

# 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.

In determining the annual mandate for guaranteed pay increases, various factors impacting the guaranteed pay are considered.

These factors include:

- 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; and
- Affordability.

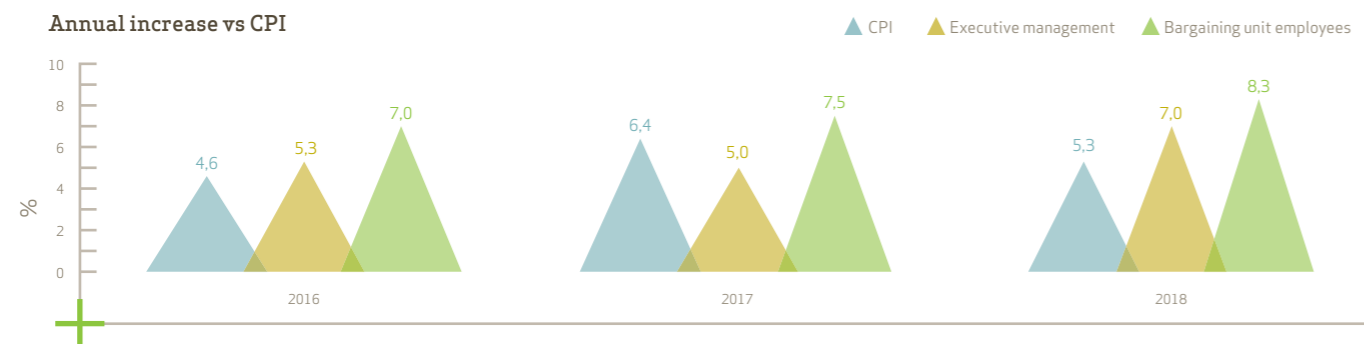
Annual salary increases are approved by the Remuneration, Social and Ethics Committee of the Board.

Annual increases for management levels are informed by individual performance ratings.

Increases occur once annually or in the event of a promotion. Transnet does not support interim/ad hoc salary increases.

Transnet concluded a three-year wage agreement with the recognised labour unions, which expires at the end of the 2017/18 reporting period. The three-year wage agreement provided labour stability during the period and allows the opportunity for employees to focus on the achievement of the Transnet strategic objectives.

The graph below depicts the increases differentiated between executive management and bargaining unit compared to CPI for the past three years:



## 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%.

Permanent bargaining unit employees, who opt to become a principal members of one of the Transnet recognised medical schemes, are eligible to receive a medical subsidy.

Permanent bargaining unit employees receive a guaranteed amount as a housing allowance.

The housing allowance, as well as the medical subsidy, increases on an annual basis as per the wage agreement.

## Individual performance management

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

The balanced scorecard performance management methodology is well entrenched across the business and is utilised for the management category as well as for first-line managers, specialists and technicians.

On an annual basis, the individual performance ratings of managers are ratified to ensure alignment of individual performance with the overall Transnet and Operating Division-specific performance.

Performance in terms of the corporate scorecard, as well as individual scorecards, form the basis for the determination of short-term incentive payments and annual increases.

During the reporting period, Transnet has also successfully implemented individual performance management for junior employees. The performance management is based on business and team performance objectives and measurements, as well as an individual component focusing on behavioural factors within the employee's control such as attendance, discipline and safety. This approach ensures that employees have clear visibility of their contribution to business drivers within the value chain.

The performance management score is utilised to inform the annual salary progression payment and the individual component of the performance score impact on the value of the short-term incentive payment. This ground-breaking intervention is in line with Transnet's drive to create a high-performance culture.

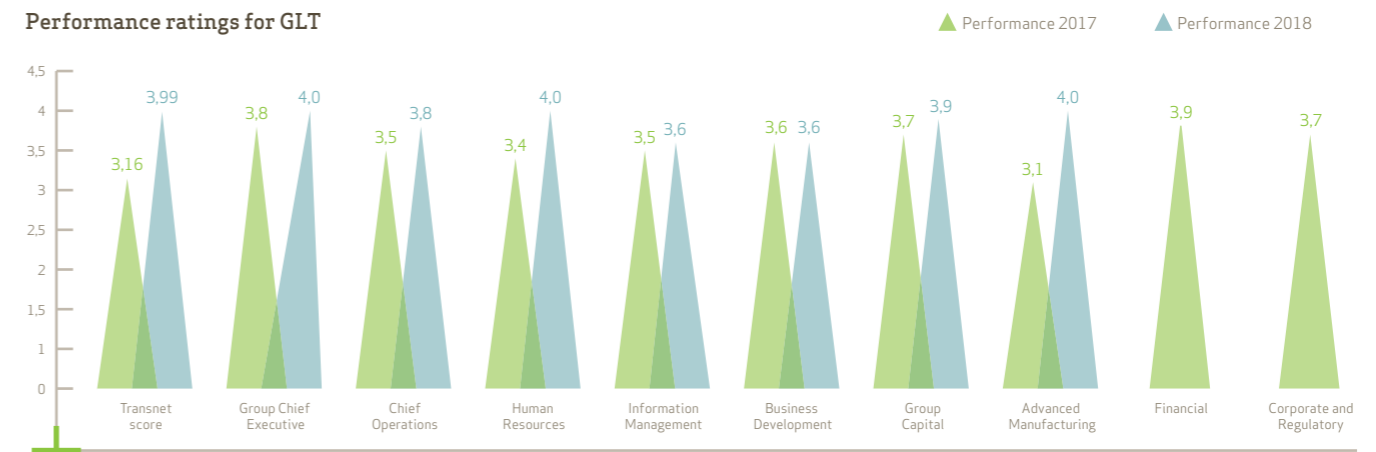
## Performance management for the GLT

Transnet remains focused on achieving a high-performance culture and uses the balanced scorecard methodology and framework as part of the Group's strategic management process and integrates this with performance management.

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. The performance objectives of each GLT member are aligned with the business strategy. The achievement of set performance objectives and targets reward them for their contribution to the success of Transnet.

The members of the GLT are subject to rigorous quarterly performance assessments to track progress and to timeously address any deviations from the plan.

The graph below depicts the performance ratings of the members of the GLT over the past two financial periods compared to the overall performance rating of the Company:



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

## Remuneration for the GLT

Leadership plays a critical part in achieving the Company's mission of delivering outstanding sustainable value to stakeholders. The goal for every employee at Transnet is to develop a challenging career with opportunities for growth, competitive rewards and a balance between work and home life.

The successful execution of the Transnet strategy requires sustained effort and energy of the executive leadership to ensure high performance, as well as a sustainable and profitable long-term growth path. As part of the Transnet strategy, the Company designed a reward philosophy for executive management to drive the implementation of the strategy while ensuring that key role players are retained in the Company.

The main principles underpinning Transnet's approach to senior and executive management are as follows:

- Utilisation of talent management as a strategic business driver to build individual capability in response to organisational capability needs.
- A differentiated approach for key talent to ensure high-quality people in high-leverage/mission critical positions.
- Leadership development.
- Redeployment opportunities in line with succession plans are critical for development and retention.
- Individual growth and career path development.
- Equitable remuneration.
- Reward for superior performance.

Transnet is committed to encouraging diversity in the workplace and in society and practises equal opportunity in all hiring and promotions, and will help to expand employment opportunities within South Africa. Transnet is further committed to the creation, facilitation and development of an organisation that supports the equality of all South Africans.

The issue of the wage gap is not unique to SOCs or even South Africa, but is an international discussion point. Transnet is concerned about the wage gap. However, the bigger challenge Transnet faces is to expand skills, organise work more productively and increase volumes. If Transnet is able to address this challenge, it will have a direct impact on the growth of the economy to ensure employment opportunities across the country.

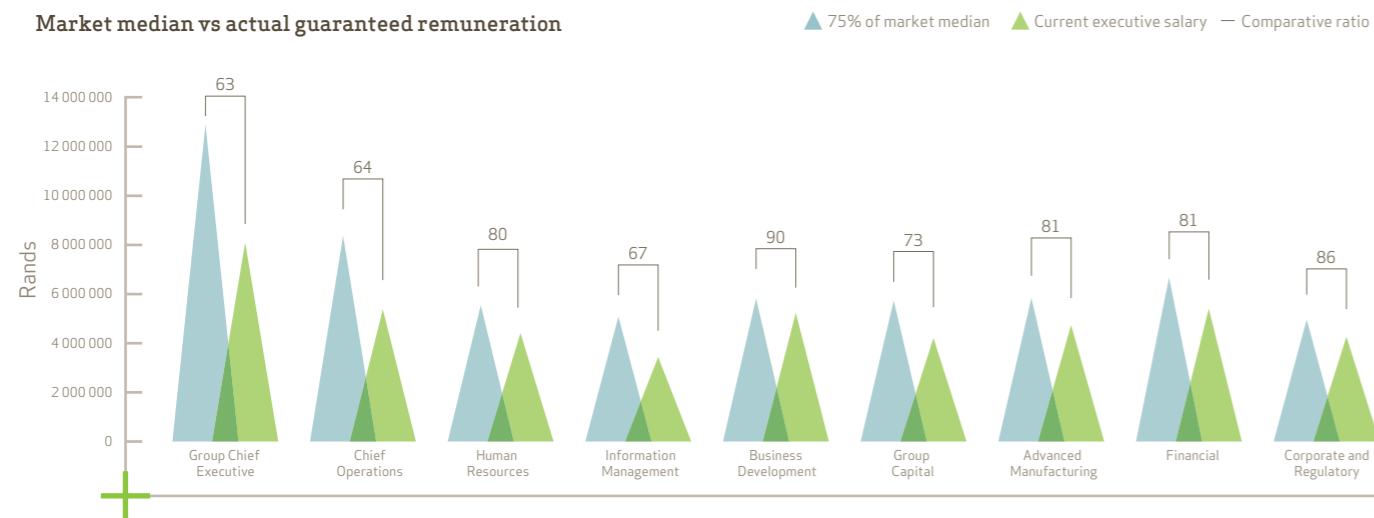
Transnet continuously strives to become an employer of choice and regards its employees as the most valued asset of the business. The aim is to pay fairly for responsibility exercised and results achieved.

Annual guaranteed pay increases for the members of the Transnet executive teams are informed by market movement. Transnet annually conducts an executive remuneration benchmark exercise to compare the remuneration of the executive teams with the external market.

Transnet utilises the Deloitte 'SA Guide to Executive Remuneration and Reward', a national remuneration survey published annually by Deloitte Consulting.

Up to the current reporting period, it was the intent to reach the market median, i.e. the 50th percentile of the market. Transnet, however, strives to pay its members of the GLT at the 75th percentile of the market. To achieve this objective, special interventions by the Remuneration, Social and Ethics Committee will have to be applied in order to reach the 75th percentile within the next two years.

The graph below depicts the actual guaranteed remuneration of the GLT against a 75th percentile of the market; the current remuneration of the leadership ranges between 63% and 90% of the 75th percentile:



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

The table below depicts the guaranteed pay of the Transnet GLT for the reporting period:

#### Guaranteed pay of Transnet GLT

GLT member	Salary R'000	Post-retirement benefit fund contributions R'000	Other contributions R'000	Other payments R'000	Total 2018 R'000	Total 2017 R'000
SI Gama <sup>1</sup>	7 328	778	2	—	8 108	7 448
GJ Pita <sup>1,3</sup>	4 950	454	2	—	5 406	5 015
MM Buthelezi	4 980	419	2	—	5 401	4 369
GJE de Beer	4 751	505	2	—	5 258	3 267
EAN Sishi	4 027	392	2	170	4 591	4 005
DC Moephuli <sup>2</sup>	2 289	194	1	—	2 484	3 877
KV Reddy	3 806	404	2	—	4 212	3 419
MMA Mosidi	3 212	229	2	—	3 443	2 653
T Jiyane	4 325	421	2	—	4 748	4 424
N Silinga <sup>4,5</sup>	1 290	108	1	—	1 399	392
M Gregg-Macdonald <sup>4</sup>	—	—	—	—	—	451
KC Phihlela <sup>4</sup>	—	—	—	—	—	492
KXT Socikwa <sup>4</sup>	—	—	—	—	—	559
R Vallihu <sup>4</sup>	—	—	—	—	—	572
S Chetty <sup>4</sup>	—	—	—	—	—	368
RE Lepule <sup>4</sup>	—	—	—	—	—	451
MA Sukati <sup>4</sup>	—	—	—	—	—	423
ZE Lebelo <sup>4</sup>	—	—	—	—	—	367
LMH Msagala <sup>4</sup>	—	—	—	—	—	380
R Nair <sup>4</sup>	—	—	—	—	—	577
<b>Total</b>	<b>40 958</b>	<b>3 904</b>	<b>18</b>	<b>170</b>	<b>45 050</b>	<b>43 509</b>

<sup>1</sup> Group executives who are members of the Board of Directors.

<sup>2</sup> Resigned during the year.

<sup>3</sup> Resigned after the end of the reporting period. Mr M Mohamedy was thereafter appointed as Acting Chief Financial Officer.

<sup>4</sup> Previous members of the Executive Committee, but no longer members of the GLT (previously Executive Committee).

<sup>5</sup> Acted as a GLT member from 1 November 2017 to 31 March 2018.

## Variable pay

Variable pay is informed by Transnet's financial performance. The incentive pool funds all incentive payments, i.e. the short-term incentive payments as well as long-term incentive conditional awards.

The following conditions regulate incentive provisions:

- Year-on-year improvement in actual EBITDA achievement.
- The Group not breaching key debt covenant ratios.
- The Group not being placed in financial distress.
- The payment of the incentive bonus does not result in a net loss after tax for the reporting period.

Transnet's financial results for the period ended 31 March 2018 reflect exceptional performance despite the challenges faced during the year, such as the South Coast storms experienced during October 2017, and the local and foreign currency ratings downgrade to sub-investment levels by the credit rating agencies. EBITDA generated at the end of the reporting period increased from R28,6 billion to R35,0 billion, an increase of 22,4% (excluding incentive provision).

Based on the ground rules of the scheme, the calculated value of the bonus pool for the reporting equates to R3 589 million.

An incentive provision exceeding R2 512 million will result in a breach of the cash interest cover requirement of  $\geq 3,0$  times, which is a condition of the foreign borrowing limit approved by National Treasury during February 2018. Management has, therefore, limited the incentive provision to R2 512 million (70% of the calculated pool) in order not to breach any of the requirements.

EBITDA increased by 18,0% to R32,5 billion (after providing for the proposed incentive bonus), with a resultant increase in the EBITDA margin to 44,6% compared to 42,1% in the previous year.

All conditions for the payment of the incentive bonus have been met at the end of the reporting period. The incentive pool funds both the short- and long-term incentive schemes.

## Short-term incentive scheme

The Transnet short-term incentive scheme is well entrenched and designed with the specific objective to drive the achievement of stretch business targets and to reward employees for this effort. In addition, the design of the scheme focuses on integration of the total business and increased customer service.

Annual incentive payments 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.

Transnet shares the Company performance with labour at the strategic leadership forum, as well as the Transnet employees at large, who have a legitimate expectation for a bonus payment based on the approved rules of the scheme and the Company achievements for the reporting period.

The bonus pool is distributed based on the results from measures related to the Operating Division productivity and safety achievements as derived from the Shareholder's Compact and Corporate Plan, as well as the employee's individual performance score.

Transnet has a robust individual performance management system and the balanced scorecard methodology is well established for the management cadre. Transnet also has a ratification process to ensure that individual performance scores are aligned with the overall Operating Division and Transnet performance.

The performance system is based on a five-point rating scale. Employees with an individual performance score of below 2 are not eligible to receive an incentive payment.

## Long-term incentive scheme

Transnet has implemented a long-term incentive scheme to sustain the achievement of the Transnet strategy, to retain key talent who ensure the success of the strategy, to continuously encourage stretch performance and reward performance above target.

The long-term incentive conditional award to eligible participants is banked over a three-year period to ensure sustained business performance and retention of key talent over the banking period. Participation in the scheme is informed by level of seniority, i.e. grade level in the organisation, individual performance as well as results from the talent management framework. Following the completion of the three-year banking period, the vesting payment is also subject to individual performance- and talent-rating criteria. The banked long-term incentive amounts accrue interest over the three-year banking period.

The long-term incentive scheme has specific clauses dealing with Company performance over the banking period and to this effect a Group modifier has been introduced. The measure of total average assets (ROTA) (excluding capital work in progress) is used as the Group long-term incentive modifier.

The 2015 conditional award in respect of the Transnet long-term incentive scheme vested at the end of the reporting period. The value of the long-term incentive payment is impacted by the level of achievement of specific Company and individual performance objectives.

The members of the Transnet GLT were eligible for payment in respect of the long-term incentive scheme based on the ground rules of the scheme.

The table below reflects the short- and long-term incentive payments for the Transnet GLT for the reporting period:

GLT member	LTI 2018 R'000	LTI 2017 R'000	STI 2018 R'000	STI 2017 R'000
SI Gama <sup>1</sup>	1 881	3 185	5 661	1 571
GJ Pita <sup>1,3</sup>	896	1 304	—	1 120
MM Buthelezi	980	1 607	3 658	1 015
GJE de Beer	—	—	3 452	670
EAN Sishi	1 145	1 911	3 086	861
DC Moephuli <sup>2</sup>	—	1 855	—	820
KV Reddy	716	1 116	2 766	801
MMA Mosidi	—	—	2 261	538
T Jiyane	607	986	2 723	898
N Silinga <sup>4,5</sup>	395	123	838	87
M Gregg-Macdonald <sup>4</sup>	—	258	—	90
KC Phihlela <sup>4</sup>	—	293	—	94
KXT Socikwa <sup>4</sup>	—	333	—	107
R Vallihu <sup>4</sup>	—	316	—	124
S Chetty <sup>4</sup>	—	184	—	—
RE Lepule <sup>4</sup>	—	233	—	86
MA Sukati <sup>4</sup>	—	164	—	96
ZE Lebelo <sup>4</sup>	—	126	—	76
R Nair <sup>4</sup>	—	137	—	121
<b>Total</b>	<b>6 620</b>	<b>14 131</b>	<b>24 445</b>	<b>9 175</b>

<sup>1</sup> Group executives who are members of the Board of Directors.

<sup>2</sup> Resigned during the year.

<sup>3</sup> Resigned after the end of the reporting period. Mr M Mohamedy was thereafter appointed as Acting Chief Financial Officer.

<sup>4</sup> Previous members of the Executive Committee, but no longer members of the GLT (previously Executive Committee).

<sup>5</sup> Acted as a GLT member from 1 November 2017 to 31 March 2018.

## 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.

Among the issues considered by the Shareholder Representative prior to re-election is the individual non-executive director's performance.

The Shareholder Representative approves, in advance, the fees payable to non-executive directors. 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.

The table below depicts the actual remuneration for the Transnet non-executive directors for the reporting period:

Name of Board member	Fees R'000	Other payments R'000	Total 2018 R'000	Total 2017 R'000
LC Mabaso (Chairperson) <sup>2,4</sup>	1 348	2	1 350	1 280
Y Forbes <sup>2,4</sup>	656	—	656	624
PEB Mathekga <sup>6</sup>	550	—	550	518
GJ Mahlalela <sup>5</sup>	642	—	642	518
ZA Nagdee <sup>6</sup>	581	—	581	518
VM Nkonyane <sup>2</sup>	642	—	642	605
S Shane <sup>1,3,4</sup>	197	—	197	732
BG Stagman <sup>1</sup>	625	—	625	605
PG Williams <sup>5</sup>	—	—	—	605
AC Kinley <sup>2</sup>	160	—	160	—
SM Radebe <sup>6</sup>	192	—	192	—
<b>Total</b>	<b>5 593</b>	<b>2</b>	<b>5 595</b>	<b>6 005</b>

<sup>1</sup> Resigned during the year.

<sup>2</sup> Resigned after the end of the reporting period.

<sup>3</sup> Directors' fees paid to Integrated Capital Management (Pty) Ltd (ICM).

<sup>4</sup> Trustee's fees included.

<sup>5</sup> Deceased.

<sup>6</sup> Removed from the Board in May 2018.

The following non-executive directors were appointed after the end of the reporting period: Dr PS Molefe (Chairperson), UN Fikelepi, RJ Ganda, Prof EC Kieswetter, DC Matshoga, LL von Zeuner, ME Letlape, Adv O Motaung, G Ramphaka, AP Ramabulana, V McMenamin and Dr FS Mufamadi.

## Remuneration, Social and Ethics Committee of the Transnet Board

The Transnet Board has established the Remuneration, Social and Ethics Committee to assist in discharging its responsibilities. The mandate outlining the authority delegated to it by the Board includes the purpose of the Remuneration, Social and Ethics 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. In addition, the committee has the role of ensuring that remuneration and incentive policies and strategies are aligned with the Shareholder's Compact as well as organisational and individual performance.

The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

# Annexure C: Subsidiaries, associates and joint ventures

for the year ended 31 March 2018

## Subsidiaries

	Effective holding		Voting power held	Shares at cost		Interest of holding company net profit/(loss)		Interest of holding company indebtedness		Accumulated impairment and losses		
	2018	2017	2018	2018	2017	2018	2017	2018	2017	2018	2017	
	%	%	%	R million	R million	R million	R million	R million	R million	R million	R million	
<b>Subsidiaries held by Transnet</b>												
<b>Local subsidiaries</b>												
<b>Environmental responsibility</b>												
Transnet Pipelines Rehabilitation Trust	100	—	100	—	—	7	—	—	—	—	—	—
<b>Social responsibility</b>												
Transnet Foundation Trust <sup>1</sup>	100	100	100	—	—	—	—	—	—	—	—	—
<b>International business activities</b>												
Transnet International Holdings SOC Ltd <sup>2</sup>	100	—	100	—	—	—	—	—	—	—	—	—
<b>Foreign subsidiaries</b>												
<b>Transport logistics</b>												
African Joint Air Services Ltd (Uganda) <sup>3</sup>	57	57	57	—	—	—	6	—	392	—	—	392
				—	—	7	6	—	392	—	—	392

<sup>1</sup> In dissolution.

<sup>2</sup> Not trading.

<sup>3</sup> Dormant.

## Equity-accounted investees<sup>1</sup>

Principal activity	Effective holding		Shares at cost		Interest of holding company indebtedness		Accumulated impairment and losses		Share of post-acquisition reserves		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	%	%	R million	R million	R million	R million	R million	R million	R million	R million	R million	R million
<b>Associates</b>												
Commercial Cold Storage (Ports) (Pty) Ltd	30	30	—	—	1	1	—	—	10	23	11	24
Comazar (Pty) Ltd <sup>2</sup>	32	32	13	13	8	8	21	21	—	—	—	—
Experience Delivery Company (Pty) Ltd	11	11	—	—	—	—	—	—	—	—	—	—
RainProp (Pty) Ltd	20	20	—	—	1	1	—	—	116	106	117	107
<b>Joint ventures</b>												
Gabarone Container Terminal	36	36	6	6	—	—	—	—	21	18	27	24
			19	19	10	10	21	21	147	147	155	155

<sup>1</sup> Incorporated in the Republic of South Africa, unless stated otherwise.

<sup>2</sup> Dormant.

## Summarised financial information of equity-accounted investees

	Commercial Cold Storage (Ports) (Pty) Ltd R million	RainProp (Pty) Ltd R million	Gabarone Container Terminal R million
<b>Financial position</b>			
Total assets	74	1 189	97
Total liabilities	9	527	2
<b>Results of operations</b>			
Revenue	27	52	21
Net profit	7	14	4

## 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.

