

TRANSNET SOC LTD

CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE CHARTER

The Corporate Governance and Nominations Committee (“the Committee”) is constituted as a Committee of the Board of Directors (“the Board”) of Transnet SOC Ltd (“the company”) with all duties assigned to it by the Board. This Charter is therefore, drafted in accordance with key governance frameworks in South Africa including the Public Finance Management Act, 1999 (Act No. 1 of 1999) (“the PFMA”), the Companies Act, 2008 (Act No. 71 of 2008), King IV Report on Governance for South Africa (King IV), Protocol on Corporate Governance in the Public Sector and the Company’s Memorandum of Incorporation (MOI). Where there is conflict between this Charter and the MOI, the provisions of the MOI shall prevail.

1. PURPOSE

- 1.1. The purpose of the Corporate Governance and Nominations Committee (the “Committee”) is to assist the Board of Directors of Transnet SOC Limited (the “Board”) to ensure that the highest standards of corporate governance are set and followed within the company.
- 1.2. The Committee is also required to be proactive and influential in their role and engagement with the Executive Authority to ensure that the directors who are nominated and appointed to the Board serve the State-owned Company’s (SOCs) needs best.

2. OBJECTIVES

- 2.1. The Committee is required to assist the Board of Directors of Transnet SOC Limited (the “Board”) to:
 - 2.1.1. regularly review its composition and its Committees (“Board Sub-Committees”) and make appropriate recommendations to the Board ,
 - 2.1.2. lead the process for the nomination and appointments of Board members and Trustees of the Group’s Subsidiaries, Associate, Pension Fund, and Investment Companies;
 - 2.1.3. make appropriate recommendations to the Board for the filling of vacancies on the Board and its sub-committees for recommendation to the Shareholder Minister; and
 - 2.1.4. ensure effective succession planning for the Board and the Executive Management of Transnet.

3. MANDATE

- 3.1. The board hereby allocates the oversight of the process for nominating, electing and appointing members, board succession planning and the evaluation of effectiveness of the board to the Committee.
- 3.2. Without derogating from the spirit of paragraph 1.1 to 1.2 above; the board of Transnet shall be appointed by the Shareholder Minister, in line with Department of Public Service and Administration (DPSA) National Guide, who has an accountability to ensure that the size, diversity, demographics and competence of the board responds to the organisational and external realities of the SOC.
- 3.3. To ensure that the Board’s composition and structure enables it to fulfill its obligations in accordance with the Board Charter.
- 3.4. To ensure the development and review of the applicable corporate governance principles, policies and frameworks and recommend them to the Board.
- 3.5. To monitor and ensure disclosure of repeated regulatory penalties, sanctions, fines, contraventions or, non-compliance with, statutory obligations, whether imposed on the Company or Board members.

- 3.6. To serve as the TNPA deemed Board Corporate Governance and Nominations Committee with the same terms of reference prescribed in this Mandate and in line with the National Ports Act.

4. **COMPOSITION**

- 4.1. This Committee shall, at all times, consist of at least three (03) Non-Executive Directors of the Company and shall at all times have the majority of its members being independent non-executive directors.
- 4.2. The Chairperson of this Committee shall be appointed by the Board and shall either be the Chairman of the Board or an independent non-executive director. In the absence of the Committee Chairperson and/or an appointed Acting Chairperson, the remaining members present shall elect one (1) of their members to chair the meeting. Notwithstanding the above, the Chairperson of the Board shall not chair the meeting when Committee is dealing with the nomination of a successor to the Board chairpersonship.
- 4.3. The members of the Committee, collectively must have relevant qualifications and experience to fulfill their duties.
- 4.4. If necessary, and in accordance with the Memorandum of Incorporation of the Company, specialist may be co-opted to the Committee either as attendees or as advisors.
- 4.5. The following employees shall be permanent Attendees:
 - 4.5.1. Group Chief Executive (*ex-officio*)
 - 4.5.2. Group Chief Financial Officer (*ex-officio*)
 - 4.5.3. Such other persons determined by the Committee, who may include, members of executive management or other senior management and independent experts .
- 4.6. The Secretary of the committee shall be the Group Company Secretary or his/her designate.
- 4.7. Attendees at the Committee meetings may participate in discussions but do not form part of the quorum, and have no voting rights.
- 4.8. Any other independent Non-Executive Directors may attend the Committee's meetings, in consultation with the Chairperson of the Committee, but may not be remunerated for attendance and shall have no voting rights.
- 4.9. The remuneration of the Chairperson and Committee members will be determined by the Remuneration, Social and Ethics Committee and recommended by the Board for approval by the Shareholder Minister at the Annual General Meeting.
- 4.10. The remuneration of the Members shall be commensurate with DPE Remuneration and Incentive Guidelines and related principles.

5. **QUORUM**

- 5.1. The quorum shall be fifty percent of the members of the Committee. A duly constituted meeting shall be competent to exercise all or any of the authorities, powers and responsibilities vested in or exercisable by the Committee.

6. **TERM**

- 6.1. The Committee's term shall be linked to the Board's term.
- 6.2. The appointment of the Committee members will be approved by the Board.
- 6.3. The Board shall have the power, at all times, to remove any member from the Committee and to fill any vacancies.

7. **APPOINTMENT OF BOARD OF DIRECTORS OF THE COMPANY**

- 7.1. The Companies MOI, the Shareholder shall appoint the Directors, and designate one of the non- executive Directors as the Chairperson, of the Company from time to time and in doing so shall endeavour to ensure that the Board shall:-
 - 7.1.1. be appropriately balanced in terms of executive and non-executive Directors, including independent Directors;
 - 7.1.2. be representative of the gender and race demographics of the Republic;
 - 7.1.3. be appointed on the grounds of their knowledge and experience which, when considered collectively, should enable the Board to attain the objects of the Company;
 - 7.1.4. when viewed collectively, possess appropriate skills and experience relevant to the business of the Company;
 - 7.1.5. include a Group Chief Executive and Group Chief Financial Officer of the Company as contemplated in clause 16 of the MOI.

- 7.2. The Board shall consist of a minimum of 6 (six) Directors and a maximum of 14 (fourteen) Directors, comprising:-
 - 7.2.1. not less than 4 (four) non-executive Directors, from whom shall be appointed the Chairperson of the Company. A non-executive Director shall hold office for a term of 3 (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 longer than 3 (three) consecutive terms;
 - 7.2.2. not less than 2 (two) executive Directors, whom shall include the Group Chief Executive and the Group Chief Financial Officer, respectively, of the Company, provided that the Board shall at all times consist of a majority of non-executive Directors.

- 7.3. Chairperson of the Board:
 - 7.3.1. The Chairperson of the Board shall be appointed by the Shareholder in terms of the MOI.
 - 7.3.2. A Shareholder's Meeting shall be entitled to designate an acting Chairperson (from any of the non-executive Directors) and determine the period for which such acting Chairperson is to hold office and any other terms and conditions applicable to such appointment.
 - 7.3.3. The Chairperson of the Board shall chair all the meetings of the Shareholder and the Board.
 - 7.3.4. The Chairperson of the Board shall not be appointed or serve as the Chairperson of a Board committee nor a Subsidiary board, with the exception of the corporate governance and nominations committee of the Board as stipulated in the MOI.

8. REPORTING RESPONSIBILITIES

- 8.1. The Committee reports to the Board through its Chairperson.
- 8.2. Decisions taken by the Committee in line with this Charter that impact on the activities of subsidiaries, must be communicated to the Boards of the relevant subsidiaries through the Group Company Secretary.
- 8.3. Minutes of the meetings of Committee must be submitted to the Board for information purposes.

9. AUTHORITY

The Committee has the -

- 9.1. Authority to access any information it needs to fulfill its responsibilities within its mandate.
- 9.2. Authority to seek independent advice, facilitated through the Group Company Secretary's Office, at the Company's expense.
- 9.3. Authority to investigate matters within its authority.

- 9.4. Right to recommend amendments to the Committee's Charter.
- 9.5. Right to have direct access to the Chairperson of the Board, Group Chief Executive and members of the Group Executive Committee or any of the Company's subsidiaries.
- 9.6. Right to consult the Chairpersons of other Board Committees, any Executive Director, members of the Group Executive Committee, Group Company Secretary or any assurance provider to provide it with information, subject to a Board approved process.
- 9.7. Right to form, and delegate authority to, steering committees composed of designated members of the Committee.
- 9.8. Authority to make recommendations to the Board in any area within the ambit of its mandate where it deems appropriate .
- 9.9. Decision-making authority in regard to its statutory duties and is accountable in this regard to both the Board and the Shareholder Minister.
- 9.10. Authority to monitor the relationship between Management and the Stakeholders of the Company.

10. ROLES AND RESPONSIBILITIES

The Committee shall -

- 10.1. Independently oversee and/or make recommendations to the Board for consideration in line with the Delegation of Authority Framework.
- 10.2. Review and evaluate the structure, size and composition as well as the skills, knowledge, experience and diversity of the Board and make recommendations to the Board and the Shareholder with regard to any changes that are deemed necessary on the composition of the Board after considering the gaps that may exist.
- 10.3. Before recommending any appointment, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation prepare a description of the role and competencies required for a particular appointment. The recommendation must be accompanied by a comprehensive motivation and evidence.
- 10.4. Ensure the establishment of a formal and transparent process for the nomination election and appointment of members, including before nominating a candidate:
 - 10.4.1. considering the collective knowledge, skills and experience required by the Board, the suitable size of the Board, the diversity of the Board and whether the candidate meets the appropriate fit and proper criteria outline in 9.5 below;
 - 10.4.2. conducting independent reference, qualification, criminal and other background checks; and
 - 10.4.3. requesting confirmation from candidates of any other professional commitments/directorships held and considering whether they have sufficient time available to fulfil the responsibilities required by the Board.
- 10.5. Set criteria for the nomination of independent Non-Executive Directors to be recommended to the Board for appointment to the Committees of the Board.
- 10.6. Criteria to be considered are as follows:
 - 10.6.1. Is the candidate allowed to serve as a director in terms of the Companies Act and/or Memorandum of incorporation as well as other relevant legislation applicable to subsidiaries/associate companies, and investment companies ineligibility/ disqualification criteria;
 - 10.6.2. Does the candidate possess and understanding of his/her role as a non-executive director/trustee
 - 10.6.3. Are there any potential/actual conflicts of interest between the candidate and the company;

- 10.6.4. Has the candidate consented to act as a director of the company;
 - 10.6.5. Whether the candidate is considered to be independent; How will the candidate fit within the board culture and dynamics;
 - 10.6.6. Does the candidate satisfy and transformation/ diversity considerations for the
 - 10.6.7. Board;
 - 10.6.8. How will the candidate make a positive contribution to the board's knowledge and
 - 10.6.9. Skills;
 - 10.6.10. Does the individual demonstrate the necessary knowledge and what is the extent of the candidate's experience in directorship roles;
 - 10.6.11. Does the candidate portray the desired personal characteristics, including integrity, honesty, curiosity, courage, teamwork, communication skills, instinct, active contributor;
 - 10.6.12. Does the candidate portray a genuine interest in the organization and its business;
 - 10.6.13. Could association with the candidate result in a risk to the company;
 - 10.6.14. Based on his/her other commitments, does the candidate have the time to make
 - 10.6.15. the level of commitment required to be an effective director on the board;
 - 10.6.16. What strategic relationships/alliances does the candidate have that would be of
 - 10.6.17. value to the company;
 - 10.6.18. What is the potential candidate's fee/salary expectation and can that be met by
 - 10.6.19. the company;
 - 10.6.20. Has the company (or its agent) checked the authenticity of the candidate's qualifications and experience.
- 10.7. Nominate potential Audit Committee members for consideration by the Board, and election by the Shareholder Minister at the Annual General Meeting, or through a written resolution.
- 10.8. Nominate potential Remuneration, Social and Ethics members for approval by the Board, and confirmation by the Shareholder Minister at the Annual General Meeting, or through a written resolution.
- 10.9. The Board shall, on the recommendation of the Corporate Governance and Nominations Committee appoint and remove the following:
- 10.9.1. Chairpersons of Board Committees, except for the Remuneration, Social and Ethics Committee and Audit Committee;
 - 10.9.2. Chairpersons of Board Committees, except for the Remuneration, Social and Ethics Committee and Audit Committee;
 - 10.9.3. Members of Board Committees, except for the Remunerations, Social and Ethics Committee and Audit Committee;
 - 10.9.4. Members of the Transnet M-Cell Limited Trust;
 - 10.9.5. Directors and Trustees of the Group's Subsidiaries, Associate, Pension Funds and Investment Companies; and
 - 10.9.6. The Group Company Secretary.
- 10.10. Recommend the re-appointment of any non-executive director at the end of their term of office, having given due regard to their performance and ability to continue to contribute to the Board and the Company's long term sustainable success considering the knowledge, skills and experience required.
- 10.11. Consider matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the company subject to the provisions of the law and their service contract.

- 10.12. Administer and manage the selection process of the Group Chief Executive on behalf of the Board and make recommendations on the top 3 candidates to the Board, in order of priority, by complying with the following ***Guidelines for the appointment of a Group Chief Executive for a State Owned Enterprise:***
- 10.12.1 Develop a process to identify, develop and / or seek a Group Chief Executive candidate with relevant skills required to meet the challenges likely to be faced by the Company in the foreseeable future and to implement Government's strategic objectives relative to the Company;
 - 10.12.2 In the event that re-appointment of an incumbent is not being considered, nominate and evaluate potential successors to the Group Chief Executive, in consultation with the Group Chief Executive regarding his/her recommendations of potential successors from internal candidates; and
 - 10.12.3 Recommend to the Board a minimum of three shortlisted candidates and their preferred candidate for submission to the Shareholder Minister for further assessment and interview by the Shareholder Minister if he/she deems it necessary especially, if this is an internal candidate.
- 10.13. Administer and manage the selection process of the Chief Financial Officer on behalf of the Board, and make recommendations to the Board, for approval by the Shareholder Minister.
- 10.14. Review the director skills assessment and identify skills gaps half yearly. Skills assessment results and recommendations to close the skills gap should be submitted to the Executive Authority as part of the quarterly shareholder report.
- 10.15. Utilise coaching and mentorship within the board and across the entire organisation, as a deliberate mechanism for succession planning.
- 10.16. Review the leadership needs of the organization for both executive and non-executive directors, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.
- 10.17. Keep up to date and fully informed about strategic issues and commercial changes affecting the organisation and the market in which it operates.
- 10.18. Support the development of the terms of reference to contract a suitable board evaluation service provider.
- 10.19. Oversee the annual independent board evaluation process and monitor progress on board improvement plans.
- 10.20. Review annually the time required from non-executive directors making use of among others, Board performance evaluation, to assess whether the non-executive directors are spending enough time in fulfilling their duties.
- 10.21. Ensure that on appointment to the Board, all directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings if any.
- 10.22. In relation to directors' actual or potential conflicts of interest, consider and, if appropriate, authorise directors' conflicts of interest including any terms to be imposed in relation to the authorisation of a director's conflict of interest. The Nomination Committee shall report any conflict decisions to the Board and the Shareholder; and
- 10.23. Ensure that the Company, either through Board Sub-Committees or otherwise, adheres to the JSE Debt Listings Requirements.

- 10.24. Ensure the existence of corporate governance best practice by, *inter alia*-
- 10.24.1 Reviewing and recommending any changes to Board membership.
 - 10.24.2 Conducting annual assessment of the performance of the Board, reviewing the effectiveness of all Board Committees and peer review evaluation of individual members.
 - 10.24.3 Reviewing periodically the format and content of the Board and Committee Mandates and ensuring that appropriate Board and Committee structures are in place.
 - 10.24.4 Periodically reviewing the governance structures in place in subsidiaries.
 - 10.24.5 Ensuring that the Shareholder's mandate is executed in other companies in which the Company or any of its subsidiaries has a shareholding.
 - 10.24.6 Assessing the extent of compliance with relevant legislation and codes relating to corporate governance.
- 10.25. Give full consideration to succession planning, including the development of a diverse pipeline, for directors (executive and non-executive), and other senior executives (including the Company Secretary) in the course of its work. Such succession planning shall take into account the risks, challenges and opportunities facing the Company, and suitable skills and expertise needed on the Board as a result thereof in the future. In this regard, recommend minimum requirements to the Shareholder based on current realities of Transnet and its needs.
- 10.26. Oversee the development of a formal induction programme for new directors.
- 10.27. Oversee the development and implementation of continuing professional development programmes for directors.
- 10.28. Oversee Policy and Regulation issues by -
- (a) Providing strategic direction for engagement with relevant organs of state on public policy and economic regulation matters.
 - (b) Approving the strategies to be adopted to manage public policy and economic regulation risk.
- 10.29. Recommend the Shareholder's Compact for the Board's approval and monitor compliance on a bi-annual basis.
- 10.30. Review regulatory compliance with regard to ICT Governance.
- 10.31. Be consulted by the GCE for the appointment of Group Executive Committee (other than Executive Directors). The *consultation* will be through a memorandum submitted to the Chairperson of the Committee and the Chairperson of the Remuneration, Social and Ethics Committee.
- 10.32. Review the Delegation of Authority Framework for adequacy and make recommendations to the Board for approval.
- 10.33. Monitor compliance with the Delegation of Authority Framework in as far as the Committee's mandate is concerned.
- 10.34. Monitor the delivery of targets in relation to the Shareholder's Compact.
- 10.35. Approve the following governance policies as delegated by the Board:

- 10.35.1 Policy on Non-Executive Directorship and Trusteeship for Transnet Employees
- 10.35.2 Succession Policy for the Executive and Non-Executive Directors
- 10.35.3 Declaration of Interest and Related Party Disclosures Policy

- 10.36. Recommend processes and policies of enhancing communications and relations with Management.
- 10.37. Recommend processes and policies of enhancing communications and relations with the Shareholder Minister.
- 10.38. Review all cross-cutting matters emanating from other Board Committees.
- 10.39. Recommend the targets for race and gender representation and general diversity in the membership of the Board of Directors.
- 10.40. Play an oversight role with regard to the governance of Company Trusts including reviewing the Trust composition, frequency of meetings, as well as overseeing the approval of nominated Transnet Trustees to assist Management in ensuring that Trustees carry out their duties as per the Deed of Trust.
- 10.41. The Committee shall make a statement in the Company's Annual Report about its activities during the year. To the extent not covered elsewhere in the Annual Report, the statement of the Committee's activities shall include:
 - 10.41.1. The process used in relation to appointments, its approach to succession planning and developing a diverse pipeline.
 - 10.41.2. How the Board performance evaluation has been conducted, the nature and extent of an external evaluator's contact with the Board and individual directors (if relevant), the outcomes and actions taken, and how it has or will influence Board composition.
 - 10.41.3. A description of the Company's policy on diversity and inclusion, its objectives and linkage to Group strategy, how it has been implemented and progress on achieving the objectives.
 - 10.41.4. Details of the gender balance of the Company's senior executives that make up the Executive Committee and their direct reports; and
 - 10.41.5. An explanation, if external consultancy advice or open advertising has not been used for Board appointments. Where an external search consultancy has been used, it shall be identified in the Annual Report and a statement made as to whether it has any connection with the Company.

11. COMMITTEE EVALUATION AND OTHER REQUIREMENTS

- 11.1. The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and shall recommend any changes it considers necessary to the Board for approval.
- 11.2. The Committee shall have access to sufficient Company resources in order to carry out its role and responsibilities. The Company Secretary shall assist the Committee to execute its role and responsibilities.
- 11.3. In line with the JSE Debt Listings Requirements, this Charter for the Corporate Governance and Nomination Committee shall be published online on the Transnet website and any amendments to this Charter shall be

announced on the JSE SENS. In instances of any deviation from this Charter, such deviation shall be announced on the JSE SENS together with reasons for the deviation.

12. **RECUSAL**

- 12.1. Before every meeting of the Committee, the Group Company Secretary or her designate is required to obtain a declaration of interest form, duly signed by each member present at the proceedings.
- 12.2. Where a member of the Committee has been or can be deemed to have a conflict of interest he/she shall recuse him/herself from taking a decision on the matter. The recusal shall be minuted.
- 12.3. Where a member of the Committee has been recused for part of the meeting, such a member is to be regarded as being present for the entire duration of the meeting for the purpose of determining a quorum.
- 12.4. Where a conflict of interest exists, a member shall not receive information either in the Committee pack or Minutes that relate to the matter or company that he has declared an interest on as per the Declaration of Interest and Related Party Disclosures Policy.

13. **WRITTEN RESOLUTIONS**

- 13.1. Any written resolution which is approved and signed by 75% or more of the members of the Committee within 10 business days after submission to all the members of the Committee, shall be as valid as a resolution passed at a meeting of the Committee.

14. **COMMITTEE OPERATION**

- 14.1. The Committee shall hold a minimum of 4 scheduled meetings per financial year.
- 14.2. *Ad hoc* meetings may be convened, as and when required, by the Chairperson of the Committee or at the request of any Committee Member.
- 14.3. Documents for consideration by the Committee will be submitted, in the normal course, at least seven days before the *meeting*, to enable members to study the documentation and allow adequate opportunity for formal and informal discussions.
- 14.4. The Chairperson of the Committee may meet with the Group Chief Executive, Chief Legal Officer and the Group Company Secretary or his/her designate prior to a Committee meeting to discuss important issues and agree on the agenda.
- 14.5. If the Chairperson of the Committee is absent from a meeting, the members present must elect one of the members present to act as chairperson.
- 14.6. Committee members must attend all scheduled meetings of the Committee, including meetings called on an *ad hoc* basis for special matters, unless prior apology, with reasons, has been submitted to the Chairperson or the Group Company Secretary or her designate.
- 14.7. The Committee must develop an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan must include matters outlined in the Mandate.
- 14.8. Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.
- 14.9. The minutes must be completed within 10 days from the date of the meeting and circulated to the Chairperson and members of the Committee for review thereof.
- 14.10. Where the Committee holds an in-committee meeting that excludes the Group Company Secretary or his/her designate, Members of the Committee shall elect a member to record the minutes and/or decisions of that In-

Committee meeting for record purposes. Such record must be submitted to the Company secretariat office for record keeping prior to the date of the next meeting.

- 14.11. The annual work plan for the Committee detailing the items to be covered at each meeting for the ensuing year, in line with the Committee Mandate, shall be prepared by the Group Company Secretary in consultation with the Chairperson of the Committee, and approved by the Committee.
- 14.12. This mandate shall be reviewed annually or as and when required and shall be recommended to the Board for approval
- 14.13. The minutes must be formally approved by the Committee at its next scheduled meeting.

Approved by the Board of Directors on 31 March 2021