

Enterprise Risk Management Methodology

Consequence Rating

Rating Category	100 Points Rating	Financial impact Rand Operating Profit	Investment impact Rand NPV	Human Health and Safety	Environment and Community	Reputation and Brand	Compliance and Legal	Information and Communication Technology
1	≥80	> 1 billion	> 5 billion	<ul style="list-style-type: none"> Multiple fatalities, and/or Very serious irreversible injury to >100 people 	<ul style="list-style-type: none"> Irreversible long term environmental damage to a highly valued species or location Large-scale prolonged class action. 	<ul style="list-style-type: none"> Prolonged international condemnation Transnet CE and/or Operating Division or Specialist Unit CEO departs and board is restructured Public reprimand from Government Transnet loses operating licence for an extended period 	<ul style="list-style-type: none"> Major litigation or prosecution with damages of R100m+ plus significant costs. Custodial sentence for company Executive Long term closure of operations by authorities. 	<ul style="list-style-type: none"> Major loss of or non-availability of critical ICT services and ICT enabled process across more than two ODs. Failure of a mission critical project that spans more than one OD.
2	≥60 <80	100 million - 999 million	500 million - 4,9 billion	<ul style="list-style-type: none"> Multiple fatalities, and/or Significant irreversible injuries to up to 10 people 	<ul style="list-style-type: none"> Irreversible long term environmental damage. Community outrage-potential for large-scale class action. 	<ul style="list-style-type: none"> Prominent negative International and South African press reporting over many days Non-public reprimand by Government Senior executive departs and/or board is restructured. Operating licence is threatened 	<ul style="list-style-type: none"> Major litigation or prosecution with damages of R50m+ plus significant costs. Custodial sentence for Manager Medium term closure of operations by authorities. 	<ul style="list-style-type: none"> Major loss of or non-availability of critical ICT services and ICT enabled process across more one or two ODs. Failure of a major project that spans more than one OD.
3	≥45 <60	10 million - 99 million	50 million - 499 million	<ul style="list-style-type: none"> Single fatality and/or Severe irreversible effects to one or more people 	<ul style="list-style-type: none"> Prolonged environmental impact. High-profile community concerns raised – requiring significant remediation measures and management attention 	<ul style="list-style-type: none"> National press reporting over several days. Government caution Pressure on Executives to leave. Implications for operating licence. 	<ul style="list-style-type: none"> Major litigation costing R10m+. Investigation by regulatory body resulting in long term interruption to operations. Possibility of custodial sentence. 	<ul style="list-style-type: none"> Major loss of or non-availability of critical ICT services and ICT enabled process within one OD. Failure of a mission critical project that affects one OD.
4	≥30 <45	1million - 9,9 million	5 million – 49 million	<ul style="list-style-type: none"> Moderate irreversible disability or impairment to one or more people. 	<ul style="list-style-type: none"> Major spill or release leading to off-site impact Medium term recovery. High potential for complaints from interested parties. 	<ul style="list-style-type: none"> Local press reporting – over several days Manager may be asked to leave. Government may be interested 	<ul style="list-style-type: none"> Major breach of regulation with punitive fine. Significant litigation involving many weeks of management time. 	<ul style="list-style-type: none"> IT functionality / availability seriously affected across more within one OD. Failure of a non-critical project that affects one OD.
5	≥20 <30	100 000 - 999 000	500 000 - 4,9 million	<ul style="list-style-type: none"> Objective but reversible disability requiring hospitalisation to several people. 	<ul style="list-style-type: none"> Medium term effect on environment/ community Required to inform environmental agencies, (e.g.: noise, dust) 	<ul style="list-style-type: none"> Local press reporting Disciplinary action likely. 	<ul style="list-style-type: none"> Breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible. 	<ul style="list-style-type: none"> IT functionality / availability moderately affected in one OD. Serious issues that could affect the successful delivery of a project within an OD regarding timeline, budget or functionality.
6	≥10 <20	10 000 – 99 000	50 000 – 499 000	<ul style="list-style-type: none"> Objective but reversible disability requiring the medical treatment of one person. 	<ul style="list-style-type: none"> Small, unconfined spill or release Short term transient environmental or community impact-remedial action needed. 	<ul style="list-style-type: none"> No press reporting Disciplinary action may be taken 	<ul style="list-style-type: none"> Minor legal issues, non-compliances and breaches of regulation. 	<ul style="list-style-type: none"> IT functionality / availability minimally affected
7	<10	< 10 000	<50 000	<ul style="list-style-type: none"> Minor injury 	<ul style="list-style-type: none"> Minor impact 	<ul style="list-style-type: none"> No reputational impact 	<ul style="list-style-type: none"> Minor breach only 	<ul style="list-style-type: none"> IT functionality / availability effect negligible

Likelihood Rating

Category	Description	Likelihood / Probability Rating (P)	Criteria
E	Certain	P ≥90%	<ul style="list-style-type: none"> impact is occurring now, or could occur within "days to weeks"
D	Almost Certain	≥50% P <90%	<ul style="list-style-type: none"> balance of probability will occur, or could occur within "weeks to months"
C	Probable	≥20% P <50%	<ul style="list-style-type: none"> may occur shortly but a distinct probability it won't, or could occur within "months to years"
B	Unlikely	≥1% P <20%	<ul style="list-style-type: none"> may occur but not anticipated, or could occur in "years to decades"
A	Rare	P <1%	<ul style="list-style-type: none"> occurrence requires exceptional circumstances exceptionally unlikely, even in the long term future only occur as a "100 year event"

Control Effectiveness Rating

RCE Rating	RCE Rating Scale (CE)	Description
Satisfactory	CE ≥80%	To the extent that is reasonably achievable, controls are well designed for the risk, are largely preventative and address the root causes and Management believes that they are effective and reliable most of the time.
Requires improvement	≥50% CE <80%	Most controls are designed correctly and are in place and effective. Some more work to be done to improve operating effectiveness or Management has doubts about operational effectiveness and reliability
Unsatisfactory	≥10% CE <50%	While the design of controls may be largely correct in that they treat most of the root causes of the risk, they are not currently very effective. There may be an over-reliance on reactive controls, or Some of the controls do not seem correctly designed in that they do not treat root causes, those that are correctly designed are operating effectively.
None	CE <10%	Virtually no credible control(s). Management has no confidence that any degree of control is being achieved due to poor control design and/or very limited operational effectiveness.

Priority Guide

Risk ranking	Suggested action	Suggested timing	Authority for continued toleration of residual risk
I	Take action to reduce residual risk to II or below. Notify Transnet Group Risk Management within 1 month of risk identification with a treatment plan.	Short term. Normally within 1 month.	Transnet Group CE or Transnet Board
II	Plan to deal with in keeping with the business plan.	Medium term. Normally within 3 months.	Business CEOs
III	Plan in keeping with all other priorities.	Normally within 1 year	General Managers
IV	Will still require attention within existing operations.	Ongoing control as part of a management system.	Manager
V	Lower priority. Will still require attention.	Ongoing control as part of operational management	Employees

Priority Matrix based on Residual Risk Rating

Priority	From	Below
V	0	6
IV	6	20
III	20	35
II	35	55
I	55	100



Inherent Risk Rating = Consequence Rating (points) X Likelihood Rating (%P)

State both the Current Control Effectiveness (%CE) and Desired Control Effectiveness (%CE)

Risk Heat Map

