposes Transnet to fines and civil claims, but can also lead to loss of operational authorisations and reputational harm.

To mitigate this risk, Transnet has established a compliance function which identifies, assesses and monitors critical controls associated with regulations, statutory licences, codes and standards applicable to the Company. Compliance issues are reviewed both centrally at the Group's Corporate Centre and within the Operating divisions.

The Board Audit Committee is charged with reviewing the Company's Compliance Plan, which details procedures for identifying regulatory risks and monitoring compliance with applicable laws, rules and standards.

Fraud risk management plan

Transnet manages fraud risk exposure through its Fraud Risk Management Plan (the Plan), as required by regulation 29.1.1 of the Treasury Regulations prescribed under the PFMA. The Plan has been effective since 2009.

Ongoing awareness around the 'Tip-Offs Anonymous Hotline' forms an integral part of Transnet's anti-fraud and anti-corruption efforts, as outlined in its Fraud Risk Management Plan. Tip-Offs are directed to the Fraud Working Group Committees within the Operating divisions, which are ordinarily chaired by the Chief Executive Officers of the respective Operating divisions.

Tip-Offs Anonymous Hotline statistics

Details (number)	2009	2010	2011	Total
Hotline allegations	741	631	846	2 218
Other allegations	76	69	123	268
Total allegations	817	700	969	2 486
- Founded	156	136	183	475
- Unfounded	647	386	492	1 525
- In progress	14	178	294	486
Total disciplinary	190	76	185	451
- Acquitted	4	1	1	6
- Dismissed	11	10	14	35
- Final warning	25	41	42	108
- Resigned	15	-	14	29
- Verbal warning	87	10	16	113
- In progress	48	14	98	160



- The increase in the total number of allegations between 2010 and 2011 can be attributed to the implementation of the initiatives under the Fraud Risk Management Plan 2011 which included fraud awareness and education campaigns with respect to the whistle-blower mechanism.
- There is still a fair amount of human resource (HR) allegations that are being reported through the Tip-Offs Anonymous Hotline, ie grievance-related matters. Employees seem to have confidence and faith in the whistle-blower mechanism as there is appropriate and timely feedback provided to callers on all matters reported through this mechanism.
- The Fraud Risk Management Plan for 2012 has been approved and the implementation of the activities therein has commenced throughout the Company.

The initiatives under the Fraud Risk Management Plan for 2012 will minimise the negative impact of fraud, corruption and or other economic crimes, thus ensuring enhanced and sustainable performance.

Conflicts of interest

The Companies Act, 2008 (Companies Act) codifies the fiduciary duties of Directors. It prescribes the use of position and the approach to privileges, and guards against the use of confidential information to further personal gain or to improperly benefit another person.

In instances where a member of the Board has any direct or indirect personal or private business interest, he/she must withdraw from the proceedings when the matter is considered by the Board and its Committees, unless the Board determines that the member's interest in the matter is trivial or irrelevant.

Formal registers for Declarations of Interest and Related Party Disclosures by the Board and its Committees are maintained by the Group Company Secretary.

In addition, the Company requires all employees to sign Confidentiality and Declaration of Interest forms when adjudicating on procurement contracts.

Governance structure

Board of Directors

The Board's primary mandate is to ensure the sustainable and successful continuation of business activities by providing strategic direction to Transnet. Non-executive Directors are appointed to the Board by the Shareholder Representative, generally on a three-year term, which is confirmed annually at the annual general meeting. The Chairman of the Board engages continuously with the Shareholder Representative, who is the final arbiter on Board succession plans and approval of transaction applications in accordance with the provisions of Section 54 of the PFMA.

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. With the exception of three Directors retained for continuity, all the Non-executive Directors on the Board were appointed by the Shareholder Representative on 13 December 2010. The Board currently comprises 16 Directors, of whom the majority (14) are Non-executive Directors, including the Chairman.

FRAUD RISK MANAGEMENT PLAN FOR 2012

To minimise fraud, corruption and other economic crimes.

Ensuring that Transnet will achieve enhanced and sustainable performance.



Transnet National Ports Authority personnel at the Port of Durban.



Wagon bogie for 26 and 30 ton axle load.

BOARD OF DIRECTORS

16
Board Directors.

13
Non-executive
Directors including:

1
Chairman;

2
Executive
Directors.



The Non-executive Directors are largely independent and have diverse skills, experience and backgrounds. They are principally free from any business relationship that could hamper their objectivity or judgement in terms of the business and activities of the Company. All the Non-executive Directors have unrestricted access to information, documents, records and property of the Company in the interest of fulfilling their responsibilities as Non-executive Directors. 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 has direct, unfettered access to the Company's external auditors, professional advisors, and internal auditors, and to the advice and services of the Group Company Secretary.

The Group Company Secretary is tasked with assisting the Board with the induction of new Directors, and Director orientation. During induction, Directors receive copies of prior Board papers and the most recent strategy document. The Board performs site visits to the Operating divisions and meet with Executives, if deemed necessary.

The Chairman and the Group Chief Executive's roles are separate, except for a short period between 16 December 2010 and 2 March 2011. The Chairman, Mr Mkwanazi, is an independent

Non-executive Director. He was appointed as Non-executive Chairman on 13 December 2010.

Mr Wells, the former Acting Group Chief Executive tendered his resignation from the Board on 15 December 2010. Accordingly, the Board delegated the powers, duties and authority of the Group Chief Executive to the Chairman of the Board, with effect from 16 December 2010, until the new Group Chief Executive was appointed.

As required by the current Company's Articles of Association and pursuant to the recruitment and selection process conducted by the Board, and in accordance with the guidelines issued by the Minister of Public Enterprises, the Minister appointed Mr Molefe as the Group Chief Executive of the Company on 17 February 2011.

Mr Mkwanazi continued with delegated powers until 2 March 2011. Mr Molefe was delegated with executive powers on 3 March 2011.

Mr Wells, remained with the Company until 31 March 2011, to assist Mr Mkwanazi in an advisory capacity and to facilitate the handover to Mr Molefe.

Whilst the Company has been in the unsatisfactory position of operating with many officers in acting capacity, there has been no adverse impact on the Company.

In addition to the corporate governance framework, the Company is committed to complying with all legislation, regulations and best practices relevant to the Company.



Schedule of attendance at Board of Directors' meetings from 1 April 2010 to 13 December 2010

Director	Date						
	22/4	20/5 (Special)	9/6	27/8	12/10 (Special)	21/10	26/11
Prof GK Everingham [#] (Acting Chairman)	✓	✓	✓	✓	✓	✓	✓
Mr CF Wells [#]	✓	✓	✓	✓	✓	✓	✓
Ms NBP Gcaba	✓	✓	✓	✓	✓	✓	✓
Dr ND Haste [#]	A	A	✓	✓	✓	✓	✓
Ms NNA Matyumza [#]	✓	✓	✓	✓	✓	✓	✓
Ms NR Ntshingila	A	✓	✓	✓	✓	A	✓
Mr MP Moyo	✓	✓	✓	✓	✓	✓	✓
Mr MJ Hankinson [#]	✓	✓	✓	✓	A	✓	✓
Mrs KC Ramon ^{#*}	A	A	✓	✓	✓	A	A
Mr PG Joubert [#]	✓	✓	✓	✓	A	✓	✓
Mr A Singh	✓	✓	✓	✓	✓	✓	✓

KEY

✓ Present.

A Apologies.

Resigned during the year.

† Appointed during the year.

◆ Appointed 17 February 2011.

* Maternity leave from 10 February until 5 June 2010.

▪ Medical leave from 10 January until 30 June 2011.

Schedule of attendance at Board of Directors' meetings from 13 December 2010 to 31 March 2011

Director	Date				
	15/12 (Special)	25/1 (Special)	1/2 (Special)	11/2 (Special)	16/2
Mr ME Mkwanazi [†]	✓	✓	✓	✓	✓
Mr B Molefe ^{†◆}	-	-	-	-	-
Mr MA Fanucchi [†]	✓	✓	✓	✓	✓
Mr HD Gazendam [†]	✓	✓	A	✓	✓
Ms NBP Gcaba	✓	✓	✓	✓	✓
Mr MP Malungani [†]	✓	✓	A	A	✓
Mr BD Mkwanazi [†]	✓	✓	✓	✓	✓
Ms T Mnyaka [†]	✓	✓	✓	✓	✓
Ms N Moola [†]	A	✓	✓	✓	A
Mr MP Moyo	✓	✓	✓	✓	✓
Mr IM Sharma [†]	✓	✓	✓	✓	✓
Prof JE Schremp ^{†##}	A	✓	A	A	A
Ms NR Ntshingila [▪]	✓	A	✓	A	A
Mr IB Skosana [†]	A	✓	✓	A	✓
Ms E Tshabalala [†]	✓	✓	✓	✓	✓
Ms DLJ Tshepe [†]	✓	✓	✓	✓	✓
Mr A Singh	✓	✓	A	✓	✓

Board induction and information

A formal induction programme introduces Non-executive Directors to the Company's business environment, risk management procedures, strategy, governing framework, sustainability issues and fiduciary duties as contained in the PFMA and the Companies Act. Non-executive Directors are regularly kept abreast of relevant Company matters. The Company conducted a Board

Induction session between 24 and 25 January 2011. Further Committee Induction sessions were arranged for the respective Committees.

When the Board and Committee meetings are convened at different operating sites, Non-executive Directors have an opportunity to engage more actively with the Operating divisions.

Concise management reports are provided to the Board as pre-reading material prior to Board

meetings. The Group Chief Executive circulates a management letter to the Board to keep Non-executive Directors abreast of Company developments in the months when there are no scheduled Board meetings.

Remuneration

Remuneration for Non-executive Directors is approved in advance by the Shareholder Representative and confirmed at the Annual General Meeting.

The Remuneration Committee receives independent remuneration guidance regarding the appropriate remuneration for Non-executive Directors. During the year, a benchmark study was performed of Non-executive Directors remuneration. The study concluded that the Board compensation is comparable to the benchmarks. It was, therefore, recommended that fees would not be increased in 2011.

The Remuneration Committee recommends annual remuneration for both Executive and Non-executive Directors and considers associated performance measures and benefits when assessing remuneration.

Group Company secretariat function

The Group Company Secretary is responsible for developing systems and processes to enable the Board to discharge its functions efficiently and effectively. The Group Company Secretary prepares the annual plan for the Board and its Committees in conjunction with the Chairman and advises the Board on corporate governance issues, the requirements of the Companies Act and other relevant legislation. The Board has access to the services and advice of the Group Company Secretary.

Board committees

The Board has six committees to assist it in carrying out its role and responsibilities, namely:

- Corporate Governance and Nominations Committee.
- Board Audit Committee.
- Remuneration Committee.
- Board Risk Committee.
- Board Social and Ethics Committee.
- Board Acquisitions and Disposals Committee.

The last two Committees are newly formed, with effect from 25 January 2011.

Purpose of the newly established Committees

Board Social and Ethics Committee

The Board Social and Ethics Committee advises the Board in areas of responsible corporate citizenship and the Company's ethical relationship to society. The Committee manages the Company's legal and moral obligations within its economic, social and natural environment, and guides the objectives and standards of the Company's conduct and activities. The function of the Committee is to monitor the Company's activities, specifically with regard to matters relating to human, social and natural capital. It assesses measures and reviews the Company's performance, standing and goals in respect of:

- Social and economic development;
- Good corporate citizenship;
- The environment, health and public safety;
- The impact of its operations, products and services;
- Consumer relationships (eg advertising and public relations, and compliance with consumer protection laws);
- Sustainability matters; and
- Labour relations and employment.

The Committee aims to ensure that the Company's procurement policies and standards are aligned with applicable regulatory requirements, and have due regard for the social and ethical standards and objectives of the Company.

Board Acquisitions and Disposals Committee

The Committee shall:

- Oversee the review of, and recommend for approval by the Board, policies and procedure manuals that are legally compliant (where applicable) and provide for an appropriate procurement and provisioning system which is fair, equitable, transparent and cost-effective;
- Monitor progress with an implementation plan towards full compliance in procurement policies and practices to sustain a compliance culture;
- Monitor trends in procurement spend and compliance and advise the Board of potential risks in irregular and fruitless and wasteful expenditure emanating from procurement practices;
- Consider strategic acquisitions and disposals and make recommendations to the Board;
- Consider, for recommendation to the Board, potential private sector participation models; and
- Approve, where so delegated by the Board, the award of tenders in accordance with the Company's Delegation of Authority Framework.



Committee composition

Appropriate Committee structures have been established in line with legislative requirements and business imperatives. These Committees continue to operate appropriately and assist the Company in comprehensive control improvement and sound governance.

Corporate Governance and Nominations Committee

Schedule of attendance at meetings from 1 April 2010 to 13 December 2010

Director	Date		
	12/4	5/8	26/11
Prof GK Evingham [#] (Chairman)	✓	✓	✓
Ms NBP Gcaba [#]	✓	✓	✓
Ms NNA Matyumza [#]	✓	✓	✓
Mr MJ Hankinson [#]	✓	A	✓
Mr CF Wells [#]	✓	✓	✓

KEY

✓

Present.

A

Apologies.

#

Resigned during the year.

†

Appointed during the year.

◆

Appointed 17 February 2011.

*

Maternity leave from 10 February until 5 June 2010.

■

Medical leave from 10 January until 30 June 2011.

••

Acting Chairman.

Schedule of attendance at meetings from 13 December 2010 to 31 March 2011

Director	Date				
	7/1 (Special)	23/1 (Special)	1/2 (Closed)	3/2	7/3 (Special)
Mr ME Mkwanazi [†] (Chairman)	✓	✓	✓	✓	✓
Ms T Mnyaka [†]	✓	✓	✓	✓	✓
Mr IM Sharma [†]	✓	A	✓	✓	✓
Ms DLJ Tshepe [†]	✓	✓	✓	✓	✓
Mr B Molefe ^{†◆}	-	-	-	-	✓

Board Audit Committee

Schedule of attendance at meetings from 1 April 2010 to 13 December 2010

Director	Date			
	19/4	3/6	5/8	20/10
Ms KC Ramon ^{#••} (Chairman)	A	✓	✓	✓
Mr MP Moyo ^{••} (Acting Chairman)	✓	✓	✓	✓
Mr PG Joubert [#]	✓	A	✓	✓
Ms NNA Matyumza [#]	✓	✓	✓	✓

Schedule of attendance at meetings from 13 December 2010 to 31 March 2011

Director	Date	
	9/2	31/3
Mr MP Moyo [†] (Chairman)	✓	✓
Mr IB Skosana [†]	✓	✓
Mr MA Fanucchi [†]	✓	✓
Ms N Moola [†]	✓	A
Ms E Tshabalala [†]	✓	✓

Remuneration Committee

Schedule of attendance at meetings from 1 April 2010 to 13 December 2010

Director	Date		
	8/6	29/9	26/11
Dr ND Haste [#] (Chairman)	✓	✓	✓
Ms NBP Gcaba	✓	A	✓
Mr PG Joubert [#]	✓	✓	✓
Ms NR Ntshingila	✓	✓	✓

Schedule of attendance at meetings from 13 December 2010 to 31 March 2011

Director	Date	
	1/2 (Special)	14/2
Ms NR Ntshingila (Chairman)	✓	✓
Mr HD Gazendam [†]	A	✓
Ms NBP Gcaba	✓	✓
Mr MP Malungani [†]	A	✓
Mr IB Skosana [†]	✓	✓

Board Risk Committee

Schedule of attendance at meetings from 1 April 2010 to 13 December 2010

Director	Date			
	13/4	30/6	30/9	25/11
Mr PG Joubert [#] (Chairman)	✓	✓	✓	✓
Prof GK Everingham [#]	✓	✓	✓	✓
Ms NNA Matyumza [#]	✓	✓	✓	✓
Mr MJ Hankinson [#]	✓	✓	✓	✓
Ms KC Ramon ^{**#}	A	✓	A	A

Schedule of attendance at the meeting from 13 December 2010 to 31 March 2011

Director	Date
	3/2
Ms T Mnyaka [†] (Chairman)	✓
Mr MP Moyo [†]	✓
Ms N Moola [†]	✓
Mr BD Mkhwanazi [†]	✓
Mr MP Malungani [†]	A

Board Social and Ethics Committee

Schedule of attendance at the meeting from 25 January to 31 March 2011

Director	Date
	30/3
Ms NBP Gcaba [†] (Chairman)	✓
Mr MA Fanucchi [†]	✓
Mr HD Gazendam [†]	✓
Ms E Tshabalala [†]	✓

Board Acquisitions and Disposals Committee

Schedule of attendance at meetings from 25 January to 31 March 2011

Director	Date	
	23/2 (Special)	30/3
Mr BD Mkwanazi [†] (Chairman)	✓	✓
Mr ME Mkwanazi [†]	A	✓
Mr IM Sharma [†]	✓	✓
Ms E Tshabalala [†]	✓	✓
Ms DLJ Tshepe [†]	✓	✓



Delegation of Authority

King III advocates that the Board should appoint the Chief Executive Officer and establish a framework for the Delegation of Authority. A revised Delegation of Authority Framework was approved on 1 August 2010.

The Delegation of Authority Framework records the nature and extent of the authorities delegated by the Group Chief Executive to the Group Executive Committee as well as other Authorities, in order to implement certain actions on behalf of the Company.

The Delegation of Authority Framework applies to all employees of the Company, including its Operating divisions and Specialist Units. It does not apply to any of the Company's subsidiaries. The Boards of Directors of subsidiaries will prepare the requisite Delegations of Authority for those subsidiaries.

The exercise of the Delegation of Authority shall not be in conflict with the following:

- PFMA;
- Board Reserved Matters;
- Memorandum and Articles of Association;
- Company Strategy;
- Shareholder's Compact;
- The Corporate Plan, annual budget and borrowing strategy and/or Funding Plan of the Company as approved by the Board from time to time;
- Enterprise Risk Management Framework; and
- Any approvals by the Board and the Minister of Finance for the delegation of the power to borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind the Company to any future financial commitment in terms of Section 66 of the PFMA.

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 of Directors. The following matters, amongst others, are expressly reserved for decision-making by the Board.

Financial

- Approval of the strategy, Corporate plan, annual budgets, the borrowing strategy and of 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 the Company; and
- Recommendation for the Shareholder's approval of the acquisition or disposal of a significant asset.

Statutory and administrative

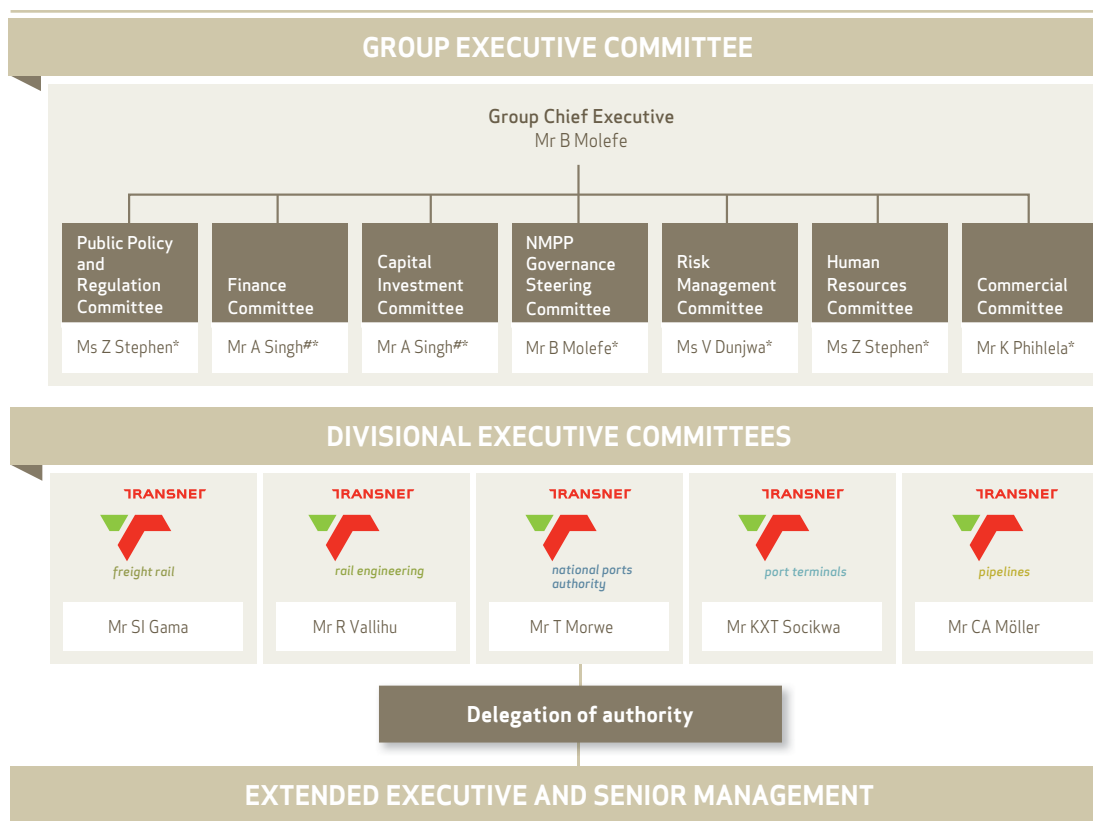
- Recommending amendments to the Memorandum and Articles of Association of the Company to the Shareholder;
- Entering into a Compact with the Shareholder;
- Appointment, removal or replacement of the external auditor of the Company;
- Approval of the rules and amendments thereto in respect of pension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

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 Board Committees as the Board may appoint from time to time;
- Any changes in Directors' fees and benefits as recommended by the 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 Remuneration Committee, for submission to the Shareholder, if applicable.



* Chairpersons of the respective Committees.

Acting.

Schedule of attendance at Group Executive Committee meetings from 1 April 2010 to 31 March 2011

KEY	Director	Date														
		15/4	17/5	27/5	24/6	27/7	26/8	23/9	18/10	1/11 (SP)	18/11	13/12	15/12 (SP)	27/1	7/2 (SP)	15/3
✓ Present.	Mr CF Wells#	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	-	-	-
A Apologies.	Mr ME Mkwanazi•	-	-	-	-	-	-	-	-	-	-	-	✓	✓	✓	-
# Resigned during the year.	Mr B Molefe♦	-	-	-	-	-	-	-	-	-	-	-	-	-	-	✓
## Resigned subsequent to year end.	Mr P Maharaj##	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	✓	✓	✓
† Appointed during the year.	Mr VD Kahla#	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	-
♦ Appointed 17 February 2011.	Ms Z Stephen*	-	-	-	-	-	-	-	-	-	-	-	-	✓	✓	✓
SP Special.	Ms V Dunjwa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	✓
	Ms M Moses	✓	✓	A	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Mr R Vallihu	✓	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓
	Mr T Morwe	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	✓
	Mr K Phihlela	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	✓	A
	Mr CA Möller	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Mr KXT Socikwa	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	✓
	Mr A Singh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Mr M Gregg-Macdonald	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Mr V Oates#	✓	A	✓	✓	A	✓	✓	✓	A	✓	-	-	-	-	-
	Mr R Wolfenden*	-	-	-	-	-	-	-	-	-	✓	✓	✓	✓	A	✓

• The Board delegated the powers, duties and authority of the Group Chief Executive to the Chairman of the Board with effect from 16 December 2010 until 2 March 2011.



Appointments

On 16 March 2011, the Group Chief Executive announced the structure of the Transnet Executive Committee and finalised the Acting positions of the Chief Executive Officers of the Operating divisions and Specialist Units. The only senior officer currently in an Acting position is the Chief Financial Officer. The Corporate Governance and Nominations Committee is tasked to manage the Chief Financial Officer selection process in accordance with the Company's Articles of Association.

The following executive appointments have been in effect from 1 April 2011:

- Mr Gama was reinstated as Chief Executive Officer: Freight Rail.
- Mr Morwe was appointed Chief Executive Officer: National Ports Authority.
- Mr Socikwa was confirmed as Chief Executive Officer: Port Terminals.
- Mr Phihlela was appointed as Group Executive: Commercial.
- Mr Gregg-Macdonald was appointed as Group Executive: Planning and Monitoring.
- Ms Zola Stephen was appointed as Group Executive: Corporate Services.

COMPLIANCE

King III
New Companies Act
PFMA
National Ports Act



Specific statutory requirements impacting the governance environment of Transnet

Companies Act, 2008

Since the promulgation of the Companies Act, Transnet has used the window of opportunity prior to the Act's commencement to develop controls to ensure compliance with the Act. The Company continues to review its structures and governance arrangements to ensure alignment with the Act.

Transnet's draft Memorandum of Incorporation is currently being reviewed to align it to the Act. In terms of Section 24 of the Act, a Records Management Policy has been developed and implemented.

Further, in aligning to the Companies Act, a Board Social and Ethics Committee has been established and constituted in terms of the Regulations to the Companies Act.

King III, 2009

Transnet is listed as a Schedule 2, major public entity in terms of the PFMA. The Company undertook a maturity and compliance self-assessment against the requirements of King III, the Public Finance Management Act, and the Companies Act.

The mandates of the various Board Committees were reviewed for adequacy and aligned with King III.

The Transnet 'compliance maturity model' was used as a basis to assess the maturity of the Company's compliance framework and to identify areas needing attention. The maturity self-assessment indicated a 'desired state' which has subsequently been adopted in leading governance arrangements. With the Company having focused on the effective implementation of the PFMA in prior years, the assessment revealed substantial compliance with many of the King III principles. The assessment further showed that the Company's compliance model had attained a "leading" maturity status, when reviewed against PFMA requirements.

Action plans are being developed to address areas needing attention. One such plan aims to formalise information technology (IT) governance structures, thereby addressing IT risks, and compliance with business processes and IT initiatives. As from November 2010, the Chief Information Officer was invited to attend the Board Risk Committee and



Port of Saldanha.

Board Audit Committee meetings. This helps to promote sound accountability in managing IT risks. IT governance has been included as a standing item on the Group Executive Committee and the Board agendas, with a focus on IT controls, compliance with IT laws, IT expenditure, IT projects, and protection of information. The different areas of IT governance responsibility would, however, be delegated to the Board Audit and the Board Risk Committees.

Although the Company continues to engage a wide range of stakeholders, a formal stakeholder engagement policy is currently being prepared in accordance with King III requirements. The stakeholder engagement policy will allow for:

- Stakeholder identification, including a database to capture stakeholder details;
- Identification and recording of stakeholder issues within the database; and
- Responsibilities for addressing and responding to stakeholder issues.

The Public Finance Management Act, 1999

The purpose of the PFMA is to ensure transparency, accountability, and sound management of the revenue, expenditure, assets and liabilities of public entities. It determines requirements in terms of audit committees, internal controls, internal audits, risk management, Chief Financial Officers' duties, corporate reporting, corporate planning, Shareholder's Compacts, strategic planning and budgets.

In terms of Section 49, every public entity must have an accounting authority, which must be accountable for purposes of the Act. If the Board is the controlling body, that Board is the Accounting Authority. Section 51 of the Act provides for the general responsibilities of accounting authorities. An accounting authority for a public entity must take effective and appropriate steps to prevent

irregular expenditure and expenditure which does not comply with the operational policies of the public entity. It must also take effective and appropriate disciplinary steps against any employee of the public entity that commits an act which undermines the financial management and internal control system of the public entity or permits an irregular expenditure or fruitless and wasteful expenditure.

The Accounting Authority has certain responsibilities to keep full and proper records of the financial affairs of the public entity, as well as to submit annual reports within certain designated times.

In the event of any inconsistency between the provisions of the PFMA and any other legislation, the PFMA will prevail.

Please refer to the Approval of the annual financial statements, Board Audit Committee report and the Report of Directors' for further details.

The National Ports Act, 2005

The National Ports Act, 2005 (the Act) provides for the administration of ports by the Transnet National Ports Authority (The Authority). However, the Act treats The Authority, currently an Operating division of Transnet, as a separate entity with specific powers. The main function of the National Ports Authority is to own, manage, control and administer ports to ensure their efficient and economic functioning. The activities of The Authority are monitored by the Ports Regulator to ensure that it performs its functions in accordance with the Act.

There are current deliberations between Transnet and the Department of Public Enterprises (DPE) on proposed amendments to some provisions of the Act, particularly the removal of the sections that require corporatisation of the National Ports Authority as well as the sections that contemplate a separate Board for the National Ports Authority.

