

Company:	Transnet
Sector:	Rail, Port and Pipelines
Report Year:	2014
Headquarters:	Johannesburg
Standard Application:	IIRC, GRI G4, AA1000
Format:	Matrix

MATERIAL ISSUES
(continued)

A strategic risk profile is generated for each Operating Division, and updated regularly for emerging risks. The output from risk assessments is held in risk registers and risk treatment plans that are stored in the risk information management system. Risks are allocated to specific risk owners for monitoring and review. The risk treatment actions are allocated to task owners to track and monitor completion thereof.

The results of the risk assessment reviews are presented to Operating divisions or Specialist Units, Risk Management Committees and to the Transnet Risk Management Committee.

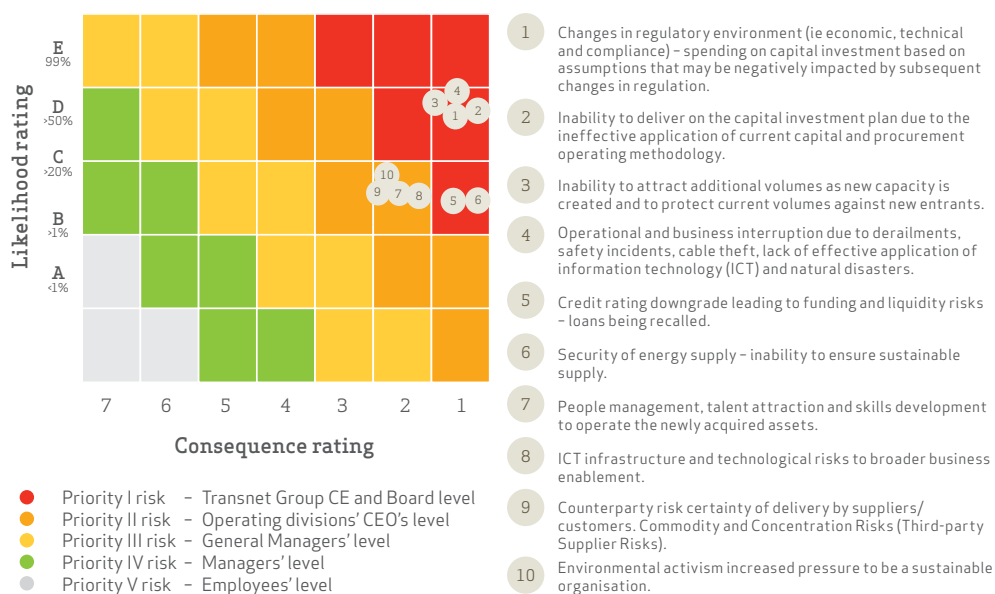
Key Risk Indicators are developed for all significant and strategic risks. The potential exposure is determined in Rand value for all significant risks. The process

involves relevant stakeholders and is collaborative.

Priority I risks requires management to take action to reduce residual risk or to tolerate the exposure at current residual levels, with authorisation by the Group Chief Executive and the Board of Directors. Priority II risks requires management to take action to reduce residual risk or manage risk reduction through the business plan.

The Board has delegated the quality, integrity and reliability of the Group's risk management to the Board Risk Committee.

The key medium-term issues derived from the ERM analysis, which support the material issues disclosed in the next section, are as follows:



Strategic residual risks heat map.

TRANSNET'S MATERIAL ISSUES

The material issues, context of the issues and strategic response, identified through the materiality determination process are as follows (in order of prioritisation):

Material issue	Why is this material to Transnet	Potential impact on Transnet	Strategic response
1. Regulatory uncertainty	<ul style="list-style-type: none"> Uncertainty regarding the methodology applied in economic regulation by the Ports Regulator for the annual approval of National Ports Authority tariffs. Uncertainty on National Energy Regulator of South Africa's annual determination of Pipelines revenue. National Ports Act's provision for corporatisation of National Ports Authority. Uncertainty of terminal licence duration for Port Terminals at Port of Ngqura. Competitive process required in terms of National Ports Act for provision of new port services. Transnet's ownership of present and future port infrastructure affixed to the seabed arising from provisions of the Integrated Coastal Management Act. Sharp escalations in safety permit fees charged by the Rail Safety Regulator. 	<ul style="list-style-type: none"> Revenue uncertainty affects funding and capital investment planning. Changes to Transnet's financial stability will affect loan covenants and future funding. Large-scale capital plans and funding for investment are based on regulatory, revenue and cost assumptions that can change significantly through administrative action. Uncertainty on Port Terminal licences affects deployment of resources and investment. Uncertainty on ownership of Ports infrastructure affects investment. 	<p>Ongoing engagements with the Shareholder, Government policy departments and regulators.</p>
<i>Stakeholders: Government and Regulators; Investors; Shareholder; Customers</i>			
2. Capital projects on time and within budget	<ul style="list-style-type: none"> Project management, engineering and technical skills and experience are needed to deliver capital projects to plan. Complexities associated with the capital projects are prioritised and addressed based on demand projects, business cases and expected growth opportunities. 	<ul style="list-style-type: none"> Capital cost over-runs and delays affect revenues, reputation, funding and investment sequencing. Impact on customers and the economy. 	<ul style="list-style-type: none"> Enhance and further embed project lifecycle process methodology, rigorous feasibility gate reviews and project risk management. Optimise capital approvals.
<i>Stakeholders: Customers; Investors; Shareholder; Suppliers</i>			