Approach to corporate governance

Adherence to the highest standards of corporate governance is our priority to attain financial sustainability. The state capture allegations and the consequent investigation reports that unravelled a web of fraud, malfeasance, and wrongdoing demanded a radical change in governance structures and processes. The burning platform became the focus of attention for the business.

As a State-owned Company (SOC), our governance function supports the Company’s ability to achieve the commercial and developmental imperatives set out in the Statement of Strategic Intent. To this end, the Board of Directors ensures that programmes to create value for all stakeholders are developed and monitored. Visible good governance – good governance in action – can generate value as it rebuilds social trust, creates investor credibility and renews institutional integrity, the latter being an action undertaken by our people. The Board acknowledges its responsibility to hold employees accountable for their actions. As the Company gears up for growth, governance should reflect its evolution by reviewing existing compliance structures and practices.

On 28 May 2018, the Board dissolved the Acquisitions and Disposals Committee, a procurement committee comprising non-executive directors as members. As a result of the investigation outcomes, the Company initiated disciplinary processes that involved the removal and/or suspension of some of its leadership including the former Group Chief Executive. The later part of the period under review saw the dissolution of the Group Leadership Team (GLT) and the revision of the Company’s governance structure. The details are covered on page 43 in the Integrated Report.

King IV™ references

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

King IV Report on Corporate Governance for South Africa 2016

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Governance

Review of the Chairperson: Corporate Governance and Nominations Committee

Ms Dimakatso Matshoga
Chairperson: Corporate Governance and Nominations Committee

Transnet is on a continuous improvement journey with respect to its corporate governance, compliance and risk management. Accordingly, the Board of Directors (the Board) and management are resolute in their efforts to restore trust and confidence in the Company. The web of fraud and wrongdoing that gradually unravelled during the reporting year in the wake of state capture allegations – and the roles that some external parties and Transnet employees had played in this alarming phenomenon – demanded urgent governance attention. The appointment of a new Board in May 2018 served as the first step in embarking on the challenging journey to restore stability to the largest and most crucial part of South Africa’s freight logistics chain.

Reform of State-owned Companies is one of the major themes that President Cyril Ramaphosa underlined in his 2019 State of the Nation Address. He emphasised the need for decisive measures to improve governance, strengthen leadership and restore stability in strategic entities. It is the current Board’s duty to usher in the new strategic direction, that is intended to re-establish an operational core and create a strategy, which has been thrown off course from its core mandate. It is the Board’s firm undertaking to re-establish a firm governance foundation which can monitor performance, enable clear and transparent communication relating to that performance, and ultimately hold our people to account for their actions, regardless of their positions within the organisation.

The first steps we took as a new Board on this governance journey included:

1. Overhauling all Board subcommittees and disbanding the Acquisitions and Disposals subcommittee – which had the Board involved in procurement awards – and establishing the Finance and Investment subcommittee, with the Board providing strategic oversight and guidance in the procurement process;

2. Initiating the implementation of the Werksmans and MNS report recommendations, e.g. suspending several senior managers;

3. Instigating the requisite corrective measures and consequence management;

4. Issuing multiple summonses in lieu of civil recoveries, as well as entering into contractual negotiations with the OEM suppliers of the 1 064 locomotives;

5. Launching criminal complaints against key individuals as investigations progress;

6. Working with the Zondo Commission, the Special Investigating Unit and the Directorate of Priority Crimes Investigations to support their investigation processes;

7. The Board, together with management undertook numerous roadshows with Transnet’s broad base of stakeholders to address challenges and to share Transnet’s strategic objectives;

8. Stabilising the executive management team by taking steps to appoint executive officers, starting with the Group Chief Executive, Group Chief Financial Officer, Chief Procurement Officer and Group Treasurer; and

9. Establishing a Forensic Committee as a subcommittee of the Executive Committee to perform various forensic tasks aligned with ongoing investigations.

Further, during its strategic planning session in November 2018, the Board resolved to review the Company’s operating model while also reviewing the Organisational Authority Framework, which defines the parameters within which individuals can make financial decisions on behalf of the Company. These reviews necessitated an update of the committee mandates which is currently underway. As the business concrete Transnet’s strategic vision, and as we strengthen our core operations and governance structures in the short to medium term, the new operating model will start coming into effect.

In gearing up for commercial growth, our governance function needs to reflect our broader evolutionary journey – in spirit and in practice – to acknowledge the needs of all our stakeholders, and to ultimately create the broader economic and developmental value for society demanded by our national mandate. To this end, the Board intends to establish a governance platform that embodies the core values of professional ethics, leadership, accountability, inclusivity and responsiveness – and to ensure that when we act, we do so decisively, ethically and with fair regard for those impacted.

Transnet Governance Report 2019

Ms Dimakatso Matshoga
Chairperson
26 September 2019
Johannesburg
How our improved governance function will support our strategy and operations

Principles that Transnet’s governance structure aspires to uphold

Strategic planning, performance monitoring and evaluation
Flexible and evolving principles-based systems
Clear accountability mechanisms
Sound business case management across project lifecycles
Working effectively across organisational boundaries
Comprehensive risk management, compliance and assurance systems

Governance context

Ethical, effective leadership and corporate citizenship

The role of the Board

The Board is principally responsible for overseeing the affairs of the Company, balancing the interests of stakeholders, and ensuring the Company’s long-term economic, social and environmental sustainability. This responsibility includes it being the deemed Board of the Transnet National Ports Authority in terms of the National Ports Act, No 12 of 2005, as amended. The Board, through its Chairperson, also serves as the Shareholder of Transnet International Holdings SOC Ltd (incorporated on 29 August 2017 as a wholly owned subsidiary of Transnet SOC Ltd), which is currently dormant.

The Board leads the Company in its achievement of strategic objectives by approving and directing 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 can achieve its statutory and commercial objectives.

The Board is accountable for leading the organisation both ethically and effectively. The qualities of integrity, competence, responsibility, fairness, transparency and trustworthiness are cultivated and exhibited through compliance with legislation, applicable policies, rules and binding codes, underscored by the Company’s principles as a good corporate citizen. The Board is committed to the implementation of the King IV principles as it executes its strategy for achieving the Company’s objectives:

- Provide assurance on governance-related processes and controls applied by the Board to support strategy.
- Meet Transnet’s strategic objectives while mitigating risks.
- Safeguard manufactured assets.
- Manage ICT architecture and mitigate digital risks.
- Integrate and align assurance processes and control systems to enable risk and governance oversight.
- Adhere to legal, compliance and accounting requirements, and contribute to a climate of discipline to reduce fraud and losses.

The Company has incurred severe damage due to procurement governance failures which have tainted the good image that the Company held for decades. The implementation of the investigation outcomes and the ongoing investigations as well as various governance interventions have kept the Board engaged in extensive meetings with various stakeholders ranging from law enforcement agencies to lenders, customers and employees.

The Board established the Audit Committee and the Remuneration, Social and Ethics Committee as statutory committees. The Audit Committee is responsible for the Company’s annual financial statements and the financial reporting frameworks. The Remuneration, Social and Ethics Committee’s activities are in line with the regulations as outlined in section 7(2)(f) of the Companies Act, No 71 of 2008, as amended. 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

The Board has sub-delegated some of its authority to its committees through the Delegation of Authority Framework and the committees’ respective mandates. The mandates set out the roles and responsibilities of the Board and its committees and are achieved through the execution of the Annual Work Plans, meetings, 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 as well as the strategy which incorporates a capital programme and budgets. These strategy workshops are preceded by the Group Executive Committee’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 ongoing induction and continuous development of our directors. During these excursions, the directors interact with various stakeholders, including employees, customers, suppliers, labour unions, etc.

Governing the Board

The Board sets the tone for ethical leadership which forms the foundation for good corporate governance. Sound governance principles and processes define and direct Board responsibilities of the Board and actively drive a sustained governance culture throughout the Company that is based on associated standards and norms. The Company adheres to the King IV control objectives.

Leadership, oversight and accountability

Ethical leadership, oversight, and accountability are institutionalized 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 2018/19 financial year and was strictly monitored by the Corporate Governance and Nominations Committee during the year.
- The roles of the Chairperson and Group Chief Executive remained separate as recommended by King IV.
- A formal induction and training programme for new appointments was implemented. Training and development needs identified by the Board and its committees were incorporated into training programmes.
Effective meetings

The Board and its committee 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. Special meetings may be convened at the request of the Chairperson or any member, when necessary and within the limits set by the Board. All meetings are managed by the respective chairpersons and are well attended. Timely, relevant and accurate information is provided to the Board and its committees. The minutes of the Board and committee meetings are circulated for comment in accordance with the mandates and accordingly approved in subsequent meetings. The dignification of meeting packs has introduced real-time availability of information in preparation for meetings. The meeting attendance of the Group Executive Committee and the Board is reported to the Shareholder every quarter, together with decisions taken by the Board and its committees.

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.

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 the 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 policies 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.

Filing of returns

As a SOC, 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 legislative timelines and ensures that the Shareholder and the Shareholder Minister hereby timely access to those audited Annual Financial Statements. The Company has developed procedures and systems to ensure early adoption of the POPI Act since it is formally promulgated. More details on pages 84 and 98 of the 2019 Integrated Report.

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 Parks Act for its deemed Board activities on behalf of the National Parks 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.

The Transnet Board terminated the employment of the Group Chief Executive, Mr Siyabonga Gama, with effect from 28 October 2018. Transnet must fulfill its economic and developmental mandates, and the Board considers it both a business and governance imperative that a new executive head be appointed to ensure this outcome.

Mr Tau Morwe was appointed Acting Group Chief Executive with effect from 1 November 2018 for six months. When his contract expired on 30 April 2019, Mr Mohammed Mahomedy was appointed as Acting Group Chief Executive, effective from 1 May 2019.

Mr Mark Segg Macdonald was appointed Acting Group Chief Financial Officer, with effect from 13 May 2019.

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.

Remuneration, 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. The Remuneration, Social and Ethics Committee keeps the Company’s executive in compliance with the Companies Act. The Company’s activities are in line with the regulations as outlined in section 72(4) of the Companies Act. A report is submitted to the Companies and Intellectual Property Commission (CIPC) to account for the activities undertaken by the Board and the Shareholder Minister under review, as and when required.

Audit Committee

During the year under review, the Company continued to: (i) comply with the Companies Act for the functioning and reporting of the Audit Committee; (ii) comply with the PFMA for the composition and election of the Audit Committee; and (iii) comply with the Companies Act and POPI Act for the composition and election of the Audit Committee. The Company has appointed a new external audit firm to assist with the annual financial statements.
King IV

King IV: P13

The Company has adopted the King IV governance principles with regulatory provisions to achieve the overarching principles of sound governance, namely an ethical culture, good performance, effective control, as well as operational and social legitimacy. The Company attempts to do so substantively and not simply in form 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.

The Governance Assessment Instrument 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 2019 Integrated Report, Remuneration Report and Stakeholder Engagement Report.

Governance instruments

The Company’s governance instruments include the:

- Memorandum of Incorporation (MOI), as lodged with the CIPC, and
- Delegation of Authority (DOA) framework, approved by the Board and cascaded company wide.

Memorandum of Incorporation (MOI)

King IV: P13

The Company’s revised MOI was filed with the CIPC on 19 December 2017 and was subsequently accepted by the CIPC and placed on file. The mandates of the Board and its committees are aligned with the Company’s MOI. The Company has since embarked on the MOI amendment process to include the changes introduced by the new Board, such as including the Acquisitions and Disposals Committee, and the subsequent establishment of the Finance and Investment Committee as well as the appointment of a Board member as a chairperson of the Corporate Governance and Nominations Committee.

DOA Framework

The Company reviewed its DOA Framework which was approved by the Board on 29 January 2019. The objective of the review was to craft and implement a DOA Framework that defines the parameters within which individuals can make financial decisions on behalf of the Company. This approach ensures that there are checks and balances in the decision-making process and that there is no individual with superior powers which results in abuse of authority, particularly in acquisition or procurement-related transactions. The review of the DOA Framework takes cognisance of the Company’s strategic objectives. The DOA Framework is reviewed annually for adequacy and completeness and approved by the Board. The DOA Framework has the Board Resolved matters as an annexure. All the Operating Divisions and Specialist Units are required to sub-delegate authority according to the latest DOA Framework to their respective executive committees (Extended Executive Committee) within 30 days from the date of signature by the Group Chief Executive.

Board and Committee mandates

The mandates of the Board and its Committees are aligned with the provisions of the Companies Act, the Company’s MOI, and the DOA Framework. Similarly, the mandates of the Group Executive Committee and its sub-committees are aligned with the current DOA Framework and the mandates of the Board and its committees.

Compliance

King IV: P13, P13

The Company has an established compliance function, which has in place a compliance policy that is aligned to the Company Policy Framework. The Company Policy Framework forms the foundation of the compliance framework, which sets out the standards for the review of Company policies. The Company considers non-compliance with legislative and regulatory requirements as a key risk, as it not only exposes the Company to fines and civil claims but can also result in 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 risks associated with regulatory requirements, statutory licences, and awards 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 to review and approve 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’s strategy to mitigate compliance risk exposures emerging from the execution of the strategy.

Management of potential conflicts of interests

The Company has adopted a DOA Framework that delineates the fiduciary duties of directors and prohibits the use of position, privileges and/or confidential information for personal gain or to the detriment of another person improperly. The Board continuously improves the governance instrument to ensure continued adherence to the prescribed standards of ethical and professional conduct.

Management of ethics

King IV: P2, P3

The Board continued to ensure that the Company’s ethical environment was effectively managed during the year under review.

The Company’s Code of Ethics (the Code) promotes a culture of honesty, respect, integrity and overall ethical behaviour for employees who engage with internal and external stakeholders. The Code 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 registry 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 enables employees, customers and trade partners to report concerns about unethical or unlawful behaviour. The Hotline is outsourced to a third party to ensure independent, seamless investigation without prejudice. The Hotline is available 24 hours a day, seven days a week and call centre agents converse in all 11 official South African languages. All irregularities, whether reported through formal or informal reporting channels, are investigated through an established forensic investigation process.

Structure and composition of governance committees

King IV: P8

The Company’s governance structure is derived from King IV. 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, which 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 Group Executive Committee to deliver on specific mandates based on the DOA Framework. The Company further carries out its mandate through its Operating Divisions and Specialist Units, which receive delegations from the Group Chief Executive.
The Company’s structure and governance committees

The governance structure of the Company is depicted below:

- **Shareholder (Minister of Public Enterprises)**
  - Mr. MS Mahomedy

- **Shareholder’s Compact**
  - Dr. PS Molefe

- **Executive Committee**
  - Chairperson: Mr. LL von Zeuner
  - Members: Mr. LL von Zeuner, Ms. GT Ramphaka, Mr. AP Ramabulana, Mr. LL von Zeuner, Ms. RJ Ganda

- **Board Chairperson**
  - Mr. PS Molefe

- **Management Committee**
  - Chairperson: Ms. ME Letlape
  - Members: Mr. LL von Zeuner, Ms. ME Letlape, Ms. UN Fikelepi

- **Corporate Governance Committee**
  - Chairperson: Ms. ME Letlape
  - Members: Mr. LL von Zeuner, Ms. UN Fikelepi, Dr. PS Molefe

- **Human Resources Committee**
  - Chairperson: Ms. ME Letlape
  - Members: Mr. LL von Zeuner, Ms. ME Letlape, Ms. UN Fikelepi

- **Risk Committee**
  - Chairperson: Ms. GT Ramphaka
  - Members: Adv. OM Motaung, Ms. GT Ramphaka, Ms. RJ Ganda

- **Procurement Committee**
  - Chairperson: Mr. AP Ramabulana
  - Members: Mr. LL von Zeuner, Ms. RJ Ganda

- **Remuneration, Social and Ethics Committee**
  - Chairperson: Ms. GT Ramphaka
  - Members: Ms. GT Ramphaka, Mr. AP Ramabulana, Mr. LL von Zeuner

- **Finance and Investment Committee**
  - Chairperson: Mr. LL von Zeuner
  - Members: Ms. RJ Ganda, Mr. AP Ramabulana, Adv. OM Motaung

- **Forensic Committee**
  - Chairperson: Mr. LL von Zeuner
  - Members: Mr. LL von Zeuner, Ms. GT Ramphaka, Mr. AP Ramabulana

- **Legal and Compliance Committee**
  - Chairperson: Mr. LL von Zeuner
  - Members: Mr. LL von Zeuner, Mr. AP Ramabulana, Ms. GT Ramphaka, Ms. ME Letlape

- **Delegation of Authority Framework**

- **Integrated Reporting Assurance Framework**

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

### Integrated reporting elements

**King IV**, P8, P11, P13, P14, P16

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

#### Integrated Reporting Assurance Framework

**Content**

- **Integrated Report (in full)**
  - Transnet Board
  - Audit Committee
  - Remuneration, Social and Ethics Committee
  - Corporate Governance and Nominations Committee
  - Directors’ approval
  - International IR-Framework
  - Audit Committee Terms of Reference

- **Annual Financial Statements (consolidated and summary)**
  - SizweNtsalubaGobodo
  - Grant Thornton Inc.
  - Audit Committee
  - Transnet Board
  - Qualified audit opinion due to external audit not being able to satisfy themselves that the reported irregular
  expenditure in note 4B in the Annual Financial Statement is complete and accurate.
  - Material findings on processes used to measure certain performance information.
  - Public Finance Management Act (PFMA)
  - Companies Act of South Africa, No 71 of 2008 (Companies Act)
  - International Financial Reporting Standards (IFRS)

- **Selected information relating to Transnet’s socio-economic developmental outcomes (SDO)**
  - SizweNtsalubaGobodo
  - Grant Thornton Inc.
  - Reasonable assurance opinion, and limited assurance conclusion.
  - Sustainability information has been prepared in all material respects in accordance with Transnet’s reporting criteria.
  - Transnet’s sustainability reporting criteria

- **Review of internal controls and risk management**
  - Transnet Internal Audit
  - National Occupational Safety Association (NOSA)
  - International Standards Organisation (ISO) accreditation bodies
  - Legal firms
  - Financial controls: Requires improvement
  - Operational controls: Unsatisfactory
  - Risk management: Requires improvement
  - Committee of Sponsoring Organisations (COSO)
  - PFMA
  - NOSA standards
  - ISO standards relating to safety and environment, including ISO 9000 and ISO 14000
  - Legislative requirements
  - Enterprise risk management ISO 31000 standard

- **S-BBEE contributor level**
  - Beaver Verification Agency CC
  - Level confirmed as Level 2
  - Broad-Based Black Economic Empowerment (B-BBEE) Act and charters
  - Rail sub-sector scorecard
  - Marine sub-sector scorecard

- **Corporate Governance**
  - Transnet Internal Audit
  - Assessment of controls: Unsatisfactory
  - Committee of Sponsoring Organisations (COSO)
  - PFMA
  - Companies Act
Board composition

The Company’s existing MOI, as amended on 19 December 2017, 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 Board shall be appointed. 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. 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. They act in the best interest of the Company at all times and avoid potential political connections or exposures using a range of governance instruments in the execution of their fiduciary duties. The executive management members attend Board meetings by invitation.

Non-executive directors

A non-executive director shall hold office for a term of three years from the date of his/her appointment, subject to confirmation of his/her 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.

Ms V McMenamin and Prof EC Kieswetter resigned as non-executive directors of the Company with effect from 28 February 2019 and 6 May 2019, respectively.

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 Group Executive Committee, 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 Group Executive Committee 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 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 it to objectively and effectively discharge its duties. In accordance with the King IV Code, the Board is satisfied that the non-executive directors of the Company are independent.

Representation of the Company’s Independent non-executive directors is depicted on page 16 of the report.

It is the Board’s firm undertaking to re-establish a firm governance foundation which can monitor performance, enable clear and transparent communication relating to that performance, and ultimately hold our people to account for their actions, regardless of their positions within the organisation.
Our Board members

Dr Poop Moale
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)
Directorship/Shareholding/Trusteeship: Theodorecor (Pty) Ltd
Sunshine Street Investments 71 (Pty) Ltd
Mooki Trust
Marble Gold
Mabele Trust
Lereko Metier Trustees
Lereko Metier Investors (Pty) Ltd
Lereko Broad-based Consortium 21
Global Aviations Operations (Pty) Ltd
Friedshelf 15
Devland Meat Production

Mr Mohammed Mahomed
Acting Group Chief Executive
Date of birth: March 1971
Year of appointment: May 2018
Qualifications: CAISA; PGDip ACC (University of KwaZulu-Natal); BCompt (University of South Africa), Advanced Strategic Management (IMD Switzerland), Global Executive Leadership Development Programme (Gordon Institute of Business Science)
Directorship/Shareholding/Trusteeship: Cutting Edge Finance (Pty) Ltd (150%)
Maysaly Family Trust
FMH Family Trust

Ms Ursula Fikelepi
Independent non-executive director
Date of birth: January 1973
Year of appointment: May 2018
Qualifications: MBA (Gordon Institute of Business Science); LLM (University of New Hampshire USA); LLB (University of Cape Town); BA Law (Rhodes University)
Directorship/Shareholding/Trusteeship: Emusa Holdings (100% holding); Grace Bible Church
Mzunza Africa (Pty) Ltd (16.7% holding)

Ms Komilla Naicker
Acting Group Company Secretary
Date of birth: February 1969
Year of appointment: July 2019
Qualifications: Admitted Attorney; BA Law (University of Durban-Westville); LLB (University of Durban-Westville); Transnet Senior Management Leadership Development Programme (Gordon Institute of Business Science); Leading Women Programme (Gordon Institute of Business Science); Short Term Insurance 1 (Insurance Institute of South Africa)
Directorship/Shareholding/Trusteeship: Transnet Medical Scheme Board of Trustees

Ms Ramasela Ganda
Independent non-executive director
Date of birth: September 1974
Year of appointment: May 2018
Qualifications: CAISA; BCom (Hons) (University of Pretoria); CTA (University of Pretoria); Accounting Special (Brigiding Course) (University of Pretoria); BCom (Visita University); Associate – South African Institute of Chartered Accountants (SACA) and The Public Accountants’ and Auditors’ Board (PAAB)
Directorship/Shareholding/Trusteeship: BPC Chartered Accountant (100% holding); Mzalewe (Pty) Ltd (25% holding)

Ms Dimakatso Mathsho
Independent non-executive director
Date of birth: May 1978
Year of appointment: May 2018
Qualifications: MBA (Management College of South Africa); BSc (Electronic Engineering) (University of KwaZulu-Natal); PD in Project Management (School of Project Management); Piling and Certified Director Institute of Directors in Southern Africa (IoDSA)
Directorship/Shareholding/Trusteeship: Afakalisa Consulting (100% holding); Afakalisa Foundation (non-profit company) (33.3% holding)
ATISSA Engineering and Environmental (33%) (in deregistration process); Ina-Star Tech Solutions (primary co-operative) (20% holding)

Ms Mpho Letlapa
Independent non-executive director
Date of birth: March 1959
Year of appointment: May 2018
Qualifications: Bachelor of Computer Science and Psychology (University of Fort Hare); Management Advanced Programme (Wits Business School); Strategic Human Resources Management (University of Cape Town Graduate School); Leading Change (Harvard Business School); Strategic Perspective in NPO Management (Harvard Business School); Orchestrating Winning Performance (IMD (Harvard Business School); Strategic Human Resources (Harvard Business School)
Directorship/Shareholding/Trusteeship: Africa Harm Reduction Alliance; Food Forward South Africa; Lethushane Advisory Services; Leboshare (Pty) Ltd; National Research Foundation; Sapphire Logistics; South African Women in Dialogue; Standard Bank Tutuwa Community Foundation NPC; Tower Group

Board committees
Audit Committee
Remuneration, Social and Ethics Committee
Corporate Governance and Nominations Committee
Risk Committee
Finance and Investment Committee
Adv Oupa Motaung
Independent non-executive director

Date of birth:
August 1970
Year of appointment:
May 2018

Qualifications:
BPP acc (University of the Witwatersrand),
LLB (University of the Witwatersrand), LLM (Tax Law) (University of the Witwatersrand), APISA Diploma (University of Pretoria); Advanced Certificate in Construction Law (University of Pretoria);
Certificate in Banking and Financial Markets (University of the Witwatersrand)

Directorship/Shareholding/Trusteeship:
Twende Investments (10% holding)

Ms Gratatitude Ramphaka
Independent non-executive director

Date of birth:
October 1971
Year of appointment:
May 2018

Qualifications:
MBA (Nyerere University of Science and Technology, Tanzania); BSc (Chemical Engineering) (Ohio State University); Executive Development Programme (IMD, Switzerland); Certificate in Corporate Governance and Risk Management

Directorship/Shareholding/Trusteeship:
Adcorp Holdings Ltd
Barclays Bank Mozambique
Delsham (Pty) Ltd
Implats Holdings Ltd
Mundaanjo Consulting (dormant)
National Bank of Commerce (Tanzania)
Nokshanya and Inkosi Albert Luthuli Peace and Development Institute
Zimplats (Chairman of the Board)

Gender representation as at 26 September 2019
58% male
42% female

Race representation as at 26 September 2019
75% (9 African)
17% (2 White)
8% (1 Indian)

Board departures
• Mr Siyabonga Gama: contract terminated 28 October 2018
• Ms Vivian McMenamin: resigned 28 February 2019
• Mr Siyabonga Gama: contract terminated 28 October 2018

Mr Louis von Zeuner
Independent non-executive director

Date of birth:
June 1961
Year of appointment:
May 2019

Qualifications:
Chartered Director CD(SA) Institute of Directors SA), BA (Econ) University of Johannesburg

Directorship/Shareholding/Trusteeship:
Algif Holdings Ltd
Anzelle Trust
FirstRand Bank Ltd
L & R Family Trust
LIV Foundation and LIV Equity Trust
Mahela Boerdery (Pty) Ltd
Nokukhanya and Inkosi Albert Luthuli Peace and Development Institute
FirstRand Bank Ltd

Mr Mark Gregg-Macdonald
Acting Group Chief Financial Officer

Date of birth:
February 1968
Year of appointment:
May 2019

Qualifications:
CA (SA), BCom (Hons) University of South Africa; On Campus Senior Management Programme (Henley Management College, Henley-on-Thames, UK)

Directorship/Shareholding/Trusteeship:
Histopos (Pty) Ltd (25%)

Board members’ competencies

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

Corporate Governance
Management Leadership
Legal Compliance and Regulations
Strategic Vision and Business Development
Corporate Governance
Risk Management
Strategy and Planning
Information and Technology
Trainings and Development
Stakeholders Relations
Policy Development
Business Appraisals and Management
Brand Development
Risk Management
Business Development and Sales

Length of tenure of independent non-executive directors as at 26 September 2019

100%
0-3 years
0%
3-6 years
Directors’ strength

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

Directors’ induction and continuous development

As part of enhancing the directors’ skills, the Group Company Secretary develops an Annual Board Training Plan which identifies training requirements for the Board and its committees. Individual directors are also encouraged to identify any governance-related training events they may wish to attend through recognised training institutions. Board and committee induction sessions (including site visits) were held between May and July 2018 for the newly appointed directors. The induction of directors is ongoing to acquaint the Board with the business of the Company. During the year under review, the following training activities were conducted by internal and external training service providers:

<table>
<thead>
<tr>
<th>Board and committee induction sessions</th>
<th>Governance structure</th>
<th>Training provided</th>
<th>Service provider</th>
<th>Date</th>
<th>Attendees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration, Social and Ethics Committee</td>
<td>Short-term Incentive (STI)</td>
<td>Ground Rules</td>
<td>In-House</td>
<td>Transnet Group Human Resources/Group Finance</td>
<td>12 June 2018</td>
</tr>
<tr>
<td></td>
<td>Social and Ethics as per the Companies Act</td>
<td></td>
<td>Institute of Directors of Southern Africa</td>
<td></td>
<td>4 February 2019</td>
</tr>
<tr>
<td>Corporate Governance and Nominations Committee</td>
<td>The Role of the Committee</td>
<td></td>
<td>iThemba Governance and Statutory Solutions</td>
<td></td>
<td>26 July 2018</td>
</tr>
<tr>
<td>Risk Committee</td>
<td>Risk Management Approach</td>
<td></td>
<td>In-House</td>
<td>Group Risk and Compliance</td>
<td>2 August 2018</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>Role of the Audit Committee</td>
<td></td>
<td>Institute of Directors of Southern Africa</td>
<td></td>
<td>23 August 2018</td>
</tr>
<tr>
<td></td>
<td>Integrated Assurance</td>
<td></td>
<td>FirstRand</td>
<td></td>
<td>12 February 2019</td>
</tr>
<tr>
<td>Finance and Investment Committee</td>
<td>PLP, Capital Operating Model and Indicative Capital Budgets for 2018/19</td>
<td></td>
<td>In-House</td>
<td>Transnet Group Capital</td>
<td>8 November 2018</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>National Ports Act</td>
<td></td>
<td>In-House</td>
<td>TNPA</td>
<td>21 February 2019</td>
</tr>
<tr>
<td>Individual director development</td>
<td>Technology and Information Governance</td>
<td></td>
<td>Institute of Directors of Southern Africa</td>
<td></td>
<td>27 March 2019</td>
</tr>
</tbody>
</table>
Group Company Secretariat function

The Board has appointed a competent and qualified Group Company Secretary who 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 and its committees as informed by the strategic direction of the Company. The Corporate Governance and Nominations Committee reviews the Annual Work Plans and makes recommendations to the respective Board committees for consideration. These Annual Work Plans are recommended to the Board for approval by the respective Board committees for implementation and are continually tracked to assess progress. The Group Company Secretary also advises the Board on corporate governance issues, the requirements of the Companies Act and other relevant legislation, both collectively and individually. The Board has unfettered access to the services and advice of the Group Company Secretary, and the Group Company Secretary acts as the primary point of contact between the Board and the Company.

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 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’s decision-making and communicates the Board’s resolutions throughout the Company in a timely and appropriate manner. Several instruments have been introduced to ensure that the Board functions efficiently in executing its mandate as well as the set targets. Some of the instruments include:

- A resolutions register that sets out the decisions that have been taken by each governance structure; these are 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 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 Committee, the Board and the individual non-executive directors.

Ms Nokuthula Khumalo resigned from the role of Group Company Secretary with effect from 30 June 2019. The Board appointed Ms Komilla Naicker as the Acting Group Company Secretary with effect from 16 July 2019.

Benchmarking

The Group Company Secretariat continues to conduct benchmark exercises with other SOCs and private companies, while sharing knowledge gained in the corporate governance sphere with other SOCs with the objective being to enhance uniformity, standardisation and alignment of best practice across the SOCs. This exercise benefits all the executive directors.

Purpose of the Board and Board committees and report back

The purpose of the Board and Board committees is to ensure that the Company is sustainable and capable of fulfilling its statutory, strategic and operational objectives. To that end, 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 Minister of Public Enterprises (the Shareholder Minister).

The Board is 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 Committee 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 matters within its mandate relating to the year under review and is satisfied that it has discharged its responsibilities.

Board and committee meetings

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

Status of meetings convened during the 2019 financial year

Board and committee meetings held during the period 1 April to 13 May 2018

The Board and committee meetings were held and attended by the previous non-executive directors prior to the appointment of the current Board on 14 May 2018, whose appointment was confirmed on 29 May 2019. The table below discloses the number of meetings held and attended by the former directors during the period 1 April to 13 May 2018.

Schedule of directors’ attendance at Board and committee meetings*

The table below discloses the number of meetings held during the year and the attendance of the respective directors from 23 May 2018 to 31 March 2019.

* Each scheduled Board meeting is preceded by a closed session attended by non-executive directors.
Governance in action

Board

- Total number of meetings held during the year: 17
- Executive director* Independent non-executive director*

Chairperson:
Dr PS Molefe†

Members:
- Ms UN Fikekapi†
- Ms SI Gama *
- Ms RI Ganda |
- Prof EC Kiewetter†
- Ms ME Letlapa†
- Mr MS Mahomedy†
- Ms DC Matshoga†
- Ms V McMenamin†
- Mr AP Ramabulana†
- Ms GT Ramphaka†
- Mr LL von Zeuner†

- Ms V McMenamin†
- Mr TC Morwe*†
- Dr FS Mu jamadi†
- Adv OM Motaung†
- Mr AP Ramabulana†
- Ms GT Ramphaka†

Focus areas for 2019/20
- Amending the MOI clause relating to the composition of the Board
- Monitoring PFMA violations
- Strengthening internal control measures
- Emphasis on consequence management
- Investigations on media allegations
- Amendment of the acquisitions and disposals committee
- Appointment of additional Board members and their induction
- The Board established an ad hoc committee comprising Audit Committee members and the Board Chairperson.

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

- Dissolution of the acquisitions and disposals committee
- New board composition and amendment to the MOI
- Executive directors’ fees
- Pension funds’ bonus payments
- State capture-related issues and appearances of company representatives before the Zondo Commission of Inquiry
- Increasing PFMA reportable issues, media allegations against Transnet and issues raised by the standing committee on public accounts (SCOPA)
- The company has made an undertaking to SCOPA to reduce instances of contract variations through deviations and extensions. As such, reporting on contracts is a standing matter at the FIC meetings to ensure proactive review and effective management of contracts.
- The company has also instituted independent forensic investigations to address the alleged corporate governance breaches on contracts concluded between 2014 and 2018 and the prevailing media allegations. Some of the recommendations from the forensic investigations have been implemented while further investigations have been commissioned.
- Co-operation with law enforcement agencies
- Derailments and low volumes

Executive director

Mr MS Mahomedy was appointed Acting Chief Financial Officer with effect from 15 May 2018.

Motaung, Dr FS Mufamadi, Mr AP Ramabulana, Ms GT Ramphaka and Mr LL von Zeuner were appointed with effect from 23 May 2018.

Mr GJ Pita resigned with effect from 19 April 2018.

Dr PS Molefe, Ms UN Fikekapi, Ms RI Ganda, Prof EC Kiewetter, Ms ME Letlapa, Mr MS Mahomedy, Ms DC Matshoga, Ms V McMenamin, Adv OM Motaung, Dr FS Mu jamadi, Mr AP Ramabulana, Ms GT Ramphaka and Mr LL von Zeuner were appointed with effect from 23 May 2018.

Mr MS Mahomedy was appointed Acting Chief Financial Officer with effect from 15 May 2018.

Mr TC Morwe’s contract of employment expired with effect from 30 April 2019.

Ms V McMenamin resigned with effect from 28 February 2019.

Mr TC Morwe’s contract of employment expired with effect from 1 November 2018.

Ms V McMenamin resigned with effect from 28 February 2019.

Ms Makanzala was appointed Acting Group Chief Financial Officer with effect from 1 November 2018.

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Audit Committee

Chairperson
Ms RI Gondwe

Members
• Ms ME Letlape†
• Mr AP Ramabulana†
• Ms QF Rampahla†
• Mr LI von Zwanen†

No external advisers attended committee meetings during the year.

Summary of the Committee’s mandate

The Audit Committee comprises independent non-executive directors who are duly elected by the Shareholder Minister at the annual general meeting in line with legislative requirements. Three scheduled meetings were held during the year and all quorum requirements were met. The Audit Committee provides the following support activities to the Board:
• Assists the Board in discharging its duties to safeguard assets and evaluate internal control frameworks;
• Reviews and assesses the integrity and effectiveness of the accounting, financial, compliance and other control systems;
• Considers the internal and external audit process accounting principles and policies;
• Strengthens the independence of the internal and external audit functions to ensure their effectiveness;
• Ensures effective communication between the internal auditors, the external auditors, the Board, management and regulators;
• Ensures compliance with and adherence to applicable legal, regulatory and accounting requirements;
• Contributes to a climate of discipline and control which will reduce the opportunity for fraud;
• Assists the Board in discharging its duties pertaining to the governance of information and communications technology (ICT).

Summary of key activities and outputs (decisions, approvals, policies and procedures) for 2018/19

• The committee held 15 meetings during the year under review where it considered:
  • Recommending the draft Integrated Report and Annual Financial Statements for 2017/18 to the Board;
  • Recommending to the Board the management representation letter for 2017/18 – Sustainability;
  • Recommending to the Board the PFMA reportable items – AFS disclosure;
  • Recommending to the Board the Audit Committee Report for 2017/18;
  • Recommending to the Board the draft press release for 2017/18;
  • Recommending the going concern assertion to the Board;
  • Recommending the going concern assertion to the Board;
  • Recommending the management representation letter for 2017/18 – Audit of Predetermined Objectives (AOPO);
  • Recommending to the Board the management representation letter for 2017/18 – Transnet Pipelines (TPL);
  • Recommending to Transnet’s National Ports Authority (TNPA) the Board’s Annual Financial Statements for 2017/18 – TNPA;
  • Recommending to the Board the Annual Financial Statements for 2017/18 – Transnet Pipelines (TPL);
  • Recommending to the TNPA Board the management representation letter for 2017/18 – TNPA;
  • Recommending to the Global Medium-Term Note (GMTN) Financials to the Board;
  • Recommending the Interim Financial Results for the period ended 30 September 2018 to the Board;
  • Approving the Q2 GMTN Financial Results, Q2 going concern assertion and Q2 management representation letter for the period ended 30 September 2018;
  • Recommending the draft press release to the Board – 30 September 2018;
  • Approving the committee’s proposed Annual Work Plan for 2018/19; and
  • Approving Transnet’s Internal Audit Progress Report.

Remuneration, Social and Ethics Committee

Chairperson
Dr FS Mufamadi

Members
• Ms UN Fakude†
• Prof EC Kieswetter†
• Ms HE Letlapa†
• Ms V MManamiso†

No external advisers attended committee meetings during the year.

Summary of the Committee’s mandate

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 48 of the Companies Act, and as a committee of the Board in respect of all other duties assigned to it by the Board or in terms of its mandate.

The committee provides the following support activities to the Board:
• Advises the Board regarding responsible corporate citizenship and the ethical relationship between the Company and its stakeholders, both internally and externally. The committee manages the Company’s legal and moral obligations for its economic, social and natural environment, including the objectives and standards of the Company’s conduct and activities;
• Manages and monitors the Company’s activities to achieve and maintain world-class standards in the Company’s social and ethics environment, with due regard to all relevant legislation, policies, legal requirements and codes of best practice;
• Oversees the ethics management programme implemented by management;
• Ensures that competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high-performance staff at all levels in support of realising corporate objectives and to safeguard the Shareholder’s interests;
• Reviews the design and management of salary structures, policies and incentive schemes and ensures that they motivate sustained high performance and are linked to corporate performance;
• Reviews the mandates of the remuneration committees of the subsidiaries of Transnet and approves the remuneration policies and practices recommended by them;
• Develops and implements a remuneration philosophy for disclosure to enable a reasonable assessment of reward practices and governance processes to be made by stakeholders;
• Recommends the level of independent non-executive directors’ fees to the Board;
• Ensures compliance with applicable laws and codes;
• Considers and makes recommendations on all human capital matters related to the:
  • Restructuring of Transnet;
  • Disposal of assets/parts of Transnet’s business; and
  • Acquisition of assets/new business;
• Development of human resources issues;
• Approves succession planning policy and procedures for the Group Executive Committee (other than executive directors) and the Extended Executive Committee members.

Summary of key activities and outputs (decisions, approvals, policies and procedures) for 2018/19

The committee held seven meetings in the year under review where it:
• Approved vesting of Long-term Incentive (LTI) grants [2014/15] and payment to eligible participants;
• Approved LTI conditional awards for 2016/17;
• Approved amendments to Short-term Incentive (STI) Ground Rules;
• Approved the mandate for management increases for 2018/19;
• Recommended to the Board the Stakeholder Engagement Report for 2017/18;
• Recommended to the Board the Remuneration Report for 2017/18;
• Recommended to the Board and Shareholder Minister the review of the non-executive directors’ fees;
• Approved the STI payment for 2017/18;
• Recommended the Sustainability Report to the Board;
• Reviewed the Recruitment Policy;
• Recommended the suspension of the Group Chief Executive and other executives; and
• Recommended to the Board the STI half-year payment to eligible bargaining unit employees;
• Approved the extension of the Group Chief Executive’s contract;
• Approved the extension of the Acting Group Chief Executive’s contract.

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

• Non-executive directors’ remuneration
• Actions required in terms of suspensions and appointments of senior executives in light of widespread corruption allegations
• Measures to address employee and public safety and fatalities
• Improvement of employee equity across the organisation
• Need to improve consequence management in terms of fraud and corruption matters

Ms SM Nkonyane resigned with effect from May 2018 and Ms PEB Mathekga and Mr SM Radebe were removed with effect from May 2018.

Mr EC Kieswetter resigned as a non-executive director of the Company with effect from 26 February 2019.

Ms UN Fakude was appointed a member of the Remuneration, Social and Ethics Committee with effect from 15 March 2019.

Mr AG Kieswetter resigned with effect from May 2018 and Ms PEB Mathekga and Mr SM Radebe were removed with effect from May 2018.

No external advisers attended committee meetings during the year.

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

• Integrated Report material aspects
• The Company has reinitiated assurance committees at the Operating Divisions to deal with PFMA transgressions as they arise.
  A step-up programme was introduced to widen internal controls and to give more emphasis on consequence management.
  The Company also made an undertaking to SCOPA to reduce contract deviations and extensions.
• Irregular expenditure
• Qualified audit report
• Threat to the Company’s loan covenant
Corporate Governance and Nominations Committee

<table>
<thead>
<tr>
<th>Chairperson</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms DC Matshoga</td>
<td>Dr PS Molefe, Ms UN Fikelaipi, Adv GM Motau, Dr FS Mufamadi</td>
</tr>
<tr>
<td>Independent non-executive director</td>
<td></td>
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</tbody>
</table>

Summary of key activities and outputs (decisions, approvals, policies and procedures) for 2018/19

- Recommended the 2019/20 Shareholder’s Compact to the Board;
- Recommended the proposed 2019/20 corporate calendar;
- Recommended the TTPF ad hoc bonus payment to the Board;
- Recommended the TSDBF proposed Rule Amendment 11 to the Board;
- Recommended the Board’s composition to the Board;
- Approved the committee’s Annual Work Plan;
- Approved the Internal Board Evaluation Scope;
- Recommended to the Board the appointment of Ms UN Fikelaipi as a member of the Remuneration, Social and Ethics Committee and subsequently for confirmation to the Shareholder Minister;
- Approved the Board’s composition to the Board;
- Approved the committee’s Annual Work Plan for 2019/20;

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

- DDA Framework
- Director matters and continuous Board improvement
- TTPF matters
- Credit rating agencies’ assessments and their impact on the Company’s funding requirements. Mitigation plans to improve the Company’s credit rating are in place and ongoing.
- The committee has further streamlined risk reporting through integrated risk reporting to ensure effective oversight of the Company’s business.
- The committee held five meetings during the year.
- The committee has further undertaken engagement with employees on a range of matters including safety.
- Fraud risks which included forensic management briefings on consequence management implementation and ensuring expedited management of cases through forensic investigations.
- The committee highlighted the importance of the forensic investigations and consequence management implementation.
- The forensic portfolio was further moved from Transnet Internal Audit to the Risk portfolio.
- The committee has further streamlined risk reporting through integrated risk reporting to ensure effective oversight of the Company’s business.

Members LC Malama and Y Forbes and Mr VM Mabanaye resigned with effect from May 2018 and Ms PEB Mathalega was removed with effect from May 2018.

Risk Committee

<table>
<thead>
<tr>
<th>Chairperson</th>
<th>Members</th>
</tr>
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<tbody>
<tr>
<td>Mr LL von Zeuner</td>
<td>Ms UN Fikelaipi, Ms ME Letlape, Ms DC Matshoga, Ms GT Ramphakali, Mr SI Gama</td>
</tr>
<tr>
<td>Independent non-executive director</td>
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</tbody>
</table>

Summary of the Committee’s mandate

As set out in King IV 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 committee provides the following support activities to the Board:

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

Summary of key activities and outputs (decisions, approvals, policies and procedures) for 2018/19

The committee held five meetings during the year under review and considered:

- Approving the Compliance Plan for 2018/19;
- The Integrated Assurance Plan for 2018/19;
- The risk reports, which are standing matters on its agenda, in relation to Group risk, economic regulatory risks, litigation and overview of risks from pending legislation;
- Financial risks;
- Operations risks;
- Human capital risks;
- The ICT Governance and Related Risk’s report;
- The IT Data Services contract, RFP and recommended the related Transition and Disengagement Plan;
- Recommending to the Board the 2019/20 corporate calendar; and
- Approving the 2019/20 Compliance Plan.

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

- An increasing trend in derailments has been addressed across the Company and visible leadership strategies implemented, which includes regular engagement with employees on a range of matters including safety.
- Credit rating agencies’ assessments and their impact on the Company’s funding requirements. Mitigation plans to improve the Company’s credit rating are in place and ongoing.
- Credit rating agencies’ assessments and their impact on the Company’s funding requirements. Mitigation plans to improve the Company’s credit rating are in place and ongoing.
- Status of ongoing forensic investigations.
- The committee held focused meetings to ensure that it received regular updates on the forensic investigations and consequence management implementation. The forensic portfolio was further moved from Transnet Internal Audit to the Risk portfolio.
- Reputational risks.
- The committee has further streamlined risk reporting through integrated risk reporting to ensure effective oversight of the Company’s business.

1 A more detailed table of key activities and outputs for the 2019 financial year is included in the full Governance Report at www.transnet.net.
1 Mr SI Gama attended once between 3 April 2018 to 13 May 2018. His employment contract was terminated with effect from 28 October 2018.
## Finance and Investment Committee

<table>
<thead>
<tr>
<th>Chairperson</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prof EC Kieswetter</td>
<td>Ms RJ Ganda†</td>
</tr>
<tr>
<td></td>
<td>Adv OM Motau†</td>
</tr>
<tr>
<td></td>
<td>Mr AP Ramabulana†</td>
</tr>
<tr>
<td></td>
<td>Mr LL von Zeuner‡</td>
</tr>
</tbody>
</table>

### Chairperson
- Mr LL von Zeuner was appointed Chairperson of the Finance and Investment Committee with effect from 29 May 2019.

### Members
- Ms RJ Ganda†
- Adv OM Motau†
- Mr AP Ramabulana†
- Mr LL von Zeuner‡

No external advisers attended committee meetings during the year.

## Summary of the Committee’s mandate

The Finance and Investment 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 committee provides the following support activities to the Board:
- Advances and maintains the Company’s financial and investment policies to ensure its financial sustainability.
- Approves investment transactions within the committee’s delegated authority.
- Oversees trends in supplier development and localisation spend in line with Broad-Based Black Economic Empowerment plans and monitors progress on these plans.
- Considers strategic growth investments and partnerships and makes recommendations to the Board.
- Monitors the implementation of strategic growth investments and partnerships against the approved plans.
- Recommends divestments (disposals) to the Board in line with the DOA Framework.
- Approves procurement strategies and oversees related awards in line with the DOA Framework for assurance purposes.
- Considers property lease agreements in line with the DOA framework.

### Summary of key activities and outputs (decisions, approvals, policies and procedures) for 2018/19

- The committee held seven meetings during the year under review where it:
  - Recommended its mandate and Annual Work Plan to the Board for approval;
  - Recommended to the Board the 2019/20 corporate calendar;
  - Recommended to the Board the Eskom Long-Term Transportation Agreement; and
  - Recommended to the Board the 2019/20 Budget and Corporate Plan.

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

- Eskom Long-Term Transportation Agreement
- Improved procurement governance

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## Group Executive Committee meetings

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

### Meetings

<table>
<thead>
<tr>
<th>Member</th>
<th>Attendance</th>
<th>Exco Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr MS Mahomed‡</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Mr TC Motse</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Mr SJ Gama</td>
<td>6</td>
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<tr>
<td>Mr GL Phiri</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Mr MD Gregg-Macdonald‡</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Mr MM Buthaizwi</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Mr C de Beer</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Mr MA Fawcett</td>
<td>5</td>
<td></td>
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<tr>
<td>Mr T Maile</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Ms S Khathi</td>
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<td></td>
</tr>
<tr>
<td>Mr R Matha†</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Ms RM Mkwebi</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Mr TE Majaka†</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Ms MM Mosim?</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Mr L Moizley</td>
<td>2</td>
<td></td>
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<tr>
<td>Ms XP Mpingashile</td>
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<td></td>
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<tr>
<td>Mr R Nair†</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Mr R Phakula‡</td>
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<tr>
<td>Ms MJ Philip?</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>Mr S Qalinga</td>
<td>4</td>
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<tr>
<td>Mr K Reddy</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Mr N Silinga</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Ms NE Sikh†</td>
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</tr>
<tr>
<td>Mr NL Sithole</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Mr LL Tobias</td>
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<td></td>
</tr>
<tr>
<td>Mr LL Tobias</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Mr SA Vorster†</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

1 Appointed as Acting Group Executive with effect from 3 November 2018 – 30 April 2019.
2 Contract terminated with effect from 28 October 2018.
3 Resigned with effect from 19 April 2018.
4 Appointed as Acting Chief Financial Officer with Delegated Authority from 1 – 24 May 2018. Appointed as Acting Chief Financial Officer with effect from 25 May 2018.
5 Resigned with effect from 31 March 2019.
6 Became an Exco member with effect from 29 January 2019.
7 Employment contract was terminated with effect from 2 August 2019.
8 Appointed Acting Chief Executive: Transnet Pipelines and Exco member with effect from 6 May 2019.
9 Appointed Acting Chief Information Officer and Exco member with effect from 1 October 2018.
11 Appointed Acting Chief Officer: Advanced Manufacturing and Exco member with effect from 10 September 2018.
12 Resigned with effect from 30 September 2018.
13 Suspended with effect from 9 May 2018.
14 Appointed Acting Chief Corporate and Regulatory Officer and member of Exco with effect from 22 October 2018.
15 Resigned with effect from 22 October 2018.
16 Appointed Acting Chief Executive: Transnet National Ports Authority and Exco member with effect from 1 October 2019.
17 Appointed Acting Chief Executive: Transnet Port Terminals Exco member with effect from 7 August 2019.
18 Suspended with effect from 7 August 2019.
19 Resigned with effect from 31 March 2019.
20 Resigned with effect from 31 March 2019.
21 Appointed Acting Chief Executive: Transnet National Ports Authority and Exco member with effect from 1 October 2019.
22 Resigned with effect from 7 August 2019.
23 Appointed Acting Chief Executive: Transnet Freight Rail and Exco member with effect from 18 March 2019.
24 Appointed Acting Chief Operations Officer effective 7 August 2019.
25 Appointed Acting Chief Human Resources Officer and Exco member with effect from 18 March 2019.

## Compliance including PFMA, Companies Act and King IV

King IV, P13, P16

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, executive management and employees are regularly appraised of the compliance requirements.

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