

# Annexure A: Governance terms of reference for the Integrated Report

The table below provides an overview of the 'terms of reference' for our 2018 Integrated Report, as provided by various governance oversight bodies within Transnet:

Integrated reporting element	Mandate/Terms of reference	Sub-committees of the Group Executive Committee	Committee of the Board
<b>Stakeholder engagement and relationships</b>	<ul style="list-style-type: none"> <li>Effective stakeholder engagement and responsiveness</li> <li>Effective identification and assessment of material issues</li> </ul>	<ul style="list-style-type: none"> <li>Human Resources Sub-committee</li> <li>Broad-Based Black Economic Empowerment Sub-committee</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration, Social and Ethics Committee</li> </ul>
<b>Risks and opportunities</b>	<ul style="list-style-type: none"> <li>Identification of material risks and associated mitigation actions</li> <li>Identification of meaningful opportunities for sustainable commercial outcomes</li> <li>Identification of potential adverse impacts of operations on the environment and stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management Sub-committee</li> <li>Business Information Management Sub-committee</li> <li>Operations Sub-committee</li> </ul>	<ul style="list-style-type: none"> <li>Risk Committee</li> </ul>
<b>Strategy and resource allocation</b>	<ul style="list-style-type: none"> <li>Appropriate strategic response including:                             <ul style="list-style-type: none"> <li>Accurate communication of MDS objectives and outcomes</li> <li>Processes and controls</li> <li>Initiatives and activities</li> <li>Resource allocation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Capital Investment Sub-committee</li> <li>Human Resources Sub-committee</li> <li>Operations Sub-committee</li> <li>Finance Sub-committee</li> </ul>	<ul style="list-style-type: none"> <li>Audit Committee</li> <li>Acquisitions and Disposals Committee</li> <li>Remuneration, Social and Ethics Committee</li> </ul>
<b>Performance and outlook</b>	<ul style="list-style-type: none"> <li>Appropriate performance measurement and management including:                             <ul style="list-style-type: none"> <li>Appropriate lead and lag indicators</li> <li>Setting of targets, accountability and incentivisation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Risk Management Sub-committee</li> <li>Finance Sub-committee</li> <li>Human Resources Sub-committee</li> <li>Capital Investment Sub-committee</li> <li>Results Management Office Sub-committee</li> <li>Operations Sub-committee</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance and Nominations Committee</li> <li>Remuneration, Social and Ethics Committee</li> <li>Acquisitions and Disposals Committee</li> </ul>
<b>Remuneration</b>	<ul style="list-style-type: none"> <li>Appropriate remuneration structured to align performance against strategy in short-, medium- and long-term incentives</li> </ul>	<ul style="list-style-type: none"> <li>Human Resources Sub-committee.</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration, Social and Ethics Committee</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Governance and assurance processes to oversee execution of strategy and structures in accordance with policy and regulation</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management Sub-committee</li> <li>Finance Sub-committee</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance and Nominations Committee</li> <li>Risk Committee</li> <li>Audit Committee</li> </ul>

# Annexure B: Remuneration report

## Introduction

The remuneration report provides an overview of the Transnet remuneration philosophy and strategic intent. It also aims to provide detail of specific reward interventions that occurred during the 2018 reporting period.

## Terminology

For the purposes of this report:

- The term 'executives' refers to members of the Transnet Group Leadership Team (GLT) and the Operating Divisions' leadership teams (grade levels A and B);
- 'Management' refers to the rest of the management employees (grade levels C to F);
- 'Bargaining unit employees' refers to all employees whose conditions of employment are negotiated. This term includes first-line managers, specialists and technicians (grade level G refers to first-line managers, specialists and technicians and grade levels H to L to the rest of the bargaining unit employees); and
- 'Junior employees' refer specifically to bargaining unit employees on the grade levels below the first-line managers, specialists and technicians.

## Remuneration philosophy

Transnet is on the brink of a technological revolution that will fundamentally alter the way we live, work and relate to one another. The 4th Industrial Revolution is characterised by a fusion of technologies that are poised to disrupt almost all industries and transform systems of production, management and governance. The Transnet 4.0 Strategy is focused on repositioning Transnet for competitiveness in the fast-changing, technology-driven context of the 4th Industrial Revolution.

The human resources strategy, inclusive of the reward strategy, is designed to facilitate and support the achievement of the strategic objectives of the Transnet 4.0 Strategy, as well as the strategic thrusts of being agile, admired, digital and united.

The Transnet remuneration philosophy and framework, as approved by the Remuneration, Social and Ethics Committee of the Board from time to time, form an integrated part of the key deliverables of the human resources strategy and therefore the reward strategies remain focused on entrenching a performance-driven culture.

Any reward-related concern raised by the Shareholder will be brought to the attention of the Board who will consider the issue and endeavour to mitigate the risk (if applicable).

The total reward approach within Transnet is integrated into its people management processes, such as transformation, performance management recognition, learning and development, and talent management, and forms an integral part of the Transnet Employee Value Proposition.

The objective of the Transnet remuneration philosophy is to:

- Align remuneration strategy and practices with Transnet's mandate, vision and business strategy;
- Ensure an integrated approach for remuneration management across Transnet that effectively attracts, motivates, engages and retains the talent required to achieve Transnet's business objectives; and specifically to:
  - Contain remuneration-related costs;
  - 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, void of complexity and easily understandable.

The remuneration philosophy for Transnet is approved by the Remuneration, Social and Ethics Committee of the Board and will be available on the Transnet intranet. The Transnet Delegation of Authority Framework governs all approvals in terms of remuneration across Transnet.

The remuneration philosophy for Transnet takes into account the different hierarchical levels informed by complexity, decision-making and judgement.

Transnet has clustered these hierarchical levels into three respective categories of employees, summarised as follows:

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

The different reward elements are discussed in detail in the following paragraphs:

## Guaranteed pay

Transnet remains committed to fair remuneration practices that support the business objectives and create a culture and environment for superior performance and facilitate employee development and retention of critical and key skills.

In general, Transnet strives to align guaranteed remuneration with the market median. The determination of individual remuneration levels is, however, strictly controlled across the business and subject to directives in this regard, and also informed by the various collective agreements.