



Abridged governance

Ethical and effective leadership and corporate citizenship

The Board is principally responsible for directing and controlling the business of the Company and ensuring its 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.

The Board leads the Company in its achievement of strategic objectives by directing and approving the Company's overall strategy and associated operational objectives. It monitors the Company's performance against the 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 accountable for leading the Company ethically and effectively. The qualities of integrity, competence, responsibility, fairness and transparency are cultivated and exhibited through the Company's compliance with legislation, rules and binding codes, underscoring its responsibilities as a good corporate citizen.

The Board is committed to implementing the King IV Code on Corporate Governance.

Compliance with laws, codes, rules and standards

The Board governs and directs compliance with applicable laws and adopted, non-binding rules, codes and standards. The Board delegates the responsibility for implementing the compliance function to management. To this end, the Company has an established Compliance function. As is the case with all the Company policies, the Compliance Policy is reviewed every five years in accordance with the Company Policy Framework or updated as and when required. The Compliance Policy forms the foundation of the Compliance Framework.

The Board considers non-compliance with legislative requirements a key risk, as it not only exposes the Company to fines and civil claims, but can also result in loss of operational authorisations and reputational harm.

The Board oversees compliance management and has delegated the review and approval of the Company's Compliance Plan to the Risk Committee. The Compliance Plan details procedures for identifying regulatory risks and monitoring compliance with applicable regulatory requirements. The Compliance Plan is aligned with the Company's strategy to mitigate compliance risk exposures emerging from the execution of the strategy.

+ Good corporate governance

is an ongoing process, which requires deep understanding of the interplay of strategy, value creation, the organisation's socio-economic and political environment, and the fundamentals of human nature.

+ As we move into the new 4.0 paradigm,

we need to ensure that our existing governance structures remain 'fit for purpose' considering current financial and economic conditions, emerging digital platforms, industry disruptions, the need to upskill our people, and to adapt accordingly.

+ 'Good governance in action'

creates value as it builds social trust, maintains investor credibility and promotes institutional integrity. These actions are undertaken by people.



Public Finance Management Act (PFMA)

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 legislation applicable to the Company. Accordingly, the Board - in its capacity as the Company's accounting authority - 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 further ensures that the Company adheres to all procedures for quarterly reporting to the Executive Authority through submission of quarterly PFMA reports.

The Board has noted the ineffectiveness of supply chain-related controls, which resulted in significant irregular expenditure in terms of the PFMA, as highlighted within the annual financial statements on pages 15 and 16 of the Report of the Directors, as well as Annexure E, from pages 116 to 120.

Companies Act

The Company reports on the extent of its compliance with the Companies Act in the Directors' Report.

King IV

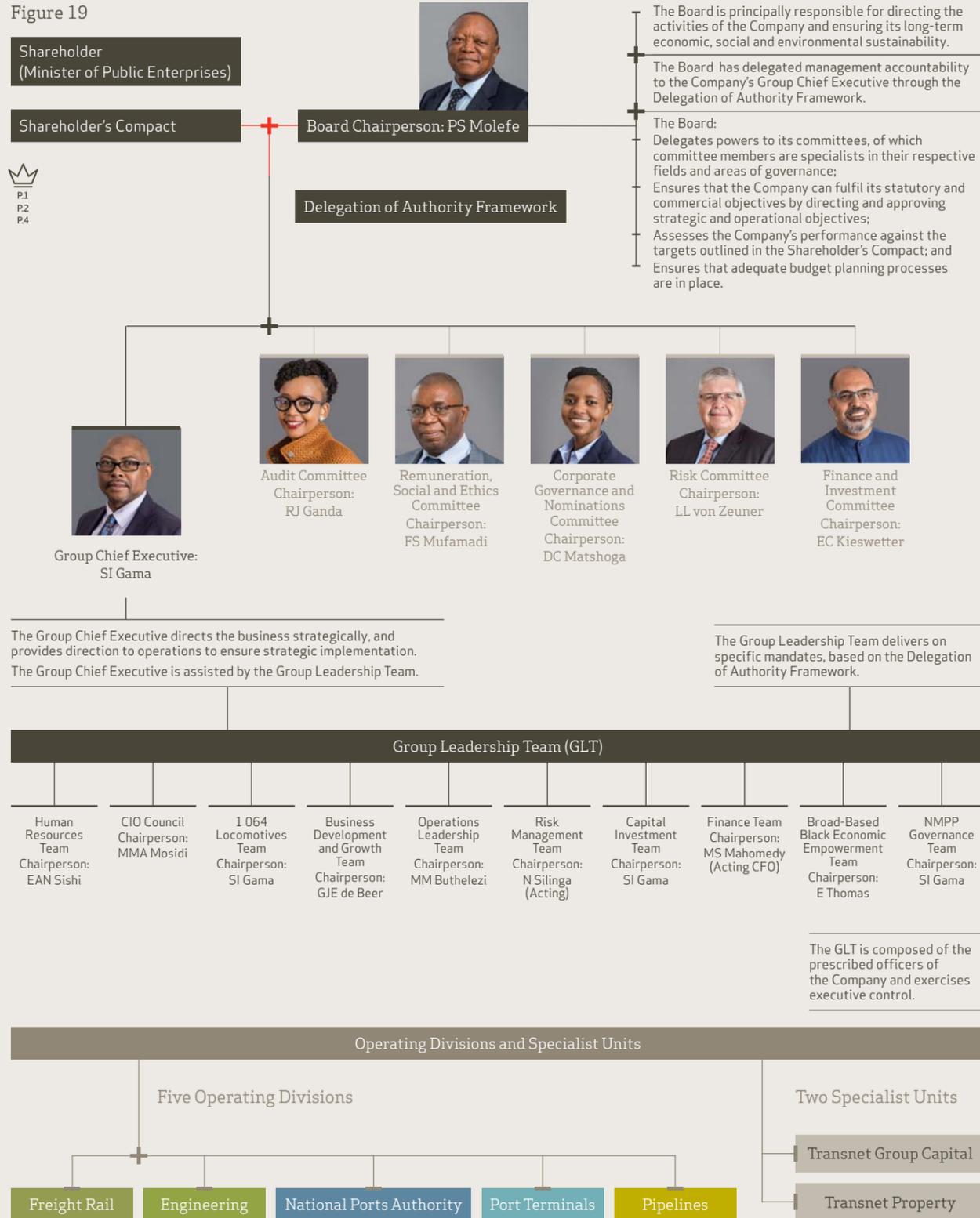
The Board is committed to the application of King IV governance principles in conjunction with regulatory provisions to achieve the overarching principles of sound governance, namely an ethical culture, good performance, effective control and operational and social legitimacy. It intends to do so substantively and not simply in form, so that its decisions and actions impact positively on the Company and all its stakeholders. The Governance Assessment Instrument is utilised to monitor the level of application of the King IV principles.

"A strong theme for us in the Capital space is going back to basics; we are focusing our attention on compliance, governance and internal controls."

Mr Krishna Reddy
Chief Capital Officer

Governance structure

Figure 19



P1
P2
P4

P1.1
P1.3
P3
P1

During the reporting year, Transnet adhered to some of the King IV principles and recommendations as evidenced in the Integrated Report, Remuneration Report and the Sustainability Outcomes Report. At the time of publishing this report, the Company was attending to gaps identified through a King IV gap analysis performed during the 2018 financial year. Once complete, the outcomes - and appropriate steps taken to address the gaps through the applicable governance process - will be reported on the Company's website (www.transnet.net/GAI), as part of the 2019 Integrated Reporting Suite.

Governance instruments

- The Company's governance instruments include:
- Memorandum of Incorporation (MOI), as lodged with the Companies and Intellectual Property Commission (CIPC);
 - Delegation of Authority Framework, approved by the Board on 31 August 2016, with effect from 1 September 2016, and cascaded Company-wide; and
 - Matters reserved for decision by the Board¹ encompass:
 - Approvals and recommendations of financial, statutory and administrative matters; and
 - Matters relating to regulatory, human resources and policies.

¹ Subject to the Memorandum of Incorporation of the Company, the PFMA, and such other applicable legislation, on the basis of any recommendation as may be made from time to time by the Group Chief Executive.

Independent performance evaluation of the Board, its committees and directors

The Board evaluates its performance and that of its committees, Chairperson and individual directors through an annual independent evaluation and provides ongoing support for continued improvement. The process is facilitated by an independent service provider.

2018 Board evaluation

PricewaterhouseCoopers, an external service provider, conducted the 2018 Board evaluation in February 2018. Identified areas of improvement included:

- Requirements for logistics, freight and rail;
- Capital projects and programmes expertise;
- Investment and economics expertise;
- Information and communications technology expertise; and
- Technical engineering expertise and cost.

Further areas for consideration included the following:

- In terms of the appointment, induction, training and succession planning of directors, King IV recommends that a programme be implemented by the Board to ensure a staggered rotation of non-executive directors to the extent that this is not already regulated by the Company's MOI or other relevant legislation.
- In terms of strategy, compliance and Group performance emphasis is placed on the Board's focus on the achievement of value creation as set out by King IV and aligned with leading practice trends. The Board should ensure that the Company strategy is expressed in terms of performance that creates value in a sustainable manner within the economic, social and environmental context in which the Company operates.

Action plans are being developed to address the gaps. The appointment of the new Board in May 2018 addressed areas of improvement, which included the balance of skills and filling of vacancies. The Board Evaluation Report is generally tabled for noting at the annual general meeting.

Directors' induction and continuous development

The Group Company Secretary develops an Annual Board Training Plan to support the enhancement of skills of members of the Board and its committees. Individual directors are encouraged to identify any training events they may wish to attend through recognised training institutes as provided by the Group Company Secretariat.

A full list of training activities conducted during the year with the Board by external training service providers is provided in the Governance Report available online at www.transnet.net. It is submitted to the Shareholder for information purposes.

Board independence

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

Core responsibilities of the Board

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

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

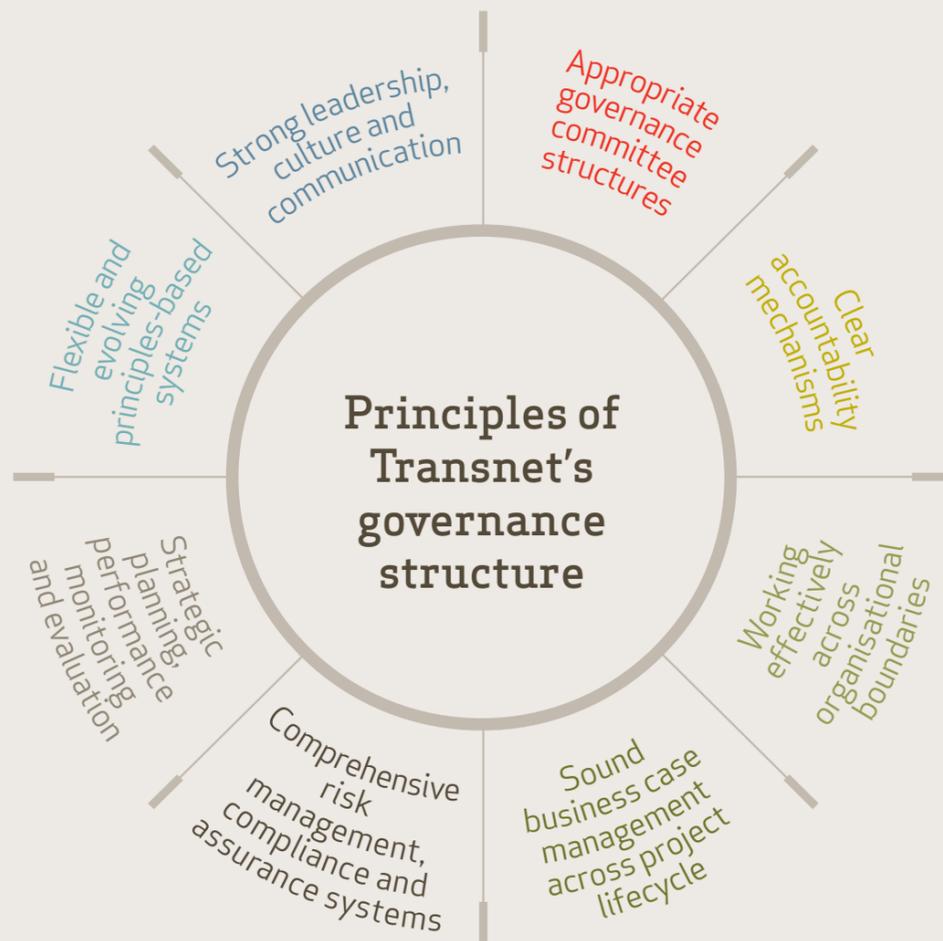
Board and committee meetings



Creating value through Transnet's governance structure

Characteristics of an enabling governance environment

Figure 20



- + Monitor the implementation of strategic acquisitions and disposals against approved plans
- + Develop key performance indicators to monitor sustainability performance
- + Set the tone for Transnet's value system (filtered into corporate culture)
- + Maintain highest standards in the social and ethics environment (policies, legal requirements and codes of best practice)

- + Ensure integrity of accounting and financial control system
- + Inform the overall 'control consciousness' of employees without restricting performance or innovation
- + Manage legal and moral obligations for economic, social and natural environments, and set standards for ethical conduct
- + As custodians of governance, set an ethical tone and enforce sound ethical principles
- + Monitor reward practices and promote competitive reward strategies to recruit and retain high-performing people
- + Ensure the Board's composition and structure enable it to fulfil its mandate and obligations, aligned with strategy
- + Ensure appropriate skills represented by the Board and appoint competent executive management
- + End-to-end visibility of key financial control
- + Ensure the Company's strategy, risk compliance, performance and sustainability are inseparable
- + Balance financial accountabilities, organisational performance and strategic priorities
- + Monitor trends in supplier development spend and progress against targets
- + Assess private-sector participation models to support project funding and economic growth
- + Ensure that intellectual property created (e.g. ICT and advanced manufacturing innovations) is protected
- + 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 climate of discipline to reduce fraud and losses

Value created by Transnet's governance function

Aligns operational performance with strategic objectives

Ensures effective Board composition and skills

Promotes financial sustainability

Supports performance monitoring

Safeguards resources and limits undesirable outcomes

Promotes an integrated mindset regarding the Company's inseparable elements

Promotes ethical leadership and an ethical organisational culture by enforcing sound ethical principles at decision-making levels

Provides a framework for ethical, inclusive stakeholder relations to build credibility, promote social trust and to enable material stakeholders to make informed decisions

Fosters a work environment that attracts and retains the right skills

Promotes and supports a culture of innovation

Highlights and enables sound management of Transnet's impact on its various stakeholders and the environment

Supports the ethical management of trade-offs between the six capitals (financial, manufactured, intellectual, human, social and relationship, and natural)

Promotes fairness and inclusivity within Transnet's employee base

Promotes fairness and inclusivity within Transnet's supplier relationships

Summary of critical matters during the 2017/18 financial year*

Board	
<ul style="list-style-type: none"> Total number of meetings held during the year: 9 Directors' attendance at Board meetings denoted by () 	<ul style="list-style-type: none"> Executive director + Independent non-executive director ++

Chairperson:	Members:
<ul style="list-style-type: none"> Ms LC Mabaso ++ (9) 	<ul style="list-style-type: none"> Ms Y Forbes ++ (8) Mr SI Gama + (9) Ms AC Kinley¹ ++ (2) Mr GJ Mahlalela² ++ (9) Ms PEB Mathekg³ ++ (9)
	<ul style="list-style-type: none"> Mr ZA Nagdee ++ (9) Mr VM Nkonyane ++ (9) Mr GJ Pita + (8) Mr SD Shane⁴ ++ (0) Mr BG Stagman⁵ ++ (5) Mr SM Radebe⁶ ++ (3)

Most material matters arising during the year	Main undertakings and considerations
<ul style="list-style-type: none"> The Board skills mix. Board composition and the resultant Memorandum of Incorporation clause amendment. Increasing PFMA issues. Media allegations against Transnet. Issues raised by Standing Committee on Public Accounts (SCOPA). Noted the Public Protector matters. 	<ul style="list-style-type: none"> The Company has reinstated assurance committees at the Operating Divisions' level to address PFMA transgressions as they arise. A step-up programme has been introduced to enhance internal controls and more emphasis is given on instituting consequence management. The Company has made an undertaking to SCOPA to reduce instances of contract variations through deviations and extensions. The Company has also instituted independent forensic investigations to address the alleged corporate governance breaches on contracts concluded between 2014 and 2016 and the prevailing media allegations. Some of the recommendations from the forensic investigation have been implemented, while a further investigation has been commissioned and will be finalised by the end of June 2018. The Board, together with the Shareholder Minister, is addressing the appointment and induction of additional Board members. The Shareholder Minister has addressed this gap through the appointment of the new Board on 23 May 2018.

* A more detailed table of key activities and outputs for the 2018 financial year is contained online in the full Governance Report available at www.transnet.net

¹ Ms Kinley was appointed as a director and member of the Audit Committee with effect from 21 December 2017, and the Chairperson of the Acquisitions and Disposals Committee with effect from 30 January 2018.

² Mr Mahlalela passed away on 29 March 2018.

³ Ms Mathekg was appointed as a member of the Remuneration, Social and Ethics Committee and ceased to be a member of Corporate Governance with effect from 30 January 2018.

⁴ Mr Shane resigned as a director of the Company with effect from 29 June 2017.

⁵ Mr Stagman resigned as a director of the Company with effect from 10 December 2017.

⁶ Mr Radebe was appointed as a director and the Chairperson of the Audit Committee with effect from 21 December 2017.

Chairperson and Group Chief Executive

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 Leadership Team (GLT), of which he is the Chairperson.

The Delegation of Authority Framework records the nature and extent of the authorities delegated by the Board to the Group Chief Executive and specified governance structures and, in turn, by the Group Chief Executive to the members of the GLT to implement certain actions by or on behalf of the Company. It includes - to the extent necessary and incidental thereto - the authority to discharge all duties, obligations and powers imposed upon the deemed Authority under the National Ports Act. The new Board has undertaken a process to review the Delegation of Authority Framework.

Succession planning

Non-executive directors are appointed to the Board by the Shareholder Minister, on a three-year term, renewable annually. The Chairperson of the Board engages continuously with the

Shareholder Minister, who is the final arbiter on the Board's succession plans and approval of transaction applications in accordance with the provisions of section 54 of the PFMA.

Management of potential conflicts of interest

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

Where a director or a prescribed officer has any direct or indirect personal or private business interest in a particular matter, that director or prescribed officer must be recused from the proceedings when the matter is considered, unless the Board, committee or the GLT, as the case may be, decides that the member's interest in the matter is trivial or irrelevant. The declaration of interest and related-party disclosures registers are signed by the members and attendees at all formal meetings of the Board and the GLT, and their committees. These registers are maintained by the Group Company Secretary. In addition, non-executive directors, the GLT, Extended Leadership Team members, line management (Levels C to F) and any employee who has an interest, either directly or indirectly, are required to file an annual declaration of interest form with the Group Company Secretary at the beginning of each

year or within 30 days from date of appointment. Any changes in interests during the course of the year necessitate the filing of revised declaration of interest forms, which are formally noted by the relevant governance structures.

The Board and the GLT note their respective Annual Declarations of Interests Registers. The Corporate Governance and Nominations Committee, and the Remuneration, Social and Ethics Committee conduct annual reviews of the filed declaration of interest forms of the Board and GLT members for adequacy and oversight.

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

Non-executive directors

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 have direct, unfettered access to the Company's employees, external auditors, professional advisers and internal auditors. The non-executive directors continue to act in the best interest of the Company at all times.

Group Company Secretariat function

The Board adheres to the requirement of the Companies Act and has appointed a competent and qualified Group Company Secretary. The Group Company Secretary is responsible for developing systems and processes to enable the Board to discharge its functions efficiently and effectively. The Group Company Secretary prepares Annual Work Plans for the Board, as informed by the strategic direction of the Company. The Annual Work Plans are approved for implementation by the respective governance structures and are continually tracked to assess progress. The Group Company Secretary advises the Board on corporate governance issues, the requirements of the Companies Act and other relevant legislation.

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

Benchmarking

The Group Company Secretariat has shared and learnt the knowledge it has gained in the corporate governance sphere with other SOCs, with the objective of enhancing uniformity, standardisation and alignment of best practice across the SOCs.

Board committees

Audit Committee

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

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. Overall, four scheduled and two special meetings were held during the year and all quorum requirements were met accordingly. The Audit Committee provides the following support activities to the Board:

- Assists the Board in discharging its duties for the safeguarding of assets and the evaluation of 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, 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 as it pertains to ICT governance.

"At Transnet Internal Audit, we are getting involved in Company initiatives early on, allowing us to proactively provide input on process and control design, thereby bringing more value to the business."

Ms Mmathabo Sukati
Chief Audit Executive

Our Board members

Dr Popo Molefe
Chairperson

Date of birth: April 1952
Year of appointment: May 2018
Qualifications: Honorary Doctorate (Leadership Aptitude) (University of North West), Certificate of Conflict Resolution (Harvard University), Course on Governance (Harvard University), Certificate of Completion of Business Leadership Course (Pennsylvania University)



Mr Siyabonga Gama
Group Chief Executive

Date of birth: May 1967
Year of appointment to the Board: October 2015

Qualifications: MBA (Jointly awarded by New York University Leonard N Stern School of Business, the London School of Economics and Political Science and HEC Paris, BCom (University of Swaziland), Banking Diploma (Institute of bankers CAIB (SA)), Post graduate Diploma in Company Direction, Advanced Executive Development Program (City University of New York), Certificate in Port Management (Netherlands IHE), Advanced Port Management and Operations Program (National University of Singapore), Global Leadership Program (GIBS), Executive Development Program (University of Pennsylvania)



Mr Mohammed Mahomedy
Acting Chief Financial Officer

Date of birth: March 1971
Year of appointment to the Board: May 2018

Qualifications: CA(SA) PDip Acc (University of KwaZulu-Natal), BCompt (Unisa), Advanced Strategic Management (IMD Switzerland), Global Executive Leadership Development Programme (GIBS)



Ms Ursula Fikelepi

Date of birth: January 1973
Year of appointment: May 2018

Qualifications: MBA (GIBS), LLB (University of New Hampshire, USA), LLB (University of Cape Town), BA Law (Rhodes University)



Ms Ramasela Ganda

Date of birth: September 1974
Year of appointment: May 2018

Qualifications: CA(SA), BCom (Hons) (University of Pretoria), CTA (University of Pretoria), Accounting Special (Bridging Course) (University of Pretoria), BCom (Vista University), Associate - SAICA and PAAB



Prof Edward Kieswetter

Date of birth: November 1958
Year of appointment: May 2018

Qualifications: MCom (SA and International Tax Law (cum laude) (North-West University), MBA (Strategy and Transformation) (Henley, UK), M.Ed (Cognitive Development) (University of the Western Cape), B.Ed (Hons) (Mathematics and Science) (University of the Western Cape), PG Dip (Engineering and Mathematics Ed) (University of Cape Town), NHD (Elec.Eng) (Cape Peninsula University of Technology)



Ms Mpho Letlape

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 (UCT Graduate School), Leading Change (Harvard Business School), Management Advanced Programme (Wits), Strategic Perspective in NPO Management (Harvard Business School), Orchestrating Winning Performance (IMD) (Harvard Business School), Strategic Human Resources (Harvard Business School)



Ms Dimakatso Matshoga

Date of birth: May 1978
Year of appointment: May 2018

Qualifications: MBA (Management College of SA), BSc (Electronic Engineering) (University of Natal), PD in Project Management (School of Project Management), PrEng and Certified Director (IoDSA)



- Audit Committee
- Remuneration, Social and Ethics Committee
- Corporate Governance and Nominations Committee
- Acquisitions and Disposal Committee
- Risk Committee
- Finance and Investment Committee

100% 0-3 years

Length of tenure of independent non-executive directors

0% 3-6 years

Board members' competencies - as per competency key, including:

- Corporate Governance
- Management and Leadership
- Legal, Compliance and Regulatory
- Infrastructure, Logistics and Manufacturing
- Strategy and Planning
- Economics, Finance and Investment
- Auditing and Accounting
- Procurement and Supply Chain
- Construction and Engineering
- HR and Industrial Relations
- Business development, Marketing and Sales
- Risk Management
- Stakeholder Relations
- Policy Development
- Business acquisitions and Contract management
- Information and Communication Technology
- Transformation and Sustainable Development
- Project management
- Transport



Ms Vivien McMenamin

Date of birth: March 1963
Year of appointment: May 2018

Qualifications: MSc Economics (University of London), BSocSci Hons (Economics) (University of Cape Town), IMD Advanced High Performance Leadership, IMD High Performance Leadership, Banking and Finance Diploma (University of London)



Adv Oupa Motaung

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

Qualifications: BProc (Wits University), LLB (Wits University), LLM (Tax Law) (Wits University), HDip Co. Law (Wits University), AIPSA Diploma (University of Pretoria), Advanced Certificate in Construction Law (University of Pretoria), Certificate in Banking and Financial Markets (Wits University)



Dr Fholisani Mufamadi

Date of birth: February 1959
Year of appointment: May 2018

Qualifications: DSc (Honoris Causa) (University of London), PhD (University of London), Honorary Professor (Political and Government Studies) (Nelson Mandela Metropolitan University), MSc (University of London)



Mr Aluwani Ramabulana

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

Qualifications: MBA (Nyenrode University, The Netherlands), BSc (Chemical Engineering) (Oregon State University), Executive Development Programme (IMD, Switzerland), Certificate in Corporate Governance and Risk Management



Ms Gratitude Ramphaka

Date of birth: August 1979
Year of appointment: May 2018

Qualifications: CA(SA), BAcc (Hons) (University of Witwatersrand), BCom (University of Witwatersrand), Auditing Specialism Course (Advanced Accounting and Auditing), Auditing Professional Training (Advanced Auditing and Professional Training)



Mr Louis von Zeuner

Date of birth: June 1961
Year of appointment: May 2018

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



Ms Nokuthula Khumalo
Group Company Secretary

Date of birth: September 1970
Year of appointment: September 2016

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

Resignations due to Board rotation

- Mr Garry Pita (19 April 2018)
- Ms Linda Mabaso (3 May 2018)
- Mr Vusi Nkonyane (3 May 2018)
- Ms Yasmina Forbes (3 May 2018)

- Mr Stanley Shane (29 June 2017)
- Mr Brett Stagman (10 December 2017)
- Ms AC Kinley (May 2018)

Removals due to Board rotation

- Mr Potso Mathekgga (May 2018)
- Mr Zainul Nagdee (May 2018)
- Mr Seth Radebe (May 2018)

Deceased

- Mr Mahlalela (29 March 2018)

Directors' active memberships on other boards

1. Dr Popo Molefe

Chairperson

Membership/Directorship

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

2. Mr Siyabonga Gama

Group Chief Executive

Directorship/Trusteeship/Shareholding

Mafumbuka Investment Holdings (Pty) Ltd
Pony Lane Homeowners Association
Transnet International Holdings SOC Ltd
Maputo Corridor Logistics Initiatives
Siyaya Free to Air TV (PVT) Ltd
Sikhuliso Resources (Pty) Ltd (25%)
Four Arrows Investment 256 (Pty) Ltd
Tswelopele Beneficiation Operations (Pty) Ltd (31%)
Phithikeza Trust (property-owning family trust)
The Mndawo Trust
Salesian Past Pupils Association
The Selope Thema Foundation (NPO)

Shareholder

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

3. Mr Mohammed Mahomed

Acting Chief Financial Officer

Directorship/Trusteeship

Cutting Edge Finance (Pty) Ltd (100%)
Maquady Family Trust
YMM Family Trust

4. Ms Ursula Fikelepi

Directorship/Shareholding

Emmaus Holdings (100% holding)
Mitzamo Africa (Pty) Ltd (16,7% holding)

Directorship

Mitsamo Properties (Pty) Ltd (16,7% holding)
Mitzamo Capital (Pty) Ltd (16,7% holding)
Cloud Atlas (RF) (Pty) Ltd (3% holding)

5. Ms Ramasela Ganda

Directorship/Shareholding

BPC Chartered Accountant (100% holding)
Mytechie (Pty) Ltd (25% holding)

6. Prof Edward Kieswetter

Directorship/Shareholding

Shoprite
African Unity (10% holding)
Da Vinci Institute of Managerial Leadership (65% holding)
GEMS Education Africa
DST Technology Innovation Agency

7. Ms Mpho Letlape

Directorship/Trusteeship/Shareholding

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

8. Ms Dimakatso Matshoga

Directorship/Shareholding

Atafatsa Foundation (non-profit company) (33,3% holding)
Atafala Consulting (100% holding)
Isa-Stra Tech Solutions (primary cooperative) (20% holding)

9. Ms Vivien McMenamin

Directorship/Shareholding

Durban Girls College
Forestry SA
SiyaQhubeka Forests
Forestry Charter
Mondi Zimele
South African Association for Marine Biological Research

10. Adv Oupa Motaung

Directorship/Shareholding

Vaxiscore Investment (100% holding)
Kuenta Construction Projects (100% holding)
Thulo Trustees (100% holding)
Twende Investments (10% holding)
Nordaspan (100% holding)
Orthorox (100% holding)
Condoclox (100% holding)

11. Dr Fholisani Mufamadi

Directorship/Shareholding

Barclays Bank Mozambique
National Bank of Commerce (Tanzania)
Adcorp Holdings Limited
Implats Holdings Limited
Zimplats (Chairman of the Board)
Debshan (Pty) Ltd
Nokukhanya & Inkosi Albert Luthuli Peace and Development Institute
Muendanyi Consulting (dormant)

12. Mr Aluwani Ramabulana

Directorship/Shareholding/Trusteeship

NBC
MDZ Fleet Solutions (100% holding)
DataQuip Rentals ((60% holding)
Mudzi Palfinger JV (51% holding)
MDZ Logistics (100% holding)
MDZ Capital (100% holding)
Bono Lithihi Investment Holdings (Pty) Ltd (5% holding)
Lateospace (49% holding)s

13. Ms Gratitude Ramphaka

Membership

South African Council for the Project and Construction Management Finance Committee
Advisory Board of the National Intellectual Property Management Office - Full Costing Sub-committee

14. Mr Louis von Zeuner

Directorship/Trusteeship

Afgri Holding Limited
Afgri Ltd
African Bank Holdings Limited
African Bank Limited
Cricket South Africa (NPC)
enX Group
LIV Foundation & LIV Equity Trust
Lungisisa Indlela Village (RF) NPC
Mahela Boerdery (Pty) Ltd
MMI Group Limited
MMI Holdings Limited
Momentum Short-term Insurance
Paycorp Investments (Pty) Ltd
Telkom SA
Fairfax Africa Investments (Pty) Ltd
Aditiya Birla Health Insurance Co Ltd
SA Rugby
L & R Family Trust
Edward Vorster Trust
Anzelle Trust
SARPA Foundation

Summary of the main undertakings and considerations during the year*



Audit Committee

- Total number of meetings held during the year: Four scheduled meetings and two special meetings
- Directors' attendance at Audit Committee meetings denoted by ()
- Executive director +
- Independent non-executive director ++



Chairperson:

- Mr SM Radebe¹: ++(1 scheduled) (2 unscheduled)
- Mr BG Stagman²: ++(3 scheduled)

Members:

- Ms AC Kinley³: ++ (1 scheduled) (2 unscheduled)
 - Mr GJ Mahlalela⁴: ++(4 scheduled)
 - Ms PEB Mathekgga⁵: ++ (3 scheduled) (2 unscheduled)
- No external advisers attended committee meetings during the year.

Most material matters arising during the year	Main undertakings and considerations
<ul style="list-style-type: none"> PFMA reportable items - Annual Financial Statement Disclosure 	<ul style="list-style-type: none"> The Company has reinstated assurance committees at Operating Division level to address PFMA transgressions as they arise. A step-up programme was introduced to tighten internal controls and more emphasis placed on consequence management. The Company also made an undertaking to SCOPA to reduce contract deviations and extensions.
<ul style="list-style-type: none"> Fraud allegations 	<ul style="list-style-type: none"> A Board Steering Committee comprising the Audit Committee members and the Board chairperson was established. This Board Steering Committee commissioned a forensic investigation.

* A more detailed table of key activities and outputs for the 2018 financial year appears in the full Governance Report at www.transnet.net

¹ Mr Radebe was appointed as a director and the Chairperson of the Audit Committee with effect from 21 December 2017.

² Mr Stagman resigned as a director of the Company with effect from 10 December 2017.

³ Ms Kinley was appointed as a director and member of the Audit Committee with effect from 21 December 2017 and the Chairperson of the Acquisitions and Disposals Committee with effect from 30 January 2018.

⁴ Mr Mahlalela passed away on 29 March 2018.

⁵ Ms Mathekgga was appointed as a member of the Remuneration, Social and Ethics Committee and ceased to be a member of Corporate Governance with effect from 30 January 2018.

The Acquisitions and Disposals Committee

- The Acquisitions and Disposals Committee provides the following support activities to the Board:
 - Advances and maintains the Company's acquisition and disposal policies.
 - Approves procurement transactions within the committee's delegated authority.
 - Monitors trends in supplier development spend and progress on plan.
 - Considers strategic acquisitions and disposals and makes recommendations to the Board.
 - Considers, for recommendation to the Board, potential private-sector participation models.

- Reviews quarterly capital expenditure reports, and monitors the execution of approved projects.
- Monitors the implementation of strategic acquisitions against the approved plans.
- Approves procurement strategies for proposed acquisitions and disposals to the Board in line with the Delegation of Authority Framework.

In line with the Shareholder's view and impending direction, to remove the involvement of non-executive directors in procurement-related activities, the Board dissolved the Acquisitions and Disposals Committee in May 2018. The Board further constituted a Finance and Investment Committee.

Summary of the main undertakings and considerations during the year*

The Acquisitions and Disposals Committee <ul style="list-style-type: none"> Total number of meetings held during the year: 6 Directors' attendance at the Acquisitions and Disposals Committee meetings denoted by () 		<ul style="list-style-type: none"> Executive director + Independent non-executive director ++
Chairperson: <ul style="list-style-type: none"> Ms AC Kinley¹ ++ (1) Mr SD Shane² ++ (1) 		Members: <ul style="list-style-type: none"> Ms LC Mabaso ++ (6) Mr ZA Nagdee ++ (6) Mr SI Gama +(4) Additional director attendees during the year <ul style="list-style-type: none"> Mr BG Stagman³ ++ (1)
No external advisers attended committee meetings during the year.		
Most material matters arising during the year	Main undertakings and considerations	
<ul style="list-style-type: none"> Continuously striving to attain and exceed the set targets for spend on businesses owned by black youth and people living with disabilities. PFMA reportable matters in relation to contract deviations and/or exemptions. Committee composition and requisite skills balance. 	<ul style="list-style-type: none"> The Company has introduced B-BBEE improvement plans as a requirement in the procurement assessment criteria. The Enterprise Development hubs that were established in various provinces to strengthen the Supplier Development component are yielding positive results. Considered and agreed on the reduction of applications for contract deviations and extensions, thus ensuring compliance with the PFMA. Effective project and contract management, which the Company is continuously addressing through Transnet Group Capital and related strategies. Committee composition and skills balance was partially addressed by the secondment of Mr Stagman to the committee. 	

^{*} A more detailed table of key activities and outputs for the 2018 financial year appears in the full Governance Report at www.transnet.net
¹ Ms Kinley was appointed as the Chairperson of the Acquisitions and Disposals Committee with effect from 30 January 2018.
² Mr Shane resigned as a director of the Company with effect from 29 June 2017.
³ Mr Stagman resigned as a director of the Company with effect from 10 December 2017.

Corporate Governance and Nominations Committee

- The Corporate Governance and Nominations Committee provides the following support activities to the Board:
 - Ensures that the Board's composition and structure enable it to fulfil the obligations of the Board mandate and advance and maintain the Company's corporate governance policies and the Corporate Governance Framework.
 - Sets criteria for the nomination of directors to be recommended to the Board for appointment to the committees of the Board, other than the Audit Committee.
 - Nominates potential Audit Committee members for appointment by the Shareholder Minister.

- Nominates potential Remuneration, Social and Ethics Committee members for approval by the Board and confirmation by the Shareholder Minister at the annual general meeting or through a written resolution.
- Ensures that best-practice succession planning policies are implemented in respect of executive directors and independent non-executive directors.
- Administers and manages the selection process of the Company Chief Executive on behalf of the Board, and makes recommendations on the top three candidates - in order of priority - to the Board by complying with the 'Guidelines for the appointment of a Group Chief Executive for a State-Owned Enterprise'.
- Training, Development and Appraisal of Board members to ensure good governance best practice.

Summary of the main undertakings and considerations during the year*

Corporate Governance and Nominations Committee <ul style="list-style-type: none"> Total number of meetings held during the year: 4 Directors' attendance at Corporate Governance and Nominations Committee meetings denoted by () 		<ul style="list-style-type: none"> Executive director + Independent non-executive director ++
Chairperson: <ul style="list-style-type: none"> Ms LC Mabaso ++ (4) 		Members: <ul style="list-style-type: none"> Ms Y Forbes: ++ (4) Ms PEB Mathekga¹: ++ (3) Mr VM Nkonyane: ++ (4)
No external advisers attended committee meetings during the year.		
Most material matters arising during the year	Main undertakings and considerations	
Filling positions on the Board following departures of Board members.	<ul style="list-style-type: none"> The Company further reviewed its MOI and lodged it with the CIPC on 19 December 2017. The revised MOI was subsequently accepted and placed on file with the CIPC. The amendment to the MOI reduced the minimum number of directors to six of which not less than four shall be non-executive directors. The Shareholder Minister appointed two additional directors, both of whom are chartered accountants to address the Board skills mix. To monitor the policy dashboard. 	

^{*} A more detailed table of key activities and outputs for the 2018 financial year appears in the full Governance Report at www.transnet.net
¹ Ms Mathekga was appointed as a member of the Remuneration, Social and Ethics Committee and ceased to be a member of Corporate Governance with effect from 30 January 2018.



Risk Committee

- The Risk 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 been or is being taken.

Summary of the main undertakings and considerations during the year*

Risk Committee	
<ul style="list-style-type: none"> Total number of meetings held during the year: 5 Directors' attendance at Risk Committee meetings denoted by () 	<ul style="list-style-type: none"> Executive director + Independent non-executive director ++
Chairperson: <ul style="list-style-type: none"> Mr GJ Mahlalela¹: (Acting) ++ (5) 	Members: <ul style="list-style-type: none"> Mr BG Stagman²: ++ (4) Ms Y Forbes: ++ (3) Mr SM Radebe³: ++ (1) Mr SI Gama: + (4)
No external advisers attended committee meetings during the year.	

Most material matters arising during the year	Main undertakings and considerations
<ul style="list-style-type: none"> Increasing trend in employee fatalities and derailments. Mitigation plans to manage cyber risks and related policies and procedures. Credit rating agencies assessments, and their impact on the Company's funding requirements. Reputation risk based on media allegations and PFMA transgressions. 	<ul style="list-style-type: none"> Group Leadership Team roadshows across the Company and visible leadership strategies implemented, which include individual GLT members being allocated specific work areas to visit regularly to engage employees on different matters, including safety. Management is finalising policies and a framework for effective management of cyber risks. Mitigation plans to improve the Company's rating while considering the link with the sovereign, included reduction and deferral of capital spend, and consideration of alternative funding models and institutions. Matters of reputational risk were elevated to Board level for comprehensive oversight. Mechanisms for improved stakeholder engagement and the 'rebuilding of trust' actioned. The Integrated Report considered a key vehicle for communicating strategic insights, opportunities and change objectives. The Board emphasised the need for improved transparency and stakeholder inclusivity.

* A more detailed table of key activities and outputs for the 2018 financial year appears in the full Governance Report at www.transnet.net
¹ Mr Mahlalela passed away on 29 March 2018.
² Mr Stagman resigned as a director of the Company with effect from 10 December 2017.
³ Mr Radebe was appointed as a director and the Chairperson of the Audit Committee with effect from 21 December 2017.



Remuneration, Social and Ethics Committee

- In accordance with Regulation 43(i)(a) of the Companies Act, which requires state-owned companies to establish social and ethics committees, the Company has established the Remuneration, Social and Ethics Committee to assist in discharging its responsibilities, consistent with King III and general corporate governance best practice. The mandate outlining the authority delegated to it by the Board includes the purpose of the Remuneration Committee, composition, reporting responsibilities, terms of reference and the right of any member to seek and be provided with independent

advice at the Company's expense, if such member considers that necessary for the effective execution of his/her fiduciary duties to the Company.

The committee has an independent role, operating as an overseer and a maker of recommendations to the Board for its consideration and final approval. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

Summary of the main undertakings and considerations during the year*

Remuneration, Social and Ethics Committee	
<ul style="list-style-type: none"> Total number of meetings held during the year: 5 Directors' attendance at Remuneration, Social and Ethics Committee meetings denoted by () 	<ul style="list-style-type: none"> Executive director + Independent non-executive director ++
Chairperson: <ul style="list-style-type: none"> Mr VM Nkonyane: ++ (5) 	Members: <ul style="list-style-type: none"> Ms PEB Mathekg¹: ++ (1) Ms ZA Nagdee: ++ (5) Mr SD Shane²: ++ (1)

Most material matters arising during the year	Main undertakings and considerations
<ul style="list-style-type: none"> The need for continuous improvement in addressing employee and public fatalities remains a challenge, although improved safety measures are bearing positive results. Improve employment equity (EE) targets at all levels of the Company. Countering negative publicity to safeguard Transnet's reputation. Fraud and corruption matters and the need to improve efficiencies in consequence management. 	<ul style="list-style-type: none"> Safety measures, including collaborating with municipalities and local government, to ensure non-encroachment on the railway lines by informal settlements in a bid to reduce public fatalities. Management is considering initiatives to improve EE targets, especially at GLT levels. In addition to addressing internal challenges of ethical violations through appropriate policy and procedural means, we are publicising the Company's good news stories, including those of a social nature, to counter the negative publicity stemming from media allegations. Management is using multiple media platforms, including social media, to target divergent stakeholders to amplify the Company's positive narrative, while addressing the related issues. Management of fraud and corruption is being enhanced through more stringent measures for instituting consequence management and the suspension of employees to avoid lengthy disciplinary processes and excessive costs.

* A more detailed table of key activities and outputs for the 2018 financial year appears in the full Governance Report at www.transnet.net
¹ Ms Mathekg was appointed as a member of the Remuneration, Social and Ethics Committee and ceased to be a member of Corporate Governance with effect from 30 January 2018.
² Mr Shane resigned as a director of the Company with effect from 29 June 2017.

Our Group Leadership Team (GLT)

Mr Siyabonga Gama
Group Chief Executive

Date of birth: May 1967
Year of appointment: July 1994

Qualifications: Refer to Board member's profile



Mr Mohammed Mahomed
Acting Chief Financial Officer

Date of birth: March 1971
Year of appointment: May 2008

Qualifications: Refer to Board member's profile



Ms Nonkululeko Sishi
Chief Human Resources Officer

Date of birth: October 1964
Year of appointment: January 2012

Qualifications: BAdmin (University of Zululand), Certificate in Labour Law (University of Natal), post-graduate Diploma in Business Management (University of Natal), Specialist Certificate in Human Resources Management (Institute of Personal Management - IPM), Advanced Management Program (Harvard University)



Ms Makano Mosidi
Chief Information Officer

Date of birth: January 1964
Year of appointment: June 2016

Qualifications: BCom (Financial Accounting and Computer Science) (University of the North), University Education Diploma - UED (University of the North)



Mr Gert de Beer
Chief Business Development Officer

Date of birth: October 1964
Year of appointment: August 2016

Qualifications: BCompt (University of Pretoria), BCompt (Honours) (University of Pretoria), CA(SA), Master's Degree in Commerce (University of Pretoria)



Mr Mlamuli Buthelezi
Chief Operating Officer

Date of birth: June 1965
Year of appointment: July 2011

Qualifications: BSc (Mechanical Engineering) (Tulane University), Higher Diploma Mechanical Engineering (Durban University of Technology), MBL (Unisa)



Black females: 3
Black males: 5
Indian males: 2
White males: 1

Extended Group Leadership supporting the Office of the GCE



Mr Khaya Ngema
Group Executive: Strategy

Date of birth: October 1970
Year of appointment: July 2017

Qualifications: Senior Executive Programme (Wits Business School/Harvard Business School), Master of Arts (Public Policy and Administration) (Institution of Social Studies - Erasmus University), Post graduate diploma in Management (Public Policy and Development Administration) (Wits University), Bachelor of Arts (Law and Industrial Sociology) (Wits University)



Ms Mmathabo Sukati
Chief Audit Executive

Date of birth: August 1969
Year of appointment: July 2013

Qualifications: MBA (GIBS - University of Pretoria), CA(SA), BCom (Honours in Accounting) (University of Cape Town), BCom (University of Cape Town), Postgraduate Diploma in Accounting (University of Cape Town)



Mr Ndiphiwe Silinga
Acting Chief Corporate and Regulatory Officer

Date of Birth: March 1963
Year of appointment: December 2008

Qualifications: BJuris (University of Transkei), LLB (University of Natal), Executive Development Management (GIBS)



Mr Thamsanqa Jiyane
Chief Officer: Advanced Manufacturing

Date of birth: May 1974
Year of appointment: November 2001

Qualifications: MBL (Unisa - School of Business Leadership (SBL)), BAdmin (Supply Chain and Operations Management) (University of Natal), National Diploma in Teaching (Indumiso College of Education)



Mr Krishna Reddy
Chief Capital Officer

Date of birth: August 1971
Year of appointment: December 1992

Qualifications: BSc Civil Engineering (University of Natal), Senior Management Certificate (University of Stellenbosch), BCom Logistics (Unisa), Port Engineering and Capacity Program (Antwerp, Belgium)

- Prescribed officers
- Extended Group Leadership supporting the Office of the GCE
- GLT members' competencies - as per competency key, including:
 - Corporate Governance
 - Management and Leadership
 - Legal and Compliance
 - Infrastructure and Logistics
 - Strategy and Planning
 - Finance and Investment
 - Performance Management
 - Procurement and Supply Chain
 - Construction and Engineering
 - HR and Industrial Relations
 - Business Development
 - Risk Management
 - Stakeholder Relations
 - Policy Development
 - Contract Management
 - Information and Communications Technology
 - Project Management

Remuneration

Remuneration philosophy

Transnet's human resources strategy, including the reward strategy, is designed to facilitate and support the achievement of strategic objectives, as well as help align organisational behaviour with the strategic thrusts of being 'agile,' 'admired,' 'digital' and 'united'. Further, the reward strategies aim to entrench a performance-driven culture. Reward-related concerns raised by the Shareholder are attended to by the Board of Directors, which considers the issue and endeavours to mitigate any emerging risk.

Transnet's remuneration philosophy is designed to achieve the following:

- Align the remuneration strategy and practices with Transnet's mandate, vision and business strategy.
- Ensure an integrated approach for remuneration management across Transnet that attracts, motivates, engages and retains the talent required to achieve Transnet's business objectives, and specifically to:
 - Contain remuneration-related cost;
 - Support a high-performing organisation through the recognition and reward of superior performance;
 - Accommodate flexibility and responsiveness to changing business requirements;
 - Achieve optimal return on expenditure;
 - Adhere to legal, statutory, ethical and best-practice standards;
 - Ensure the long-term sustainability of the business;
 - Comply with corporate governance and citizenship;
 - Comply with employment and tax legislation; and

- Endeavour to ensure that remuneration and incentive policies and practices are concise and easy to understand.

The remuneration philosophy considers three employment levels informed by complexity, decision-making and judgement:

1. Executive and management levels.
2. First-line managers, specialists and technicians (grade level G) form part of the bargaining unit.
3. Junior employees (grade levels H to L) form part of the bargaining unit.

Guaranteed pay

Transnet strives to align guaranteed remuneration with the market median. Annual salary increases are approved by the Remuneration, Social and Ethics Committee of the Board. Annual increases for management levels are informed by individual performance ratings.

In determining the annual mandate for guaranteed pay increases, the following factors are considered:

- The national economic and business outlook.
- External market predictions and history of market movements and increases granted.
- National and internal staff turnover rates.
- External parity (market benchmarks) based on market median;
- Internal parity.
- Affordability.

Transnet concluded a three-year wage agreement with the recognised labour unions, which expires at the end of the 2018 reporting period.

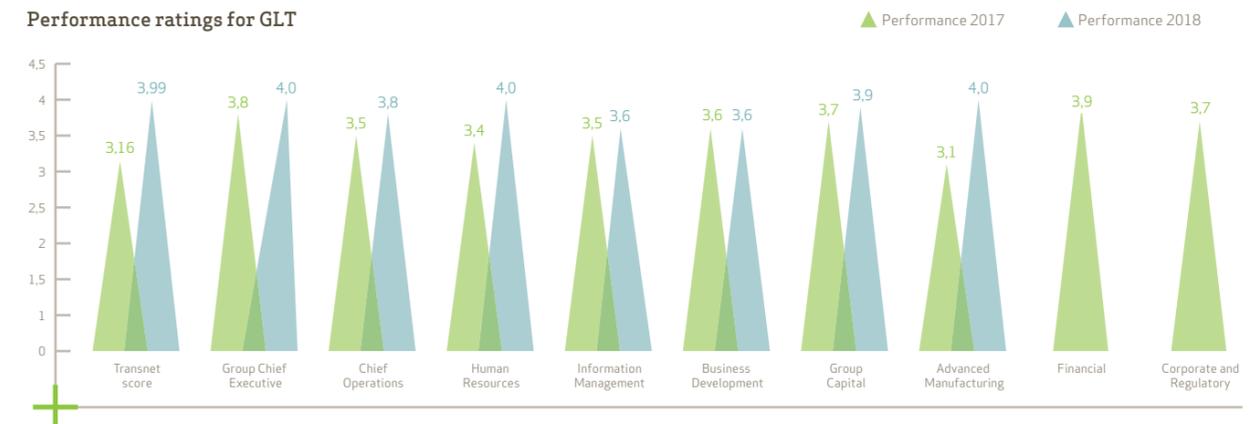
Performance management for the Group Leadership Team (GLT)

Each GLT member has an individual scorecard with objectives and measures, which are derived from the overall Transnet performance scorecard, as translated from the Transnet Performance Framework. Performance objectives are aligned with the business strategy, and GLT members are rewarded for their contribution to Transnet's

success. GLT members undergo rigorous quarterly performance assessments to track progress and to address deviations from their performance plans.

The graph below depicts performance ratings for the GLT members over the past three financial periods, compared to the overall performance rating of the Company.

Performance ratings for GLT



Note: Chief Financial Officer and Chief Corporate and Regulatory Officer resigned.

Remuneration for the GLT

Seven principles underpin Transnet's approach to remunerating senior and executive management:

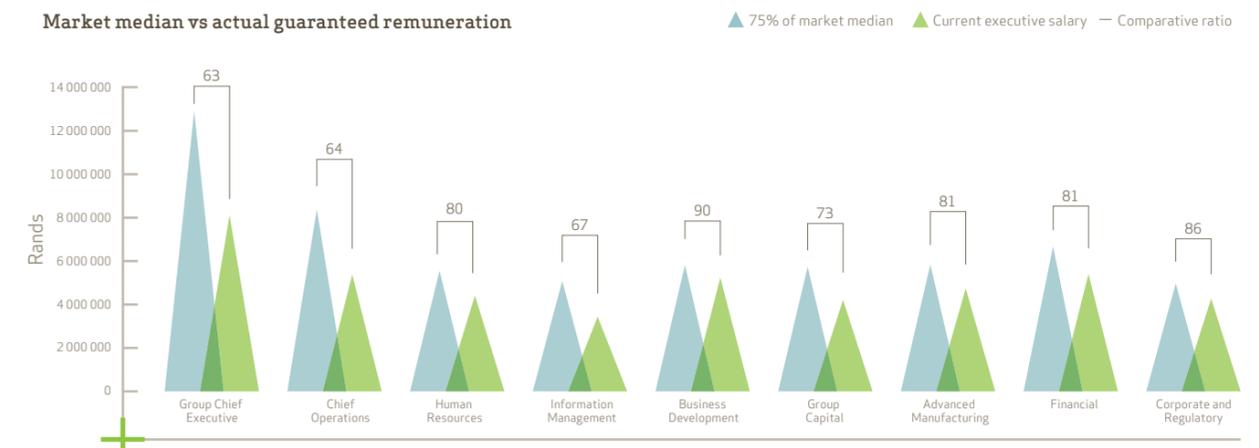
- Utilisation of talent management as a strategic business driver to build individual capability in response to organisational capacity requirements.
- A differentiated approach to attract and retain key talent, to ensure high-quality people in high-leverage/mission-critical positions.
- Developing leadership competency.
- Redeployment opportunities in line with succession plans.
- Supporting individual growth and career path development.
- Ensuring equitable remuneration.
- Rewarding people for superior performance.

Annual guaranteed pay increases for GLT members are informed by market movement. Transnet uses Deloitte's 'SA Guide to Executive Remuneration and Reward'¹ to benchmark executive remuneration with the external market.

The graph below depicts the actual guaranteed remuneration of the GLT against 75% of the market median. According to the graph, GLT remuneration is lagging the market median. Transnet is following a phased approach to ensure that the guaranteed remuneration is gradually aligned with the market median over time.

Guaranteed pay of the Transnet GLT for the 2018 financial period is contained on page 139 of the full remuneration report attached as Annexure B.

Market median vs actual guaranteed remuneration



Note: Chief Financial Officer and Chief Corporate and Regulatory Officer resigned.

¹ A national remuneration survey published annually by Deloitte Consulting.

Annual increase vs CPI



Benefits

It is compulsory for all permanent employees to join the Transnet Retirement Fund, which provides for retirement funding, risk cover and a death benefit.

The total contribution to the Transnet Retirement Fund is 19.5%, consisting of an employer contribution of 12.0% (which covers the risk and death benefit portion) and an employee contribution of 7.5%.

Variable pay

Transnet has implemented both a short-term and a long-term incentive scheme.

The short-term incentive scheme was redesigned during the reporting year to drive the achievement of stretch business targets and to reward employees for this effort. It is applicable to all employees and is governed by detailed ground rules, approved by the Remuneration, Social and Ethics Committee of the Board.

The long-term incentive scheme is applicable to executive and selected senior managers.

Annual incentive payments must clearly relate to performance achieved against annual objectives consistent with long-term value for the Shareholder. Individual and corporate performance targets, both financial and sustainability-related, are tailored to the needs of the business and reviewed regularly to ensure they remain appropriate.

The detail of the short- and long-term incentive schemes are described in more detail in Annexure B.

Individual performance management

Transnet has an overall performance framework, which is aligned with the Statement of Strategic Intent and the Shareholder's Compact. The framework is translated into an annual Transnet scorecard, as well as the scorecard of the Group Chief Executive, and is then cascaded to all managers.

Executive remuneration – variable

GLT members are eligible for payments in respect of the short-term incentive (STI) scheme. The quantum of the STI payment is based on the bonus pool generated by the achievement of EBITDA and the impact of the primary and secondary modifiers. Individual bonus percentages are further modified according to individual performance assessment ratings.

The eligibility percentages linked to specific business performance achievement are indicated in the table below:

Employment category	Grade level	On-target eligibility
Leadership committee	A	60%
Group executives, chief executives	A	50%
Members of extended leadership teams	B	40%

Short- and long-term incentive payments

The STI payment for the 2018 financial year was based on the achievement of the annual EBITDA as well as the impact of the primary and secondary modifiers at Group and Operating Division levels. The 2014/15 conditional award in respect of the Transnet long-term incentive (LTI) scheme vested at the end of the 2018 financial period. The members of the Transnet GLT were eligible for payment in respect of the LTI scheme based on the ground rules of the scheme and took place at the end of April 2018.

STI and LTI payments for the Transnet executives are contained on page 143 of the full remuneration report attached as Annexure B.

Remuneration structure for non-executive directors

Non-executive directors are appointed by the Shareholder Representative for a three-year term. Transnet’s Memorandum of Incorporation, however, requires that the non-executive directors be submitted for re-election for each of the three years at the Company’s annual general meeting.

The Shareholder Representative approves the fees payable to non-executive directors in advance. The non-executive directors are paid an annual retainer as well as an additional retainer fee for committee membership. They are not paid for attendance of meetings. Fees paid to non-executive directors are differentiated based on their appointments to the various committees of the Board.

Remuneration for the Transnet non-executive directors for the financial period are contained on page 145 of the full remuneration report attached as Annexure B.

Our control environment

Integrated procurement management	Internal Audit	Enterprise risk management (ERM) and integrated assurance
<ul style="list-style-type: none"> Acquisition Council Terms of Reference. Optimally regulated infrastructure-related procurement and delivery management with Acquisitions and Disposals Management Committee Terms of Reference. Infrastructure Procurement and Delivery Management Framework with procurement rules, procedures and processes. Procurement Ombudsman. Up-to-date compliance assurance for high-value tender processes. Transnet Delegation of Authority. Efficient and effective contract management, with SCM Contract Management Procedures Manual and Procurement Procedure Manual. SCM Policy and robust, independent complaints handling. Adherence to strict set of laws, codes, rules and standards, including (but not limited to): <ul style="list-style-type: none"> Section 217 (1) of the Constitution and section 51(1)(a)(iii) of the PFMA; Promotion of Just Administrative Action Act, No 3 of 2000, which was issued in terms of section 33 of the Constitution; The Construction Industry Development Board Act, No 38 of 2000 (CIDB Act), and the regulations (CIDB regulations) thereto; The Promotion of Access to Information Act, No 2 of 2000 (PAIA); The Preferential Procurement Policy Framework Act, No 5 of 2000 (PPPFA), and the regulations thereto (PPPFA regulations); and Instruction notes are also issued by National Treasury, which regulate Transnet’s procurement processes. 	<ul style="list-style-type: none"> Accords with section 51 of the PFMA. Governed by the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA standards). An independent assurance function that is functionally accountable to the Transnet Audit Committee. The mandate and terms of reference are included in the Internal Audit Charter – approved annually by the Transnet Audit Committee. Transnet Internal Audit is a fully outsourced function operating under strategic leadership of the Chief Audit Executive – a Transnet permanent employee and a Group Leadership Team member. The internal audit consortium of firms assists with the implementation of the approved Strategic Audit Plan, and the panel of forensic firms assists with forensic investigations. Develops and executes a risk-based audit plan. Zero tolerance for fraud, theft, corruption and other economic crimes. 	<ul style="list-style-type: none"> The Board delegates the Group’s Risk Management function to the Risk Committee. The strategic risk profile is generated from the Transnet ERM Strategy Framework, based on ISO 31000:2009. Transnet’s Integrated Assurance Model manages risks and controls, and encompasses the assurances provided by management, internal specialists, internal audit, external audit, and external advisers and service providers. The Integrated Assurance Model is based on three perspectives: <ul style="list-style-type: none"> 1 Confidence through: <ul style="list-style-type: none"> Combination of multiple assurance providers Various types of assurance activities performed Frequency of assurance activities performed 2 Cost-effective assurance by balancing: <ul style="list-style-type: none"> Lines of defence Nature of assurance activities performed Frequency of assurance activities performed 3 Minimised management burden through: <ul style="list-style-type: none"> Spread of assurance activities through the year to ensure a manageable distribution of assurance tasks The first line of defence is based on the assurances provided by direct line management, which is blanket assurance across the full scope of risks and controls. The second line of defence encompasses assurance providers that are internal to the Company, yet not directly responsible for the direct management of the process under review. The third line of defence relates to assurance providers that act independently from management and the Company’s operations. This implies that management has no influence over the outcomes, opinions and conclusions emanating from the assurance activities performed by the third-line assurance providers. The fourth line of defence relates to independent oversight committees with specific roles and responsibilities pertaining to the risk, control and assurance of Transnet’s activities and their impact on other stakeholders.

Our control environment

continued

Strategic execution and performance management

- Transnet's performance targets are confirmed in the annually negotiated Shareholder's Compact.
- Transnet manages the execution of its strategic imperatives through the Company's Strategic Execution Framework.
- The framework is designed to achieve:
 - Visibility of strategic execution to identify and close execution gaps;
 - Group-wide integration and alignment of the MDS initiatives and critical processes;
 - Problem-solving and analytical tools, and follow through with robust solution-driven actions;
 - A risk-based execution process to monitor the MDS; and
 - A platform for collaboration and seamless execution of strategic initiatives.



Ethics and fraud management

- The Code of Ethics (the Code) enables a culture of entrenched values, principles, standards and norms.
- Integrity pacts are concluded with all bidders and suppliers.
- Fraud and corruption awareness training is conducted annually with all employees - bargaining and non-bargaining council employees.
- The Company's service providers, suppliers and trade partners are also subject to the Code.
- The Code is revised every five years or as required.
- The Group Company Secretary is responsible for policy development, review, and Human Resources is responsible for the implementation of the Code.
- Aspects of the Code are included in fraud and corruption awareness training, and are accessible to all employees on the Company's intranet.
- The Fraud and Corruption Risk Management Strategy provides mechanisms for the prevention, early detection and investigation of irregularities.



Governance of stakeholder engagement and management

- The Board delegates authority to the Group Chief Executive who reports to the Board on all material stakeholder issues, and takes responsibility for incorporating these into Transnet's strategy and risk management.
- Stakeholder engagement practices align with the Company's Culture Charter and supporting values.
- Engagement norms include inclusivity, accountability and responsiveness.
- Stakeholder engagement performance is measured as a key performance indicator in the Balanced Scorecards of Stakeholder Relationship Owners.
- Stakeholder engagement is decentralised, but the Board has overall responsibility for stakeholder engagement.
- The monitoring and evaluation of stakeholder engagement is reported to the Remuneration, Social and Ethics Committee and to the Board.
- Transnet has adopted guidelines from the AA1000 standards (Accountability Principles Standard 2008 and the AA1000 Stakeholder Engagement Standard 2011).



IT management and ICT governance

- The Board, supported by the Audit Committee and Risk Committee, is responsible for IT governance and oversight; and sets and approves the approach and policies for technology and information governance (including adoption of appropriate frameworks and standards), in particular overseeing the relevant business continuity arrangements as required.
- The Board has delegated the responsibility for the implementation of the IT governance framework to management and mandates progress reports on major IT projects. There is integration of people, technologies, information and processes across the organisation, with a focus on ethical and responsible use of technology and information, as well as strict compliance with relevant laws.
- The CIO Council is constituted as a sub-structure of the Group Leadership Team (GLT) and is responsible for directing, controlling and measuring ICT activities and processes within Transnet. The CIO Council's primary role is to exercise its authority in support of Transnet's strategic and operational endeavours to achieve expected outcomes. It further periodically evaluates ICT activities of performance and monitors remedial actions to improve such performance. The CIO Council measures, manages and communicates ICT performance to the GLT and regularly demonstrates to the GLT that Transnet has adequate business resilience arrangements in the event of a disaster affecting ICT performance. The Council further recommends business information strategies, policies and strategic frameworks to the GLT for approval.
- As part of the work plan for a new year, various artefacts, such as the ICT Governance Framework and the IT Governance Charter, are added to the Board agenda for review, approval and assessment for effectiveness. To ensure business resilience, ICT's disaster recovery plans, tests and reports are regularly submitted to the Board for review.
- The ethical and responsible use of ICT, and compliance with applicable laws, is the overall responsibility of the Board, which is provided with insight on the ICT's updated regulatory universe each year.
- Transnet IT positions cybersecurity as a top priority and feeds back status to the Board on a regular basis. It further guards against negative publicity and reputational damage resulting from social media risks.
- To monitor third-party and outsourced service provider risks (particularly as it relates to ICT service providers), Transnet



- calculates the potential risks or vulnerabilities by completing a service provider assessment for each third-party engagement and conducts a thorough due diligence before the relation commences. Contingency plans are in place for terminating vendor contracts if required.
- To monitor and evaluate the value delivered from ICT investments, Transnet IT applies the principles to plan for, monitor and track benefits throughout the project delivery process:
 - Pre-execution Planning: Identify and quantify benefits (FEL 1); value and appraise benefits (FEL 2); value and appraise benefits (FEL 3); and benefits planning (FEL 4).
 - Execution Phase (and Closeout): Benefits realisation.
 - Post-implementation - User Adoption Reports.
 - Management of the disposal of obsolete technology and information is governed by the Acquisitions and Disposals Committee of the Board.
- The Minimum Control Framework for ICT risks includes the following critical resources: Appropriately skilled staff; enterprise architecture management; effective education programmes; measures to minimise business impact through systems recovery; information security; and IT vendor relationship management.
- Transnet has implemented a King IV-aligned governance framework to achieve continuous improvements and to achieve the following:
 - Positioned to improve delivery on Transnet's strategic outcomes.
 - Improved achievement of Transnet's strategic goals.
 - Improved ICT enablement of business.
 - Improved stakeholder communication.
 - Improved effective service delivery through ICT-enabled services.
 - Lower costs.
 - Increased alignment of investment towards strategic goals.
 - Improved return on ICT-enabled investment.
 - ICT risks managed in line with the priorities and risk appetite of Transnet.
 - Appropriate security measures to protect Transnet and employee information.
 - Improved management of business-related ICT projects.
 - Improved management of information.
 - ICT executed in line with legislative and regulatory requirements.



Regulatory compliance

- Group Regulatory and Compliance ensures that the outcome of its plan is aligned with the mandates of the Audit Committee and Risk Committee, and executes its areas of focus from an annual Board-approved Compliance Plan.
- Managers are responsible for ensuring compliance as it relates to their areas of accountability.
- More than 200 primary regulatory requirements impact Transnet.
- Compliance is implemented through a risk-based approach using a decentralised model, with Compliance Officers appointed within Operating Divisions and Corporate Centre functions.
- The Compliance function independently monitors and reports on compliance controls relating to high-priority regulatory requirements.
- The Compliance function assists and supports the Board and management to discharge their compliance responsibilities.

Governance of sustainability

- A Company-wide Sustainability Forum comprises representatives from the Corporate Centre functions, Operating Divisions and Specialist Units.
- The Sustainability Forum meets quarterly and is tasked with developing key performance indicators in relation to analysing sustainability performance.
- Sustainability committees in the Operating Divisions add impetus to sustainability initiatives.

Regulatory compliance universe

Risk management plan
Figure 21

DIAGRAM LEGEND

- A Material aspects derived through key stakeholders
- Sustainable developmental outcomes
- S Strategic imperatives
- L Business enablers
- 4.0 4.0 Strategic themes
- R Regulatory alignment

MATERIAL ASPECTS

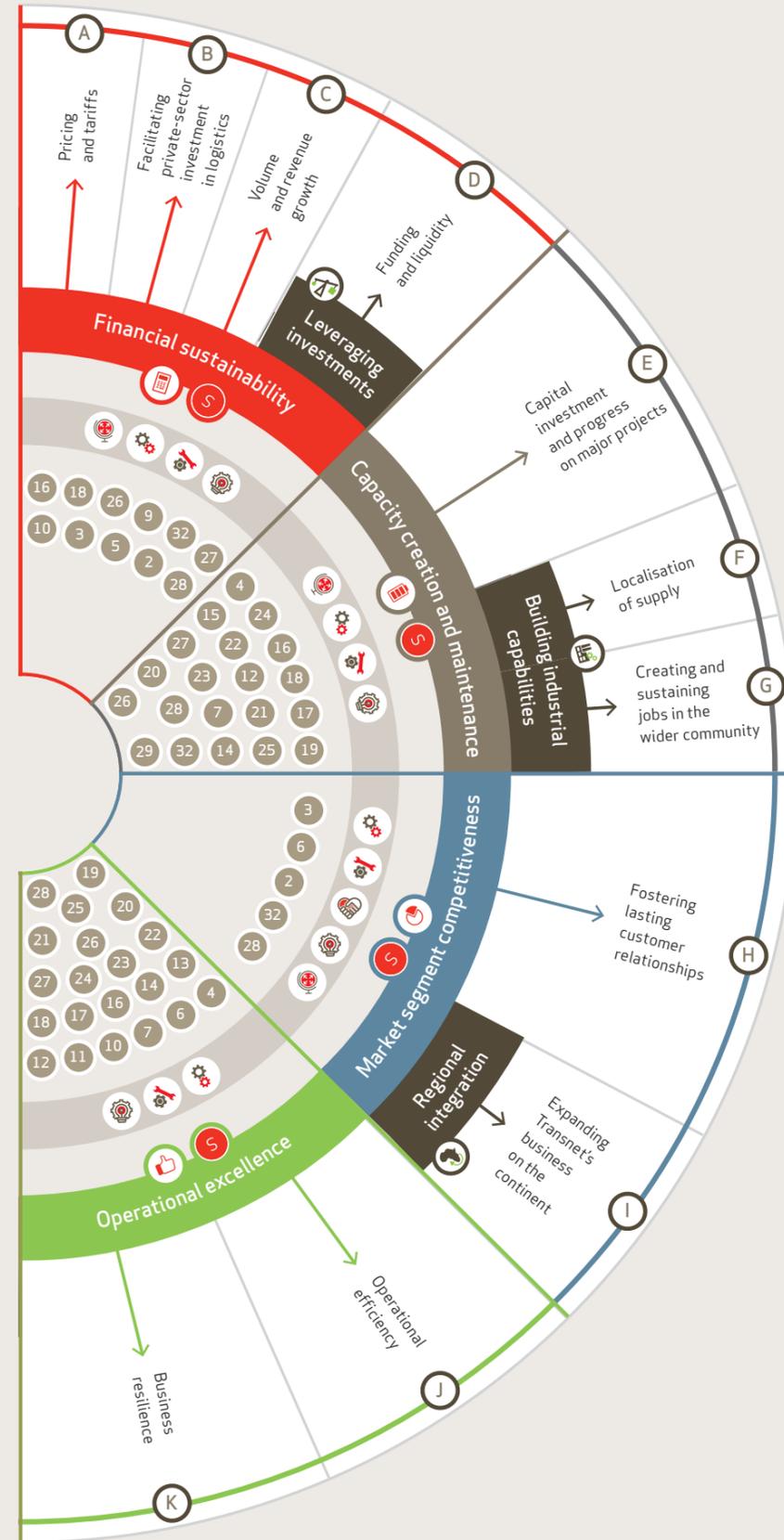
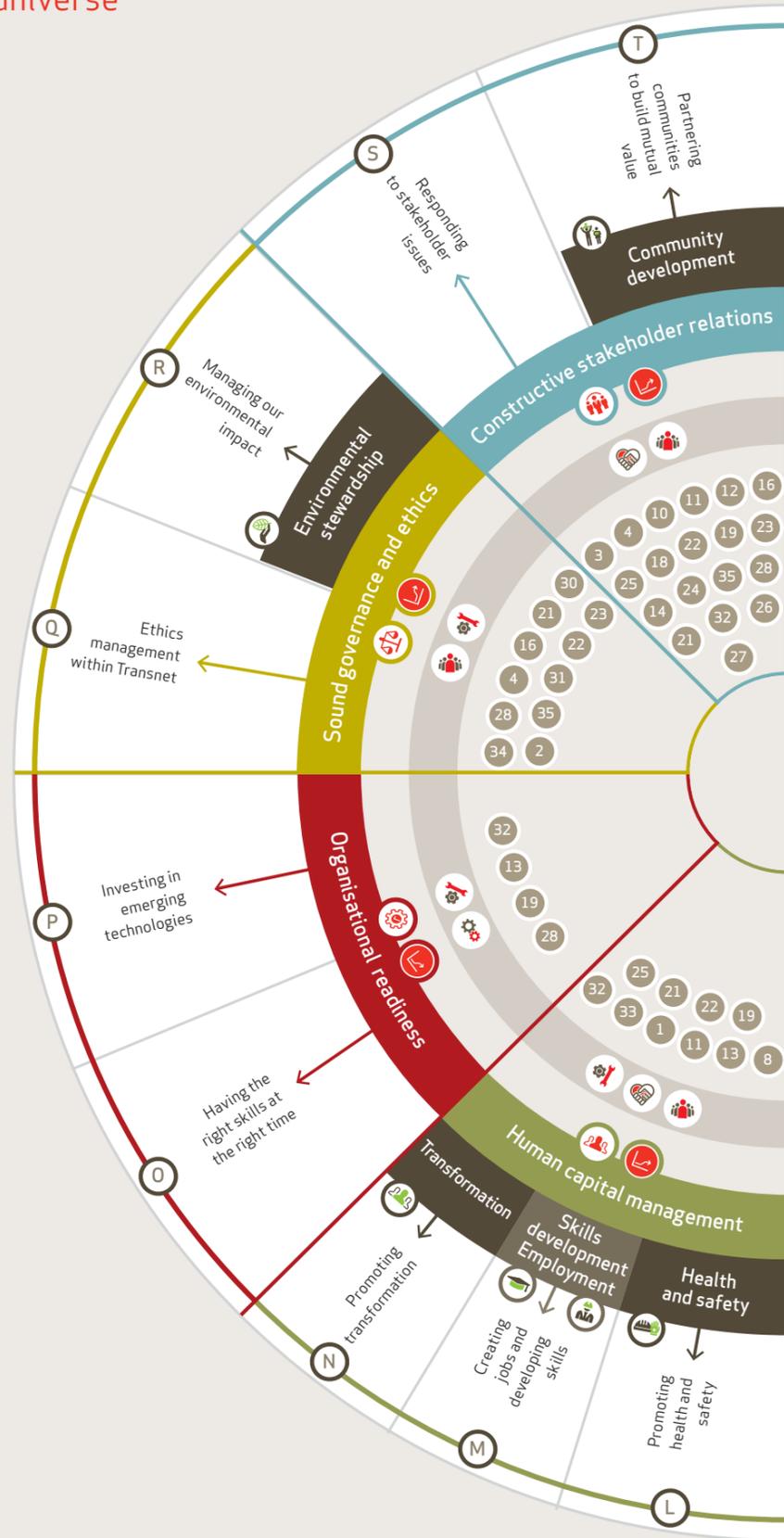
- A. Pricing and tariffs
- B. Facilitating private-sector investment in logistics
- C. Volume and revenue growth
- D. Funding and liquidity
- E. Capital investment and progress on major projects
- F. Localisation of supply
- G. Creating and sustaining jobs in the wider community
- H. Fostering lasting customer relationships
- I. Expanding Transnet's business on the continent
- J. Operational efficiency
- K. Business resilience
- L. Promoting health and safety
- M. Creating jobs and developing skills
- N. Promoting transformation
- O. Having the right skills at the right time
- P. Investing in emerging technologies
- Q. Ethics management within Transnet
- R. Managing our environmental impact
- S. Responding to stakeholder issues
- T. Partnering communities to build mutual value

SUSTAINABLE DEVELOPMENTAL OUTCOMES

- Industrial capability building
- Investment leveraged
- Regional integration
- Health and safety
- Community development
- Employment
- Skills development
- Transformation
- Environmental stewardship

4.0 STRATEGIC THEMES

- Institutional transformation
- Operations management
- Customer management
- Innovative products
- Geographic expansion
- Social impact



STRATEGIC IMPERATIVES

- S Financial sustainability
- L Capacity creation and maintenance
- C Market segment competitiveness
- O Operational excellence

BUSINESS ENABLERS

- ⚙️ Organisational readiness
- ⚖️ Sound governance and ethics
- 👥 Constructive stakeholder relations
- 👤 Human capital management

CORE REGULATORY UNIVERSE

REGULATORY ITEMS

REGULATORY ITEMS	I*	R**
1. Broad-Based Black Economic Empowerment Act, 2003		
2. Companies Act, 2008		
3. Competition Act, 1998		
4. Construction Industry Development Board Act, 2000		
5. Currency and Exchanges Act, 1933		
6. Customs and Excise Act, 1964		
7. Electronic Communications Act, 2005		
8. Employment Equity Act, 1998		
9. Financial Markets Act, 2012		
10. Gas Act, 2001		
11. Labour Relations Act, 1995		
12. Legal Metrology Act, 2014		
13. Merchant Shipping Act, 1951		
14. Mineral and Petroleum Resources Development Act, 2002		
15. National Building Regulations and Building Standards Act, 1977		
16. National Environmental Management Act, 1998		
17. National Key Points Act, 1980		
18. National Ports Act, 2005		
19. National Railway Safety Regulator Act, 2002		
20. National Road Traffic Act, 1996		
21. National Water Act, 1998		
22. NEM: Air Quality Act, 2004		
23. NEM: Biodiversity Act, 2004		
24. NEM: ICMA Act, 2008		
25. Occupational Health and Safety Act, 1993		
26. Petroleum Pipelines Act, 2003		
27. Petroleum Products Act, 1977		
28. Public Finance Management Act, 1999		
29. Preferential Procurement Policy Framework Act, 2000		
30. Prevention and Combating of Corrupt Activities Act, 2004		
31. Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 2004		
32. Protection of Personal Information Act, 2013 ***		
33. Skills Development Act, 1998		
34. Office of Foreign Assets Control		
35. King Code of Corporate Governance for South Africa		

*I: Inherent risk - This is the risk that an activity would pose if no controls or other mitigating factors were in place.
 **R: Residual risk - The risk that remains after controls are taken into account.
 *** Not yet fully operational

PRIORITY RISK RATING

- Priority 1
- Priority 2
- Priority 3
- Priority 4
- Priority 5