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King IV references
We have included references to King IV principles where appropriate in this report.

P = Principle
GOVERNANCE REPORT
for the 2017/18 financial year

Purpose and functions of governance within Transnet

Transnet SOC Ltd (the Company) is a public company, constituted in terms of the Legal Succession Act to the South African Transport Services Act, No 9 of 1989, with the South African Government being its sole Shareholder. The Company is mandated to reduce the cost of doing business in South Africa, to enable economic growth and ensure the security of supply by providing appropriate port, rail, pipeline and related infrastructure in a cost-effective and efficient manner within acceptable productivity and pricing benchmarks.

The Company’s Memorandum of Incorporation (MOI) is aligned with the provisions of the Public Finance Management Act, No 1 of 1999, as amended (PFMA); the Companies Act, No 71 of 2008, as amended (Companies Act); the National Ports Act, No 12 of 2005, as amended (the National Ports Act) and the King IV Report on Corporate Governance for South Africa 2016 (King IV). As a State-owned Company, the PFMA is the Company’s primary legislation. Details of the Company’s compliance with the PFMA are included on page 4.

The relationship with Government as the sole Shareholder, represented by the Minister of Public Enterprises (Shareholder Minister), is managed through the Shareholder’s Compact, which sets out the annual Shareholder’s targets for the Company. Safety, risk and sustainability remain key priorities for the Company.

The Board views good governance as a vital component in operating a successful and sustainable business, as well as providing assurance to stakeholders that the Company is well managed. Our formal governance structures guide the Company’s ethical performance through codes, policies and processes, and ensure that structural accountability and principled behaviour are promoted throughout the Company. We acknowledge that good governance is ultimately about good decision-making, which is dependent on transparency and the availability of accurate information, particularly as it pertains to the Company’s financial well-being and the quality of its relationships with all stakeholders.

Good corporate governance is a multi-faceted and ongoing process. It requires deep understanding of the interplay of strategy, value creation, the socio-economic and political environment, and the fundamentals of human nature. As we move into the new and exciting paradigm of the 4th Industrial Revolution, we need to ask ourselves whether our existing governance structures remain ‘fit for purpose’ considering current financial and economic conditions, emerging digital platforms, industry disruptions, and the need to upskill and adapt accordingly.

The Company should also consider how these frameworks have functioned in practice over the past two decades and whether the corporate culture is enabling the governance codes, policies and processes. A healthy corporate culture and sound governance structures cannot be mutually exclusive if the Company is serious about driving long-term sustainability for Transnet. Therefore, the Board must focus on the economic, social and environmental well-being of the Company.

As a state-owned company, our governance function supports the Company’s ability to achieve the commercial and developmental imperatives set out in the Market Demand Strategy (MDS), which has transitioned to Transnet 4.0, effective from the current financial year. To this end, the Board ensures that programmes to create value for all stakeholders are developed and monitored. Visible good governance – ‘good governance in action’ – can create value as it builds social trust, maintains investor credibility and promotes institutional integrity, the latter being an action undertaken by our people. The Board acknowledges its responsibility to hold itself and employees accountable for their actions. As we gear up for growth, our governance should reflect our evolution by enhancing existing compliance structures and practices, regardless of how mature we consider these to be. This requires a mutually designed and agreed system of ethical behaviour by all our people that collectively supports Transnet’s long-term vision for value creation. In a nutshell, governance should not just be about how we do things at Transnet, but rather about how we live the Transnet values. The Company faced governance challenges, specifically in relation to PFMA and procurement violations, details of which are set out page 98 of the Integrated Report.

In 2012, the Board responded to the Shareholder’s Statement of Strategic Intent by adopting the MDS, now in its fifth year of implementation. The Board adopted the Transnet 4.0 Strategy on 14 September 2017. This strategy is set to re-energise the existing strategy by adding diversification and extending the Company’s foothold into Africa.

How governance supports strategy

The Board monitors the implementation of the Company’s strategy through Annual Work Plans and is kept abreast of the achievements and risks associated with fulfilling the strategy. Long-term sustainability is a key focus of the Board and it monitors economic, social and environmental outcomes on a continuous basis. The Acquisitions and Disposals Committee, dissolved on 28 May 2018, was responsible for monitoring amongst others, economic benefits, such as cost efficiencies, reliable services, local supplier industry development, job creation, rural development and financial stability. The Remuneration, Social and Ethics Committee continually evaluates social outcomes including good governance, accountability and transparency, zero tolerance of fraud and corruption, a representative workforce, safety, employee wellness, Broad-Based Black Economic Empowerment, community benefits and proactive stakeholder engagement. Finally, environmental and sustainability outcomes involving energy, climate, water, and risks relating to non-compliance with environmental legislation and regulations are under the watchful eye of the Risk Committee.
The role of the Board

Ethical, effective leadership and corporate citizenship

A new Board was appointed on 23 May 2018, comprising thirteen (13) directors, of which twelve (12) are non-executive directors. To enable the newly appointed Board to discharge its fiduciary duties, the Audit Committee has made enquiry of management, the internal auditors as well as external auditors on a range of matters affecting the Company. Details of these enquiries are listed in the Director’s statement of the Annual Financial Statements.

The Board is principally responsible for directing and overseeing the affairs of the Company, balancing the interests of shareholders and stakeholders, and ensuring the Company’s long-term economic, social and environmental sustainability. This responsibility includes being the deemed Board of the Transnet National Ports Authority in terms of the National Ports Act. The Board, through its Chairperson, also serves as the Shareholder of Transnet International Holdings SOC Ltd, a wholly owned subsidiary of Transnet SOC Ltd, incorporated on 29 August 2017.

The Board leads the Company in its achievement of strategic objectives by directing and approving the Company’s overall strategy and associated operational objectives. It monitors the Company's performance against targets outlined in the Shareholder’s Compact and ensures that adequate processes are in place for budget planning and allocation to advance the Company’s mandate. This includes oversight of the Company’s socio-economic programmes. The Board is tasked with ensuring that the Company is able to achieve its statutory and commercial objectives.

The Board is accountable for leading the organisation ethically and effectively. The qualities of integrity, competence, responsibility, fairness and transparency are cultivated and exhibited through compliance with legislation, applicable policies, rules and binding codes, underscoring its responsibilities as a good corporate citizen. The Board is committed to the implementation of King IV.

The Board has noted the PFMA and procurement-related issues, including the media allegations, in particular the transaction for 1 064 locomotives. The Board has taken measures to mitigate and avoid a recurrence, part of which included instituting an independent forensic investigation through the applicable Company process. Werksmans Attorneys was appointed as the forensic investigators and submitted its findings to the Board. The Board established an ad hoc committee, the 1 064 Locomotives Board Steering Committee, comprising Audit Committee members and the Board Chairperson. The Board Steering Committee oversees the implementation of the recommendations in the Werksmans Report and related activities to address the alleged corporate governance breaches on contracts concluded between 2014 and 2016. Some of the recommendations from the Werksmans Report have been implemented while a further investigation has been commissioned and will be finalised by the end of June 2018, under the oversight of this Steering Committee. The details are set out on page 15 of the Annual Financial Statements.

Board committees

In line with the requirements of the Companies Act, and to ensure that delegation within the Board’s own structures promotes independent judgement and assists with the balance of power and effective discharge of its duties, the Shareholder Minister appointed the Audit Committee and confirmed the Social and Ethics Committee as statutory committees. The Audit Committee’s constitution, functioning and reporting further adheres strictly to the PFMA requirements. In addition to these statutory committees, the following committees have been constituted to assist in achieving the Company’s objectives:

- Finance and Investment Committee
- Corporate Governance and Nominations Committee
- Risk Committee

In line with the Shareholder’s view and impending direction, to remove non-executive director’s involvement in procurement-related activities, the Board dissolved the Acquisitions and Disposals Committee in May 2018.

The mandates set out the roles and responsibilities of the Board and its committees, and are achieved through execution of the Annual Work Plans, effective meetings, and periodic Board strategy workshops and Deep Dive sessions. The Annual Work Plans are based on the mandates and set out the Board and committees’ areas for consideration and/or focus for the financial year. The Board strategy workshops focus on strategic planning and review the Corporate Plan which incorporates a capital programme and budgets. These strategy workshops are preceded by the Group Leadership Team’s strategic planning sessions. The Board’s Deep Dive sessions are scheduled twice a year to extensively review specific topics and strategic projects for adequacy and completeness.

The Group Company Secretariat co-ordinates site visits to various operational areas for the Board, thus enabling the directors to oversee operations. The site visits also serve as part of the directors’ ongoing induction and continuous development. During these excursions, the Directors interact with various stakeholders relevant to the specific location, who are identified in advance, to engage on topical matters and concerns raised by stakeholders.

Governance context

Governance is underpinned by effective leadership, oversight and management accountability based on a sound ethical foundation. The Board and its committees execute the Company’s mandate according to the strategic direction of the Company, taking into account the opportunities and risks facing the Company and its overarching risk appetite. The Board assesses the Company’s strategy implementation twice a year through workshops and ensures that the recommended corrective actions are implemented to address identified challenges. Timely, relevant and accurate information is communicated to appropriate stakeholders within the governance structures.

The Board has a duty to ensure that the Company complies with all legislative and regulatory requirements, including the provisions of the Companies Act, the PFMA, and the King IV Report. These laws, rules, codes and standards should be interpreted in the context of the whole compliance universe applicable to the Company. Where required, the Board determines legislative priorities and, in instances of conflict in legislation, the PFMA prevails.

As a State-owned Company, Transnet enters into an annual Shareholder’s Compact with Government, represented by the Shareholder Minister. The Shareholder’s Compact mandates the Company to deliver on numerous strategic deliverables, a process that the Board oversees. Accordingly, the Board approves an annual budget that covers a rolling seven-year period to align with the MDS, and produces its Corporate Plan. The Corporate Plan addresses changing commercial and operational circumstances, and evolving economic conditions. As the sole Shareholder, Government requires investment returns and other economic, developmental and infrastructural deliverables that are in the interest of the country as a whole. The Company further supports the implementation of Government policies and the delivery of socio-economic imperatives.
Frameworks and governance philosophy

The Board sets the direction for good corporate governance, including compliance with laws and congruence with the Company’s purpose, strategy and conduct. Sound governance principles and processes define and direct the responsibilities of the Board, and also actively drive a sustained governance culture throughout the Company based on associated norms and standards. The Company operates within the following control objectives, as envisaged in the King IV Report.

Leadership, oversight and accountability

Ethical leadership, oversight and accountability are instituted through the appointment of the Board and the determination of the Board’s strategic and operational objectives. The following oversight deliverables were achieved during the year under review:

- The Shareholder's Compact was finalised prior to the commencement of the 2017/18 financial year, and was strictly monitored by the Corporate Governance and Nominations Committee during the year.
- The Board’s structure complied with all relevant legislation and regulations. During the period 29 June 2017 and 20 December 2017, the Company did not meet its MOI requirements in relation to the minimum number of non-executive directors on the Board and applied the provisions of section 66(11) of the Companies Act.
- The roles of the Chairperson and Group Chief Executive remained separate as recommended by King IV.
- A formal induction and training programme for the Board was implemented. Training and development needs that were identified in the annual Board Evaluation Report were incorporated into training programmes.
- Appropriate disclosure of the remuneration of Directors was made in the 2017 Integrated Report, in line with applicable laws and regulations.
- The Board continued to be assisted by a competent, suitably qualified and experienced Group Company Secretary during the period under review. The mandatory duties of the Group Company Secretary are formalised and adequately defined in accordance with the provisions of the Companies Act.
- The Board continued to ensure that appropriate risk and governance frameworks and methodologies are in place to enhance the Company’s ability to anticipate and respond to unpredictable risks and identified opportunities.
- The Board reviewed the IT strategy and associated risks.

Direction

During the year under review, the Board determined the direction of the Company in accordance with its mandate by:

- Adopting Transnet 4.0, the Company’s revised strategy, as well as key business focus areas and key performance indicators in line with the Shareholder’s Compact.
- Approving the Corporate Plan for the 2018/19 financial year for onward submission to the Shareholder Minister, and the Minister of Finance by 28 February 2018.
- Identifying critical risks that could impact the Company’s key business areas, and overseeing management’s mitigation strategies to address these identified risks.
- Approving the Risk Appetite Statement as part of its annual review.
- Approving the Integrated Risk Management Policy as part of its annual review, and
- Approving the implementation of the integrated risk management system and policy for submission to the Rail Safety Regulator.

Further key activities performed by the Board are set out in the Board and Committees section.

Structure

The Company’s governance structure is derived from its MOI. The Board is tasked with ensuring that the Company is sustainable and capable of delivering on its objectives. The Board also delegates powers to its committees, and ensures that committee members are specialists in their respective fields and areas of governance.

In addition, the Board delegates powers to the Group Chief Executive to direct the business strategically and provide adequate direction to the Company’s operations to ensure that the strategy is successfully implemented. The Group Chief Executive is assisted by the Group Leadership Team (GLT) to deliver on specific mandates, which are based on the Delegation of Authority (DOA) Framework. The Company further carries out its mandate through its Operating Divisions and Specialist Units, which receive delegations from the Group Chief Executive.

Effective meetings

The Board and its committees meet regularly as prescribed by their respective mandates. The meetings are facilitated by the Group Company Secretary, and are planned for the financial year in the approved corporate calendar at least six months in advance. However, special meetings may be convened at the request of the Chairperson or any independent non-executive director, when necessary. All meetings are attended by the Chair people, and are well attended. Timely, relevant and accurate information is provided to the Board and its committees. The minutes of the Board and committee meetings are circulated for comment in accordance with the mandates, and accordingly approved in subsequent meetings. The digitisation of meeting packs has introduced real-time availability of information in preparation for meetings. The meeting attendance of the GLT and the Board is reported to the Shareholder on a quarterly basis in the PFMA reports.

Monitoring

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

- Monitoring approved key performance indicators for each strategic objective in relation to the Shareholder’s Compact;
- Monitoring actual performance against the Shareholder’s Compact;
- Obtaining assurance that internal control systems are effective;
- Performing regular risk identification assessments;
- Ensuring that the Company complies with all legislative and regulatory requirements, and adheres to non-binding rules, codes and standards;
- Delegating the implementation of an effective compliance framework and process to management;
- Ensuring that there is an effective risk-based internal audit function. Internal Audit provides a written assessment of the Company’s system of internal controls and risk management in the Integrated Report;
- Providing oversight on Information Technology (IT) governance;
- Investing in adequate IT infrastructure;
- Evaluating significant investments and expenditure; and
- Ensuring that information security and assets are effectively managed.
Communication

Management ensures that relevant and accurate information is communicated within the governance structures and to relevant stakeholders. This is achieved through, among others:
- Defined and approved information flow within the governance structures;
- Approved Stakeholder Engagement and Management Procedure; and

Governance framework

The Board governs and directs compliance with applicable laws, namely the PFMA and Companies Act, and adopts non-binding rules, codes and standards. The Company has adopted a phased approach, in the adoption and application of King IV principles in conjunction with regulatory provisions to achieve the overarching principles of sound governance, namely responsibility, accountability, fairness and transparency. The Company will do so substantively and not simply in form, so that its decisions and actions impact positively on the Company and its stakeholders, which include its employees, the communities in which it operates, suppliers, customers and the public at large.

Registration

As a State-owned Company, Transnet complies with the specific requirements of the Companies Act, namely sections 88(2)(e) and (f) in relation to filing the required returns and notices and to ensure that the audited Annual Financial Statements are made available to the Shareholder Minister.

Transparency, accountability and integrity

The PFMA, Companies Act and Protection of Personal Information Act, No 4 of 2013 (POPI Act) provide specific requirements pertaining to the Company’s records management practices, such as interim financial results and Annual Financial Statements that satisfy the International Financial Reporting Standards, and for the audited Annual Financial Statements to be prepared within five months following the financial year-end. To that end, the Company finalises its Annual Financial Statements within the first quarter of the new financial year and ensures that the Shareholder Minister has timely access to those Annual Financial Statements. The Company has developed procedures and systems to ensure early adoption of the POPI Act once it is promulgated.

Governance of a State-Owned Company

The Shareholder’s rights are represented according to the stipulations of the PFMA and the Companies Act, and associated procedures are in place to govern the activities of the Board. The Board holds meetings in accordance with stipulations of the Companies Act and the National Ports Act for its deemed Board activities on behalf of the National Ports Authority.

Appointment of Directors

The Company, through the Shareholder Minister, adheres to the prescribed requirements for the composition, election, appointment and remuneration of the Board. The Corporate Governance and Nominations Committee is responsible for the succession planning of the Board, based on the related skills requirements and skills matrix, for recommendation to the Shareholder Minister. The Company has provided indemnification and insurance for Directors and prescribed officers, the extent and adequacy of which is reviewed annually.

Specific governance requirements

PFMA

The PFMA outlines the fiduciary duties and responsibilities of the Board, and requires that it serves as the Company’s accounting authority. The Company is identified as a major business entity and is listed under Schedule 2 of the PFMA. The Board ensures that the Company adheres to the requirements for the assessment of risk and annual budget submissions, and the annual conclusion of a Shareholder’s Compact. 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.

The Board has noted the ineffective supply chain management related controls which has resulted in significant irregular expenditure in terms of the PFMA as highlighted on pages 98 and 99 of the Integrated Report. The inadequate controls prevail in the procurement environment. The Company obtained a qualified audit opinion in relation to the incompleteness of the compliance audit.

Companies Act

The Company reports on the extent of its compliance with the Companies Act in the Directors’ Report in the Annual Financial Statements.

Prescribed officers

The Company has defined its prescribed officers as GLT members. These individuals (see Group Leadership Team Management for brief profiles) are deemed to exercise or regularly participate in the executive control of the Company as contemplated in the Companies Act and its Regulations. The disclosure on the remuneration of prescribed officers is set out on page 141 of the Integrated Report in Annexure B: Remuneration Report.

Social and Ethics Committee

The Company has a Social and Ethics Committee (the Remuneration, Social and Ethics Committee) which is a committee of the Board in compliance with the Companies Act. The committee’s activities are in line with the Regulations as outlined in section 112(4) of the Companies Act. A report is submitted to the Companies and Intellectual Property Commission to account for the activities undertaken by the committee for the period under review, as and when required.

Audit Committee

During the year under review, the Company continued to comply with the requirements of the Companies Act for the functioning and reporting of the Audit Committee. Furthermore, the PFMA requirements relating to the composition and election of the Audit Committee are strictly observed.

King IV

The Board is committed to applying the King IV governance principles in conjunction with regulatory provisions to achieve the overarching principles of sound governance, namely an ethical culture, good performance, effective control and operational and social legitimacy. It intends to do so substantively and not simply in form, so that its decisions and actions impact positively on the Company and its stakeholders, including its employees, the communities in which it operates, suppliers, customers and the public at large. The Governance Assessment Instrument (GAI) is utilised to monitor the level of application of the King IV principles.
Transnet has adhered to some of the King IV principles and recommendations as evidenced in the Integrated Report, Remuneration Report and the Sustainably Outcomes Report. An assessment of King IV application by the Company will be conducted and the outcome will be taken through the applicable governance process before a detailed report is published on the website (www.transnet.net/GAI), as part of the 2018/19 financial year reporting.

Appointment of the Group Chief Executive
Mr SI Gama was appointed as the Group Chief Executive at Transnet on an initial period of five years with effect from 13 April 2016. His contract provides for a three-month notice period.

Governance instruments
The Company's governance instruments include the following:

Memorandum of Incorporation
The Company has a Memorandum of Incorporation (MOI) in place, which was lodged with the Companies and Intellectual Property Commission (CIPC). This revised MOI was filed with the CIPC on 19 December 2017 and was subsequently accepted by the CIPC and placed on file.

The amendment to the MOI provides that the Board shall consist of a minimum of six and a maximum of 14 directors, comprising not less than four non-executive directors, from whom the Chairperson of the Company shall be appointed. A non-executive director shall hold office for a term of three years from the date of his appointment, subject to confirmation of his appointment at the Annual General Meeting, provided that no person is appointed as a non-executive director for more than three consecutive terms. The Board shall consist of not less than two executive directors who shall include the Group Chief Executive and the Group Chief Financial Officer. The Board shall at all times consist of a majority of non-executive directors.

Delegation of Authority Framework
The review of the Delegation of Authority Framework (DoA Framework) takes cognisance of the Company's strategic objectives as encapsulated in Transnet 4.0. It is anticipated that the Board will approve the framework by 25 October 2018 for implementation from 1 November 2018.

Matters reserved for decision by the Board
The following matters shall be reserved for decision by the Board, subject to the MOI of the Company, the PFMA and other applicable legislation, on the basis of any recommendation as may be made from time to time by the Group Chief Executive:

Financial
(i) Approval of the strategy, Corporate Plan, annual budgets, the borrowing strategy and any subsequent material changes in strategic direction
(ii) Approval of the annual financial statements and interim reports, Going Concern Assertion, as well as the declaration of dividends
(iii) Approval of any significant changes in accounting policies or practices
(iv) Recommendation to the Shareholder Minister of any increase, reduction or alteration to the share capital of the Company and the allotment, issue or other disposal of the Company's shares (except for shares allotted under the group share incentive scheme, if any)
(v) Recommendation for the Shareholder Minister's approval of the establishment or participation in the establishment of a company
(vi) Recommendation for the Shareholder Minister's approval of any participation in a significant partnership, trust, unincorporated joint venture or similar arrangement
(vii) Recommendation for the Shareholder Minister's approval of the acquisition or disposal of a significant shareholding in a company or a significant asset
(viii) Recommendation for the Shareholder Minister's approval of the commencement or cessation of a significant business activity
(ix) Recommendation for the Shareholder Minister's approval of a significant change in the nature or extent of the Company's interest in a significant partnership, trust, unincorporated joint venture or similar arrangement
(x) Recommendation for the Shareholder Minister's approval to commit the Company or its subsidiaries to borrowings which confer rights to a lender to convert debt into shares of any kind
(xi) Recommendation for the Shareholder Minister's approval to dispose of moveable assets (excluding scrap) of a value exceeding limits prescribed by the Shareholder's Compact or the Significance Materiality Framework (SMF)
(xii) Recommendation for the Shareholder Minister's approval to enter into any transaction which exceeds or falls outside the limits prescribed by the Shareholder's Compact or the SMF
(xiii) Recommendation for the Shareholder Minister's approval to declare dividends, or make any distributions, subject to and in accordance with the provisions of the MOI

Statutory and administrative
(i) Recommend amendments to the Company's MOI to the Shareholder
(ii) Enter into a Shareholder's Compact
(iii) Ensure that the proposed Shareholder's Compact for the following financial year is submitted to the Shareholder by 30 September of each year
(iv) Ensure that the Company's annual budget and Corporate Plan are presented and/or submitted to the Shareholder Minister prior to 28 February each year
(v) Ensure that the Company discloses to the Shareholder Minister all changes to terms and conditions of trade which may result in a material impact on the Company
(vi) Recommend to the Shareholder Minister the appointment, removal or replacement of the Company's external auditor
(vii) Make recommendations to the Shareholder Minister on the appointment of the Group Chief Financial Officer
(viii) Make recommendations to the Shareholder Minister on the appointment of the Group Chief Financial Officer
(ix) Appoint responsible persons as may be required in terms of any statute in South Africa or elsewhere in respect of the Company
(x) Approve the rules and amendments to pension and provident funds having a material effect on the actuarial liabilities of those funds
(xi) Grant general signing authorities pursuant to the Company's MOI
(xii) Appoint and remove the Company Secretary
(xiii) Procure detailed management accounts for the Company and its subsidiaries, inclusive of progress made against the Corporate Plan. Management accounts shall be prepared on a quarterly basis and submitted to the Shareholder Minister within a month after the end of the quarter in respect of which such accounts are being prepared. Such management accounts shall be circulated on a quarterly basis to each director of the Board and to the Shareholder Minister
The GL T has delegated its authority for the approval of company-Policies and procedures of the Board and its committees. will be reviewed to align with the DoA Framework and the mandates were approved by the Board on 31 August 2016. The Companies Act, the MOI, and the DoA Framework. The current provisions of the Public Finance Management Act (PFMA), The Board and its committees’ mandates are aligned with the DoA Framework, certain policies are reserved for approval by Board committees and the Board. Policies are reviewed every five years or as and when required. Internal Audit reports compliance to approved policies to the Board.

Regulatory

The Company shall not perform the following duties, without the prior written approval of the Shareholder Minister:

(i) Approve 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
(ii) Approve authority to issue circulars
(iii) Approve authority to issue prospectus or to place documents listing particulars, rights offers or takeover or merger documents
(iv) Recommend the approval of any ordinary or special resolutions in respect of the Company
(v) Any decision to list the Company’s shares on any stock exchange or to terminate any such listing.

The Shareholder Minister may, after consultation with the Board, issue directives to the Board regarding the mandate and objectives of the Company, where necessary.

Human resources

(i) Appointments to and removals from the boards of subsidiary or associate entities of members of the Board in terms of the policy to be agreed from time to time
(ii) Appointments to and changes in the composition of Board committees, other than the Audit Committee, from time to time
(iii) Implementation of any changes in directors’ fees and benefits as recommended by the Remuneration, Social and Ethics Committee, and approved by the Shareholder Minister
(iv) 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, Social and Ethics Committee, for submission to the Shareholder Minister, if applicable
(v) Recommend nominees for appointment to the Audit Committee for approval by the Shareholder Minister
(vi) Recommend members to the Remuneration, Social and Ethics Committee for confirmation by the Shareholder Minister
(vii) Approve the Company’s organogram resulting from restructuring

The Shareholder Minister may, after consultation with the Board, issue directives to the Board regarding the mandate and objectives of the Company, if it is reasonably necessary to do so.

Board and its committees’ mandates

The Board and its committees’ mandates are aligned with the provisions of the Public Finance Management Act (PFMA), Companies Act, the MOI, and the DoA Framework. The current mandates were approved by the Board on 31 August 2016. The governance structures have commenced with the annual review of the mandates, in line with the DoA Framework review process.

Similarly, the mandates of the GL T and its sub-committees (Teams) will be reviewed to align with the DoA Framework and the mandates of the Board and its committees.

Policies and procedures

The GL T has delegated its authority for the approval of company-wide policies to the Human Resources Team. The Human Resources Team composition includes GL T members. The Company Policy Framework sets out the approval process of policies. In line with the DoA Framework, certain policies are reserved for approval by Board committees and the Board. Policies are reviewed every five years or as and when required. Internal Audit reports compliance to approved policies to the Board.

Compliance

The Company has an established Compliance function, which has in place a Compliance Policy that is aligned to the Company Policy Framework. The Compliance Policy forms the foundation of the compliance framework, which sets out the standards for the review of company policies in non-compliance with legislative and regulatory requirements as a key risk, as it not only exposes the Company to fines and civil claims, but can also result in loss of operational licences and cause reputational harm. The PFMA requires the Board to ensure that the Company and its employees comply with the provisions applicable to Schedule 2 Companies, as well as any other applicable legislation. The Compliance function therefore identifies, assesses and monitors critical controls associated with regulatory requirements, statutory licences, codes and standards applicable to the Company. Compliance issues are reviewed at the Corporate Centre and within the Operating Divisions and Specialist Units.

The Risk Committee is mandated with the review and approval of the Company’s Compliance Plan, which details procedures for identifying regulatory risks and monitoring compliance with applicable regulatory requirements. The Compliance Plan is aligned to the Company strategy to mitigate compliance risk exposures, emerging from the execution of the strategy.

Management of potential conflicts of interests

The Companies Act codified the fiduciary duties of directors, and prohibits the use of position, privileges and/or confidential information for personal gain or to improperly benefit another person. The Board adheres to the prescribed standards of ethical and professional conduct.

Where a director or a prescribed officer has any direct or indirect personal or private business interest in a particular matter, that director or prescribed officer must be recused from the proceedings when the matter is considered, unless the Board, Board committee or GL T and GL T structures, as the case may be, decides that the member’s interest in the matter is trivial or irrelevant. The declaration of interest and related-party disclosures registers are signed by the members and attendees at all formal meetings of the Board and the GL T, and their committees. These registers are maintained by the Group Company Secretary. In addition, non-executive directors, the GL T, Extended Leadership Team members, line management (levels C to F) and any employee who has an interest, either directly or indirectly, are required to file an annual declaration of interest form with the Group Company Secretary on 1 April of each financial year or within 30 days from date of appointment. Any changes in interests during the course of the year necessitate the filing of revised declaration of interest forms, which are formally noted by the relevant governance structures.

The Board and the GL T note their respective annual declarations of interests registers. The Corporate Governance and Nominations Committee and the Remuneration, Social and Ethics Committee conduct annual reviews of the filed declaration of interest forms of the Board and GL T members for adequacy and monitoring.

The declaration of interests process is conducted through an electronic filing system. In addition, the Company requires all employees to sign confidentiality and declaration of interest forms when adjudicating on procurement contracts, and this practice is...
strictly enforced. The declaration of interest and related-party disclosure policies for directors and employees are revised every five years, or as required, in line with the Company Policy Framework.

Management of ethics

The Board continued to ensure that the Company’s ethical environment was effectively managed during the year under review. An Ethics Management Programme is being established for the Company and will be rolled out.

The Company’s Code of Ethics (the Code) promotes a culture of entrenched values, principles, standards and norms that guide the behaviour of the Company’s employees. The Code aims to instil a culture of honesty, respect, integrity and overall ethical behaviour for employees’ engagements with internal and external stakeholders. All employment contracts make reference to the Code and thereby commit employees to the highest standards of ethical behaviour. The Code also binds non-executive directors to the highest standard of ethical behaviour. The Company’s service providers, suppliers and trade partners are also subject to the Code. Aspects of the Code are included in fraud and corruption awareness training, and are accessible to all employees on the Company’s intranet. The Code of Ethics is reviewed every five years or as and when required for adequacy and appropriateness.

In addition to the Code, the Company concludes Integrity Pacts with all bidders and suppliers. Integrity Pacts have replaced Transnet’s Supplier Code of Conduct. Each party agrees to avoid all forms of dishonesty, fraud and corruption, including practices that are anti-competitive in nature, negotiations made in bad faith and under-pricing. As part of ethics management enhancement, the Company introduced an electronic gifts registry system. Reports are drawn from the electronic gifts registers and presented at the Remuneration, Social and Ethics Committee meetings for information purposes twice a year. The Company plans to review the declaration of interest system and electronic gifts registry system to improve efficiency.

The Company’s Tip-Offs Anonymous Hotline (the Hotline) enables employees, customers and trade partners to report concerns about unethical or unlawful behaviour. The Hotline is independently managed by Deloitte while investigations are conducted by the Company’s Internal Audit and Operating Divisions and Specialist Units, dependent on the nature of the matter. All cases reported to management or to the Hotline are investigated through an established forensics investigation process.

Structure and composition of governance committees

The Company’s governance structure is derived from its mandate. The Board is tasked with ensuring that the Company is sustainable and capable of delivering on its objectives. The Board delegates powers to its committees, of which committee members are specialists in their respective fields and areas of governance. The Board also 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 GLT to deliver on specific mandates, based on the DoA Framework. The Company further carries out its mandate through Operating Divisions and Specialist Units, which receive delegations from the Group Chief Executive.

The Company’s governance structure

The governance structure of the Company is depicted on page 10.
The Board is principally responsible for directing the activities of the Company and ensuring its long-term economic, social and environmental sustainability. The Board has delegated management accountability to the Company’s Group Chief Executive through the Delegation of Authority Framework. The Board:

- Delegates powers to its committees, of which committee members are specialists in their respective fields and areas of governance;
- Ensures that the Company can fulfil its statutory and commercial objectives by directing and approving strategic and operational objectives;
- Assesses the Company’s performance against the targets outlined in the Shareholder’s Compact; and
- Ensures that adequate budget planning processes are in place.

The Group Chief Executive directs the business strategically, and provides direction to operations to ensure strategic implementation. The Group Chief Executive is assisted by the Group Leadership Team.

The Group Leadership Team delivers on specific mandates, based on the Delegation of Authority Framework. The GLT is composed of the prescribed officers of the Company and exercises executive control.

The Group Leadership Team (GLT)

- Human Resources Team Chairperson: EAN Sishi
- CIO Council Chairperson: MMA Mosidi
- 1 064 Locomotives Team Chairperson: SI Gama
- Business Development and Growth Team Chairperson: GJE de Beer
- Operations Leadership Team Chairperson: MM Buthelezi
- Risk Management Team Chairperson: N Slinga (Acting)
- Capital Investment Team Chairperson: SI Gama
- Finance Team Chairperson: MS Mahomedy (Acting CFO)
- Broad-Based Black Economic Empowerment Team Chairperson: E Thomas
- NMPP Governance Team Chairperson: SI Gama

The GLT is composed of the prescribed officers of the Company and exercises executive control.

Operating Divisions and Specialist Units

Five Operating Divisions
- Freight Rail
- Engineering
- National Ports Authority
- Port Terminals
- Pipelines

Two Specialist Units
- Transnet Group Capital
- Transnet Property
Integrated Report elements:
The Board and the Group Leadership Team have respectively established committees and teams to ensure effective management and monitoring of the business, and to respond to the elements of the Company’s mandate and strategy. The link between management and the various governance structures is indicated below:

<table>
<thead>
<tr>
<th>Integrated Reporting element</th>
<th>Required activities</th>
<th>Group Leadership Team governance structures</th>
<th>Committee of the Board</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stakeholder engagement and relationships</strong></td>
<td>Effective stakeholder engagement and responsiveness Complaints Desk</td>
<td>• Human Resources Team • Broad-Based Black Economic Empowerment Team</td>
<td>• Remuneration, Social and Ethics Committee</td>
</tr>
<tr>
<td><strong>Risks and opportunities</strong></td>
<td>Effective identification and assessment of material issues</td>
<td>• Risk Management Team • CIO Council</td>
<td>• Risk Committee • Audit Committee</td>
</tr>
<tr>
<td><strong>Strategy and resource allocation</strong></td>
<td>Appropriate strategic response including: Processes and controls Initiatives and activities Resource allocation</td>
<td>• Capital Investment Team • Human Resources Team • Operations Leadership Team</td>
<td>• Audit Committee • Finance and Investment Committee • Remuneration, Social and Ethics Committee</td>
</tr>
<tr>
<td><strong>Performance and outlook</strong></td>
<td>Appropriate performance measurement and management including: Applicable lead and lag indicators Setting of targets, accountability and incentivisation</td>
<td>• Risk Management Team • Finance Team • Human Resources Team • Capital Investment Team • Operations Leadership Team</td>
<td>• Corporate Governance and Nominations Committee • Remuneration, Social and Ethics Committee • Finance and Investment Committee</td>
</tr>
<tr>
<td><strong>Remuneration</strong></td>
<td>Appropriate remuneration structure to align performance against strategy in short-, medium- and long-term incentives</td>
<td>• Human Resources Team</td>
<td>• Remuneration, Social and Ethics Committee</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>Governance and assurance processes to oversee execution of strategy and structures in accordance with policy and regulation</td>
<td>• Risk Management Team • Finance Team</td>
<td>• Corporate Governance and Nominations Committee • Risk Committee • Audit Committee</td>
</tr>
</tbody>
</table>

Board composition

The Company’s existing MOI, as amended on 19 December 2017, provides that there shall not be fewer than six (6) and not more than fourteen (14) directors, of whom not fewer than four (4) shall be non-executive directors and two (2) executive directors, provided that the Board shall at all times consist of a majority of non-executive directors. As at 23 May 2018, the Board comprised fourteen (14) directors, twelve (12) of whom are non-executive, including the Chairperson. The non-executive directors appointed on 23 May 2018, 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 the Company’s information, documents, records and property in the interest of fulfilling their fiduciary duties and responsibilities. The non-executive directors contribute a variety of skills, business acumen, independent judgement and experience on various issues, including strategy, corporate governance, performance and general leadership, while the executive directors provide an operational understanding of the Company’s strategies and management skills.

The non-executive directors have direct, unfettered access to the Company’s employees, external auditors, professional advisors and internal auditors. The non-executive directors continue to act in the best interest of the Company at all times, and avoid potential political connections or exposures through the use of a range of governance instruments in the execution of their fiduciary duties.

Roles of the Chairperson and Group Chief Executive

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 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 Group Chief Executive is responsible for the execution of the Company’s strategy, and the day-to-day business of the Company. He is supported by the GLT, of which he is the Chairperson. The Board is satisfied that the DoA Framework clearly records the nature and extent of the authorities delegated by the Board to the Group Chief Executive and specified governance structures and/or, in turn, by the Group Chief Executive to the members of the GLT, in order to implement certain actions by or on behalf of the Company. It includes, to the extent necessary and/or incidental thereto, the authority to discharge all of the duties, obligations and powers imposed upon the deemed authority under the National Ports Act.

Independent non-executive directors

The Board comprises an appropriate balance of knowledge, skills, experience, diversity and independence, enabling the objective and effective discharge of its duties. In accordance with King IV Code, the Board is satisfied that the non-executive directors of the Company are independent.
Our Board members

Mr Siyabonga Gama
Group Chief Executive
Date of birth: May 1967
Year of appointment to the Board: October 2015
Qualifications: MBA (Jointly awarded by New York University Leonard N Stern School of Business, the London School of Economics and Political Science and HEC Paris), BCom (University of Swaziland), Banking Diploma (Institute of bankers CAIB (SA)), Post graduate Diploma in Company Direction, Advanced Executive Development Program (City University of New York), Certificate in Port Management (Netherlands IHE), Advanced Port Management and Operations Program (National University of Singapore), Global Leadership Program (GIBS), Executive Development Program (University of Pennsylvania)

Mr Mohammed Mahomed
Acting Chief Financial Officer
Date of birth: March 1971
Year of appointment to the Board: May 2018
Qualifications: CA(SA) PDip Acc (University of KwaZulu-Natal), BCompt (Unisa), Advanced Strategic Management (IMD Switzerland), Global Executive Leadership Development Programme (GIBS)

Ms Ursula Fikelepi
Date of birth: January 1973
Year of appointment: May 2018
Qualifications: MBA (GIBS), LLM (University of New Hampshire, USA), LLB (University of Cape Town), BA Law (Rhodes University)

Adv Oupa Motaung
Date of birth: August 1970
Year of appointment: May 2018
Qualifications: BProc (Wits University), LLB (Wits University), LLM (Tax Law) (Wits University), HDip Co. Law (Wits University), AIPSA Diploma (University of Pretoria), Advanced Certificate in Construction Law (University of Pretoria), Certificate in Banking and Financial Markets (Wits University)

Dr Fholisani Mufamadi
Date of birth: February 1959
Year of appointment: May 2018
Qualifications: DSc (Honoris Causa) (University of London), PhD (University of London), Honorary Professor (Political and Government Studies) (Nelson Mandela Metropolitan University), MSc (University of London)

Dr Popo Molefe
Chairperson
Date of birth: April 1952
Year 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)

Ms Vivien McMenamin
Date of birth: March 1963
Year of appointment: May 2018
Qualifications: MSc Economics (University of London), BSc(Hons) Economics (University of Cape Town), IMD Advanced High Performance Leadership, IMD High Performance Leadership, Banking and Finance Diploma (University of London)

Mr Siyabonga Gama
Group Chief Executive
Date of birth: May 1967
Year of appointment to the Board: October 2015
Qualifications: MBA (Jointly awarded by New York University Leonard N Stern School of Business, the London School of Economics and Political Science and HEC Paris), BCom (University of Swaziland), Banking Diploma (Institute of bankers CAIB (SA)), Post graduate Diploma in Company Direction, Advanced Executive Development Program (City University of New York), Certificate in Port Management (Netherlands IHE), Advanced Port Management and Operations Program (National University of Singapore), Global Leadership Program (GIBS), Executive Development Program (University of Pennsylvania)

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Date of birth: February 1959
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Date of birth: March 1971
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Date of birth: February 1959
Year of appointment: May 2018
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Dr Fholisani Mufamadi
Date of birth: February 1959
Year of appointment: May 2018
Qualifications: DSc (Honoris Causa) (University of London), PhD (University of London), Honorary Professor (Political and Government Studies) (Nelson Mandela Metropolitan University), MSc (University of London)
Ms Ramasela Ganda  
Date of birth: September 1974  
Year of appointment: May 2018  
Qualifications: CA(SA), BCom (Hons) (University of Pretoria), CTA (University of Pretoria), Accounting Special (Bridging Course) (University of Pretoria), BCom (Vista University), Associate – SAICA and PAAB

Prof Edward Kieswetter  
Date of birth: November 1958  
Year of appointment: May 2018  
Qualifications: MCom (SA and International Tax Law (cum laude) (North-West University), MBA (Strategy and Transformation) (Henley, UK), M.Ed (Cognitive Development) (University of the Western Cape), B.Ed (Hons) (Mathematics and Science) (University of the Western Cape), FG Dip (Engineering and Mathematics Ed) (University of Cape Town), NHD (Elec.Eng) (Cape Peninsula University of Technology)

Ms Dimakatso Matshoga  
Date of birth: May 1978  
Year of appointment: May 2018  
Qualifications: MBA (Management College of SA), BSc (Electronic Engineering) (University of Natal), PD in Project Management (School of Project Management), PrEng and Certified Director (IoDSA)

Mr Aluwani Ramabulana  
Date of birth: October 1971  
Year of appointment: May 2018  
Qualifications: MBA (Nyenrode University, The Netherlands), BSc (Chemical Engineering) (Oregon State University), Executive Development Programme (IMD, Switzerland), Certificate in Corporate Governance and Risk Management

Ms Gratitude Ramphaka  
Date of birth: August 1979  
Year of appointment: May 2018  
Qualifications: CA(SA), BAcc (Hons) (University of Witwatersrand), BCom (University of Witwatersrand), Auditing Specialism Course (Advanced Accounting and Auditing), Auditing Professional Training (Advanced Auditing and Professional Training)

Mr Louis von Zeuner  
Date of birth: June 1961  
Year of appointment: May 2018  
Qualifications: Chartered Director CD(SA) (Institute of Directors SA), BA (Econ) (University of Stellenbosch)

Ms Nokuthula Khumalo  
Date of birth: September 1970  
Year of appointment: September 2016  
Qualifications: Admitted Attorney; LLM – Environmental Law (University of Aberdeen, Scotland), BProc (University of Natal), Executive Programme (GIBS), Practical Law School – Law Society of South Africa, Waste Management (University of Pretoria), EIA Certificate (University of North-West)

Mr Aluwani Ramabulana  
Date of birth: October 1971  
Year of appointment: May 2018  
Qualifications: MBA (Nyenrode University, The Netherlands), BSc (Chemical Engineering) (Oregon State University), Executive Development Programme (IMD, Switzerland), Certificate in Corporate Governance and Risk Management

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Qualifications: Admitted Attorney; LLM – Environmental Law (University of Aberdeen, Scotland), BProc (University of Natal), Executive Programme (GIBS), Practical Law School – Law Society of South Africa, Waste Management (University of Pretoria), EIA Certificate (University of North-West)
Directors’ active memberships on other boards

1. Dr Popo Molefe
   Chairperson
   Membership/Directorship
   Lereko Investments (Pty) Ltd
   Lereko Mobility
   Tedcor (Pty) Ltd
   Lereko Eco
   Global Aviations Operations (Pty) Ltd
   Aberdeen Offshore Engineering (Pty) Ltd
   Lereko Broad-based Consortium 212
   Golden Gong Investments
   Lereko Metier Investors (Pty) Ltd
   Lereko Metier Trustees
   Lereko Fleet Management
   Bigbit Trading
   Lereko Broad-based Consortium 222
   Friedshelf 1516
   Lereko Motors
   Shumani Industrial Equipment
   Sunshine Street Investments 71 (Pty) Ltd
   LMCGF
   Marble Gold
   Popo Molefe Trust
   Mabele Trust
   Mooki Trust

2. Mr Siyabonga Gama
   Group Chief Executive
   Directorship/Trusteeship/Shareholding
   Mafumbuka Investment Holdings (Pty) Ltd
   Pony Lane Homeowners Association
   Transnet International Holdings SOC Ltd
   Maputo Corridor Logistics Initiatives
   Siyaya Free to Air TV (PVT) Ltd
   Sikhuliso Resources (Pty) Ltd (25%)
   Four Arrows Investment 256 (Pty) Ltd
   Tswelepele Beneficiation Operations (Pty) Ltd (31%)
   Phithikeza Trust (property-owning family trust)
   The Mndawo Trust
   Salesian Past Pupils Association
   The Selope Thema Foundation (NPO)

   Shareholder
   Old Mutual
   Sanlam Ubuntu Botho Capital
   Telkom
   South 32
   Redefine Properties
   Sephaku Cement

3. Mr Mohammed Mahomedy
   Acting Chief Financial Officer
   Directorship/Trusteeship
   Cutting Edge Finance (Pty) Ltd (100%)
   Maquady Family Trust
   YMM Family Trust

4. Ms Ursula Fikelepi
   Directorship/Shareholding
   Emmaus Holdings (100% holding)
   Mitsama Africa (Pty) Ltd (16.7% holding)

   Directorship
   Mitsama Properties (Pty) Ltd (16.7% holding)
   Mitsama Capital (Pty) Ltd (16.7% holding)
   Cloud Atlas (RF) (Pty) Ltd (3% holding)

5. Ms Ramasela Ganda
   Directorship/Shareholding
   BPC Chartered Accountant (100% holding)
   Mytechie (Pty) Ltd (25% holding)

6. Prof Edward Kieswetter
   Directorship/Shareholding
   Shoprite
   African Unity (10% holding)
   Da Vinci Institute of Managerial Leadership (65% holding)
   GEMS Education Africa
   DST Technology Innovation Agency

7. Ms Mpho Letlape
   Directorship/Trusteeship/Shareholding
   Standard Bank Tutuwa Community Foundation NPC
   Lethushane (Pty) Ltd
   Tower Group
   Africa Harm Reduction Alliance
   Sapphire Logistics
   National Research Foundation
   South African Women in Dialogue
   Food Forward South Africa
   Lethushaneng Advisory Services
   T-systems South African (resigned)
   T-systems Community Trust (resigned)

8. Ms Dimakatso Matshoga
   Directorship/Shareholding
   Atafatsa Foundation (non-profit company) (33.3% holding)
   Atafala Consulting (100% holding)
   Isa-Stra Tech Solutions (primary cooperative) (20% holding)

9. Ms Vivien McMenamin
   Directorship/Shareholding
   Durban Girls College
   Forestry SA
   SiyaQhubeka Forests
   Forestry Charter
   Mondi Zimele
   South African Association for Marine Biological Research

10. Adv Oupa Motaung
    Directorship/Shareholding
    Vaxiscore Investment (100% holding)
    Kuena Construction Projects (100% holding)
    Thulo Trustees (100% holding)
    Twende Investments (10% holding)
    Nordaspan (100% holding)
    Orthorax (100% holding)
    Condoclox (100% holding)
11. Dr Fholisani Mufamadi  
**Directorship/Shareholding**  
Barclays Bank Mozambique  
National Bank of Commerce (Tanzania)  
Adcorp Holdings Limited  
Implats Holdings Limited  
Zimplats (Chairman of the Board)  
Debshean (Pty) Ltd  
Nokukhanya & Inkosi Albert Luthuli Peace and Development Institute  
Muessnani Consulting (dormant)

12. Mr Aluwani Ramabulana  
**Directorship/Shareholding/Trusteeship**  
NBC  
MDZ Fleet Solutions (100% holding)  
DataQuip Rentals (60% holding)  
Mudzi Palfinger JV (51% holding)  
MDZ Logistics (100% holding)  
MDZ Capital (100% holding)  
Bano Lithihi Investment Holdings (Pty) Ltd (5% holding)  
Lateospace (49% holding)

13. Ms Gratitude Ramphaka  
**Membership**  
South African Council for the Project and Construction Management Finance Committee  
Advisory Board of the National Intellectual Property Management Office – Full Costing Sub-committee

14. Mr Louis von Zeuner  
**Directorship/Trusteeship**  
Afgri Holding Limited  
Afgri Ltd  
African Bank Holdings Limited  
African Bank Limited  
Cricket South Africa (NPC)  
enX Group  
LIV Foundation & LIV Equity Trust  
Lungisisa Indlela Village (RF) NPC  
Mahela Boerdery (Pty) Ltd  
MMI Group Limited  
MMI Holdings Limited  
Momentum Short-term Insurance  
Paycorp Investments (Pty) Ltd  
Telkom SA  
Fairfax Africa Investments (Pty) Ltd  
Aditiya Birla Health Insurance Co Ltd  
SA Rugby  
L & R Family Trust  
Edward Vorster Trust  
Anzelle Trust  
SARPA Foundation
Directors’ balance of skills and expertise

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

Directors’ strengths

Independent performance evaluation of the Board, its committees and directors

The Board ensures the evaluation of its own performance and that of its committees, Chairperson and individual directors and provides support for continued improvement in its performance and effectiveness. An annual independent evaluation is conducted to assess the effectiveness of the Board, its committees, the Chairperson and the individual contributions of the directors.

2017/18 financial year Board evaluation

The 2017/18 financial year Board evaluation was conducted by PricewaterhouseCoopers, an external service provider, appointed in October 2015 through a transparent procurement process. The contract was extended in terms of the extension letter signed on 30 October 2017.
The outcome of the evaluation included the following areas of improvement:

- Requirements for logistics, freight and rail expertise in the Board skill mix;
- Capital projects and programmes expertise;
- Investment and economics expertise;
- Information and communications technology expertise;
- Technical engineering expertise and cost;
- Appointment, induction, training and succession planning in line with King IV which recommends that a programme ensuring a staggered rotation of non-executive directors should be implemented by the Board to the extent that this is not already regulated by the Company’s MOI or other relevant legislation;
- Strategy, compliance and group performance emphasise that boards should focus on the achievement of value creation as set out by King IV and the latest trends. The Board should ensure that the Company strategy is expressed in terms of performance that creates value in a sustainable manner within the economic, social and environmental context in which the Company operates.

Directors’ training for the year ended 31 March 2018

<table>
<thead>
<tr>
<th>Governance structure</th>
<th>Service provider</th>
<th>Date</th>
<th>Attendees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Deep Dive</td>
<td>Institute of Directors of Southern Africa</td>
<td>13 June 2017</td>
<td>Ms LC Mabaso, Ms Y Forbes, Mr SI Gama, Mr GJ Mahlalela, Ms PEB Mathekga, Mr ZA Nagdee, Mr VM Nkonyane, Mr GJ Pita, Mr SD Shane, Mr BG Stagman</td>
</tr>
<tr>
<td>Board strategy workshop</td>
<td>Group Risk and Compliance</td>
<td>12 September 2017</td>
<td>Ms LC Mabaso, Ms Y Forbes, Mr SI Gama, Mr GJ Mahlalela, Ms PEB Mathekga, Mr ZA Nagdee, Mr VM Nkonyane, Mr GJ Pita, Mr BG Stagman</td>
</tr>
<tr>
<td>Board strategy workshop</td>
<td>iSCM</td>
<td>13 September 2017</td>
<td>Ms LC Mabaso, Ms Y Forbes, Mr SI Gama, Mr GJ Mahlalela, Ms PEB Mathekga, Mr ZA Nagdee, Mr VM Nkonyane, Mr GJ Pita, Mr BG Stagman</td>
</tr>
<tr>
<td>Acquisitions and Disposals Committee</td>
<td>Institute of Directors of Southern Africa</td>
<td>27 September 2017</td>
<td>Ms LC Mabaso, Mr SI Gama, Mr GJ Mahlalela, Mr ZA Nagdee, Mr GJ Pita</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>Institute of Directors of Southern Africa</td>
<td>30 November 2017</td>
<td>Ms LC Mabaso, Ms Y Forbes, Mr SI Gama, Mr GJ Mahlalela, Ms PEB Mathekga, Mr ZA Nagdee, Mr VM Nkonyane, Mr GJ Pita, Mr BG Stagman</td>
</tr>
</tbody>
</table>
Group Company Secretariat function

The Board adheres to the requirement of the Companies Act and has appointed a competent and qualified Group Company Secretary. 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 Annual Work Plans for the Board as informed by the strategic direction of the Company. These Annual Work Plans are approved by the respective governance structures for implementation and are continually tracked to assess progress. The Group Company Secretary advises the Board on corporate governance issues, the requirements of the Companies Act and other relevant legislation. The Board has unfettered access to the services and advice of the Group Company Secretary.

In addition to various statutory functions, the Group Company Secretary provides individual non-executive directors and the Board with induction, guidance on duties, responsibilities and powers, and the impact of regulatory developments. In consultation with the Chairperson, the Group Company Secretary ensures that the contents of the agenda are relevant to the Board decision-making, and communicates the Board’s resolutions throughout the Company in a timely and appropriate manner.

A number of instruments have been introduced to ensure that the Board functions efficiently in executing its mandate and the set targets for MDS and Transnet 4.0 activities. Some of the instruments include a resolutions register that sets out the decisions that have been taken by each governance structure, and is communicated to line functions for execution; and a transfer register that details cross-functional areas as referred by one governance structure to another for execution. The Group Company Secretary acts as the primary point of contact between the Board and the Company.

The Group Company Secretary is qualified to perform duties in accordance with applicable legislation, and is considered by the Board to be fit and proper for the position. The Group Company Secretary does not fulfil an executive management function and is not a director. Therefore, the Board is satisfied that the Group Company Secretary maintains an arm’s length relationship with the Executive Management Team, the Board and the individual non-executive directors.

Benchmarking

The Group Company Secretariat continues to conduct benchmark exercises with other State Owned Companies (SOCs) and private companies, whilst sharing knowledge it has gained in the corporate governance sphere with other SOCs, with the objective of enhancing uniformity, standardisation and alignment of best practice across the SOCs. This exercise mutually benefits the participants.

Purpose of the Board and Board committees and report back

The purpose of the Board is to ensure that the Company is sustainable and capable of fulfilling its statutory, strategic and operational objectives. To fulfil this purpose, the Board must direct and control the affairs of the Company. Directors owe a fiduciary duty to the Company under both common law and statute, more particularly the PFMA and the Companies Act, and are accountable to the Shareholder, the Government of the Republic of South Africa, represented by the Minister of Public Enterprises (the Shareholder Minister).

Directors are also responsible, within the structures of corporate law and legislation, to the other stakeholders of the Company. Directors are required to exercise due care, skill and utmost good faith in the performance of their duties.

Core responsibilities of the Board

The Board serves as the focal point and custodian of corporate governance in the Company. The protocol for exercising its leadership role is outlined in the approved Board and committees’ mandates. The mandates clearly define the procedures for the Board and committees to obtain professional advice and the procedures for management to submit documentation for the Board to make informed decisions.

The Board has interrogated the Reports relating to the year under review in line with its mandate, and to date, is satisfied that it has discharged its responsibilities.

Board and committee meetings

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

Status of meetings convened in the 2018 financial year

On 28 May 2018, the Board dissolved the Acquisitions and Disposals Committee.
Schedule of directors’ attendance at Board and committee meetings

The tables below disclose the number of meetings held during the year and the attendance of the respective directors.

<table>
<thead>
<tr>
<th>Board/Committee</th>
<th>Number of meetings held</th>
<th>Acquisitions and Disposals Committee</th>
<th>Corporate Governance and Nominations Committee</th>
<th>Remuneration, Social and Ethics Committee</th>
<th>Risk Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms LC Mabaso (Chairperson)</td>
<td>9</td>
<td>6</td>
<td>6</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Ms Y Forbes</td>
<td>9</td>
<td>6</td>
<td>—</td>
<td>4</td>
<td>—</td>
</tr>
<tr>
<td>Mr SI Gama</td>
<td>8</td>
<td></td>
<td>—</td>
<td>4</td>
<td>—</td>
</tr>
<tr>
<td>Ms AC Kinley1</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mr GJ Mahlalela2</td>
<td>9</td>
<td></td>
<td>—</td>
<td>4</td>
<td>—</td>
</tr>
<tr>
<td>Ms PEB Mathekga3</td>
<td>9</td>
<td></td>
<td>6</td>
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<td>1</td>
</tr>
<tr>
<td>Mr ZA Nagdee</td>
<td>9</td>
<td>6</td>
<td>—</td>
<td>—</td>
<td>5</td>
</tr>
<tr>
<td>Mr VM Nkonyane</td>
<td>9</td>
<td></td>
<td>—</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Mr GJ Pita</td>
<td>8</td>
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<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mr SD Shane4</td>
<td>0</td>
<td>1</td>
<td>—</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Mr BG Stagman5</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mr SM Radebe6</td>
<td>3</td>
<td></td>
<td>3</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

1 Ms Kinley was appointed as a director and member of the Audit Committee with effect from 21 December 2017, and the Chairperson of the Acquisitions and Disposals Committee with effect from 30 January 2018.
2 Mr Mahlalela passed away on 29 March 2018.
3 Ms Mathekga was appointed as a member of the Remuneration, Social and Ethics Committee and ceased to be a member of the Corporate Governance and Nominations Committee with effect from 30 January 2018.
4 Mr Shane resigned as a director from the Company with effect from 29 June 2017.
5 Mr Stagman resigned as a director from the Company with effect from 10 December 2017.
6 Mr SM Radebe was appointed as a director and the Chairperson of the Audit Committee with effect from 21 December 2017. In accordance with the Risk Committee’s mandate Mr Radebe, in his capacity as the Audit Committee Chairperson, automatically became a member of the Risk Committee on his appointment. Removed from the Board in May 2018.

Governance in action

Summary of the Board mandate

The Board’s primary mandate is to ensure the sustainable and successful continuation of business activities by providing strategic direction to the Company. Non-executive directors are appointed to the Board by the Shareholder Minister on a three-year term. The appointments are confirmed annually at the Annual General Meeting. The Chairperson of the Board engages continuously with the Shareholder Minister, 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.

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

Summary of key activities and key outputs (decisions, approvals, policies and procedures) for the 2017/18 financial year

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

- Approved the Board Evaluation Report for the 2016/17 financial year and action items.
- Approved the proposed Pension Benefits Restructuring towards settlement of the pensioners’ class action suits.
- Approved the AGM arrangements and statutory authorisation applicable to the proposed agenda.
- Approved the Annual Financial Statements for the 2016/17 financial year.
- Approved the director valuation of unlisted investments.
Summary of key activities and key outputs (decisions, approvals, policies and procedures) for the 2017/18 financial year

- Approved the Going Concern Assertion.
- Approved Annual Financial Statements for the 2016/17 financial year – Transnet Pipeline (TPL).
- Approved the PFMA reportable items.
- Approved the Tax strategy.
- Approved the Global Medium-term Note (GMTN) financials.
- Approved the Audit Committee Report for the 2016/17 financial year.
- Approved the Transnet Retirement Fund: Rule Amendment 10.
- Approved the appointment of Trustees to the Pension Funds: Transnet Second Defined Benefit Fund.
- Approved the appointment of Trustees for the Pension Funds: Transnet Sub-Fund of the Transport Pension Fund.
- Approved the appointment of Trustees for the Pension Funds: Transnet Retirement Fund.
- Approved the proposed Trustees for the Transmed Medical Fund.
- Approved the TPL Rehabilitation Trust: Appointment of Public Officer.
- Approved the proposed name change for Transnet Capital Projects to Transnet Group Capital.
- Approved the Group Chief Executive’s (GCE) performance contract for the 2017/18 financial year.
- Approved the Transnet Second Defined Benefit Fund and Transnet Sub-Fund of the Transport Pension Fund 2016 ad hoc bonus payments.
- Approved the non-executive directors’ fees for 2017/18 financial year.
- Noted the Board composition.
- Approved IT data services.
- Approved the appointment of the Chairperson to the Transnet Second Defined Benefit Fund and the Sub-Fund of the Transport Pension Fund.
- Approved the corporate calendar for the 2018/19 financial year.
- Ratified the Company Policy Framework.
- Approved the adoption of strategy workshop resolutions.
- Approved the Trustee appointment: Godisa Supplier Development Fund (Pty) Ltd.
- Approved Q2 GMTN financial results, Q2 Going Concern Assertion and Q2 Management Representation Letter for the period ended 30 September 2017.
- Approved Transnet Second Defined Benefit Fund November 2017 and April 2018 ad hoc bonus payment to the pensioners.
- Approved Transnet Sub-Fund of the Transport Pension Fund November 2017 and April 2018 ad hoc bonus payment to the pensioners.
- Approved the review of the Board's skills set and the effectiveness of the Board's structure.
- Approved the Shareholder’s Compact for the 2018/19 financial year.
- Approved the Board Annual Work Plan for the 2018/19 financial year.
- Approved the Risk Appetite Statement for the 2018/19 financial year.
- Approved the Integrated Risk Management Policy.
- Approved the AGM arrangements and statutory authorisation applicable to the proposed agenda.
- Noted the Public Protector matters.

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

- The Board skills mix, composition and the resultant MOI clause amendment, increasing PFMA issues, media allegations against Transnet and issues raised by the Standing Committee on Public Accounts (SCOPA).
- The Company has reinstated Assurance Committees at the Operating Divisions’ level to deal with, and/or eradicate PFMA transgressions as they arise. A step-up programme has been introduced to enhance internal controls and more emphasis is being given to instituting consequence management.
- The Company has made an undertaking to SCOPA to reduce instances of contract variations through deviations and extensions.
- The Company has also instituted independent forensic investigations to address the alleged corporate governance breaches on contracts concluded between 2014 and 2016 and the prevailing media allegations. Some of the recommendations from the forensic investigation have been implemented while a further investigation has been commissioned and will be finalised by the end of June 2018.

Focus areas for the 2018/19 financial year

- Amendment of the MOI clause relating to the composition of the Board, monitoring of PFMA violations, strengthening of internal control measures, emphasis on consequence management, investigations on media allegations, and appointment of additional Board members and their induction.
- The Board established an adhoc committee comprising of the Audit Committee members and the Board Chairperson.

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1 Ms Kinley was appointed as a director and member of the Audit Committee with effect from 21 December 2017 and the Chairperson of the Acquisitions and Disposals Committee with effect from 30 January 2018.
2 Mr Mohlalela passed away on 29 March 2018.
3 Ms Mathekga was appointed as a member of the Remuneration, Social and Ethics Committee and ceased to be a member of Corporate Governance with effect from 30 January 2018.
4 Mr Shane resigned as a director of the Company with effect from 29 June 2017.
5 Mr Stagman resigned as a director of the Company with effect from 10 December 2017.
6 Mr Radebe was appointed as a director and the Chairperson of the Audit Committee with effect from 21 December 2017.
Audit Committee

Chairperson:
Mr SM Radebe
Mr BG Stagman

Members:
Ms AC Kinley
Mr GJ Mahlalela
Ms PEB Mathekga

The Audit Committee is constituted as a statutory committee of Transnet SOC Ltd in respect of its statutory duties in terms of Treasury Regulation 27.1 executed under section 76(4)(d) of the PFMA, section 77 of the PFMA and section 94(7) of the Companies Act, and as a committee of the Board in respect of all duties assigned to it by the Board in terms of its mandate. The purpose of the committee is to:

- Assist the Board in discharging its duties relating to the safeguarding of assets and the evaluation of internal control frameworks within the Company.
- Review and assess the integrity and effectiveness of the accounting, financial, compliance and other control systems.
- Consider the internal and external audit processes and the accounting principles and policies.
- Strengthen the independence of the internal and external audit functions to ensure their effectiveness.
- Ensure effective communication between the internal auditors, the external auditors, the Board, management and regulators.
- Ensure compliance with and adherence to applicable legal, regulatory and accounting requirements.
- Contribute to a climate of discipline and control which will reduce the opportunity for fraud.
- Assist the Board in discharging its duties as pertains to ICT Governance.

Summary of key activities and outputs (decisions, approvals, policies, procedures) for the 2017/18 financial year

The Committee held four meetings during the year under review where it considered, among others, the following:

- Recommended to the Board the Committee Evaluation Report and action lists.
- Recommended to the Board the draft Integrated Report and Annual Financial Statements for the 2016/17 financial year.
- Recommended to the Board the Sustainability Report for the 2016/17 financial year and Management Representation Letter for the 2016/17 financial year – Sustainability.
- Recommended to the Board the PFMA Reportable Items – AFS Disclosure.
- Recommended to the Board the draft Audit Committee Report for the 2016/17 financial year.
- Recommended to the Board the draft press release for the 2016/17 financial year.
- Recommended to the Board the Going Concern Assertion.
- Recommended to the Board the Management Representation Letter for the 2016/17 financial year – AFS.
- Recommended to the Board the Management Representation Letter for the 2016/17 financial year – Audit of Predetermined Objectives (AOPO).
- Recommended to the Board the Annual Financial Statements for the 2016/17 financial year – Transnet Pipelines (TPL).
- Recommended to Transnet’s National Ports Authority (TNPA) the Board’s Annual Financial Statements for the 2016/17 financial year – TNPA.
- Recommended to the Board the Management Representation Letter for the 2016/17 financial year – TNPA.
- Recommended to the Board the Tax strategy.
- Recommended to the Board the GMTN Financials.
- Recommended to the Board the Management Representation Letter for the 2016/17 financial year – GMTN Financials.
- Recommended to the Board the update on External Audit Request for Proposals (RFP).
- Recommended to the Board the corporate calendar for the 2018/19 financial year.
- Approved the Q1 GMTN Financial Results and Q1 Management Representation Letter for the period ended 30 June 2017.
- Approved the Q1 Going Concern Assertion for the period ended 30 June 2017.
- Recommended to the Board the Audit Planning Memorandum, including materiality level and audit approach.
- Approved the Q2 GMTN Financial Results, Q2 Going Concern Assertion and Q2 Management Representation Letter for the period ended 30 September 2017.
- Recommended to the Board the draft press release – 30 September 2017.
- Approved the committee’s proposed Annual Work Plan for the 2018/19 financial year.
- Approved Transnet Internal Audit’s Progress Report.

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

The Company has reinstated Assurance Committees at the Operating Divisions’ level to deal with PFMA transgressions as they arise. A step-up programme was introduced to tighten internal controls and to give more emphasis on consequence management. The Company also made an undertaking to SCOPA to reduce contract deviations and extensions.

1 Mr Radebe was appointed as a director and the Chairperson of the Audit Committee with effect from 21 December 2017.
2 Mr Stagman resigned as a director of the Company with effect from 10 December 2017.
3 Ms Kinley was appointed as a director and member of the Audit Committee with effect from 21 December 2017 and the Chairperson of the Acquisitions and Disposals Committee with effect from 30 January 2018.
4 Mr Mahlalela passed away on 29 March 2018.
5 Ms Mathekga was appointed as a member of the Remuneration, Social and Ethics Committee and ceased to be a member of Corporate Governance with effect from 30 January 2018.
The Remuneration, Social and Ethics Committee is constituted as a statutory committee of Transnet SOC Ltd in respect of its statutory duties in terms of section 72(4) and Regulation 43 of the Companies Act, and as a committee of the Board in respect of all other duties assigned to it by the Board in terms of its mandate. The purpose of the committee is to:

- Advise the Board in regard to responsible corporate citizenship and the ethical relationship between the Company and its stakeholders, both internally and externally. The committee will manage 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.
- Manage and monitor the Company’s activities to achieve and maintain world-class standards in the Company’s social and ethics environment, with due regard to all relevant legislation, policies, legal requirements and codes of best practice.
- Oversee the ethics management programme implemented by management.
- Ensure that competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high-performance staff at all levels in support of realising corporate objectives and to safeguard Shareholder interests.
- Review the design and management of salary structures, policies and incentive schemes and to ensure that they motivate sustained high performance and are linked to corporate performance.
- Review the mandates of the remuneration committees of the subsidiaries of Transnet and to approve the remuneration policies and practices recommended by them.
- Develop and implement a remuneration philosophy for disclosure to enable a reasonable assessment of reward practices and governance processes to be made by stakeholders.
- Recommend the level of independent non-executive directors’ fees to the Board.
- Ensure compliance with applicable laws and codes.
- Consider and make recommendations on all human capital matters related to the:
  - Restructuring of Transnet;
  - Disposal of assets/part of Transnet’s business;
  - Acquisition of assets/new business;
  - Development of human resources issues.
- Approve succession planning policy and procedures for the Group Leadership Team (other than executive directors) and the Extended Leadership Team.

The committee held five meetings in the year under review where it considered, among others:

- Approved the Committee Evaluation Report and action lists.
- Approved the Remuneration Report for the 2016/17 financial year.
- Recommended to the Board the Sustainability Report for the 2016/17 financial year, including the SHE Report.
- Approved the Short-Term Incentives Scheme (STI).
- Approved the revised mandate for management category increases for the 2017/18 financial year.
- Recommended to the Board the non-executive directors’ fees for the 2017/18 financial year.
- Approved the review of the ground rules for the STI.
- Recommended to the Board the corporate calendar for the 2018/19 financial year.
- Approved the granting of the Long-Term Incentive conditional awards for the 2016/17 financial year to eligible participants.
- Approved the half-year STI payment to bargaining unit employees.
- Approved the committee’s Annual Work Plan for the 2018/19 financial year.
- Approved the wage negotiations mandate.

The need for continuous improvement in addressing employee and public fatalities remains a challenge, although management continues to focus on implementing safety measures to eradicate employee fatalities and strives to collaborate with municipalities and local government to ensure non-encroachment on the railway lines by informal settlements in a bid to reduce the public fatalities.

Management is considering initiatives that will assist in improving the employment equity (EE) targets, especially at GLT levels as a means of achieving the EE and People Living with Disabilities targets.

Publicising the Company’s good news stories, including those of a social nature while also serving to counter the negative publicity stemming from media allegations. Management is using a number of media platforms including social media, targeted at the divergent stakeholders to amplify the Company’s positive narrative, while addressing the related issues.

Fraud and corruption matters and the need to improve efficiencies in consequence management are being addressed. Management has implemented more stringent measures for instituting consequence management and the suspension of employees to avoid lengthy disciplinary processes and excessive costs.

1 Ms Mathekga was appointed as a member of the Remuneration, Social and Ethics Committee and ceased to be a member of Corporate Governance with effect from 30 January 2018.

2 Mr Shane resigned as a director of the Company with effect from 29 June 2017.
Corporate Governance and Nominations Committee

Chairperson:
Ms LC Mabaso

Members:
Ms Y Forbes
Ms PEB Mathekga¹
Mr VM Nkonyane

Summary of the committee’s mandate

The Corporate Governance and Nominations Committee is constituted as a committee of Transnet SOC Ltd in respect of all other duties assigned to it by the Board in terms of its mandate. The purpose of the committee is to:

• Ensure that the Board’s composition and structure enables it to fulfil the obligations of the Board’s mandate and advance and maintain the Company's corporate governance policies and the Corporate Governance Framework.
• Set 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.
• Nominate potential Audit Committee members for appointment by the Shareholder Minister.
• Nominate 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.
• Ensure that best practice succession planning policies are implemented in respect of executive directors and independent non-executive directors.
• Administer and manage the selection process of the Company's Chief Executive on behalf of the Board and make recommendations on the top-three candidates, in order of priority, to the Board, by complying with the “Guidelines for the appointment of a Chief Executive for a State-owned Enterprise”.

Summary of key activities and key outputs (decisions, approvals, policies and procedures) for the 2017/18 financial year

The committee held four meetings during the year under review where it considered, among others:
• Recommended to the Board the draft Integrated Report for the 2016/17 financial year.
• Recommended to the Board the GCE’s performance contract for the 2017/18 financial year.
• Recommended to the Board the Training Plan for the 2017/18 financial year.
• Recommended to the Board the TPL Rehabilitation Trust: Appointment of Public Officer.
• Recommended to the Board the Board’s composition.
• Recommended to the Board the Transnet Retirement Fund: Rule Amendment 10.
• Recommended to the Board the Transnet Second Defined Benefit Fund and Transnet Sub-Fund of the Transport Pension Fund 2016 ad hoc bonus payments.
• Recommended to the Board the appointment of Trustees to the Pension Funds:
  - Transnet Second Defined Benefit Fund;
  - Transnet Retirement Fund;
  - Transmed Medical Fund.
• Recommended to the Board the Trustee appointment: Gadisa Supplier Development Fund.
• Recommended to the Board the corporate calendar for the 2018/19 financial year.
• Recommended to the Board the Board committees’ composition: Remuneration, Social and Ethics and Acquisitions and Disposals committees.
• Recommended to the Board the Monitoring of the Shareholder’s Compact for the 2017/18 financial year.
• Recommended to the Board the draft response to SCOPA on the outcome of Consequence Management for PFMA violation matters.
• Recommended to the Board the Company Policy Framework ratification.
• Approved the Board Independent Evaluation for the 2017/18 financial year.
• Recommended to the Board the AGM arrangements and statutory authorisation applicable to the proposed agenda.
• Recommended to the Board the Shareholder’s Compact for the 2018/19 financial year.
• Approved the Annual Work Plan for the 2018/19 financial year.
• Recommended to the Board the Transnet Second Defined Benefit Fund and November 2017 and April 2018 ad hoc bonus payment to the pensioners.
• Recommended to the Board the Transnet Sub-Fund of the Transport Pension Fund November 2017 and April 2018 ad hoc bonus payment to the pensioners.

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

• The Shareholder Minister appointed two additional directors, both of whom are chartered accountants to address the Board’s skills mix.
• The Company further reviewed its MOI and lodged it with the CIPC on 19 December 2017. The revised MOI was subsequently accepted and placed on file with the CIPC. The amendment to the MOI reduced the minimum number of directors to six, of which not less than four shall be non-executive directors.

¹ Ms Mathekga was appointed as a member of the Remuneration, Social and Ethics Committee and ceased to be a member of Corporate Governance with effect from 30 January 2018.
Risk Committee Summary of the committee’s mandate

Chairperson:
Mr GJ Mahlalela¹ (Acting)

Members:
Ms Y Forbes
Mr BG Stagman²
Mr SM Radebe³

As set out in King III and the PFMA, risk management is ultimately the responsibility of the Board. The Risk Committee is constituted as a committee of Transnet SOC Ltd in respect of all other duties assigned to it by the Board in terms of its mandate. The purpose of the committee is to:

• Review and assess the integrity of the risk control processes and systems.
• Ensure that the risk policies are managed effectively and in accordance with the Enterprise Risk Management Framework approved by the Board from time to time.
• Ensure effective communication with the internal and external auditors, the Audit Committee, the Board, management, and regulators on risk management.
• Contribute to a climate of discipline and control which will reduce the opportunity for fraud and other operational losses.
• Assess any significant identified risk control failings or weaknesses and their potential impact, and confirm that appropriate action has or is being taken.

Summary of key activities and key outputs (decisions, approvals, policies and procedures) for the 2017/18 financial year

The committee held five meetings during the year under review and considered, among others:
• Approved the Committee Evaluation Report and action lists.
• Noted the update on Regulatory Developments.
• Noted the Group Risk Report including economic, regulatory and litigation risks, and an overview of risks from pending legislation and updated legislation.
• Noted the financial risks.
• Noted the capital investment and capital dashboard.
• Noted the ICT Governance and Related Risks Report.
• Noted the Report on Operational Audits.
• Recommended to the Board the corporate calendar for the 2018/19 financial year.
• Recommended to the Board the ICT regulatory universe.
• Approved the Annual Work Plan for the 2018/19 financial year.
• Approved the risk management overview of progress and planning for the 2018/19 financial year.
• Recommended to the Board the Enterprise Risk Management Framework and Plan for the 2018/19 financial year.
• Recommended to the Board the Risk Appetite Statement.
• Recommended to the Board the security strategy.
• Recommended to the Board the Risk Appetite Statement Return on Total Assets (ROTA) Limit resubmission.
• Recommended to the Board the integrated risk management policy.

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

• An increasing trend in employee fatalities and derailments have been addressed at the GLT roadshows across the Company and visible leadership strategies implemented, which include individual GLT members being allocated specific work areas which they visit regularly to engage employees on different matters including safety.
• Mitigation plans to manage cyber risks and related policies and procedures. Management is finalising policies and a framework for effective management of cyber risks.
• Credit Rating Agencies’ assessments, and their impact on the Company’s funding requirements. Mitigation plans to improve the Company rating while taking cognisance of the link with the Sovereign, included reducing and deferring capital spend, and considering alternative funding models and institutions.
• Reputation risk based on media allegations and PFMA transgressions, matters of which were elevated to Board level for comprehensive oversight.

¹ Mr Mahlalela passed away on 29 March 2018.
² Mr Stagman resigned as a director of the Company with effect from 10 December 2017.
³ Mr Radebe was appointed as a director and the Chairperson of the Audit Committee with effect from 21 December 2017.
Acquisitions and Disposals Committee

Summary of the committee’s mandate

Chairperson(s):
Ms AC Kinley1
Mr SD Shane2

Members:
Mr ZA Nagdee
Ms LC Mabaso

The Acquisitions and Disposals Committee is constituted as a committee of Transnet SOC Ltd in respect of all other duties assigned to it by the Board in terms of its mandate. The purpose of the committee is to:
• Advance and maintain the Company’s acquisition and disposal policies.
• Approve procurement transactions within the committee’s delegated authority.
• Monitor trends in supplier development spend and progress on plan.
• Consider strategic acquisitions and disposals and make recommendations to the Board.
• Consider, for recommendation to the Board, potential private sector participation models.
• Review quarterly capital expenditure reports, and monitor execution of approved projects.
• Monitor the implementation of strategic acquisitions against the approved plans.
• Approve procurement strategies for proposed acquisitions and disposals to the Board in line with the DoA Framework.

Summary of key activities and key outputs (decisions, approvals, policies, and procedures for the 2017/18 financial year)

The committee held six meetings during the year under review where it considered, amongst others:
• Approving the National Treasury Procurement Plan.
• Approving the Annual Work Plan for the 2018/19 financial year.

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

• Continuously striving to attain, and exceed the set targets for Black Youth Owned and People Living with Disability businesses’ spend. The Company has introduced B-BBEE improvement plans as a requirement in the procurement assessment criteria. The Enterprise Development Hubs that were established in various provinces to strengthen its Supplier Development component are yielding positive results.
• PFMA reportable matters in relation to contract deviations and/or exemptions. A decision was made to avoid such PFMA applications and that due process as prescribed in the statute should be followed.

1 Ms Kinley was appointed as the Chairperson of the Acquisitions and Disposals Committee with effect from 30 January 2018.
2 Mr Shane resigned as a director of the Company with effect from 29 June 2017.

Group Leadership Team meetings

Schedule of members’ attendance at GLT meetings held during the period under review:

<table>
<thead>
<tr>
<th>Meetings held</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr SI Gama (Chairperson)</td>
<td>7</td>
</tr>
<tr>
<td>Mr MM Buthelezi</td>
<td>6</td>
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<tr>
<td>Mr G de Beer</td>
<td>10</td>
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<tr>
<td>Mr T Jiyane</td>
<td>9</td>
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<tr>
<td>Ms NE Khumalo1</td>
<td>8</td>
</tr>
<tr>
<td>Ms DC Moepuhi2</td>
<td>6</td>
</tr>
<tr>
<td>Ms MA Mosidi</td>
<td>10</td>
</tr>
<tr>
<td>Mr K Ngema1</td>
<td>8</td>
</tr>
<tr>
<td>Mr N Silinga4</td>
<td>11</td>
</tr>
<tr>
<td>Mr GI Pita</td>
<td>9</td>
</tr>
<tr>
<td>Ms S Qalinge5</td>
<td>4</td>
</tr>
<tr>
<td>Mr K Reddy</td>
<td>8</td>
</tr>
<tr>
<td>Ms EAN Sishi</td>
<td>7</td>
</tr>
<tr>
<td>Ms MA Sukati1</td>
<td>9</td>
</tr>
</tbody>
</table>

Notes:
1 Ms Khumalo and Sukati are attendees at the GLT meetings
2 Ms Moepuhi resigned from the Company with effect from 31 October 2017
3 Mr Ngema was appointed as Group Executive: Strategy with effect from 1 July 2017 and is a permanent GLT attendee.
4 Mr Silinga was appointed as Acting Chief Corporate Regulator Officer, and therefore a member of the GLT, with effect from 1 November 2017. Mr Silinga in his capacity as Chief Legal Counsel was, however, a permanent attendee at all the GLT meetings.
5 Ms Qalinge was appointed as CE of Transnet: National Ports Authority with effect from 1 July 2017 and automatically ceased to be an attendee at the GLT meetings.
The Board recognises the Company’s accountability to all its stakeholders under the regulatory requirements applicable to its business and is committed to high standards of integrity in the conduct of its business. In view of the importance of complying with the ever-increasing universe of regulatory requirements, and the increased national and international emphasis placed on the supervision thereof, the Board, Group Executive Management and employees are regularly apprised of the compliance requirements.

Further, internal controls are constantly being developed and tested to ensure compliance and continuous training.

**PFMA**

Refer to the PFMA Report, page 16 of the Annual Financial Statements.

**Companies Act**

The Company continues to comply with the Companies Act and satisfies related governance and compliance requirements.

**King IV compliance – Governance Assessment Instrument**

The Company utilises the Governance Assessment Instrument (GAI) as the due process to provide assurance that every recommended practice in the King IV Report has been considered. Practices are applied and explained, with the latter carrying an explanation of how the principle is being practiced. Practices that support the ‘16 Principles’ of the King IV Report are assessed through the GAI, confirming the extent to which the principles are applied by way of the following rating:

- **AAA** – Highest application;
- **AA** – High application;
- **BB** – Notable application;
- **B** – Moderate application;
- **C** – Application to be improved; and
- **L** – Low application.

Transnet has adhered to some of the King IV principles and recommendations as evidenced in the Integrated Report, Remuneration Report and the Sustainably Outcomes Report. The Company is in the process of closing the gaps identified through a King IV gap analysis process conducted during 2017/2018 financial year. An assessment will be conducted, and the outcome taken through the applicable governance process before a detailed report is published on the website (www.transnet.net/GAI), as part of the 2018/19 financial year reporting.