

# Application of King IV Principles

## Principle 1: Leadership

The Accounting Authority should lead ethically and effectively

Governance outcome:

- Ethical culture

Legend:

Complete

In-progress

Not started



Planned actions	Status update	Narrative statement
Enhancement of the Declaration of Interest (DOI)	Complete	<ul style="list-style-type: none"> <li>All Transnet employees (including consultants and fixed-term contracts) are required to declare annually on the automated DOI system and the non-executive directors are required to declare manually</li> <li>The GCE has delegated powers to the Chief of Security to oversee and monitor the DOI</li> <li>In March 2021 the Board of Directors reviewed and approved the DOI and related-party disclosures policies for directors and Transnet employees</li> <li>The DOI is a standing item on the agenda of all Board and committee meetings as well as Exco and committee meetings</li> <li>The DOIs for directors are presented to the Board for noting</li> <li>The Corporate Governance and Nominations Committee and the Remuneration, Social and Ethics Committee conduct annual reviews of the filed DOI forms of the members of the Board and Group Executive Committee for oversight purposes</li> </ul>
Establishment of ethics-related policies	Complete	<ul style="list-style-type: none"> <li>The Company has established a No Gifts and Hospitality Policy, The Non-Executive Directorship and Trusteeships Policy, Transnet Whistle-blowing Policy and Anti-bribery and Anti-corruption and Lifestyle Audit Policy in support of the Company's Code of Ethics</li> </ul>

## Principle 2: Organisational ethics

Govern the ethics of the organisation in a way that supports the establishment of an ethical culture

Governance outcomes:

- Ethical culture
- Effective control

Planned actions	Status update	Narrative statement
Appointment of an Ethics Officer	In-progress	<ul style="list-style-type: none"> <li>The Chief Legal Officer, as delegated by the GCE, is in the process of appointing an Ethics Officer</li> <li>The Ethics Officer shall lead the institutionalisation of a mature and sustainable Ethical Culture within Transnet and spearhead ethics and integrity programmes to promote ethical conduct and emphasise managerial responsibility for ethical behaviour</li> </ul>
The Remuneration, Social and Ethics Committee (REMSEC)	Complete	<ul style="list-style-type: none"> <li>The committee is responsible for the governance of ethics and ensures that the Company's ethical performance is assessed, monitored, reported and disclosed in the Company's integrated report</li> <li>A social and ethics-focused meeting is held on an annual basis</li> <li>The Company's Code of Ethics, which applies to the directors and employees of the Company, is reviewed every three years or as and when necessary</li> </ul>
Ethics Management Programme	Complete	<ul style="list-style-type: none"> <li>The Board has an 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>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 Board, has in support of its Ethics Management Programme, has approved the Transnet Lifestyle Audit Policy which is applicable to all employees. The Board further resolved to participate in the Lifestyle Audit process to set the tone at the top</li> </ul>
The Code of Ethics (the Code)	Complete	<ul style="list-style-type: none"> <li>The Code includes the Company's values, guidelines and the process for external directorships for executive and non-executive directors</li> <li>The purpose of the Code is to set out ethical standards for business practice, individual business conduct and to assist all employees and non-executive directors with their ethical deliberations, choices, decisions and conduct</li> </ul>

### Principle 3: Responsible corporate citizenship

Ensure that the organisation is and is seen to be a responsible corporation citizen

Governance outcome:

Ethical culture

Planned actions	Status update	Narrative statement
Good corporate citizenship		<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 policies in which the Company operates</li> <li>The Company is a signatory to the UN Global Compact and has extensive corporate social investment (CSI) 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>Socio-economic initiatives form part of the Shareholder's Compact targets</li> <li>The CSI Activities Report is tabled for noting at the REMSEC on a quarterly basis</li> <li>The Board reports on its CSI activities in the integrated report</li> </ul>

### Principle 4: Strategy and performance

The Accounting Authority 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

Governance outcome:

Good performance

Planned actions	Status update	Narrative statement
Shareholder's Compact		<ul style="list-style-type: none"> <li>The Company annually enters into a Shareholder's Compact with 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> </ul>
Corporate Plan		<ul style="list-style-type: none"> <li>The Corporate Plan was approved by the Board and submitted to National Treasury and the DPE</li> <li>The Corporate Plan is prepared on an annual basis by the Exco and is approved by the Board. The Corporate Plan outlines the Company's strategy, objectives and plans, and details the initiatives and associated KPIs that will be implemented to achieve the Company's strategic objectives</li> </ul>
Board strategic session and the deep dive		<ul style="list-style-type: none"> <li>The Board holds strategy workshops and deep dive sessions where matters of a topical and strategic nature are discussed in detail. Initiatives and recommendations from these sessions are then formulated into strategies and plans and submitted to the Board for formal consideration</li> </ul>
Risk identification assessment and going concerns		<ul style="list-style-type: none"> <li>Transnet has adopted an Integrated Risk Management Policy and Framework, Enterprise Risk Management (ERM) Strategy and Framework. The GM: ERM performs regular risk identification assessments and these are reported to the Risk Committee</li> <li>The Audit Committee assesses the going concern assertion of the Company on a regular basis and makes a statement to that effect in the Company's financial statements</li> </ul>
DOA Framework		<ul style="list-style-type: none"> <li>The Board approved the DOA Policy in May 2021, which outlines and documents a structured decision-making framework for the Board of Directors and management in order to promote effective and efficient governance in line with the approved Company structure; and to devolve the powers that vest with the Transnet Board as the Accounting Authority to various appointed functionaries and established governance structures to enable the business strategy and define the limits of authority designated by the Board</li> <li>The current DOA Framework is in the process of being approved by the Board (26 July 2021) to align with the new structure of the business</li> </ul>
Company strategy		<ul style="list-style-type: none"> <li>Transnet has revised its strategy which was approved by the Board in February 2021</li> </ul>

## Principle 5: Reporting

The Accounting Authority 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

### Governance outcomes:

- Effective control
- Legitimacy

Planned actions	Status update	Narrative statement
Department of Public Enterprise Quarterly Report		<ul style="list-style-type: none"> <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>• Decisions taken by the Board and its committees are reported quarterly to the Shareholder</li> </ul>
Integrated report		<ul style="list-style-type: none"> <li>• The integrated report provides information of material significance in creating short, medium and long-term value</li> <li>• To ensure the integrity of the reporting, the integrated report is compiled and reviewed by management first, and relevant sections are tabled at the appropriate Board committees before being tabled to the Board for final approval. Assurance on accuracy and reliability of financial matters is provided by the External Audit</li> <li>• Decisions taken by the Board and its committees are reported in the integrated report</li> </ul>
Annual financial statements		<ul style="list-style-type: none"> <li>• The Company issues audited interim and annual financial statements in line with applicable legislation. The Company also reports on the extent of its compliance with the Companies Act in the Directors' report in the Annual Financial Statements</li> </ul>

## Principle 6: Primary roles and responsibilities of the Accounting Authority

The Accounting Authority should serve as the focal point and custodian of the corporate governance in the organisation.

### Governance outcomes:

- Ethical culture
- Good performance

Planned actions	Status update	Narrative statement
Annual review of the committee charters		<ul style="list-style-type: none"> <li>• The Board and its committees have approved charters which are reviewed for adequacy on an annual basis</li> </ul>
Access to Company information		<ul style="list-style-type: none"> <li>• The Board has unrestricted access to all Company information, records, documents and property subject to following a Board-approved internal control</li> </ul>
Board of Directors' meetings		<ul style="list-style-type: none"> <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 duties and responsibilities in accordance with its charter for the reporting period</li> </ul>

## Principle 7: Composition of the Accounting Authority

The Accounting Authority should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively

### Governance outcomes:

- Effective control
- Ethical culture
- Good performance
- Legitimacy

Planned actions	Status update	Narrative statement
Composition of the Accounting Authority		<ul style="list-style-type: none"> <li>• The Board of Directors, members of the Audit Committee and REMSEC are appointed by the Shareholder Minister</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 committee compiles a Board skills matrix for consideration by the Shareholder Minister as part of non-executive directors' succession planning activities</li> <li>• The Corporate Governance and Nominations Committee through the Board of Directors recommends the appointment of executive directors to the Shareholder</li> </ul>
The MOI of the Company provides that the Board shall at all times consist of a majority of independent non-executive directors		<ul style="list-style-type: none"> <li>• The Board of Directors currently comprises 10 directors, eight of whom are independent non-executive directors, including the Chairperson</li> <li>• The Board has a minimum of two executive directors, consisting of the Group Chief Executive and Group Chief Financial Officer</li> </ul>
The Board should comprise appropriate knowledge, skills, experience, diversity and independence		<ul style="list-style-type: none"> <li>• In terms of the Company's MOI, the minimum number of directors is six (6) and the maximum number is fourteen (14) comprising not less than four (4) non-executive directors, and currently we have 10 directors, of whom eight are independent non-executive directors</li> <li>• Vacancies on the Board led to some of the skills and competencies being compromised</li> </ul>

## Principle 8: Committees of the Accounting Authority

The Accounting Authority should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties

### Governance outcomes:

- Effective control
- Ethical culture
- Good performance
- Legitimacy

Planned actions	Status update	Narrative statement
The Board and its committees		<ul style="list-style-type: none"> <li>• The Board of Directors established the Audit Committee and the REMSEC as statutory committees as well as the Corporate Governance and Nominations Committee, Risk Committee, and Finance and Investment Committee as non-statutory committees</li> <li>• The Board committees have a minimum of three members. The respective Board committee charters make provision for the minimum number of members required for each committee</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 under the Governance Report in the integrated report</li> </ul>
DOA Framework		<ul style="list-style-type: none"> <li>• The Board approved the Delegation of Authority Policy in May 2021, which outlines and documents a structured decision-making framework for the Board of Directors and management in order to promote effective and efficient governance in line with the approved Company structure; and to devolve the powers that vest with the Transnet Board as the Accounting Authority to various appointed functionaries and established governance structures to enable the business strategy and define the limits of authority designated by the Board</li> <li>• The draft DOA Framework which aligns to the new structure of the business is on the Board Agenda (26 July 2021) for approval</li> </ul>
The Board committee charters		<ul style="list-style-type: none"> <li>• With the exception of the Risk Committee and REMSEC, all Board committee charters were approved by the Board</li> <li>• The charters also clearly set out the composition, quorum and responsibilities of the committees</li> </ul>

## Principle 9: Evaluations of the performance of the Accounting Authority

The Accounting Authority should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness

### Governance outcomes:

- Effective control
- Ethical culture
- Good performance
- Legitimacy

Planned actions	Status update	Narrative statement
External Board evaluation		<ul style="list-style-type: none"> <li>• The annual Board evaluation including its committees, Chairperson and individual members was conducted by an external service provider, appointed through an approved procurement process. The Board Evaluation Report will be tabled for noting at the AGM</li> </ul>
Internal Board evaluation		<ul style="list-style-type: none"> <li>• The Board conducted an internal online self-assessment during the FY2020/21 through a Governance Assessment Instrument used by the Company, in line with the directive issued by the Shareholder Minister to conduct six-monthly self-assessments</li> </ul>
Board Performance Evaluation Policy		<ul style="list-style-type: none"> <li>• The Board has approved a Board Performance Evaluation Policy to set out the principles that guide the performance and effectiveness of the Transnet Board, Board committees and individual directors</li> </ul>
Evaluation of Group Company Secretary		<ul style="list-style-type: none"> <li>• The Performance of the Group Company Secretary was evaluated by the Board through the internal and external evaluations</li> <li>• The Board is satisfied with the performance of the internal and external evaluation of the Company Secretary</li> </ul>

## Principle 10: Appointment and delegation to management

The Accounting Authority should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities

### Governance outcomes:

- Effective control
- Ethical culture
- Good performance
- Legitimacy

Planned actions	Status update	Narrative statement
Appointment of the Group Chief Executive		<ul style="list-style-type: none"> <li>• The Board of Directors recommends the preferred candidates for the appointment of the Group Chief Executive to the Shareholder Minister who makes the final appointment</li> </ul>
Delegation of power		<ul style="list-style-type: none"> <li>• Through the DOA Framework, 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 members of the Group Executive Committee to deliver on specific mandates</li> <li>• The Board reserved matters are outline in the DOA Framework</li> </ul>
Annual review of the DOA Framework		<ul style="list-style-type: none"> <li>• The Board approved the Delegation of Authority Policy in May 2021, which outlines and documents a structured decision-making framework for the Board of Directors and management in order to promote effective and efficient governance in line with the approved Company structure; and to devolve the powers that vest with the Transnet Board as the Accounting Authority to various appointed functionaries and established governance structures to enable the business strategy and define the limits of authority designated by the Board</li> <li>• The draft DOA Framework, which aligns with the new structure of the business, is on the Board Agenda (26 July 2021) for approval</li> </ul>
Appointment of the Group Company Secretary		<ul style="list-style-type: none"> <li>• The appointment of a Group Company Secretary is a statutory requirement for the Company. The Interim Group Company Secretary was appointed by the Board within the prescribed timeframe as per the Companies Act</li> </ul>
Independent advice		<ul style="list-style-type: none"> <li>• The Board and committee charters provide for authority to seek independent advice and to consult with specialists or consultants, facilitated through the Group Company Secretary's office</li> </ul>

## Principle 11: Risk governance

The Accounting Authority should govern risk in a way that supports the organisation in setting and achieving its strategic objectives

### Governance outcomes:

- Effective control
- Ethical culture
- Good performance
- Legitimacy

Planned actions	Status update	Narrative statement
Integrated Risk Management Policy		<ul style="list-style-type: none"> <li>• The Board has approved the Integrated Risk Management Policy which paved the way for a more cohesive approach to risk management in the organisation at three levels: strategic, tactical and operational</li> <li>• The purpose of the Integrated Risk Management Policy is to outline Transnet's policy directive and commitment to risk governance, implementation of risk management processes, risk monitoring and risk reporting</li> <li>• The Board of Directors have established a Risk Committee which is responsible for oversight of risk related matters within the Company which include:               <ul style="list-style-type: none"> <li>- Enterprise Risk Management Strategy and Framework and Enterprise Risk Management Standards</li> <li>- Integrated Risk Management Plan</li> <li>- Risk Appetite and Tolerance Framework</li> <li>- Enterprise Risk Management Methodology</li> <li>- Risk Maturity Surveys</li> <li>- Business Continuity Management Plans</li> <li>- Risk-based Transnet Internal Audit Plan</li> </ul> </li> </ul>

## Principle 12: Technology and information governance

The Accounting Authority should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

### Governance outcomes:

- Good performance
- Effective control
- Legitimacy

Planned actions	Status update	Narrative statement
ICT Governance Framework and IT Governance Charter		<ul style="list-style-type: none"> <li>• The ICT Governance Framework and IT Governance Charter are communicated to the Board for review, approval and assessment for effectiveness</li> <li>• The purpose of the ICT framework is to define the requirements for implementing effective ICT structures, principles, processes and practices that will enable effective IT and digital governance within Transnet. The framework sets out the foundation to effectively evaluate, direct and monitor ICT within Transnet</li> <li>• The purpose of this charter is to define, assign and communicate roles and responsibilities for IT governance to relevant stakeholders within Transnet in order to:               <ul style="list-style-type: none"> <li>- Ensure clear accountability and responsibility for IT governance within the Transnet Group</li> <li>- Implement an IT governance structure that allows ICT to operate cohesively throughout Transnet and facilitate the achievement of strategic business objectives</li> <li>- Align IT governance with group-wide governance practices</li> <li>- Adopt IT governance good practices across the Group</li> <li>- Ensure that all ICT decisions are business case driven to the maximum benefit of the Group</li> <li>- Develop understanding and support of the practices driving the success of the individual ODs</li> <li>- Attain and maintain the buy-in of the CIOs for transversal initiatives</li> </ul> </li> </ul>

## Principle 12: Technology and information governance

The Accounting Authority should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

**Governance outcomes:**

- Good performance
- Effective control
- Legitimacy

Planned actions	Status update	Narrative statement
Delegation to management to implement, executive effective technology and information management		<ul style="list-style-type: none"> <li>• The ICT delegation from the Board to management is addressed in the DOA Framework, which is approved by the Board</li> <li>• The Risk Committee is delegated with the responsibility of exercising ongoing oversight of ICT risk management</li> <li>• In particular, the Risk Committee oversees the establishment and implementation of a business continuity arrangement that allows Transnet to operate under conditions of instability and to withstand and recover from any serious risk issues</li> </ul>
ICT integration		<ul style="list-style-type: none"> <li>• There is integration of people, technologies, information and processes across the organisation. There is ethical and responsible use of technology and information, and compliance with relevant laws</li> </ul>
ICT role in ensuring business resilience		<ul style="list-style-type: none"> <li>• ICT's challenges on disaster recovery plans, tests and reports were communicated to the Board and its subcommittees</li> </ul>
Ensuring responsiveness to cybersecurity and social media risks		<ul style="list-style-type: none"> <li>• Board seeks feedback on the Transnet cybersecurity posture and plans. Transnet IT positions cybersecurity as a top priority and guards against negative publicity and reputational damage</li> </ul>

## Principle 12: Technology and information governance

The Accounting Authority should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

**Governance outcomes:**

- Good performance
- Effective control
- Legitimacy

Planned actions	Status update	Narrative statement
Monitoring of third-party and outsourced service provider risks		<ul style="list-style-type: none"> <li>• Transnet calculates the potential risks or vulnerabilities by completing a service provider assessment for each third-party engagement and also conducts thorough due diligence before the relation commences</li> </ul>
Monitor and evaluate value delivered from technology investments and projects		<ul style="list-style-type: none"> <li>• Apply Benefits Realisation Management to plan for, monitor and track benefits realisation throughout the project delivery process:               <ul style="list-style-type: none"> <li>- Pre-Execution Planning</li> <li>- FEL 1 - Identify and Quantify Benefits</li> <li>- FEL 2 - Value and Appraise Benefits</li> <li>- FEL 3 - Value and Appraise Benefits</li> <li>- FEL 4 - Benefits Planning</li> <li>- Execution Phase (and Closeout)</li> <li>- Benefits Realisation</li> <li>- Benefits Realisation Report</li> <li>- Benefits Review Health Check</li> <li>- Post Implementation</li> <li>- User Adoption Change Management reports</li> </ul> </li> </ul>

### Principle 12: Technology and information governance

The Accounting Authority should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

**Governance outcomes:**

- Good performance
- Effective control
- Legitimacy

Planned actions	Status update	Narrative statement
Management of the disposal of obsolete technology and information		<ul style="list-style-type: none"> <li>• Governed by Transnet Acquisition Council</li> </ul>
The ethical and responsible use of ICT and compliance with applicable laws		<ul style="list-style-type: none"> <li>• Board has requested and been provided with insight on the ICT’s regulatory universe</li> </ul>
Oversee management of information (including use of information architecture, protection of privacy and security)		<ul style="list-style-type: none"> <li>• ICT analyses information used by the organisation</li> <li>• ICT tracks and enforces regulatory compliance (POPI Act) and conformance to regulatory policies, standards, architecture and procedures</li> </ul>
The overview of arrangements governing and managing technology and information		<ul style="list-style-type: none"> <li>• The ICT Executive Committee has been established as a structure that provides feedback to the Group Executive Committee on matters pertaining to ICT Strategy, Corporate Plan and Digital initiatives</li> <li>• Development and implementation of data and information architecture that supports confidentiality, integrity and availability of information</li> </ul>

### Principle 12: Technology and information governance

The Accounting Authority should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

**Governance outcomes:**

- Good performance
- Effective control
- Legitimacy

Planned actions	Status update	Narrative statement
Areas of current and future focus		<ul style="list-style-type: none"> <li>• ICT aims to employ a digital-first culture to digitise both existing and next-generation products and services</li> <li>• The digital-first approach is enabled by the provision of digital platforms as well as disruptive and enabling technologies to support digital transformation which underpins a strong digital backbone</li> <li>• Leveraging an ecosystem that includes strategic partnerships to ensure that ICT provides agile and innovative services</li> </ul>
Significant changes, acquisitions, incident management and remedial action		<ul style="list-style-type: none"> <li>• This is the primary role of the ICT leadership (ManCo and Operating Divisions) in conjunction with the IT service providers</li> <li>• The Change Advisory Board delivers support to a change management team by advising on requested changes, and assisting in the assessment and prioritisation of changes</li> <li>• Acquisitions are concluded by the Transnet Acquisition Council facilitated by the Supply Chain Management Department</li> <li>• Incident management, problem management and remedial actions are managed by the ICT Service Management team reporting to the Enterprise Technology Services functional unit</li> </ul>



### Principle 13: Compliance governance

The Accounting Authority 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

**Governance outcomes:**

- Ethical leadership
- Ethical culture
- Good performance
- Legitimacy

Planned actions	Status update	Narrative statement
Compliance management		<ul style="list-style-type: none"> <li>• Transnet has a dedicated Compliance function to assist the Board and management with discharging their compliance responsibilities</li> <li>• The Compliance function provides advice, risk management support, independent monitoring and reporting on compliance controls for high-priority regulatory requirements</li> <li>• Accountability for the implementation of compliance controls lies with management</li> <li>• Approximately 191 primary pieces of legislation impact Transnet, inclusive of 45 strategic pieces of legislation</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>• Compliance Maturity Plan for FY2021/22 was approved by the Risk Committee</li> <li>• Compliance standards and frameworks are in place and improvements to adapt to our changing environments are constantly effected</li> <li>• The Compliance Policy is currently under review to be finalised by July 2021</li> <li>• Inspections by environmental regulators are tracked, monitored and reported in the integrated report</li> </ul>

### Principle 14: Remuneration governance

The Accounting Authority should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term

**Governance outcomes:**

- Ethical culture
- Effective control
- Legitimacy

Planned Actions	Status Update	Narrative Statement
Remuneration, Social and Ethics Committee		<ul style="list-style-type: none"> <li>• The REMSEC 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 REMSEC recommends the level of independent non-executive directors' fees to the Board for approval by the Shareholder Minister at the AGM. The Board and the REMSEC continuously assess the effectiveness of remuneration policies</li> </ul>
Remuneration policy		<ul style="list-style-type: none"> <li>• The remuneration policy for management is in the process of review and finalisation</li> <li>• The policy will be submitted to the REMSEC and Board for recommendation to the Minister in August 2021. The work plan for the finalisation of the remuneration policy was submitted to the DPE</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 remuneration elements and design principles informing the remuneration arrangements for management employees will be included in the remuneration policy</li> <li>• Remuneration elements for bargaining unit employees are contained in collective agreements</li> <li>• Details of obligations in executive employment contracts of leave pay entitlement for executives are included in the relevant policies as prescribed by the Companies Act</li> <li>• The remuneration and implementation report is tabled annually for separate non-binding advisory votes by shareholders at the AGM</li> </ul>
Remuneration Report		<ul style="list-style-type: none"> <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 remuneration report includes all remuneration including short and long-term incentive amounts for the current and prior years for executive directors and prescribed officers</li> </ul>

### Principle 15: Assurance

The Accounting Authority 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.

**Governance outcomes:**

- Effective control
- Legitimacy
- Ethical culture

Planned actions	Status update	Narrative statement
Combined assurance		<ul style="list-style-type: none"> <li>• A Combined Assurance Model, which aims to streamline collective assurance effort in order to enable senior management, the Audit Committee and the Board to obtain a comprehensive, holistic view of the effectiveness of internal controls over the organisation’s governance and risk management, is in the process of being rolled out. The Combined Assurance Model sets out the roles and responsibilities of the three lines of assurance</li> <li>• The Combined Assurance Plan for FY2021/22 is presented to the Audit Committee for approval</li> <li>• Internal Audit’s assurance responsibilities are defined in the Internal Audit Charter</li> <li>• Combined assurance reports as well as reports from Internal Audit and External Audit are submitted to the Audit Committee to enable them to form their opinion on the integrity of information and effectiveness of the control environment</li> </ul>
Assurance of external reports		<ul style="list-style-type: none"> <li>• As a statutory requirement, External Audit provides assurance on the Transnet financial statements and integrated report</li> <li>• As part of the Risk-based Audit Plan, Internal Audit provides assurance on the Corporate Plan and Shareholder’s Compact performance targets, amongst other reviews</li> </ul>

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**Governance outcomes:**

- Effective control
- Legitimacy
- Ethical culture

Planned Actions	Status Update	Narrative Statement
Internal Audit		<ul style="list-style-type: none"> <li>• The Audit Committee, a subcommittee of the Transnet Board, is delegated the responsibility to provide oversight on Internal Audit and External Audit activities</li> <li>• The Internal Audit Charter which details Internal Audit’s purpose, status, authority and responsibilities is approved by the Audit Committee. The Internal Audit Charter is continuously reviewed and updated. The Chief Audit Executive (CAE) ensures that Internal Audit has sufficient and adequate skills for the performance of the Internal Audit function</li> <li>• To ensure independence of the Internal Audit function, the CAE reports functionally to the Audit Committee and administratively to the Group Chief Executive</li> <li>• Appointment of the CAE was approved by the Audit Committee and there are mechanisms in place for continuous performance assessment and monitoring. The Audit Committee reviews TIA’s performance of its responsibilities on an annual basis</li> <li>• The CAE has direct access to the Chairperson of the Audit Committee</li> <li>• The CAE is a permanent Transnet employee and a member of the Executive Committee</li> <li>• Annually, Internal Audit prepares and submits a risk-based plan to Audit Committee for approval. The FY2021/22 Audit Plan has been approved</li> <li>• An annual statement on the effectiveness of the governance, risk management and controls is submitted to the Audit Committee. The 2020/21 Internal Audit Assessment has been noted by the Audit Committee</li> <li>• As part of Internal Audit’s Quality Assurance and Improvement Programme, internal quality assurance is conducted continuously and an external independent review is conducted every five years</li> <li>• Annually, all Internal Audit staff complete a declaration confirming conformance to the Code of Ethics</li> </ul>

## Principle 16: Stakeholder

In the execution of its governance role and responsibilities, the Accounting authority should adopt a stakeholder-inclusive approach that balances the needs, interests and expectation of material stakeholders in the best interests of the organisation over time

### Governance outcomes:

- Ethical culture
- Ethical leadership

Planned actions	Status update	Narrative statement
Stakeholder relationships		<ul style="list-style-type: none"> <li>• Stakeholder engagement practices are aligned with the Delegation of Authority Framework</li> <li>• A Grievance mechanism is established for communities</li> <li>• A Group Stakeholder Engagement Forum (GSE Forum) has been established</li> <li>• The Memorandum of Incorporation sets out the rules governing the conduct of the company</li> <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>• Stakeholder engagement is centralised with Corporate Affairs being responsible for coordination of this function, but the Board has overall responsibility for stakeholder engagement</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 Stakeholder Engagement Report incorporates the measurement of the quality of material stakeholder relationships and appropriate responses to the outcomes. The Stakeholder Engagement Policy and Procedure are approved at Board level</li> </ul>
Shareholder relationship, including the AGM		<ul style="list-style-type: none"> <li>• There is continuous engagement with the Shareholder Minister and the DPE</li> <li>• The AGM notice was published on the Company's website</li> <li>• Both SizweNtsalubaGobodo GT and the Auditor-General South Africa were present at the Company's 30th AGM held on 23 October 2020</li> </ul>

