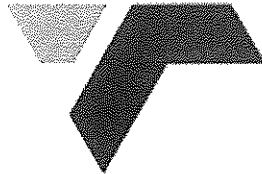


TRANSNET



PROCUREMENT POLICY

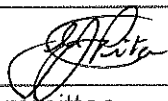
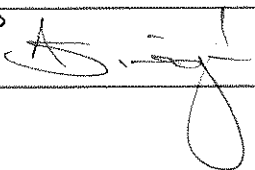
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Signature:	GM: BUSINESS SERVICES GARRY PITA 
Authorised By:	Transnet Executive Committee
Signature:	ACTING GROUP CFO ANOJ SINGH 



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1. PURPOSE

Transnet's procurement policy is aligned to its values, culture and strategy. The purpose of the procurement policy is to provide a broad framework for Transnet to procure in accordance with applicable regulatory requirements and leading practice that is fair, equitable, transparent, cost-effective and competitive.

2. OBJECTIVE

The objective of this document is to encapsulate Transnet's procurement policy and to ensure full compliance with the Transnet's Code of Ethics.

All transactions relating to the procurement of goods and services and the sale of surplus and redundant goods must be dealt with in terms of Transnet's Procurement Policy, in conjunction with the relevant and supplementary procedural manuals, as amended from time to time, to ensure that Transnet operates as a responsible and competitive enterprise.

3. SCOPE

This policy is applicable to all Operating Divisions, Support Functions and Subsidiaries of Transnet. All Transnet personnel are responsible for adherence to this policy.

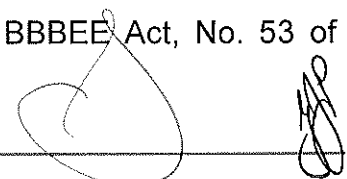
This document should be read in conjunction with the relevant procedural manuals and processes.

4. DEFINITIONS

"DAC" means the Divisional Acquisition Council of an Operating Division. The CEO of an Operating Division has the discretion to create local or regional acquisition councils to cater for lower value transactions falling below the jurisdiction of the DAC.

"equitable", in the context of the PFMA, overlaps with fairness, but encompasses more than procedural fairness. It refers to employment equity i.e. the representation of the different population groups across all levels of the company. It therefore addresses the principles of justice to correct the social imbalances of the past by providing a preference / advantage to different social groups discriminated against in the past.

"EME" means an Exempted Micro Enterprise as defined in the BBEE Act, No. 53 of 2003, as amended. (Annual turnover below R5 million)

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“fair”, in the context of the PFMA, means procedural fairness, e.g. a tender process which is fair where all bidders are treated the same and where no-one is advantaged or disadvantaged above another.

“PFMA” means the Public Finance Management Act, Act No 1 of 1999, as amended.

“PPM” means Transnet’s Procurement Procedures Manual, a procedural manual explaining in more detail how the principles detailed in this Policy document are to be implemented.

“QSE” means a Qualifying Small Enterprise as defined in the BBBEE Act, No. 53 of 2003, as amended. (Annual turnover between R5million and R35million)

“transparency”, in the context of the PFMA, strives to ensure openness and accountability, contrary to the concept “corruption thrives in darkness”. The underlying rationale behind transparency is to ensure that procurement decisions are subjected to scrutiny and review.

5. POLICY STATEMENT

Transnet’s Procurement Policy is aligned with appropriate Government regulatory requirements and leading practice. Transnet’s procurement policy is governed by the following key principles:-

- Relevant procedures and processes must reflect a procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.
- Transnet will take the necessary appropriate action regarding corrupt activities and acts of financial misconduct.
- Within legal parameters Operating Divisions, Support Functions and Subsidiaries will afford one another the right of first refusal to provide goods and services. Only if they are unable to provide the goods or services internally will such goods or services be sourced externally.
- Transnet complies with the Department of Trade and Industry’s (DTI) Broad-Based Black Economic Empowerment (BBBEE) Act and has implemented the DTI’s Broad-Based Codes of Good Practice.
- Where possible, Transnet seeks to purchase from local suppliers who add real value to the supply chain, before considering overseas suppliers thereby promoting local business development.
- Transnet’s Code of Ethics ensures that all business transactions are based on sound business practices and are conducted with integrity, fairness and transparency by adhering to a properly documented procurement process.
- Transnet is also subject to the Construction Industry Development Board Act, (“CIDB Act”), and is therefore obliged to comply with the CIDB Act and Regulations, with regards to construction-related procurement, as defined in that Act.

6. IMPLEMENTATION OF POLICY

All Operating Divisions and Support Functions are responsible for the implementation of the Procurement Policy and the relevant procedural manuals. . Due consideration must always be given to applicable regulatory requirements and good corporate governance and compliance principles.

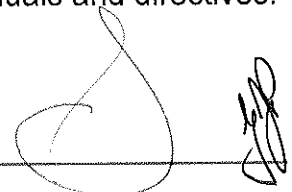
7. GIFTS AND ENTERTAINMENT

All decisions and business transactions should be made with uncompromised integrity, honesty and objectivity of judgment. Transnet recognises that exchanging courtesies such as modest gifts, meals and entertainment is a common business practice meant to create goodwill and establish trust in the business relationship.

The occasional exchange of entertainment and gifts not exceeding the value stipulated in the Gifts Policy, per occasion, may be appropriate, as long as such courtesies are not specifically intended to influence any procurement or sales decision and that the Transnet employee who receives such a gift declares it in the Declarations Register filed with his/her Line Manager and reviewed at regular intervals by the Divisional Acquisition Council and/or Company Secretary. Moderation and good judgment are important in exchanging courtesies. Gratuities, bribes or kickbacks of any kind must never be solicited, accepted or offered, either directly or indirectly. This includes, but is not limited to money, loans, equity, special privileges, personal favours, benefits or services. Such favours may be considered bribery, which violates South African Law and is against Transnet's Code of Ethics. Any Transnet employee found guilty of the above could be dismissed immediately and face criminal and/or civil action. Furthermore, any person who has offered a Transnet employee a bribe may face criminal or civil action and/or be placed on Transnet's List of Excluded Bidders which would exclude him/her from future Transnet business for a specified period.

8. DELEGATION OF AUTHORITY

The applicable delegations of authority must be adhered to and complied with at all times in terms of good corporate governance. However, delegation of authority must be exercised with due regard to this Policy and associated procedural manuals and directives.

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9. TRANSNET'S ACQUISITION COUNCILS

Acquisition Councils are governance structures designed to ensure that fair competition, both in the eyes of Transnet and the public at large, prevails and that optimal value for money is obtained within the ambit of Transnet's Procurement Policy, the Public Finance Management Act (PFMA) and other relevant regulatory requirements.

Acquisition Councils are responsible for the receipt and opening of all the tenders and quotations falling within their jurisdiction. In the interest of fairness and transparency the Acquisition Councils are, amongst others, also responsible for the approval of the shortlist for post-tender negotiation as well as approval of the final award of business. Acquisition Council intervention also ensures the necessary segregation of duties from the various procurement departments. Since the award of business (i.e. the concluding of a contract rests with the person with the delegated powers (and not the Acquisition Council), no Acquisition Council may unilaterally "overrule" a recommendation regarding the award of a contract. It may, however, refer the matter back for re-motivation or reconsideration.

10. EVALUATION OF BIDS

During evaluation of the tenders, various factors must be considered, eg. delivery, financing options, etc. This means that Transnet does not necessarily have to accept the lowest priced tender. Depending on the goods/service being procured or disposed of, the evaluation criteria must include but is not limited to price, statutory compliance, conformance to specifications, financial standing and Broad-Based Black Economic Empowerment (BBBEE). Evaluation criteria details (excluding the weightings of individual criteria components) must be stipulated in tender documents. Tenders which do not comply with tender conditions should be rejected. The only exception should be if other bidders will not be prejudiced, as a result. Once all bids have been evaluated by a multi-disciplinary evaluation team (or the Procurement Department, depending on the complexity of the purchase), a recommendation on the award of the business must be made to the relevant Acquisition Council.

After completion of the tender evaluation process, Transnet reserves the right to enter into post-tender negotiations with the "preferred bidder" or any number of short-listed bidders which have been approved by the Acquisition Council. During post-tender negotiations the price and technical submission of one bidder will not be disclosed to its competitors and the best and final offers must again be received in a tender box at a specified closing date and time to ensure fairness in the process.

Should the recommendation to award the business meet with the Acquisition Council's approval, the contract must be awarded by the Transnet Manager with the appropriate Delegated Authority. Only persons with delegated powers have the authority to enter into contracts on behalf of Transnet.



Prices, technical and trade information tendered by bidders for Transnet's requirements must be treated with confidentiality both internally and externally. Tendered prices are therefore not to be disclosed and no unauthorized access to tender documents (internally and externally) should be allowed. However, unsuccessful bidders must be provided with reasons as to why they were unsuccessful. The only information Transnet must make available is the names and locations of all the bidders who responded to a particular tender invitation and the name of the successful bidder (but not the tender price). Should an application be received in terms of the Promotion of Access to Information Act, 2000, confidential information must not be disclosed without the prior written consent of the Information Officer or one of the Deputy Information Officers.

11. BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

Transnet fully endorses and supports the Government's Broad-Based Black Economic Empowerment Programme and is strongly of the opinion that all South African business enterprises have an equal obligation to redress the imbalances of the past.

Transnet would therefore prefer to do business with local business enterprises who share these same values and who are prepared to contribute to meaningful BBBEE initiatives (including, but not limited to subcontracting and Joint Ventures) as part of their RFP responses. Transnet's policy is to allow a "preference" in accordance with the 10% preference system, as per the Preferential Procurement Policy Framework Act 5 of 2000 (as amended), to companies who provide a BBBEE Accreditation Certificate. All procurement and disposal transactions in excess of R30 000 (thirty thousand S.A. Rand) must be evaluated accordingly. All transactions below this threshold must, as far as possible, be set aside for Exempted Micro Enterprises (EMEs). Consequently, when Transnet invites prospective suppliers to submit Bids/Proposals for its goods and services, respondents must be urged to have themselves accredited by any one of the various Accreditation Agencies available who do their BBBEE ratings in accordance with the latest Codes.

Suppliers with a turnover exceeding R5 million per annum must submit BBBEE accreditation certificates from an accreditation agency with their tenders. Suppliers with a turnover of less than R5 million per annum are exempted from BBBEE accreditation and need only provide documentary proof of annual turnover (i.e. audited financials).

Where respondents wish to enter into a Joint Venture or subcontract portions of the contract to BBBEE companies, their tender response must state the percentage of the total contract value to be allocated to such BBBEE companies should they be awarded any business. A rating certificate in respect of such BBBEE JV-partners and / or sub-contractor(s), as well as a breakdown of the distribution of the aforementioned percentage must also be furnished with the tender response to enable Transnet to evaluate / adjudicate all tenders received on a fair basis.

Respondents must furnish proof of their BBBEE status to Transnet. Failure to do so will result in a score of zero being allocated for BBBEE.



- Businesses who merely act as “fronts” do not add economic value to the supply chain and must not be considered in terms of the BBBEE Programme.
- Businesses who misrepresent their BEE status or who do not honour commitments made at tender stage regarding subcontracting or joint ventures with BBBEE compliant tenderers and business is awarded to them on that basis, must be regarded as fraudulent and dealt with in terms of Transnet’s exclusion process.

12. NON-COMPLIANCE TO PROCUREMENT POLICY

Non-compliance with this Policy and associated procedural manuals will result in disciplinary action and, depending on the severity of the non-compliance, possible dismissal and criminal proceedings as such non-compliance could result in irregular expenditure or fruitless and wasteful expenditure in terms of the Public Finance Management Act (PFMA) in addition to irreparable reputational damage to Transnet.

13. CODE OF ETHICS AND CONFLICT OF INTEREST

- Transnet insists on honesty and integrity beyond reproach at all times and will not tolerate any form of improper influencing, bribery, corruption, fraud, or any other unethical conduct on the part of bidders / Transnet employees.
- Transnet urges all employees, clients, members of the public and suppliers to report any allegations of fraud, corruption or other unethical activities to the Transnet Tip-offs Anonymous Hotline, at any of the following addresses / contact numbers:-
 - Toll-free anonymous hotline - 0800 003 056
 - Email - Transnet@tip-offs.com
 - Fax number - 0800 007 788
 - Freepost DN 298, Umhlanga Rocks, 4320

Confidentiality is guaranteed and all tip-offs are investigated.

- Under no circumstances will Transnet employees be allowed to tender for Transnet’s business. Employees who have any competing personal direct or indirect interest in a specific tender, quotation or offer, must declare such interest in writing and recuse themselves from the issuing, receipt, opening, adjudication or tender evaluation process as such competing interests can make it difficult to fulfil his/her duties impartially.
- Bidders must also declare in writing any direct or indirect family relationship/s, as well as any personal relationships with Transnet employees in their bid responses. Bidders are further required to disclose any commercial interests and / or any business involvement with any Transnet employee in his or her personal capacity when submitting their bid responses. Bidders failing to declare such relationship/s will be disqualified from the tender process. Contracts concluded without adherence to this rule, will be terminated and disciplinary action will be taken against the relevant Transnet employee(s) and defaulting companies will be placed on Transnet’s List of Excluded Tenderers.
- Any contravention of the Code of Ethics by a Transnet employee will be regarded as a serious matter and may result in disciplinary action, civil and/or criminal action.



- Any supplier who has been party to such contravention of the Code of Ethics by a Transnet employee, for example by having promised or caused to be promised, offered or given to any Transnet employee, any bribe, commission, or any unauthorized gift, loan, advantage or other consideration shall be placed on Transnet's List of Excluded Tenderers. In addition Transnet shall be entitled to revoke the tender / contract.
- Tender documents must require the above-mentioned declarations and stipulate the consequences for non-adherence to the said conditions.

14. PROCUREMENT PROCESSES

The different procurement mechanisms are explained extensively in the Transnet Procurement Procedures Manual (PPM) and any procurement process embarked upon must be carried out with strict adherence to the provisions of the PPM. It is however critical that ample justification and proper motivation be provided for the particular procurement path chosen. Furthermore, every document pertaining to a particular tender (including minutes of meetings, etc) must be kept on file to ensure proper document management of the procurement process.

The tender process is Transnet's main buying and selling mechanism (ideally for transactions >R2m) as it ensures open, transparent and fair competition for any person or enterprise who wishes to tender for Transnet's business.

Tender responses for the procurement of goods and services are to be solicited by advertising tenders in newspapers, electronic tender bulletins and other private tender bulletins to which bidders subscribe. It is critical that the tender advert reflect all important information pertaining to the tender as set out in the PPM. Bidders must be afforded sufficient time to prepare and submit their tenders.

There are, however, instances where the calling of open tenders is not possible or feasible, for example:-

- low value transactions (limit of R2m for 3-quote system but may be lowered at the CEO of the specific entity's discretion),
- or crisis situations where human lives are at stake, or
- where Transnet's property or assets are at risk and where there is insufficient time to call for open tenders, or
- where the required goods or services can only be obtained from a limited market e.g. patented articles or components and equipment that can only be obtained from the Original Equipment Manufacturer (OEM).

These exceptions to the open tender system are governed by internal procedures to prevent abuse, and must be adhered to.

When the need for a specific item or service arises, the procurement process must not commence before proper approval has been obtained. A notice of tender or requests for



quotes commits Transnet to the award of business and a tender / request for quotes cannot be withdrawn without valid reasons and without Acquisition Council approval. Occasionally Transnet may require "test-quotes" without any intention of placing business, for example budget quotes in order to prepare a motivation or business case for funding. In all such cases a clear indication must be given that such quotations are for budgeting purposes only and that no business will be awarded based on such test quotes.

15. COMMUNICATION

During the period for which the tender is "open" i.e. as of the date of issue until **before the closing date**, (or an earlier date if so specified in the tender document), bidders are only allowed to communicate with the contact person listed in the document for clarification of any aspects relating to the tender. However, if the documents stipulate a tender briefing/site inspection meeting, prospective bidders must avail themselves for these compulsory tender briefing sessions. All uncertainties should be clarified at these sessions. Tender advertisements and "Notice to Bidder" documents will indicate the name/s and contact particulars of the relevant Transnet employee/s who may be contacted.

No communication is permitted between a bidder and any Transnet employee involved with a particular tender during the evaluation period (i.e. **after the closing date** and until the official notification of the acceptance of offer is given to the successful bidder), except for the following situations:-

- Should a bidder wish to communicate anything to Transnet during this period, he/she may only communicate with the Chairman of the Transnet Acquisition Council, or relevant Divisional Acquisition Council, or in his/her absence, with the Secretary of such Council. Contact particulars of the relevant contact person will be provided in the tender documentation.
- An employee of Transnet may, with due authorisation, communicate with a bidder regarding his/her tender or quotation for limited purposes to facilitate evaluation of the tender.

In the event of changes in specifications, plans, or tender conditions by Transnet, all bidders or prospective bidders must be advised thereof and be given equal opportunity to tender or re-tender on the new scope by a revised closing date and time.

Tenders must close at a specified venue, date and closing time. All tenders received by the closing time must be recorded by designated employees or the Secretariat of the relevant Acquisition Council responsible for the receipt of that particular tender. Once recorded on a Tender List the tender documents must be handed to the procurement department that issued the tender for evaluation.

Tenders or quotations which arrive after the specified closing time or which are deposited at an incorrect address must be regarded as late/inadmissible and must not be



considered. The onus is upon the bidder to ensure that the tender documents reach the specified address timeously.

16. EXCLUSION OF BIDDERS FROM BUSINESS

Upon approval from Transnet's Chief Financial Officer or a duly authorised delegate, Transnet may exclude a tenderer from further business and/or cancel all existing contracts should a tenderer/supplier be found to have acted in bad faith or engaged in misconduct towards Transnet. No part of a contract may be subcontracted to an Excluded Tenderer. Companies may only be excluded from business with Transnet for a specified period to be determined according to the severity of the misconduct. The names of these companies and their directors will be placed on a List of Excluded Bidders and appropriate legal action will be considered. The exclusion may extend to Associated Companies and the list of excluded tenderers will also be distributed to all other State Owned Enterprises and Government Departments.

17. MASTER DATA MANAGEMENT

Transnet has implemented a Master Data Management (MDM) solution to ensure that the organization does not use multiple (potentially inconsistent) versions of the same master data in different parts of the business. All Master Data must be created via the Content Bureau and not directly in the ERP system, (SAP). Changes to master data must also be effected via the Content Bureau, except for organisation specific data such as, for example, payment terms.

18. SUPPLIER REQUIREMENTS

Transnet prefers to conduct business with legally registered entities. Transnet reserves the right to request company registration documents to verify company details such as director information, etc.

Transnet will not do business with any enterprise which cannot produce a valid SARS "Certificate of Good Tax Standing". Transnet will only do business with companies (large and QSEs) that are registered for VAT (Value Added Tax). Small and Micro enterprises (EMEs) are to be encouraged to apply for voluntary VAT Registration as soon as they reach the annual turnover threshold as set by SARS. Only in exceptional circumstances, and subject to Transnet's prior approval of a supplier's "Micro-EME" status, will Transnet do business with non-VAT registered vendors. Such suppliers' turnover will be closely monitored, even in collaboration with SARS where deemed necessary.

19. ACCOUNTABILITY

Accountable: Group Executives and Chief Executive Officers

Responsible: General Managers and Senior Managers
Informed: All Employees involved in Procurement
Supports: All departments involved, or interacting with Procurement
Monitors and maintains: Group Strategic Supply Management

20. CONTACT DETAILS

For any further information regarding this document or Procurement in general, please contact the General Manager, Business Services, at the following contact numbers:-

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