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.

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 standards, under scoring 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 adheres to the Company’s policies, the Code of Conduct, rules 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’s 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

As we move into the new 4.0 paradigm, we need to ensure that our existing governance structures are fit for purpose. To achieve this, the Board will focus on compliance, the organisation’s socio-economic, reputational environment, and the fundamentals of human nature.

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Good governance in action

Creating value as it builds social trust, maintains integrity 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
Meetings
Engineering
Abridged governance
Pipelines

Governance structure

Figure 19

Shareholder's Compact

Board Chairperson: PS Molefe

Shareholder

Chairperson: SI Gama

Delegation of Authority Framework

The Board has delegated broad management accountability to the Company’s Group Chief Executive through the Delegation of Authority Framework.

The Board:

- Delegates powers to its committees, of which committee members are specialists in their respective fields and areas of governance.
- Ensures that the Company can fulfil its statutory and commercial objectives by directing and approving strategic and operational objectives.
- Assesses the Company’s performance against the targets outlined in the Shareholder’s Compact; and
- Ensures that adequate budget planning processes are in place.

The Group Leadership Team delivers on specific mandates, based on the Delegation of Authority Framework.

The Group Chief Executive directs the business strategically, and provides direction to operations to ensure strategic implementation. The Group Chief Executive is assisted by the Group Leadership Team.

Group Leadership Team (GLT)

- Human Resources Team
  Chairperson: MHA Maseko
- Board Development and Growth Team
  Chairperson: GIE de Beer
- Operations Leadership Team
  Chairperson: MGold (Acting)
- Risk Management Team
  Chairperson: S Sibuya (Acting)
- Capital Investment Team
  Chairperson: SI Gama
- Finance Team
  Chairperson: MS Molekele (Acting CFO)
- Black Economic Empowerment
  Chairperson: ET Thams
- NRIPP
  Governance Team
  Chairperson: SI Gama

The GLT is composed of the prescribed officers of the Company and exercises executive control.

The GLT:

- Coordinates activities of all the Group’s teams.
- approves the GLT’s work plan.
- maintains a holistic perspective of the Company.
- supports the Group Chief Executive in the performance of duties.
- performs other related functions as may be assigned by the Board.

Operating Divisions and Specialist Units

Five Operating Divisions

- Freight Rail
- Engineering
- National Ports Authority
- Port Terminals
- Pipelines

Two Specialist Units

Transnet Group Capital
- Transnet Property

The Board is principally responsible for directing the activities of the Company and ensuring its long-term economic, social and environmental sustainability.

The Board has delegated broad management accountability to the Company’s Group Chief Executive through the Delegation of Authority Framework.

During the reporting year, Transnet adhered to some of the King IV principles and recommendations, as evidenced in the Integrated Report, Report on Remuneration and the Sustainability Outcomes Report. At the time of publishing this report, the Company was attending to gaps identified through 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 processes – 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;
- Matters reserved for decision by the Board: encompass:
  - Approvals and recommendations of financial, statutory and administrative matters; and
  - Matters relating to regulatory, human resources and policies.

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**

Status of meetings convened in the 2018 financial year

<table>
<thead>
<tr>
<th>Meetings</th>
<th>Workshops</th>
<th>Special meetings</th>
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<td>NRIPP Governance</td>
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On 28 May 2018, the Board dissolved the Acquisitions and Disposals Committee.

**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 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.
Creating value through Transnet’s governance structure

Characteristics of an enabling governance environment

Figure 20

Value created by Transnet’s governance function

- Aligns operational performance with strategic objectives
- Ensures effective Board composition and skills
- 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

- 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
- 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)
Summary of critical matters during the 2017/18 financial year1

| Board | Total number of meetings held during the year: 9
| Director's attendance at Board meetings attended by: |
| Chairperson | Executive director + |
| Members | Independent non-executive director ++ |

Most material matters arising during the year:
- The Chairperson of the Board engages continuously with the Shareholder Minister, on a three-year term, renewable annually.
- Succession planning deemed Authority under the National Ports Act. The new Board discharge all duties, obligations and powers imposed upon the extent necessary and incidental thereto – the authority to Executive and specified governance structures and, in turn, by the Company.
- The Delegation of Authority Framework records the nature and extent necessary and incidental thereto – the authority to Executive and specified governance structures and, in turn, by the Company.

Main undertakings and considerations:
- 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.

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 specifies governance structures and, in turn, by the Group Chief Executive to the Executive and 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 Group Chief Executive.

Shareholder, who is the final arbiter on the Board’s succession plans and approval of transition 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 the related party disclosure 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, the 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 Declaration 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 acquiring or disposing of procurement contracts, and this process is strictly enforced. The Declaration of Interest and Related party Disclosure policies for directors and employees are reviewed every five years, or as required, in line with the Company’s 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 requirements 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 strategy and 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 service 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 fulfill 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 Secretary has shared and learnt from 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.

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. The Board is satisfied that the Group Company Secretary 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.

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 Mnathabo Sulati
Chief Audit Executive
Our Board members

Mr Siyabonga Gama
Group Chief Executive
Date of birth: May 1967
Year of appointment: May 2018
Qualifications: MBA (Rand Afrikaans University), BCom (University of Pretoria), LLM (University of Kentucky), CTA (University of Pretoria), ACCA (ICAZSA), CA (SA), CIPD (SA)

Mr Mohammed Mahomed
Acting Chief Financial Officer
Date of birth: March 1964
Year of appointment: May 2018
Qualifications: CA (South Africa), BCom (University of Cape Town), ACCA (Global Association), CIMA (International Accounting Standard Board), CIPD (UK), CTA (SA), CIPM (SA), ISM (International Society for Performance Improvement), MComm (University of South Africa)

Ms Ramasela Ganda
Date of birth: September 1974
Year of appointment: May 2018
Qualifications: CA(SA), BCom (University of Pretoria), LLM (University of Pretoria), CTA (University of Pretoria), BComm (Vista University), Associate – SACA and PAAB

Ms Ursula Fikelaqi
Date of birth: January 1973
Year of appointment: May 2018
Qualifications: CA(SA), BComm (University of Pretoria), CTA (University of Pretoria), CIPM (SA), ISM (International Society for Performance Improvement), MComm (University of South Africa)

Mr Aluwani Ramabulana
Date of birth: October 1974
Year of appointment: May 2018
Qualifications: CA (South Africa), BCom (University of Pretoria), ACCA (Global Association), CIMA (International Accounting Standard Board), CIPD (UK), CTA (SA), CIPM (SA), ISM (International Society for Performance Improvement), MComm (University of South Africa)

Ms Gratuita Ramphaka
Date of birth: August 1970
Year of appointment: May 2018
Qualifications: MEng (Wits University), MBA (Wits Business School), LLM (University of Pretoria), Professional Law (University of Pretoria), Chartered Financial Analyst (CFA Institute), Chartered Global Association of Risk Professionals (GGARP)

Mr Louis von Zeuner
Date of birth: June 1961
Year of appointment: September 2010
Qualifications: BSc (University of Stellenbosch), BComm (Stellenbosch University), BComm (University of Stellenbosch), LLM (University of Stellenbosch), Ordre des avocats de la barre des Pays-Bas, Advocate (Netherlands), Advocate (South Africa), Attorney (Permanent Addressee)

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), LLB (University of Natal), Executive Programme (GIBS), Practical Law School (GIBS), Professional Law School (GIBS), Chartered Secretary (SA), Chartered Secretary (RSA), Professional Law School (GIBS), MBA (Wits Business School), LLM – Environmental Law (University of Cape Town), EIA Certificate (University of North-West)

Resignations

Mr Gerry Pita (10 April 2018)
Ms Linda Mokana (3 May 2018)
Mr Vuyo Mnyanya (3 May 2018)
Ms Yasmin Fatteh (3 May 2018)

Removals due to Board rotation

Mr Stanley Shaw (26 June 2017)
Mr Brett Stegmann (10 December 2017)
Ms AC Kriek (May 2018)

Reappointed

Ms Yasmina Forbes (3 May 2018)
Mr Vusi Nkonyane (3 May 2018)
Ms Linda Mabaso (3 May 2018)
Mr Mahlalela (29 March 2018)
Mr Stanley Shane (29 June 2017)
Mr Louis von Zeuner (30 September 2016)
Mr Brett Stagman (10 December 2017)
Ms AC Kinley (May 2018)
Mr Brett Stagman (10 December 2017)
Ms AC Kinley (May 2018)

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

Dr Pops Molafo
Chairperson
Date of birth: April 1952
Year of appointment: May 2018
Qualifications: Honours, 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 Vivian McMenamin
Date of birth: March 1963
Year of appointment: May 2018
Qualifications: MSc Economics (University of London), BScSci Hons Economics (University of Cape Town), MPhil Advanced High Performance Leadership, IMD (University of Pretoria), Certificate in Construction Law (Prudentia), Certificate in Banking and Financial Markets (Wits University)

Adv Oupa Motuang
Date of birth: August 1980
Year of appointment: May 2018
Qualifications: BPharm (Wits University), LLB (Wits University), LLM (China), LLM (University of Pretoria), Honors (University of Pretoria), CEO (CEO), Certificate in Corporate Governance and Risk Management

Mr Fholisani Mufamadi
Date of birth: February 1969
Year of appointment: May 2018
Qualifications: MBA (Nelson Mandela University), BCompt (Unisa), Advanced Diploma (University of KwaZulu-Natal), BCompt (University of South Africa), Postgraduate Diploma in Management and Operations Programme (City University of New York)

Ms Msipha Letlape
Date of birth: March 1969
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 (Humber College), Leading Change (Harvard Business School), Management Advanced Programme (Wits Business School), Strategic Perspective in IPO Management (Harvard Business School), Orchestration Winning Performance (MGM, Harvard Business School), Strategic Human Resources (Harvard Business School)

Mr Louis von Zeuner
Date of birth: June 1961
Year of appointment: September 2010
Qualifications: BSc (University of Stellenbosch), BComm (Stellenbosch University), BComm (University of Stellenbosch), LLM (University of Stellenbosch), Ordre des avocats de la barre des Pays-Bas, Advocate (Netherlands), Advocate (South Africa), Attorney (Permanent Addressee)

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Our Board members

Mr Siyabonga Gama
Group Chief Executive
Date of birth: May 1967
Year of appointment: 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 ESCP-Paris), BComm (University of Swaziland), Banking Diploma (Institute of Bankers – CAIB (SA)), Post graduate Diploma in Company Direction, Advanced Executive Development Programme (City University of New York), Certificate in Port Management (Netherlands), Advanced Port Management and Operations Programme (National University of Singapore), Global Leadership Programme (GBS), Executive Development Programme (University of Pennsylvania)

Mr Mohammed Mahomed
Acting Chief Financial Officer
Date of birth: March 1964
Year of appointment: May 2018
Qualifications: CA(SA), Poly Acc (University of KwaZulu-Natal), BCom(Acc) (University of Cape Town), BCom (Vista University), Associate – SACA and PAAB

Ms Ramasela Ganda
Date of birth: September 1974
Year of appointment: May 2018
Qualifications: CA(SA), BComm (University of Pretoria), LLM (University of Pretoria), CTA (University of Pretoria), BComm (Vista University), Associate – SACA and PAAB

Ms Ursula Fikelaqi
Date of birth: January 1973
Year of appointment: May 2018
Qualifications: CA(SA), BComm (University of Pretoria), CTA (University of Pretoria), CIPM (SA), ISM (International Society for Performance Improvement), MComm (University of South Africa)

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Date of birth: October 1974
Year of appointment: May 2018
Qualifications: CA(SA), BComm (University of Pretoria), LLM (University of Pretoria), Honors (University of Pretoria), CEO (CEO), Certificate in Corporate Governance and Risk Management

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Acting Chief Financial Officer
Date of birth: March 1964
Year of appointment: May 2018
Qualifications: CA(SA), Poly Acc (University of KwaZulu-Natal), BCom(Acc) (University of Cape Town), BCom (Vista University), Associate – SACA and PAAB

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Date of birth: January 1973
Year of appointment: May 2018
Qualifications: CA(SA), BComm (University of Pretoria), CTA (University of Pretoria), CIPM (SA), ISM (International Society for Performance Improvement), MComm (University of South Africa)
Directors’ active memberships on other boards

1. Dr Pogo Molefe
   Chairperson
   Membership/Directorship
   Lerenko Investments (Pty) Ltd
   Lerenko Mobility
   Tgtcor (Pty) Ltd
   Lerenko Eco
   Global Aviation Operations (Pty) Ltd
   Aberdeen Offshore Engineering (Pty) Ltd
   Lerenko Broad-based/Consortium 212
   Golden Ging Investments
   Lerenko Meter Investors (Pty) Ltd
   Lerenko Meter Trustees
   Lerenko Fleet Management
   Bigoil Tracking
   Lerenko Broad-based/Consortium 222
   Friehdehl 1516
   Lerenko Motors
   Shuman Industrial Equipment
   Sunshine Street Investments 71 (Pty) Ltd
   LMCF
   Marble Gold
   Popo Malten Trust
   Moeket Trust

2. Mr Siphabong Zama
   Group Chief Executive
   Directorship/Trusteeship/Shareholding
   Mufumbuka Investment Holdings (Pty) Ltd
   Pony Lane-Homeowners Association
   Transnet International Holdings SOC Ltd
   Maputo Corridor Logistics Initiatives
   Siyafa Free to Air TV (Pty) Ltd
   Sibhukho Resources (Pty) Ltd (25%)
   Four Arrows Investment 356 (Pty) Ltd
   Twontsela Beneficiation Operations (Pty) Ltd (31%)
   Phekhize Trust (property-owning family trust)
   The Mhidi Trust
   Salisian Past Pupils Association
   The Selape Thema Foundation (NPO)

3. Mr Mohammed Mahomed
   Acting Chief Financial Officer
   Directorship/Trusteeship
   Cutting Edge Finance (Pty) Ltd (100%)
   Maquoly Family Trust
   YMM Family Trust

4. Ms Ursula Pitelepi
   Directorship/Shareholding
   Emmaus Holdings (100% holding)
   Mtzimba Africa (Pty) Ltd (16.7% holding)

   Directorship
   Mtzimba Properties (Pty) Ltd (16.7% holding)
   Mtzimba Capital (Pty) Ltd (16.7% holding)
   CloudAccess (RF) (Pty) Ltd (9% holding)

5. Ms Ramamaela Ganda
   Directorship/Shareholding
   BFS Chancellor Accountant (100% holding)
   Myelcha (Pty) Ltd (25% holding)

6. Prof Edward Kieswetter
   Directorship/Shareholding
   Shoprite
   African Unity (100% holding)
   Da Vinci Institute of Management Leadership (65% holding)

7. Ms Mpho Latakale
   Directorship/Trusteeship/Shareholding
   Standard Bank Tutshana Community Foundation NPC
   Lethushana (Pty) Ltd
   Tower Group
   Africa-Harm Reduction Alliance
   Sapphire Logistics
   National Research Foundation
   South African Women in Dialogue
   Food Forward South Africa
   Lethushana Advisory Services
   T-systems Southern Africa (designated)
   T-systems Community Trust (resigned)

8. Ms Dimakatso Mathaboga
   Directorship/Shareholding
   Artarina Foundation (non-profit company) (33.1% holding)
   Artarina Consulting (100% holding)
   Ica-Strat Tech Solutions (primary cooperative) (20% holding)

9. Ms Vivien McMenamin
   Directorship/Shareholding
   Duxian Girls College
   Forecy SA
   SyrQubhaka Forests
   Forestry Charter
   Mond Zmaa
   South African Association for Marine Biological Research

10. Adv Oupa Motau
    Directorship/Shareholding
    Vavaco Insure (100% holding)
    Kuela Construction Projects (100% holding)
    Thulsi Trustees (100% holding)
    Twende Investments (100% holding)
    Oribase (100% holding)
    Condicta (100% holding)

11. Dr Fohelani Mufamadi
    Directorship/Shareholding
    Barclays Bank Mozambique
    National Bank of Commerce (Tanzania)
    Acorp Holdings Limited
    Impala Holdings Limited
    Zimplats (Chairman of the Board)
    Debshin (Pty) Ltd
    Nokalbala (Pty) Ltd
    Albert Luthuli Peace and Development Institute
    Muendary Consulting (dominant)

12. Mr Alvandizan Ramabulana
    Directorship/Shareholders
    NBC
    MD2 Fleet Solutions (100% holding)
    DataQuip Rentals (60% holding)
    Multi Parfanger (51% holding)
    MD2 Logistics (100% holding)
    MD2 Capital (100% holding)
    Bono Lebina Investment Holdings (Pty) Ltd (5% holding)
    Lanekuospace (49% holding)

13. Ms Gratnude Ramphaka
    Chairperson
    South African Council for the Project and Construction Management Finance Committee
    Advisory Board of the National Intellectual Property Management Office – Full Costing Sub-committee

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
- Ms SM Radebe 1:+ (1 scheduled) (2 unscheduled)
- Ms AC Kinley 3 ++ (1 scheduled) (2 unscheduled)
- No external advisers attended committee meetings during the year.

Most material matters arising during the year

- The Company has reinstated assurance committees at Operating Division level to address PPA 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 placed on consequence management.
- The Company also made an undertaking to address PFMA transgressions as they arise.
- The Company addressed a forensic investigation.

Notes:
1. A more detailed table of key activities and outputs for the 2018 financial year appears in the Full Governance Report at www.transnet.net
2. Ms AC Radebe was appointed as a director and the Chairperson of the Audit Committee with effect from 21 December 2017.
3. Ms AC Radebe was appointed as a director and the Chairperson of the Audit Committee with effect from 21 December 2017.
4. 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.
5. Ms Kheswa was appointed as a director and member of the Audit Committee 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
  - 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.

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 fulfill 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

<table>
<thead>
<tr>
<th>The Acquisitions and Disposals Committee</th>
<th>Corporate Governance and Nominations Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chairperson:</strong></td>
<td><strong>Chairperson:</strong></td>
</tr>
<tr>
<td>Ms AC Kinley + (1)</td>
<td>Ms PEB Mathekga 1 + (3)</td>
</tr>
<tr>
<td>Mr SD Shane + (1)</td>
<td>Mr VM Nkonyane + (4)</td>
</tr>
<tr>
<td><strong>Members:</strong></td>
<td><strong>Members:</strong></td>
</tr>
<tr>
<td>Ms LC Mabaso + (6)</td>
<td>Ms Y Forbes + (4)</td>
</tr>
<tr>
<td>Mr ZA Nagdee + (6)</td>
<td>Mr SI Gama + (4)</td>
</tr>
<tr>
<td>Mr SJ Gama + (6)</td>
<td></td>
</tr>
<tr>
<td>Mr BG Stagman + (5)</td>
<td></td>
</tr>
<tr>
<td>Additional director attendees during the year</td>
<td>No external advises attended committee meetings during the year</td>
</tr>
<tr>
<td>Mr Stagman resigned as a director of the Company with effect from 10 December 2017.</td>
<td></td>
</tr>
<tr>
<td>Mr Shane resigned as a director of the Company with effect from 29 June 2017.</td>
<td></td>
</tr>
<tr>
<td>Ms Kinley was appointed as the Chairperson of the Acquisitions and Disposals Committee with effect from 30 January 2018. The Board further constituted a Finance and Investment Committee.</td>
<td></td>
</tr>
</tbody>
</table>
| | **Executive director +**
| | **Independent non-executive director +**
| | | |

Most material matters arising during the year

<table>
<thead>
<tr>
<th>Main undertakings and considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company</strong></td>
</tr>
<tr>
<td>Continuously striving to attain and exceed the set targets for spend on businesses owned by black youth and people living with disabilities</td>
</tr>
<tr>
<td>PMMA reportable matters in relation to contract deviations and/or exemptions</td>
</tr>
<tr>
<td>Committee composition and requisite skills balance</td>
</tr>
<tr>
<td>The Enterprise Development hubs that were established in various provinces to strengthen the Supplier Development component are yielding positive results</td>
</tr>
<tr>
<td>Committee composition and skills balance was partially addressed by the secondment of Mr Stagman to the committee.</td>
</tr>
</tbody>
</table>

1 A more detailed table of key activities and outputs for the 2018 financial year appears in the full Governance Report on www.transnet.net
2 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
3 Mr Stagman resigned as a director of the Company with effect from 10 December 2017

Most material matters arising during the year

<table>
<thead>
<tr>
<th>Main undertakings and considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filling positions on the Board following departures of Board members</td>
</tr>
<tr>
<td>The Shareholder Minister appointed two additional directors, both of whom are chartered accountants to address the Board skills mix.</td>
</tr>
</tbody>
</table>

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

Summary of the main undertakings and considerations during the year*

**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.

**Remuneration, Social and Ethics Committee**
- In accordance with Regulation 49(b) 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 a 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**

**Risk Committee**
- Total number of meetings held during the year: 5
- Directors’ attendance at Risk Committee meetings denoted by ( )
- Executive director +
- Independent non-executive director ++

**Chairperson:**
- Mr GJ Mahlalela 1: (Acting) ++ (5)

**Members:**
- Mr BG Stagman 2: ++ (4)
- Ms Y Forbes: ++ (3)
- Mr SM Radebe 3: ++ (1)
- Mr S Gama: ++ (4)

**Most material matters arising during the year**
- Most material matters arising during the year
- Main undertakings and considerations
- Increasing train 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.
- Reputational risk based on media allegations and PFMA transgressions.
- Group Leadership Team roadshows across the Company and visible leadership strategies implemented, which include individual GL Team leaders being allocated specific work areas to visit regularly to engage employees on different matters, inclusive of 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, including 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.

**Remuneration, Social and Ethics Committee**
- Total number of meetings held during the year: 5
- Directors’ attendance at Remuneration, Social and Ethic Committee meetings denoted by ( )
- Executive director +
- Independent non-executive director ++

**Chairperson:**
- Mr VM Manyane ++ (8)

**Members:**
- Mr PR Mathaleka 1: ++ (1)
- Ms ZA Nagdee ++ (5)
- Mr SD Shane++ (2)

**Most material matters arising during the year**
- Most material matters arising during the year
- Main undertakings and considerations
- 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.
- 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.

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1. A more detailed table of key activities and outputs for the 2017/2018 financial year appears in the full Governance Report at www.transnet.net
2. Mr Mahalela passed away on 29 March 2018
3. Mr Stagman resigned as a director of the Company with effect from 10 December 2017.
4. Mr Forbes was appointed as a director and the Chairperson of the Audit Committee with effect from 21 December 2017.
5. Ms Manyane was appointed as a director of Transnet with effect from 30 January 2018.
6. Mr Shane resigned as a director of the Company with effect from 29 June 2017.
Our Group Leadership Team (GLT)

Mr Ndiphiwe Silinga
Acting Chief Corporate and Regulatory Officer
Date of birth: October 1964
Year of appointment: January 2012
Qualifications: BAdmin (University of Zululand), Certificate in Labour Law (University of Natal), postgraduate Diploma in Business Management (University of Natal), Specialist Certificate in Human Resources Management (Institute of Personnel Management – IPM), Advanced Management Program (Harvard University)

Ms Nonkululeko Sishi
Chief Human Resources Officer
Date of birth: October 1964
Year of appointment: August 2016
Qualifications: BAdmin (University of Zululand), LLB (University of Natal), Executive Development Management (GIBS)

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)

Mr Mohammed Mahomedy
Acting Chief Financial Officer
Date of birth: March 1971
Year of appointment: May 2008
Qualifications: Refer to Board member’s profile

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)

Ms Msakosana Mosidi
Chief Information Officer
Date of birth: January 1964
Year of appointment: January 2016
Qualifications: BCompt (University of Natal), Information Technology Diploma – UED (University of the North)

Ms Nonkululeko Sishi
Chief Human Resources Officer
Date of birth: October 1964
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Ms Msakosana Mosidi
Chief Information Officer
Date of birth: January 1964
Year of appointment: January 2016
Qualifications: BCompt (University of Natal), Information Technology Diploma – UED (University of the North)

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)

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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’, ‘advised’, ‘digital’ and ‘trusted’. 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 legislations and regulations.

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 period 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.

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;
- Strategic thrusts of being ‘agile’, ‘advised’, ‘digital’ and ‘trusted’;
- The financial and sustainability-related objectives, as well as help align organisational behaviour with the overall Transnet performance framework;
- 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.

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 over the past three financial periods, compared to the overall performance rating of the Company.

Performance ratings for GLT

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.

Benefits

The remuneration philosophy considers three employment levels.

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.

The remuneration philosophy considers three employment levels:

- 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.

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;
- Strategic thrusts of being ‘agile’, ‘advised’, ‘digital’ and ‘trusted’;
- The financial and sustainability-related objectives, as well as help align organisational behaviour with the overall Transnet performance framework;
- 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 over the past three financial periods, compared to the overall performance rating of the Company.

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 over the past three financial periods, compared to the overall performance rating of the Company.

Performance ratings for GLT

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.

Benefits

The remuneration philosophy considers three employment levels:

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;
- Strategic thrusts of being ‘agile’, ‘advised’, ‘digital’ and ‘trusted’;
- The financial and sustainability-related objectives, as well as help align organisational behaviour with the overall Transnet performance framework;
- 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 over the past three financial periods, compared to the overall performance rating of the Company.

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 over the past three financial periods, compared to the overall performance rating of the Company.

Performance ratings for GLT

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.

Benefits

The remuneration philosophy considers three employment levels:

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;
- Strategic thrusts of being ‘agile’, ‘advised’, ‘digital’ and ‘trusted’;
- The financial and sustainability-related objectives, as well as help align organisational behaviour with the overall Transnet performance framework;
- 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 over the past three financial periods, compared to the overall performance rating of the Company.

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Performance ratings for GLT

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.
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 a combination 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:

<table>
<thead>
<tr>
<th>Employment category</th>
<th>Grade level</th>
<th>Dividend eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership committee</td>
<td>A</td>
<td>60%</td>
</tr>
<tr>
<td>Group executives, chief executives</td>
<td>A</td>
<td>50%</td>
</tr>
<tr>
<td>Members of extended leadership teams</td>
<td>B</td>
<td>40%</td>
</tr>
</tbody>
</table>

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 145 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

- Acquisition Council Terms of Reference
- Optimally regulated infrastructure-related procurement and delivery management with Acquisitions and Disposals 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
- SCM Policy and robust, independent complaint handling
- Adherence to strict set of laws, codes, rules and standards, including, but not limited to:
  - Section 21(1) of the Constitution and section 51(1)(e) of the PPFA
  - Preferential Procurement Policy Framework Act, No 1 of 2000, which was repeal to terms of section 35 of the Constitution
  - The Construction Industry Development Board Act, No 10 of 2000 (CIDB Act), and the regulations (CIDB regulations) thereof
  - The Promotion of Access to Information Act, No 2 of 2000 (PAIA)
  - The Preferential Procurement Policy Framework Act, 1 of 2000 (PPPFA), and the regulations (PPPFA regulations) and
  - Instructions/standards are also issued by National Treasury, which regulate Transnet’s procurement processes.

Internal Audit

- Accords with section 51 of the FMA
- Governed by the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IA standard)
- 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 consists 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

Enterprise risk management (ERM) and integrated assurance

The Board delegates the Group’s Risk Management Function to the Risk Committee.


Transnet’s Integrated Assurance Model manages risks and controls, and encompasses the assurance provided by management, internal specialists, internal audit, external audit, and external advisors and service providers.

The Integrated Assurance Model is based on three perspectives:

- Confidence through: Continuous audit of multiple assurance providers
- Various types of assurance activities performed
- Frequency of assurance activities performed

- Cost-effective assurance by balancing: Lines of defence
- Nature of assurance activities performed
- Frequency of assurance activities performed

- Minimized management burden through: Sped of assurance activities throughout the year to ensure a manageable distribution of assurance tasks

The first line of defence is based on the assurance 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.
The framework is designed to achieve:

- Transnet manages the execution of our control environment initiatives.
- Seamless execution of strategic processes;
- Problem-solving and analytical tools, and processes;
- Identification and closure of execution gaps;
- Early detection and investigation of irregularities;
- Culture of entrenched values, principles, and supporting values.

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 standard (Accountability Principles Standard 2008) and the Transnet Stakeholder Engagement Standard 2011.

Transnet’s performance targets are confirmed in the annually negotiated Shareholder’s Compact. Transnet manages the execution of its strategic imperatives through the Group’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 feedback to sustain actions;
- A risk-based execution process to monitor the MDS; and
- A platform for collaborative and seamless execution of strategic initiatives.

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.

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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.

The Code of Ethics (the Code) enables a culture of entrenched values, principles, standards and norms.

Integrity policies 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.

The Board delegates the responsibility for the implementation of the IT Governance Framework to management and mandates progress reports annually (Projects). There is a mix of people, technology, 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 Compliance function is implemented through a decentralised model with Compliance Officers appointed within the Operating Divisions and Corporate Centre functions.

The Compliance function assists and supports the Board and management to discharge their compliance responsibilities.