

Risk Committee Charter

TRANSNET SOC LTD

GROUP RISK COMMITTEE CHARTER

1. INTRODUCTION

- 1.1 The Risk 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.
- 1.2 This Charter is drafted in accordance with, inter alia, the Legal Succession to the South African Transport Services Act 1989 (Act No. 8 of 1989) as amended, the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended, and regulations thereunder, the Companies Act 2008 (Act No. 71 of 2008), as amended ("the Companies Act"), the Companies Regulations, 2011, the JSE Debt Listing Requirements, 2020, King IV Report on Governance for South Africa ("King IV"), Protocol on Corporate Governance in the Public Sector, 2000, Handbook for the appointment of persons to boards of state and state controlled institutions, 2008, the Company's Memorandum of Incorporation ("MOI"), the Delegation of Authority Policy and Framework of the Company, the Significance and Materiality Framework of the Company, the common law, and all other applicable laws and regulations.
- 1.3 Additional provisions regarding the Committee's functioning, for instance in relation to conduct of Committee meetings, are contained in a separate document titled "Additional Rules for Committees", attached hereto as **Annexure B** ("the Rules"). The provisions of the Rules should be read with this Charter. In the event of any conflict between the Rules and this Charter, the provisions of this Charter shall prevail.

2. PURPOSE

- 2.1 The purpose of the Charter is to set out the Committee's roles and responsibilities as well as the requirements for its composition, meetings and other procedures.

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2.2 The Committee's primary purpose is to oversee risk governance¹ within the Group.

3. AUTHORITY

3.1 In consultation with the Audit Committee, the Committee may introduce such measures as may serve to enhance the adequacy and efficiency of the financial and non-financial, compliance and risk management policies, procedures, practices and controls applied within the Group.

3.2 The Board has delegated the following specific powers to the Committee:

3.2.1 **Recommendation** of the top ten strategic risks facing the Company from time to time to the Board.

3.2.2 **Recommendation** of significant Company risk management strategies and policies aligned to the Company's risk appetite strategy.

3.3 **Recommendation** of the delegated risk management governance structures.

3.4 Prepare and **recommend to the Board** risk statement disclosures for the Company after having satisfied itself that these are in accordance with appropriate regulatory requirements.

3.5 To consider and assess all risks referred to it by the FIC, other Board Committees and the Board.

4. MANDATE IN RESPECT OF SUBSIDIARIES

4.1 In this Charter, "Group" means the Company and each company within its Group of Companies of which it has direct or indirect control, and each company within the Group is referred to as a "Group Company".

4.2 The roles and responsibilities of the Committee as set out in this Charter apply to the Company and all the Group Companies, except those companies which have, in accordance with their memoranda of incorporation, established their own risk committees.

¹ King IV, principle 8, recommendation 62

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4.3 The Board may authorise the Committee to establish sub-committees, within the Group Companies, constituted of appropriately qualified persons to assist in discharging its mandate in respect of any particular matter contained in this Charter.

5. COMPOSITION

5.1 The Board shall appoint the Chairperson and all members of the Committee.

5.2 The Committee shall, at all times, have at least three (3) members,² the majority of whom shall be Non-Executive Directors,³ and one of whom shall be a member of the Audit Committee.

5.3 The Chairperson of the Committee may be any member of the Committee.

6. TERM

6.1 Each member of the Committee, all of whom shall be Non-Executive Directors of the Company, shall be a member for as long as he/she is a Non-Executive Director of the Company.

6.2 The Board, through the Corporate Governance and Nominations Committee shall have the power, at all times, to remove any member from the Committee and to fill any vacancies created by such removal, subject to noting by the Shareholder at the Annual General Meeting. The term of the members of the Committee shall be as determined by the Board.

7. ROLES AND RESPONSIBILITIES

The Committee shall:

General

7.1 Perform any functions, in addition to those mentioned below, that may be determined by the Board when deemed necessary and appropriate.

7.2 Make recommendations to the Board that it deems appropriate on any area within the ambit of its Charter where action or improvement is required.

² King IV, principle 8, recommendation 46

³ King IV, principle 8, recommendation 64

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- 7.3 Monitor the relationship between Management and the stakeholders of the Group Companies in terms of matters within its ambit of authority.
- 7.4 Oversee the management of stakeholder risk as an integral part of Group-wide risk management.⁴
- 7.5 Ensure effective communication between the Committee, the Chairperson of the Audit Committee, the Board, Management, assurance providers, regulators and supervisors on risk management.
- 7.6 Ensure that risk definitions and contributing factors, together with risk policies, are formally reviewed on an annual basis, taking into account that risk, in its widest sense, which includes operational, strategic and technical risks, which cover detailed combined risks, including but not limited to:
 - 7.6.1 Financial and funding risks.
 - 7.6.2 Sustainability risks e.g. environmental, health and safety risks.
 - 7.6.3 Disaster recovery/ business continuity management risk.
 - 7.6.4 Infrastructure and/or capital projects delivery or management risk.
 - 7.6.5 Image/ reputational risk.
 - 7.6.6 Legal, compliance and regulatory risk.
 - 7.6.7 Fraud and corruption risks.
 - 7.6.8 Competition/market risk.
 - 7.6.9 Country and political risk.
 - 7.6.10 Procurement risks.
 - 7.6.11 Concentration of risks across a number of portfolio dimensions.

Compliance

- 7.7 Review and monitor the Group's compliance with specific reference to the procedures for identifying regulatory risks and controlling their impact on the Group Companies.

⁴ King IV, principle 16, recommendation 4(c)

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- 7.8 Compliance risk must form an integral part of the Company's risk management process and the risk of non-compliance must be identified, assessed and responded to through the Risk Management Framework.
- 7.9 Review and give input to the compliance plan with specific procedures for identifying regulatory risks and controlling their impact on the Group Companies and make recommendations to the Corporate Governance and Nominations Committee.
- 7.10 Review the Group Companies' internal control and assurance framework relative to the risk profile.
- 7.11 Ensure that procedures are in place to fulfil the compliance requirements of applicable laws and regulations pertaining to risk management.

Risk management

Risk profile

- 7.12 Oversee sound risk management and monitor the Group's overall risk exposure.
- 7.13 Evaluate and recommend to the Board, the nature and extent of the risks that the Group should be willing to take in pursuit of its strategic objectives. It should recommend in particular:
- (i) The Group's risk appetite, namely its propensity to take appropriate levels of risk.
 - (ii) The limit of the potential loss that the Group has the capacity to tolerate.⁵
- 7.14 Approve the Group Companies' risk profiles taking into account the overall risk appetite of the Group, and taking into account all risk mitigation factors, including, but not limited to, amongst others, insurance, business continuity and disaster recovery planning, and internal controls.

Policies and processes

- 7.15 Review the adequacy and effectiveness of the risk management processes and ensure continuous improvement efforts are made to such processes, so as to ensure that such

⁵ King IV, principle 11, recommendation 4

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- processes remain relevant to the businesses and market environments that the Group operates in.
- 7.16 Review the integrity of the risk control processes and systems.
 - 7.17 Review the Enterprise Risk Management (ERM) Framework, risk philosophy, strategy, policies and processes, and the implementation and communication thereof within the Group, to ensure its incorporation into the culture of the Group Companies.
 - 7.18 Ensure that risk definitions and contributing factors, together with risk policies are formally reviewed on an annual basis, including strategic, operational, and technical risks, which cover detailed combined risks.
 - 7.19 Monitor policies that articulate and give effect to the Board's set direction on risk. Oversee that the Group's risk management process results in:⁶
 - 7.19.1 Assessment of risks and opportunities emanating from the triple context and the various capitals the Group uses and affects.
 - 7.19.2 Assessment of the organisation's dependence on resources and relationships in the various capitals it uses and affects.
 - 7.19.3 Assessment of potential upside or opportunities presented by risks with potentially negative effects on achieving organisational objectives.
 - 7.19.4 Design and implementation of appropriate risk responses.
 - 7.19.5 The establishment and implementation of business continuity arrangements that allow the Group to operate under conditions of volatility, and to withstand and recover from acute shocks.
 - 7.19.6 Integration and embedding of risk management in business activities and organisation culture.
 - 7.20 Review risk identification and measurement methodologies.

⁶ King IV, principle 11, recommendation 6

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- 7.21 Monitor procedures to deal with, and review the disclosure of information to, customers and the resolution of major customer complaints from a reputational risk perspective.
- 7.22 Oversee that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.
- 7.23 **Recommend the following** to the Board for approval:
 - 7.23.1 The Group's risk strategy.
 - 7.23.2 The Integrated Risk Management Framework.
 - 7.23.3 The Risk Appetite Statement.
 - 7.23.4 Risk tolerance levels.
 - 7.23.5 Matters which pose a material risk to the Group Companies, as determined by the Committee.
 - 7.23.6 Policies that articulate and give effect to the Board's set direction on risk, and monitor compliance thereto.
- 7.24 Escalate:
 - 7.24.1 The Financial Risk Management Plan to the Audit Committee for consideration and adoption.
 - 7.24.2 The human capital risks facing the Group Companies to the Remuneration, Social and Ethics Committee.

Risk evaluation and monitoring

- 7.25 Review new and emerging significant risks; increases in significant risk(s); loss events and near-miss events identified by the First, Second- and Third-Line assurance providers, including assessing the likelihood of the significant emerging risks occurring that could potentially impact the Group, and assess the measures that Management has taken to prevent and/or mitigate such risks.
- 7.26 Provide input to the Board on significant risks faced by Group and provide input into the Board's action plans to manage such risks.

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- 7.27 Ensure integration of risk plans, execution, monitoring and reporting at strategic, Operating Divisions, and Business Units within the Group.
- 7.28 Ensure the frequency for assessing and updating the Group's risk universe, appetite and tolerance levels is determined, prescribed and adhered to. Ensure that the assessment and update process includes:
- 7.28.1 An assessment of the Group's key ethical risks.
 - 7.28.2 An assessment of risks and opportunities emanating from the triple context in which the Group operates and the capitals that the organisation uses and affects⁷ (in this regard, triple context refers to the economy, society and the natural environment).
 - 7.28.3 Responses to changes in the internal and external environment in which the Group operates; and considers the Group's evolving or deteriorating risk maturity, risk-bearing capacity, and risk capability.
- 7.29 Annually evaluate the effectiveness of the risk management and compliance function.
- 7.30 **Make recommendations to the Board** on whether to receive periodic independent assurance on the effectiveness of risk management.⁸

Implementation by Management

- 7.31 Review reports furnished by the Group Executive Committee detailing the adequacy and overall effectiveness of the Group's risk management function and its implementation by Management.
- 7.32 Oversee continual risk assessment and monitoring by management and/or independent persons on a regular basis.
- 7.33 Ensure that risk management frameworks and methodologies are implemented to increase the probability of anticipating unusual risks.

⁷ King IV, principle 11, recommendation 6(a)

⁸ King IV, principle 11, recommendation 7

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- 7.34 Ensure that Management considers, implement and executes appropriate and effective risk management and risk responses.⁹
- 7.35 Request and ensure disclosure by Management in respect of risks outside of the risk tolerance levels, action plans to mitigate the risks and planned areas of future focus.

Other

- 7.36 Review any legal matters that could have a significant impact on the Group Companies' business and/or performance.
- 7.37 Approve the Insurance Renewal Programme and recommend same to the Board for noting.
- 7.38 Propose amendments to and make appropriate recommendations to the Board in case of deviation from Board approved policies.

Information and Communication Technology

- 7.39 Assist the Board in carrying out its Information Communications and Technology (ICT) governance responsibilities through obtaining appropriate assurance that controls are in place and effective in addressing ICT risks.
- 7.40 Oversee ICT governance risk management.
- 7.41 Review **and recommend** the Group's IT Disaster Recovery Plan on an annual basis to the Board for approval.
- 7.42 Review and monitor the Company's policies, strategy and plans, as it pertains to cyber security risks and recommend to the applicable Board committees.

Fraud and whistleblowing

- 7.43 Approve the Fraud Risk Management Plan.
- 7.44 Consider investigations that have a significant impact on the organisation and the mitigation in that regard as informed by the Significant and Materiality Framework.

⁹ King IV, principle 11, recommendation 5

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Integrated Report

- 7.45 Review the relevant statements for disclosure in the Company's Integrated Report, including the Risk Tolerance Levels and Risk Appetite Statement.
- 7.46 Review the Risk Section of the Company's Integrated Report, to enable users of the information to make an accurate assessment of the Group's strategic and operational risk condition at the reporting date on which it is published.

The Charter and the Delegation of Authority Policy and Framework

- 7.47 **Recommend amendments to this Charter** for consideration of the Board, on an annual basis or as and when required.
- 7.48 Review the Delegation of Authority Policy and Framework for adequacy **and make recommendations** to the Corporate Governance and Nominations Committee for consideration.
- 7.49 Monitor compliance with the Delegation of Authority Policy and Framework in as far as this Charter is concerned.
- 7.50 Oversee risk management and governance in line with the Delegation of Authority Policy and Framework.

8. COMMITTEE OPERATION

8.1 Frequency

- 8.1.1 The Committee shall hold a minimum of four (4) meetings per financial year, on a quarterly basis, which shall be scheduled in its Annual Work Plan. Meeting dates shall be scheduled on approval of the Corporate Calendar by the Board.

8.2 Attendance

- 8.2.1 The following persons may attend Committee meetings by invitation by the Chairperson of the Committee:
 - 8.2.1.1 Members of executive management and senior management of the Group Companies.
 - 8.2.1.2 Other directors of the Board.

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8.2.1.3 Such other persons determined by the Committee, who may include, where deemed necessary by the Committee, independent investment and financial, safety and security, legal and compliance, risk, etc. experts.

8.2.1.4 The following persons shall be standing invitees to the committee:

8.2.1.4.1 Group Chief Executive,

8.2.1.4.2 Group Chief Financial Officer,

8.2.1.4.3 Group Chief Operating Officer,

8.2.1.4.4 Chief Legal Officer,

8.2.1.4.5 Chief of Strategy and Planning,

8.2.1.4.6 General Manager: Enterprise Risk Management and

8.2.1.4.7 General Manager: Safety.

8.2.2 The Committee may invite any other persons required to report at meetings, representative/s of independent experts.


9. APPROVAL AND STATUS OF THIS CHARTER

9.1 This Charter shall be reviewed by the Committee for adequacy and relevance as and when the Committee deems it necessary, on an annual basis.

9.2 This Charter will be deemed to be accepted by, and be binding upon, all existing and future members of the Committee from the effective date of their appointment as members, without any further action being required.

Approved by the Board on 29 November 2024

Signed by the Chairperson of the Board



Mr Andile Sangqu

09 December 2024

Date: