

Transnet SOC Ltd

BOARD PERFORMANCE EVALUATION POLICY

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Policy Owner	Group Company Secretary
Policy Sponsor	Board Chairperson
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Recommended by Policy Owner and Policy Sponsor:

I hereby acknowledge that a search has been conducted and that this Board Evaluation Policy is not duplicated or in conflict with any other Transnet Policies.

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Final Approval

Name of Committee: Board of Directors

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Summary of Version Control

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1. BACKGROUND

- 1.1 As an Organ of State incorporated in terms of the Companies Act, 2008, No 71 of 2008 ("Companies Act"), Transnet's Board of Directors, including the Board of Directors when it acts as the deemed authority under the National Port's Act, 2005, No 12 of 2005 ("the Board") discharge its duties pursuant to the Constitution of South Africa, 1996, No 108 of 1996, Public Finance Management Act, 1999, No 1 of 1999, ("PFMA"), its founding documents and related applicable regulations, instructions notes and practice notes.
- 1.2 Pursuant to the PFMA the Board of Directors is the Accounting Authority of Transnet and as such accountable to the Executive Authority (Shareholder Representative) for achieving its strategic objectives, as agreed with the Executive Authority.
- 1.3 The Transnet MOI requires the Executive Authority acting as Shareholder to consider the effectiveness of the Board at the Annual General Meeting ("AGM"), through the Board Evaluation Report. For this purpose, the Executive Authority may, from time to time, issue guidelines to be followed for such reporting

2. PURPOSE OF THE POLICY

The purpose of this policy is to:

- 2.1 Set out the principles that guide the performance and effectiveness of the Transnet Board, Board Committees and individual Directors;
- 2.2 Enable the Board of Directors to identify the skills gaps, knowledge and expertise required;
- 2.3 Develop performance improvement plans to ensure Board effectiveness and performance improvement.

3. POLICY SCOPE AND APPLICABILITY

- 3.1 This policy applies to the:
 - 3.1.1 Board;
 - 3.1.2 Board Committees;
 - 3.1.3 Individual members of the Board of Directors; and
 - 3.1.4 Company Secretariat.

4. POLICY STATEMENT

- 4.1 The Board will ensure that the evaluation of its own performance and that of its committees, chairs and individual members, support continued improvement in its performance and effectiveness. To that end, and subject to any directive from the Executive Authority for more frequent evaluations, the Board will prior to every scheduled AGM, participate in a self-review facilitated and reported in by an independent qualified service provider appointed by the Company Secretary.

- 4.2 The evaluation of the Board's performance will be guided by best practice corporate governance principles such as recommended by the King IV Report on Corporate Governance, 2016 ("King IV") and, in particular be underpinned by the following:
- 4.2.1 **Accountability:** Boards and individual directors are accountable for the impact of Board effectiveness on company performance and as a result, Board effectiveness is essential at three levels:
- 4.2.1.1 Leading Transnet strategy, enabling policy and ensuring alignment and contribution to the national priorities;
 - 4.2.1.2 Oversight and monitoring of Transnet performance against its predetermined results-based plans and
 - 4.2.1.3 Ethical leadership and Board practices aligned to governance principles and company values.
- 4.2.2 **Correct mind-set:** Undertaking evaluations to improve Board effectiveness and Transnet governance as opposed to merely comply.
- 4.2.3 **High-performance:** All directors must actively participate in the Board evaluation process and take part in discussions to improve Board, individual member effectiveness and high-performance. There is a correlation between the effectiveness of the Board and the performance achieved by the company.
- 4.2.4 **Openness and transparency:** Directors should be open and honest in their individual evaluation of the effectiveness of the Board as a whole and that of individual directors. Similarly, the Board should be transparent in the disclosure of Board evaluation results and improvement plans.
- 4.2.5 **Growth and development:** Board evaluation and director development are ongoing processes and not a once off event. Therefore, the process consists of both informal Board reviews as well as formal reviews and assessments. Boards must seek to grow and develop towards improved efficiency and effectiveness to enhance their governance and oversight role.
- 4.2.6 **Ownership:** Directors, individually and collectively, must take ownership and actively manage performance at Board level. The Transnet Board (as a collective) and directors (individually) are required to be dynamic and decisive leaders, with the ability to steer the company towards long-term growth and sustainable shareholder.

5. ROLES AND RESPONSIBILITIES

- 5.1 The accountability for the implementation of the Board Performance Evaluation Policy rests with the Chairperson of the Board of Directors.
- 5.2 Corporate Governance and Nominations Committee is responsible for monitoring of the annual evaluation of the Board through the independent Board evaluation process.
- 5.3 The Group Company Secretary is responsible for the timeous appointment of an independent and qualified service provider to facilitate and report on the Board evaluation.

6. FINANCIAL IMPLICATIONS

- 6.1 Group Company Secretariat will budget for the annual independent Board evaluation.

7. RELATED INFORMATION AND GUIDELINES

This policy should be read in conjunction with the following:

7.1 Internal Documents:

- 7.1.1 Memorandum of Incorporation
- 7.1.2 Shareholder's Compact.

7.2 External Document and Regulations:

- 7.1.3 King IV Report on Corporate Governance for South Africa, 2016
- 7.1.4 The Constitution of the Republic of South Africa, 1996;
- 7.1.5 Public Finance Management Act, 1999 ("PFMA"),

8. REQUEST TO DEVIATE FROM THE POLICY

- 8.1 In cases where material and compelling circumstances merit deviation from the provisions of this Policy, written submissions must be sent to the Chairperson of the Board, and in the case of deviation by the Chairperson, the Board of Directors shall have full authority to grant such request, in whole or in part, or to refuse same.

9. EXCLUSIONS

- 9.1 There are no exclusions to this policy.

10. NON-COMPLIANCE

- 10.1 Non-executive directors who do not comply with the provisions of this will be reported to the Chairperson of the Board and in the case of non-compliance by the Chairperson, the matter will be raised with the Shareholder Minister.
- 10.2 Accountable employees who do not conform to this Policy may be subject to disciplinary action in terms of the applicable Transnet disciplinary processes and procedures.