TRANSNET SECOND DEFINED BENEFIT FUND

SUMMARY OF ROLES AND RESPONSIBILITIES OF THE BOARD OF TRUSTEES

1. PURPOSE

The Board's purpose is to ensure that Transnet Second Defined Benefit Fund ("the Fund") is a sustainable entity capable of fulfilling its objectives, statutory and otherwise. In order to fulfill this purpose, the Board must direct and control the business of the Fund. Trustees owe a fiduciary duty to the Fund and stakeholders both under common law and statute.

Trustees are required to exercise due care, skill and utmost good faith in the performance of their duties. The chairperson, members of the Board of Trustees and their alternates shall also act in good faith towards all of the stakeholders in the Fund including Pensioners, Beneficiaries, Special Pensioners and Transnet. The responsibilities of the Board of Trustees are also captured in the Rules of the Fund and Act 62 of 1990 (as amended) which will prevail in the event of a dispute on any items contained in this document.

2. COMPOSITION

The Board of Trustees shall comprise of four trustees and their alternates appointed by Transnet and four trustees elected from amongst pensioners.

2.1 The Board shall appoint an independent chairperson for the Board who shall not be a trustee.

2.2 The Board shall approve the formation of the following Board Committees:

Investment Committee who shall in terms of Rule 11:

1. after taking advice on the matter from the Investment Consultant and after taking into account the characteristics and circumstances of the Fund, formulate a proposed investment policy and strategy for the Fund, including a proposal in regard to the appointment of an Investment Manager or Investment Managers, for consideration by the Board. Provided that such investment strategy may not provide for the investment outside of the Republic of a greater percentage of its assets than that which a pension fund registered in terms of the Pension Funds Act, 1956 (Act No. 24 of 1956) may so invest.
2. implement or procure the implementation of the policy and strategy;
3. monitor the performance of the Fund's investments; and

4. review, and, when it believes it to be appropriate, recommend changes to the Fund's investment policy and strategy,
5. submit reports on the investments to the Board at such intervals and in such form as the Board may prescribe;
6. Keep complete accounts, records and minutes of all actions taken in the performance of its functions and the exercise of its powers; and
7. make use of the services of Investment Managers.
8. Have the power to do anything relating to the making of investments or the protection of investments which in its opinion is to the best advantage of the Fund -
   a. to enable the Fund to meet its current and future liabilities;
   b. reduce investment risk;
   c. ensure for efficient portfolio management;

Executive Committee who shall in terms of Rule 10:

1. deal with all disputes in respect of benefits;
2. authorise the payment of benefits to a guardian of a minor or to a curator of a person under legal disability;
3. perform any other duties prescribed by the Board; and
4. provide regular reporting to the Board

Audit Committee who shall operate in terms of terms of reference approved by the Board; and
Risk and Compliance Committee who shall operate in terms of terms of reference approved by the Board.

The Board shall on the recommendation of each of the above Committees appoint and remove the following:

- Chairpersons of the Committees;
- Members of the Committees;

3. ROLES AND RESPONSIBILITIES

The Board shall -

3.1 Provide effective leadership based on an ethical foundation;

3.2 Ensure that the Fund's ethics are managed effectively;

3.3 Be responsible for the governance of risk;

3.4 Ensure that there is an effective risk-based internal audit;

3.5 Act in the best interests of the Fund by ensuring that individual Trustees:

3.5.1 Adhere to legal standards of conduct; and

3.5.2 Disclose real or potential conflicts of interest to the Board and deal with them appropriately.

3.6 Prescribe the manner in which the award of benefits shall be considered by the Fund;

3.7 Take any action (including the control of the finances and the administration of the Fund) not specifically provided for in these Rules that may be necessary to achieve the objects of the Fund provided that such action is not inconsistent with the Act or the Rules;

3.8 Appoint an external auditor for the Fund;

3.9 Insure the Fund against losses due to dishonesty, negligence and fraud of officials of the Fund including members of the Board;

3.10 Keep such accounts, entries, registers and records which are essential for the proper functioning of the Fund;

3.11 At the end of the financial year, consider and approve the annual financial statements and consider and agree the basis for considering the Fund to be a going concern and submit to Transnet –

3.11.1 An annual report on all matters relating to the Fund; and

3.11.2 The financial statements pertaining to the Fund.

3.12 When an audit report reflects that the Fund's accounts are not managed on a sound financial basis, inform the Minister and follow the process in terms of Rule 19;

3.13 When any audit or actuarial report indicates a deficiency in the Fund, within three months from the date of such report, submit a scheme to the Minister and the Minister of Finance setting out the arrangements which have been made or which it is intended to make to eliminate the deficiency, together with a report thereon by the actuary;

3.14 Cause accurate records to be kept to enable the actuary to make an actuarial valuation at any time;

3.15 Ensure that the Fund is valued by the actuary at intervals of not more than three years, in the discretion of the Minister, to determine whether the Fund is in a financial position to pay the benefits provided for in the Rules and the actuary submits the report of the valuation to the Minister, the Minister of Finance, Transnet and the Board;

3.16 Appoint an Investment Consultant for the Fund at the expense of the Fund;

3.17 Determine the investment policy of the Fund and review, and if necessary, revise it at intervals of not more than three years;

3.18 Determine the investment strategy of the Fund after taking into account the recommendation of the Investment Committee and review, and, if necessary, revise it at intervals of no more than 12 months. Provided that the Board's decisions on the investment policy and strategy of the Fund will be of no force or effect unless -

3.18.1 The actuary has in writing declared that it is suitable for the Fund; and

3.18.2 Transnet has in writing approved it.

3.19 Consider appeals in respect of decisions by the Executive Committee;

3.20 Have access to any information they need to

3.20.1 Fulfill their responsibilities;

3.20.2 Seek independent advice, facilitated through the Fund Secretary and Office of the Principal Officer, at the Fund's expense; and

3.21 Investigate matters within the Board's mandate

3.22 Have direct access to the Principal Officer, Administrator and Investment Consultant;

3.23 Approve the Fund's objectives and operations;

3.24 Direct strategy and approve the strategic plan for achieving the objectives of the Fund;

3.25 Provide effective corporate governance;

3.26 Review the mandates and terms of reference of the Board Committees, at least annually, and approve recommended changes;

3.27 Establish and review annually and approve major changes to the Fund policies on, *inter alia*:

(a) Investment strategy

(b) Risk management;

(c) Code of conduct.

3.28 Approve an adequate annual budget for recommendation to Transnet;

3.29 Consider and approve appropriate rule amendments for recommendation to Transnet;

3.30 Have ultimate responsibility for systems of financial, operational and internal controls, the adequacy and review of which shall be delegated to the relevant committees of the Board, provided that the Board ensures that reporting on such matters is adequate;

3.31 Have ultimate responsibility for the governance of IT, and ensure that an IT charter and policies are established and implemented; and

3.32 Have ultimate responsibility for ensuring compliance with all applicable laws, rules, regulations, codes and standards, and ensure that reporting to the Board is comprehensive.

4. BOARD MEETINGS

4.1 The Board shall meet at least every quarter and at such other times as the Board may decide;

4.2 A special meeting shall be called at any time on the instruction of the Chairperson or at the written request of any three members of the Board;

4.3 The Chairperson, when unable to attend any meeting, shall appoint an Acting Chairperson for that meeting, or failing such appointment, the Board of Trustees shall appoint an Acting Chairperson;

4.4 The majority of the appointed members of the Board shall constitute a quorum for a meeting of the Board;

4.5 A decision by a majority of the members of the Board present at a meeting of the Board shall constitute a decision of the Board;

4.6 Decisions of the Board shall be taken by a show of hands or, if so required by any member of the Board present at the meeting, by ballot;

4.7 f there is no quorum at a meeting of the Board within thirty (30) minutes after the time fixed for its commencement, the meeting shall adjourn for a period of not less than two weeks and not more than four weeks. At such adjourned meeting the members present shall form a quorum; and

4.8 With the consent of the chairperson, a decision may be taken by the members of the Board of Trustees by "round robin" resolution provided that every board member who is in the Republic of South Africa at the time exercises a vote in respect of that decision and the decision is noted at the next meeting of the Board.

5. THE CHAIRMAN

5.1 The Chairman is responsible to the Board for ensuring that the Board is able to fulfill its mandated functions;

5.2 The Chairman is required by the Board to ensure that the Principal Officer is able to implement the Fund objectives agreed by the Board; and

5.3 At Board meetings the Chairperson shall not have a deliberative vote but a casting vote, which may be exercised in the event of an equality of votes.

6. EVALUATION

6.1 Performance self-evaluations of the Board will be conducted on an annual basis;

6.2 Results of self-evaluation of individual Trustees will be interpreted by the Risk and Compliance Committee or an independent service provider; and

6.3 The evaluation of the Chairperson will be conducted by the Board as a whole, under the guidance of the Risk and Compliance Committee or an independent service provider.

7. ETHICS

The Board of Trustees, and independent committee members of it in the course of their responsibilities as trustees or independent Committee members, will at all times conduct:-

- Themselves as responsible corporate citizens; and
- Their affairs in an ethical manner with due regard for the Fund's legal and moral obligations towards its members, service providers and other stakeholders.