

Annexure D: Material risk taxonomy

Risk classification	Risk description
Asset management	Risk of ineffective management of Transnet's infrastructure and heritage assets.
Business continuity	The risk that essential business functions are interrupted during or after a disaster or operational incident.
Capital execution	Inability to deliver on the Capex Plan.
Cash flow	The risk of insufficient cash reserves.
Competition	The risk that Transnet's competitive advantage may decline within competitive market environments.
Compliance	The risk of non-compliance with regulatory or statutory frameworks or laws (including sustainability-related laws and regulations).
Contract management	The risk of Transnet not adequately structuring and/or managing contractual agreements with third-party service providers.
Counterparty	The risk of third-party firms breaking their contractual obligations with Transnet.
Currency volatility	The risk of changes in exchange rates impacting costs or revenue.
Customer satisfaction	The risk that poor client service delivery results in damaged relationships with customers.
Energy supply	Uncertainty regarding the supply of energy by Eskom.
Environmental	The risk of adverse environmental impacts or of missing environmental sustainability targets.
Foreign investment	Risk associated with investing in foreign country environments relating to market dynamics, foreign political or other business contexts.
Fraud	The risk of individuals or parties practising a form of deceit to achieve an unfair or unjust advantage or gain over another, either through transaction fraud, financial fraud (misappropriation of funds), identity fraud or system fraud.
Health, safety and security	The risk that health and safety incidents impact the physical and mental well-being of staff and the public; and the risk of the theft of Transnet's assets.
ICT risk	Inadequate ICT infrastructure and technology to enable business processes. ICT risk also includes the risk of cyber-security (including hacking, phishing, unauthorised data access, corruption or deletion of data, and interception of data).
Insurance	The likelihood that an insured event will occur – either as a result of Transnet's activities or as a result of third parties causing damage to Transnet property or assets. This includes the risk of insurers not settling claims within anticipated timeframes or according to insured terms and conditions.
Intellectual property	The risk of intellectual property loss or liability.
Interest rate	Changes in interest rates negatively impact funding/investment decisions.
Legal	Risk of litigation/financial loss resulting from legal proceedings.
Macroeconomic	Deterioration in the macroeconomic environment due to the global economic slowdown and slow recovery, leading to capital projects becoming non-viable.
Operational readiness	Misalignment between operational readiness and rolling stock acquisition.
People management	Ineffective people management and inability to attract and retain the talent to operate the newly acquired assets.
Pricing	Pricing/tariff guidelines, methodologies and models are not supportive of volume growth.
Procurement management risk	The risk of non-adherence to the strict set of laws, rules and standards governing the procurement process.
Productivity	Low productivity levels as a result of absenteeism, strike action or operational inefficiencies.
Project delivery	The risk of project failures or non-delivery within time and budget thresholds.
Regulatory	Changes in the regulatory environment (i.e. economic, technical and compliance) may negatively impact spending on capex based on existing regulatory assumptions.
Reputation	The risk of negative publicity or negative relationships with employees, customers, partners, counterparties and regulators.
Skills attraction and retention	Shortage of the critical skills required for the execution of Transnet's strategy.
Socio-political instability	Political or social instability hampering business activities or damaging Transnet property.
Sovereign credit rating	The risk of obtaining a negative sovereign credit rating impacts Transnet's investment appeal.
Stakeholder management	Internal and external stakeholders are resistant to change, thereby negatively impacting business/commercial aspirations.
Supply-chain exposure	Exposures could occur through the supply chain and the nature of customers' operations could impact Transnet's capital projects, as well as operational systems, volumes, revenue and the Company's reputation.
Systems and policies	Inadequate systems and policies to enable business processes and practices/lack of integrated business processes and supporting systems leading to inefficient business operations.
Volume growth	An inability to attract and sustain additional volumes as new capacity is created, as well as the inability to protect current volumes.

