

KING IV  
APPLICATION REGISTER  
2019/2020

| Governance Outcomes | Principles  | Implementation Status  |
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|                     | <p>Principle 01 - <b>Leadership</b></p> <p><b>The governing body should lead ethically and effectively</b></p> <p>Practices:</p> <ul style="list-style-type: none"> <li>✓ Cultivate and exhibit collectively and individually, characteristics of integrity, competence, responsibility, fairness and transparency</li> <li>✓ Offer leadership that results in achievement of strategy and outcomes over time</li> <li>✓ Disclose how they are being held to account for their leadership outcomes</li> </ul> | <p><b>Applied:</b></p> <p>Since the appointment of the Board of Directors in 2018, the Board's primary focus is and has been to restore integrity and deliver on its mandate. The Board is resolute in improving corporate governance and establishing an ethical leadership. These outcomes are demonstrated as follows:</p> <ul style="list-style-type: none"> <li>● The qualities of integrity, competence, responsibility, fairness and transparency are cultivated and exhibited through compliance with legislation, applicable policies, rules and binding codes.</li> <li>● The Board reviews and approves the Declaration of Interest and Related Party Disclosure Policies for all Non-Executive and Executive Directors and Transnet Employees every 3 years or as and when necessary.</li> <li>● The Board and the Group Executive Committee note their respective annual declaration of interest registers.</li> <li>● The Corporate Governance and Nominations Committee and the Remuneration, Social and Ethics Committee conducts annual reviews of the filed declaration of interest forms of the members of the Board and Group Executive Committee for oversight purposes.</li> <li>● The Directors and the prescribed officers disclose any conflict or potential conflict of interest on any matter to be discussed, at each meeting.</li> <li>● Where a director or prescribed officer has declared a conflict of interest, he/she shall be recused from the proceedings when the matter is considered.</li> </ul> |

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|  | <p>Principle 02 - <b>Organizational ethics</b></p> <p><b>Govern the ethics of the organisation in a way that supports the establishment of an ethical culture</b></p> <p>Practices:</p> <ul style="list-style-type: none"> <li>✓ Set the direction for ethics in the organization</li> <li>✓ Approve codes of conduct and ethics polices as well as ensure that they include all stakeholders and key ethical risks</li> <li>✓ Ensure that there are ways for stakeholders to be made familiar with the codes of conduct and ethics policies</li> <li>✓ Delegate implementation of codes of conduct and ethics policies to management and provide ongoing oversight of this management, including results in such matters as recruitment, employee, remuneration, supplier selection, breach management, whistle-blowing and independent assessments</li> <li>✓ Disclose how ethics are being managed, focus areas, monitoring measures and how ethical outcomes are addressed</li> </ul> | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>• The Remuneration, Social and Ethics Committee (REMSEC) is responsible for the governance of ethics and ensures that the Company's ethical performance is assessed, monitored, reported and disclosed in the Integrated Report.</li> <li>• The REMSEC holds a meeting focused on Social and Ethics matters on an annual basis.</li> <li>• The Company's Code of Ethics (the Code) promotes a culture of entrenched values, principles, standards and norms that guide the behaviour of the Company's employees.</li> <li>• The Company's Code which applies to the Directors and Employees of the Company are reviewed every 3 years or as and when necessary.</li> <li>• The Board approved Code of Ethics which is published on the Transnet website and incorporated into contractual arrangements with suppliers and integrity pacts are concluded with all bidders and suppliers.</li> <li>• Transnet Internal Audit conducts random annual reviews on the DOIs of all Transnet Employees and reports on its findings to the Remuneration, Social, and Ethics Committee on a quarterly basis.</li> <li>• The Chief Legal Officer is responsible for the Ethics Management Programme.</li> <li>• Aspects of the Code are included in fraud and corruption awareness training and are accessible to all employees on the Company's intranet.</li> <li>• The Declaration of Interests, Non-Executive Directorship and Trusteeships Policy, Transnet Whistle-blowing Policy &amp; Anti-bribery and Anti-Corruption and the recently approved Lifestyle Audit Policy, amongst others, were developed in support of the Company's Code of Ethics.</li> <li>• The Company's ethics performance is reported to the Remuneration, Social and Ethics Committee, the Board and Shareholder on a quarterly basis, and disclosed in its Integrated Report.</li> <li>• The Board has in support of its ethics management programme, approved the Lifestyle Audit Policy for all Transnet Employees. The Board resolved to participate in the process in the period under review, setting the tone at the top.</li> </ul> |
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|                         | <p>Principle 03: <b>Responsible Corporate Citizenship</b></p> <p><b>Ensure that the organisation is and is seen to be a responsible corporation citizen</b></p> <p>Practices:</p> <ul style="list-style-type: none"> <li>✓ Set the direction for the good corporate citizenship, including compliance with the Constitution, laws, standards and own policies and procedures, as well as congruence with the organization's purpose, strategy and conduct</li> <li>✓ Oversee and monitor (using agreed performance indicators and targets) the organisations status as a good corporate citizen in such areas as the workplace, economic behaviours and results, societal and environmental impacts</li> <li>✓ Disclose how corporate citizenship is managed, current and future focus areas, monitoring measures and how corporate citizenship outcomes are addressed</li> </ul> | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>□ The Board ensures that the Company is a responsible corporate citizen, by complying with all national and international laws, standards, and adherence to its own Codes of Conduct and polices in which the Company operates.</li> <li>□ The Company is a signatory to the UN Global Compact and has extensive Corporate Social Investment Programmes in place.</li> <li>□ The Transnet Foundation is responsible for driving the Company's socio-economic development agenda to benefit communities.</li> <li>□ The Company's community investment programmes are underpinned by its commitment to uplifting and empowering communities through health interventions, promoting education, enabling effective asset utilisation to provide much needed infrastructure solutions, developing rural sports and employing our employees' skills and competencies to effect positive change in the communities.</li> <li>□ A Reputation Survey is conducted on an annual basis and reported to the Board.</li> <li>□ Socio-Economic initiatives form part of the Shareholder's Compact targets.</li> <li>□ The Corporate Social and Investment Activities Report is tabled for noting the Remuneration, Social and Ethics Committee on a quarterly basis.</li> <li>□ The Board reports on its CSI activities in the Integrated Report.</li> </ul> |
| <b>Good Performance</b> | <p>Principle 04: <b>Strategy and performance</b></p> <p><b>The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process</b></p> <p>Practices:</p> <ul style="list-style-type: none"> <li>✓ Steer and set direction, purpose and strategy of the organization</li> <li>✓ Delegate to management the formulation and thereafter approval of strategy with due reference to timelines, risks and opportunities, resources and relationships, legitimate expectations of stakeholders, changes in the six capitals</li> </ul>   | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>● The Board of Directors sets the direction for good corporate governance, including compliance with laws and congruence with the Company's purpose, strategy and conduct.</li> <li>● The Board holds strategy workshops and Deep Dive sessions where matters of a strategic nature are addressed in detail.</li> <li>● The Board delegates responsibilities to the Group Chief Executive of the Company through its Delegation of Authority Framework. The Group Chief Executive delegates responsibilities to the Executive Committee. Management is accountable and responsible for the tasks to be completed to satisfactory levels and ensure that the Board receives the necessary information. The Board remains accountable and responsible for the actions of management.</li> </ul>  |

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|  | <p>and the inter-connectedness and inter-dependencies of these factors</p> <ul style="list-style-type: none"> <li>✓ Approve management policies and operational plans, including key performance measures and targets</li> <li>✓ Delegate the implementation of policy and plans to management</li> <li>✓ Oversee implementation of the strategy and plans by management against the agreed performance measures and targets</li> <li>✓ Oversee that there is ongoing assessment and response to any negative consequences for the economy, society and environment by the company using its 6 capitals</li> <li>✓ Be alert to be organisation's general viability, reliance and effect on its capital, solvency and liquidity and its going concern status</li> </ul> | <ul style="list-style-type: none"> <li>• Transnet annually enters into a Shareholder's Compact with Government, represented by the Shareholder Minister. The Shareholder's Compact mandates the Company to deliver on numerous strategic deliverables, a process which the Board oversees. 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.</li> <li>• The Board perform regular risk identification assessments.</li> <li>• The Audit Committee reviews a documented assessment by the management of the going concern premise of the Company.</li> </ul>  |
|  | <p><b>Principle 05: Reporting</b></p> <p><b>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long term prospects</b></p> <p>Practices:</p> <ul style="list-style-type: none"> <li>✓ Set the direction, approach and conduct for the organisation's reporting</li> <li>✓ Approve the reporting frameworks to be used</li> <li>✓ Oversee the various reports</li> </ul>  | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>• To ensure the integrity of the reporting, the integrated report is compiled and reviewed by management first, relevant sections are tabled at the appropriate Board Committees before being tabled at the Board for final approval. Assurance on accuracy and reliability of financial matters is provided by the External Audit.</li> <li>• The Integrated Report provides information of material significance in creating short, medium and long-term value.</li> <li>• The Board ensures that the Company adheres to all procedures for quarterly reporting to the executive authority through the submission of quarterly reports to the Shareholder Minister.</li> <li>• The Company also reports on the extent of its compliance with the Companies Act in the Directors' Report in the Annual Financial Statements.</li> <li>• The Board ensures that the reporting framework complies with the Companies Act of 2008, as amended, the MOI, PFMA quarterly reports, Integrated Report and Portfolio Committees.</li> </ul> |

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|  | <p>Principle 06: <b>Primary roles and responsibilities of the governing body</b></p> <p><b>The governing body should serve as the focal point and custodian of the corporate governance in the organisation</b></p> <p>Practices:</p> <ul style="list-style-type: none"> <li>✓ Exercise its leadership role; have a charter; approve a protocol for it, its committee and members to get professional advice, approve a protocol for non-executive members to get documentation and meeting with management</li> <li>✓ Disclose the number of its meeting and attendance thereof, whether it is satisfied that it has discharge its responsibilities in relation to its charter</li> </ul>                             | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>• The Board sets the tone for ethical leadership which forms the foundation for good corporate governance. Sound governance principles and processes define and direct the responsibilities of the Board and actively drive a sustained governance culture throughout the Company that is based on associated norms and standards.</li> <li>• Ethical leadership, oversight, and accountability are instituted through the appointment of the Board and the determination of the Board's strategic and operational objectives.</li> <li>• The Board has an approved Board Charter and Board Committee mandates which are reviewed on an annual basis for adequacy and as and when required.</li> <li>• The Board and Committee mandates provide that all members of the Board and its Committees are entitled to obtain independent professional advice at the cost of the organisation through the Office of the Group Company Secretary.</li> <li>• The Board has unrestricted access to all Company information, records, documents and property subject to following a Board approved process.</li> <li>• The Board meets at least six times a year. The number of meetings held and attendance thereof together with decisions taken by the Board and its committees are reported quarterly to the Shareholder and in the Integrated Report.</li> <li>• The Board is satisfied that it has fulfilled its responsibilities in accordance with its mandate for the reporting period.</li> </ul> |
|  | <p>Principle 07: <b>Composition of the Governing Body</b></p> <p><b>The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</b></p> <p>Practices:</p> <p>Composition of the body</p> <ul style="list-style-type: none"> <li>✓ Direct and approve the processes for attaining an appropriate composition.</li> <li>✓ Consider an appropriate size for itself, with reference to the optimal mix of knowledge, skill, experience, diversity, independence (i.e. executive, non-executive members), sufficiency in numbers for its committees, quorum</li> </ul> | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>• The Board has assumed responsibility by ensuring diversity, gender parity, skills, knowledge, resources and intelligence to effectively discharge its governance role and responsibilities and carry out all its duties. The number of directors and diversity of those elected to the Board is sufficient.</li> <li>• The Corporate Governance and Nominations Committee compiles a Board skills matrix for consideration by the Shareholder Minister as part of Non-Executive Directors' succession planning activities. The Corporate Governance and Nominations Committee through the Board of Directors recommends the appointment of Executive Directors to the Shareholder.</li> <li>• The Company's MoI provides that the Board shall at all times consist of a majority of non-executive directors. The Board of Directors currently comprises 10 directors, 8 of whom are independent non-executive directors, including the Chairperson.</li> <li>• The Board has 2 executive directors, consisting of the Group Chief Executive and Group Chief Financial Officer.</li> </ul>  |

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|  | <p>requirements, regulatory requirements and diversity targets</p> <ul style="list-style-type: none"> <li>✓ Comprise of a majority on non-executive members, most of whom should be independent</li> <li>✓ Appoint as a minimum the CEO and one other executive to the governing body</li> <li>✓ Promote diversity in its membership (age, culture, race, gender and fields of expertise) and set targets for race and gender representation in its composition</li> <li>✓ Arrange for periodic and staggered rotation of its membership</li> <li>✓ Establish a succession plan for its membership</li> </ul> <p>Nomination, election and appointments of members to the Governing Body</p> <ul style="list-style-type: none"> <li>✓ Approve nominations as a whole and ensure that the process for nomination, election and appointment is formal and transparent</li> <li>✓ Consider the collective attributes and diversity needed, as well as whether the candidate is "fit and proper" prior to potential member nomination</li> <li>✓ Consider the past performance of a member prior to nomination for re-election, and for potential non-executive directors' request information of other commitments and whether he/she has sufficient time</li> <li>✓ Investigate and verify potential members backgrounds and qualifications</li> <li>✓ Disclose potential candidates' profile and commitments, as well as governing body's endorsement, with annual general meeting notices</li> <li>✓ After election of an incoming member, issue a letter of appointment, provide induction and for inexperienced members mentor and training</li> <li>✓ Obtain ongoing professional development</li> </ul> <p>Independence and conflicts</p> <ul style="list-style-type: none"> <li>✓ Obtain annual (or whenever there is significant change) from each member a declaration of all interests and related parties</li> <li>✓ Obtain declaration from each member prior to any meeting of the governing body or its committees, any conflict of interests and proactively manage them</li> </ul> | <ul style="list-style-type: none"> <li>• The Board comprises an appropriate balance of knowledge, skills, experience, diversity and independence to discharge its governance role and responsibility objectively and effectively.</li> <li>• The Board is elected by the Shareholder on a three year term renewable at the next AGM. The executive directors are appointed on a five year contract.</li> <li>• The members of the Board submit annual Declaration of Interest and Related Party Disclosures or as and when changes occur to the Group Company Secretary.</li> <li>• Newly appointed directors are formally inducted, which includes a comprehensive induction pack and the presentations of the Company's Operating Divisions. The Board's continuous development programme focuses on improving and keeping the Board up-to-date with governance, regulatory and operational developments. Site visits are also conducted to familiarise directors with the Company's operations and stakeholders.</li> </ul> |
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- ✓ Categorise non-executive members as independent if when judged by a reasonable and informed third-party they would conclude that there are no factors which could cause undue influence or biased decision-making
- ✓ Assess independence of a member with reference to the person being a;- provider of funding or capital (or an employee, officer or a representative of the same); share incentive scheme participant; owner of securities material to the member; employees as an executive in prior 3 years (or key audit team member) in past 3 years; an advisor; governing body member or executive of a signification customer or supplier; governing body member or executive of a related party organisation; or entitled to remuneration that is linked to the organisation's performance
- ✓ Assess a member for independence every year after 9 years of serving as a member, and allow continuance as an independent member if the same would be judged by a reasonable and informed party
- ✓ Disclose satisfaction with composition of mix of governing body; gender and race targets and progress made; categorization of each director (including more information on directors serving longer than nine years); members' qualifications, experience, age , period of service, other governing body and positions held and reasons for departing members

Chairman of the governing body

- ✓ Elect an independent member as chair and a lead independent non-executive member
- ✓ Document the role, responsibilities and term of the chair and lead independent non-executive member
- ✓ Not allow the CEO to be the chair, do not allow (until after 3 years) a retired CEO to become the chair
- ✓ Determine with the chair the number of other outside professional appointments that he/she can hold
- ✓ Generally;- not allow the chair of the remuneration committee or chair of social and ethics committee; allow the chair to be a member of the remuneration committee and social

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|  | <p>ethics committee; allow the chair to be a member and/or the chair of the risk committee; be a member of nominations committee and may also be its chair</p> <ul style="list-style-type: none"> <li>✓ Ensure succession planning for the chair</li> <li>✓ Disclose whether the chair is considered independent and appointment of a lead non-executive and respective role and responsibilities of the latter</li> </ul>  |  |
|  | <p><b>Principle 08: Committees of the Governing Body</b></p> <p><b>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgment, and assist with balance of power and effective discharge of its duties</b></p> <p>Practices:</p> <p>General</p> <ul style="list-style-type: none"> <li>✓ Determine delegation to individual members, groups of members, standing or ad-hoc committees</li> <li>✓ Assume all the responsibilities itself if no delegations are made</li> <li>✓ Provide and approve formal terms of reference to committees, and record in writing details of delegation to a member or group of members</li> </ul> <p>Ensure that composition, roles and responsibilities of committees are complimentary not, fragment or duplicated and that there is no undue reliance or dominance by any individual member</p> <ul style="list-style-type: none"> <li>✓ Ensure that each committee has minimum of three members and sufficient capability and capacity to function effectively</li> <li>✓ Allow any member to attend any committee meeting as an observer, and allow management to attend by standing or ad-hoc invitation</li> <li>✓ Apply its mind to the information and results provided to it by its committees as delegation to a committee does not discharge the governing body of its accountability;</li> <li>✓ Disclose for every committee its role and responsibilities, composition (with members qualifications and experience), advisors and attendees' areas of focus, number of and attendance at meetings, whether it is satisfied that it had fulfilled its responsibilities.</li> </ul> | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>• In line with the requirements of the Companies Act, and to ensure that delegation within the Board of Directors' own structures promotes independent judgement and assists with the balance of power and effective discharge of its duties, the Board of Directors established the Audit Committee and the Remuneration, Social and Ethics Committee as statutory committees as well as Corporate Governance and Nominations Committee, Risk Committee, and Finance and Investment Committee as non-statutory committees.</li> <li>• The Board approves the Delegation of Authority (DOA) Framework, which set out the nature and extent of the responsibilities delegated, decision making authority, and the delegates' reporting responsibilities. In addition, all Board Committee mandates are approved by the Board. The Board has delegated and approved management powers and responsibilities to the GCE (supported by the Group Executive Committee) in terms of the Company's approved DOA Framework.</li> <li>• The Board Committees have a minimum of 3 members. The respective Board Committee mandates make provision for the minimum number of members required for each Committee.</li> <li>• The Board committee mandates make provision for the attendance of a Board member at committee meetings of which he/she is not a member and allow for executive and senior management to be invited to committee meetings to share pertinent information and insights in their areas of responsibilities.</li> <li>• The Board is accountable to the Shareholder Minister on all the decisions taken by any Board committee and by any member of the Board authorised on its behalf. The Board of Directors has a duty to ensure that the Company complies with all legislative and regulatory requirements, including the provisions of the Companies Act, the PFMA, and the King IV Report.</li> <li>• Information on Board Committees is disclosed in the Integrated Report.</li> </ul> |

Audit Committee

- ✓ Must in terms of law establish an audit committee for certain organizations (and should consider establishing one of those that issue audited financial statements) that has as its role to provide independent oversight of the assurance functions and on the integrity of the annual financial statements and other external reports
- ✓ May delegate (in addition to any statutory duties where applicable) other governance responsibilities such as approval of annual financial statements and risk governance (whilst ensuring sufficient time for the latter) but remains accountable
- ✓ Ensure that the audit committee as a whole has the necessary financial literacy, skills and experience, and that all members are independent non-executive members of the governing body
- ✓ Appoint an independent non-executive chair
- ✓ Ensure that the audit committee meets annually with external and internal auditors without management
- ✓ Disclose (in addition to statutory disclosure requirements) all the above general matters relating to committees plus a statement on the independence and specific particulars thereof for the external auditor; significant annual financial statement matters and how addressed; view on quality of external audit; effectiveness of the design and implementation of internal financial controls; effectiveness of the CFO and finance function and on combined assurance and effectiveness thereof

Committee responsible for nominations of members of the governing body

- ✓ Consider allocating oversight of nomination, election and appointment process of members, succession planning and performance evaluations to a dedicated or another appropriate committee

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|  | <ul style="list-style-type: none"> <li>✓ Ensure that nominations committee are all non-executive members of the governing body with the majority being independent</li> <li>✓ Disclose the role and responsibilities, composition (with member's qualifications and experience), advisors and attendees, areas of focus, number of and attendance at meetings, whether it is satisfied that the nomination committee has fulfilled its responsibilities.</li> </ul>   |  |
|  | <p>Committee responsible for risk governance</p> <ul style="list-style-type: none"> <li>✓ Consider allocating oversight of risk governance to a dedicated committee or another appropriate committee</li> <li>✓ Consider one or more members to have joint membership if the audit and risk committees are separate</li> <li>✓ Ensure that the risk committee has executive members of the governing body with majority being non-executive</li> <li>✓ Disclose the role and responsibilities, composition (with members qualifications and experience), advisors and attendees, areas of focus, number of and attendance at meetings, whether it is satisfied that the risk committee has fulfilled its responsibilities.</li> </ul> |  |
|  | <p>Committee responsible for remuneration</p> <ul style="list-style-type: none"> <li>✓ Consider allocating oversight of remuneration governance to a dedicated committee or another appropriate committee</li> <li>✓ Ensure that the remuneration committee has non-executive members of the governing body with a majority being independent non-executive and the chair being an independent non-executive member</li> <li>✓ Disclose the role and responsibilities, composition (with members qualification and experience), advisors and attendees, areas of focus, number of and attendance at meetings, whether it is satisfied that the remuneration committee has fulfilled its responsibilities.</li> </ul>                  |  |

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|  | <p>Social and ethics committee</p> <ul style="list-style-type: none"> <li>✓ Must in terms of law establish a social and ethics committee for certain organisations, and should consider establishing one where not law, to have oversight of and report organisational ethics, corporate citizenship, sustainable development and stakeholder relationships or add this to another appropriate committee</li> <li>✓ Ensure that the social and ethics responsibilities include any statutory duties plus any other it may be delegated by the governing body</li> <li>✓ Ensure that the social and ethics committee had executive members of the governing body</li> <li>✓ Disclose the role and responsibilities, composition (with members qualifications and experience), advisors at attendees, areas of focus, number of and attendance at meetings, whether it is satisfied that the social and ethic committee had fulfilled its responsibilities</li> </ul>  |  |
|  | <p>Principle 09: <b>Evaluation of the performance of the governing body</b></p> <p><b>The governing body should ensure that the evaluation of its own performance and that of its own committees, its chair and its individual members, support continued improvement in its performance and effectiveness</b></p> <p>Practices:</p> <ul style="list-style-type: none"> <li>✓ Assume responsibility for performance evaluation of its, committees, its chair and individual members</li> <li>✓ Appoint a lead independent director if there is not one to lead the evaluation of the chair</li> <li>✓ Ensure that every two years externally facilitated performance evaluation (or one not in accordance with the approved methodology of the governing body) is conducted on itself its committees, its chair and individual members; and every alternate year reflect on the performance of itself, its chair and its members as a whole</li> <li>✓ Disclose a description of the performance evaluations, scope, formality, whether or not externally facilitated, an overview of results and remedial action n, whether it is satisfied that it is improving its performance and effectiveness</li> </ul> | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>• The Board of directors assume responsibility for the evaluation of its own performance and that of its committees, its chair and its individual members. The annual Board evaluation including its Committees, Chair and individual members is conducted by an external service provider, appointed through a transparent procurement process. The Board Evaluation Report is tabled for noting at the Annual General Meeting.</li> <li>• In line with a directive issued by the Shareholder Minister to conduct 6-monthly self-assessments, the Board conducted an internal online self-assessment during the 2019/20FY which is linked to the Governance Assessment Instrument used by the Company. The results of the self-assessment were shared with the Shareholder Minister.</li> <li>• The annual independent board evaluation is currently underway.</li> </ul> <p>An internal self-assessment was performed.</p> |

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|  | <p><b>Principle 10: Appointment and Delegation to Management</b></p> <p><b>The governing body should ensure delegation to, management contribute to role clarity and effective exercise of authority and responsibilities</b></p> <p>Practices:</p> <p><b>CEO appointment and role</b></p> <ul style="list-style-type: none"> <li>✓ Appoint the CEO, who should be responsible to lead strategy implementation, report to the governing body and agree membership of other governing bodies</li> <li>✓ Satisfy itself on CEO succession planning</li> </ul> <p><b>Delegation</b></p> <ul style="list-style-type: none"> <li>✓ Reserve certain powers and matters to itself and set those powers and matters to be delegated to management via the CEO</li> <li>✓ Approve a delegation of authority framework, including specifically authority to appoint ex-officio executive members and management</li> <li>✓ Oversee that key management functions are led by a competent and appropriately authorized individual and are adequately resourced</li> <li>✓ Satisfy itself on succession planning for executive management and key positions</li> <li>✓ Disclose whether it is satisfied with the delegation of authority framework</li> </ul> | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>• The Board of Directors recommends the appointment of the Group Chief Executive and the Shareholder Minister makes the final appointment.</li> <li>• The Board of Directors delegates powers to the Group Chief Executive to direct the business strategically and provide adequate direction to the Company's operations to ensure that the strategy is successfully implemented. The Group Chief Executive is assisted by the Group Executive Committee (Exco) to deliver on specific mandates, which are based on the Delegation of Authority Framework.</li> <li>• The Delegation of Authority Framework is reviewed annually for adequacy and completeness and approved by the Board. The Board is satisfied that the DoA Framework clearly records the nature and extent of the authorities delegated by the Board of Directors to the Group Chief Executive and specified governance structures and/or, in turn, by the Group Chief Executive to the members of the Group Exco, in order to implement certain actions by or on behalf of the Company.</li> <li>• The Board and Committee mandates provide for authority to seek independent advice and to consult with specialists or consultants, facilitated through the Group Company Secretary's Office, at the Company's expense. The appointment of a Company Secretary is a statutory requirement for the Company.</li> </ul> |
|  | <p><b>Professional corporate governance services to the governing body</b></p> <ul style="list-style-type: none"> <li>✓ Ensure that it has access to professional and independent guidance on legal and corporate governance matters and for the functioning of its committees</li> <li>✓ Unless mandatory, consider appointing a company secretary/ other appropriate professional</li> <li>✓ Approve the corporate governance services (and ensure this function has authority), appointment of company secretary/ other professional, contract remuneration and necessary qualities</li> <li>✓ Remove the company secretary/ other professional</li> <li>✓ Ensure the company secretary/other professional has access to and report to the governing body via the chair for statutory matters and governing body matters and to an appropriate executive on matters</li> <li>✓ Evaluate annually the performance and independence of the company secretary/</li> </ul>  |  |

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|                          | <p>other professional</p> <ul style="list-style-type: none"> <li>✓ Disclose the access to professional corporate governance services and the view on effectiveness thereof</li> </ul>  |   |
| <b>Effective Control</b> | <p><b>Principle 11: Risk Governance</b></p> <p><b>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objective</b></p> <p>Practices:</p> <ul style="list-style-type: none"> <li>✓ Set the approach for risk governance, including opportunities and risks when developing strategy and the potential positive and negative effects of the same risk on the achievement of objectives</li> <li>✓ Treat risk as integral part of decision-making and adherence to duties, approve risk policy, evaluate and agree the risks it is prepared to take (i.e. risk appetite and risk tolerance levels)</li> <li>✓ Delegate to management risk management implementation</li> <li>✓ Oversee the risk management (including assessment of risk and opportunities in relation to the triple context and use of 6 capitals, achievement of objectives dependency on resources as well risk responses continuity and culture of the organization)</li> <li>✓ Consider receiving periodic, independent assurance on the effectiveness of management</li> <li>✓ Disclose nature and extent of risks and opportunities, overview of the risk management system; areas of focus; key risks, unexpected risks; risks taken outside tolerance levels; and action to monitor and address risk management</li> </ul> | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>• The Board approved the revised Integrated Risk Management Policy on 03 December 2020 which paved the way for a more cohesive approach to risk management in the organisation.</li> <li>• The Risk Management Policy and ensure alignment to Principle 11.</li> <li>• The policy introduced risk management at three levels: strategic, tactical and operational.</li> <li>• Risk Committee Mandate.</li> <li>• Risk Management Policy Framework &amp; ERM Standards</li> <li>• ERM Methodology</li> <li>• Risk Appetite Statement</li> <li>• Risk Culture Surveys</li> <li>• BCM Plans</li> <li>• Sustainability Policy</li> <li>• TIA Plan</li> <li>• Integrated Report (Risk Management section)</li> </ul>   |
|                          | <p><b>Principle 12: Technology and Information Governance</b></p> <p><b>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives</b></p> <p>Practices:</p> <ul style="list-style-type: none"> <li>✓ Set the approach and approve the policy for technology and information governance (including adoption of appropriate framework and standards)</li> <li>✓ Delegate to management effective technology and information implementation</li> </ul> <p>Oversee results of managements implementation (including integration,</p>  | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>• The Board, supported by the Corporate Governance &amp; Nominations Committee and the Risk Committee, is responsible for ICT governance and oversight.</li> <li>• The Board has delegated the responsibility for the implementation of the ICT governance framework to management and mandates progress reports on major IT projects.</li> <li>• The Group Risk Committee is responsible for directing, controlling and measuring ICT activities and processes within Transnet.</li> <li>• The ethical and responsible use of ICT, and compliance with applicable laws, is the overall responsibility of the Board, which is provided with insight on the ICT's updated regulatory universe each year.</li> <li>• Transnet IT positions cybersecurity as a top priority</li> </ul> |

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|  | <p>business resilience, monitoring for responsiveness to cyber security and social media risks, third-party and outsourced service provider risks, value delivered from technology investments and projects, disposal of obsolete technology and information, ethical and responsible use and compliance laws)</p> <ul style="list-style-type: none"> <li>✓ Oversee management of information (including use information architecture, protection of privacy and security)</li> <li>✓ Oversee management of technology (including technology architecture; sourcing risks, development and disruptions)</li> <li>✓ Consider receiving periodic, independent assurance on the effectiveness of the technology and information, including outsourcing</li> <li>✓ Disclose overview of governance and management; areas of current and future focus, significant changes, acquisitions, incident management; monitoring and response thereto</li> </ul> | <p>and feeds back status to the Board on a regular basis. It further guards against negative publicity and</p> <ul style="list-style-type: none"> <li>• reputational damage resulting from social media risks.</li> <li>• To monitor third-party and outsourced service provider risks (particularly as it relates to ICT service providers), Transnet calculates the potential risks or vulnerabilities by completing a service provider assessment for each third-party engagement and conducts a thorough due diligence before the relationship commences. Contingency plans are in place for terminating vendor contracts if required.</li> <li>• To monitor and evaluate the value delivered from ICT investments, Transnet IT applies the principles to plan for, monitor and track benefits throughout the project delivery process.</li> <li>• Transnet has implemented a King IV-aligned governance framework to achieve continuous improvements and to achieve the following: <ul style="list-style-type: none"> <li>- Improved delivery on Transnet's strategic goals and outcomes.</li> <li>- Improved ICT business enablement.</li> <li>- Improved stakeholder communication.</li> <li>- Effective service delivery through ICT-enabled services.</li> <li>- Lower costs.</li> <li>- Increased alignment of investment towards strategic goals.</li> <li>- Improved return on ICT-enabled investment.</li> <li>- ICT risks managed in line with the priorities and Transnet's risk appetite.</li> <li>- Appropriate security measures to protect Transnet and employee information.</li> <li>- Improved management of business-related ICT projects.</li> <li>- Improved information management.</li> </ul> </li> </ul> <p>ICT executed in line with legislative and regulatory requirements.</p> |
|  | <p>Principle 13: <b>Compliance Governance</b></p> <p><b>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen</b></p> <p>Practices:</p> <ul style="list-style-type: none"> <li>✓ Direct the governance of compliance to laws, adopted non-binding rules, codes and standards</li> <li>✓ Approve policy that directs compliance</li> <li>✓ Delegate to management the responsibility for implementing compliance management</li> </ul>   | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>• The Chief Legal Officer ensures that the outcome of its plan is aligned with the mandates of the Audit Committee and Risk Committee and executes its areas of focus from an annual Board-approved Compliance Plan.</li> </ul> <p>Managers are responsible for ensuring compliance as it relates to their areas of accountability.</p> <ul style="list-style-type: none"> <li>• Approximately 200 primary regulatory requirements impact Transnet.</li> <li>• Compliance is implemented through a risk-based approach using a decentralised model, with Compliance Officers appointed within Operating Divisions and Corporate Centre functions.</li> <li>• The Compliance function independently monitors and reports on compliance controls relating to high- priority regulatory requirements.</li> </ul>  |

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|  | <ul style="list-style-type: none"> <li>✓ Oversee compliance management so that it is understood, relates holistically and is responsive to changes and development following continuous monitoring of the regulatory environment</li> <li>✓ Disclose an overview of compliance management; areas of current and future focus; actions to monitor and address compliance management; material or repeated sanction, fines and penalties on the organization, its officers and / or members environment regulator inspection and incidents of non-compliance and the consequences</li> </ul>  | <ul style="list-style-type: none"> <li>• The Compliance function assists and supports the Board and management to discharge their compliance responsibilities.</li> </ul>  |
|  | <p>Principle 14: <b>Remuneration Governance</b></p> <p><b>The governing body should ensure that the organization remunerates fairly; responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in short, medium and long term</b></p> <p>The recommendation practices that the governing body should perform are summarized as:</p> <p>Remuneration policy</p> <ul style="list-style-type: none"> <li>✓ Set the direction and approach for remuneration if the organization and approve remuneration policy that aspires to fairness, responsibility and transparency;</li> <li>✓ The remuneration policy to attract and retain capital, promote, achievements of strategic objectives, positive outcomes, an ethical culture and responsible corporate citizenship;</li> <li>✓ In the remuneration policy, address organizational-wide remuneration and that of executive management such that it is fair and responsible, use appropriate measures and outline voting by shareholders;</li> <li>✓ In the remuneration policy set out all elements of remuneration;</li> <li>✓ Oversee implementation of the policy so as to ensure achievement of the policy objectives</li> </ul> | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>• The Remuneration, Social and Ethics Committee considers the non-binding advisory vote of the Shareholder on the Company's remuneration policy, and assists the Board in setting and administering such remuneration policy and applicable practice standards which must be aligned to the strategy of the Company on an annual basis.</li> <li>• The Company has an approved Remuneration policy/philosophy in place that articulates and gives effect to its direction on fair, responsible and transparent remuneration.</li> <li>• The Remuneration Policy/philosophy addresses organisation-wide remuneration and includes provisions to attract, motivate, reward and retain human capital.</li> <li>• Remuneration policies and practices are both aligned with entity strategy and linked to individual performance.</li> <li>• The Board and the Remuneration, Social and Ethics committee continuously assess the effectiveness of remuneration policies.</li> <li>• The remuneration report includes details of all fees paid to non-executive directors, and remuneration awarded to executive directors and prescribed officers during the reporting period.</li> <li>• The goals of remuneration principles are stated and the report clearly identifies the individual elements that remuneration consists of.</li> <li>• The background statement provide context for remuneration considerations and decisions, with reference to the remuneration policy, implementation report and the measures taken in response thereto.</li> <li>• The background statement provide context for remuneration considerations and decision on whether remuneration consultants have been used, and whether the remuneration committee is satisfied that they were independent and objective.</li> </ul> |

Remuneration report

- ✓ Disclose the remuneration report in three parts, background statement, main policy provisions and an implementation report of all remuneration to members and executive management;

Background statement

- ✓ In the remuneration background statement, provide information on context and decision making factors, results of voting on the policy and implementation and responses thereto, current and future focus areas, key decisions and changes use of remunerations consultants and if the remuneration committee was satisfied with their independence and objectivity, and if they were satisfied as to whether the policy achieved its objectives.

Overview of remuneration policy

- ✓ In the remuneration policy, disclose an overview of the main policy provisions, remuneration principles and elements for executive management and at a high level for the organization, executive termination arrangements, the framework and performance measures including an illustration thereof, how the policy address fairness between executive pay and employee pay, benchmarks, basis for non-executive member fees and an electronic link to the policy for public access.

Implementation report

- ✓ In the implementation report disclose the remuneration of each executive member including vested and unvested award details, performance measures, targets and achievement thereto, termination payments and a statement on compliance to or deviation from the remuneration policy.

- The views of the Remuneration, Social and Ethics committee on whether the remuneration policy achieved its stated objectives are included in the Integrated Report.
- The remuneration elements and design principles informing the remuneration arrangements for management employees are included in the Remuneration Policy.
- Remuneration elements for bargaining unit employees are contained in collective agreements.
- Details of obligations in executive employment contracts include leave pay entitlement as prescribed by the Companies Act.
- The remuneration report includes all remuneration including Short and Long-Term incentive amounts for the current and prior years for Executive directors and Prescribed Officers.
- The implementation report includes any amounts paid to Executive Directors and Prescribed Officers.
- The award details and performance measures are done in terms of the Performance Management Policy.
- A statement regarding compliance with, and any deviations from, the remuneration policy is included in the implementation report.
- The Remuneration, Social and Ethics Committee recommends the level of independent Non-Executive Directors' fees to the Board for approval by the Shareholder Minister at the Annual General Meeting.
- The remuneration policy and the implementation report is tabled every year for separate non-binding advisory votes by shareholders at the annual general meeting.
- Transnet is a State-owned company and the annual financial statements are tabled at the Annual General Meeting conducted by the Shareholder Minister.

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|                                 | <p>Voting on remuneration</p> <ul style="list-style-type: none"> <li>✓ For companies, comply with the Companies Act provisions relating to shareholder special resolution approval every two years for non-executive members</li> <li>✓ For companies table annually the remuneration policy and implementation report at the AGM, and record voting results</li> <li>✓ For companies take measures to address dissenting votes where are 25% or more against the policy and/or the implementation report</li> <li>✓ For companies disclose in the background statement, actions to engage with and address concerns in the event of 25% or more dissenting vote</li> </ul>   |   |
| <p><b>Effective Control</b></p> | <p>Principle 15: <b>Assurance</b></p> <p><b>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organisation’s external reports</b></p> <p>Practices:</p> <p>Combined assurance</p> <ul style="list-style-type: none"> <li>✓ Direct assurance services and functions and delegate to the audit committee oversight to ensure an effective internal control environment, integrity of information for management decision making and external reporting</li> <li>✓ Ensure a combined assurance model is applied that covers the significant risks and material matters through a combination of the organization’s line functions, risk and compliance functions, internal auditors, fraud examiners, safety assessors, actuaries, external auditors other assurance providers and regulatory inspectors</li> <li>✓ With its committees, assess output of the combined assurance and form their own opinion on integrity of information and reports and effectiveness of the control environment</li> </ul> <p>Assurance of external reports</p> <ul style="list-style-type: none"> <li>✓ Direct how assurance of external reports should be done taking account of legal requirements as well as whether assurance provided over the underlying data or the process of preparing and</li> </ul> | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>● Accords with section 51 of the PFMA.</li> <li>● Governed by the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA standards).</li> <li>● An independent assurance function that is functionally accountable to the Transnet Audit Committee.</li> <li>● The mandate and terms of reference are included in the Internal Audit Charter – approved annually by the Transnet Audit Committee.</li> <li>● 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.</li> <li>● Internal Audit implements the approved Strategic Audit Plan, and the panel of forensic firms assists with forensic investigations.</li> </ul> <p>Develops and executes a risk-based audit plan.</p> |

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|  | <p>reporting or both, suitability of the assurance, specifications for evaluating the contents of the report</p> <p>Satisfy itself as to effectiveness of the combined assurance approach as a basis for making its statements on the integrity of external reports</p> <ul style="list-style-type: none"> <li>✓ Disclose in external reports the type of assurance applied including nature, scope and extent of assurance on the report, and a statement on the integrity of the report and basis for the statement</li> </ul>  |  |
|  | <p>Internal audit</p> <ul style="list-style-type: none"> <li>✓ Direct internal audit and delegate oversight to the audit committee</li> <li>✓ Approve an internal audit charter and ensure internal audit has sufficient and adequate skill, including supplementary specialists</li> <li>✓ If there is a CAE and internal audit function ensure that it is independent of management</li> <li>✓ Approve the appointment, contract and remuneration of the CAE whilst ensuring that he/she is suitable capable</li> <li>✓ Ensure the CAE has access to the audit committee chair, but that the CAE is not a member of the executive</li> <li>✓ Ensure that if internal audit is outsourced that there is clarity on is the CAE</li> <li>✓ Ensure that the CAE report to the chair of audit committee on internal audit duties and on other matter to a designated executive</li> <li>✓ Monitor that internal audit follows a risk-based plan; reviews the risk profile regularly and adapts the accordingly</li> <li>✓ Ensure internal audit makes an annual statement on the effectiveness of the governance, risk management and controls</li> <li>✓ Ensure that internal audit is externally and independently reviewed every 5years</li> <li>✓ Confirm annually with the CAE that the internal audit function conforms to code of ethics</li> </ul> |  |

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| <p><b>Legitimacy</b></p> | <p>Principle 16: <b>Stakeholder</b></p> <p><b>In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder inclusive approach that balance the needs, interests and expectation of material stakeholders in the best interests of the organisation over time</b></p> <p>Practices:<br/>Stakeholders relationships</p> <ul style="list-style-type: none"> <li>✓ Direct the stakeholder approach and approve policies to this effect</li> <li>✓ Delegate to management effective stakeholder relationship management</li> <li>✓ Oversee the management of stakeholder relationship including methodology for identification, material stakeholders, management for engagement and communication, and measurement of quality engagement</li> <li>✓ Disclose an overview of stakeholder management, current and future focus areas and action taken to monitor and address stakeholder engagement effectiveness</li> </ul> <p>Shareholder relationship</p> <ul style="list-style-type: none"> <li>✓ In the case of a company that has shareholder, oversee that there is encouragements of proactive shareholder engagements</li> <li>✓ In the case of a company; ensure that all direction are available at the AGM, that the external audit partner is at the AGM and that the minutes of the AGM of listed companies are made publicly available</li> </ul> <p>Relationship within a group of companies</p> <ul style="list-style-type: none"> <li>✓ In the case of a holding company, direct the group relationships and power and approve a group governance framework that does not contain any conflicts</li> <li>✓ In the case of a holding company, include the subsidiary company board are included in developing the group governance framework and ensure that there is recognition of the subsidiary as a separate person to whom the subsidiary board owes fiduciary duties</li> </ul> | <p><b>Applied:</b></p> <ul style="list-style-type: none"> <li>• The Board delegates authority to the Group Chief Executive who reports to the Board on all material stakeholder issues and takes responsibility for incorporating these into Transnet’s strategy and risk management.</li> <li>• Stakeholder engagement practices align with the Company’s Culture Charter and supporting values.</li> <li>• Engagement norms include inclusivity, accountability and responsiveness.</li> <li>• Stakeholder engagement performance is measured as a key performance indicator in the Balanced Scorecards of Stakeholder Relationship Owners.</li> <li>• The Board has overall responsibility for stakeholder engagement. This area is managed by Corporate and Public Affairs.</li> <li>• The monitoring and evaluation of stakeholder engagement is reported to the Remuneration, Social and Ethics Committee and to the Board.</li> <li>• Transnet has adopted guidelines from the AA1000 standards (Accountability Principles Standard 2008 and the AA1000 Stakeholder Engagement Standard 2011).</li> <li>• The Company reports on its stakeholder engagement in the Integrated Report.</li> <li>• Stakeholder Engagement Plan approved at Board level.</li> <li>• Stakeholder Engagement Policy.</li> <li>• Stakeholder Engagement Process Control Framework.</li> <li>• Delegation of Authority Framework.</li> <li>• Grievance mechanism established for communities.</li> <li>• Customer Engagement platforms.</li> <li>• ISOMETRIX system for Stakeholder Engagement.</li> <li>• MOI.</li> <li>• Audit and REMSEC Committee Mandates.</li> </ul> <p><b>SOC Supplement</b></p> <ul style="list-style-type: none"> <li>• Ministerial Forum with Chairpersons, CFO’s and CE’s of SOCS.</li> <li>• Corporate Plan.</li> <li>• Shareholder’s Compact</li> </ul> |
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|  | <ul style="list-style-type: none"><li>✓ In the case of a holding company, ensure that the group governance framework includes, role of the holding company, where appropriate delegation of certain matters of a subsidiary to the holding company, extent of adoption of holding company policies by the subsidiary, prior engagement with the subsidiary company before appointing direction, arrangements to reduce risk of a director who has a cross holding misusing</li><li>✓ information between companies</li><li>✓ In the case of a holding company ensure that the agreed governance framework is implemented across the group</li><li>✓ In the case of a holding company disclose the governance arrangement<br/>In the case of a subsidiary company, disclose responsibilities delegated to holding company committee and extent of company policies adopted</li></ul> |  |
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