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Respondent's Signature_____
Date & Company Stamp

**RFP FOR THE SUPPLY OF
95 NEW ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) BY
MARCH 2014**

Section 1: NOTICE TO RESPONDENTS

1 PROPOSAL REQUEST

Proposals are requested from interested persons, companies, close corporations or enterprises (hereinafter referred to as the **Respondent/s**) to supply the above-mentioned requirement(s) to Transnet SOC Ltd.

On or after the 6 December 2011 the RFP documents may be inspected at, and are obtainable from the office of the Secretariat, Room Inyanda No 1, Ground Floor, 21 Wellington Road Parktown, Johannesburg on payment of an amount of R 20,000.00 (inclusive of VAT) per set. Payment is to be made as follows:

Account Name: Transnet Freight Rail

Bank: Standard Bank

Account No: 203158598

Branch code: 004805

NOTES –

- a) This amount is not refundable.
- b) A receipt for such payment made must be presented when collecting the RFP documents and submitted with your Proposal.
- c) RFP documents will only be available until the 30 January 2012.

2 FORMAL BRIEFING

A compulsory pre-proposal briefing session will be conducted at Transnet Freight Rail on the 31 January 2012, at Inyanda House 2 for a period of \pm 3 hours. (Respondent to provide own transportation and accommodation).

- 2.1 A Certificate of Attendance in the form set out in Section 9 hereto must be completed and submitted with your Proposal.
- 2.2 Respondents failing to attend the compulsory briefing session will be disqualified.
- 2.3 Respondents without a valid RFP document in their possession will not be allowed to attend the briefing session.
- 2.4 The briefing session will start punctually at 10:00

Respondent's Signature

Date & Company Stamp

3 PROPOSAL SUBMISSION

Proposals in duplicate plus a CD copy must reach the Secretary, Transnet Acquisition Council before the closing hour on the date shown below, and must be in a form of a file which must be inscribed on the outside:

RFP No: HOAC-HO-7801
 Description: The 95 NEW ELECTRIC LOCOMOTIVES FOR
 THE GENERAL FREIGHT BUSINESS (GFB) BY
 MARCH 2014
 Closing date and time: Tuesday, 28 February 2012 at 10:00
 Closing address: Refer options in clause 4 below

4 DELIVERY INSTRUCTIONS FOR THIS RFP**4.1 Delivery by hand**

- 4.2 If delivered by hand, the envelope is to be deposited in the Transnet Freight Rail tender box which is located at Inyanda No 1, Ground Floor, 21 Wellington Road Parktown, and should be addressed as follows:

**THE CHAIRPERSON
 TRANSNET FREIGHT RAIL
 ACQUISITION COUNCIL
 GROUND FLOOR
 TENDER BOX
 Inyanda House 1
 21 Wellington Road
 Parktown**

- a) The measurements of the "tender slot" are 500mm wide x 100mm high, and Respondents must please ensure that response documents or files are not larger than the above dimensions. Responses which are too bulky (i.e. more than 100mm thick) must be split into two or more files, and placed in separate envelopes, each such envelope to be inscribed as required in clause 3 above.
- b) It should also be noted that the above tender box is located at the street level outside the main entrance in 21 Wellington Road and is accessible to the public 24 hours per day, 7 days a week.
- 4.3 Despatch by courier**
- If despatched by courier, the envelope must be addressed as follows and delivered to the Office of The Chairperson, Transnet Freight Rail Acquisition Council and a signature obtained from that Office.

Respondent's Signature

Date & Company Stamp

**THE CHAIRPERSON
TRANSNET FREIGHT RAIL
ACQUISITION COUNCIL
GROUND FLOOR
21 WELLINGTON ROAD
PARKTOWN**

- 4.4 Please note that this RFP closes punctually at 10:00 on Tuesday, 28 February 2012.
- 4.5 If responses are not delivered as stipulated herein, such responses will not be considered and will be treated as "UNRESPONSIVE."
- 4.6 No email or facsimile responses will be considered, unless otherwise stated herein.
- 4.7 The responses to this RFP will be opened as soon as practicable after the expiry of the time advertised for receiving them.
- 4.8 Transnet SOC Ltd shall not, at the opening of responses, disclose to any other company any confidential details pertaining to the Proposals / information received, i.e. pricing, delivery, etc. The names and location of the Respondents will, however, be divulged to other Respondents upon request.
- 4.9 Envelopes must not contain documents relating to any RFP other than that shown on the envelope. All envelopes must reflect the return address of the Respondent on the reverse side.
- 4.10 No slips are to be attached to the response documents. Any additional conditions must be embodied in an accompanying letter. Subject only to clause 18 (*Alterations made by the Respondent to Tendered Prices*) of the General Bid Conditions, alterations, additions or deletions must not be made by the Respondent to the actual RFP documents.

5 SUPPLIER DEVELOPMENT INITIATIVES

5.1 Aim and Objectives

Historically in South Africa there has been a lack of investment in infrastructure, skills and capability development and an inequality in the income distribution and wealth of a significant portion of the population. There have been a number of Government initiatives developed to address these challenges. In particular, the New Growth Path (NGP) developed in 2010 aligns and builds on previous policies to ensure the achievement of Government's development objectives for South Africa.

The key focuses of the NGP include:

- increasing employment intensity of the economy
- addressing competitiveness
- balancing spatial development of rural areas and poorer provinces
- reducing the carbon intensity of the economy
- creating opportunities in improving regional and global cooperation

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- enabling transformation that benefits a wider range of social actors in society e.g. workers, rural communities, youth and women

Transnet, as a State Owned Company (SOC), plays an important role to ensure these objectives are achieved. Therefore, the purchasing of goods and services needs to be aligned to Government's objectives for developing and transforming the local supply base. Transnet SOC Ltd's mission is to transform its supplier base by engaging in targeted supplier development (SD) initiatives to support localisation and industrialisation whilst providing meaningful opportunities for Black¹ South Africans with a particular emphasis on:

- Black Youth (16 to 35 year olds)
- Black women
- People with disabilities
- Small businesses
- Rural development and integration

5.2 Supplier Development

To facilitate the implementation of Supplier Development (SD) Initiatives, Transnet SOC Ltd has adapted an existing framework from the Department of Public Enterprise (DPE). This framework allows for a basic set of principles to be applied to appropriately targeted SD initiatives. Supplier Development initiatives aim to build local suppliers who are competitive through building capability and capacity. Hence the framework has been termed the Increased Competitiveness, Capability and Capacity Supplier Development Classification Matrix (IC³ Matrix). Currently there are four quadrants of SD initiatives for consideration according to the IC³ Matrix. This RFP has been identified as **strategic** (please refer to Appendix A for further information in terms of IC³ Matrix).).

*Accordingly, Transnet SOC Ltd requires all Respondents to submit a **Supplier Development Bid Document** demonstrating their commitment and support for the New Growth Path Policy and how an appointment in terms of this RFP would assist in achieving the NGP objectives.*

- For a detailed understanding of the IC³ Matrix, the respective SD initiatives and their objectives, please refer to the "Guidelines for the Completion of a Supplier Development Bid Document" appended hereto as Annexure A.
- The following Supplier Development (SD) focus areas have been identified and are included in the prescribed evaluation criteria, namely:

Category	Description
Industrialisation *	Refers specifically to industrial capability building that will result in globally leading capabilities developed with South Africa
Localisation	Refers specifically to industrial capability building that focuses on value-add activities of

¹ "Black" means South African Blacks, Coloureds and Indians, as defined in the BBBEE Act

	the local industry through manufacturing or serviced-relate functions
Technology and Intellectual Property Rights (IPR) Transfers/Sustainability	How will you transfer technology, IPR and methodology to small businesses
New Skills development	Skills transfer & skills education which will occur as a result of the award of contract
Job Creation/Preservation	Number of jobs created or preserved resulting from the award of contract
Small Business Promotion	Encouragement for growth and the expansion of emerging local firms, through procurement and support mechanisms
Rural Development and Regional Integration	How will you incorporate the use of rural labour and regional businesses to contribute to NGP objectives

* Whereas Industrialisation is not part of a strategic commodity we request that the Respondent includes industrialisation as part of its Supplier Development Bid Document submission.

- c) The Supplier Development Bid Document is to be submitted as a separate document, developed in line with the criteria set out in Annexure B1 appended hereto. The Supplier Development Bid Document is a detailed narrative document, which has no prescribed format, explaining the Respondent's Bid value set out in Annexure B1. However Respondents are at liberty to submit additional proposal/ information in support of their SD Bid in addition to Annexure B1. This SD Bid Document will represent a binding commitment on the part of the successful Respondent. The SD Bid Document should outline the type of activities you intend to embark upon should you be awarded the contract. This Bid Document should also provide an overview of what you intend to achieve, when this would be accomplished, and the mechanisms whereby you will achieve those objectives.
- d) Annexure B1 must be completed, indicating by cross-reference the detailed areas which have been addressed in your SD Bid Document for each of the evaluation criteria listed in point (b) above, together with the Value Indicators therefore. The Respondents are further required to complete the Generic Bill of Materials (BOM) template in Annexure G as part of the Supplier Development Bid document submission. Respondents should clearly indicate opportunity areas where there is potential for local component purchase or local supplier development as part of their Supplier Development Bid document in the areas of local purchase, fabrication, assembly repair and maintenance. Respondents must indicate Yes ("Y") or No ("N") in the appropriate box indicating whether a potential opportunity exists or not. The Respondent must indicate the corresponding National Value Add (ZAR) and a detailed description of the localisation potential in the comment box. Respondents are further requested to complete the Locomotive Tier 2 component manufacturing breakdown sections in Annexure G, and indicate the corresponding Imported and Local content as a percentage of the locomotive cost.

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- e) ***Transnet's expectation is that a minimum SD target of 60% (sixty per cent) of the Respondent's Bid value is offered as part of the Supplier Development (SD) Bid Document to be submitted.***
- f) Respondents are requested to provide an electronic copy ("CD") of the Completed Appendix G as part of the tender submission.

Notes for completion of SD Bid Document:

- (i) *Respondents are urged to pay careful attention to the compilation of the SD Bid Document (including Annexure B and G) since this will form an essential component of the evaluation of the Proposal.*
- (ii) *Respondents are required to address each of the aspects under the detailed SD Description as a minimum for submission. This is not an exhaustive list however, and Respondents must not be limited to these choices when compiling each section.*
- (iii) *Please provide detailed calculations to illustrate how the Estimated Rand Values provided in Annexure B and G have been derived.*
- (iv) *Respondents are required to provide an electronic copy ("CD") of the completed Annexures B and G as part of the SD Bid document submission.*

5.3 Additional contractual requirements

Should a contract be awarded through this RFP process, the successful Respondent(s) (hereinafter referred to as "the Supplier") will be contractually committed, *inter alia*, to the following conditions:

- a) The Supplier will be required to submit a Supplier Development Plan within 30 (thirty) days from the signature date of a Letter of Award after which both parties must reach an agreement (signed by both parties) within 15 (fifteen) days. Transnet SOC Ltd reserves the right to reduce or increase the number of days in which the Supplier must submit its SD Plan if it is deemed reasonable, based on the degree of complexity of the SD initiative. This SD Plan represents additional detail in relation to the SD Bid Document providing an explicit breakdown of the nature, extent, timelines and monetary value of the SD commitments which the Supplier proposes to undertake and deliver during the term of the contract. Specific milestones, timelines and targets will be recorded to ensure that the SD Plan is in line with Transnet SOC Ltd's SD objectives and that implementation thereof is completed within the term of the contract.
- b) The contract will be conditional on agreement being reached by the parties on the SD Plan submitted by the Supplier. Therefore failure to submit or thereafter to agree to the SD Plan within the stipulated timelines will result in the cancellation of such a contract or termination thereof.
- c) The SD Plan may require certain additions or updates to the Initial SD Bid Document in order to ensure that Transnet SOC Ltd is satisfied that development objectives will be met.

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- d) The Supplier will need to ensure that the relevant mechanisms and procedures are in place to allow for access to information in order to measure and verify the Supplier's compliance with its stated SD commitments.
- e) The Supplier will be required to provide:
 - (i) monthly status updates to Transnet SOC Ltd for each SD initiative (Detailed requirements will be provided by Transnet SOC Ltd);
 - (ii) quarterly status reports for Transnet SOC Ltd and the DPE. (Detailed reporting requirements will be provided by Transnet SOC Ltd); and
 - (iii) a final Supplier Development report, to be submitted to Transnet SOC Ltd prior to the expiry date of the contract, detailing delivery, implementation and completion of all SD components plus auditable confirmation of the Rand value contribution associated with each such SD commitment.
- f) All Information provided by the Supplier in order to measure its progress against its stated targets will be auditable.
- h) Failure to adhere to the milestones and targets defined in an SD Plan may result in the invocation of financial penalties based on an increasing percentage the SD value for each week that such failure continues (the details of which are specified in the draft contract appended hereto as Annexure E), or the termination of the contract. The Supplier will be required to provide an on-demand performance bond, in form and substance satisfactory to Transnet SOC Ltd, in respect of the Suppliers potential liability under this paragraph.

5.4 Supplier Development Documents

Your **SD Bid submission** (including Annexure B1 and G) is to be submitted as part of this RFP bid which will represent a binding commitment on the part of the successful Respondent.

Attached herewith the following documentation:

- SD Guideline Document – Annexure A
This document must be used as a guideline to complete the SD Bid submission document.
- SD Proposal Template – Annexure B1
This template must be completed as part of the bid which will represent a binding commitment on the part of the successful Respondent.
- Generic BOM – Annexure G
The Generic Bill of Materials (BOM) should be completed and must accompany your SD Proposal.

Failure to submit or submitting incomplete SD bid submissions which include all the required documentation as indicated in this Section will potentially result in disqualification.

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5.5 Socio-economic obligations for foreign Respondents

Foreign Respondents' socio-economic obligations under this procurement programme will fall under the associated Government initiative, namely, the Competitive Supplier Development Programme ("CSDP") as developed by the Department of Public Enterprises. CSDP requirements are included in the SD Bid document to be submitted as detailed above. Such CSDP requirements apply to procurement events to be concluded with Foreign Respondents where the estimated value of a subsequent contract shall be equal to or greater than USD 10 million.

Transnet's CSDP Focus Areas are the following:

- Transnet's CSDP objective is to influence multinational organisations toward initiatives that lead to the development of local downstream suppliers through large-scale SOE procurement in order to develop a competitive local supplier base focusing on Rolling Stock and Rail Infrastructure;
- Leveraging expanded maintenance and manufacturing initiatives;
- Skills development of scarce resources increasing the quality of jobs;
- Transfer of technology and innovation to local suppliers from foreign OEM's/companies; and
- Consideration of a CSDP strategy which should include localisation, sustainability and skills development as initiatives as a submission by the respondents.
- Foreign Respondents need to ensure that the Transnet focus areas are included into the SD Bid Document to be submitted as detailed above.

6 BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

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

Transnet SOC Ltd would therefore prefer to do business with local business enterprises who share these same values and who are prepared to contribute to meaningful B-BBEE initiatives (including, but not limited to subcontracting and Joint Ventures) as part of their tender responses. Transnet SOC Ltd will accordingly allow a "preference" in accordance with the 10%/20% (ten percent/20% percent) preference system, to companies who provide a B-BBEE Accreditation Certificate. All procurement and disposal transactions will be evaluated accordingly.

Consequently, when Transnet SOC Ltd invites prospective suppliers to submit tenders for its various capital expenditure programmes, it urges Respondents (Large Enterprises and QSE's - see below) to have themselves accredited in compliance with the Government Gazette No 34612, Notice No. 754 dated 23 September 2011. As from 1 October 2011 valid B-BBEE Accreditation Certificates must be issued by

- a) Verification Agencies accredited by the South African National Accreditation System [SANAS]; or
- b) Registered auditors approved by the Independent Regulatory Board of Auditors [IRBA], in accordance with the approval granted by the Department of Trade and Industry.

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A Verification Certificate issued must reflect the weighted points attained by the measured entity for each element of the scorecard as well as the overall B-BBEE rating.

6.2 B-BBEE Rating

Enterprises will be rated by Verification Agencies or registered auditors based on the following:

- a) **Large Enterprises** (i.e. annual turnover greater than R35 million):
 - Rating level based on all seven elements of the B-BBEE scorecard
- b) **Qualifying Small Enterprises – QSE** (i.e. annual turnover between R5 million and R35 million):
 - Rating based on any four of the elements of the B-BBEE scorecard
- c) **Exempted Micro Enterprises – EME** (i.e. annual turnover less than R5 million):
 - EME's are exempted from B-BBEE accreditation
 - Automatic rating of Level 4 B-BBEE irrespective of race or ownership, i.e. 100% B-BBEE recognition
 - Black ownership greater than 50% or Black Women ownership greater than 50% automatically qualify as Level 3 B-BBEE, i.e. 110% B-BBEE recognition
 - EME's should only provide documentary proof of annual turnover (i.e. audited financials) plus proof of Black ownership if Black ownership is greater than 50% or Black Women ownership is greater than 50%

Respondents will be required to furnish proof of the above to Transnet SOC Ltd. (i.e. a detailed scorecard as stipulated above in respect of Large Enterprises and QSE's, or proof of turnover in respect of EME's). *N.B. Failure to do so will result in a score of zero being allocated for B-BBEE.*

- a) Turnover: Kindly indicate your company's annual turnover for the past year
R _____
- b) If annual turnover is less than R5m, please attach audited financials
- c) If annual turnover is greater than R5m please attach an accreditation certificate issued by an Accreditation Agency, together with all the relevant score sheets pertaining thereto

6.3 Joint Ventures and Subcontractors

In addition to the above, Respondents who wish to enter into a Joint Venture or subcontract portions of the contract to B-BBEE companies must state in their RFP's, the percentage of the total contract value that will be allocated to such B-BBEE companies, should they be successful in being awarded any business. A rating certificate in respect of such B-BBEE JV-partners and / or subcontractor(s), as well as a breakdown of the distribution of the aforementioned percentage must also be furnished with the RFP response to enable Transnet SOC Ltd to evaluate / adjudicate all RFP's received on a fair basis.

Incorporated Joint Ventures must provide a B-BBEE certificate for the legal entity. Unincorporated Joint Ventures must submit a consolidated B-BBEE certificate.

Respondent's Signature

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6.4 B-BBEE Registration

In addition to the accreditation certificate, Transnet SOC Ltd recommends that Respondents register their B-BBEE compliance and supporting documentation on the Department of Trade and Industry's (DTI) National B-BBEE IT Portal and Opportunities Network and provide Transnet SOC Ltd with proof of registration in the form of an official B-BBEE Profile issued by the DTI.

Transnet SOC Ltd would wish to use the DTI B-BBEE IT Portal as a data source for tracking B-BBEE compliance. For instructions for registration and obtaining a DTI B-BBEE Profile go to <http://ee.thebti.gov.za>

6.5 Further Recognition Criteria (FRC)

Whereas Respondents will be allocated points in terms of the 10/20% preference system for its B-BBEE rating, in addition to such scoring further points will be allowed to respondents based on the following "Further Recognition Indicators" on an ascending scale calculated on the extent to which the respondent meet or exceeds the transformation targets as indicated below.

Respondents are to insert their Further Recognition Criteria scores (percentages) to which they commit themselves on improving their score during the duration of the contract in the table below:

Further Recognition Criteria (FRC) Additional Information – (Forward Looking)			
Ownership Indicator	Required Responses	Compliance Target	Insert Company Scores (%)
A. Ownership :			
1. The percentage of the business owned by Black ² persons.	Provide a commitment based on the extent to which ownership in the hands of Black persons as a percentage of total ownership of the organisation will be increased over the contract period.	Score will be allocated for any score >50% to 100%, on a sliding scale	
2. The percentage of your business owned by Black women.	Provide a commitment based on the extent to which ownership in the hands of Black women as a percentage of total ownership of the organisation will be increased over the contract period.	Score will be allocated for any score >30% to 100%, on a sliding scale	
Management Control Indicator	Required Responses	Compliance Target	Insert Company Scores (%)
B. Board Participation :			
1. The percentage of Black Board members in relation to the total number of Board members.	Provide a commitment based on the extent to which the number of black Board members as a percentage of the total Board will increase over	Score will be allocated for any score	

² "Black" means South African Blacks, Coloureds and Indians, as defined in the BBBEE Act

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	the contract period.	>50% to 100%, on a sliding scale	
C. Management :			
2. The percentage of Black Senior Top Management involved in day to day management of the organisation, in relation to the total Top Management cadre.	Provide the percentage of Blacks that will be appointed by the Board and will be operationally involved in the day to day Top management of the business, with individual responsibility for overall and/or financial management of the business and actively involved in the development and implementation of overall strategy, over the contract period.	Score will be allocated for any score >40% to 100%, on a sliding scale	
3. The percentage of Black Middle Management involved in day to day management of the organisation, in relation to the total Middle Management cadre.	Provide the percentage of Blacks that will be appointed by the organisation in the middle management cadre and will be operationally involved in the day to day management of the business, with individual responsibility for a particular area within the business and actively involved in the day to day management of the organisation, over the contract period.	Score will be allocated for any score >63% to 100%, on a sliding scale	
4. The percentage of Black Junior Management involved in day to day management of the organisation, in relation to the total Junior Management cadre.	Provide the percentage of Blacks that will be appointed by the organisation in the junior management cadre and will be operationally involved in the day to day running of the business, with individual responsibility for a particular area within the business and actively involved in a supervisory role with regards to the day to day management of the organisation, over the contract period.	Score will be allocated for any score >68% to 100%, on a sliding scale	
Employment Equity Indicator	Required Responses	Compliance Target	Insert Company Scores (%)
D. Employment Equity :			
1. The percentage of Black disabled employees in relation to the total number of employees in the organisation.	Provide a commitment based on the extent to which the percentage of Black disabled employees in relation to the total of all employees in the organisation will increase over the contract period.	Score will be allocated for any score >2% to 10%, on a sliding scale	
2. The percentage of Black employees as a percentage of the total workforce i.e. of all employees in the organisation.	Provide a commitment based on the extent to which the number of Black employees will increase as a percentage of the organisation's total workforce, over the contract period.	Score will be allocated for any score >65% to 100%, on a sliding scale	
3. The percentage of Black women employees as a percentage of the total workforce.	Provide a commitment based on the increase in the number of Black women employees as a percentage of the organisation's total workforce, over the contract period.	Score will be allocated for any score >40% to 100%, on a sliding scale	
Preferential Procurement Indicator	Required Responses	Compliance Target	Insert Company Scores (%)
E. Preferential Procurement :			
1. B-BBEE procurement spend from all suppliers based on the B-BBEE procurement recognition level as a percentage of total measured	Provide a commitment based on the extent to which B-BBEE spend will increase over the contract period.	Score will be allocated for any score >50% to	

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procurement spend		100%, on a sliding scale	
2. B-BBEE procurement spend from QSEs or from EMEs based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend.	Provide a commitment based on the extent to which B-BBEE spend from QSEs and EMEs will increase over the contract period.	Score will be allocated for any score >10% to 100%, on a sliding scale	
3. B-BBEE procurement spend from any of the following suppliers as a percentage of total measured procurement spend: <ul style="list-style-type: none"> Suppliers who are more than 50% Black-owned Suppliers who are more than 30% Black women-owned 	Provide a commitment based on the extent to which spend from suppliers who are more than 50% Black owned or 30% Black women owned will increase over the contract period.	Score will be allocated for any score >15% to 100%, on a sliding scale	
Enterprise Development Indicator	Required Response	Compliance Target	Insert Company Scores (%)
F. Enterprise Development :			
1. The organisation's annual spend on Enterprise Development as a percentage of Net Profit after Tax (NPAT).	Provide a commitment based on the increase in your organisation's annual spend on Enterprise Development initiatives as a percentage of its Net Profit after Tax over the contract period.	Score will be allocated for any score >3% of NPAT, on a sliding scale	

The Respondents are required to submit a Further Recognition Criteria (FRC) Document as a separate document, developed in line with the criteria set out in the table above and Annexure B2 hereto. The Further Recognition Criteria Document is a detailed narrative document explaining the Respondent's Further Recognition Criteria Score set out in the table above and in Annexure B2 hereto indicating the commitment on improving their score during the contract duration (period in years of this contract including the warranty period). All 6 (six) Indicators must be addressed separately in the Further Recognition Criteria Document as indicated by the table above and in Annexure B1.

There is no prescribed format for the Further Recognition Criteria document. This Further Recognition Criteria Document will represent a binding commitment on the part of the successful Respondent. The Further Recognition Criteria Document should outline the type of activities (including timelines) you intend to embark upon should you be awarded the contract on improving their score during the duration of the contract. This Further Recognition Criteria Document should also provide an overview of what you intend to achieve, when, and the mechanisms whereby you will achieve those objectives.

Annexure B2 must be completed, indicating by cross-reference the detailed areas which have been addressed in your Further Recognition Criteria Document for each of the 6 (six) indicators listed.

Respondent's Signature

Date & Company Stamp

Failure to adhere to the milestones and targets defined in an Further Recognition Development document may result in the invocation of financial penalties based on an increasing percentage of the SD value, for each week such failure continues (the details of which are specified in the draft contract appended hereto as Annexure E), or the termination of the contract. The Supplier will be required to provide an on-demand performance bond, in form and substance satisfactory to Transnet SOC Ltd, in respect of the Suppliers potential liability under this paragraph..

7 COMMUNICATION

- 7.1 Respondents are warned that a Proposal will be liable to disqualification should any attempt be made by a Respondent either directly or indirectly to canvass any officer or employee of Transnet SOC Ltd in respect of this RFP between the closing date and the date of the award of the business.
- 7.2 For specific queries relating to this RFP, a Bid Clarification Request Form should be submitted two weeks before the tender closing date (Tuesday, 28 February 2012), substantially in the form set out in Section 14 hereto.
- 7.3 After the closing date of the RFP, a Respondent may communicate with the Secretary of the Transnet Freight Rail Acquisition Council, at telephone number 011 584 9486 or facsimile number 011-774-9760 on any matter relating to its RFP Proposal.

8 RFP SCHEDULE

Respondents will be contacted as soon as practicable with a status update. At this time short-listed Respondents may be asked to meet with Transnet Freight Rail representatives at a location to be agreed, for negotiation purposes.

9 INSTRUCTIONS FOR COMPLETING THE RFP

- 9.1 Sign one set of documents (sign, stamp and date the bottom of each page). This set will serve as the legal and binding copy. A duplicate set of documents is required. This second set can be a copy of the original signed Proposal.
- 9.2 Both sets of documents to be submitted to the address specified in clause 4 above.
- 9.3 A CD copy of the RFP Proposal must be submitted. Please provide in MS Word / Excel format, not PDF versions, noting that the signed original set will be legally binding
- 9.4 *All Returnable Documents listed in the Proposal Form (Section 4) must be returned with your Proposal*
- Separate sections for Technical, B-BBEE, SD/CSDP and Finance (Price) must be submitted as indicated herein.

10 COMPLIANCE

The successful Respondent (hereinafter referred to as the **Supplier**) shall be in full and complete compliance with any and all applicable National, Provincial and local laws and regulations.

Respondent's Signature

Date & Company Stamp

11 ADDITIONAL NOTES

- 11.1 All returnable documents as indicated in the Proposal Form (Section 4) must be returned with the response.
- 11.2 Respondents are to note that Proposals in which firm prices are quoted for the duration of any resulting contract may receive precedence over prices which are subject to adjustment.
- 11.3 Changes by the Respondent to its submission will not be considered after the closing date.
- 11.4 The person or persons signing the Proposal must be legally authorised by the Respondent to do so (Refer Section 5 – Signing Power, Resolution of the Board of Directors). A list of those person(s) authorised to negotiate on behalf of the Respondent (if not the authorised signatories) must also be submitted along with the Proposal together with their contact details.
- 11.5 Transnet SOC Ltd reserves the right to undertake post-tender negotiations with selected Respondents or any number of short-listed Respondents and may wish to visit the Respondent's place of manufacture (works) during this process.
- 11.6 Unless otherwise expressly stated, all Proposals furnished pursuant to this Request shall be deemed to be offers. Any exceptions to this statement must be clearly and specifically indicated. Transnet SOC Ltd reserves the right to reject any or all offers.

**FAILURE TO OBSERVE ANY OF THE AFOREMENTIONED REQUIREMENTS
MAY RESULT IN A PROPOSAL BEING REJECTED**

12 DISCLAIMERS

Respondents are hereby advised that Transnet SOC Ltd is not committed to any course of action as a result of its issuance of this RFP and/or its receipt of a Proposal in response to it. In particular, please note that Transnet SOC Ltd reserves the right to:

- 12.1 modify the RFP's Goods and request Respondents to re-bid on any changes;
- 12.2 reject any Proposal which does not conform to instructions and specifications which are detailed herein;
- 12.3 disqualify Proposals submitted after the stated submission deadline;
- 12.4 not necessarily accept the lowest priced Proposal;
- 12.5 reject all Proposals, if it so decides;
- 12.6 award a contract in connection with this Proposal at any time after the RFP's closing date;
- 12.7 award only a portion of the proposed Goods which are reflected in the scope of this RFP;
- 12.8 split the award of the contract between more than one Supplier;
- 12.9 make no award of a contract; or
- 12.10 withdraw this RFP at any point.

Respondent's Signature

Date & Company Stamp

In addition, Transnet SOC Ltd reserves the right to exclude any Respondent from the bidding process who has been found guilty by a court of Law, Tribunal or other administrative body of a serious breach of Law during the preceding 5 years. Such breaches include but are not limited to breaches of the Companies Act 89 of 1998. Respondents are required to indicate in Section 13 whether the bidding entity or any of its directors or members were found guilty of a serious breach of law during the past 5 years. Such breaches exclude relatively minor offences and/ or misdemeanours such as traffic offences etc.

This RFP contains a limited selection of key, indicative commercial, technical and legal terms on which Transnet SOC Ltd proposes to purchase the locomotives contemplated in this RFP. The decision by Transnet SOC Ltd to award the tender to a bidder through its internal processes and governance structures and any commitment from Transnet SOC Ltd is, in each case, subject to and will only be completed upon the signing of a set of mutually satisfactory procurement agreements between the parties (substantially in the form of the draft supply contract and supporting documents included in Section 8 of this RFP). In the absence of such signed agreements, Transnet SOC Ltd will not be bound by an interim step in the process (including but not limited to a decision by its Acquisition Council to appoint a bidder as the preferred bidder or to award such tender to a specific bidder, as the case may be).

Please note that Transnet SOC Ltd will not reimburse any Respondent for any preparatory costs or other work performed in connection with this Proposal, whether or not the Respondent is awarded a contract.

13 PUBLIC FINANCE MANAGEMENT ACT (PFMA)

13.1 This RFP is subject to Section 54 (2) PFMA approval being obtained by Transnet SOC Ltd.

14 LEGAL REVIEW

Any Proposal submitted by a Respondent is subject to review by Transnet SOC Ltd's Legal Counsel.

Respondents to complete this section:

NAME OF RESPONDENT

PHYSICAL ADDRESS

Respondent's Signature

Date & Company Stamp

Respondent's contact person

Name.....

Designation.....

Telephone.....

Cell Phone.....

Facsimile.....

Email.....

Website.....

**Transnet SOC Ltd urges its clients, suppliers and the general public
to report any fraud or corruption on the part of Transnet SOC Ltd employees to**

TIP-OFFS ANONYMOUS : 0800 003 056

Respondent's Signature

Date & Company Stamp

**RFP FOR THE SUPPLY OF
95 NEW ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) BY MARCH 2014**

Section 2: BACKGROUND, OVERVIEW AND SCOPE OF REQUIREMENTS

15 BACKGROUND

The South African railway network is operated by Transnet Freight Rail (TFR) which is an Operating Division of Transnet, a State Owned Company (SOC).

Estimates show that TFR has a shortage of both Heavy Haul as well as GFB type electric locomotives. In addition to this shortage, TFR intends to increase traffic through the main corridors within the next 5 (five) years.

TFR wishes to significantly modernise and upgrade its current fleet of electric locomotives. These locomotives, many of which have seen nearly 30 years of service, cannot guarantee the degree of reliability and availability needed to provide the level of customer service TFR is aspiring to deliver. Much of this fleet is therefore in need of replacement.

In addition, recent investment in the railway infrastructure in South Africa and improvements in operating efficiency has meant that the volume of freight traffic being carried by TFR has increased considerably and this trend looks to continue into the medium and longer term.

As a result of the above, TFR has a requirement to procure new locomotives in the short, medium and long term.

16 LOCOMOTIVE FLEET STRATEGY

The aim of this RFP is to elicit bids from locomotive suppliers for the proposal to supply electric locomotives (the **Locomotives**) in such a way so as to contribute sufficient tractive effort to support TFR's growing General Freight traffic projections in the most cost effective manner.

In the longer term it is Transnet SOC Ltd's intention to engage in a programmatic locomotive acquisition program.

17 EXECUTIVE OVERVIEW

Transnet SOC Ltd is seeking a partner(s) to provide solutions for its division. It also seeks to improve its current processes for providing these Goods to its end user community throughout its locations.

The selected Supplier(s) will share in the mission and business objectives of Transnet SOC Ltd. These mutual goals will be met by meeting contract requirements and new challenges in an environment of teamwork, joint participation, flexibility, innovation and open communications. In this spirit of partnership, Transnet SOC Ltd and its Supplier(s)

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will study the current ways they do business to enhance current practices and support processes and systems. Such a partnership will allow Transnet SOC Ltd to reach higher levels of quality, service and profitability.

Specifically, Transnet SOC Ltd seeks to benefit from this partnership in the following ways:

- 17.1 Transnet SOC Ltd must receive reduced cost of acquisition and improved service benefits resulting from the Supplier's economies of scale and streamlined service processes.
- 17.2 Transnet SOC Ltd must achieve appropriate availability that meets user needs while reducing costs for both Transnet SOC Ltd and the chosen Supplier(s).
- 17.3 Transnet SOC Ltd must receive proactive improvements from the Supplier with respect to supply of Goods and related processes.
- 17.4 Transnet SOC Ltd's overall competitive advantage must be strengthened by the chosen Supplier's leading edge technology and service delivery systems.
- 17.5 Transnet SOC Ltd end users must be able to rely on the chosen Supplier's personnel for service enquiries, recommendations and substitutions.
- 17.6 Transnet SOC Ltd must reduce costs by streamlining its acquisition of goods, including managed service processes on a Group basis.
- 17.7 Transnet SOC Ltd's overall Supplier Development (CSDP, ED) & BBBEE objectives must be achieved through innovative procurement strategies
- 17.8 Transnet SOC Ltd's objective is for respondents to enhance transformation through the Further Recognition Criteria

18 SCOPE OF REQUIREMENTS

This RFP is issued for the acquisition of 95, Electric Locomotives, to be delivered and fully operational according to the specification by March 2014. We are therefore requesting potential suppliers to provide us with their best solution to meet this aggressive delivery schedule. Detailed specifications are attached as per Annexure C.

Respondents are required to indicate their preferred major SD subcontractor responsible for assemble of Locomotive manufacturing of bogies, under frame and cabs. However, should respondents choose to use Transnet Rail Engineering (TRE) as a subcontractor a specimen contractor agreement is available on request.

In alignment with the requirements of the NGP to reduce the carbon intensity of the economy, respondents are required to provide a plan around how Transnet SOC Ltd can contribute to reducing the effects of climate change through these locomotives. This plan should include improvement items such as, but not limited to, increased energy efficiency of the locomotives, increased power regeneration abilities, the manner in which the respondent will develop the local supplier industry for green technologies and manners in which the power grid can be optimised etc.

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Transnet Freight Rail (TFR) develops and uses simulators at its School of Rail and at other geographical locations in South Africa. These simulators are designed to be exact replicas of the locomotive cabins in the locomotives that will be supplied by the successful Bidder. TFR appoints external companies to develop the various components that make up the simulator, such as the hardware and the software components. In order to do this, the external companies require information about every aspect of the locomotive being supplied, including but not limited to technical information, drawings, and characteristics of the locomotives in different operating conditions. This is in order to develop a simulator that simulates the locomotive supplied as far as is technologically possible and physically capable of being simulated.

It shall be a legally binding obligation of the successful Bidder to co-operate with and assist the simulator development companies appointed by TFR to develop the simulators by providing the necessary documentary information relating to the locomotive to them, its professional expert's time to advise on the various stages of development and whether the simulations developed are suited to the locomotives being supplied, and any other assistance that may be required to develop the simulator. This shall be at no extra charge to TFR, except for where travelling and subsistence are required, TFR shall bear the costs of these in terms of its prevailing policies and rates allowed for such travelling and subsistence. The successful Bidder shall provide all intellectual property that it has provided to TFR, to the simulator developers for the purposes of developing the simulator.

18.1 GUIDING PRINCIPLES

The Respondents are to take the following guiding principles in consideration when compiling their responses:

- 18.1.1 The responses must be strictly in accordance with the technical specification.
- 18.1.2 Maximum standardisation is required of all sub-systems irrespective of the type of proposed locomotives. By implication, a common source of supply is preferred but shall be evaluated on a cost to TFR basis.
- 18.1.3 A long term (life of the fleet) localised service commitment from the successful Respondent is required for -
 - a. a guaranteed spares supply;
 - b. Continuous technological upgrades to constantly reduce costs and increase efficiencies. The design philosophy must thus cater for future technological changes;
 - c. The development of and continuous amendments to the maintenance plans to guarantee the performance requirements and thereby reduce costs; and
 - d. Continuous specialized training as required by Transnet SOC Ltd

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18.2 SPECIFICATIONS

Annexure C attached herewith outlines TFR's desired outcomes required from the locomotives and standardised technical requirements. These specifications and the additional worksheets are designed to assist the Respondents in choosing the best overall solution that will meet TFR's needs.

However, TFR recognises that Respondents may feel able to deliver a better overall solution that meets TFR's objectives without meeting all of the essential requirements. Failure to meet an essential requirement therefore may not lead to a response being deemed non-compliant and being rejected, provided that a satisfactory alternative is provided. Respondents should note that a failure to meet an essential requirement, without providing a satisfactory alternative, may attract a negative score in the evaluation process. Conversely, exceeding an essential requirement may have a positive score during evaluation.

18.3 INSTRUCTIONS TO COMPLETE SPECIFICATION (ANNEXURE C)

- Do not add extra columns rows in the spreadsheet.
- Do not change the clause wording.
- If fully compliant please use the words "Full Compliance" exactly, under the compliance level column.
- If partially compliant please use the words "Partial Compliance" exactly, under the compliance level column.
- If not compliant please use the words "Non Compliance" exactly, under the compliance level column.
- For all instances where the response is "non compliance", please provide comments.
- If there is a feature of the proposed solution that is not listed on the spreadsheet, please provide the details and potential benefits to TFR of the feature.

19 GENERAL INFORMATION

19.1 The Supplier(s) shall be fully responsible to Transnet SOC Ltd for the acts and omissions of persons directly or indirectly employed by them.

19.2 The Supplier(s) must provide the information requested and comply with the requirements stated in this RFP.

20 MANUFACTURERS

The Respondents must state hereunder the actual manufacturer(s) of the components used to build the required locomotives:

20.1 LOCAL MANUFACTURER(S):

ITEM NO.

NAME

ADDRESS (IN FULL)

Respondent's Signature

Date & Company Stamp

20.2 FOREIGN MANUFACTURER(S):

ITEM NO.	NAME	ADDRESS (IN FULL)

A separate schedule should be submitted should the space above be inadequate.

21 SUPPLIER

The Respondents must state the actual name(s) and address/addresses of the suppliers of the Goods for inspection purposes only:

21.1 LOCAL MANUFACTURER(S):

ITEM NO.	NAME	ADDRESS (IN FULL)

21.2 FOREIGN MANUFACTURER(S):

ITEM NO.	NAME	ADDRESS (IN FULL)

22 IMPORTED CONTENT

The Respondents must state hereunder the value and percentage of the imported content of all the locomotive components (as per the Imported and Local content definitions in Annexure A, Glossary of Words) as well as the country of origin in respect of each item tendered for:

ITEM NO. / DESCRIPTION.	VALUE	% COST	COUNTRY OF ORIGIN

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Note: Where more than one country is applicable to one item, the Respondents must furnish this information separately.

23 EXCHANGE AND REMITTANCE

The attention of the Respondents is directed to clause 7 (*Exchange and Remittance*) of the General Tender Conditions Form CSSS. The Respondent is also to note that the particulars of the exchange rate/s on which the Respondent has based its tendered price(s) in respect of the imported portion, is/are to be stipulated hereunder, to enable Transnet SOC Ltd to calculate an overall Rand price

23.1 ZAR 1.00 (South African currency) being equal to _____ (foreign currency)

23.2 _____ % in relation to tendered price(s) to be remitted overseas by Transnet SOC Ltd

23.3 _____ (Name of country to which payment is to be made)

23.4 Beneficiary details:

23.5 Name (Account holder) _____

Bank (Name and branch code) _____

Swift code _____

Country _____

23.6 _____ (Applicable base date of Exchange Rate used)

Respondents should note that Transnet SOC Ltd's preferred form of remittance would be in Rands.

24 NATIONAL RAILWAY SAFETY REGULATOR ACT

In compliance with the National Railway Safety Regulator Act, 16 of 2002, the successful Respondent (**the Supplier**) shall ensure that the Goods to be supplied to Transnet SOC Ltd, under the terms and conditions of a contract between the parties, comply fully with the specifications as set forth in Section 10 (Specifications and Drawings) of this RFP, and shall thereby adhere to railway safety requirements and/or regulations (as applicable). Permission for the engagement of a subcontractor by the Supplier, as applicable, both initially and during the course of a contract, shall be subject to a review of the capability of the proposed subcontractor to comply with the specified railway safety requirements and/or regulations. The Supplier and/or its subcontractor shall grant Transnet SOC Ltd access, during the term of the contract, to review any safety-related activities, including the coordination of such activities across all parts of the organisation.

Accepted:

YES	
-----	--

NO	
----	--

Respondent's Signature

Date & Company Stamp

25 SERVICE LEVELS

- 25.1 The Respondent will make available experienced national account representative/s and technical representatives to work with Transnet SOC Ltd's sourcing/procurement and technical departments (no sales representatives are needed for individual department/locations). Additionally, there shall be a minimal number of people, fully informed and accountable for this agreement.
- 25.2 Transnet SOC Ltd will have quarterly reviews with the Supplier's account representative on an ongoing basis.
- 25.3 Transnet SOC Ltd expects a minimum availability of 95% and a maximum of 15 faults per million kilometres for the fleet
- 25.4 Transnet SOC Ltd reserves the right to request that any member of the Supplier's team involved on the Transnet SOC Ltd account be replaced if deemed not to be adding value for Transnet SOC Ltd.
- 25.5 Supplier must provide a toll-free number or alternative number for customer service calls.
- 25.6 Failure of the Supplier to comply with stated service level requirements will give Transnet SOC Ltd the right to cancel the contract in whole, without penalty, giving 30 (thirty) days' notice to the Supplier.

Acceptance of Service Levels:

YES	
-----	--

NO	
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26 CONTINUOUS IMPROVEMENT INITIATIVES

- 26.1 Respondents shall indicate whether they would be committed, for the duration of any contract which may be awarded through this RFP process, to participate with Transnet SOC Ltd in its continuous improvement initiatives to reduce the overall cost of transportation services and related logistics provided by Transnet SOC Ltd's operating divisions within South Africa, to the ultimate benefit of all end-users.

Accepted:

YES	
-----	--

NO	
----	--

If "yes", please specify details in 27.2 below.

- 26.2 Respondents must briefly describe their commitment to the continuous improvement initiatives and give examples of specific areas and strategies where cost reduction initiatives can be introduced. Specific areas and proposed potential savings percentages should be included. Additional information can be appended to the Respondent's Proposal if there is insufficient space available.

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.....

.....

Respondent's Signature

Date & Company Stamp

27 RISK

Respondents must elaborate on the control measures put in place by their company, which would mitigate the risk to Transnet SOC Ltd pertaining to potential non-performance by a Supplier, in relation to -

27.1 Quality and specification of Goods delivered:**27.2 Continuity of supply:****27.3 Compliance with the Occupational Health and Safety Act, 85 of 1993:****27.4 Compliance with the National Railway Safety Regulator Act, 16 of 2002 (refer clause 25 above):**

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28 REFERENCES

Please indicate below the company names and contact details of existing customers whom Transnet SOC Ltd may contact to seek third party evaluations of your current service levels:

Name of Company	Contact Person	Telephone Number

29 EVALUATION CRITERIA

Transnet SOC Ltd will utilise the following criteria in selecting a preferred Supplier, if so required:

29.1 STAGE ONE

- a) **B-BBEE Rating [Refer Section 1, clause 6]**
 - Evaluated according the B-BBEE Accreditation scorecard
- b) **Supplier Development Bid Document and SD Commitment [Refer Section 1, clause 5 plus Annexures A & B1/B2]**
 - Industrialisation
 - Localisation
 - Sustainability/ Technology and IPR transfers
 - New skills development
 - Job creation and/or preservation
 - Small business promotion
 - Rural development and regional Integration
 - Green economy and carbon reduction initiatives

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- Further Recognition *[Refer Section 1, sub-clause 6.4]*
 - Ownership
 - Management control
 - Employment equity
 - Enterprise Development
 - Preferential Procurement
 - Other SD Initiatives/ Interventions
- c) Green economy / carbon footprint: Whereas Transnet SOC Ltd cannot prescribe a Respondent's commitment to environmental issues; Transnet SOC Ltd would wish to have an understanding of your company's position in this regard.

An overall minimum threshold of 60% for Stage one evaluation criteria must be met or exceeded for a Respondent's proposal to progress to Stage Two (Technical Capabilities)

29.2 STAGE TWO

- d) **Technical Capabilities** *[Annexure C]*
- Technical specification - The extent to which the locomotives offered meet or exceed the specified technical requirements
 - Fleet Availability - refer to Annexure C for definition
 - Mission Reliability - Expressed in terms of failures per million km where a failure would result in the Locomotive not completing its mission.
 - Maintainability - Refer to maintainability requirements in Annexure C
 - Control measures to mitigate Transnet SOC Ltd's risk exposure *[Refer Section 2, clause 28 above]*

An overall minimum threshold of 80% for Stage Two (Technical Capabilities) evaluation criteria must be met or exceeded for a Respondent's proposal to progress to Stage Three (Price) .

29.3 STAGE THREE

- a) **Financial** *[Refer Section 3]*
- Commercial offer, as indicated in Section 3
 - Price per locomotive (excluding VAT) excluding any hedging costs and separate price per locomotive including hedging costs

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Date & Company Stamp

- Total Cost of Ownership (Lifecycle Cost) - Refer to requirements in Annexure I
 - Direct and indirect costs in acquiring, operating, maintaining and spares inventory, including the cost of software required for train driver training simulators.
 - Lifecycle cost must be based on fitment of new componentry. A detailed list and cost of components fitted at midlife interventions must be supplied.
- Company's financial stability
 - Proposed delivery schedule. The delivery time in weeks/ months for the first order of locomotives from the time of the official order placement until the last locomotive has arrived at the depot specified to commence commissioning, (not to exceed March 2014)
 - Proposed payment terms
 - Proposed Warranties & Guarantees. Expressed in number of months from hand over and includes time to repair defects under warranty
 - Contractual compliance (refer draft supply contract appended as Annexure E)
- b) **B-BBEE Rating** [Refer Section 1, clause 6] and **Future Recognition Indicators** [Refer Section 1, sub-clause 6.4 and Annexure B2]
- c) **Supplier Development Bid Document and SD Commitment** [Refer Section 1, clause 5 plus Annexures A & B1]

30 TECHNICAL DISQUALIFYING/UNRESPONSIVE "CRITERIA"

- An overall minimum threshold of 60% for Stage One (Supplier Development and BBBEE) evaluation criteria must be met or exceeded for a Respondent's proposal to progress to Stage Three
- An overall minimum threshold of 80% for Stage Two (Technical capabilities) evaluation criteria must be met or exceeded for a Respondent's proposal to progress to Stage Three
- Non compliance to technical information requirements will be considered as a disqualifying response.
- 100% technical compliance is required for all mandatory items
- A 100% response is required for all technical essentials and desirables
- Respondents who's proposal do not meet required delivery date will be deemed to be unresponsive

Respondent's Signature

Date & Company Stamp

**RFP FOR THE SUPPLY OF
95 NEW ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) BY MARCH 2014**

Section 3: FINANCIAL OFFER & OTHER PERTINENT INFORMATION

31 FINANCIAL OFFER

- 31.1 Locomotives must be on a delivered price basis in accordance with INCOTERMS 2010 DDP as per the draft Supply Agreement. RFP's for supply on any other basis of delivery are liable to disqualification. The delivery schedule provided by the Respondent must be inclusive of all non-working days or holidays, and of periods occupied in commissioning and formal acceptance of the locomotives.
- 31.2 Transnet SOC Ltd is anticipating a milestone structure of: 10% prepayment upon receipt of a confirmed delivery schedule and remaining payment per acceptance subject to retention. The Respondent will be required to secure an Advanced Payment Guarantee and Parent Company Guarantee. The issuer of the Advance Payment Guarantee must have at least a long term credit rating of A- (Fitch or equivalent) and the issuer should be pre-agreed with Transnet SOC Ltd.
- 31.3 Transnet SOC Ltd will require that the successful Respondent (the "Supplier") posts an "on-demand" Performance Bond(s) (on terms satisfactory to Transnet SOC Ltd and for such amount as Transnet SOC Ltd may agree) covering (i) the obligations of the Supplier in relation to the agreed "in-service" availability and reliability targets of the locomotives and (ii) the Supplier's obligations in relation to its Supplier Development commitments (as provided in its SD Plan) and its B-BBEE commitments (as provided in its Further Recognition Criteria Document). Transnet SOC Ltd may require the Supplier to provide one or more Performance Bonds in respect of the above commitments.
- 31.4 Transnet SOC Ltd requires that the Respondent provide an outline of performance guarantees (e.g., penalties) for the following Events:
- (i) Pre-production delays
 - (ii) Post-production / shipment delays
 - (iii) Performance (Reliability / Availability)
 - (iv) Defect Liability
 - (v) Availability of Spares
 - (vi) Breach and Termination(100%cover)

Respondent's Signature

Date & Company Stamp

31.3 The Respondent should note that where the whole or a portion of the contract or order value is to be remitted overseas, TFR shall, if requested to do so by the Supplier, effect payment overseas direct to the principal or Supplier of such percentage of the contract or order value as may be stipulated by the Respondent in its RFP Documents and any variation in the amount to be so paid, which may arise as a result of fluctuations in the rate of exchange involved, may be for the account of the Respondent. Transnet SOC Ltd requires that the Respondent provide the following:

- (i) The manner in which the Respondent will address the risk of future movements in exchange rates, including a description of any exchange rate hedging strategy.
- (ii) The method for determining each projected exchange rate. All exchange rates included should be readily verifiable by TFR. The Respondent should identify the source information used in determining each projected exchange rate (which must be publicly available), and provide clear assumptions / calculations showing how the rate used has been derived.
- (iii) The same method used in the submission will be applied in determining exchange rates at Financial Close for each financing.
- (iv) Respondents must separately disclose the cost of any hedges included in the price offered

Respondents should note that Transnet SOC Ltd's preferred form of remittance would be in Rands.

31.4 Transnet SOC Ltd can if necessary establish with an export credit agency (ECA) an umbrella loan facility. The Respondent acknowledges the right of TFR to use ECA supported funding for this project. ECA funding will need to be executed in a manner acceptable to TFR. If, for whatsoever reason, ECA support is not in place in a timely manner, TFR reserves the right to make payments from other sources on the full understanding that any payments made by TFR will still be reimbursed from the Export Credit facility at a later point in time. Should the ECA require the Respondent to assist TFR in executing the funding application, the Respondent agrees to do so.

31.5 Transnet SOC Ltd reserves the right to use any other source of funding available in the market.

31.6 Alternately, in developing an optimal value for money solution, TFR will entertain a financing solution proposal from the Respondent. The Respondent may provide a description of any alternate finance solution noting the potential value for money benefits.

31.7 The costs of acquiring the software required for train driver training simulators must be quoted for separately or as a value add.

Respondent's Signature

Date & Company Stamp

32 General

Transnet Freight Rail (TFR) a division of Transnet SOC Ltd must procure locomotives to meet its obligations with regards to increased demand for rail traffic services from its clients.

This section gives an overview of the financial requirements in order to enable TFR to perform a rigorous financial assessment of the various Respondents' capabilities. Respondents are required to provide all the information set out in Sections A, B and C below. Should any information not be provided, it could lead to the Respondent's disqualification in the final analysis.

32.1 Instructions to the Respondents

- Complete the following document (Section A, B and C) to the best of your ability
- Cross reference all pertinent attachments
- Have the documents certified as true and accurate by your auditors
- Return with the bid documents

32.2 Financing and Level of Commitment

Respondents should be aware that due to the administrative and cost burden of advance payment guarantees (APGs), TFR would prefer a payment schedule that only requires an advance payment of 10% of the total contract price. Thus Respondents should provide for receipt of payment only on acceptance, with concomitant retentions in favour of TFR, including performance bonds and warranty provisions.

Should any Special Purpose Vehicle (SPV) be formed to execute the project, then such duties and obligations which would normally be incurred by the parent companies will become the onus of the SPV. In view of this it is imperative that the SPV's financial strength and viability be demonstrated through a rigorous completion of the information in the tables below as would be done for the parent companies.

32.3 Procurement price risk

As outlined in the bid background document, Respondents will be required to price in line with the following options:

- Fixed pricing
- Escalation based pricing.
- Indexation formulas used in pricing calculations

Note that TFR prefers a fixed price contract

Respondent's Signature

Date & Company Stamp

The following information is required to be supplied by all Respondents. Where the response is too large for the space provided, the table can be allowed to flow over to the next page or referenced attachments can be provided.

SECTION 3 -A: General

Section	Required Information	To be completed / provided as required
1	General Information:	
1.1	Contractors Name	
1.2	Registration Number	
1.3	Physical Address	
1.4	Postal Address	
1.5	Telephone Number(s)	
1.6	Telefax Number	
1.7	E-mail Address	
1.8	Web Page	
1.9	Years in Business	
1.10	Shareholders Details	
1.11	Company Structure(e.g. Holding Co. with subsidiaries etc)	
1.12	Organogram	
1.13	CV's of Key Staff	
1.14	Business & Marketing Strategy	
2	Facilities/Equipment/Software-indicate Owned or Leased:	
2.1	Offices	
2.2	Premises	
2.3	Landlord	
2.4	Computer Equipment	
2.5	Standard Software	
2.6	Customised Software	

Respondent's Signature

Date & Company Stamp

Section	Required Information	To be completed / provided as required
3	Financial:	
3.1	Bank	
3.2	Address	
3.3	Contact Person	
3.4	Permission for Bank Reference	
3.5	Aggregate Turnover last Three Years	
3.6	Annual Reports Available for Review	

Section	Required Information	To be completed / provided as required
3.7	Auditors	
3.8	Factor Accounts	
3.9	Debtors Book	
3.10	Bank Overdraft	
3.11	Present Borrowings	
3.12	Assets	
3.13	Liabilities	
3.14	Contingent Liabilities	
3.15	Legal Disputes	
3.16	Insurance	
3.17	Professional Indemnity	

SECTION 3-B: Measures

Respondents are required to complete the following table with the information requested. All information is compulsory and any information not provided will result in the Respondent being excluded from the process. The necessary supporting documentation must be cross referenced to the second column below

 Respondent's Signature

 Date & Company Stamp

Information to be provided

Attached Proposal
Reference

(a) Pertinent Financial Statements:

1. All Respondents must provide all audited financial statements for the last three years and for any quarters subsequent to that, to enable TFR to run typical financial ratios and analyses	
2. Total revenue generated by Transnet SOC Ltd's business for each of the last three years	
3. List names and revenue generated by your top 5 customers for each of the last three years	
4. A copy of your latest rating report	

(b) Financing track record:

Respondents are required to -

1. Provide a complete breakdown of proposed financing structure	
---	--

Information to be provided

Attached
Proposal
Reference

2. Deliverability of Financing Structure 2.1. Show where a similar financing structure has previously been shown to be deliverable in similar circumstances; or 2.2. Explain why the financing plan is deliverable on this transaction.	
3. Highlight the risks to which Transnet SOC Ltd could be exposed in implementing this structure.	

(c) Strength of approvals:

Should any Special Purpose Vehicle (SPV) be formed the level of commitment should be demonstrated by providing the following documents:

1. Board minutes from all equity investors committing to subscribe equity, including third party equity investors, evidencing adequate funds are available and their willingness to provide funding on the terms set out in the Equity Documents required to be submitted	
2. Where any future injection of equity is to be guaranteed by the Respondent's parent company or a bank, a copy of the commitment from either the parent company/ bank stating that the necessary credit lines are available.	
3. Letters from the underwriting banks, monoline insurers and other financial institutions (if applicable) offering underwriting of the full debt facilities or financial guarantees to the Bidder on the basis of detailed term sheets and a detailed plan for achieving full underwriting of the whole financing in the next stage of the procurement and prior to the appointment of	

Respondent's Signature

Date & Company Stamp

preferred Bidder on the terms proposed.	
4. Evidence of credit committee approvals or financial guarantees for all forms of debt funding explicitly stating the extent to which and conditions on which funds are committed and indicating the level of completeness of financier due diligence and the extent of due diligence that will be carried out prior to the appointment of a Preferred Bidder, including the overall scope and timetable of financier due diligence up to appointment of a Preferred Bidder.	
5. A letter from the Respondent's financial advisors stating that the proposed funding structure is realistic and achievable and that the financing proposals are sufficient to enable the Bidder to meet its obligations under the attached proposal.	

Information to be provided	Attached Proposal Reference
In the event of contracting directly with the Respondent the following is required:	
1. Evidence of credit committee approvals or financial guarantees for all forms of debt funding explicitly stating the extent to which and conditions on which funds are committed and indicating the level of completeness of financier due diligence and the extent of due diligence that will be carried out prior to the appointment of a Preferred Bidder, including the overall scope and timetable of financier due diligence up to appointment of a Preferred Bidder.	
2. A letter from the Respondent's financial advisors stating that the proposed funding structure is realistic and achievable and that the financing proposals are sufficient to enable the Bidder to meet its obligations under the attached proposal.	

(d) Equity:

Respondents must submit the following information for each major type of equity -	
1. Identity and credit status of the investors with a shareholding greater than 10 percent.	
2. Amounts subscribed or to be subscribed by each investor.	
3. Timing of injection of equity.	
4. Where equity holders are a company, joint venture, trust, or other form of interposed entity, a description of the relationship of the beneficial interests to its holding company.	
5. A summary of the commercial terms attaching to the equity financing arrangements including: <ul style="list-style-type: none"> a. minimum return requirement for each class of risk capital and the basis of any IRR calculations; b. details of arrangement, management, directors and commitment fees; c. terms and conditions of the subscription; d. coupon rights attaching to the subscription; e. dividend rights attaching to the subscription; f. dividend policy; g. voting rights attaching to the subscription; h. any other rights attaching to the subscription; i. terms and any other agreements between the investors in their capacity as investors in the Bidder; 	
6. The length of time each class of risk capital will remain in the Respondent	
7. Equivalent information is required for quasi-equity.	

Respondent's Signature

Date & Company Stamp

Information to be provided

Attached
Proposal
Reference**(e) Debt finance:**

Respondents must submit the following information for each class of debt finance -

1. Identity of the financiers.	
2. Amounts to be provided by each financier.	
3. Term sheets detailing all terms and conditions attaching to the financing arrangements including:	
a. Interest rates and margins	
b. fees;	
c. financial ratios and covenants (base case, lock up and default) explicitly stating the basis of calculation;	
d. default clauses;	
e. conditions precedent;	
f. guarantee structure and security required	
g. reserve requirements or other conditions on distribution;	
h. working capital requirements and how this will be financed; and	
i. Residual value assumptions (and the basis of the calculation).	
4. To the extent that the proposed financing structure incorporates financing of any description outside of the Bidder (for example external financing for, or prepayment of, the residual value of the fleet) the financial submission and financial model should provide sufficient detail so that the arrangements for this financing are transparent and can be understood by TFR.	
5. A letter from Lender/ ECA confirming support and terms of funding	

(f) Foreign Exchange Hedging strategy:

Respondents must provide the following details -

1. The manner in which the Respondent will address the risk of future movements in exchange rates to convert the proposed funding to ZAR.	
2. Details of any financial instruments which will be used to provide protection against such exchange rate movements, and the cost of such protection. This information should include a term sheet, a pricing quote and supporting forward curve (as at 11.00 a.m. Central African Time (CAT) on 23 RD JANUARY 2012.	

Respondent's Signature

Date & Company Stamp

Information to be provided

Attached
Proposal
Reference**(g) Insurance:**

Respondents should ensure transparency. Respondents are required to provide detailed insurance premium calculations and full details of associated project insurance related costs (e.g. Insurance "risk contingencies").

Respondents must include in their Proposal -

- | | |
|--|--|
| 1. A mark up of the Insurance arrangements in the SLA clearly identifying where: | |
| a. there will be full compliance with TFR's insurance requirements | |
| b. the Bidder proposes alternative solutions to satisfy TFR's requirements | |
| c. there are points of clarification required | |
| 2. Completed Insurance Cost and Technical Proforma. | |
| 3. A letter from the Bidder's Insurance adviser stating that the Insurance arrangements are achievable on the terms and prices included in the Respondents Proposal. | |

During post tender negotiations these rates will be compared to rates available to TFR and the Respondent will be requested to utilise the TFR facility should the rates prove to be more advantageous.

(h) Taxation:

Respondents must include in their Proposal -

- | | |
|---|--|
| 1. Advice from a specialist taxation advisor regarding the taxation implications of the proposal supported by adequate opinions and relevant precedents; especially with regards to Value added tax (VAT) and tax consequences of the proposed funding structure. | |
| 2. Strategy for obtaining the tax rulings required under the Import/Export Agreements if any; | |
| 3. Strategy for minimising the customs duty burden associated with the importation of components, parts or locomotives. TFR will not be responsible for the payment of any duties incurred by the preferred bidder as the onus is on the preferred bidder to ensure the locomotives are supplied duty free. | |
| 4. Setting up a bonded warehouse for spares | |

Respondent's Signature

Date & Company Stamp

SECTION 3-C: Cash Flow Prediction and Retentions Offered

1. The anticipated cash flow based on proposed contract price, delivery and final acceptance date to be given below.

[illegible]

The cash flow prediction shall in no way affect the terms of payment as stated elsewhere in this RFP document.

2. Retention Amounts Offered _____%, for period _____ months from _____

Respondent's Signature

Date & Company Stamp

SECTION 3-D: Financial projections

Respondents are required to submit in support of their submission the following:-

- a financial model for reflecting the Total Cost of Ownership (TCO) of the proposal (complete the attached excel spreadsheet model, Annexure I)
- a breakdown of base costs eg: set up costs, manufacturing costs etc.; and
- databook assumptions and instructions to support the financial model.

1. Financial model**1.1 Structure of financial model**

Respondents must submit financial models in accordance with the following requirements:

- (i) complete the attached excel spreadsheet model, Annexure I compatible with Microsoft Excel 2003;
- (ii) all amounts are to be in ZAR, rounded to the nearest 1 million ZAR;
- (iii) the financial model should be constructed in line with best practice, with the model constructed such that there is formula consistency across rows and columns where practical;
- (iv) redundant coding should be kept to a minimum;
- (v) the models must be dynamic i.e. contain and show all the formulae required to undertake all calculations;
- (vi) the models, together with all sheets and cells within the model should be unlocked (except where locked already by TFR) ;
- (vii) all model functions, formulae and linkages should be operational and no part of the model, including macros, should be password protected (unless the password is clearly provided for each level of protection), nor should any cells containing input or output data be hidden away from view in any way;
- (viii) separate financial projections should be provided for locomotive base costs and then separately the annual maintenance costs afterwards assuming year end of 30 March;
- (ix) cash flows are assumed to take place at the end of each period; and
- (x) in the event that there is a discrepancy between the financial model and the written Proposal the financial model will take precedence.

 Respondent's Signature

 Date & Company Stamp

1.2 Financial model inputs & outputs

Financial model inputs & outputs	Base Proposal Reference
As a minimum the financial models must include:	

(a) Investment data:

1. A monthly locomotive delivery and acceptance schedule (please use the spreadsheet provided, Annexure I)	
2. Analysis of bid costs (including professional fees) (please use the spreadsheet provided, Annexure I)	
3. Capital and operating cost assumptions (please use the spreadsheet provided, Annexure I)	
4. All and any assumptions (please use the spreadsheet provided, Annexure I)	
5. Non time based assumptions including financing costs, working capital, tax and accounting assumptions (please use the spreadsheet provided, Annexure I)	
6. The following nominal cash flows must be included (please use the spreadsheet provided, Annexure I) :	
a. Capital acquisition cost(separated into: (i) Base price ("off the shelf") (ii) Optional prices(to cater for functionalities not offered as part of base product)	
b. Maintenance cost (broken into constituent costs per intervention, e.g. labour, parts) based upon 14 million GTK's per month	
c. Engineering support cost	
d. Special tooling requirements	
e. Capital spares	
f. Consumables	
g. Energy costs (based upon 14 million GTK's per month and an electricity costs of 60 cents per kilowatt hour); and	
h. Any other relevant cost	
7. Fuel efficiency rates to be provided based on 14 million GTK's per month. Sensitivity to be provided based on varying work rate (notches 1-10 whichever applicable) and tonnages hauled. (please use the spreadsheet provided, Annexure I)	
8. Escalation formula used, where applicable to the operating costs (deviations from the requested South Africa CPT + 2%, and the reason therefore must be fully explained)	

(b) Funding data (where an alternate financing proposal is provided) (separately):

1. The Base Periodic Charge (Real)	
2. Assumptions on deposit and overdraft rates;	
3. Rates of Exchange used	
4. Taxation assumptions used	
5. Finance structure to cover a period of 20 years	

Financial model inputs & outputs	Base Proposal Reference
----------------------------------	-------------------------

(c) Financial model calculations:

The financial model calculations must include the following, on a locomotive and aggregate basis -	
1. Nominal payments monthly until delivery into Transnet SOC Ltd service of the final locomotive and annually (please use the spreadsheet provided)	
2. Funding schedules for each form of finance setting out drawdown, repayment amounts, interest payments, distributions and timing (separately where a funding proposal is provided);	
(d) Financial model outputs:	
The financial models must produce outputs including the following -	
1. The lifecycle cost evaluation spreadsheet model;	
2. Any other ratios which are considered relevant to the proposed financial structure;	
3. Any other specific outputs considered appropriate by the Respondent.	

Financial model databook

Respondents are required to provide databook assumptions and instructions supporting the financial models.

Information to be provided	Base Proposal Reference
(a) Financial model databook assumptions:	
The databook assumptions should include the following details as a minimum:	
1. A table of all inputs to the financial models with the cell reference and source;	
2. An explanation of the methodology used to generate the financial projections;	
3. Copies of source documents (e.g. construction cashflow) or a clear indication where these may be found elsewhere in the Respondent's Proposal;	
4. Copies of relevant market related financial screens, that detail the interest rates and exchange rates used in the calculation of the Proposal are to be provided. This should include the date and time of day (as specified) and information relating to whether the rates are monthly, bi-monthly, quarterly, semi-annual, annual or longer, and all necessary supporting information to document clearly the basis for determinations of the interest and exchange rates (deviations from the requested South African CPI + 2 %, and the reasons therefore must be fully explained);	

Respondent's Signature

Date & Company Stamp

**RFP FOR THE SUPPLY OF
95 NEW ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) BY MARCH 2014**

Section 4: PROPOSAL FORM

I/We _____
(name of company, close corporation or partnership)
of (full address) _____

carrying on business under style or title of (trading as) _____

represented by _____

in my capacity as _____

being duly authorised thereto by a Resolution of the Board of Directors or Members or Certificate of Partners, as the case may be, dated _____ a certified copy of which is annexed hereto, hereby offer to supply the above-mentioned Goods at the prices quoted in the schedule of prices in accordance with the terms set forth in the accompanying letter(s) reference _____ and dated _____ (if any) and the documents listed in the accompanying schedule of RFP documents (this "Proposal").

I/We accept that unless Transnet SOC Ltd should otherwise decide and so inform me/us in the letter of acceptance (the "Letter of Award"), I/we will be bound by this Proposal (and, if any, its covering letter and any subsequent exchange of correspondence).

I/We acknowledge that the RFP contains a limited selection of key, indicative commercial, technical and legal terms on which Transnet SOC Ltd proposes to purchase the locomotives contemplated in the RFP. The decision by Transnet SOC Ltd to award the tender to a bidder through its internal processes and governance structures and any commitment from Transnet SOC Ltd is, in each case, subject to and will only be completed upon the signing of a set of mutually satisfactory procurement agreements between the parties (substantially in the form of the draft supply contract and supporting documents included in Section 8 of the RFP) (the "Supply Agreements"). In the absence of such signed Supply Agreements, Transnet SOC Ltd will not be bound by an interim step in the process (including but not limited to a decision by its Acquisition Council to appoint a bidder as the preferred bidder or to award the tender to a specific bidder, as the case may be).

I/We further agree that if, after I/we have been notified of the acceptance of my/our Proposal, I/we fail to enter into the Supply Agreements if called upon to do so, or fail to commence the supply of Goods within 4 (four) weeks thereafter, Transnet SOC Ltd may, without prejudice to any other legal remedy which it may have, and at its sole discretion decide either to enter into negotiations with the next best ranked (or any other) respondent or alternatively, to call for fresh proposals. I /we further agree that

Respondent's Signature

Date & Company Stamp

Transnet SOC Ltd may recover from me/us any expense to which it may have been put in calling for Proposals afresh and/or having to accept any less favourable Proposal.

I/We accept that any contract resulting from this offer will be until March 2013 only; and agree to a penalty clause to be negotiated with Transnet SOC Ltd, which will allow Transnet SOC Ltd to invoke a penalty (details to be negotiated) against us should the delivery of the Goods be delayed due to non-performance by ourselves.

Unless otherwise agreed by Transnet SOC Ltd, the law of the Republic of South Africa shall govern the Supply Agreements. The *domicilium citandi et executandi* shall be a place in the Republic of South Africa to be specified by the Respondent hereunder, at which all legal documents may be served on the Respondent who shall agree to submit to the jurisdiction of the courts of the Republic of South Africa. Foreign Respondents shall, therefore, state hereunder the name of their accredited agent in the Republic of South Africa who is empowered to sign each Supply Agreement and any other document which may have to be entered into in the event of their Proposal being accepted and to act on their behalf in all matters relating to such agreements and documents.

Respondent to indicate the details of its *domicilium citandi et executandi* hereunder:

Name of entity _____

Facsimile _____

Address: _____

NOTIFICATION OF AWARD OF RFP

As soon as possible after approval to award the contract/s, the successful Respondent (the Supplier) will be informed of the acceptance of its Proposal. Unsuccessful Respondents will be advised in writing of the name of the successful Supplier and the reason as to why their Proposals have been unsuccessful, for example, in the category of price, delivery period, quality, B-BBEE status or for any other reason.

VALIDITY PERIOD

Transnet SOC Ltd desires a validity period of 6 (six) months (from closing date) against this RFP.

This RFP is valid until _____.

TAX (VAT) REGISTRATION NUMBER

The Respondent must state hereunder the registration number which is applicable to Value-Added Tax:

TAX CLEARANCE CERTIFICATE

Respondents are required to forward a valid copy of their company's Tax Clearance Certificate with their Proposal.

Indicate tax clearance certificate expiry date: _____

Respondent's Signature

Date & Company Stamp

BANKING DETAILS

BANK: _____

BRANCH NAME / CODE: _____

ACCOUNT HOLDER: _____

ACCOUNT NUMBER: _____

NAME(S) AND ADDRESS / ADDRESSES OF DIRECTOR(S) OR MEMBER(S)

The Respondent must disclose hereunder the full name(s) and address(s) of the director(s) or members of the company or close corporation (C.C.) on whose behalf the RFP is submitted.

- (i) Registration number of company / C.C. _____
- (ii) Registered name of company / C.C. _____
- (iii) Full name(s) of director/member(s) Address/Addresses ID Number/s

REGISTRATION CERTIFICATE

Respondents must submit a certified copy of their company's Registration Certificate with their Proposal.

CONFIDENTIALITY

All information related to any Supply Agreement, both during and after completion, is to be treated with strict confidence. Should the need however arise to divulge any information gleaned from provision of the Goods, which is either directly or indirectly related to Transnet SOC Ltd's business, written approval to divulge such information must be obtained from Transnet SOC Ltd.

DISCLOSURE OF PRICES TENDERED

Respondents must indicate here whether Transnet SOC Ltd may disclose their tendered prices and conditions to other Respondents:

YES	<input type="checkbox"/>	NO	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

PRICE REVIEW

The successful Respondent(s) will be obliged to submit to an annual price review. Transnet SOC Ltd will be benchmarking this price offering(s) against the lowest price received as per a benchmarking exercise. If the Respondent's price(s) is/are found to be higher than the benchmarked price(s), then the Respondent shall match or better such price(s) within 30 (thirty) days, - failing which the contract may be terminated at Transnet SOC Ltd's discretion or the particular item(s) or service(s) purchased outside the contract.

Respondent's Signature_____
Date & Company Stamp

RETURNABLE DOCUMENTS

Respondents are required to submit the following returnable documents with their responses (see √). All returnable documents must be submitted in duplicate plus a CD copy. All Sections, as indicated in the footer of each page, must be signed, stamped and dated by the Respondent:

Notice to Respondents – Section 1	√
Background overview – Section 2	√
Financial Offer & Other Pertinant Information – Section 3	√
Proposal Form – Section 4	√
Resolution of Board of Directors (Respondent's Representative) – Section 5	√
Certificate of Acquaintance with RFP Documents – Section 6	√
General Bid Conditions, Form CSS5 – Section 7	√
Draft Conditions of Contract – Section 8	√
Audited Financials for previous 3 years	√
Valid Tax Clearance Certificate	√
VAT and Company Registration Certificates	√
B-BBEE Accreditation Certificate	√
Vendor Application Form (VAF) – Annexure H	√
Certificate of attendance of Briefing Session – Section 9	√
Specifications and Drawings – Section 10	√
Non-Disclosure Agreement – Section 11 – Annexure F	√
RFP Declaration Form – Section 12	√
Breach of Law – Section 13	√
Annexure B 1 – Response to Supplier Development Questions	√
Annexure B2 – Further recognition development document	√
Annexure G – Bill of Material (BOM)	√
Annexure I - Financial TCO model	√
Reduction in carbon intensity plan	√

CONTINUED VALIDITY OF RETURNABLE DOCUMENTS

- The successful Respondents will be required to ensure that all returnable documents, including but not limited to its Tax Clearance Certificate and B-BBEE Accreditation Certificate, for the duration of any contract emanating from this RFP are valid.
- A failure by the Respondent to present Transnet SOC Ltd with renewals of such documents/certificates as and when they become due, may, in addition to any other rights and remedies of Transnet SOC Ltd, result in the termination of the Supply Agreements.
- Failure to furnish ALL returnable documents may lead to the disqualification.

Respondent's Signature

Date & Company Stamp

By signing the RFP documents, the Respondent is deemed to acknowledge that he/she has made himself/herself thoroughly familiar with all the conditions governing this RFP, including those contained in any printed form stated to form part hereof and Transnet SOC Ltd SOC Ltd will recognise no claim for relief based on an allegation that the Respondent overlooked any such condition or failed properly to take it into account for the purpose of calculating tendered prices or otherwise.

SIGNED at _____ on this _____ day of _____ 2011

SIGNATURE OF WITNESSES

ADDRESS OF WITNESSES

1 _____
Name _____

2 _____
Name _____

SIGNATURE OF RESPONDENT'S AUTHORISED REPRESENTATIVE:

NAME: _____

DESIGNATION: _____

Respondent's Signature

Date & Company Stamp

**RFP FOR THE SUPPLY OF
95 NEW ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) BY MARCH 2014**

Section 5: SIGNING POWER – RESOLUTION OF BOARD OF DIRECTORS

NAME OF COMPANY: _____

It was resolved at a meeting of the Board of Directors held on _____ that

FULL NAME(S)	CAPACITY	SIGNATURE
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

in his/her capacity as indicated above is/are hereby authorised to enter into, sign, execute and complete any documents relating to Tenders, Proposals and/or Agreements for the supply of Goods.

FULL NAME _____

SIGNATURE CHAIRMAN

FULL NAME _____

SIGNATURE SECRETARY

Respondent's Signature

Date & Company Stamp

**RFP FOR THE SUPPLY OF
95 NEW ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) BY MARCH 2014**

Section 6: CERTIFICATE OF ACQUAINTANCE WITH RFP DOCUMENTS

NAME OF COMPANY:

I/We _____
do hereby certify that I/we acquainted myself/ourselves with all the documentation comprising this RFP and all conditions contained therein, as laid down by Transnet SOC Ltd for the carrying out of the proposed supply/service/works for which I/we submitted my/our response.

I/We furthermore agree that Transnet SOC Ltd shall recognise no claim from me/us for relief based on an allegation that I/we overlooked any RFP/contract condition or failed to take it into account for the purpose of calculating my/our offered prices or otherwise.

SIGNED at _____ on this _____ day of _____ 2011

SIGNATURE OF WITNESS

SIGNATURE OF RESPONDENT

Respondent's Signature

Date & Company Stamp

**RFP FOR THE SUPPLY OF
95 NEW ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) BY MARCH 2014**

Section 7: GENERAL TENDER CONDITIONS - GOODS

Refer General Tender Conditions attached hereto as Annexure D



Respondent's Signature

Date & Company Stamp

**RFP FOR THE SUPPLY OF
95 NEW ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) BY MARCH 2014**

**Section 8 DRAFT SUPPLY CONTRACT AND SUPPORTING DOCUMENTS
FOR THE SUPPLY OF GOODS TO TRANSNET SOC LTD**

Refer Draft Supply Contract attached hereto as Annexure E

**Respondents should note the obligations as set out in
clause 24 (Terms and Conditions of Tender)
of the General Tender Conditions (RFP Section 7) which reads as follows:**

"The Supplier shall adhere to the Draft Supply Contract, a copy of which is attached hereto. Should the Respondent find any conditions unacceptable, it should indicate which conditions are unacceptable and offer alternatives. Please note that any alternative offered shall be compared with acceptance of the draft supply contract conditions or alternatives offered by other Respondents, except penalties for late deliveries, the exclusion of which may disqualify the RFP, save where indicated otherwise by Transnet SOC Ltd."

Respondent's Signature

Date & Company Stamp

**RFP FOR THE SUPPLY OF
95 NEW ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) BY MARCH 2014**

Section 9: CERTIFICATE OF ATTENDANCE OF BRIEFING SESSION

It is hereby certified that –

1. _____

2. _____

Representative(s) of _____ (name of company)
attended the briefing session in respect of the proposed Goods to be rendered in terms of this RFP on
_____ 2012

TRANSNET SOC LTD'S REPRESENTATIVE

RESPONDENT'S REPRESENTATIVE

DATE _____

DATE _____

Respondent's Signature

Date & Company Stamp

**RFP FOR THE SUPPLY OF
95 NEW ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) BY MARCH 2014**

Section 10: TECHNICAL SPECIFICATIONS & DRAWINGS

[See Annexure C]

Note that Drawings are only provided in soft copy & these drawings are included in the CD issued with this RFP



Respondent's Signature

Date & Company Stamp

**RFP FOR THE SUPPLY OF
95 NEW ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) BY MARCH 2014**

Section 11: NON-DISCLOSURE AGREEMENT (NDA)

Complete and sign the Non-Disclosure Agreement attached hereto as Annexure F



Respondent's Signature

Date & Company Stamp

**RFP FOR THE SUPPLY OF
95 NEW ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) BY MARCH 2014**

Section 12: RFP DECLARATION FORM

NAME OF COMPANY: _____

We _____ do hereby certify that:

- 1 Transnet SOC Ltd has supplied and we have received appropriate responses to any/all questions (as applicable) which were submitted by ourselves for bid clarification purposes;
- 2 we have received all information we deemed necessary for the completion of this Request for Proposal (RFP);
- 3 at no stage have we received additional information relating to the subject matter of this RFP from Transnet SOC Ltd sources, other than information formally received from the designated Transnet SOC Ltd contact(s) as nominated in the RFP documents;
- 4 we are satisfied, insofar as our company is concerned, that the processes and procedures adopted by Transnet SOC Ltd in issuing this RFP and the requirements requested from respondents in responding to this RFP have been conducted in a fair and transparent manner; and
- 5 furthermore, we declare that a direct family, business or social relationship exists between a family member and/or an owner / member / director / partner / shareholder/ senior manager of our company and an employee or board member of the Transnet SOC Ltd Group as indicated below: *[Respondent to delete this section if not applicable]*

FULL NAME OF OWNER/MEMBER/DIRECTOR/
PARTNER/SHAREHOLDER:

ADDRESS:

Indicate nature of relationship with Transnet SOC Ltd:

[Failure to furnish complete and accurate information in this regard may lead to the disqualification of a response and may preclude a Respondent from doing future business with Transnet SOC Ltd]

Respondent's Signature

Date & Company Stamp

- 6 We declare, to the extent that we are aware or become aware of any relationship between ourselves and Transnet SOC Ltd (other than any existing and appropriate business relationship with Transnet SOC Ltd) which could unfairly advantage our company in the forthcoming adjudication process, we shall notify Transnet SOC Ltd immediately in writing of such circumstances.
- 7 We accept that any dispute pertaining to this bid will be resolved through the Ombudsman process and will be subject to the Terms of Reference of the Ombudsman. The Ombudsman process must first be exhausted before judicial review of a decision is sought. (Refer "Important Notice to Respondents" overleaf).
- 8 We further accept that Transnet SOC Ltd reserves the right to reverse a tender award or decision based on the recommendations of the Ombudsman without having to follow a formal court process to have such award or decision set aside.

SIGNED at _____ on this _____ day of _____ 2011

For and on behalf of _____	AS WITNESS:
duly authorised hereto	
Name:	Name:
Position:	Position:
Signature:	Signature:
Date:	
Place:	

IMPORTANT NOTICE TO RESPONDENTS

- Transnet SOC Ltd has appointed a Procurement Ombudsman to investigate any **material complaint** in respect of RFPs exceeding R5, 000,000.00 (five million S.A. Rands) in value. Should a Respondent have any material concern regarding an RFP process which meets this value threshold, a complaint may be lodged with Transnet SOC Ltd's Procurement Ombudsman for further investigation.
- It is incumbent on the Respondent to familiarise himself/herself with the Terms of Reference for the Transnet SOC Ltd Procurement Ombudsman, details of which are available for review at Transnet SOC Ltd's website www.Transnet.net.
- An official complaint form may be downloaded from this website and submitted, together with any supporting documentation, within the prescribed period, to procurement.ombud@Transnet.net
- For transactions below the R5, 000,000.00 (five million S.A. Rand) threshold, a complaint may be lodged with the Chief Procurement Officer of the relevant Transnet SOC Ltd Operating Division.
- All Respondents should note that a complaint must be made in good faith. If a complaint is made in bad faith, Transnet SOC Ltd reserves the right to place such a bidder on its List of Excluded Respondents.

Respondent's Signature_____
Date & Company Stamp

**RFP FOR THE SUPPLY OF
95 NEW ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) BY MARCH 2014**

Section 13: CONTRAVENTION OF LAW

NAME OF COMPANY: _____

I/We _____

do hereby certify that *I/we have/have not been* found guilty by a court of law, Tribunal or other administrative body of a serious breach of law during the preceding 5 (five) years. Such breaches include but are not limited to breaches of the Companies Act, 89 of 1998.

Where found guilty of such a material contravention, please disclose:

NATURE OF MATERIAL CONTRAVENTION: _____

DATE OF MATERIAL CONTRAVENTION: _____

Furthermore, I/we acknowledge that Transnet SOC Ltd reserves the right to exclude any Respondent from the bidding process, should that person or company have been found guilty of a material contravention of law or regulatory obligation.

SIGNED at _____ on this _____ day of _____ 2011

SIGNATURE OF WITNESS

SIGNATURE OF RESPONDENT

Respondent's Signature

Date & Company Stamp

ANNEXURE “MSM 13”



Transnet SOC Ltd
Registration Number
1990/000900/30

Carlson Centre
150 Commissioner Str.
Johannesburg
2001

P.O. Box 72501
Parkview
South Africa, 2122
T +27 11 308 2536
F +27 11 308 2512

TRANSNET



MEMORANDUM

www.transnet.net

To: Mr. Brian Molefe, Group Chief Executive

From: Mr. Shabonga Gama, Chief Executive, Transnet Freight Rail

Date: 06 June 2012

SUBJECT: REQUEST TO APPROVE THE SHORT LISTING OF THE TENDERERS THAT HAVE MET THE SUPPLIER DEVELOPMENT (SD) THRESHOLD OF 60% AND TO ISSUE LETTERS TO UNSUCCESSFUL TENDERERS THAT DID NOT MEET THE SD THRESHOLD FOR STAGE 1 OF THE EVALUATION PROCESS

PURPOSE:

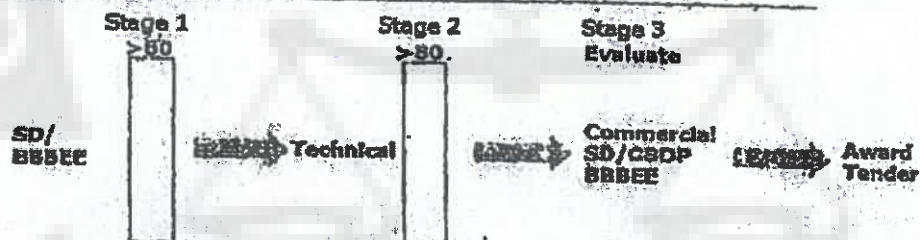
1. The purpose of this memo is to;

- Provide an update to the Transnet Group Chief Executive (GCE) on the progress on the tender evaluation process as indicated in the memo to the GCE dated 20 April 2012.
- Request for the GCE to approve the short listing of the tenderers that have met the SD threshold of 60% and to approve the issuing of letters to unsuccessful tenderers that did not meet the SD threshold for stage 1 of the evaluation process.

BACKGROUND:

2. BFP No HQAC-HQ-7801 for the supply of 95 new Electric Locomotives for the General Freight Business (GFB) closed on the 17 April 2012. Nine (9) proposals were received from tenderers. The evaluation process was based on a 3 stage methodology as indicated below;

Three stage methodology (SD/BBEE & Technical thresholds)



- Prior to the stage 1 evaluations, the Cross Functional Evaluation Team (CFET) completed a responsiveness test on all bids received.
 - The stage 1 evaluation started with a B-BBEE process and was followed with the SD evaluation.
 - A predetermined threshold of 60% was set for SD/B-BBEE which also included Further Recognition Criteria (FRC) evaluation. Tenderers SD/B-BBEE submissions needed to equal or exceed the 60% threshold for the submission to qualify for next stage of the evaluation process.
3. Tenderers were required to furnish proof of their B-BBEE status to Transnet SOC Ltd; failure to do so would result in a score of zero being allocated for B-BBEE. Furthermore, B-BBEE

Accreditation Certificates have been issued by verification agencies which are either accredited by the South African National Accreditation System (SANAS) or registered auditors approved by the Independent Regulatory Board of Auditors (IRBA), in accordance with the approval granted by the Department of Trade and Industry.

4. B-BBEE rating certificates in respect of JV partners and / or subcontractor(s), as well as a breakdown of the distribution of the B-BBEE status were to be furnished with the tenderers' submissions to enable fair evaluation of all submissions received. Incorporated Joint Ventures also had to provide a consolidated B-BBEE certificate for the legal entity. Unincorporated Joint Ventures were required to submit B-BBEE certificates for all of the consortium partners. As such the foreign companies would not have provided a B-BBEE certificate and therefore would not score any B-BBEE points.

DISCUSSION:

5. Whilst conducting the administrative responsiveness test, the SD Cross Functional Evaluation Team (CFET) noted that some tenderers did not submit annexures as required in the RFP and that some tenderers appeared not to understand the requirements of the annexures. Approval to communicate was sought from the Secretariat and all tenderers were provided with the opportunity to clarify the issues raised.
6. The Transnet SD CFET then commenced with B-BBEE evaluations; based on the criteria included in the RFP and the BADC submission, tenderers were to be evaluated on SD criteria in stage 1; SD specifics accounted for 80% whilst B-BBEE and FRC accounting for 10% each. SD information was extracted from the tenderers as well as the relevant annexures and whilst evaluating the SD/B-BBEE based on the criteria it emerged that there was a local supplier with an invalid B-BBEE certificate (not rated by a SANAS accredited verification agent or an IRBA-registered auditor) and a foreign supplier who did not have a local office. It then followed that this methodology (if it included the B-BBEE certificate and FRC) would have been unfair to both the local supplier and foreign suppliers.
7. In light of the above, the SD CFET proposed two options for stage 1 of the evaluation process;
 - a) Option 1 - As part of stage 1 of the SD evaluation and as per the RFP and the BADC submission, the SD evaluation includes B-BBEE and FRC. The effect of this is that foreign tenderers that do not have local representation are prejudiced and will score zero on B-BBEE. This option does not support the B-BBEE Codes of Good Practice clause which allows for such foreign companies, if registered locally (as start-up enterprises) to be deemed to have a B-BBEE status of "Level 4 contributor" in the 1st year of operation only. Based on option 1, the following three (3) tenderers met the minimum SD threshold of 60%.
 1. Siemens
 2. Bombardier
 3. SSMM Consortium
 - b) Option 2 - As part of stage 1 of the SD evaluation evaluate only SD specifics (exclude B-BBEE and FRC) in stage 1 and evaluate B-BBEE and FRC in stage 3. Given the nature of the RFP which attracted foreign companies, such companies could not be fairly evaluated on their B-BBEE status and FRC in stage 1. As per the RFP, stage 3 caters for the evaluation of B-BBEE and FRC. Based on option 2, the following five (5) tenderers met the minimum SD specific threshold of 60%.
 1. Siemens
 2. Bombardier
 3. CSR Zhuzhou
 4. Nelesco 85
 5. SSMM Consortium
8. It must be noted that the intention of SD is to address the NGP objectives which is explicitly stated in the RFP as "Transnet's expectation was that a minimum SD target of 60% (sixty per

EP

cent) of the respondent's bid value be offered as part of the Supplier Development (SD) Bid Document to be submitted" i.e. excluding B-BBEE and FRC. The RFP, in stage 1 also refers to B-BBEE and FRC which is in conflict with the initial spirit of SD. As indicated in the RFP, FRC is 'forward looking' and would be based on the current information as reflected in the current BBEE certificate. As such, foreign companies and South African companies not providing SANAS/IRBA accredited B-BBEE certificates will be prejudiced. The SD CPET supported by the Transnet Internal Audit high tender review representatives opted to use option 2 based on the unfairness of discounting foreign companies with no SA representation that will score zero on B-BBEE in option 1.

8.1 The above recommendation entails the following risks:

- a) If any of the tenderers challenge the process and request for a review of the evaluation, Transnet may be perceived to have deviated from the evaluation in the RFP thereby allowing two (2) more tenderers to stage 2.
- b) If IFR exercises option 1, the other tenderers could claim that a literal interpretation of the RFP criteria is contrary to the stated spirit of SD.

8.2 The SD CPET is of the opinion that this risk is mitigated by the fact that;


- a) all the tenderers were subjected to the evaluation criteria,
- b) the criteria were applied consistently and,
- c) no tenderer is prejudiced based on their (foreign) location as all the tenderers are evaluated based on what they can deliver in line with the SD evaluation.

RECOMMENDATION

9) It is recommended that the GCE:

- Approves the short listing of the five (5) tenderers that have met the minimum SD evaluation threshold of 60% as evaluated in option 2 above.
- Approves the issuing of letters to unsuccessful tenderers due to their bids not meeting the minimum SD evaluation threshold for stage 1 which is based on option 2 above

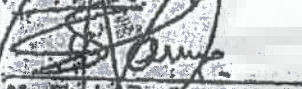
Recommended by:



Mr. Thamsanqa Jiyane
Chief Procurement Officer: Transnet Freight Rail

08 JUNE 2012
Date

Recommended by:



Mr. Siyabonga Barna
Chief Executive: Transnet Freight Rail

2012.06.08
Date

Approved by:



Mr. Brian Molefe
Group Chief Executive: Transnet SOC Limited

8.6.12
Date

ANNEXURE “MSM 14”



From: Phetolo Ramosebudi Transnet Corporate JHB
<Phetolo.Ramosebudi@transnet.net> on behalf of > <Phetolo.Ramosebudi
Transnet Corporate JHB <Phetolo.Ramosebudi@transnet.net>
Sent: Monday, 01 June 2015 11:21
To: 'CSR - Alton'
Cc: Anoj Singh Corporate JHB; Danie Smit Transnet JHB
Subject: CSR_PENALTY.xlsx
Attachments: CSR_PENALTY.xlsx

My Chief,

Please receive the attach.

Regards



Milestone payment	Rate APG	10% 20% 65% 5%	1,14E+08 interest fec rolling deva	fwd points 0,5028
15-Oct-14	9,25% DESIGN REVIEW			
31-Oct-14	ACCEPTANCE			
30-Nov-14	RETENTION			
31-Dec-14	14 696 457			
31-Jan-15	27 667 590			
28-Feb-15	28 807 204			
31-Mar-15	29 033 518			
30-Apr-15	26 429 841			
31-May-15	29 469 247			
15-Jun-15	28 742 673			
	29 926 570			
	14 594 360			
	229 367 461			
	compounded interest			
Foreign compensation				
Fx per loco as declared	per loco import			
Cost of rolling FEC's	\$1 591 828			
	59 855 375			
				fwd points to 15 June 15 0,5237
Invoice 1	Excluding Vat			
Invoice 2	Including Vat			
Invoice 3	4 131 888 960			
	No Vat			
	229 367 461			
	59 855 375			
	68 235 128			

42160

From: CSR - Alton <alton@csrzec.com>
Sent: Wednesday, 03 June 2015 00:09
To: Anoj Singh Corporate JHB
Cc: Phetolo Ramosebudi Transnet Corporate JHB; Danie Smit Transnet JHB; She Yongjun (Andy); Bao Wei (Bob)
Subject: Invoices and Latest Statement
Attachments: CSR-TFRAC-HO-8608-0003.pdf; CSR-TFRAC-HO-8608-0004.pdf; CSR-TFRAC-HO-8608-0005.pdf; TFR - CSR Statement 2015-6-2.pdf

Dear Mr. Anoj,

Please find attached invoices and the latest Statement as you requested.

- 1) Invoice (No. CSR-TFRAC-HO-8608-0003) for the second milston payment for 22E including VAT - R4,131,888,960.00;
- 2) Invoice (No. CSR-TFRAC-HO-8608-0004) for the penalty interest excluding VAT - R229,367,461.00;
- 3) Invoice (No. CSR-TFRAC-HO-8608-0005) for the Frex cost including VAT - R68,235,127.76;
- 4) Latest Statement up to 2nd June, 2015 reflecting invoices in 1), 2) and 3).

Please note that the invoice amount for the penalty is verified right and the amount for the Frex cost is still under verification by my financial department. Therefore, the issuance of the invoice for the Frex cost does not mean we accept the amount you calculated to be reflected in the invoice. If we have different opinion from our side after verification, we shall discuss further to agree mutually on the final amount as we agreed.

We believe these will satisfy your drawdown of the fund from CDB. Look forward to your early payment.

Thank you for your good understanding and cooperation.

Best regards,

2015-06-02

CSR - Alton



Tax Invoice

Date : 01 June 2015
 Invoice No. : CSR-TFRAC-HO-8608-0003
 Page No. : 1/1Page

BUYER : **TRANSNET SOC LIMITED**
 (acting through its Transnet Freight Rail division)
 VAT No.: 4720103177

CONTACT DETAILS : Ms. Lindiwe Mdlatshe
 Tel.: 011 684 0620 Fax: 011 773 0632
 Email: Lindiwe.Mdlatshe@transnet.net
 Add.: Inyanda House 2, 21 Wellington Road, Parktown, Johannesburg, South Africa

SELLER : **CSR E-LoCo Supply (Pty) Ltd.**
 VAT No.: 4850261837

CONTACT DETAILS : Mr. She Yong Jun (Andy)
 Tel.: 010 007 1128 Fax: 086 599 7734
 Email: sheyongjun@cszelc.com
 Add.: 1st Floor, China Construction Bank Building, 95 Grayston Drive, Sandton,
 2196 Johannesburg, South Africa

Contract No : TFRAC-HO-8608

Item	Description	Qty.	Unit	Unit Price excluding VAT	Subtotal
1	359 Class 22E GFB Electric Locomotive (The Second Advancement Payment)	359	Set	R 50,480,000.00	R 18,122,320,000.00
Invoice Payable (20% of Total Contract Value)					R 3,524,464,000.00
VAT@14%					R 507,424,960.00
Invoice Total					R 4,131,888,960.00

Banking Details

Bank: The Standard Bank of South Africa
 Branch: Sandton Branch
 Branch Code: 19205
 Account Name: Bank of China
 Account No.: 0812576956
 Reference: 112738/CSR E-LoCo Supply (Pty) Ltd.

Andy (She Yong Jun)
 Commercial Manager

Registration No.: 2012/129061/07
 VAT No.: 4850261837
 Add.: 1st Floor, China Construction Bank Building,
 95 Grayston Drive, Sandton, 2196, Johannesburg
 Tel.: +27-10 007 1128 Fax: +27-86 599 7734

Page 1 of 1

南车电力机车项目公司
 CSR E-LOCO SUPPLY (PTY) LTD.



Invoice

Date : 02 June 2015
 Invoice No. : CSR-TFRAC-HQ-8608-0004
 Page No. : 1/1Page

BUYER : TRANSNET SOC LIMITED
 (acting through its Transnet Freight Rail division)
 VAT No.: 4720103177

CONTACT DETAILS : Ms. Lindiwe Mdletshe
 Tel.: 011 584 0620 Fax: 011 773 0832
 Email: Lindiwe.Mdletshe@transnet.net
 Add.: Inyanda House 2, 21 Wellington Road, Parktown, Johannesburg, South Africa

SELLER : CSR E-LoCo Supply (Pty) Ltd.
 VAT No.: 4850261837

CONTACT DETAILS : Mr. She Yong'Jun (Andy)
 Tel.: 010 007 1128 Fax: 086 599 7734
 Email: sheyongjun@csrzelc.com
 Add.: 1st Floor, China Construction Bank Building, 95 Grayston Drive, Sandton,
 2196, Johannesburg, South Africa

Contract No : TFRAC-HQ-8608

Item	Description	Amount
1	Penalty interest because of delaying of the second advancement payment (R 3,624,464,000.00) for 359 Class 22E GFB Electric Locomotive from 15th October 2014 to 15th June 2015	R 229,367,461.00
Invoice Payable		R 229,367,461.00
VAT@0%		R -
Invoice Total		R 229,367,461.00

Banking Details

Bank: The Standard Bank of South Africa
 Branch: Sandton Branch
 Branch Code: 19205
 Account Name: Bank of China
 Account No.: 022678925
 Reference: 112738/CSR E-LoCo Supply (Pty) Ltd.

Andy (She Yong'Jun)

Commercial Manager

Registration No.: 2012/128051/07

VAT No.: 4850261837

Add.: 1st Floor, China Construction Bank Building,

95 Grayston Drive, Sandton, 2196, Johannesburg

Tel.: +27-10 007 1128

Fax: +27-06 599 7734

Page 1 of 1

南车电力机车项目公司
 CSR E-LOCO SUPPLY (PTY) LTD.



Invoice

Date : 02 June 2015
 Invoice No. : CSR-TFRAC-HO-8608-0004
 Page No. : 1/1Page

BUYER : TRANSNET SOC LIMITED
 (acting through its Transnet Freight Rail division)
 VAT No.: 4720103177

CONTACT DETAILS : Ms. Lindiwe Mdlatshe
 Tel.: 011 584 0620 Fax.: 011 773 0832
 Email: Lindiwe.Mdlatshe@transnet.net
 Add.: Inyanda House 2, 21 Wellington Road, Parktown, Johannesburg, South Africa

SELLER : CSRE-LoCo Supply (Pty) Ltd.
 VAT No.: 4850261837

CONTACT DETAILS : Mr. She Yong'Jun (Andy)
 Tel.: 010 007 1128 Fax.: 086 599 7734
 Email: sheyongjun@csrzelc.com
 Add.: 1st Floor, China Construction Bank Building, 95 Grayston Drive, Sandton,
 2196, Johannesburg, South Africa

Contract No : TFRAC-HO-8608

Item	Description	Amount
1	Penalty interest because of delaying of the second advancement payment (R 3,624,464,000.00) for 359 Class 22E GFB Electric Locomotive from 15th October 2014 to 15th June 2015	R 229,367,461.00
Invoice Payable		R 229,367,461.00
VAT@0%		R -
Invoice Total		R 229,367,461.00

Banking Details

Bank: The Standard Bank of South Africa
 Branch: Sandton Branch
 Branch Code: 19205
 Account Name: Bank of China
 Account No.: 03278866
 Reference: 112738/CSR E-LoCo Supply (Pty) Ltd.

Andy (She Yong'Jun)
 Commercial Manager

Registration No.: 2012/12805107
 VAT No.: 4850261837

Add.: 1st Floor, China Construction Bank Building,
 95 Grayston Drive, Sandton, 2196, Johannesburg

Tel.: +27-10 007 1128

Fax: +27-86 599 7734

Page 1 of 1

南车电力机车项目公司
 CSR E-LOCO SUPPLY (PTY) LTD.



Tax Invoice

Date : 02 June 2015
 Invoice No. : CSR-TFRAC-HO-8608-0005
 Page No. : 1/1Page

BUYER : TRANSNET SOC LIMITED
 (acting through its Transnet Freight Rail division)
 VAT No.: 4720103177

CONTACT DETAILS : Ms. Lindwe Mdletshe
 Tel.: 011 584 0620 Fax: 011 773 0832
 Email: Lindwe.Mdletshe@transnet.net
 Add.: Inyanda House 2, 21 Wellington Road, Parktown, Johannesburg, South Africa

SELLER : CSR E-Loco Supply (Pty) Ltd.
 VAT No.: 4850261837

CONTACT DETAILS : Mr. She Yong'Jun (Andy)
 Tel.: 010 007 1128 Fax: 086 599 7734
 Email: sheyongjun@csrzelc.com
 Add.: 1st Floor, China Construction Bank Building, 95 Grayston Drive, Sandton,
 2196, Johannesburg, South Africa

Contract No : TFRAC-HO-8608

Item	Description	Amount
1	Cost of rolling FEC because of delaying of the second advancement payment for 359 Class 22E GFB Electric Locomotive from 15th October 2014 to 15th June 2015	R 59,855,375.23
Invoice Payable		R 59,855,375.23
VAT@14%		R 8,379,752.53
Invoice Total		R 68,235,127.76

Banking Details

Bank: The Standard Bank of South Africa
 Branch: Sandton Branch
 Branch Code: 19205
 Account Name: Bank of China
 Account No.: 022878958
 Reference: 112738/CSR E-Loco Supply (Pty) Ltd.

Andy (She Yong'Jun)
 Commercial Manager

Registration No.: 2012/128051/07

VAT No.: 4850261837

Add.: 1st Floor, China Construction Bank Building,

95 Grayston Drive, Sandton, 2196, Johannesburg

Tel.: +27-10 007 1128

Fax: +27-86 599 7734

Page 1 of 1

南车电力机车项目公司
 CSR E-LOCO SUPPLY (PTY) LTD.



Tax Invoice

Date : 02 June 2015
 Invoice No. : CSR-TFRAC-HO-8608-0006
 Page No. : 1/1Page

BUYER : TRANSNET SOC LIMITED
 (acting through its Transnet Freight Rail division)
 VAT No.: 4720103177

CONTACT DETAILS : Ms. Lindiwe Mdletshe
 Tel.: 011 584 0820 Fax.: 011 773 0832
 Email: Lindiwe.Mdletshe@transnet.net
 Add.: Inyanda House 2, 21 Wellington Road, Parktown, Johannesburg, South Africa

SELLER : CSR E-LoCo Supply (Pty) Ltd.
 VAT No.: 4850261837

CONTACT DETAILS : Mr. She Yong'Jun (Andy)
 Tel.: 010 007 1128 Fax.: 086 589 7734
 Email: sheyongjun@csrzelo.com
 Add.: 1st Floor, China Construction Bank Building, 85 Grayston Drive, Sandton,
 2196, Johannesburg, South Africa

Contract No : TFRAC-HO-8608

Item	Description	Amount
1	Cost of rolling FEC because of delaying of the second advancement payment for 359 Class 22E GFB Electric Locomotive from 15th October 2014 to 15th June 2015	R 59,855,375.23
Invoice Payable		R 59,855,375.23
VAT@14%		R 8,379,752.53
Invoice Total		R 68,235,127.76

Banking Details

Bank: The Standard Bank of South Africa
 Branch: Sandton Branch
 Branch Code: 19205
 Account Name: Bank of China
 Account No.: 022578956
 Reference: 112738/CSR E-LoCo Supply (Pty) Ltd.

Andy (She Yong'Jun)
 Commercial Manager

Registration No.: 2012/1280510/7
 VAT No.: 4850261837
 Add.: 1st Floor, China Construction Bank Building,
 85 Grayston Drive, Sandton, 2196, Johannesburg
 Tel.: +27-010 007 1128 Fax: +27-06 589 7734

Page 1 of 1

南车电力机车项目公司
 CSR E-LOCO SUPPLY (PTY) LTD.



STATEMENT

Bill To: [Transnet SOC Limited (Transnet Freight Rail division)]
[Inyanda House 1, 21 Wellington Road, Parktown]
[Johannesburg]
[VAT No.: 4720103177]

Statement Date	2015-6-2
Statement #	[006]
Customer ID	[0001]

Banking Details

Bank: The Standard Bank of South Africa
Branch: Sandton Branch
Branch Code: 019205
Account Name: Bank of China
Account Number: 022678956
Reference: 112738/CSR E-LoCo Supply (Pty) Ltd

ACCOUNT SUMMARY

Amount Due	R4,434,125,484.60
Amount Paid	R0.00
Total Due	R4,434,125,484.60

VAT No.: 4850261837
[CSR E-LoCo Supply (Pty) Ltd]

Account Activity

[illegible]

If you have any questions about this invoice, please contact
[Bob], [95 Grayston Drive, Sandton], [Johannesburg]
Phone [0027-10007-1131], Email [baowei@csrzelc.com]

Thank You For Your Business!

ANNEXURE “MSM 15”



**BY HAND****TO:**

Mr Wang Pan
Director General Manager
CSR E-LoCo Supply (Pty) Ltd
1st Floor
95 Grayston Drive
SANDTON
2196

**GSM /15/07/1296 FOR THE PROVISION OF MAINTENANCE & RELIABILITY SERVICES
TO TRANSNET ENGINEERING FOR A PERIOD OF 12 YEARS**

Received by :**PRINT NAME**SHE Yongjun.**SIGNATURE**余勇军**DATE**2016-08-12

TRANSNET

**RE: LETTER OF AWARD****GSM /15/07/1296 FOR THE PROVISION OF MAINTENANCE & RELIABILITY SERVICES TO TRANSNET ENGINEERING FOR A PERIOD OF 12 YEARS.**

Pursuant to our Notice to Respond [NTR Number: GSM /15/07/1296] [the NTR], Transnet is pleased to inform you that your company has been identified as a preferred bidder to provide certain maintenance, materials & reliability services as more fully described in Annexure C (Technical Requirements) [the Maintenance Services] to the Client (as defined below). Your appointment as preferred bidder (in all respects) is subject to the conditions set out in this Letter of Award.

The Parties to this Letter of Award are:

1. **Transnet SOC Ltd** (acting through its Transnet Engineering division), a State Owned Company and the procurer of Maintenance & Reliability Services (Registration number 1990/000900/30) [the Client]; and
2. **CSR E-LoCo Supply (Pty) Ltd** (Registration number 2012/128051/07) [the Maintainer].

The Client wishes to appoint the Maintainer to provide the Maintenance Services to the Client for certain Class 20Es, Class 21Es and Class 22Es Locomotives which, if mutually agreed by the Parties, will be documented and performed in accordance with a Materials & Reliability Support Agreement between the Parties [the MRS Agreement].

The Parties are desirous of successfully concluding negotiations and thereafter executing the MRS Agreement to enable the Maintainer to provide the Maintenance Services under and in accordance with the MRS Agreement.

In the interim, the Parties have identified certain of the Maintenance Services which Transnet requires the Maintainer to provide, pending finalisation and execution of the MRS Agreement. Conditions of the current requirement are specified below [the Interim Maintenance Services]. We also annex hereto the Best and Final Offer submitted by the Maintainer on 14 July 2016

Transnet SOC Ltd
Registration Number
1990/000900/30

160 Lynette Street
Kilner Park
Pretoria
0186

PO Box 15012
Lynn East
Pretoria, 0039
T +27 12 391 1361
F +27 12 391 1342

Directors: LC Macaso (Chairperson, St Garra* (Group Chief Executive) Y Forbes GJ Mahalela PEB Masekga ZA Nagdee V M Nkonyane SD Share
BG Slagman PG Williams GJ Pita* (Group Chief Financial Officer)
*Executive

Group Company Secretary: ANC Caba

www.transnet.net

marked as Annexure "A" [the BAFO], the terms of which will be incorporated in the MRS Agreement and will also form part of the Interim Maintenance Services.

The purpose of this Letter of Award is to (i) appoint the Maintainer as a preferred bidder, (ii) describe the Interim Maintenance Services and (iii) appoint the Maintainer as the maintenance provider for the Interim Maintenance Services. This Letter of Award and the Maintainer's appointments hereunder will remain in effect until the MRS Agreement is signed and becomes effective, or until Ninety (90) business days has elapsed from date of this LOA (unless terminated earlier in accordance with the provisions hereof), whichever event should occur first [the LOA Period]. The Client may (acting in its sole and absolute discretion) extend the LOA Period on written notice to the Maintainer.

NOW THEREFORE IT IS AGREED

1. General Conditions of Award

This Letter of Award and the Maintainer's appointments hereunder are subject to the following general terms and conditions:

- 1.1 this LOA shall become effective on the date of signature hereof;
- 1.2 the parties each agree to work diligently and in good faith during the LOA Period towards concluding the MRS Agreement;
- 1.3 if, upon expiry of the LOA Period, the Client is satisfied (acting in its sole and absolute discretion), having regard to the standard of performance of the Interim Maintenance Services performed by the Maintainer and the results of the due diligence investigations referred to in Clause 2.12, that the Maintainer is able to achieve the maintenance standards required by the Client to fully and effectively perform the Maintenance Services in accordance with the terms of the MRS Agreement, the Client may, subject to the remaining terms and conditions of this LOA, enter into the MRS Agreement with the Maintainer;
- 1.4 the Maintainer acknowledges and agrees that if the Client is not satisfied that the Maintainer is able to achieve the maintenance standards required by the Client as contemplated in Clause 1.3, the Client may (but is not obliged) enter into a long term parts supply agreement (LTPA) (or similar arrangement) with the Maintainer, once negotiated, instead of concluding the MRS Agreement. In such circumstances, the



Maintainer acknowledges and agrees that the Start-Up Cost Payment (as defined in Clause 2.4) is forthwith repayable to the Client in accordance with Clause 2.4;

- 1.5 upon expiry of the LOA Period or should (in the opinion of Client) negotiations between the Parties fail for any reason prior to expiry of the LOA Period, the Client shall, subject to Clause 2.4.3, pay to the Maintainer all service payments (as further described in Clause 2.1 below) owed to the Maintainer at such time.

2. Interim Maintenance Services and MRS Agreement

This Clause 2 sets out the principal terms and conditions under which the Maintainer will perform the Interim Maintenance Services. The Maintainer acknowledges and agrees that if and to the extent the Client decides to enter into the MRS Agreement with the Maintainer at the end of the LOA Period, the terms set out in this Clause 2 shall be expressly included in the MRS Agreement and will form part of the Maintenance Services to be performed thereunder.

2.1 NTR, BAFO and Related Documents

The MRS Agreement shall incorporate (i) the Client maintenance specification set out in the NTR documents; (ii) the terms of the Maintainer's BAFO; (iii) the Client's Standard Terms of the Contract (signed by the Maintainer and included in the NTR) and (iv) the General Bid Conditions (included in the NTR).

2.2 Compliance with laws

- 2.2.1 At all times during the LOA Period, the Maintainer shall perform the Interim Maintenance Services in compliance with all applicable laws and the reasonable instructions of the Client from time to time.

- 2.2.2 Without limiting the generality of Clause 2.2.1, the Maintainer must at its cost obtain and maintain in full force and effect during the LOA Period all authorisations, licences, certifications, consents, registrations, exemptions and approvals required by the laws of South Africa to enable the Maintainer to perform the Interim Maintenance Services and its other obligations under and in connection with this LOA, including without limitation, its Tax Clearance certificate and BBBEE Certificate (in each case in form and substance satisfactory to the Client). The Maintainer will promptly, upon written request, deliver a copy thereof to the Client.

2.3 Contract Price

The Maintainer agrees to perform the Interim Maintenance Services at the rates set out in the Maintainer's BAFO. The payment terms are outlined in Annexure "B" (Payment Terms and Conditions) hereto. The Maintainer further agrees that the rates set out in the Maintainer's BAFO shall apply to the MRS Agreement and the Maintenance Services to be performed thereunder. All prices stated are exclusive of VAT. There shall be no escalation or indexation of the BAFO prices during the LOA Period.

2.4 Start Up Costs

2.4.1 Subject to the terms of this Clause 2.4, the Client will pay to the Maintainer an initial payment in the amount specified in Annexure "B" [the Start-Up Cost Payment]. The Start-Up Cost Payment is intended to fund and must be applied against certain start-up costs and expenses incurred or to be incurred by the Maintainer in performing the Maintenance Services under and in accordance with the MRS Agreement. The Maintainer shall promptly on request provide evidence satisfactory to the Client of the start-up costs so incurred and the application of the Start-Up Cost Payment in accordance with this Clause 2.4.1.

2.4.2 The Client shall pay the Start-Up Cost Payment to the Maintainer within 14 days of receipt by the Client of a valid and effective on demand payment guarantee issued by a financial institution and otherwise in form and substance satisfactory to the Client (acting in its sole and absolute discretion) [the On Demand Payment Guarantee]. The Client shall have no obligation to pay the Start-Up Cost Payment until it has notified the Maintainer in writing that the On Demand Payment Guarantee is in an acceptable form.

2.4.3 If: (i) negotiations fail for any reason prior to the expiry of the LOA Period, or (ii) in accordance with Clause 1.3, the Client is not satisfied that the Maintainer is able to achieve the maintenance standards required to fully and effectively perform the Maintenance Services in accordance with the terms of the MRS Agreement, or (iii) the Client enters in to a long term parts supply agreement (or similar arrangement) with the Maintainer in accordance with Clause 1.3, or (iv) the LOA Period expires in circumstances where the MRS Agreement has not been signed for any other reason whatsoever, the Maintainer shall promptly and in any event within 5 business days of such occurrence, repay in full the Start-Up Cost

Payment to the Client including any other amounts then due and payable to the Client under or in connection with this LOA.

2.4.4 Any failure by the Maintainer to repay any and all amounts under and in accordance with Clause 2.4.3 shall, without prejudice to Clause 3, entitle the Client to call on the On Demand Payment Guarantee. Such repayment provisions (amongst others) shall be included in the form of the On Demand Payment Guarantee.

2.4.5 The Maintainer shall provide the client with all bonds required as per NTR before the commencement of delivery of service as per paragraph 2.4

2.5 Technical Requirements

The performance of the Interim Maintenance Services shall be performed by the Maintainer at the Customer's facilities in accordance with Annexure "C" [the Technical Requirements] or as otherwise agreed between the parties from time to time during the LOA Period.

2.6 Delivery lead times

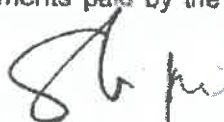
2.6.1 The Maintainer shall, notwithstanding the provisions of Clause 2.4.2 and the payments and time periods contemplated therein, promptly on commencement of this LOA commence and complete the activities under and in accordance with the time periods specified in Annexure "C".

2.6.2 Without prejudice to the generality of Clause 2.6.1 and the activities specified in Annexure "C", the Maintainer shall ensure that the maintenance facilities required to perform the Maintenance Services are functioning and fully operational within (Four) 4 months of the signature date of this LOA.

2.7 Penalties

The following penalty regime and liability caps will apply to the Interim Maintenance Services and will be incorporated (with any required consequential amendments) into the MRS Agreement:

2.7.1 subject to Clause 2.7.2 below, penalties for unscheduled sheddings, parts unavailability and major failures will be subject to a cumulative cap of 3.6% of the total value of all maintenance payments paid by the Client to the Maintainer in

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respect of the Interim Maintenance Services during the LOA Period [the Total Contract Value]. In addition and separate to the above cap, penalties for critical and catastrophic KPI's will be capped at 10% of the Total Contract Value. The overall liability cap for performance of all KPI's will be 10% of the Total Contract Value. If the liability cap has been reached, and a Locomotive is still in "parts unavailable status" then that Locomotive will be excluded from the monthly service payment payable by the Client in respect of the Interim Maintenance Services for so long as such Locomotive is in "parts unavailable status". If any of the penalty caps referred to in this Clause 2.7.1 are breached, the Interim Maintenance Services may forthwith be terminated (for breach) by the Client.

2.7.2 The Maintainer will be penalized and measured separately on the metrics of each of its fleets (20E, 21E and 22E).

2.8 **Supplier Development [SD]/Local content [LC]/BBBEEE**

2.8.1 The penalty regime proposed in the NTR in respect of the Maintainer's Supplier Development and Local Content obligations is hereby replaced with the provisions set out in Clause 2.8.2 (which will apply to and be incorporated into the MRS Agreement (with any necessary consequential edits).

2.8.2 Should the Maintainer not meet its Supplier Development and Local Content commitments (as specified in the Maintainer's BAFO), the penalty will be equal to: (i) in the case of Supplier Development, 110% of the value of any undelivered Supplier Development obligations; and (ii) in the case of Local Content, 110% of the value of any Local Content not achieved. The assessment of any penalties due (and the calculation of the amount thereof) will be made at the end of year 1 (being the first anniversary of the effective date of the MRS Agreement) of the MRS Agreement and each year thereafter. All Local Content and Supplier Development obligations performed during the LOA Period will be included for the purposes of measuring and calculating the Maintainer's performance of and compliance with its Supplier Development and Local Content obligations. The Maintainer must submit quarterly progress reports to the Client for the purposes of determining the Maintainer's performance against its Supplier Development and Local Content obligations, which reports will be used by the Client as a basis for calculating any penalties due.

2.8.3 The Maintainer must provide the Client with (i) a Local Content plan (ii) a Supplier Development Plan (iii) a BBBEE Improvement Plan (in each case in form and substance satisfactory to the Client and otherwise consistent with the NTR, the Maintainer's BAFO and where applicable Annexure D) by no later than 45 business days after the date of this LOA. Any failure to do so shall constitute a breach of this LOA and entitle the Client to invoke the provisions of Clause 3.

2.8.4 Annexure "D" specifies the terms and conditions agreed by both Parties relating to Supplier Development and Local Content obligations of the Maintainer.

2.9 Intellectual Property

2.9.1 As part of the Interim Maintenance Services and the Maintainer's preparation for the commencement of the Maintenance Services under and in accordance with the MRS Agreement, the Client may disclose and make available to the Maintainer certain intellectual property, materials and other information concerning the Client and its operations [Client IP]. Such Client IP belongs exclusively to the Client and the Maintainer may not, without the prior written consent of the Client, disclose such Client IP to any other person or use such Client IP for any purpose other than for the purposes contemplated in this LOA, including the performance of the Interim Maintenance Services.

2.9.2 The parties acknowledge that, as part of the preparation for the commencement of the MRS Agreement and the performance of the Maintenance Services thereunder, certain new intellectual property will be developed during the LOA Period by employees or agents of the Maintainer jointly with employees or agents of the Client [collectively, the Joint IP]. Such Joint IP shall be jointly owned by the Client and the Maintainer. The parties shall cooperate fully with each other to give effect to this Clause 2.9.2 and where possible to obtain joint registration of any Joint IP in both their names. Both the Client and the Maintainer shall be entitled to use the Joint IP and in the case of the Client to licence such Joint IP to any sub-licensee. Neither party may dispose, assign or otherwise transfer its undivided share in the Joint IP, without the prior written consent of the other party, which consent shall not be unreasonably withheld.

2.9.3 In circumstances where the MRS Agreement is not signed prior to expiry of the LOA Period (for whatever reason, other than due to a breach by the Maintainer of the terms of this LOA), the Client will in its discretion, pay the reasonable costs

incurred by the Maintainer for the Joint IP. Other than the payment referred to in this Clause 2.9.3, there shall be no royalty, licence fee or any other amount payable by the Client to the Maintainer in respect of such Joint IP.

- 2.9.4 The parties acknowledge and agree that as part of the negotiations referred to in Clause 1.1, they shall enter into good faith negotiations to conclude a more comprehensive regime governing the development, use and licencing of all their respective intellectual property, which once finalised will replace the provisions contained in this Clause 2.9.

2.10 Centres of Excellence and Infrastructure Due Diligence

- 2.10.1 During the LOA Period and as part of the preparation for the commencement of the Maintenance Services under and in accordance with the MRS Agreement, the parties shall negotiate in good faith the following matters relating to the centres of excellence to be developed by the Maintainer:

- 2.10.1.1 identification of each centre of excellence;
- 2.10.1.2 the scope of work and work allocation (by component type) to each centre of excellence;
- 2.10.1.3 the machinery required to perform the scope of work and maintenance services at centre of excellence, including the cost of such machinery;
- 2.10.1.4 the technical skills required at each centre of excellence and training to be provided by the Maintainer to ensure the availability of such technical skills;
- 2.10.1.5 any other matters, in the opinion of the Client, required to be covered to ensure that the Maintainer is able to achieve the maintenance standards required to fully and effectively perform the Maintenance Services in accordance with the terms of the MRS Agreement.

- 2.10.2 During the LOA Period, the Maintainer shall carry out an assessment of the Transnet network and related rail infrastructure to satisfy itself as to the condition thereof. The results of such assessment shall form part of the KPIs agreed in the MRS Agreement and no relief (including for unscheduled maintenance costs) shall be agreed in the MRS Agreement for the condition of the network and related infrastructure, unless caused by a deterioration in the condition thereof

after the commencement of the MRS Agreement due to a failure to maintain the condition of the network and related infrastructure.

2.11 Overhauls

For the purposes of the negotiations referred to in Clause 1.1, the parties acknowledge that in terms of the Maintainer's BAFO, it has offered overhaul maintenance, which the Client may accept (at its option) as part of the MRS Agreement and the Maintenance Services to be performed thereunder.

2.12 Maintainer capabilities and Client Due Diligence

2.12.1 The Maintainer represents and warrants that it has the necessary skills, capacity and expertise to maintain the Locomotives and to deliver the maintenance services in accordance with the maintenance levels and standards contemplated in Annexure C. The Client has relied on this representation and warranty when awarding this LOA to the Maintainer.

2.12.2 Without prejudice to Clause 2.12.1, the Client may (but is not obliged) during the LOA Period to conduct its own due diligence into the technical capabilities of the Maintainer in order to determine whether the Maintainer has the necessary skills, capacity and expertise to achieve the maintenance standards required by the Client to fully and effectively perform the Maintenance Services in accordance with the terms of the MRS Agreement. The Client is not bound to carry out this due diligence exercise and is entitled to rely on the representations and warranties made by the Maintainer under Clause 2.12.1.

3. Breach

Should the Maintainer breach any of the terms or conditions of this LOA (including any breach of its Interim Maintenance Services obligations under and in accordance with this LOA) and fails to remedy such breach within 10 days of receiving notice to do so, the Client may, without prejudice to any of its other rights or remedies under this LOA (including any rights under the On Demand Payment Guarantee) or at law, revoke the appointments of the Maintainer as preferred bidder (and maintenance provider) and forthwith terminate the Interim Maintenance Services and/or this LOA, including to demand repayment of the Start-Up Cost Payment and any and all other amounts owed to the Client in terms hereof.

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4. Disputes and Dispute Resolution

- 4.1 Any dispute arising out of or in connection with this Letter of Award (including a dispute regarding the existence, validity or termination of this LOA) shall be referred to and finally resolved by arbitration.
- 4.2 Such dispute shall be determined by an arbitrator appointed by both Client and the Maintainer or failing such consensus, a senior counsel of not less than 15 years' experience selected by the Arbitration Foundation of Southern Africa (AFSA), who shall act in accordance with the Rules of AFSA and whose decision shall be final and binding, in the absence of manifest error in calculation, on the parties.

5. Notices

For the purposes of any communication or document to be made or delivered under or in connection with this LOA (including the Interim Maintenance Services), the Parties choose as their *domicilia citandi et executandi* their physical addresses hereunder (or such other address, not being a post office box or poste restante, of which the Party concerned may notify the other in writing). All legal process and notices given under this LOA may validly be served or delivered at such addresses and at no other addresses. For the avoidance of doubt, the Parties may not serve or deliver any legal process by way of electronic mail.

5.1.1 the Client:

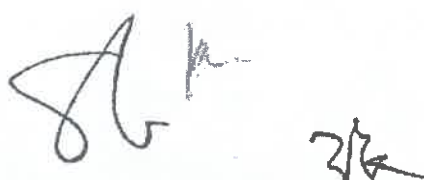
Physical address	Transnet SOC Ltd 150 Commissioner Street Johannesburg 2001
Email:	ndiphiwe.silinga@transnet.net
Attention:	Ndiphiwe Silinga

5.1.2 the Maintainer:

Physical address	CSR E-Loco Supply (Pty) Ltd 1 st Floor 95 Grayston Drive Sandton Johannesburg 2196
Email	alton@csrzelc.com
Attention:	Wang Pan (Director, General Manager)

6. General

- 6.1 This LOA including the appointment of the Maintainer as maintenance provider in respect of the Interim Maintenance Services is governed by South African law.
- 6.2 This LOA may be executed in counterpart, and this has the same effect as if the signatures on the counterparts were on a single copy of the LOA.
- 6.3 This LOA (and the Annexures hereto) and those documents referred to in Clause 2.1 to the extent incorporated herein by reference, constitutes the sole record of the agreement between the Client and the Maintainer in respect of the Interim Maintenance Services.
- 6.4 The Maintainer may not assign any of rights or transfer any of its rights or obligations under this LOA without the prior written consent of the Client.
- 6.5 Neither Party shall reveal the content of this LOA or anything disclosed to the other Party in pursuance hereof to any third party, except with the prior express written consent of the other Party, and then only to the extent required to facilitate progression of the negotiations.
- 6.6 The MRS Agreement and all related documents will be prepared by the Client in negotiation with the Maintainer. Pending final approval of the MRS Agreement and such related documents, the Parties agree to agree to work diligently and in good faith to resolve and agree all outstanding matters in order to conclude the MRS Agreement and related documents within the LOA Period.
- 6.7 The MRS Agreement (once effective) shall automatically replace this LOA in all respects and shall govern the relationship between the Client and the Maintainer with respect to the Maintenance Services and the performance of all other obligations of the parties thereunder. This LOA applies to the LOA Period only and is not intended to regulate or apply to any period after the LOA Period, including any period under the MRS Agreement. Unless otherwise agreed by the Client, the Client shall not be bound by the terms of this LOA in relation to the MRS Agreement, which terms shall be negotiated and agreed between the parties in accordance with Clause 1.1.




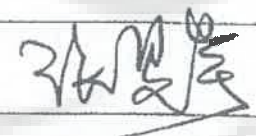

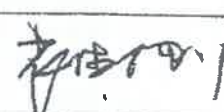
7. Disclaimer

- 7.1 The Client reserves the right, with immediate effect, to terminate the NTR and/or to withdraw this Letter of Award and/or to revoke the appointments of the Maintainer as preferred bidder (and maintenance provider) at any time during the LOA Period without liability to compensate or reimburse the Maintainer or any other person pursuant to such termination, withdrawal and/or revocation, except as expressly provided for in this LOA.
- 7.2 The Maintainer shall not have any claim of whatsoever nature and howsoever arising against the Client, its officers, employees, servants, agents or advisors relating to the NTR, this Letter of Award or the performance of the Interim Maintenance Services except payment for the Interim Maintenance Services and any other amounts expressly referred to in this Letter of Award.
- 7.3 Except in relation to the Interim Maintenance Services, nothing in this Letter of Award or elsewhere constitutes a binding commitment by the Client to proceed with the maintenance arrangements contemplated by the NTR or to enter into the MRS Agreement. This Letter of Award and the maintenance arrangements contemplated herein (except the Interim Maintenance Services) is subject to signing the MRS Agreement (in form and substance satisfactory to both parties).

It is agreed between by the parties that the commencement date shall be the date of signing the LOA;

TRANSNET SOC Ltd.

CSR E-Loco Supply (Pty) Ltd.

Signature: 	Signature: 
Print Name: SIYABONGA GAMA	Print Name: ZHANG MINYU
Title: Group Chief Executive	Title: Vice President
Date: 10 August 2016	Date: 2016-08-12
Witness: 	Witness: 

LOA for MRS agreement between Transnet and CSR

Signature: <i>[Signature]</i>	Signature: <i>[Signature]</i>
Print Name: <i>Helen</i>	Print Name: <i>YUAN DEGANG</i>

*[Signature]**[Signature]*



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ANNEXURE A

The Key Principals for the Best and Final Offer

Technical/Operations	<p>•Transnet reserves the right to park 40% of its fleet at any point in time to meet TFR's changing operating demand, during that time, Transnet will exclude these locomotives from the monthly payment. A parked locomotive will qualify as "parked" after it has been stationary for 3 months at which point all payments attributable to that locomotive for the three months prior will be set off against any future fees. The condition of locomotive shall be checked and confirmed by both parties before park and reuse. Any damages or losses during park period shall not be the liability of CSR.</p>
	<p>•Transnet will ensure to rotate the parked locomotives every year so that any one single locomotive is not parked for more than a continuous 6 months.</p>
	<p>•Should a locomotive not be economically repairable post a wreckage then it will be excluded from the initial fleet size taken into account when calculating maintenance costs.</p>
	<p>•If locomotives are delivered late under the locomotive supply agreement, they will be excluded from the maintenance payment calculation. Only locomotives accepted by TFR will be used to calculate the monthly payment to CSR (i.e. available locomotives X agreed monthly price=total payment for the month)</p>
	<p>•If locomotives are reallocated between the depots allocated in the contract, there will be no payment to CSR for reallocating the locomotives.</p>
	<p>•Should Transnet need to move the fleet to other depots other than those specified within the NTR, the set-up costs associated to the move will be discussed and agreed by both parties. Transnet reserves the right to appoint a third party to verify and assess the proposal provided by CSR and benchmark any proposal against market conditions and arrive at a decision aligned to that.</p>
	<p>•Locomotives will be allowed a grace period of 8% of km's travelled (as shown in CSR's offer) to come in for a D1, D2 or E intervention. (i.e. if it is due, as per the agreed maintenance plan, at 1,000,000 km's, TE will be allowed to perform the intervention at any point between 1,000,000 and 1,080,000 km's.)</p>

Commercial	<ul style="list-style-type: none"> •The escalation formula will apply to the entire contract, except for the line "stockholding" and the stockholding residual value which will not be escalated.
	<ul style="list-style-type: none"> •Special tools, software licenses and other purchase made in support of the contract (TE will supply CSR with the list of other purchases as soon as the list has been compiled.) will be transferred to Transnet at contract end at no cost.
	Joint Venture <ul style="list-style-type: none"> •CSR's Best and Final Offer for the maintenance services should not make any reference to the anticipated Joint Venture between CSR and Transnet Engineering as the Joint Venture did not form part of the NTR and is not recognized as a final, signed-off agreement.
	Rotable overhaul and repair <p>CSR to acknowledge the component repair list within the NTR indicating the components that would be repaired at the Transnet Engineering Centres of Excellence, and commit to abide by it on the condition that both parties will agree on the overhaul and repair cost, period and quality.</p>
	Penalties <ul style="list-style-type: none"> •Transnet reserves the right to set-off future payments against any non-compliance penalties, this statement holds true for the KPI targets proposed, as well as any other penalties across other areas (such as SD and LC)
	<ul style="list-style-type: none"> •In addition to the setting-off of payments against non-compliance penalties Transnet reserves the right to utilize the OEM financed performance bonds in the event that the OEM does not meet its Supplier Development and Local Content or KPIs. The OEM must then replenish the performance bond to the initial value of the bond within 30 days. The value of the bond to be held will be agreed at the beginning of each year.
	<ul style="list-style-type: none"> •Transnet proposes a change to the penalty structure as follows:
	<ul style="list-style-type: none"> •Penalties for unscheduled sheddings, parts unavailability and major failures will be capped (jointly) at 3.6% of total contract value.
	<ul style="list-style-type: none"> •Penalties for critical and catastrophic KPIs will be capped at 10% of total contract value.
	<ul style="list-style-type: none"> •The overall liability cap for performance KPIs will be 10% of total contract value
	<ul style="list-style-type: none"> •If the liability cap has been reached, and a locomotive is still in "parts unavailable status" then the locomotive will be excluded from the monthly payment.

	<ul style="list-style-type: none"> •The OEM will be penalized and measured separately on the metrics of each of its fleets (20E, 21E and 22E). •A locomotive will be deemed to go into "parts unavailable status" if it has been stopped for more than 3 days due to no parts to be supplied after notification to CSR.
Supplier Development and Local Content	<ul style="list-style-type: none"> •The penalty proposed in the NTR will no longer be valid. The new penalty scheme will be as follows: •Should CSR not meet its Supplier Development and Local Content commitments, the penalty applied will be the equivalent of the outstanding Supplier Development value plus a 10% penalty on the outstanding value. •CSR is to provide Transnet with a Local Content plan illustrating milestone commitments across the contract with the BAFO in line with the NTR.
Additional Requirements	<ul style="list-style-type: none"> •In the event that the contractor wants to walk away from the contract due to the reason to be justified as the liability of CSR it would amount to repudiation, in which case the contractor will be liable for any maintenance costs above what Transnet would have paid CSR for the same services for the remainder of the contract period. •In the event that Transnet provides CSR with an advance payment for the maintenance, CSR will be required to take out an advanced payment guarantee (APG) against this advanced payment which Transnet will use to recover its costs if Transnet has to cancel the contract due non-performance
Commercial	<p>Stock</p> <ul style="list-style-type: none"> •Transnet reserves the right to: •Approve and sign off the list of rotatable materials to be purchased by CSR •To approve and sign off the periods associated to the procurement of the rotatables •Amend and align financing requirements to the purchase of the material •CSR will manage the pool of rotables, however, CSR is expected to keep a log of these assets showing the location and serial number of each of the assets. This list should be shared with Transnet on a monthly basis and any changes to the pool must be consulted with Transnet. It is understood by Transnet that although the rotatable pool is acquired and owned by CSR, these rotatables will be for the exclusive use of Transnet. •Although CSR will be managing the rotatable pool, these will be considered the property of Transnet therefore Transnet should be consulted and informed of any changes to the treatment of

	<p>the rotatable pool. Transnet Asset Management Rules should be taken into account in the management of the assets.</p>
	<p>•The parties will agree on a list of retables to be transferred at the end of the contract, these components must have gone through a major overhaul or are new. The fee agreed to be paid at the end of the contract for the retables will be withheld until CSR transfers the retables to Transnet.</p>
	<p>•CSR to provide Transnet with a competitive offer (lead times and price) for all items. No contract shall be concluded until the list of components is provided by CSR. This list will be part of the contract and will be used to order material for driver induced failures. In line with the NTR, this list will still be subject to "meet or release".</p>
	<p>•CSR will purchase rotatable stock for the 20E, 21E and 22E from Transnet at the cost at which the components were purchased by Transnet, which should be new or have gone through a major overhaul.</p>





The Maintenance Price Proposal for 12 Years

Final Version

CSR E-LoCo Supply (Pty) Ltd.

14th July, 2016

Content



- Part A Quotation Terms and Condition**
- Part B A-, B- and C-Maintenance Price**
- Part C D1-, E-, D2- and F-Maintenance Price**
- Part D Payment Condition**
- Part E Supplier Development and Local Content Plan**



Part A Quotation Terms and Condition

Quotation Terms and Condition



■ All the prices here are for MRS contract model with assumed contract period from 1st Aug 2016 to 31st July 2028. The final contract period will depend on the effectiveness date of the Contract.

■ All the prices here are based on maintenance service MRS specified by Annexure A: maintenance service specification of NTR.

■ The quotation is base price on 28th September 2015, with the foreign exchange rate of 1USD=13.33 Rand. The final price shall be escalated by an escalation formula that will compensate for inflation and foreign exchange movements.

■ Except the labour for the overhaul of 35 major components, all other labour should be Transnet's scope. 35 major components here mentioned include Draw gear and coupler, Traction motor, Gear Box, Pinions, Gears, U-Tub, Main Transformer, Traction blower and motor, Driver's desk, Driver's cubicle, Seats, windows, windscreen wiper, Brake resistor, Brake reservoirs, brake rack, air dryer, Toilet, Batteries, HVAC, Pantographs, VCB, HSCB, Cooling tower, HV Change-over switch, Roof insulator, Traction inverter, HV Cubicle, LV Cubicle, compressor, basic braking, Control power cubicle.

■ All 35 items major components overhaul are assumed to be done locally.

■ All the consumables such as carbon strip, brake block, water, sand, oil, grease, coolant, desiccant, Loctite should be Transnet's scope.

■ The wheel set material will be part of the CSR's scope, and Transnet will do final machining of semi-machined wheels with its own cost supplied by CSR.

■ Maintenance activities required in response to any wrecks, accidents, theft, vandalism, sabotage or Force Majeure event are not included in the scope of CSR.

■ CSR will provide Transnet with a competitive offer (lead times and price) for all items before signing the Contract. This list will be part of the contract and will be used to order material for driver induced failures.

■ The quotation will be expired on 30th September 2016. All offers submitted before 7th July 2016 shall be invalid.



CSR Quotation Terms and Condition

Escalation Formula

Please kindly check the **Annex 1 Escalation Formula 2.0** for detailed description of escalation formula



CSR Quotation Terms and Condition

Maintenance Level	Mileage for Interval (Km)	Estimated Year
A	45,000~50,000	3-month
B	90,000~100,000	6-month
C	180,000~200,000	1-year
D	500,000~540,000	3 rd to 4 th year
E	1,000,000~1,080,000	6 th to 8 th year
F	2,000,000~2,160,000	12 th to 16 th year

- Locomotives will be allowed a grace period of 8% of km's travelled to come in for a D1, D2 or E intervention.



CSR Quotation Terms and Condition

Maintenance Level	Mileage for Interval (Km)	Estimated Year	Description
D1	500,000~540,000	3 rd to 4 th year	The first D level maintenance
E1	1,000,000~1,080,000	6 th to 8 th year	The first E level maintenance
D2	1,500,000~1,620,000	9 th to 12 th year	The second D level maintenance
F	2,000,000~2,160,000	12 th to 16 th year	



Part B A-, B- and C-Maintenance Price



A-, B- and C-Maintenance Price

1. A-, B- and C-Maintenance Price (20E)

No.	Description	Year 1-3	Year 4-6	Year 7-12
1	Scheduled Material	64,739	64,739	64,739
2	Stock holding and Rotable	123,373	138,794	177,348
3	Unscheduled Material *	284,713	319,402	406,124
4	Technical design, field service, management, quality control & assurance, reliability management etc.	160,709	180,798	231,020
5	Tooling, software and equipment management	56,058	63,065	80,583
5.1	Special tools and test equipment	11,748	13,216	16,887
5.2	Maintenance management system including software, service and technical simulator etc. (Option **)	44,310	49,849	63,696
6	Labour and traveling cost	172,324	172,324	172,324
7	Insurance and others	40,879	45,989	58,764
Subtotal Per Loco Per Year		902,795	985,111	1,190,902
Locomotive Quantity to be Intervened		95	95	95
Total price for 20E		1,216,867,510		

* CSR has already considered the warranty period of some components, such as traction motor.

**There is no impact to the KPI's as stipulated in the NTR, if the option is not selected.



A-, B- and C-Maintenance Price

2. A-, B- and C-Maintenance Price (21E)

No.	Description	Year 1-3	Year 4-6	Year 7-12
1	Scheduled Material	67,970	67,970	67,970
2	Stock holding and Rotable	127,128	143,019	182,747
3	Unscheduled Material*	281,378	315,584	401,098
4	Technical design, field service, management, quality control & assurance, reliability management etc.	155,338	174,755	223,299
5	Tooling, software and equipment management	56,058	63,065	80,583
5.1	Special tools and test equipment	11,748	13,216	16,887
5.2	Maintenance management system including software, service and technical simulator etc. (Option**)	44,310	49,849	63,696
6	Labour and traveling cost	172,324	172,324	172,324
7	Insurance and others	42,907	48,271	61,679
Total Per Loco Per Year		903,103	984,988	1,189,699
Locomotive Quantity to be Intervened		100	100	100
Total price for 21E		1,280,247,048		

* CSR has already considered the warranty period of some components, such as traction motor.

**There is no impact to the KPI's as stipulated in the NTR, if the option is not selected.



A-, B- and C-Maintenance Price

3. A-, B- and C-Maintenance Price (22E)

No.	Description	Year 1	Year 2	Year 3	Year 4-6	Year 7-12
1	Scheduled Material	76,440	76,440	76,440	76,440	76,440
2	Stock holding and Rotable	359,898	359,898	116,943	150,566	174,230
3	Unscheduled Material*	0	0	242,955	311,133	437,969
4	Technical design, field service, management, quality control & assurance, reliability management etc.	139,016	139,016	139,016	178,914	237,955
5	Tooling, software and equipment management	54,446	54,446	54,446	70,072	93,196
5.1	Special tools and test equipment	11,410	11,410	11,410	14,684	19,530
5.2	Maintenance management system including software, service and technical simulator etc. (Option**)	43,036	43,036	43,036	55,388	73,666
6	Labour and traveling cost	131,047	131,047	131,047	131,047	131,047
7	Insurance and others	35,578	35,578	35,578	45,789	60,900
Total Per Loco Per Year		796,425	796,425	796,425	963,902	1,211,736
Locomotive Quantity to be Intervened		60	170	280	359	359
Total price for 22E				4,054,379,193		

* CSR has already considered the warranty period of some components, such as traction motor.

**There is no impact to the KPI's as stipulated in the NTR, if the option is not selected.



A-, B- and C-Maintenance Price

4. Total A-, B- and C-Maintenance Price Per Year (20E, 21E and 22E)

	Year 1 (million Rand)	Year 2 (million Rand)	Year 3 (million Rand)	Year 4 (million Rand)	Year 5 (million Rand)	Year 6 (million Rand)	Year 7 (million Rand)	Year 8 (million Rand)	Year 9 (million Rand)	Year 10 (million Rand)	Year 11 (million Rand)	Year 12 (million Rand)
20E	85.77	85.77	85.77	93.59	93.59	93.59	113.14	113.14	113.14	113.14	113.14	113.14
21E	90.31	90.31	90.31	98.50	98.50	98.50	118.97	118.97	118.97	118.97	118.97	118.97
22E	47.79	135.38	223.00	346.04	346.04	346.04	435.01	435.01	435.01	435.01	435.01	435.01
Subtotal	223.86	311.47	399.07	538.13	538.13	538.13	667.12	667.12	667.12	667.12	667.12	667.12
Total	R 6,551,492,774											

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Part C D1-, E-, D2- and F-Maintenance Price



D1-, E-, D2- and F-Maintenance Price

1. D1-Maintenance Price

No.	Description	20E	21E	22E
1	Scheduled Material	197,187	213,889	224,278
2	Technical Support	451,878	480,137	484,263
2.1	Technical Design	99,413	105,630	106,538
2.2	Field service, Quality control and reliability management	144,601	153,644	154,964
2.3	Project management (including logistics and procurement)	135,563	144,041	145,279
2.4	SD including local suppliers development, skills development, rural integration, etc.	72,300	76,822	77,482
3	Logistics and Insurance	33,682	35,994	36,706
	Subtotal Per Loco	682,747	730,020	745,247
	Locomotive Quantity to be Intervened	95	100	359

R 405,406,512

Total D1-Maintenance price for 20E, 21E and 22E



D1-, E-, D2- and F-Maintenance Price

2. E-Maintenance Price

No.	Description	20E	21E	22E
1	Major components overhaul (8 items)	1,546,869	1,570,851	1,854,687
2	Major components overhaul (27 items)	810,419	848,927	856,482
3	Scheduled material for others	1,291,276	1,322,851	1,641,994
4	Technical Support	1,965,748	1,914,141	1,971,349
4.1	Technical Design	98,287	95,707	98,567
4.2	Field service, Quality control and reliability management	393,150	382,828	394,270
4.3	Project management (including logistics and procurement)	923,902	899,646	926,534
4.4	SD including local suppliers development, skills development, rural integration, etc.	550,410	535,959	551,978
5	Logistics and Insurance	349,466	350,094	353,557
	Subtotal Per Loco	5,963,779	6,006,864	6,678,068
	Locomotive Quantity to be Intervened	95	100	359
	Total E-Maintenance price for 20E, 21E and 22E		R 3,564,671,966	

Note: 8 items are Traction motor, Main Transformer, Traction blower and motor, Pantographs, Cooling tower, Traction inverter, HV Cubicle, LV Cubicle.



D1-, E-, D2- and F-Maintenance Price

3. D2-Maintenance Price

No.	Description	20E	21E	22E
1	Scheduled Material	370,426	387,674	392,351
2	Technical Support	459,298	480,137	484,263
2.1	Technical Design	101,046	105,630	106,538
2.2	Field service, Quality control and reliability management	151,568	158,445	159,807
2.3	Project management (including logistics and procurement)	146,975	153,644	154,964
2.4	SD including local suppliers development, skills development, rural integration, etc.	59,709	62,418	62,954
3	Logistics and Insurance	42,245	42,905	43,767
	Subtotal Per Loco	871,969	910,716	920,381
	Locomotive Quantity to be Intervened	95	100	359
	Total D2-Maintenance price for 20E, 21E and 22E		R 504,325,355	



D1-, E-, D2- and F-Maintenance Price

A. Summary of D1-, E-, and D2-Maintenance Price

No.	Description	20E	21E	22E
1	D1-Maintenance	682,747	730,020	745,247
2	E-Maintenance	5,963,779	6,006,864	6,678,068
3	D2-Maintenance	871,969	910,716	920,381
	Subtotal Per Loco	7,518,495	7,647,600	8,343,696
	Locomotive Quantity to be Intervened	95	100	359
	Sub total price	714,257,025	764,760,000	2,995,386,864
	Total E-Maintenance price for 20E, 21E and 22E		R 4,474,403,889	



D1-, E-, D2- and F-Maintenance Price

5. F-Maintenance Price

No.	Description	20E	21E	22E
1	Major components overhaul (8 items)	R 8,580,754	R 8,616,701	R 9,309,701
2	Major components overhaul (27 items)	R 3,613,953	R 3,613,953	R 3,939,015
3	Scheduled material for others	R 2,014,608	R 2,096,735	R 3,100,918
4	Technical Support	R 10,676,990	R 11,409,924	R 13,090,291
4.1	Technical Design	R 533,849	R 570,496	R 654,515
4.2	Field service, Quality control and reliability management	R 3,416,637	R 3,651,176	R 4,188,893
4.3	Project management (including logistics and procurement)	R 3,735,946	R 3,993,473	R 4,581,602
4.4	SD including local suppliers development, skills development, rural integration, etc.	R 2,989,557	R 3,194,779	R 3,665,281
5	Logistics and Insurance	R 1,196,315	R 1,280,575	R 1,469,168
	Subtotal Per Loco	R 26,084,631	R 27,017,888	R 30,909,093
	Locomotive Quantity to be Intervened	95	100	359
	Sub total price	R 2,478,039,909	R 2,701,788,824	R 11,098,364,330
	Total F-Maintenance price for 20E, 21E and 22E		R 16,276,193,062	

Note: 8 items are Traction motor, Main Transformer, Traction blower and motor, Pantographs, Cooling tower, Traction inverter, HV Cubicle, LV Cubicle.



Part D Payment Condition

Payment Condition

Milestone 1 (Advance Payment)	10% of the total A-, B- and C-Maintenance contract price to be paid on which date the maintenance agreement comes into effectiveness. 10% of the total D-, and E-Maintenance contract price to be paid on which date the maintenance agreement comes into effectiveness. The date will be negotiated and agreed to between TE & c CSR. *
Milestone 2	For A-, B- and C-Maintenance 90% of A-, B- C-Maintenance price to be paid every month during contract period. For D-, E-Maintenance 90% of each maintenance price to be paid after intervention.
Milestone 3	For F-Maintenance 100% of maintenance price to be paid after intervention.

* Note:

CSR would like to remind TE that 20E and 21E have already been put into operation nearly three years, D1 maintenance for 20E will come next March or April. We have to start preparation for D1 maintenance, such as technical design, procurement of scheduled material for D1 maintenance. The design period, procurement and lead time is about 6-8 months. That means we have to start the preparation at the end of this September or beginning of October. At the same time, we have to start development of local suppliers for E maintenance, because it cost three to four years to develop the local suppliers successfully according to our experience. In order to avoid delaying of D, E maintenance, it is the right time to implement the advance payment for the D & E maintenance intervention.



Part E Supplier Development and Local Content Plan

Part E



Supplier Development Percentage Forecast

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Average
90.45%	90.38%	90.20%	85.87%	86.78%	85.83%	85.59%	85.38%	85.42%	85.82%	84.79%	86.03%

Local Content Percentage Forecast

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Average
50.62%	53.80%	76.00%	76.02%	76.08%	76.10%	76.11%	76.30%	76.54%	80.00%	84.34%	78.25%

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PAYMENT TERMS – ANNEXURE TO LETTER OF AWARD

Payment terms shall be as follows (All prices are exclusive of Vat):

	Milestone 1	Milestone 2			
	Start-up cost Rands	Total for 12 years	Monthly price per active locomotive Rands	Monthly price per active locomotive Rands	Monthly price per active locomotive Rands
			Years 1 - 3	Years 4 - 6	Years 7 - 12
20E	618 160 746	1 038 352 784	64 386	70 145	84 540
21E		1 092 403 260	64 409	70 135	84 450
22E		3 432 690 673	56 504	68 139	85 355
Total	618 160 746	5 563 446 717			
Grand total		6 181 607 463			

Milestone 1 (start-up cost payable in advance):

- 10% of the 12 year MRS value, for A, B and C maintenance interventions without option "Maintenance management system including software and technical simulator", shall be paid as per timeline indicated in clause 2.4.2 of the LOA.
- CSR will be required to take out an On Demand Payment Guarantee against this advanced payment, details of which is contained in the body of the LOA. This On Demand Payment Guarantee shall be issued from a financial institution approved by the client's treasury department.
- The full contract value may vary dependent on a number of items, amongst others, the final Loco New Build delivery schedule / deployment plan as well as locos that could be parked during the contract period. The above advance payment is based on loco quantities indicated by CSR in their quotation. If subsequently the number of Active Locos months change for any reason, Transnet will be credited (receive back a portion of the advance payment plus escalation thereon using the agreed escalation formula) for a reduction in the total number of loco months.

Milestone 2 (per Active Loco per month):

The start of payments for milestone 2 will be linked to a period of time following the payment of the advanced payment guarantees, but never, prior to CSR being able to discharge its obligations with regards to the technical specifications as defined in Annexure C.

This monthly price is split between:

Portion Excluding the Stockholding Content Price

- The 90% remaining charge (excluding the Stockholding Content Price), after deducting the advance payment made under milestone 1, will be paid as a charge per Active Loco per month in arrears.
- The actual monthly payment to be paid from the Client to the Maintainer for the maintenance of each locomotive will be based on the number of active locomotives. The number of active locomotives is defined as the number of locomotives agreed at the beginning of each month. Both parties will agree when a locomotive enters into "MRS status" which will be based on conditions such as whether the

locomotive is deployed to a depot where the Maintainer and Client are ready to maintain and if TFR has signed acceptance into service.

Stockholding Content Price

- The 90% of the Stockholding Content Price, after deducting the advance payment, will be paid monthly in arrears and will only be charged to the extent that rotables have already been bought. I.e. this financing charge will be adjusted in line with rotables financing requirements.
- Stockholding Content Price is not subject to escalation

Re-purchase of rotables at the conclusion of the contract

- At the conclusion of the contract, Transnet will buy back from CSR all rotables at a value of 40% of the value it was originally bought for.
- The 40% residual values relating to rotables will not be subject to escalation (value will be locked in when the rotables are procured).

Offsetting of payments

- Transnet shall set-off future payments against any money owed by CSR to Transnet (e.g. non-compliance penalties, this statement holds true for the KPI targets proposed, as well as any other penalties across other areas (such as SD and LC), etc.)

In addition to the setting-off of payments against non-compliance penalties Transnet may utilize the OEM financed performance bonds in the event that the OEM does not meet its Supplier Development and Local Content or KPIs. The OEM must then replenish the performance bond to the initial value of the bond within 30 days.

Other

- CSR should not that although the payment is split into "Portion excluding the stockholding content price" and "stockholding content price"; the total combined value will be used as the total contract value as defined in the penalties within annexure C.

ANNEXURE C

Technical Requirements

Note – This section includes excerpts from the NTR, note that where in bold (if not within a title), this indicates a change from the optimized NTR.

Services

1. BACKGROUND

The scope will be a combined parts and service agreement for each of the OEM fleets (20E, 21E and 22E), where the OEM will guarantee the availability of parts and the reliability of the locomotives.

2. MAINTENANCE SERVICE SPECIFICATION

The Table below provides the detailed service specification and obligations of the OEM for the MRS.

Table 1 – Maintenance service specification

Asset Management	
Maintenance strategy and long-term planning	<ul style="list-style-type: none"> • Prepare proposals for revisions of the Maintenance Plan for Transnet approval, to meet the required reliability targets • Undertake analysis to determine the impact of the proposed revised Maintenance Plan on operational performance, locomotive availability and reliability and total costs of maintenance
Asset performance monitoring	<ul style="list-style-type: none"> • Support Transnet's asset performance monitoring and reporting process through the provision of data on the services covered under this agreement • Provide advisory services on the performance monitoring systems and KPIs employed by Transnet • Establish a methodology and system to monitor the reliability performance of the locomotives and the OEM-critical and system-critical components under this agreement • Provide Transnet with bi-daily Fleet Reliability reports covering reliability performance, failure frequency, reliability trends and distribution across failure types for both locomotives and OEM-critical and system-critical components • Ensure full compatibility of the employed performance monitoring system with the existing Transnet information systems • Establish data continuity protocols to support a migration of the monitoring data, and methodology over to Transnet upon expiration of the agreement
Cost Monitoring	<ul style="list-style-type: none"> • Work with Transnet to define an agreed data interchange standard including data format and granularity, system interface and update frequency • Provide data on the unit cost of spares covered under the agreement • Provide data on the usage of spares covered by the agreement • Provide Transnet with information on the labour hours and costs associated with the Technical Assistance scope of this agreement • Assist Transnet as is reasonable with the generation of an integrated cost monitoring report and forecast • Provide data to Transnet on the manpower and ancillary costs associated with the additional service scope included under the agreement
Configuration and FMI management	<ul style="list-style-type: none"> • Advise Transnet of available Field Modifications and Upgrades and provide information on the impact of the modification, including but not limited to costs, fuel consumption, greenhouse gas emissions, asset reliability, tractive power, track speed, tolerable operating conditions, etc. • Support Transnet during the review, design verification, testing and approval stage of an FMI before embodiment • Verify the FMI against the fleet performance targets under this contract and advise Transnet of any impacts on locomotive performance • Develop the embodiment plan for any Transnet-approved FMI for the fleet under the agreement

	<ul style="list-style-type: none"> • Quality control and approve the completed FMI embodiment to ensure that reliability targets and the FMI design objectives can be met
SOPs and Manuals	<ul style="list-style-type: none"> • Provide technical advisory to Transnet in respect of an update or revision of the maintenance procedures and instructions as may be required from time to time to <ul style="list-style-type: none"> – Incorporate actions from the reliability management process – Reflect configuration changes following embodiment of an FMI • Adapt the maintenance workflow as a result of Transnet's LEAN process • Actively propose and advise required modifications to SOPs for Transnet's approval to meet the reliability targets under the contract
Reliability management	<ul style="list-style-type: none"> • Establish a continuous reliability improvement process to improve the performance of the locomotives covered under this agreement, including the following sub-tasks: <ul style="list-style-type: none"> – To record, classify and analyse information about technical failures and defects – To identify and prioritize technical failures and defects with highest impact on locomotive performance – To define the corrective actions to prevent reoccurrence of failures – To advise Transnet in the implementation of the corrective actions – To control effectiveness of corrective actions post implementation – To provide reporting on the failure frequency and locomotive reliability over time • Provide the required workforce with relevant expertise to execute the continuous reliability improvement process including all of its sub-tasks • Provide the required information systems required for the execution of the continuous reliability improvement process; information systems must be compatible with Transnet's existing maintenance information systems • Provide documentation of the proposed reliability improvement process to Transnet
Obsolescence Management	<ul style="list-style-type: none"> • Notify Transnet if it becomes aware that a spare covered under the agreement is no longer available and a like-for-like replacement is not available (obsolete spare) • Source a comparable part or component that is equivalent or better specification and quality and is fit for purpose to substitute the obsolete spare (replacement spare) • Undertake any engineering redesign of the locomotive or way-side equipment (as applicable) as is reasonably necessary to allow the use of the replacement spare
Quality control and assurance	<ul style="list-style-type: none"> • Undertake Level 1 Audits into quality lapses and other non-conform events in line with Transnet's Quality Management policies • Support Transnet in the execution of Level 2 and 3 Audits with the provisions of technical expertise and assistance as may be required • Establish and operate quality controls to oversee the maintenance activity carried out by the Transnet workforce and to guarantee the performance targets under the agreement • Provide a monthly Quality Management report to Transnet, providing findings from quality control and assurance activities, recommended actions to improve quality performance and status update on actions being implemented
Maintenance Execution	
Locomotive	
Loco servicing	<ul style="list-style-type: none"> • N/a, servicing of locomotive during service including, refuelling and replenishment of running consumables (water, sand, cooling liquid, etc.) to be undertaken by Transnet
Daily locomotive commissioning checks	<ul style="list-style-type: none"> • N/a, daily inspections required during commissioning of the locomotive for service to be undertaken by Transnet
Wagon	
Scheduled inspections and maintenance	<ul style="list-style-type: none"> • Determine the scope, methodology and standard of the scheduled maintenance activities to be conducted in line with the Maintenance Plan including the A, B and C interventions to be performed at 3 months, 6 months and 12 months respectively. • Provide Quality Assurance as required to support the reliability of the locomotive.
Wheel turning	<ul style="list-style-type: none"> • The day to day maintenance of the wheels to keep the profiles within specifications will be the responsibility of TE. • Replacement of wheel sets will be done once the wheel is below its minimum operational measurement at the cost of the OEM. Unless the locomotive is due for an E-overhaul, in which case the OEM will be responsible for all materials and TE will replace the wheel centres with its own labour at the centres of excellence.

Rotable/major component maintenance and refurbishment	<ul style="list-style-type: none"> In order for the OEM to guarantee reliability, it is expected that they will need to ensure the quality of the rotable maintenance is adequate. Therefore, under this agreement, the OEM will own the maintenance of major components. This includes the replacement and maintenance of wheel sets (excluding wheel turning) To achieve this, the OEM will need to propose a model where they certify local providers to have the ability to maintain these components. It is expected that the OEM will, wherever possible, continue to make use of the same South African manufacturers that were used during the 1064 for manufacturing of major components. This will give the local manufacturer continuity post 1064. Under the scope of the agreement, the OEM will need to provide adequate equipment to the service provider. It is expected that the OEM will perform the necessary skills transfer to ensure that the local service provider can continue to perform the maintenance of these components once the proposed maintenance agreement period terminates. The OEM will be allowed to form JVs with local suppliers or outsource, however, wholly owned companies are not allowed. The OEM may not sign an exclusivity agreement with any of its suppliers that precludes these suppliers from working with other OEMs. The OEM has committed to abide by the list provided in the original NTR (as a minimum) which indicated the components will need to be repaired at Transnet Engineering's centres of excellence under the condition that both parties agree on the overhaul and repair cost, period and quality.
Field services and locomotive recovery	<ul style="list-style-type: none"> Activity to be undertaken by TFR/TE, however, the OEM may choose to provide support wherever it can improve the reliability of a locomotive.
Troubleshooting and defect repairs	<ul style="list-style-type: none"> Undertake the required fault-finding, diagnostics and testing activities to determine the required repairs in response to a breakdown, defect and/or malfunction of the locomotive equipment Capture the fault history, locomotive operations data and information on the corrective repairs to inform the reliability management process This will include support to identify operator induced faults Provide all materials required to repair all faults, including any wheels that need replacement outside of the E-overhaul.
Wreck repairs	<ul style="list-style-type: none"> N/a, maintenance activity required in response to any wrecks, accidents, theft, vandalism, sabotage or Force Majeure event is not included in the scope of this agreement
Life-extending activities	
Overhaul events	<ul style="list-style-type: none"> Determine the scope, methodology and standard of the overhaul maintenance activities Certify the completion of the overhauls maintenance work in line with the agreed quality standards
Retrofits	<ul style="list-style-type: none"> N/a, retrofitting of the locomotive is not included in the scope of this agreement
Maintenance support functions	
Workshop and depot management	<ul style="list-style-type: none"> N/A, TE will maintain control of all the depots and workshops As part of the agreement, TE will issue space to the OEM within its depots for parts storage and office space for its labour. The OEM should propose the space required for it to undertake its tasks.
Tooling and equipment management	<ul style="list-style-type: none"> Provide all special tooling and test equipment to undertake the maintenance activities set out in the Technical Maintenance Plan Recommend improvements to shop equipment that will enable TE to improve reliability and reduce dwell times (reduction target of 3% p.a.)
Lean process and work load levelling	<ul style="list-style-type: none"> Support TE's work load levelling process to improve efficiencies and reduce dwell time figures in line with by 3% per annum reduction target Provide advisory services to TE in respect of its lean management process TE will undertake the work load levelling and lean processes under the agreement
Work order planning and controlling	<ul style="list-style-type: none"> Support TE's work order planning processes and provide inputs to support the reliability targets under the agreement As required, manage the interfaces between the work order planning and reliability management processes to ensure the locomotives meet the required reliability
Materials planning and procurement	<ul style="list-style-type: none"> Note: <ul style="list-style-type: none"> "OEM-controlled parts" are defined as all parts that are not considered a consumable or wet (i.e. pantograph strips, brake blocks, lubricants or sand)

	<ul style="list-style-type: none"> – “TE-controlled parts” are defined as panto strips, brake blocks, lubricants or sand. • Determine the inventory replenishment parameters in local warehousing facilities for “OEM-controlled parts” to assure parts availability as per the Service Level Targets • Procure “OEM-controlled parts” to ensure inventory levels in local warehousing facilities are in line with replenishment parameters • Retain ownership of “OEM-controlled parts” until such time that Transnet issues a purchase order for these parts • Provide Transnet with regular reporting on inventory levels for “OEM-controlled parts” and expected service levels <p>Note – material planning and procurement activities for “TE-controlled parts” are undertaken by Transnet</p>
Spare parts supply and warehouse management	<ul style="list-style-type: none"> • Note: <ul style="list-style-type: none"> – “OEM-controlled parts” are defined as all parts that are not considered a consumable or wet (i.e. panto strips, brake blocks, lubricants or sand) – “TE-controlled parts” are defined as panto strips, brake blocks, lubricants or sand. • Manage the supply chain for “OEM-controlled parts” to provide parts to Transnet on DDP-paid basis and in line with the Service Level Targets • Store the “OEM-controlled parts” in either Transnet’s warehouses or at a facility in South Africa to ensure the Service Level Targets • Note – parts supply and warehouse management activities for “TE-controlled parts” are undertaken by Transnet <p>Note – materials required for operator induced faults will be excluded from the agreement, and will be ordered through procurement based on the lead times and pricing provided by the OEM. The OEM is to provide Transnet with a competitive offer (lead times and price) for all items. No contract shall be concluded until the list of components is provided by CSR. This list will be part of the contract and will be used to order material for driver induced failures. In line with the NTR, this list will still be subject to “meet or release”.</p>
Check-sheet management	<ul style="list-style-type: none"> • Provide technical advisory to Transnet in respect to an update or revision of the maintenance check-sheets as may be required from time to time to <ul style="list-style-type: none"> – Incorporate actions from the reliability management process – Reflect configuration changes following embodiment of an FMI • Adapt the maintenance workflow as a result of Transnet’s LEAN process • Update, revise and amend the SOPs and manuals as may be required from time to time to support the locomotive performance targets as set out in ANNEXURE B • Manage and control the consistent and conform usage of check-sheets during the execution of maintenance activities • Maintain an archive of all completed check-sheets for a period of no less than 12 months following completion of the maintenance intervention
Skills and knowledge transfer	<ul style="list-style-type: none"> • Execute the Capability Development Plan developed by the OEM and agreed to under the agreement in response to the Skills Development requirements set out in ANNEXURE C
Customer care and incident recovery	<ul style="list-style-type: none"> • N/a, activity is undertaken by TFR and TE

Performance expected

CSRs performance within the MRS contract will be measured as follows (as stipulated within the NTR):

1 Parts Availability

Parts availability reflects the OEM’s service level performance in respect of assuring sufficient availability of spare parts for maintenance. The service level will be expressed through the number of days a locomotive is unavailable for service due to a required spare part not being available for maintenance. The metric shall be reported separately for each Sub-fleet under the agreement, with a Sub-fleet meaning

the collection of technically common locomotives serviced at a specific depot. The penalty will be applied on the aggregated metric from all the sub-fleets under the supervision of the OEM which shall be calculated on a monthly basis.

The technical assistant from the OEM and TE's chief technical assistant at each workshop will define the moment in which the locomotive is awaiting parts from the OEM. The locomotive will only be deemed to be awaiting parts once all other required services are completed and if the locomotive is not awaiting parts from other parties.

The requirements for material availability are based on the specific targets set for the different scheduled and unscheduled services. Materials will need to be available within the time frames agreed upon at each depot. Below is a sample of the typical targets within each depot for each type of service. The OEM will need to ensure that it can provide the parts with sufficient time for the installation to take place within the agreed workshop time frames.

Indicate workshop times for interventions:

Electric Locomotives

Scheduled Interventions	Target hours
A (90 & 270 days)	8 hours (1 shift)
B (180 days)	8 hours (1 shift)
C (Yearly)	24 hours (3 shifts)
D (every 3 years)	32 hours (4 shifts)

Unscheduled Interventions	Target hours
Minor Corrective Interventions	2 hours
Serious interventions requiring the replacement of a major rotatable component	8 hours (1 shift)
Serious interventions requiring a bogie change out	16 hours (2 shifts)
Serious interventions requiring an in-situ engine repair or engine change-out	24 hours (3 shifts)

The monthly locomotive days lost due to stock-outs for an individual locomotive shall be calculated as per the following formula:

Formula 2:

$$Z = X$$

Where:

Z is Monthly days-lost due to stock-outs

X is The number of days a locomotive is unavailable for service caused by the

unavailability of parts or materials required for locomotive maintenance during the measurement month.

2 Locomotive Reliability

Locomotive reliability reflects the service level of the OEM in relation to the continuous defect-free operation of the locomotive. The service level will be measured through the average number of faults per Locomotive in relation to distance travelled, expressed as Faults per million kilometres (FPMK) travelled. The metric shall be reported separately for each Sub-fleet under the agreement, with a Sub-fleet meaning the collection of technically common locomotives serviced at a specific depot. **The penalties will be applied to each individual fleet under the supervision of the OEM which shall be calculated on a monthly basis.** For the metrics to apply, the OEM will need to reach "critical mass". This will be defined as the day in which the OEM's 50th locomotive is accepted into the fleet.

The expected reliability will evolve through the contract and the respondent will be required to provide higher levels of reliability after the 2nd year of locomotive operation and again after the 5th year.

Transnet requires the OEM to achieve average number of faults that are equal or lower than the target values.

The OEM will not be responsible for faults created by driver induced faults, however, the onus will be on the OEM to prove that the fault was not caused by a quality issue with the maintenance.

Failures will be measured in 4 categories:

1. **Catastrophic in-service failures** – Measured as failures where the locomotive cannot be removed from the track without a team being deployed to maintain the locomotive in-situ. The target for this failure is 0. It is expected that the OEM will not experience these types of failures throughout the life of the contract. The description of the penalty scheme and its measurement is included within section 3 of this annexure.
2. **Critical in-service failures** – Is measured as the number of trains that are cancelled due to a fault with the locomotive. The target is expressed in FPMK.
3. **Major in-service failures** – Is measured as the number of faults that cause delays to train departures of greater than 15 minutes.
4. **Unscheduled sheddings** – Measured as all mechanical failures to the locomotives, including critical, catastrophic and major failures.

A more detailed description of these failure categories and how they will be measured is included below.

Critical In-Service Failures

Trains cancelled cause immeasurable losses to Transnet and thus all efforts should be made to minimise the faults that cause any cancellation of trains. Each train cancellation suspected to be attributable to bad maintenance will be investigated by the OEM and Transnet to assess the cause.

These failures are defined as those failures that cause the cancellation of a train. Targets for these failures are expressed within this document as failures per million kilometres; however, the actual target will be calculated on a monthly basis. A hard target cannot be given within this document as it depends on the kilometres that each of the locomotives will travel each month.

To calculate the actual target, at the end of each month, the number of km's travelled by each locomotive will be assessed. The actual limit of cancelled trains will then be derived using the formula shown below.

Critical in-service failures	
Metric	Target Value
Number of trains cancelled during the first 2 years of operation of each locomotive	2.8 FPMK yr 0-2
Number of trains cancelled between the 3 rd and 5 th years of operation of each locomotive	2.3 FPMK yr 3-5
Number of trains cancelled after the first 5 years of operation of each locomotive	2.0 FPMK yr 5+

The limit of train cancellations allowed on any given month shall be calculated as per the following formula:

Formula 3:

$$Z = X * Y \div 1,000,000$$

Where:

- Z is Calculated train cancellations allowed for the month rounded up to the closest integer;
- X is Target as shown in the table above expressed in faults per million km's
- Y is The total distance travelled by all of the locomotives of a specific fleet during the calendar month being measured

Example:

$$Z = \frac{2.8 \text{ FPMK} * 800,000 \text{ kms}}{1,000,000} = 2.24$$

Rounded up => Z=3.

Thus, if the OEM experiences 4 cancellations, it will be penalised, but if it experiences 3 it will not.

The OEM shall be deemed to have exceeded the limit if the number of cancelled trains is higher than that allowed as per the above formula on any given month.

The definition of a failure as it affects train cancellations is based on mission reliability. Train cancellations will be attributed as an OEM failure whenever:

- A locomotive that fails in-service causing the train to be cancelled. Transnet will make every effort to replace the locomotive and run the train, however, if the train slot is missed, the driver will have to cancel the train. The failure could occur whilst starting the locomotive, as well as while the train is running.
- A cancellation is caused by an undersupply of locomotives that can be tracked back to either an undersupply of material or the reliability of the locomotives.

In the case of the FMA only, additional to the above, the OEM will also be penalised when:

- Cancellations can't be attributed to an undersupply of locomotives as per the agreed train plan this includes, but is not limited to, the OEM performing interventions within a longer dwell time than was envisioned.

Major In-Service Failures

Major in-service failures are defined as those that cause a greater than 15 min delay to a train at departure and/or en-route. As part of the locomotive supply agreements, the OEM should have trained Transnet sufficiently to undertake the duties required to prepare a locomotive for service. However, should the OEM want to provide additional support to Transnet to ensure locomotives do not cause delays to train departures, this will be at their own cost.

Transnet will manage the process for assessing the cause of each failure; the OEM will have an opportunity to investigate each of the faults assessed against it.

Major In-service failures	
Metric	Target Value
Failures that cause a 15+min delay to a train during the first 2 years of operation of each locomotive	10 FPMK
Failures that cause a 15+min delay to a train between years 3 and 5 of operation of each locomotive	5 FPMK
Failures that cause a 15+min delay to a train after the 5 th of operation of each locomotive	4 FPMK

The number of faults per million kilometres travelled shall be calculated as per the following formula:

Formula 4:

$$Z = X \div Y * 1,000,000$$

Where:

- Z is** Failures causing greater than 15 minute delays per million kilometres travelled;
- X is** The number of Faults, Defects or Malfunctions that cause a 15+ minute delay to a train at departure and/or en-route in relation to the Locomotives within the OEMs fleet during the calendar month being measured;
- Y is** The total distance travelled by the OEMs locomotives during the calendar month being measured

Unscheduled Sheddings

Unscheduled sheddings are measured as the total number of failures experienced by all the locomotives within the OEMs fleet. They will include all catastrophic, critical and major faults, as well as other faults that do not directly affect the execution of the train plan.

OEMs must make use of condition based maintenance technologies to reduce the number of faults. It is expected that the number of faults experienced by the locomotives will be reduced throughout the lifetime of the contract through the use of such technology.

Metric	Target value
Faults per million kilometres travelled during the first 2 years of operation of the locomotive	15
Faults per million kilometres travelled between the 3 rd and 5 th year of operation of the locomotive	10
Faults per million kilometres travelled after the 5 th year of operation of the locomotive	8

The number of faults per million kilometres travelled shall be calculated as per the following formula:

Formula 5:

$$Z = X \div Y * 1,000,000$$

Where:

- Z is** Faults per million kilometres travelled;
- X is** The number of Faults, Defects or Malfunctions in relation to the Locomotives within the OEMs fleet during the calendar month being measured;
- Y is** The total distance travelled by the OEMs locomotives during the calendar month being measured

The OEM is required to provide a Service Level Guarantee in respect of Locomotive Reliability for all of the metrics set out above (catastrophic, critical, major and unscheduled sheddings).

The warranty penalty mechanism will still apply for the period covered by the locomotive supply agreement.

3 PERFORMANCE GUARANTEES AND PENALTY MECHANISM

Transnet requires the OEM to provide a Service Level Guarantee in relation to the Service Level Requirements applicable to each of the Maintenance Service Options. Such Guarantee is to be provided through the submission of a Service Level Compliance Declaration, refer to paragraph 5 as part of the Respondents proposal. Through submission of the Service Level Compliance Declaration, the Respondent formally accepts the Service Level Requirements and the Penalty mechanism stipulated herewith as a binding contractual obligation of the proposed maintenance services.

Transnet considers the execution of a maintenance agreement in relation to the proposal submitted by the Respondent conditional on the inclusion of a penalty mechanism based on the following terms:

- A penalty shall be paid to Transnet if the OEM fails to meet any of the Service Level Guarantees provided under the agreement;
- Separate measurements and determination of penalties will be made in relation to each of the Service Level Guarantees provided under the contract;
- Transnet will issue a Penalty Certificate to the Service Provider within 30 days of the last calendar day of each month, indicating the Penalty amount accrued during that month;
- Penalty payments shall be made to Transnet within 10 (ten) business days of Transnet issuing the Penalty Certificate;
- Transnet reserves the right to off-set penalty payments against any invoices issued by the Service Provider in relation to the maintenance services provided;
- Payment of penalties represent a binding contractual obligation of the contractor and is excluded from any arbitration provisions the parties may choose to implement under the agreement;
- The issuance of a Penalty Certificate requires the OEM to develop and present to Transnet a corrective action plan to rectify the service level, eliminate all root causes for the failure to meet the guaranteed service level and demonstrate to Transnet how the corrective action plan will be implemented;
- Any costs associated with the implementation of the corrective action plan are the sole financial obligation of the Contractor and must not be recovered from Transnet;
- Transnet reserves the right to audit the Service Provider on the execution of the corrective action plan;
- A continued (3 months), recurrent (3 months over a 12 month period) or material failure to meet the Service Level Guarantees under the agreement shall constitute a breach of the agreement and provide Transnet the right to terminate the agreement at its sole discretion; and,
- The availability and reliability will be measured on a Transnet system and this is the system that will be used for all transactions and/or penalties.
- Penalty values will be escalated at the same rate as the contract payment on an annual basis.

3.1 Parts Availability

- Penalties for parts availability will be applied on a per day basis and the penalty period will begin at the moment agreed by both the TE and OEM technical advisors and terminated by the TE and OEM technical advisors once the OEM has delivered the material to the workshop.
- Penalties will apply to every locomotive that waits for material in the workshop which will be aggregated at the end of the month and can be applied to the payment made to the respondent.

Metric	Target value	Penalty ¹
Locomotive held back for material	0-48 hrs	R 1,750/day
	48hrs+	R 5,000/day
If the liability cap is reached and the locomotive is still "held back for material" status		Exclude from monthly payment (i.e. Transnet will not pay for maintenance on this locomotive)

3.1 Reliability

The OEM will be penalised for reliability in four ways. The penalties and the description of these are shown below.

Catastrophic in-service faults:

A catastrophic in-service fault will be defined as a fault where the locomotive locks up and blocks the track. The fault will be deemed as a catastrophic in-service fault when the locomotive cannot be moved back into a workshop on its own traction or be shunted back and a crew has to be deployed to rescue the locomotive in-situ.

These failures cause immeasurable losses for Transnet and therefore will need to be avoided at all costs. Below are the penalties that will apply to all catastrophic in-service faults. A process will be created to establish the source of the fault prior to assessing the penalty onto the respondent.

Metric	time	Penalty
Time the locomotive is blocking the track	1-12 hrs	1% of total monthly contract value for the fleet
	12-24 hrs	3% of total monthly contract value for the fleet
	>24 hrs	5% of total monthly contract value for the fleet

¹ These penalties will be escalated only a yearly basis at the same rate as is agreed between Transnet and the OEM for the overall contract.

The OEM should stipulate the required performance from the Transnet staff in terms of the recovery of the locomotives. The activities performed to recover the locomotives shall not form part of the scope of the respondent. However, the respondent is encouraged to suggest productivity improvements that will reduce recovery times throughout the contract life. The penalty above can be assessed several times during a single month should the OEM experience more than a single catastrophic in-service fault.

It is expected that the OEM will not experience any catastrophic in-service faults during the lifetime of the contract. Every catastrophic in-service fault will require the OEM to perform a thorough analysis of the cause and to present a mitigation plan to Transnet to prevent it from occurring again. Should the OEM's mitigation plans not be satisfactory or prove to be successful, Transnet reserves the right to cancel the contract.

Critical Failures:

Penalties for critical failures will be assessed based on the number of trains cancelled above the calculated target described within this annexure. Trains cancelled cause immeasurable losses to Transnet and thus all efforts should be made to minimise failures that cause any cancellation of trains.

Metric	Above calculated target	Penalty
Trains cancelled above target	1	2.5% of total monthly contract value for the fleet
	2	5% of total monthly contract value for the fleet
	3+	10% of total monthly contract value for the fleet and OEM is given an opportunity to rectify performance before Transnet has the right to terminate

Major Failures:

Penalties for major failures will be assessed for faults measured as those that cause a greater than 15 min delay to a train departure.

Metric	Above target	Penalty
Faults per million kilometres travelled	0-1	1.2% of total monthly contract value for the fleet
	1-2	3.6% of total monthly contract value for the fleet
	2+	7.2% of total monthly contract value for the fleet and OEM is given an opportunity to rectify performance before Transnet has the right to terminate

Unscheduled Sheddings:

Penalties assessed for unscheduled sheddings will be above and beyond any other penalties assessed for major, critical and catastrophic failures. The OEM is encouraged to make use of condition based maintenance technologies to minimise all in-service failures and perform unscheduled sheddings where necessary. However, the OEM will need to work with Transnet to ensure that locomotive maintenance does not affect locomotive availability.

Metric	Above target	Penalty
Faults per million kilometres travelled	0-1	0.3% of total monthly contract value for the fleet
	1-2	0.9% of total monthly contract value for the fleet
	2+	1.8% of total monthly contract value for the fleet and OEM is given an opportunity to rectify performance before Transnet has the right to terminate

3.2 Liability Cap

- The OEM's liability due to performance will be capped at a maximum of 10.0% under all three contract options.
- The liability cap will be broken down as follows:
 - Parts unavailability and major failures will be capped (jointly) at 3.6% of total contract value.
 - Penalties for critical and catastrophic KPIs will be capped at 10% of total contract value.

ANNEXURE D

SATS 1286.2011

D

Annex

Local content declaration – summary schedule

Tender No. GSM/1507/H296
 Tender description: 554 Electric Locomotive Maintenance 12 years
 Designated product(s): Rolling stock and components
 Tender Authority: Transnet
 Tendering entity name: CSR
 Tender exchange rate: USD R 13.33
 Specified local content % 60%

Note: VAT to be excluded from all calculations

Calculation of local content							
Tender item no's	List of items	Tender price - each (excl VAT)	Exempted imported value	Tender value net of exempted imported content	Imported value	Local value	Local content % (per item)
(C8)	(C9)	(C10)	(C11)	(C12)	(C13)	(C14)	(C15)
	Electric Locomotives Maintenance for 554 Locomotives	11,025,896,663	.	11,025,896,663	2,644,624,560	8,381,272,103	76.01%

Signature of tenderer from Annex B

Date:

Tender summary

Tender Qty	Total tender value	Total exempted Imported content	Total Imported content
(C16)	(C17)	(C18)	(C19)
1	11,025,896,663	.	2,644,624,560

Tender value

11,025,896,663

Total exempted imported content

11,025,896,663

(C20) Total tender value

11,025,896,663

(C21) % of exempt imported content

11,025,896,663

(C22) Total Tender value

11,025,896,663

(C23) Total imported content

11,025,896,663

(C24) Total local content

11,025,896,663

(C25) Average local content % of tender

11,025,896,663

Siyabonga Gama, Group Chief Executive

TRANSNET



Our Ref No: SG/22074

Mr Zhou Qing He
The Chairman
CRRC Zhuzhou Locomotive Co Ltd
Tianxin Zhuzhou
Hunan
CHINA
412001

Dear Mr Qing He

MATERIALS AND RELIABILITY SUPPORT ("MRS") CONTRACT SIGNING

We refer to the previous correspondence on the signing of the MRS Contract.

Transnet is a State Owned Company ("SOC") and has to conduct its business, incur expenses and procure materials and services in compliance with but not limited to, The Constitution of the Republic of South Africa and the Public Finance Management Act.

We had reached finality on the negotiation of the MRS contract and were ready to sign, however due to the corruption allegations that surfaced through the media on the 1064 procurement, we had to negotiate the newly proposed representations/warranties clauses.

Further to the above, Transnet SOC has commissioned a forensic investigation on the allegation of corruption relating to the procurement of the 1064 locomotives, to ascertain the parties' involvement or non-involvement in the alleged corruption practices. The forensic investigation commissioned has not yet been finalized.

The proposed representations/warranties clauses have been negotiated and agreed upon between CRRC and Transnet. We have since amended the MRS Contract to incorporate the additional clauses. Ultimately, Transnet SOC would prefer to resign the complete MRS Contract with the proposed representations/warranties clauses as opposed to signing the addendum.

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GJ Pita* (Chief Financial Officer)
*Executive

Group Company Secretary: NE Khumalo

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Page 2

Transnet will only be in a position to issue a letter of effectiveness to CRRC subsequent to the complete MRS Contract being signed by both parties.

Yours sincerely


Siyabonga Gama
Group Chief Executive

Date:

2017.10.26



Office of Nokuthula Khumalo, Group Company Secretary

TRANSNET



TO WHOM IT MAY CONCERN

CERTIFIED EXCERPT FROM THE MINUTES OF THE SPECIAL BOARD OF DIRECTORS OF TRANSNET SOC LTD MEETING NO. 2-16/17FY HELD ON 28 JULY 2016 AT 15:15 AT 1659 CAMBOURNE CIRCLE, HIGHGATE VILLAGE, DAINFERN

*3.2 Maintenance Agreement for Locomotives

RESOLVED that the Board:

- Recommended that the Shareholder Minister approves the business case and award of the maintenance services to China South Rail ("CSR") in terms of the option in the Locomotive Supply Agreement(s).
- Approve delegation of authority to the Group Chief Executive or his designate to approve and sign all relevant documentation and amendments (i.e. LOI, Contracts and subsequent amendments) pertaining to this matter on behalf of the Company post the Shareholder Minister's approval.

2-16/17FY/1*

Certified a true excerpt.

Kind regards

NOKUTHULA KHUMALO
Group Company Secretary
Date: 14 December 2016



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BG Stagman PG Williams GJ Pita* (Chief Financial Officer)

*Executive

Group Company Secretary: NE Khumalo

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TRANSNET



www.transnet

MEMORANDUM

To : Thamsanqa Jiyane; Chief Officer Advanced Manufacturing; Transnet Engineering

From : Clayde Chidauhe; Acting Chief Financial Officer; Transnet Engineering

Date : 18 June 2018

RE : REQUEST TO RECALL ADVANCE PAYMENT GUARANTEE (APG) FOR THE PRE-PAYMENT MADE BY TRANSNET TO CRRC.

PURPOSE:

1. In terms of a signed Letter of Award ("LOA") between Transnet and CRRC E-loco (CRRC, formerly CSR), Transnet Group Finance made an advance payment to CRRC on 1 October 2016 of an amount equal to 10% of CRRC's Best and Final Offer ("BAFO") being R618 million excluding VAT (R704,5 million including VAT). This amount was then transferred by Group Finance into Transnet Engineering's (TE) current account thereby increasing TE's overdraft and finance charges.
2. The maintenance arrangement has not been implemented yet as the process to finalise its operationalization is in progress.
3. Considering the working capital requirements of Transnet, it would be desirable if this amount is paid back to Transnet pending the finalization of the maintenance arrangements.
4. The purpose of this memorandum is to:
 - Obtain the approval of the COAM to recall the On Demand Guarantee; and
 - Sign all the relevant documentation to recall the Guarantee.

BACKGROUND:

5. Transnet issued a Notice to respond (NTR) in August 2015 to the 1064 OEM's for the provision of maintenance spares and reliability services. TE has subsequently issued a letter

of award (LOA) to CRRC for the supply of spares and other materials and certain technical support services for the 559 locomotives that have been supplied by CSR, now CRRC.

6. The prepayment mentioned above, was made and approved after all the governance processes were followed; the approval of such pre-payment was for the increase for the unforeseen capex. We annex hereto a copy of the approved memorandum dated 26 October 2016 annexed hereto as annexure "A".
7. There is currently a draft MRS agreement between TE and CRRC which documents the outcomes of the negotiations between TE and CSR and hence implement the key provisions of the LOA and mark the commencement of maintenance services. Although the prepayment was made on 1 October 2016, CRRC has not yet begun with executing plans to maintain the 559 locomotives.

DISCUSSIONS & LEGAL IMPLICATIONS:

8. The terms of the APG are that prior to the issuing a demand payment on the guarantee, TE will firstly inform CRRC of their intention to recall the APG.
9. All legal issues have been considered and the APG can be recalled. This recall will not amount to any breach of contract by TE or CRRC as the agreement between the Parties will still remain and Parties will engage each other to ensure that the maintenance services do take place in the future.
10. After this request to recall the APG has been approved, all the steps required to be followed in terms of the provisions of the APG will be followed to implement a successful recall of the funds.
11. The recalling of the APG will not impact the delivery of the 1064 and payment of the advance payment can be made when both parties are ready to execute the agreement.

FINANCIAL IMPLICATIONS:

12. The recalling of the guarantee will increase Transnet's cash resources by R618 million with interest cost savings of approximately R70 million per annum.

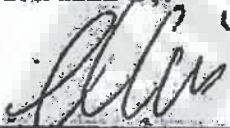
BUDGET IMPLICATIONS:

13. The recalling of this payment was not budgeted for in the current financial year. Transnet will benefit financially from this recall.

RECOMMENDATION:


14. It is recommended that Chief Officer: Advance Manufacturing approves the recalling of the on-demand guarantee.

COMPILED BY:


CLAYDE CHIDAUSHE
 Acting Chief Financial Officer
 TRANSNET ENGINEERING

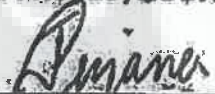
Date: 27 / 07 / 2018

RECOMMENDED/NOT RECOMMENDED BY:


ZONDI MASWANGANYI
 General Counsel
 TRANSNET ENGINEERING

Date: 30 / 07 / 2018

APPROVED/NOT APPROVED BY:


THAMSANQA JIYANE
 Chief Officer: Advanced Manufacturing
 TRANSNET ENGINEERING

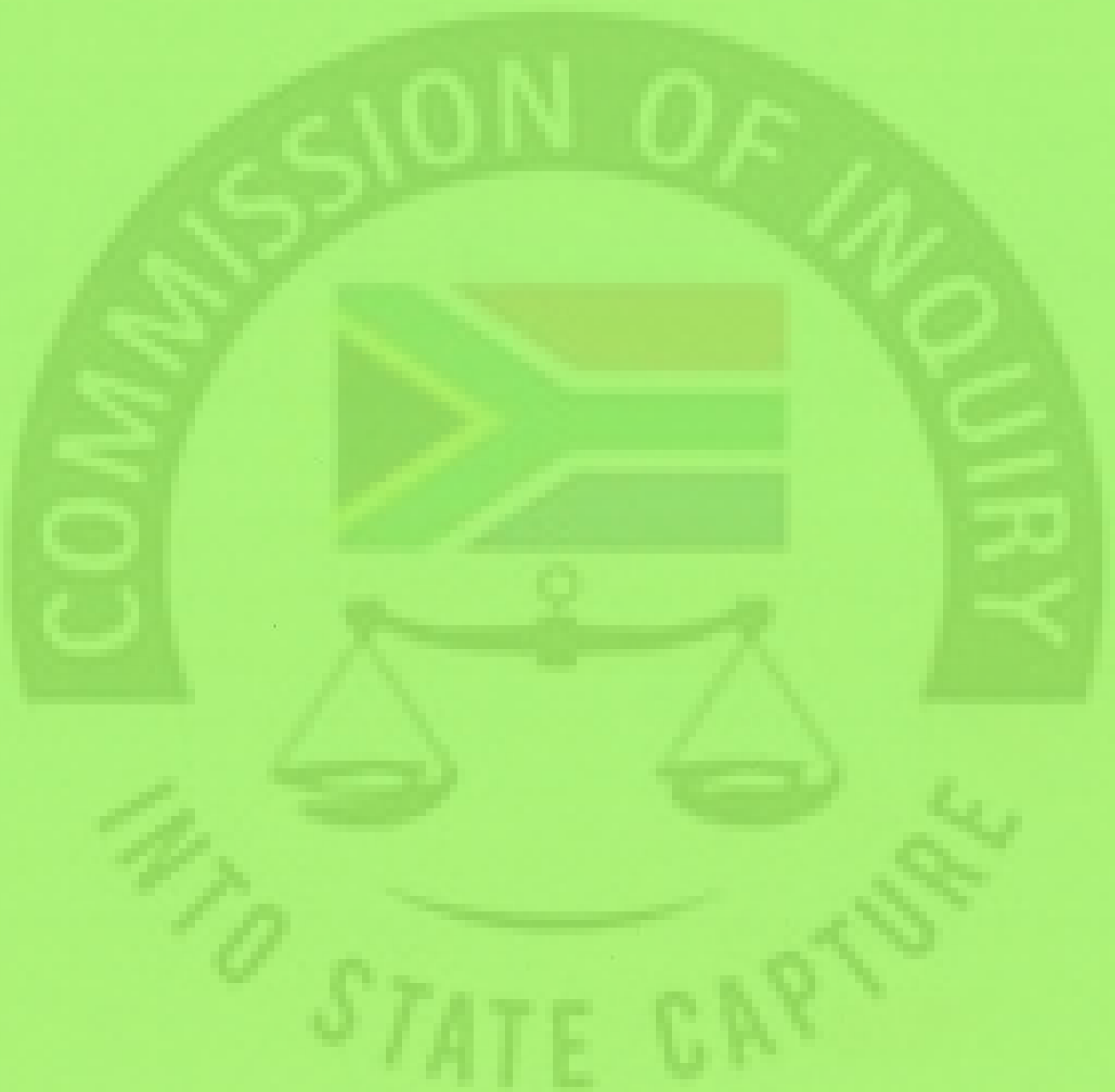
Date: 07 / 08 / 2018

NOTED BY:


MOHAMMED MAHOMEDY
 Interim Chief Financial Officer
 TRANSNET SOC Ltd.

Date: ____ / ____ / 2018

ANNEXURE “MSM 16”





20 September 2018

The Bank of China Ltd

Johannesburg Branch

14th – 16th Floors, Alice Lane Towers

15 Alice Lane

Sandton

JOHANNESBURG

Republic of South Africa

2001

BY HAND DELIVERY

RE: DEMAND NOTICE IN TERMS OF CLAUSE 3.2 OF THE ADVANCE PAYMENT BOND CG1265417001153 DATED 27/09/2017 MADE UNDER THE TERMS OF MATERIALS & RELIABILITY SUPPORT AGREEMENT DATED 12/08/2017.

We, Transnet SOC Ltd, hereby notify you of a claim under Bond dated 27 September 2017 ("The Bond"), with Reference number GC1265417001153, provided by you to us as envisaged by the Materials and Reliability Support Agreement ("The Agreement") dated 18 August 2017 (As amended, supplemented and/or varied from time to time) and made between CRRC E-LoCo Supply Proprietary Limited ("The Contractor") and ourselves in relation to, among other things, the supply of certain maintenance and spares support for the fleet of locomotives manufactured by the Contractor.

We advise that an advance payment or advance payments (as applicable) in the aggregate amount of R618 160 746 – ZAR Six Hundred and Eighteen Million Hundred and Sixty Seven Hundred and Forty Six) ("the Advance payment") was paid to the Contractor pursuant to the agreement.

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Dr FS Mufemadi AP Ramabulana GT Ramphaka LL von Zeuner
MS Mahomedy* (Acting Chief Financial Officer)

*Executive

Group Company Secretary: NE Khumalo


www.transnet.n

CRRC has failed or neglected to execute its obligations in line with the APG. Thus far TE has not received any rotatables for MRS and CRRC has failed to substantiate its claim to have purchased such items. Therefore a contractor event of default under the agreement has occurred and has not been remedied per the terms of the agreement and we accordingly hereby demand payment under the bond and instruct you to forthwith transfer an amount equal to R618 160 746 (ZAR Six Hundred and Eighteen Million Hundred and Sixty Seven Hundred and Forty Six) to the following account;

Account holder: Transnet SOC Ltd
Name of bank: Standard Bank,
Branch name: Johannesburg branch direct via MT103
Account number: 002372819
Swift code: SBZAJJ

We confirm that we have given 2 (two) business days prior written notice to the Contractor of our intention to make this Demand and attach hereto a copy of such notice.

Yours faithfully


.....
Mohammed Mahomed
Acting Group Chief Financial Officer
Date: 25.09.2018

ANNEXURE "MSM 17"




CRRC E-LoCo Supply Proprietary Limited

1* Floor, 95 Grayston Drive, Sandton

JOHANNESBURG

2001

Dear Mr. SHE Yongjun

**RE: NOTICE IN TERMS OF CLAUSE 3.2 OF THE ADVANCE PAYMENT BOND
NUMBER: GC1265417001153 DATED 27 SEPTEMBER 2017.**

We hereby confirm the intention by Transnet SOC Ltd, through its operating division, Transnet Engineering to revoke and recall the total amount of **R618 160 746, 00** (ZAR Six Hundred and Eighteen Million, One Hundred and Sixty Thousand and Forty Six only), the bonded amount that was issued in terms of the provisions of the Material and Reliability Support Agreement as amended, supplemented and/or varied from time to time dated 18 August 2017.

The recall will be done on the following basis:-

- 1) Failure to proceed with the execution of the contract; and
- 2) Lack of plan in place to indicate when the contract will be executed.

Finally, note that after 2 (two) business days of receipt of this notice, Transnet SOC Ltd will formally file a demand notice to the Bank of China as per the provisions of the Advance Payment Guarantee ("bond").

Kindly acknowledge receipt of this notice.

Kind regards,

Zondi Maswanganyi

Legal Counsel

Date: 12/9/2018

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Dr FS Mufamadi AP Ramabulana GT Ramphaka U. von Zeuner
MS Mahomed* (Acting Chief Financial Officer)
*Executive

Group Company Secretary: NE Khumalo

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ANNEXURE “MSM 18”





11 February 2019

Mr. Andy Yong'Jun

General Manager

CRRC E-LoCo Supply (Pty) Ltd

1st Floor China Construction Bank Building

95 Grayston Drive

SANDTON

2196

WITHOUT PREJUDICE

Per e-mail:- sheyongjun@crrczelc.cc

Dear Andy

RE: DEMAND FOR PAYMENT OF AN AMOUNT OF VAT AND INTEREST RELATING TO THE MAINTENANCE & RELIABILITY SUPPORT AGREEMENT BETWEEN TRANSNET SOC LTD AND CRRC E-LOCO (PTY) LTD.

We refer to the above stated matter.

In August 2016, Transnet SOC Ltd through its operating division Transnet Engineering (TE) issued a Letter of Award (LOA) to CRRC E-LoCo (Pty) (CRRC).

In terms of the provisions of the Letter of Award (LOA) an advanced payment in the amount of **R704 703,250.44** was made in favor of CRRC and such amount was made up of **R618 160, 746.00** and VAT at 14% in the amount of **R86 542, 504.44**.

CRRC was required to utilize the money as a start-up costs and also to procure rotatables. As a result of non-performance on the part of CRRC, TE proceeded to claim a refund of the total amount paid to CRRC. However CRRC refunded TE only the amount of **R618 160,746.00** and held back the VAT amount of **R86 542,504.44**. TE is entitled to be refunded the VAT amount and interests amounting to **R136 473,803.60**.

Therefore TE hereby demands a payment in the total amount of **R223 016,308.00** to be paid into the following bank account number:-

Transnet SOC Ltd
Registration Number
1990/000900/30

160 Lynette Street
Kilner Park
Pretoria
0186

P.O. Box 15912
Lynne East, Pretoria
South Africa, 0039
T +27 12 391 1311

Directors: Dr PS Molefe (Chairperson) TC Morwe* (Acting Group Chief Executive) UN Fikilepi RJ Gande Prof EC Kleswetter ME Letlape OC Mathoga V McMenamin Adv OM Motsung Dr FS Mufamadi AP Ramabulana GT Ramphaka LL von Zeuner MS Mahomed* (Acting Chief Financial Officer)
*Executive

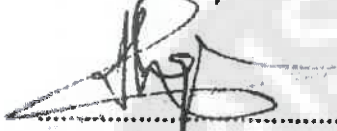
Group Company Secretary: NE Khumalo

www.transnet.co.za

Bank Name: Standard Bank, Johannesburg Branch direct via MT103
Bank Address: Standard Bank International Division, 5 Simmonds Street, Johannesburg
Account Name: Transnet Engineering
Account Number: 411111884
Swift Code: SBZAJJ
Branch Code: 010545.

We will appreciate if the above payment is made into the above account by no later than 7 (seven) days upon receipt of this letter, failing which TE will be left with no option, but to approach the appropriate forum to recover the amount.

Yours faithfully



Zondi Maswanganyi

General Counsel

Date: 11/2/2019



ANNEXURE “MSM 19”



Letter of Intent between Transnet and McKinsey Incorporated for the provision of Advisory Services related to the Acquisition of the 1064 Locomotives Tender

TRANSNET



McKinsey Incorporated
88 Stella Street
Sandown Mews East
Sandton
2196

30 November 2012
Reference: LOI/GSM/12/05/0447

Dear Mr Michael Kloss

RE: LETTER OF INTENT for the provision of Advisory Services Related to the Acquisition of the 1064 Locomotives Tender over a period of 9 months. LOI/Proposal Reference No: GSM/12/05/0447 ("the Mandate")

Pursuant to our Request for Proposal (RFP Number 12/05/0447), we wish to inform you that your offer has been accepted and that your consortium has been awarded the contract for the provision of Advisory Services related to the Acquisition of the 1064 Locomotives Tender (the Services) to Transnet, subject to the conditions precedent set out in section 1 below.

The Parties to this agreement are:

- (1) Transnet SOC Ltd (Transnet), a State Owned Company and the procurer of the services. (Registration Number 1990/000900/30); together with
- (2) McKinsey Incorporated (the Supplier), (Registration Number 1995/002398/10) and the other members of the consortium, namely, Regiments Capital (refer to 1.5), Advanced Rail Technologies, Nedbank Capital and Utho Capital.

Transnet wishes to contract with the Supplier for the provision of the Services as outlined in clause 3.3 below, which, if mutually agreed by the Parties, will be documented and effected in accordance with a 9 (nine) month Agreement between the Parties. It is agreed that the Supplier will play the lead role and take overall responsibility for the entire Mandate. This condition also applies to services specified in 1.5 and 1.6 herein.

The Parties are desirous of successfully concluding negotiations and thereafter executing a contract (the Agreement) to enable the Supplier to provide the Services detailed in section 3.3 below in a timely manner.

The Parties have identified the Services which Transnet would wish the Supplier to provide in the interim while execution of an Agreement between the Parties is being finalised. Conditions of this requirement are specified in sections 2 and 3 below.

The purpose of this Letter of Intent (LOI) is to document the intention of the Parties in respect of the required Services for the provision of Advisory Services related to the Acquisition of the 1064 Locomotives Tender. LOI Reference No: GSM 12/05/0447

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Letter of Intent between Transnet and McKinsey Incorporated for the provision of Advisory Services related to the Acquisition of 1064 Locomotives Tender

Locomotive Tender and it will remain in effect until the Agreement is signed by both Parties, or 90 (ninety) days have elapsed from date of issue of this LOI, whichever event should occur first.

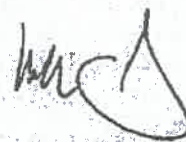
NOW THEREFORE IT IS AGREED

1. Conditions Precedent

With reference to the Supplier's offer (07 June 2012), Transnet wishes to finalise pricing, the details of the Services to be provided and other matters in order to conclude the Agreement with the Supplier. In the interim, the under-mentioned conditions precedent will apply:

- 1.1 The Parties agree to work towards concluding the Agreement for the provision of Advisory Services related to the Acquisition of the 1064 Locomotives Tender, over a period of 9 (nine) months, commencing 15 January 2013 and expiring 15 October 2013 (or sooner if completed). Please note that contract timeline may be for a longer period, at no extra cost to Transnet if the deliverables are not executed for whatever reason as this engagement is output based, as opposed to time based.
- 1.2 The Parties agree to use this document as a proxy for the binding legal Agreement and under its authority Transnet intends to request that the Supplier commences the provision of such Services as required, during which period the detailed Agreement will be negotiated and finalised between the Parties.
- 1.3 During this interim period Transnet wishes to gain an enhanced degree of comfort in terms of provision of the Services and would wish to reflect such in the Agreement in the form of a Service Level Agreement agreed by the Parties.
- 1.4 Transnet will discuss with the Supplier and agree the terms and conditions of the Agreement.
- 1.5 The Supplier agrees to partner with Regiments Capital, for the procurement and supplier development elements of this project.
- 1.6 The Supplier agrees to relinquish all legal services to Webber Wentzel (WW), a firm that was not part of the original consortium but appointed by Transnet for the delivery of legal services. Notwithstanding the appointment of WW by Transnet, the Supplier will oversee all work and deliverables supplied by WW and manage the deliverables of the entire Transaction Advisory services in an integrated manner.

LOI Reference No: GSM 12/05/447



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Letter of Intent between Transnet and McKinsey Incorporated for the provision of Advisory Services related to the Acquisition of 1064 Locomotives Tender

2. Interim Service Requirement

- 2.1. The Supplier agrees to promptly commence with the provision of the Services as detailed in section 3.3 below, after this LOI's confirmation date, and in compliance with Transnet's Interim purchase order.
- 2.2. Should negotiations between the Parties break down for any reason, the Supplier may immediately invoice Transnet Group Finance for all reasonable, actual costs incurred up until that date and such amount shall become due and payable by Transnet against presentation to Transnet of an undisputed Tax Invoice.

3. Contract Fees and Deliverables (Inclusive of 2.1 above)

The proposed fees for the Services to be rendered, which the Parties in the Interim accept, are understood by both Parties (subject to signing of the Agreement) and are as tabled in Annexure A hereto.

- 3.1. Fees and related costs are quoted in South African currency and are exclusive of Value-Added Tax (VAT). Expenses will be capped at 10% of the value of the engagement for the Supplier and its sub-contractors and billed on an actual basis capped at R35,2 million excluding disbursements.
- 3.2. Payment will be effected by Transnet, against presentation by the Supplier of undisputed Tax Invoices, within 30 (thirty) days from date of month-end statement for deliverables effected during that month.
- 3.3. Key deliverables and project timescales.

The key project deliverables for a period of 9 (nine) months are for the provision of Advisory Services related to the Acquisition of the 1064 Locomotives Tender. Please note that contract timeline maybe for a longer period, at no extra cost to Transnet if the deliverables are not executed for whatever reason as this engagement is output based, as opposed to time based.

The objective is to award the loco tender by the end of the third quarter of the calendar year 2013 on the back of

- a robust and de-risked business case that is fully supported and approved by the Board and the Shareholder
- a fully capacitated and flawless transaction process
- a commercial negotiation that maximises the value delivered to Transnet and South Africa.

The deliverables are covered in detail in annexure B, and include:

- Developing and augmenting the business case for the approval of the locomotives by the Transnet Board of Directors and Department of Public Enterprises;

LOT Reference No: GSM 12/05/0417

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Letter of Intent between Transnet and McKinsey Incorporated for the provision of Advisory Services related to the Acquisition of 1064 Locomotives Tender

- TFR GFB 7 year end to end business case understanding impact of the following based on validated volume expectations:

- Wagons
- Locomotives
- Infrastructure
- Optimisation
- Profitability of each sector: link into efficiencies and capacity
- Clear capital volume link;

Any work done in relation to the above is to be carried forward and used as part of the SWAT team's project.

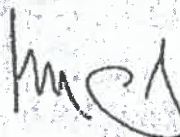
- Procurement and Legal – Supplier Development and Localisation strategy:

- Design and Setting up tendering process in line with requirements applicable to State-owned companies (SOCs)
- Request for proposal documentation;
- Supplier evaluation criteria
- Request for Information / Quotation documentation
- Short listed selection of bidders based on criteria
- Template contract for awarding of the tender
- Negotiation fact packs and capability building
- Claims procedure and OEM management approach post award
- creation of a loco industry in South Africa
- Integrate this into the transaction and commercial process
- Execution of transaction process (RFP, process orchestration, adjudication capacity)
- Develop contracting strategy for programmatic approach;

- Technical/Operations:

- Reduce loco lifecycle costs through technical (specifications) and commercial lever optimisation with short-listed suppliers
- Technical evaluation levers and estimated value
- Optimisation approach for joint value optimisation between Transnet and the selected suppliers
- Improved outcome through value engineering with shortlisted suppliers – optimising for main objectives of procurement strategy (e.g., highest local content at best value for money);

LOI Reference No: GSM 12/05/0447



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Letter of Intent between Transnet and McKinsey Incorporated for the provision of Advisory Services related to the Acquisition of 1064 Locomotives Tender

- **Financial:**

- Developing finances and funding options
- Develop deal structure (financing, hedging and de-risking options);

- **Project Management Office:**

- Proactive stakeholder engagement throughout process to ensure all are granted on time (e.g. PFMA)
- Manage overall process to ensure all parts come together
- Provide oversight of legal aspects from a project management perspective.

A. Miscellaneous

4.1. Neither Party shall reveal the content of this LOI or anything disclosed to the other Party in pursuance hereof to any third party, except with the prior express written consent of the other Party, and then only to the extent required to facilitate progression of the startup procedures.

4.2. This LOI may only be amended or modified in writing by the authorised signatories of the LOI.

Thus duly signed at SAB, South Africa on this 04 day of

December, 2022, on behalf of:

Transnet SOC Ltd

WITNESSES

1. _____

2. _____

NAME: Anoj Singh

Designation: Group Chief Financial Officer

LOI Reference No: GSM 12/05/0447

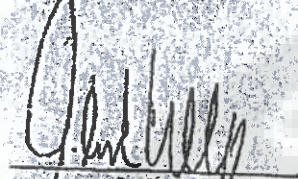
Handwritten signature

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Letter of Intent between Transnet and McKinsey Incorporated for the provision of Advisory Services related to the Acquisition of
1064 Locomotives Tender

Thus duly signed at Johannesburg, South Africa on this 06 day of
December 2012, on behalf of:

McKinsey Incorporated



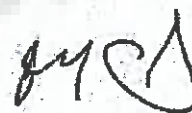
NAME: Michael Kloss
Designation: Director

WITNESSES

1. 

2. 

LOI Reference No: GSM 12/05/0447

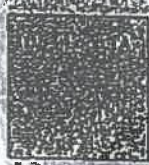


1463

Letter of Intent between Transnet and McKinsey Incorporated for the provision of Advisory Services related to the Acquisition of 1064 Locomotives Tender

ANNEXURE A - FEES/COSTS

Deliverables must be executed for a fee of R35.2m as per the fee note below. Any overrun in terms of time will not be for the account of Transnet as the engagement is output based and not time based. McKinsey will take overall responsibility for the deliverables and quality of the end products. Expenses will be capped at 10% of the value of the engagement for the Supplier and its sub-contractors and billed on an actual basis:



Contract strategy
Business case validation
Technical evaluation and selection
M&A, buyers' and riskholder management
Total Fee

McKinsey	R1.4m
Regional distribution	R3.5m
M&A	R1.2m
M&A + JST	R13.5m
Resourcing, distribution & M&A	R7.6m
Total	R35.2m

LOI Reference No: GSM 12/05/0447

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Letter of Intent between Transnet and McDermott Incorporated for the provision of Advisory Services related to the Acquisition of 1061 Locomotives Tender

ANNEXURE B: KEY DELIVERABLES

Transactional advisory and procurement execution	Key Deliverables	Measure of success
	<p>Lead by M&K with deal structuring recommendations from Utho/Nedbank/contracting strategy input recommendations from W.W. Regiments/Burkington. M&K responsible. Leading a fair and precise process to maximise socio-economic impact for South Africa and Transnet.</p> <ul style="list-style-type: none"> Designed tendering process in line with requirements applicable to State-owned companies (SOCs) to ensure award on time Contracting strategy for programmatic approach and maximised localisation. Contracts that maximise Transnet's flexibility if volume predictions are not met Supplier evaluation criteria and adjudication process Recommended deal structuring, financing and funding options to minimise risk for Transnet to be delivered by Nedbank Capital/Utho with M&K guidance and M&K integration Overall integration of all stakeholder inputs and communication on process progress 	<p>Fair process, professional and transparent to key stakeholders - mit in line with requirements applicable to SOCs</p> <p>Deal structure which minimises the financial risk for Transnet.</p> <p>Contracting strategy implemented that optimally balances loco demand and supplier development objectives</p> <p>Tender award completed in line with timelines submitted with RFP response)</p>
Technical evaluation and optimisation	<p>Lead by M&K and ART</p> <ul style="list-style-type: none"> Lifecycle cost savings from technical improvement levers, and price reduction of locomotives Technical evaluation levers and direct impact on loco lifecycle costs by ART and M&K Joint value optimisation between Transnet and the shortlisted suppliers based on levers already identified by ART and implementable in the given timeframe, e.g. highest local content at best value for money 	<p>Estimate of total lifecycle cost for each loco type, from short listed suppliers quantified and handed over to Transnet.</p> <p>Top 3 technical optimisation levers from ART evaluated and quantified</p> <p>Value from technical lever optimisation negotiated and reflected in contract with selected loco suppliers</p>

123 Keweenaw Hdr GSM 12/05/04

1465

Letter of Intent between Transnet and McCrory Incorporated for a provision of Advisory Services related to the Acquisition of 1064 Lubricates Tender

<p>Business case integration and re-write</p>	<p>Led by: McK</p> <ul style="list-style-type: none"> Re-write of the business case, approved by Board and DPE Integrated end-to-end business case across commodities to validate core quantities with recommendations to adjust ranges in the fleet plan and get ranges for the contracting Scenario based modeling to inform contracting based on macro-economic scenarios and links to export coal and export iron ore business cases, and different export outcomes Adequately address DPE queries 	<p>Rewritten business case that is approved of by the Transnet Board and DPE</p>
<p>PMO</p>	<p>Led by: Regenstein/Barrington with McK leadership oversight</p> <ul style="list-style-type: none"> Monitor overall process timelines against milestones Setting up and preparing documentation for steering committees and formal reviews Escalate issues through regular project steering Prepare external stakeholder communications 	<p>Detailed project plan with milestones</p> <p>Clear governance structure that creates an integrated view of the entire process across all advisors</p> <p>Effective steering committee meetings - clear agenda with decisions to be made, all information required for decisions circulated beforehand, issues logged and resolved</p> <p>Aligned external stakeholders</p>

LOT Reference No: GSM 12/MS/047

CS

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Letter of Intent between Transnet and McGray Incorporated for the provision of Advisory Services related to the Acquisition of 1064 Locomotives Tender

ANNEXURE C: PREREQUISITES**People required from Transnet**

①



- 1 full time project manager from Group Legal for 26 weeks planning project(s), business planning
- 1 full time TFR procurement specialist to own the procurement process for 26 weeks
- Ad hoc time from Group finance (treasury), procurement;

②



- 2 workstream leads (1 diesel and one electric)- full time for 10 weeks and then as needed for adjudication; they will drive technical evaluation and optimisation; from TFR

③



- 1 planning/ GFB business case lead full time for 16 weeks full time; from TFR
- 1 fuel planning specialist full time for 16 weeks; from TFR

④



- 1 full time PMO lead full time for 26 weeks; tracks critical path activities, prepares templates/reporting and action; TFR or Group

ANNEXURE “MSM 20”



1064 programme funding and interest rate SWAPS

March 2019

Glossary of terms

- **Libor - London Interbank Offered Rate:** the basic rate of interest used in lending between banks on the London interbank market and also used as a reference for setting the interest rate on other loans.
- **Jibar - Johannesburg Interbank Average Rate:** Johannesburg Interbank Average Rate (JIBAR) is used as the benchmark for short-term interest rates in the South African markets.
- **Club loan** - The name given to a loan where several banks club together to provide a sum of money to a borrower.
- **Upfront fee** - A fee that is payable at the start of a transaction like a loan. This represents the cost charged to a counterparty and is usually expressed as a percentage of the nominal value of the transaction which is paid after the conclusion of the transaction.
- **Mandated lead arranger fee** - similar to the above but just relating to the lead arranger. A lead arranger is usually a third party, like a bank, who connects the borrower to the investor/lender. For this they get a fee, usually an upfront fee which is paid after the conclusion of the transaction.
- **Commitment fees** - A commitment fee is usually payable the unutilised portion of a facility/borrowing. E.g a bank lends a total of R 1000m to the borrower who only utilise R600m. A commitment fee will be payable on the unutilised portion of R400m.
- **Agency fee** - fee payable to an agent who manages a syndicated loan E.g a Club Loan.
- **Interest rate swap** - a derivative instrument used to change an underlying interest rate exposure from E.g a floating rate to a fixed rate. An example is where a loan might calculate interest on a floating rate (like jibar). This can be changed to a fixed rate using an interest rate swap.
- **Floating rate** - A rate that changes depending on market conditions e.g. Jibar, Libor, or the South African Prime Rate.

Costs for Loan Funding related to 1064 programme

	A	B	C	D	E	F	G	H	I
	Currency	Loan Amount	Upfront Fee (excluding VAT)	Mandated Lead Arranger Fee	Exposure Fee	Commitment Fees Paid	Agency Fee	Advisory Fee (excluding VAT)	Advisor
KfW Development Bank	ZAR	2,760,000,000	0.45%	12,420,000	-	1,069,986	-	-	-
EDC/Investec	ZAR	6,991,500,000	0.45%	31,461,750	-	3,933,163	-	-	-
ZAR Club	ZAR	12,000,000,000	0.30%	36,000,000	-	475,520	-	82,000,000	Trafalgar
* ABSA	ZAR	3,000,000,000	0.30%	9,000,000	-	2,108,219	-	-	-
* Nedbank	ZAR	3,000,000,000	0.30%	9,000,000	-	932,301	-	-	-
* OMSFIN	ZAR	1,500,000,000	0.30%	4,500,000	-	-	-	-	-
* Futuregrowth	ZAR	1,500,000,000	0.30%	4,500,000	-	417,123	-	-	-
Bank of China	ZAR	3,000,000,000	0.30%	9,000,000	-	-	-	82,000,000	-
Advisory Fee									
US Exim	ZAR	5,700,000,000	0.20%	11,400,000	252,057,533	21,092,984	613,800	-	-
ABSA	ZAR	2,250,000,000	0.20%	4,500,000	-	-	-	-	-
Standard Bank	ZAR	2,250,000,000	0.20%	4,500,000	-	-	-	-	-
OMSFIN	ZAR	1,200,000,000	0.20%	2,400,000	-	-	-	-	-
US Exim	ZAR	-	-	-	252,057,533	21,092,984	613,800	-	-
TOTAL ZAR FUNDING		27,451,500,000							
China Development Bank	USD	1,044,000,000	1.18%	USD 17,7m	-	ZAR 320,801,978	-	ZAR 166m	Regiments
USD 1.5bn facility									
TOTAL USD FUNDING		1,044,000,000							

* Not linked to Lora funding

value drawn down to date from total facility of \$1.5 billion

= fees considered unnecessary as Transnet has the expertise to execute

Costs Paid for Nedbank / TSDBF Interest Rate Swaps

Lender	A Loan Amount (R/ million)	B Loan Date	C Loan Rate	D Swap rate	E Swap Date	F Additional Interest Paid to 25 Feb 2019	G Projected Additional Interest to Maturity	H 20 BP included in additional interest	I 20 BP included in additional projected interest	J Swap Counterparty
Abisa - Club Loan Drawdown 1	R 1,500m	01-Dec-15	9.12%	11.83%	04-Dec-15	R 93m	R 98m	R 9m	R 17m	Nedbank
Bank Of China - Club Loan Drawdown 1	R 1,500m	01-Dec-15	9.22%	11.83%	04-Dec-15	R 90m	R 111m	R 12m	R 18m	Nedbank
Nedbank - Club Loan Drawdown 1	R 500m	01-Dec-15	9.03%	11.83%	04-Dec-15	R 31m	R 36m	R 3m	R 7m	Nedbank
Futuregrowth - Club Loan Drawdown 1	R 500m	01-Dec-15	9.03%	11.83%	04-Dec-15	R 31m	R 36m	R 3m	R 7m	Nedbank
Omsfin - Club Loan Drawdown 1	R 500m	01-Dec-15	9.03%	11.83%	04-Dec-15	R 31m	R 36m	R 3m	R 7m	Nedbank
ABSA - Club Loan Drawdown 2	R 1,500m	01-Mar-16	9.62%	12.27%	07-Mar-16	R 101m	R 125m	R 8m	R 17m	Nedbank
Bank Of China - Club Loan Drawdown 2	R 1,500m	01-Mar-16	9.72%	12.27%	07-Mar-16	R 99m	R 146m	R 8m	R 21m	Nedbank
Nedbank - Club Loan Drawdown 2	R 2,500m	03-Mar-16	9.53%	12.27%	07-Mar-16	R 171m	R 234m	R 14m	R 34m	Nedbank
Omsfin - Club Loan Drawdown 2	R 1,000m	04-Mar-16	9.53%	12.27%	07-Mar-16	R 68m	R 94m	R 6m	R 14m	Nedbank
Futuregrowth - Club Loan Drawdown 2	R 1,000m	04-Mar-16	5.53%	12.27%	07-Mar-16	R 68m	R 94m	R 6m	R 14m	Nedbank
Total for Nedbank	R 12,000m					R 785m	R 1,009m	R 72m	R 153m	
EDC Investec	R 6,992m	26-Feb-15	9.90%	12.07%	30-Mar-16	R 468m	R 584m	R 40m	R 60m	TSDBF
Libfin	R 1,604m	18-Jul-14	8.99%	11.15%	08-Apr-16	R 89m	R 106m	R 8m	R 18m	TSDBF
Omsfin/Ormsaiga	R 1,000m	04-Jun-15	9.29%	11.15%	08-Apr-16	R 47m	R 71m	R 5m	R 14m	TSDBF
Standard Bank	R 1,700m	21-Aug-14	8.89%	11.15%	08-Apr-16	R 93m	R 70m	R 8m	R 7m	TSDBF
Total for TSDBF	R 11,296m					R 697m	R 831m	R 61m	R 99m	
Grand Total	R 23,296m					R 1,482m	R 1,839m	R 133m	R 251m	

Funding directly linked to 1064 programme

Supplier	# of locos	Lender	Value @ Inception	Interest rate @ inception	Tenure	Drawdown to date	Balance
CNR/CSR	232/359	China Development Bank	US\$1 500 000 000	3m Libor 0.28 + 257 bps	15	US\$1 044 000 000	US\$456 000 000
CNR/CSR	232/359	Bank of China (Portion of the ZAR Club Loan to finance CNR & CSR locos)	R3,000,000,000	3m Jibar 6.34 + 270 bps	15	R3,000,000,000	-
GE	233	US Exim Guaranteed Facility - Standard Bank - ABSA - OMSFIN & JP Morgan	R5,700,000,000 R2,250,000,000 R2,250,000,000 R1,200,000,000	3m Jibar 7.32 + 195 bps	13	R5,700,000,000	-
BT	240	Export Development Canada & Investec KFW Development Bank	R6,992,000,000 R2,760,000,000	6m Jibar 6.72 + 200bps 10.35%	13 15	R6,992,000,000 R2,760,000,000	- -

R12 Billion ZAR Club Loan analysis

Lender	Value @ Inception (Rand)	Tenure	interest rate @ Inception	Drawn to date (Rand)	Balance
Bank of China	3 000 000 000	15	3m Jibar 6.34 + 270 bps	3 000 000 000	-
ABSA	3 000 000 000	15	3m Jibar 6.34 + 260 bps	3 000 000 000	-
Nedbank	3 000 000 000	15	3m Jibar 6.34 + 270 bps	3 000 000 000	-
Futuregrowth	1 500 000 000	15	3m Jibar 6.34 + 270 bps	1 500 000 000	-
OMSFIN	1 500 000 000	15	3m Jibar 6.34 + 270 bps	1 500 000 000	-
TOTAL RAISED FROM CLUB LOAN:			DRAWDOWN TO DATE:	12 000 000 000	

Nedbank Interest Rate Swaps

Original Loan (Rand)		First Drawdown			Swap		
Lender	Original Loan (Rand)	Lender	Drawdown Amount (Rand)	Date	Floating Rate (%)	Fixed Rate (%)	Additional Margin
ABSA	3 000 000 000	ABSA	1 500 000 000	1 December 2015	9,12	11,83	2,71
Bank of China	3 000 000 000	Bank of China	1 500 000 000	1 December 2015	9,22	11,83	2,61
Nedbank	3 000 000 000	Nedbank	500 000 000	1 December 2015	9,03	11,83	2,8
Futuregrowth	1 500 000 000	Futuregrowth	500 000 000	1 December 2015	9,03	11,83	2,8
Omsfin	1 500 000 000	Omsfin	500 000 000	1 December 2015	9,03	11,83	2,8
TOTAL:	12 000 000 000	TOTAL	4 500 000 000				
		Second Drawdown			Swap		
Lender		Lender	Drawdown Amount (Rand)	Date	Floating Rate (%)	Fixed Rate (%)	Additional Margin
ABSA		ABSA	1 500 000 000	1 March 2016	9,62	12,27	2,65
Bank of China		Bank of China	1 500 000 000	1 March 2016	9,72	12,27	2,55
Nedbank		Nedbank	2 500 000 000	3 March 2016	9,53	12,27	2,74
Futuregrowth		Futuregrowth	1 000 000 000	4 March 2016	9,53	12,27	2,74
Omsfin		Omsfin	1 000 000 000	4 March 2016	9,53	12,27	2,74
TOTAL		TOTAL	7 500 000 000				

GRAND TOTAL: 12 000 000 000

TSDBF Interest Rate Swaps

Lender	Loan Amount (Rand)	Date	Floating Rate (%)	Swapped Rate - Fixed Rate (%)	Date	Additional Margin
Export Development Canada (EDC)/Investec	6 991 500 000	26 February 2015	9,9	12,07	30 March 2016	2,17
Libfin	1 604 166 667	18 July 2014	8,99	11,15	8 April 2016	2,16
Omsfin/Omsalga	1 000 000 000	4 June 2015	9,29	11,15	8 April 2016	1,86
Standard Bank	1 700 000 000	21 August 2014	8,89	11,15	8 April 2016	2,26
TOTAL	11 295 666 667					

1064 Locomotive Programme Update

Board of Directors

February 2019

TRANSNET



solutions delivered





Overview of the 1064 Locomotive Programme

TFR has signed contracts for 1064 locomotives with four OEMs at a total cost of ~R54bn, including contingencies with TE being a sub-contractor to the OEM's

TRANSECT



	BT	CSR	GE	CNR	Total / Average
Type/Class	Electric, 23E	Electric, 22E	Diesel, 44D	Diesel, 45D	
# of locos	610	359	239	282	1,004
Price per loco, Rm	54.4	50.5	36.2	37.9	45.6
Contract value	13bn	18.1bn	8.4bn	3.2bn	39.4bn
Payment terms	9% - 9% 9%-4%-64%-5%	10%-20%-65%-5%	10%-87%-3%	10%-5%-75%-10%	
Penalty exposures	Cost of deferral will be auditable Delay Penalty Cap=10% of Batch Value SD Penalty Cap= 2.5% of total SD value	Cost of deferral is based on storage cost? Delay Penalty Cap=10% of Batch Value SD Penalty Cap= 2.5% of total SD value	Cost of deferral will be auditable Delay Penalty Cap=10% of Batch Value SD Penalty Cap= 2.5% of total SD value	Cost of deferral is based on storage cost? Delay Penalty Cap=10% of Batch Value SD Penalty Cap= 2.5% of total SD value	Cost of deferral is based on storage cost? Delay Penalty Cap=10% of Batch Value SD Penalty Cap= 2.5% of total SD value
Breach of contract clauses	Clause 21.1.3- 21.1.14 (Contractor Default) = Triggers Guarantees	Clause 21.1.3- 21.1.14 (Contractor Default) = Triggers Guarantees	Clause 21.1.3- 21.1.14 (Contractor Default) = Triggers Guarantees	Clause 21.1.3- 21.1.14 (Contractor Default) = Triggers Guarantees	Clause 21.1.3- 21.1.14 (Contractor Default) = Triggers Guarantees
TE % scope of work of total contract-OEM value	5.80%	16.60%	17.8%	22.3%	
TE Production plant	Bayhead Durban	Koedoespoort Pretoria	Koedoespoort Pretoria	Bay head Durban	
Durban move	Contract value: R 618m Paid to date: R 218m	N/A	N/A	Contract value: R647m Paid to date: R 323m	

Strictly private and confidential



Financial and Delivery update per OEM

CSR: 359 Class 22E Locomotives

Contract structure:

Total contract quantity: 359 locomotives
Costs (Rm):



Payment structure:

- Effective date 10%
- Design freeze 20%
- Loco acceptance 65%
- Retention 5%
- 100%

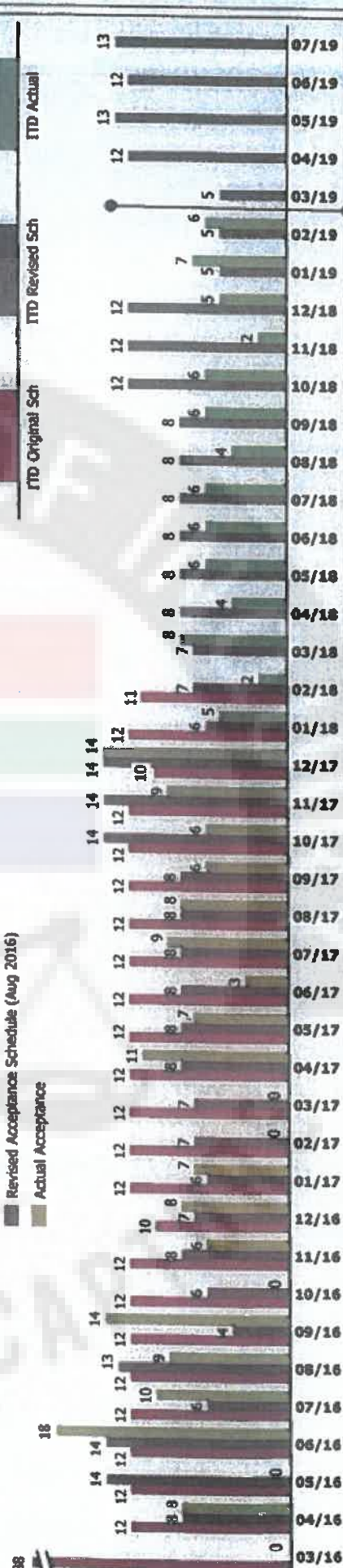
Payments made to date (Feb 2019):

Payments Made	Payment Terms in terms of the contract	Amount	Percentage Paid	Advance Payment Guarantee
Effective Date (March 2014)	10%	R 1 803 590 100.00	100%	-
Design freeze (June 2015)	20%	R 3 607 160 200.00	100%	-
Loco Acceptance (22/02/2019)	65%	R 7 184 177 000.00	61%	N/A
Retention	3%		0%	N/A
Warranty Liabilities	2%		0%	N/A
Total	100%	R 12 594 917 300.00		



Acceptance Schedules:

Original Acceptance Schedule
 Revised Acceptance Schedule (Aug 2016)
 Actual Acceptance



TRANSNET

BT: 240 Class 23E Locomotives

Contract structure:

Total contract quantity: 240 locomotives

Costs (Rm):

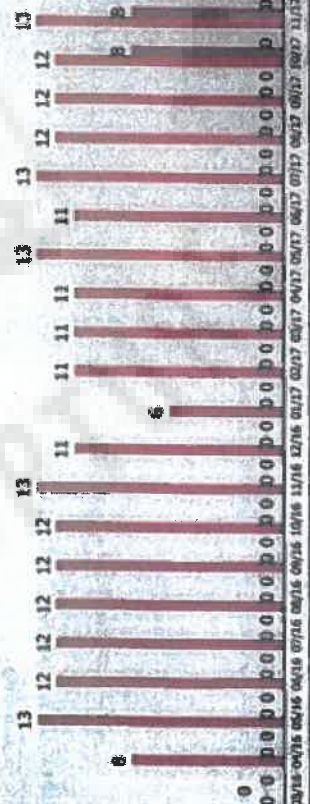


Contract VO Per loco Contract VO Total

Payment structure:

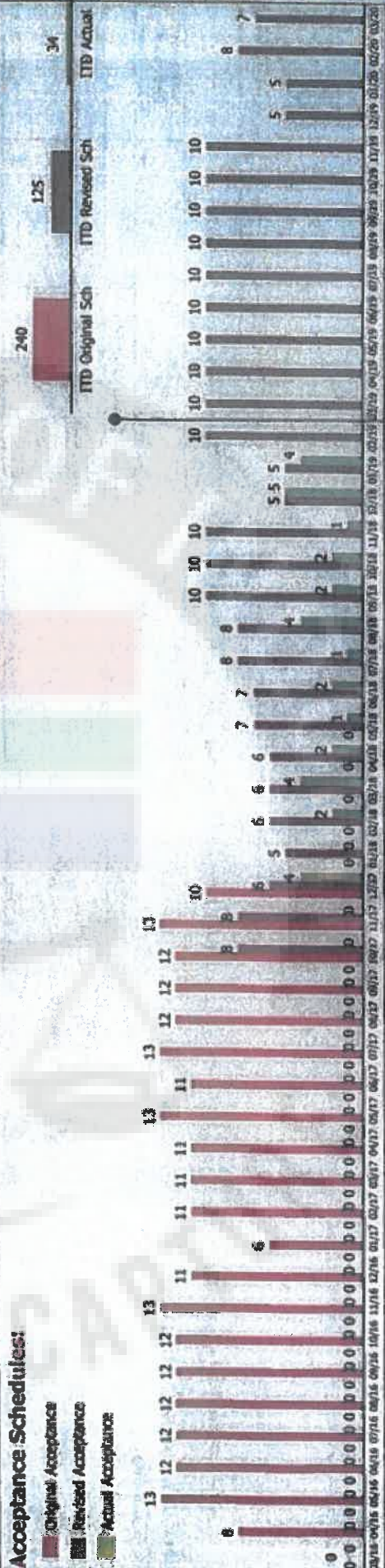
- On signature 9%
- +6 months 9%
- +17 months 9%
- Further payment 4%
- On acceptance per loco 64%
- Retention 3%
- Warrant lapse 2%
- Total** 100%

Acceptance Schedules:



Payments made to-date (Feb 2019):

Payment Milestone	Payment Terms in Months after Signature	Original Contract Amount	Credit due to client in Rm	Net Payment	Percentage of PM	Actual amount paid to date
On signature (Feb 2014)	0%	R 1 174 438 500	-R 6 828 870 00	R 1 167 609 500 00	100%	
After 6 months (October 2014)	9%	R 1 174 438 500	-R 6 828 870 00	R 1 167 609 500 00	100%	
On 17 months (October 2015)	9%	R 1 174 438 500	-R 6 828 870 00	R 1 167 609 500 00	100%	
On 14 (October 2017)	9%	-R 18 481 890	-R 18 481 890 00	-R 18 481 890 00	100%	
After 42 months (October 2017)	9%	R 801 842 195	-R 3 033 720 00	R 818 904 322 90	100%	
On acceptance at 64% per locomotive (230250)	64%	R 1 333 338 500	-R 67 672 665 00	R 1 265 665 835 00	95%	
Retention	3%	R 0	R 0	R 0	0%	
Warrant lapse	2%	R 0	R 0	R 0	0%	
Total		R 2 208 329 595	-R 24 163 435 00	R 2 184 166 160 00		



Strictly private and confidential

GE: 233 Class 44D Locomotives

Contract structure:

Total contract quantity: 233 locomotives

Costs (Rm):

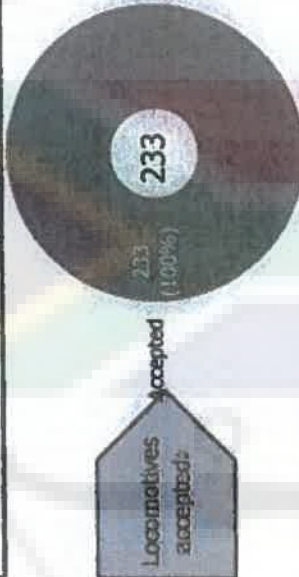


Payment structure:

- Effective date 10%
- On acceptance per loco 87%
- Retention 3%
- 100%

Payments made to date (Feb 2019):

Payments Made	Payment Terms in terms of the contract	Amount	Percentage Paid	Advance Payment Guarantee
Effective Date (March 2014)	10%	R 840,795,668.30	100%	-
Loco Acceptance(233/233)	87%	R 7,314,922,314.21	100%	N/A
Retention(233/233)	3%	R 252,238,700.49	100%	N/A
Total	100%	R 8,407,956,683.00		



Locomotives accepted:

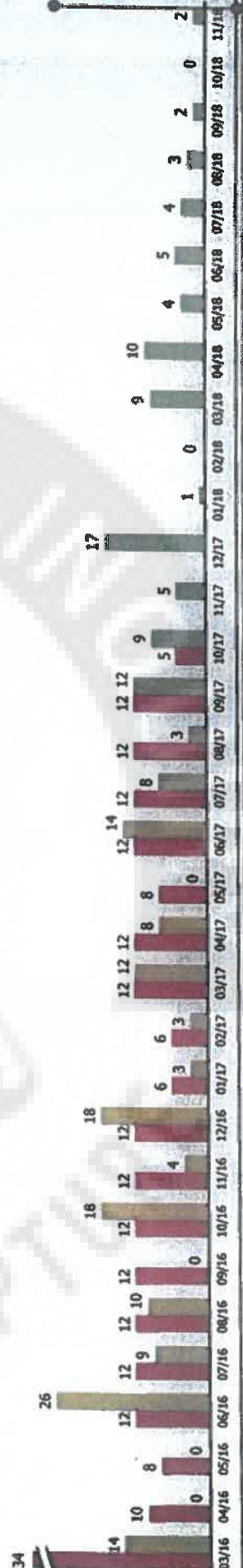
To be accepted

Contract payments



Acceptance Schedule:

Original Acceptance Schedule
Actual Acceptance Schedule



233 ITD Original

233 ITD Actual

Strictly private and confidential

CNR: 232 Class 45D Locomotives

Contract structure:

Total contract quantity: 232 locomotives

Costs (Rm):

42.9	0.0	42.9	9 947.0	0.0	9 947.0	
Contract	VO	Per loco	Contract	VO	Total	

Payment structure:

- Effective date 10%
- Design freeze 5%
- Loco acceptance 75%
- Retention 3%
- Warranty lapse 7%
- 100%

Payments made to date (Feb 2019):

Payment Mile	Payment Terms in terms of the contract	Amount	Percentage Paid	Advance Payment Guarantee
Effective Date(March 2014)	10%	R 994 700 464.00	100%	
Design freeze(May 2015)	5%	R 497 350 232.00	100%	
Loco Acceptance(21/232)	75%	R 643 125 300.00	9%	N/A
Retention	3%		0%	N/A
Warranty Lapse	7%		0.0%	N/A
Total	100%	R 2 135 175 996.00		



Acceptance Schedules:

Original Acceptance Schedule

Revised acceptance (March 2018)

Actual acceptance

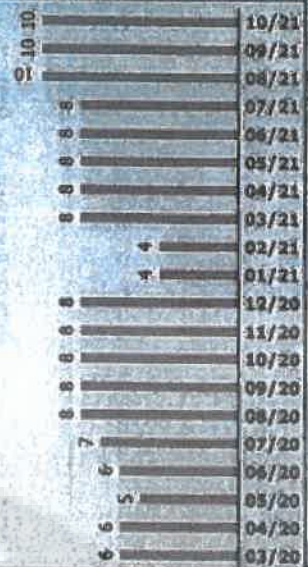


232

37

21

ITD Original Sch ITD Revised Sch ITD Actual



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OEM Penalties imposed on TE



OEM	Invoiced (Excl VAT) (R'm)	Paid	Provision raised	Basis/Comments
GE	R110.4m	Nil	Nil	TE investigation completed. Legal submitted dispute 14 Feb.
CSR	R76.6m	Nil	R15m	Total penalty claim amount to R84.3m, invoices are received for only R76.6m from CSR. TE exposure calculated at R15m. Accrual raised, legal need to submit dispute resolution.
BT	Nil	Nil	Nil	No penalties have been issued by the customer
CNR	Nil	Nil	Nil	No penalties have been issued by the customer
TOTAL	R187m	Nil	R15m	



TFR/OEM Penalties

Penalties Imposed by TFR

OEM	Invoiced(Excl VAT)(R'm)	Recovered(R'm)	Accrued(R'm)	Basis/Comments
GE	109.60	109.60	-	GE penalty fully billed and recovered.
CSR	85.02	66.94	56.48	The amount invoiced in February of R18.09m will be set off the next locomotive acceptance milestone payment.
BT	24.34	15.69	74.77	The amount invoiced in February of R8.6m will be set off the next locomotive acceptance milestone payment.

CNR

No penalties have been calculated as the revised delivery schedule has not been accepted by Transnet

Total	218.96	192.23	131.25	
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Interest/Charges Imposed by the OEM to TFR

OEM	Invoiced(R'm)	Reason
CSR	228.37	Penalty Interest for the delay of 2 nd Advance payment of R3.6bn, paid in June 2015. Payment was delayed by 8 months.
CSR	68.24	Cost of Rolling FEC for the delay of the 2 nd Advanced payment, paid June 2015.
Total	297.61	

Summary of Original Advance Payment Guarantees (APG'S) held by TFR

Title of Payment	Name of Bond Issuer	Raf number	Advance Payment Made by TFR based on original contract price	Advance Payment Credit as a result of credit variation/Advances	Value of Original APG	Expiry date
EST						
3% payment on effective date (April 2014)	The Standard Bank of South Africa Limited	4617422	R 1 174 428 569	-	R 1 174 428 569	31-Dec-15
3% payment after 6 months (October 2014)	The Standard Bank of South Africa Limited	4587854	R 1 174 428 569	R -68 140 490	R 1 106 288 088	31-Dec-15
3% payment after 18 months (October 2015)	Standard Chartered (London)	779020403590-R	R 1 174 428 569	R -68 140 490	R 1 106 288 088	31-Dec-15
30% payment for Durban Relocation (August 2015)			No APG required in terms of approved VO			
3% payment for Durban Relocation (October 2015)			No APG required in terms of approved VO			
4% Further Progress Payment (November 2017)	BNP PARIBAS SA	2017-COG-94864	R 521 958 253	R -22 368 050	R 499 600 203	31-Dec-15
4% Further Progress Payment for the Durban Relocation (November 2017)	BNP PARIBAS SA	2017-COG-94864	R 24 738 285	-	R 24 738 285	31-Dec-15
			R 4 869 992 244	R -136 280 980	R 3 911 343 214	R 3 911 343 213
CON						
10 % Advance on Signature (March 2014)	Bank of China (Johannesburg Branch)	280940214000205	R 1 812 232 000	-	R 1 812 232 000	28-Feb-20
3% Advance on completion of design freeze (June 2015)	Bank of China (Johannesburg Branch)	280940214000205	R 3 624 464 000	-	R 3 624 464 000	28-Feb-20
			R 5 436 696 000	-	R 5 436 696 000	
CHN						
10 % Advance on Signature (March 2014)	China Construction Bank (Johannesburg Branch)	BJ401LG000013000	R 994 700 464	R -221 910 005	R 772 790 458	30-Nov-21
20% Advance on completion of design freeze (June 2015)	China Construction Bank (Johannesburg Branch)	BJ401LG000012700	R 497 350 232	R -110 954 999	R 386 395 233	30-Nov-21
50% Advance for Durban Relocation (August 2015)	China Construction Bank (Johannesburg Branch)	BJ401LG000015000	R 323 590 747	-	R 323 590 747	30-Nov-21
			R 1 815 641 443	R -332 865 005	R 1 482 776 438	

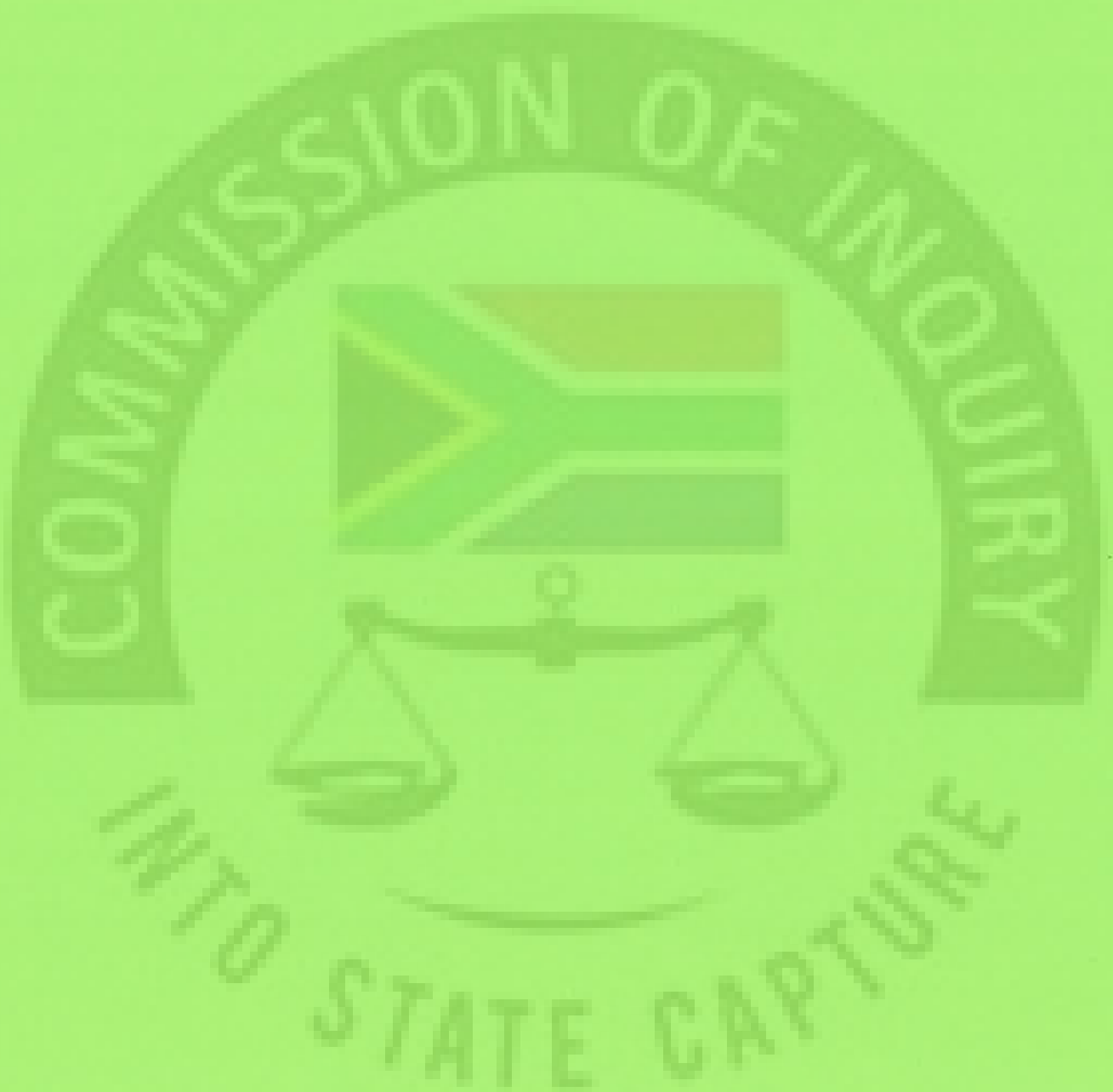
10 - bond reduced by 10% value of 22m credit as a result of change to original spec

Summary of Advance Payment Guarantees (APG's) Currently held by TFR

Name of Payment	Name of Beneficiary	Ref. Number	Value of Original APG	Number of Submittals outstanding on APG reduction	Reduction Value	Amount of Payment made	Latest APG Value (reduced by number of submittals accepted to date - 25th February 2015)	Expiry Date
APG payment on effective date (April 2014)	The Standard Bank of South Africa Limited	4837422	R 1 674 428 569	16	R 719 295 257 50	R 1 006 233 311	R 1 006 233 311	31-Dec-15
APG payment after 6 months (October 2014)	The Standard Bank of South Africa Limited	4837454	R 1 106 251 000	16	R 719 295 257 50	R 1 006 233 311	R 945 418 452	31-Dec-15
APG payment after 18 months (October 2015)	Standard Chartered (Johannesburg)	7790204025904	R 1 106 251 000	16	R 719 295 257 50	R 1 006 233 311	R 945 418 452	31-Dec-15
APG payment for Durban Substation (August 2015)								
APG payment for Durban Substation (October 2015)								
APG Further Program Payments (November 2017)	IMP PARIBAS SA	2017-COG-84864	R 499 600 203	16	R 33 306 600	R 466 293 603	R 438 837 507	31-Dec-15
APG Further Program Payments for the Durban Substation (November 2017)	IMP PARIBAS SA	2017-COG-84864	R 24 728 285	16	R 3 599 219	R 23 089 066	R 21 531 696	31-Dec-15
			R 524 328 488		R 36 905 819	R 487 422 669	R 460 369 203	
CPE								
APG 10% Advance on Signature (March 2014)	Bank of China (Johannesburg Branch)	280040214000205	R 1 813 232 000	20	R 1 113 900 900	R 699 331 100	R 671 384 000	05-Feb-20
APG Advance on completion of design freeze (June 2015)	Bank of China (Johannesburg Branch)	280040214000205	R 1 813 232 000	20	R 1 113 900 900	R 699 331 100	R 1 342 768 000	15-Feb-20
			R 3 626 464 000		R 2 227 801 800	R 1 398 662 200	R 2 014 152 000	
CPE								
APG 10% Advance on Signature (March 2014)	China Construction Bank (Johannesburg Branch)	140110000011860	R 772 790 938	10	R 41 519 705	R 681 170 233	R 681 170 233	30-Nov-21
APG Advance on completion of design freeze (June 2015)	China Construction Bank (Johannesburg Branch)	140110000011860	R 772 790 938	10	R 41 519 705	R 681 170 233	R 681 170 233	30-Nov-21
APG Advance for Durban Substation (August 2015)	China Construction Bank (Johannesburg Branch)	140110000011860	R 772 790 938	10	R 41 519 705	R 681 170 233	R 681 170 233	30-Nov-21
			R 2 227 801 800		R 1 113 900 900	R 1 113 900 900	R 1 113 900 900	

1. Based on the value of APG credit used on 17th July 2015.
2. Based on the value of APG credit used on 17th July 2015.
3. Based on the value of APG credit used on 17th July 2015.

ANNEXURE “MSM 21”



TRANSNET



ANNEXURE "B"

**DELEGATION OF AUTHORITY FRAMEWORK
(EFFECTIVE FROM 1 SEPTEMBER 2014)**

**APPROVED BY THE BOARD OF DIRECTORS ON
28 AUGUST 2014
UNDER RESOLUTION 14/5/5**

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1 Interpretation and Definitions

The following words and expressions bear the following meanings, unless the context indicates otherwise:-

- 1.1 "Alternative Dispute Resolution" (ADR) refers to the process of resolving disputes among parties without necessarily resorting to court action, although the agreements and outcomes may be legally binding. ADR processes include conciliation, mediation, adjudication and arbitration.
- 1.2 "Board" means the Board of Directors of the Company and includes the Board when it acts in the capacity as the Divisional Board of the deemed Authority under the National Ports Act No. 12 of 2005;
- 1.3 "Board Reserved Matters" means matters reserved by the Board as set out in Annexure "A" of the Delegation of Authority Framework approved by the Board.
- 1.4 "CAPIC" means the Capital Investment Committee, a committee of the Group Executive Committee which has been established to make decisions regarding capital expenditure;
- 1.5 "CE" means Chief Executive of an Operating Division;
- 1.6 "Chairperson" means the person who is appointed as the Chairperson of the Board as per the MOI;
- 1.7 "Company" means Transnet SOC Ltd including its Operating Divisions and Specialist Units, with registration number 1990/000900/30 and "Transnet" shall have a corresponding meaning;
- 1.8 "Company Strategy" means the strategy for the Company as approved from time to time by the Board;
- 1.9 "Consultant" means a person, or partners in a firm, or a company or a close corporation who can provide expert or specialised advisory skills, but excludes anyone who also carries out the physical work or provides the end product for Transnet based on his own professional or expert advice. Such consultancy service normally pertains to a specific project and therefore non-repetitive in nature and confined to design work, investigation, or advice on management, financial, business or technical matters;

In short, a consultant does not supply the ultimate end product, but merely gives a recommendation, based on his expertise, of the best solution to a specific problem. That proposed solution, if acceptable to Transnet, still has to be acquired, built or erected by another party and may or may not be connected with the consultant. Excludes any professional services procurement package included in the approved asset procurement package plan for and approved physical asset project.
- 1.10 "Delegation of Authority Framework" means this document, recording the nature and extent of authorities required in order to implement certain actions by or on behalf of the company, including any sub-delegation of authority where permitted and "Delegation" shall have a corresponding meaning;
- 1.11 "FRMF" mean Financial Risk Management Framework;
- 1.12 "GCE" means Group Chief Executive;
- 1.13 "GCFO" means Group Chief Financial Officer;
- 1.14 "GCSCO" means Group Chief Supply Chain Officer;
- 1.15 "Group Executive Committee" or "Group Exco" means the executive committee established to take responsibility for the day-to-day execution of strategy and running of the Company;
- 1.16 "Group Executive (GE) or Group Executive nominee" refers to the Group Executive responsible for the supporting business or his/her nominee;
- 1.17 "Head of Legal" refers to the most senior employee with a Legal qualification in the respective Legal Department;
- 1.18 "International agreements" means agreements which are required to be construed in accordance with the laws of a foreign jurisdiction including the neighbouring countries;
- 1.19 "Memorandum of Incorporation" or "MOI" means the constitutive documents of the Company, as amended;

- 1.20 **"Neighbouring Countries"** means countries sharing a border with the Republic of South Africa;
- 1.21 **"Operating Divisions"** means the Operating Divisions of Transnet, namely, Transnet Freight Rail, Transnet Engineering, Transnet National Ports Authority, Transnet Port Terminals and Transnet Pipelines;
- 1.22 **"PFMA"** means the Public Financial Management Act 1 of 1999 (as amended), read together with its regulations including Treasury Regulations;
- 1.23 **"Prescribed Officer"** means a person who, within a company, performs any function that has been designated by the Minister of Trade and Industry in terms of section 66(10) of the Companies Act, Act 71 of 2008, read with Regulation 38. Within the Company, members of Group Exco are designated Prescribed Officers;
- 1.24 **"Rental"** means money payable for the hire of movable and immovable property in terms of a lease agreement, but excludes the payment of operational expenses and costs.
- 1.25 **"Shareholder"** means the Government of the Republic of South Africa represented by the Shareholder Minister.
- 1.26 **"Shareholder Minister"** means the Minister of Public Enterprises as defined in the MOI;
- 1.27 **"Shareholder's Compact"** means the shareholder's compact being an agreement entered into pursuant to section 52 of the PFMA between the Shareholder representative and the Board from time to time;
- 1.28 **"Specialist Unit"** mean all business units of Transnet which have been deemed 'supporting businesses' in terms of the Company Strategy, these include Transnet Property, Transnet Foundation, Transnet Capital Projects and Transnet Corporate Centre. Where a Specialist Unit GE is not a member of the Group Exco, the Group Exco member responsible for such Specialist Unit shall sub-delegate powers to the Specialist Unit's GE;
- 1.29 **"Subsidiary"** means subsidiary as defined in the Companies Act 71 of 2008 (as amended) and Subsidiaries shall have a corresponding meaning;
- 1.30 **"Transnet"** means the Company with its Subsidiaries and Operating Divisions/Specialist Units as stated in clause 1.7 above.
- 1.31 **"Treasury Regulations"** means the regulations issued in terms of section 76 of the PFMA, amended from time to time;
- 1.32 **"Transnet Total Asset Base"**: refers to the total value of the assets in Transnet and is set at the asset value indicated in the integrated report for the year; and
- 1.33 **"VAT"** means Value Added Tax. All amounts indicated in the document are exclusive of VAT.

2 Scope

This Delegation of Authority Framework records the nature and extent of the authorities delegated by the GCE to certain employees and members of the Group Exco and other authorities delegated in order to implement certain actions by or on behalf of the Company. It includes, to the extent necessary and/or incidental thereto, the authority to discharge all of the duties, obligations and powers imposed upon the deemed Authority under the National Ports Act 12 of 2005.

3 Application

- 3.1 This Delegation of Authority Framework applies to all employees of the Company, including its Operating Divisions and Specialist Units. It does not apply to any of the Company's subsidiaries. The respective Boards of Directors of the Company will prepare the requisite delegations of authority for those subsidiaries.
- 3.2 The persons set out in clause 5 below are granted the power and /or authority to perform their functions and responsibilities subject to the limits of authority outlined in clause 5 below, provided that the exercise of such power and/or authority in terms of this delegation is not in conflict with the following:
 - PFMA;
 - Board Reserved Matters;
 - Memorandum of Incorporation;
 - Company Strategy;
 - Shareholder's Compact;
 - the Corporate Plan, Annual Budget and Borrowing Strategy and/or Funding Plan of the Company as approved by the Board from time to time;
 - Project and Programme Frameworks;
 - Enterprise Risk Management Framework; and
 - Any approvals by the Board and the Minister of Finance for the delegation of the power to borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind the Company to any future financial commitment in terms of section 66 of the PFMA.
- 3.3 This Delegation supersedes any prior Delegations of Authority Framework and takes effect upon the date determined by the Board of Directors.
- 3.4 The Delegation of Authority Framework shall be sub-delegated to Group Exco and Extended Exco within 30 days from the date of signature by the GCE.
- 3.5 Any proposal for amendments to this Delegation or to the authorities or the authorities delegated in this Delegation must be submitted in writing to the Transnet Company Secretary for consideration and approval by the Board of Directors.

4 Delegating Powers

- 4.1 A person authorised to exercise any of the authorities set out in clause 5 below ("original bearer of authority") may, in writing, sub-delegate to his/her subordinate ("designate") during his/her temporary absence or for an indefinite period, provided:
 - 4.1.1 the authority is conferred by way of a certificate signed by the original bearer of authority, naming and identifying the designate, and the extent of the authority which is sub-delegated to the designate;
 - 4.1.2 the sub-delegated authority shall only be exercised within the original bearer of authority's respective area of responsibility;
 - 4.1.3 the powers delegated by the original bearer of authority cannot be sub-delegated further by the designate unless explicitly stated in the certificate signed by the original bearer of authority; and
 - 4.1.4 the sub-delegated authority may be revoked in writing, at any time by the original bearer of authority.
- 4.2 Unless otherwise specifically indicated, approval of any of the matters listed in clause 5 below may be granted by a designate.

4.3 With respect to all matters and authorities specifically listed in clause 5 below, the delegated authority by the GCE to bind the Company is in regard to any business activity or transaction (or a series of related transactions) and is subject to the value in the aggregate of all payments or any consideration made or to be made for any such business activity or transaction(s) being complied with.

4.4 The original bearer of authority or designate must ensure that all the necessary procedures and/or approvals have been fulfilled prior to exercising any of the matters and authorities listed in clause 5 below.

4.5 All delegations of authority, signed by the original bearer of authority and accepted by the designate, must be filed with the Office of the Group Secretariat prior to the effective date.

5 Company Authorities

Limits of authority have been delegated by the Board of Directors to the Group Chief Executive. In the interest of good corporate governance, approval structures have been established in the Company. Requests for approval must follow the approved governing processes and structures for recommendation but the final approval vests with the delegated individual (for example CE, GCFO, GCE) as reflected in the specific delegations set out in this document.

In cases where business requirements necessitate that approval be obtained from the delegated authority without the review and recommendation by the relevant governance structures (CAPIC, Group Exco, etc.) this must be reported to the relevant governance structures immediately thereafter.

The authority to approve the Corporate Plan and Budget of the Company vests with the Board of Directors, provided that it must be submitted to the Shareholder in terms of Section 52 of the PFMA.

5.1 Capital Expenditure

NOTE 1: Capital expenditure may only be authorised if the project has been so approved by CAPIC or the relevant divisional CAPIC in accordance with the limits set out in this Delegation of Authority Framework and capital funds have been allocated in the annual Budget of the Company.

NOTE 2: Capital expenditure may only be authorised if the project has been approved and a warrant number has been issued by the relevant authority. All requests for capital expenditure exceeding the Divisional CE's limit must be submitted to the Principal Specialist: Governance and Assurance.

5.1.1 CAPEX in approved budget/Corporate Plan: To commence projects

Approval Authority →	OD Exco/CE excluding TFR	TFR Exco/CE	CAPIC/GCFO	Group Exco /GCE	Acquisitions and Disposals Committee	Board	Shareholder Minister
Operating Divisions	Up to but not exceeding R200m	Up to but not exceeding R400m	Up to but not exceeding R800m	Up to but not exceeding R1200m	Up to but not exceeding R2000m	Up to but not exceeding R4400m	Exceeding R4400m
Approval Authority →	Group Exco Member		CAPIC/GCFO	Group Exco /GCE	Acquisitions and Disposals Committee	Board	Shareholder Minister
Specialist Units	Up to but not exceeding R20m		Up to but not exceeding R800m	Up to but not exceeding R1500m	Up to but not exceeding R2000m	Up to but not exceeding R4400m	Exceeding R4400m

*Refer to Materiality and Significance Framework. If the set limit (R4400m) is exceeded then the Board has to consider and recommend to Shareholder Minister for approval.

- Approval limits are per individual project, reported on a monthly basis to Group Financial Planning.
- Amounts indicated above exclude the capitalisation of borrowing costs.
- All ICT projects requiring approval must be signed off by the Group Executive: EIMS.
- Acquisitions and Disposals Committee refers to the Acquisitions and Disposal Committee of the Board. Group Exco/GCE to be the final approval gate for all capitalisations of maintenance projects (COPEX) irrespective of the value of the project provided that it has been included in the Corporate Plan. It is mandatory that submissions to the Group Exco/GCE have been recommended by the approval bodies leading up to the Group Exco/GCE i.e. OD CAPIC and Group CAPIC.
- Front end loading (FEL) studies are to be submitted to CAPIC based on the value of the underlying asset on which the study is based. e.g. If the FEL study is for an asset that exceeds R200m (R400m for TFR) then the

FEL study irrespective of its stage requires approval from Group CAPIC. Please refer to the Accounting Policy for Conceptual, Pre-feasibility and Feasibility Studies when capitalising FEL studies.

- Approvals exceeding R2000m but less than R4400m in ETC are to be reported to the Shareholder Minister

5.1.2 Unforeseen CAPEX (not included in budget/Corporate Plan)

Refer to Materiality and Significance Framework. If the set limit (currently R3900m) is exceeded then the Board has to consider and recommend to Shareholder Minister for approval.

Approval Authority →	OD Exco/CE excluding TFR	TFR Exco/CE	CAPIC/GCFO	Group Exco/GCE	Acquisitions and Disposals Committee	Board	Shareholder Minister
Operating Divisions	Up to but not exceeding R50m	Up to but not exceeding R75m	Up to but not exceeding R400m	Up to but not exceeding R700m	Up to but not exceeding R1000m	Up to but not exceeding R4400m	Exceeding R4400m
Approval Authority →	Group Exco Member		CAPIC/GCFO	Group Exco/GCE	Acquisitions and Disposals Committee	Board	Shareholder Minister
Specialist Units	Up to but not exceeding R20m		Up to but not exceeding R400m	Up to but not exceeding R700m	Up to but not exceeding R1000m	Up to but not exceeding R4400m	Exceeding R4400m

*Refer to Materiality and Significance Framework. If the set limit (R4400m) is exceeded then the Board has to consider and recommend to Shareholder Minister for approval.

- All unforeseen Capex approved by Operating Divisions/Specialist Units within their delegated authority, must be reported on a quarterly basis to Group Financial Planning.
- Amounts indicated above exclude the capitalisation of borrowing costs.
- All ICT projects requiring Transnet approval must be signed off by the Group Executive: Enterprise Information Management Services
- Approval limits are per project at Operating Divisional level subject to an aggregate divisional limit of R200m per annum and R400m for TFR on condition that divisions remain within their annual approved capital budget (refer to 5.1.3.1).
- Divisional investment committees are to monitor the limits pertaining to the respective OD and to escalate submissions to Transnet if the respective OD limits are reached.
- If an unforeseen project will result in the divisional 7 year investment plan being increased then Group Exco needs to be approached for approval.

5.1.3 Increase in Estimated Total Cost (ETC) of Existing/Approved Projects

Approval Authority →	OD Exco/CE excluding TFR	TFR Exco/CE	CAPIC/GCFO	Group Exco/ GCE	Acquisitions and Disposals Committee	Board
Operating Divisions	ETC may be increased to a maximum of R200m, increases beyond this amount may only be approved at Transnet Level	ETC may be increased to a maximum of R400m, increases beyond this amount may only be approved at Transnet Level	Up to but not exceeding R800m	Up to but not exceeding R1200m	Up to but not exceeding R1400m	Exceeding R1400m
Approval Authority →	Group Exco Member		CAPIC/GCFO	Group Exco/ GCE	Acquisitions and Disposals Committee	Board
Specialist Units	ETC may be increased to a maximum of R20m, increases beyond this amount may only be approved at Transnet Level		Up to but not exceeding R800m	Up to but not exceeding R1200m	Up to but not exceeding R1400m	Exceeding R1400m

- Increase in ETC of projects already approved by the Shareholder Minister must be reported to the Shareholder Minister if the increase is in excess of 15%.
- All ICT projects requiring approval must be signed off by the GE: EIMS.
- All cost increases in excess of 25% of the approved budget for a project must be reported to Transnet CAPIC/GCFO.

- Amounts indicated above exclude the capitalisation of borrowing costs. Increases in ETC of a project solely due to the capitalisation of borrowing costs may be approved by the OD Exco/CE. Project costs and capitalisation of borrowing costs are to be managed separately and may not be expended on projects interchangeably.
- Increases in ETC of a project that results in the project exceeding a specific committee's approval limit needs to be submitted to the next approval body. If CAPIC approved a project at ETC of R700m, and the increase required is R200m then the final approval body for the increase will be Group Exco as the new ETC of R900m is beyond CAPIC's limit.
- Requests for increases in ETC need to be submitted to the approval body that originally approved the project. If Board approved a project to the value of R2100m, any increases to this project will require Board approval.

5.1.3.1 Any increase in excess of the annual approved capital investment budget must be submitted to CAPIC/GCFO for approval. Where the GCFO has approved an increase, the submission should be tabled at the subsequent CAPIC meeting for information purposes.

5.1.4 Asset Write-off/Scrapping: Movable Assets

Approval Authority →	OD Exco/CE excluding TFR	TFR Exco/CE	Capic/GCFO	Group Exco/GCE	Acquisitions and Disposals Committee	Board
Operating Divisions	Up to but not exceeding R10m	Up to but not exceeding R50m	Up to but not exceeding R100m	Up to but not exceeding R250m	Up to but not exceeding R700m	Exceeding R700m
Approval Authority →	Group Exco Member		Capic/GCFO	Group Exco/ GCE	Acquisitions and Disposals Committee	Board
Specialist Units	Up to but not exceeding R5m		Up to but not exceeding R100m	Up to but not exceeding R250m	Up to but not exceeding R700m	Exceeding R700m

*Refer to Materiality and Significance Framework. If the set limit (currently R4400m) is exceeded then the Board has to consider and recommend to Shareholder Minister for approval.

- The above amounts refer to net book value and are a cumulative annual limit. Write-offs above R10m and above R50m in the case of TFR must be reported to CAPIC/GCFO quarterly.
- Divisional investment committees are to monitor the limits pertaining to the respective OD and to escalate submissions to Transnet if the respective OD limits are reached.

5.1.5 Asset write-off/Scrapping/Demolition of Immovable Assets (excluding land) e.g. buildings, structures

Approval Authority →	OD Exco/CE excluding TFR	TFR Exco/CE	Capic/GCFO	Group Exco/ GCE	Acquisitions and Disposals Committee	Board*
Operating Divisions	Up to but not exceeding R10m	Up to but not exceeding R50m	Up to but not exceeding R150m	Up to but not exceeding R250m	Up to but not exceeding R300m	Exceeding R300m
Approval Authority →	Group Exco Member		Capic/GCFO	Group Exco/GCE	Acquisitions and Disposals Committee	Board*
Specialist Units	Up to but not exceeding R5m		Up to but not exceeding R100m	Up to but not exceeding R250m	Up to but not exceeding R300m	Exceeding R300m

*Refer to Materiality and Significance Framework. If the set limit (currently R4400m) is exceeded then the Board need to consider and recommend to the Shareholder Minister for approval.

- The above amounts refer to an estimated market value at that point in time and are a cumulative annual limit.
- Divisional investment committees are to monitor the limits pertaining to the respective OD and to escalate submissions to CAPIC if the respective OD limits are reached.
- Write-offs below R10m and below R50m in the case of TFR must be reported to CAPIC/GCFO quarterly.

5.1.6 Disposal of Movable Assets (excluding sale of scrap)

Approval Authority →	OD Exco/CE*	Capic/GCFO	Group Exco/GCE	Acquisitions and Disposals Committee	Board**
Operating Divisions	Up to but not exceeding R50m	Up to but not exceeding R100m	Up to but not exceeding R250m	Up to but not exceeding R700m	Exceeding R700m
Approval Authority →	Group Exco Member	Capic/GCFO	Group Exco/GCE	Acquisitions and Disposals Committee	Board**
Specialist Units	Up to but not exceeding R5m	Up to but not exceeding R100m	Up to but not exceeding R250m	Up to but not exceeding R700m	Exceeding R700m

*The above amounts refer to an estimated market value and are subject to a cumulative annual limit of R200m. For sale of scrap please refer to 5.5.1.

- Divisional investment committees are to monitor limits pertaining to their OD, and to escalate submissions to CAPIC once the respective OD limits are reached.

**Refer to Materiality and Significance Framework. If the set limit (currently R4400m) is exceeded, then the Board need to consider and recommend to the Shareholder Minister for approval.

5.1.7 Management's intervention in addressing non-compliance with regard to the approval of capital projects

Approval Authority →	OD CE	GCFO	GCE
Operating Divisions	Nil	Nil	Unlimited
Approval Authority →	Group Exco Member	GCFO	GCE
Specialist Units	Nil	Nil	Unlimited

- Together with the application for approval of non-compliance, the requestor must advise on the steps/corrective measures taken to avoid a repeat of the transgression within 30 days of the transgression being discovered.
- If the approval of non-compliance results in the annual divisional budget being exceeded, then the request must be submitted to CAPIC for approval (refer to 5.1.3.1).

5.1.8 Alienation/acquisition of immovable property (land and servitudes)

Approval Authority →	OD Exco/CE excluding TFR	TFR Exco/CE	Capic/GCFO	Group Exco/GCE	Acquisitions and Disposals Committee	Board**
Operating Divisions	Up to but not exceeding R10m	Up to but not exceeding R50m	Up to but not exceeding R200m	Up to but not exceeding R350m	Up to but not exceeding R500m	Exceeding R500m
Approval Authority →	Group Exco Member		Capic/GCFO	Group Exco/GCE	Acquisitions and Disposals Committee	Board**
Specialist Units	Up to but not exceeding R1m		Up to but not exceeding R200m	Up to but not exceeding R350m	Up to but not exceeding R500m	Exceeding R500m

*Refer to Materiality and Significance Framework. If the set limit (R4400m) is exceeded then the Board need to consider and recommend to the Shareholder Minister for approval.

- Approval limits are per transaction and are with reference to market value
- All transactions entered into in terms of the above must be reported to CAPIC/GCFO
- Only immovable property on the non-core list, may be disposed of (refer to 5.1.8.1), such disposal may only be done through the Transnet Property.
- Amounts indicated above exclude the capitalisation of borrowing costs.

5.1.8.1 Newly identified properties to be included on the non-core list (Book value of individual properties)

GE: Transnet Property	GCFO	GCE	Acquisitions and Disposals Committee	Board
Up to but not exceeding R50m	Up to but not exceeding R100m*	Up to but not exceeding R200m	Up to but not exceeding R300m	Exceeding R300m

* These disposals must be reported to Capic/Group Exco/Acquisitions and Disposals Committee/ Board.

5.2

Treasury

Treasury Policies

Approval Authority →	Group Treasurer	GCFO	GCE	Risk	Audit Committee	Board
Financial Risk Management Framework	Recommend	Recommend	Recommend	Noting	Recommend	Approve

NOTE 1: Only approved financial instruments as approved in terms of the applicable Treasury Financial Risk Management Framework approved by the Board and subject to such limits determined in accordance with such framework may be utilised in the Treasury operations.

5.2.1 InterTransnet Debt (Treasury Inter Transnet debt write-off)

Approval Authority →	Deputy Treasurer: Operations	Group Treasurer	GCFO	GCE
Operating Divisions	Up to but not exceeding R5m	Up to but not exceeding R10m	Up to but not exceeding R20m	Exceeding R20m
Specialist Units	Up to but not exceeding R2m	Up to but not exceeding R10m	Up to but not exceeding R20m	Exceeding R20m

All breaches of the above limits to be reported to the Audit Committee.

External debt write-off on financial instruments due to counter-party liquidation may only be approved by the GCE.

5.2.2 Maximum annual loss on all repo activities (Realised and unrealised)

Approval Authority →	Traders and Chief Trader	Deputy Treasurer: Front Office	Group Treasurer	GCFO	GCE
Group	Up to but not exceeding R1m	Up to but not exceeding R1.5m	Up to but not exceeding R2.5m	Up to but not exceeding R5m	Exceeding R5m

All breaches of the above limits to be reported to the Audit Committee

Note: The above limits are aggregate desk limits

5.2.3 Buy and sell back and sell and buyback transactions (Expressed in nominal terms)

Approval Authority →	Traders and Senior Traders	Chief Trader	Deputy Treasurer: Front Office	Group Treasurer	GCFO
Group	Up to but not exceeding R250m	Up to but not exceeding R500m	Up to but not exceeding R750m	Up to but not exceeding R1 000m	Exceeding R1 000m
Duration Limit	2 weeks	3 weeks	1 month	1 month	> 1 month

All breaches of the above limits (amount or tenure) to be reported to the Audit Committee.

Approval limits are per transaction/event.

5.2.4 Foreign Exchange Spot Transactions Operational payments, not related to hedging, early take ups or extensions (expressed in USD equivalent)

Approval Authority →	Traders	Chief Trader	Deputy Treasurer: Front Office	Group Treasurer	GCFO
Group	Up to but not exceeding an aggregate equivalent of \$20m per day (desk total)	Up to but not exceeding an aggregate equivalent of \$40m per day (desk total)	Up to but not exceeding an aggregate equivalent of \$100m per day (desk total)	Up to but not exceeding an aggregate of \$250m per day (desk total)	Exceeding a daily equivalent of \$250m (desk total)

All breaches of the above limits to be reported to the Audit Committee.

5.2.5 Foreign Exchange Hedging Transactions New hedges or re-alignment of existing hedges (expressed in USD equivalent)

Approval Authority →	Deputy Treasurer Middle Office	Group Treasurer	GCFO
Group	Submissions not exceeding \$10m	Submissions not exceeding \$100m	Submissions exceeding \$100m
Tenure	Not exceeding 18 Months	Not exceeding 3 years	Exceeding 3 years

All breaches of the above limits (amount or tenure) to be reported to the Audit Committee.

5.2.6 Foreign Exchange Hedging Transactions: Extensions, early take ups (expressed in USD equivalent)

Approval Authority →	Traders	Chief Trader	Deputy Treasurer: Front Office	Group Treasurer
Group	Not exceeding an aggregate equivalent of \$20m per day (desk total)	Not exceeding an aggregate equivalent of \$60m per day (desk total)	Not exceeding an aggregate equivalent of \$100m per day (desk total)	Exceeding an aggregate of \$100m per day (desk total)

All breaches of the above limits to be reported to the Audit Committee.

Note: Where no specific limit is mentioned, the FRMF policy on foreign exchange rate risk will apply.

5.2.7 Approval of FX hedges to be hedged by external suppliers on their balance sheet for goods/services to be delivered to Transnet in respect of Rand agreements involving foreign content

Approval Authority →	Traders	Chief Trader	Deputy Treasurer: Front Office	Group Treasurer
Group	Not exceeding \$10m	Not exceeding \$25m	Not exceeding \$50m	Exceeding \$50m

All breaches of the above limits to be reported to the Audit Committee for noting.

The above limits are applicable per agreement.

Note: The Business Units must always obtain quotes on FX forward rates and liaise with the Treasury Trading desk that will verify the rates to ensure it is market related. The Business Units can only enter into the FX hedges with the supplier once the rates are accepted by the Treasury Trading desk via e mail. Once the above approvals are obtained, the Treasury Traders will provide sign off on the rate acceptance.

5.2.8 Interest Rate Risk Hedging

Approval Authority →	Notional Amounts	Group Treasurer	GCFO
Group	Notional amount of hedge expressed in USD or equivalent in RAND (FX loans and leases)	Up to but not exceeding \$100m or equivalent in RAND	Exceeding \$100m or equivalent in RAND
Tenure		Not exceeding 5 years	Exceeding 5 years

All breaches of the above limits to be reported to the Audit Committee.

Note: Where no specific limit is mentioned, the FRMF policy on interest rate risk will apply.

The above limits are applicable per hedging submission.

5.2.9 Hedging of fuel risk exposures (RAND and USD)

Approval Authority →	Group Treasurer	GCFO
Tenure	Not exceeding 6 months	Not exceeding 18 months
Notional hedge expressed in USD or equivalent in RAND	Not exceeding \$25m or equivalent in RAND	Exceeding \$25m or equivalent in RAND

All breaches of the above limits to be reported to the Audit Committee.

Note: The maximum hedge should not exceed 75% of annual budgeted consumption inclusive of energy levy income. The first priority will be to fix the contract through ZAR based agreement. If not then exposure to be taken on Balance Sheet, subject to hedged accounting. This will limit volatility and bring certainty in terms of the Rand.

The above limits are applicable per hedging submission.

Note: Where no specific limit is mentioned, the FRMF policy on commodity (fuel) risk will apply.

5.2.10 Hedging of commodity risk exposures in supply agreements, including escalation (other than fuel) in FX or RAND

Approval Authority →	Group Treasurer	GCFO
Tenure	Not exceeding 24 months	Exceeding 24 months
Notional hedge expressed in RAND	Not exceeding R100m	Exceeding R100m
Notional hedge expressed in USD	Not exceeding \$10m	Exceeding \$10m

All breaches of the above limits to be reported to the Audit Committee.

The above limits are applicable per hedging submission.

Note: Where no specific limit is mentioned, the FRMF policy on commodity risk will apply.

5.2.11 Granting of InterTransnet Loans (Interest-bearing only) to divisions/specialist units

Approval Authority →	Deputy Treasurer: Front Office	Group Treasurer	GCFO
Operating Division	Up to but not exceeding R750m	Up to but not exceeding R1 000m	Exceeding R1 000m
Specialist Unit	Up to but not exceeding R10m	Up to but not exceeding R25m	Exceeding R25m

These above limits are cumulative per OD/ SU per financial year.

5.2.12 Letters of Credit

Approval Authority →	Deputy Treasurer: Front Office	Group Treasurer	GCFO	GCE
Transnet	Up to but not exceeding R100m	Up to but not exceeding R200m	Not exceeding R300m	Exceeding R300m

All breaches of the above limits to be reported to the Audit Committee.

The above limits are per letter of credit.

Funding Portfolio

NOTE 1: Only derivatives approved in terms of the applicable Financial Risk Management Framework and subject to such limits determined in accordance with such framework may be utilised to hedge any risks.

NOTE 2: The total nominal funding amount per financial year in respect of Bonds and any other funding transactions shall be as determined per Board approved/Board amended Funding/Borrowing Plan.

NOTE 3: A. Signatories mean, subject to such approvals by the Board and the Minister of Finance in terms of section 66 of the PFMA as may be applicable, the Group Treasurer and any other officer so designated in writing by the GCFO.

B. Signatories mean, subject to such approvals by the Board and the Minister of Finance in terms of section 66 of the PFMA as may be applicable, persons so designated in writing by the Group Treasurer.

5.2.13 Loan/Funding documentation approvals per instrument per financial year

Approval Authority →	Group Treasurer	GCFO	GCE
Tapping of bonds	-	Not exceeding R5bn (Electronic signatures are utilised on pricing supplements as per standing approval)	Exceeding R5bn (Electronic signatures are utilised on pricing supplements as per standing approval)
Bank Loans (including overnight facilities)	Up to but not exceeding R1bn	Up to but not exceeding R2.5bn	Exceeding R2.5bn
Commercial Paper	-	Not exceeding R5bn (Electronic signatures are utilised on pricing supplements as per standing approval)	Exceeding R5bn (Electronic signatures are utilised on pricing supplements as per standing approval)
ECA supported funding	Up to but not exceeding R250m	Up to but not exceeding R1bn	Exceeding R1bn
New bond issues (in approved funding plan)	-	Up to but not exceeding R1bn	Exceeding R1bn
Development finance institution funding	Up to but not exceeding R250m	Up to but not exceeding R1bn	Exceeding R1bn
Foreign funding	-	Up to but not exceeding R1bn	Exceeding R1bn
Any other source of funding not stipulated above	-	Up to but not exceeding R1bn	Exceeding R1bn
The above is further subjected to the following annual aggregate limit			
	R1.5bn	R10bn	Limited to the annual Board approved borrowing plan

The above is subject to the following:

- Be executed in accordance with the approved strategy as incorporated in the Corporate Plan (including any approved amendments).
- Be within the laid down cash holding limits of Transnet.
- All breaches of the above limits to be reported to the Audit Committee.
- * The GCE can increase funding requirements up to 10% of Board approved borrowing plan and needs to be ratified by Board.
- If loan documentation was approved and signed by either GCFO and/or GCE, the Group Treasurer can approve all drawdowns and sign any ancillary transaction related documentation required from time to time, irrespective of the amounts involved.

- The Group Treasurer is authorised to sign any and all Debt listing/placing documents as well as any ancillary documents related thereto that may be required from time to time.

5.2.14 Signing of legally binding agreements in respect of Treasury related activities (Including ISDA, ISMA agreements and Bank facilities)

Only the GCE and/or the GCFO have authority to sign. The Group Treasurer may sign with a specified delegation of authority.

5.2.15 Counterparty Limits: Setting of Limits

Approval Level			
Group Treasurer	GCFO	GCE	Audit Committee
Price Risk Limits \leq R25m ³	Price Risk Limits \leq R250 m ³	Price Risk Limits \geq R250 m ³	Counter Party Risk Limits ¹ Overall counterparty limit (as calculated in line with FRMF)
Recommendation of Bond Issue and Bond Issuer Limits	Approval of Bond Issue and Bond Issuer Limits		
Recommendation of Settlement Limits ²	Approval of Settlement Limits ²		
Recommendation of limits where the Company is exposed to counterparty issuer risk as a result of advance payment guarantees, performance bonds, retention bonds etc. issued under supplier agreement/contracts ³	Approval of limits where the Company is exposed to counterparty issuer risk as a result of advance payment guarantees, performance bonds, retention bonds etc. issued under supplier agreement/contracts ³		

Note: Where no specific limit is mentioned, the FRMF policy on Counter Party Risk will apply.

Note¹: The approved counterparty limit may be utilised for price risk, investment risk as well as issuer risk (in respect of advance payment guarantees, performance bonds, retention bonds etc.) as long as the sum of the individual exposures remains within the overall Audit Committee approved risk limit.

Note²: Settlement risk limits are set at 1.5 times the approved counterparty limit as stipulated in the FRMF and will be approved with the counterparty limit.

Note³: In respect of counterparties not approved by Audit Committee

5.2.16 Appointment of Commercial Bankers and the Opening of Bank Accounts

	Group Treasurer	GCFO
All OD/SU	Recommendation to open bank accounts and the appointment of bankers.	Approval of new bank accounts and the appointment of bankers and the approval of all documentation relating to such accounts, including electronic banking documentation.
Process to follow	There is no delegation to any OD/SU to appoint commercial bankers or to open bank accounts, domestically or internationally; only the GCFO may make such appointments.	

5.2.17 Authorisation of cheque signatories, Test keys and EFT's

Signing Cheques	Two A signatories or one A and one B signatory
Signing Test keys for paying/receiving	Two A signatories or one A and one B signatory
Electronic transfer of funds	Two A signatories or one A and one B signatory

5.2.18 Payment instructions and confirmation notes

Signing payment instructions/ receipts/ settlement instructions:	Two A signatories or one A and one B signatory
Signing confirmation notes in respect of approved financial transactions executed:	One A signatory

5.2.19 Approval of Annual Borrowing Plan

	Board
Companywide	Approve the annual borrowing plan for execution by Treasury

Annual borrowing plan to be recommended by the Audit Committee for approval by the Board.

5.2.20 Authorisation to enter into binding transactions

	Group Treasurer
Companywide	Authorise Treasury employees to enter into binding financial transactions on behalf of the Transnet

5.2.21 Issuing of Guarantees (subject to requirements of section 66 of the PFMA)

	Group Treasurer	GCFO	GCE	Board
Companywide	Up to but not exceeding R25m	Up to but not exceeding R200m	Up to but not exceeding R500m	Exceeding R500m

All breaches of the above limits to be reported to the Audit Committee.
The Limits are per transaction.

5.2.22 Issuing Letters of Support

	Board
Companywide	Only the Board of Directors has authority to issue letters of support

5.2.23 Issuing of security per transaction (subject to section 66 of the PFMA)

	Group Treasurer	GCFO	GCE	Board
Companywide	Up to but not exceeding R250m	Up to but not exceeding R500m	Up to but not exceeding R1 000m	Exceeding R1 000m

All breaches of the above limits to be reported to the Audit Committee. The limits are per transaction.

5.2.24 Advance Payment Guarantees (APG) and Performance Bonds (PB) in Supplier Agreements

	OD CFO	Deputy Treasurer Middle Office ¹	Group Treasurer ²	Group CFO ³
Notional Value per OD per financial year	Up to but not exceeding R200m	Up to but not exceeding R250m	Up to but not exceeding R500m	Exceeding R500m
Issuer Acceptance	May accept if included in pre-approved issuer list obtained from Group Treasury	All issuers	All issuers	All issuers

- The limits are cumulative per OD/SU per annum.
- The OD is required to obtain legal acceptance from the Divisional Legal Department and or Group Legal in respect of all APGs and PBs.
- APGs and PBs should be constructed in a manner that they become payable on de
- The minimum long-term credit rating requirements may be acceptable under the following:-
 - A- from Fitch Rating Investor Services or Standard & Poor's Rating Services or A3 from Moody's Investor Services;
 - Issuers not rated by a recognised credit rating agency will not be accepted, unless specific approval has been obtained from GCFO that internally developed credit rating of the Issuer is acceptable;
 - Group Treasury may also consider an equivalent rating from other recognised rating agencies as contained in the FRMF.

Note: The approvals of ¹²³ are additional and do not include the amount of lower level authority.

5.3 Finance

5.3.1 Bad Debt Write-off

Trade Debtors

Approval Authority →	OD Exco/CE* excluding TFR	TFR Exco/CE	GCFO	Group Exco/ GCE	Audit Committee	Board ^{**}
Operating Divisions	Up to but not exceeding R10m	Up to but not exceeding R20m	Up to but not exceeding R100m	Up to but not exceeding R250m	Up to but not exceeding R500m	Exceeding R500m
Approval Authority →	Group Exco Member		Capic/GCFO	Group Exco/ GCE	Audit Committee	Board [*]
Specialist Units	Up to but not exceeding R5m		Up to but not exceeding R100m	Up to but not exceeding R250m	Up to but not exceeding R500m	Exceeding R500m

^{**}Approval limits are R10m and R20m for TFR per transaction subject to an annual cumulative limit of R50m and R100m for TFR. Specialist Unit limit is R5m cumulative per annum.

5.3.2 Setting of limits for credit facilities (Trade debtors)

Approval Authority	Divisional CFO excluding TFR	OD Exco/CE* excluding TFR	TFR CFO	TFR CE	GCFO	GCE
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Operating Divisions	Up to but not exceeding R10m	Up to but not exceeding R20m	Up to but not exceeding R100m	Up to but not exceeding R150m	Up to but not exceeding R300m	Exceeding R300m
Specialist Units	Up to but not exceeding R5m	Up to but not exceeding R10m	n/a	n/a	Up to but not exceeding R300m	Exceeding R300m

Limits are per individual customer/client. Credit limits are to be reviewed on an annual basis. The limits are applicable subject to the division following the credit evaluation process.
Internal limits between ODs are not applicable.

5.3.3 Issuing of Credit notes

Approval Authority →	Divisional CFO	OD Exco *	GCFO	GCE
Operating Divisions	Up to but not exceeding R10m	Up to but not exceeding R20m	Up to but not exceeding R300m	Exceeding R300m
Specialist Units	Up to but not exceeding R5m	Up to but not exceeding R10m	Up to but not exceeding R300m	Exceeding R300m

Limits are per individual credit note and relates to external parties. Issuing of credit notes regarding internal/interdivisional transactions must be within the control of the divisional CFOs.

* Excludes the product reconciliation process at Transnet Pipelines where the Divisional CFO and Divisional COO approve transactions arising out of the product reconciliation process.

5.3.4 Exceeding the operational expenditure budget in total for the year (Operating Divisions/Specialist Units)

The Board of Directors to be informed at every meeting of the financial status and latest estimates of the Company

Approval Authority →	OD CE*	GCFO	GCE	Board
Operating Divisions	Up to but not exceeding 5% of approved budget	Up to but not exceeding 7.5% of approved budget	Exceeding 7.5% of approved budget to a maximum of 10%	>10%
Specialist Units	Up to but not exceeding 5% of approved budget	Up to but not exceeding 7.5% of approved budget	Exceeding 7.5% of approved budget to a maximum of 10%	> 10%

* To be reported quarterly to the GCFO and GCE together with mitigating action plans to ensure that key financial metrics are maintained or met.

Delegations for operational transactions that are too detailed to include in the Delegations of Authority Framework will be determined and applied in terms of the details set out by the CE/GE in conjunction with the CFO of the respective OD/SU.

5.3.5 Establishing financial policy with regard to insurance

Approval Authority →	GCFO	Risk Committee
Authority Level	GCFO after consulting with Chief Risk Officer to recommend to the Risk Committee	Final approval

5.3.6 Inventory Write-off

Approval Authority →	OD Exco/CE* excluding TFR	TFR Exco/CE	GCFO	Group Exco/ GCE	Audit Committee	Board**
Operating Divisions	Up to but not exceeding R10m	Up to but not exceeding R20m	Up to but not exceeding R100m	Up to but not exceeding R250m	Up to but not exceeding R500m	Exceeding R500m
Approval Authority →	Group Exco Member		CAPIC/GCFO	Group Exco/ GCE	Audit Committee	Board*
Specialist Units	Up to but not exceeding R5m		Up to but not exceeding R100m	Up to but not exceeding R250m	Up to but not exceeding R500m	Exceeding R500m

** Approval limits are R10m and R20m for TFR per transaction, subject to an annual cumulative limit of R50m and R100m for TFR. Specialist Unit limit is R5m cumulative per annum.

5.4 Procurement, Enterprise Development and Supplier Development

All procurement transactions (including reverse logistics – selling of goods) must fully comply with the approved Supply Chain Policy and Procurement Procedures Manual (PPM), where applicable – Any commercial agreement (for the purchase of goods or services) must be signed off by an authorised employee of Supply Chain Management

(Procurement) prior to signing of the contract to indicate that all the steps as per Clause 5.5 below have been followed and that all procurement related governance has been adhered to.

5.4.1 Appointment of Consultants

Approval Authority →	OD CE and TCP GE*	GCFO	Group Exco/ GCE	Acquisitions and Disposals Committee	Board
Operating Divisions including TCP	Up to but not exceeding R25m	Up to but not exceeding R50m	Up to but not exceeding R200m	Up to but not exceeding R300m	Exceeding R300m
Approval Authority →	Group Exco Members	GCFO	GCE	Acquisitions and Disposals Committee	Board
Specialist Units excluding TCP	R10m	Up to but not exceeding R50m	Up to but not exceeding R200m	Up to but not exceeding R300m	Exceeding R300m

*Approval limits are cumulative per annum. Excludes appointment of consultants to perform feasibility studies for capital projects.

- Consultants may only be remunerated at set rates as follows:
 - Guideline for fees as determined by the South African Institute of Chartered Accountants.
 - Guide on Hourly Fee Rates for Consultants by the Department of Public Service and Administration.
 - Prescribed by the body regulating the profession of the consultant.
 - In instances of consultants being unregulated, e.g. Forensics are unregulated a reasonable fee should be approved Prescribed in the Service Level Agreement concluded with lawyers on the Transnet legal panel.

5.4.2 Approval to approach the market for Open Tenders

Approval Authority →	OD CE and TCP GE	GCSCO	GCFO	GCE	Acquisitions and Disposals Committee	Board
Operating Divisions including TCP	Up to but not exceeding R450m	Up to but not exceeding R525m	Up to but not exceeding R750m	Up to but not exceeding R1000m	Up to but not exceeding R2000m	Exceeding R2000m
Approval Authority →	Specialist Unit GE (budget owner)	GCSCO	GCFO	GCE	Acquisitions and Disposals Committee	Board
Specialist Units excluding TCP	Up to but not exceeding R75m	Up to but not exceeding R525m	Up to but not exceeding R750m	Up to but not exceeding R1000m	Up to but not exceeding R2000m	Exceeding R2000m

*The OD CE may only delegate these powers to go to market with Open Tenders to Heads of Procurement. The Requisition (or Request to Purchase) issued to Procurement must be approved by the OD's Budget Owner or GE in the case of Specialist Units or his duly authorised delegate. Such approved requisition or Request to Purchase will signify that the acquisition has been approved and that the necessary funds are available.

Submissions requiring approval of the GCSCO or higher must also include a procurement strategy document, signed off by the person with the delegated authority.

5.4.3 Approval to approach the market for confined tenders: Confinement of tenders (applicable to transactions above R2m in value)

Approval Authority →	OD CE and TCP GE	GCSCO	GCFO	GCE	Acquisitions and Disposals Committee	Board
Operating Divisions including TCP	Nil	Nil	Nil	Up to but not exceeding R250m	Up to but not exceeding R1000m	Exceeding R1000m
Approval Authority →	Group Exco Members	GCSCO	GCFO	GCE	Acquisitions and Disposals Committee	Board
Specialist Units excluding TCP	Nil	Nil	Nil	Up to but not exceeding R250m	Up to but not exceeding R1000m	Exceeding R1000m

The limits are per transaction/confinement. All requests for approval of confinements must be made by the OD CE/Group Exco Member through the GCSCO and the GCFO to the GCE. The OD/SU shall prepare the submission in collaboration with integrated Supply Chain Management (iSCM) to ensure that the motivation for confinement contains sufficient information to meet one or more of the grounds for confinement as stipulated in the PPM. In instances where a confinement is confidential, the GCE may approve such confinement without the confinement request being routed through any other authority.

Note: Confinement must only be used in respect of transactions above R2m in value. For transactions below R2m, the quotation system must be used. The quotation system is a procurement mechanism that may only be used:

- For transactions below R2m in value.
- Relates to goods or services required on a non-repetitive basis.

- Market is known.
- Minimum of 3 quotes must be obtained where possible.

5.4.4. Management's intervention to address non-compliance with procurement policies and procedures

Approval Authority →	OD CE and TCP GE	GCFO	GCE	Acquisitions and Disposals Committee	Board
Operating Divisions including TCP	Nil	Nil	Up to but not exceeding R250m	Up to but not exceeding R1000m	Exceeding R1000m
Approval Authority →	Group Exco Members	GCFO	GCE	Acquisitions and Disposals Committee	Board
SU excluding TCP	Nil	Nil	Up to but not exceeding R250m	Up to but not exceeding R1000m	Exceeding R1000m

Note: All requests for approval of non-compliance must be made by the OD CE/Group Exco member to the GCE. The OD/SU shall prepare the submission in collaboration with ISCM to ensure that the rules for the addressing of non-compliance are met. Together with the application for approval of non-compliance, the requestor must advise on the steps/corrective measures taken to avoid a repeat of the transgression within 30 days of the transgression being discovered.

5.4.5 Establishing Procurement policy (opex, capex and disposals)

Authority Level	Acquisitions and Disposals Committee
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5.4.6 Procurement process approval

NOTE: Each OD/SU will have its own main Acquisition Council (AC) which will consider and approve all procurement processes, as well as the disposal of scrap, falling within its jurisdiction from R2m, but not exceeding R450m. This is subject to the discretion of the OD/SU CE to lower the R2m thresholds, or to create Secondary Regional/Local Acquisition Councils. The OD/SU CE may also delegate certain process approval powers to the relevant Manager for matters below the Secondary Acquisition Councils' delegation. Transactions exceeding the OD/SU CE's Delegated Powers will also be considered by the OD's main AC for recommendation to the higher approval body (e.g. the Acquisitions and Disposal Committee). If it concurs with the recommendation, the matter will be referred to the relevant person/structure with the delegation of authority for approval. Should any process approval body not agree with the recommendation, the matter must be referred back to the recommending officer(s) for reconsideration or re-motivation.

Approval Authority →	ODs, TCP and TCC (Secondary and/or Main) Acquisition Councils	GCSCO	GCFO	GCE	Acquisitions and Disposals Committee	Board
Operating Divisions (including TCP and TCC)	Up to but not exceeding R450m	Up to but not exceeding R525m	Up to but not exceeding R750m	Up to but not exceeding R1000m	Up to but not exceeding R2000m	Exceeding R2000m
Approval Authority	Specialist Unit (excluding TCP and TCC)(Secondary and/or Main) Acquisition Councils	GCSCO	GCFO	GCE	Acquisitions and Disposals Committee	Board
Specialist Units (excluding TCP and TCC)	Up to but not exceeding R5m subject to the contract period not exceeding 5 years	Up to but not exceeding R525m	Up to but not exceeding R750m	Up to but not exceeding R1000m	Up to but not exceeding R2000m	Exceeding R2000m

5.4.7 Enterprise and Supplier Development

Approval Authority →	OD CE	ISCM Council/ GCSCO	GCFO	Group EXCO/ GCE	Acquisitions and Disposals Committee	Board*
Operating Divisions (including TCP and TCC)	Up to but not exceeding R5m	Up to but not exceeding R25m	Up to but not exceeding R100m	Up to but not exceeding R250m	Up to but not exceeding R500m	Exceeding R500m
Approval	Group EXCO	ISCM Council/	GCFO	Group EXCO/	Acquisitions and	Board

Authority	Members/CE	GCSCD		GCE	Disposals Committee	
Specialist Units (excluding TCP and TCC)	Up to but not exceeding R2m	Up to but not exceeding R25m	Up to but not exceeding R100m	Up to but not exceeding R250m	Up to but not exceeding R500m	Any amount exceeding R500m

*RemSEC to note all Enterprise and Supplier Development transactions.

5.5 Contracts/Agreements

- NOTE 1:** Any person who has been authorised to execute any legal documents including deeds, leases, assignments, contracts, applications, financial instruments, external submissions to or on behalf of the Company and/or its OD's or SU's or any other legal documents may only do so with the prior advice of the relevant Legal Services department as set out in the Legal Policy.
- NOTE 2:** Unless otherwise indicated in the authorities below, the authority to execute a contract or other binding document carries with it like authority to cancel or modify it, but only with the prior written advice of the relevant Legal Services department as set out in the Legal Policy and if it relates to Procurement Contracts, the process prescribed in the Procurement Procedures Manual must be adhered to.
- NOTE 3:** Any person authorised to enter into an agreement/contract or other binding document involving capital expenditure must have obtained prior financial approval in terms of the procedures set out in 5.1 prior to entering into such a CAPEX contract.
- NOTE 4:** Approval limits are per transaction/contract.
- NOTE 5:** The authority to execute a contract or other binding document carries with it the understanding that an authorised payment required thereby will be made once proof of receipt has been obtained. No person is authorised to obligate the company to an amount greater than such payment or create more onerous obligations than those contained in the contract or other binding document. Increases to the original scope of the binding document must be supported by authorised amendment.
- NOTE 6:** The PPM prescribes the process that must be followed in terms of approving procurement contract amendments:
- Non-material amendments (i.e. where the scope, value and/or period of the contract is less than 10% of the original contract value): the manager with the delegation of authority may effect such amendment and is only required to inform the AC of such amendment as soon as possible thereafter. The manager who approves the amendment may be the original signatory of the contract if the cumulative value of the amended contract is still within his/her delegation of authority. However, if the cumulative value of the amended contract is above the original signatory's delegation, the amendment must be approved by the next level of authority and the original signatory must be informed thereof.
 - Material amendments (i.e., where the scope, value and/or period of the contract is greater than 10% of the original contract value): the manager with the delegation of authority may not effect such amendments without the PRIOR approval of the relevant AC first of such amendment. Following AC approval such amendment needs to be signed off by the original signatory (i.e. the person with delegation of authority who signed the initial contract or the person mandated to do so) provided the cumulative value of the contract and subsequent amendment(s) still falls within his/her delegations. However, if the cumulative value of the amended contract is above the original signatory's delegation, the amendment must be approved by the next level of authority on review and recommendation of the original signatory.
 - NOTE: As a general rule, contracts may be amended by not more than 40% of the original contract value. Any deviation (as provided for in the paragraph below) in excess of this threshold will only be allowed in exceptional circumstances.
 - Amendments in excess of 40% of the original contract value or contract period will be dealt with as follows: In such cases, PRIOR review and recommendation must be obtained from the appropriate AC first, as well as the original signatory. Thereafter, the matter must be submitted for approval to the person with delegations one level higher than the person with the delegation of authority to approve the amended value. This rule applies regardless of whether the

amendment is still within the original signatory's delegation of authority or above it. On approval, the amended contract will be signed off by the person with the delegation of authority to sign off the contract value concerned. However, this rule does not apply to amendments falling within the GCE, Acquisitions and Disposals Committee or the Board's delegation of authority. For such contract amendments, the matter will be submitted to the GCE, Acquisitions and Disposal Committee or the Board regardless of the value of the contract amendment (provided the cumulative value is still within their delegations of authority).

- For higher value contracts (i.e. those signed by the operating division's GE, the GCFO or GCE), it is advisable to obtain a written mandate from that official empowering a delegate to administer such contract and to effect changes to such contract not exceeding 10% of the initially approved contract value.

5.5.1 Enter into and signing of Contracts/Agreements and award of business: (including the sale of scrap)

Approval Authority →	OD CE and GE:TCP		GCSCO	GCFO	GCE	Acquisitions and Disposals Committee	Board
Operating Divisions (including TCP)	Up to but not exceeding R450m		Up to but not exceeding R525m	Up to but not exceeding R750m	Up to but not exceeding R1000m	Up to but not exceeding R2000m	Exceeding R2000m
Approval Authority →	Specialist Unit GE	Group Exco members	GCSCO	GCFO	GCE	Acquisitions and Disposals Committee	Board
Specialist units (excluding TCP)	Up to but not exceeding R5m subject to the contract period not exceeding 5 years	Up to but not exceeding R30m	Up to but not exceeding R525m	Up to but not exceeding R750m	Up to but not exceeding R1000m	Up to but not exceeding R2000m	Exceeding R2000m

Values are per contract for the full term of the contract (Total value of contract excluding VAT) on condition that approval has been obtained for the related expenditure over the period. Please refer to the conditions stipulated below. Payments: Once the decision to contract has been issued, contract execution will be governed by the Operating Divisions or Specialist Units, including the payment process provided that the contract amount is not exceeded.

5.5.1.1 Contracts > R500m, including Transnet's top 60% value opex items and capex contracts

Prior to entering into a high value (greater than R500m) / highly complex contract (especially for the top 60% value opex items as dealt with by iSCM Strategic Sourcing commodity teams), any authorised official must first liaise with a multi-disciplinary team of experts at Corporate Centre, who should each sign off on any agreement/contract or other binding document:

- Group iSCM.
- Group Legal Services – entire document.
- GCFO to sign-off after sign-off from the Finance Departments (Group Finance/Reporting Financial Planning, Tax and Treasury).
- Group Risk.
- Group Insurance.
- Contracts less than R450m within the OD's limit of authority, require a similar process as set out above to be followed by the relevant OD.

5.5.1.2 Contracts with foreign exchange exposure

- Approval to enter into an agreement/contract or other binding document involving foreign currency exposure (including *international agreements*) may not be sub-delegated lower than to the Chief Procurement Officer (CPO) of an OD. Approval of the divisional CFO is required to enter into the contracts that may result in foreign currency exposure.
- The duly authorised official must obtain prior written approval in respect of FX agreements above R50m from Group iSCM, Group Legal, Group Treasury, Group Tax, Group Risk, Group Insurance and Group Reporting, both where the contract will be concluded in foreign currency and especially in such cases where foreign contracts will be concluded in South African Rand, as this may expose the Company to an embedded derivative. All FX agreements above R100m must apart from the above also obtain written approval from the GCFO. The GCFO to sign-off after sign-off from Group Treasury, Group Tax, Group Risk, Group Insurance, the Finance Departments

(Group Finance/Reporting and Financial Planning), Group Legal Services (the entire document) and Group ISCM.

5.5.2 Enter into and Signing of Revenue Contracts/Agreements and authority to issue binding quotes locally: (excluding lease contracts and the sale of scrap)

Approval Authority →	OD CE/GE: Commercial Limit per Annum per contract up to but not exceeding 5 years	GCFO Limit per Annum per contract up to but not exceeding 5 years	GCE Limit per Annum per contract up to but not exceeding 5 years	Acquisitions and Disposals Committee Limit per Annum per contract and contracts exceeding 5 years	Board Limit per Annum per contract and contracts exceeding 5 years
Operating Divisions	Up to but not exceeding R300m but not exceeding R1.5 bn for the total contract	Up to but not exceeding R500m	From R1.5bn but not exceeding R2bn unlimited	From R2bn but not exceeding R3bn	Exceeding R3bn
Approval Authority →	Specialist Unit CE Limit per Annum per contract up to but not exceeding 5 years	GCFO Limit per Annum per contract up to but not exceeding 5 years	GCE Limit per Annum per contract up to but not exceeding 5 years	Acquisitions and Disposals Committee Limit per Annum per contract and contracts exceeding 5 years	Board Limit per Annum per contract and contracts exceeding 5 years
Specialist Units	Up to but not exceeding R10m	Up to but not exceeding R500m	From R501m up to but not exceeding R1bn	From R1001m up to but not exceeding R3bn	Exceeding R3bn

- Integrated customer agreements where a service incorporates more than one division must be signed off by the Group Executive: Legal and Compliance, GCFO and the Group Executive: Commercial in addition to sign off by the OD CE's, up to but not exceeding revenue of R500m per annum not exceeding 5 years.
- If the contract period is below 12 months the contract value is to be annualised and the delegated authority required to approve the transaction will be determined by the annualised amount.
- All limits indicated above are exclusive of VAT
- Board approval is required if ANY one of the following limits are exceeded:
 - The contract period exceeds 5 years.
 - The annual value of the contract exceeds R3000m.
 - The total value of the contract over the contract life exceeds R15000m.

5.5.3 Enter into and Signing of Revenue Contracts/Agreements and authority to issue binding quotes internationally including cross border contracts: (excluding lease contracts and the sale of scrap)

Approval Authority →	GCFO Limit per Annum per contract up to but not exceeding 5 years	GCE Limit per Annum per contract up to but not exceeding 5 years	Acquisitions and Disposals Committee Limit per Annum per contract and contracts exceeding 5 years	Board Limit per Annum per contract and contracts exceeding 5 years
Operating Divisions	Up to but not exceeding R500m	Up to but not exceeding R1000m	Up to but not exceeding R3000m	Exceeding R3000m
Approval Authority →	GCFO Limit per Annum per contract up to but not exceeding 5 years	GCE Limit per Annum per contract up to but not exceeding 5 years	Acquisitions and Disposals Committee Limit per Annum per contract and contracts exceeding 5 years	Board Limit per Annum per contract and contracts exceeding 5 years
Specialist Units	Up to but not exceeding R500m	Up to but not exceeding R1000m	Up to but not exceeding R3000m	Exceeding R3000m

5.5.4 Internal Contracts

Contracts between OD and or SU's such as service level agreements and project specific agreements may be entered into between OD CE's or SU GE's.

5.5.5 Property and Lease Agreements

All internal and external Property Lease Agreements including revenue generating leases and expenditure leases (excluding vacant land).

Approval Authority →	OD CE and GE:TCP	GE: Transnet Property	GCFO	GCE	Acquisitions and Disposals Committee
Operating Divisions	Up to but not exceeding R20m per lease per annum	Up to but not exceeding R50m annualised	Up to but not exceeding R200m full term	Up to but not exceeding R500m full term	Exceeding R500m full term
	Tenure not exceeding 5 years	Tenure not exceeding 5 years	Tenure not exceeding 10 years	Tenure not exceeding 15 years	Tenure exceeding 15 years

- Tenders that include alienation/leasing out of land for a period longer than 5 years must be submitted to the GCE for approval prior to going out on tender or RFP.
- Cession of leases: All cession or assignment of Lease agreements shall be approved by the GCFO or Group Executive: Transnet Property. For cession of leases at OD level, the CE of the respective OD/SU may approve cession or assignment of lease agreements.
- Cession of lease agreements, renewals and extensions of lease agreements with a change to material terms of the existing lease e.g. extension or shortening of the lease period, change of rental terms etc. may be approved in terms of the above limits i.e. where the original lease was approved in terms of the delegated authority above, changes of material terms to be approved by the same approval body.
- All external Lease Agreements (> 5 years) of properties on land/properties adjacent to other land/properties of ODs and/or belonging to Transnet Property, must be communicated and agreed with the relevant division/Transnet Property before entering into any Lease Agreements.
- All leases for vacant land may only be approved by the GCE with the above limits for the GCE applicable i.e. if the lease value exceeds R500m or the tenure exceeds 15 years then Acquisitions and Disposals Committee approval is required. For the purposes of this transaction vacant land is considered to be undeveloped land.
- In cases where vacant land is leased out with its own rental premium applicable to it and a separate rental premium for improvements located on the portion of the same leased site, although part of one lease transactions in line with his limits of authority as stated in the table above.
- Interdivisional leases for vacant land may be entered into and signed by the respective OD CEs/GE: TCP/GE: Transnet Property.
- Leases for vacant land exclude the leasing in of land to be used for lay down areas and borrow pits for projects.
- Special Delegation to apply to the CE of TNPA in compliance with the National Ports Act of 2005 as amended.
- Internal leases between Transnet Property and the ODs/SUs may be signed by the CEs or GE's of the respective ODs/SUs.
- Revenue Generating Leases: Lease agreements concluded by Transnet in its capacity as lessor for purposes of generating revenue.
- Expenditure Lease: Lease agreements concluded by Transnet in its capacity as a Lessee.

5.6 Legal Services

NOTE: The provision of legal services must be in accordance with the Legal Policy. In respect of all litigation the bearer of the authority may, after taking legal advice from Group or Divisional Legal Services, as the case may be, execute all documents and do all things necessary to give effect to his/her authorisation including submission through governance structures.

5.6.1 Settling any litigation, arbitration and other forms of Alternative Dispute Resolution

Approval Authority →	Divisional Head: Legal	OD CE, GE: Transnet Property and GE:TCP	GE: Legal and Compliance	GCFO	GCE
Operating Divisions	Up to but not exceeding R2m	Up to but not exceeding R10m. Greater than R10m but less than R35m with concurrence of GE: Legal and Compliance	Up to but not exceeding R50m	Up to but not exceeding R100m with concurrence of GE: Legal and Compliance	Exceeding R100m

Approval limits are per litigation matter and relate to the settlement amount of that particular matter.

5.6.2 Disputes with Government and matters posing a reputational risk to the Company

Approval Authority →	Risk Committee	Board
	Matters which pose a reputational risk to the	Any disputes with government entities or where the outcome of

	Company should be submitted for consideration.	any litigation, arbitration or similar proceedings is likely to have a material effect on the business, financial condition or prospects of the Company
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5.6.3 Defending matters in court or any other competent forum

Approval Authority →	Legal Manager
	Defending, subject to the Legal Policy, any litigation (actions or applications) in court or any other competent forum, including the appointment of attorneys and/or advocates for such proceedings

5.6.4 Commencing any litigation in court or any other competent forum

Approval Authority →	GCE
	Commencing, subject to Legal Policy, any litigation (actions or applications) in court or any other competent forum, including the appointment of attorneys and/or advocates for such proceedings.

NOTE: the Standard Operating Procedures for Litigation Matters prescribes the following:

- Upon receipt of instructions, the Legal Advisor must ascertain from the facts of the case and in law whether:
 - Transnet has legal grounds to pursue litigation and whether it would be financially viable to pursue litigation bearing in mind the quantum of the matter and the costs of pursuing the matter;
 - it would be more advisable to settle the matter;
 - there is any reputational or other risk to Transnet in proceeding with the litigation;
 - whether there is any precedence that needs to be created by the company for future similar matters.
 - Should the Legal Advisor be satisfied that, on the facts presented, Transnet should institute legal action, the Legal Advisor must submit a written request to the person duly authorised, in terms of the Delegations of Authority Framework, for approval:
 - to institute litigation on behalf of Transnet, and
 - to appoint an external attorney from the Transnet approved panel of attorneys.

5.6.5 Subject to the Legal Policy, the appointment of external advisors, attorneys, advocates and any other external legal advisors including adjudicators, mediators, arbitrators for purposes of alternative dispute resolution process under NEC3 contracts or any other contract.

Approval Authority →	OD CE	GE: Legal and Compliance	GCE
OPERATING DIVISION	Up to but not exceeding R10m	Up to but not exceeding R50m	Exceeding R50m
	Specialist Units GEs and Heads of Legal	Legal and Compliance	GCE
Specialist Units GEs and Heads of Legal	Up to but not exceeding R5m	Up to but not exceeding R50m	Exceeding R50m

- The amounts indicated relates to the claim amount in the case of commencing litigation, and the estimated legal fees to be charged in all other matters.

5.7 Human Resources

INTRODUCTION

The Delegation of Authority for Human Resources provides for controls and good governance in the following areas:

- Organisation Management
- Personnel Appointments and Remuneration
- Appointment of Fixed Term Contract Employees
- Interim / Ad-hoc Remuneration Adjustments
- Rewards / Awards / Exceptional Payments / Ex-gratia Awards
- Suspension of Employees
- Dismissal of Employees

- Mutual Separation Agreements
- Collective Bargaining and Trade Union Recognition
- Deviation from approved Human Resources Policies

PRINCIPLES

1. Any approval in the Human Resources environment must be obtained from a manager who is at least two hierarchical reporting levels higher than the employee for whom authorization is required.
2. When acting in a higher capacity, decision for own portfolio or department that will ordinarily be recommended by the acting incumbent must be referred to one level higher.
3. Where an incumbent acts for a period of longer than three months, the full powers of delegation of the position in which the person is acting, may be transferred to the acting incumbent.
4. Each OD/SU may implement stricter delegations and increase the level of authority above those set out in the document. Any such change must be in writing.
5. Board approval is required for the appointment and remuneration of the GCE and GCFO.
6. The Remuneration, Social and Ethics Committee (RemSEC) provides final approval for the annual reward allocation including the salary mandate.
7. All matters relating to the position of the GCE and GCFO are reserved for the Board and Shareholder Minister in line with the Company's governing legislation and mandates.

ABBREVIATIONS

The abbreviations used in the Human Resources Delegation of Authority are set out in the table below:

FA	Final Approval
FA/CC	Final Approval for Corporate Centre
R	Recommendation
A	Has provided advice
C	Consultation
N	Noting
GE: HR	Group Executive: Human Resources
CE, GE	Chief Executive of OD or relevant Group Executive of the Corporate function
GM: HRE	General Manager: Human Resources Enablement
GM: ER	General Manager: Group Employee Relations
OD/SU HR GM	General Manager: Human Resources at the OD/SU
LM: GM	Line Management - General Manager

The table below sets out the delegation framework for Human Resources.

1		Organisation Management: Creation of New Positions / Change in Positions / Restructuring						
		<ul style="list-style-type: none"> No permanent or fixed term contract position can be created or the grade level changed unless the approved Organisation Management governance was followed in respect of the evaluation of positions and ratification of grade levels. 						
HUMAN RESOURCES		Board (on behalf of the Shareholder)	RemSEC	GCE	GE: HR	OD/SU GE/ GE	OD/SU HR GM	LM: G M
1.1	Executive Directors	*FA						
1.2	Group Exco (A level excluding executive directors)		FA	R				
1.3	General Managers (B level)			FA	R	R		
1.4	Executive Managers (C level)				A	FA	R	R
1.5	Senior Management (D level and below)						FA	R

*In consultation with the Shareholder Minister

2		Personnel Remuneration						
		<ul style="list-style-type: none"> The RemSEC reviews the GCE's assessment of performance and recommends the remuneration of Prescribed Officers and Extended Exco to the Board for approval by the Shareholder The remuneration of the abovementioned category of employees shall be in terms of the DPE Remuneration Standards. The appointment and remuneration of all management level employees (levels A to F) will be guided by the Guidelines and Salary 						

<p>Bands issued by the Group Remuneration Office. These Guidelines and Salary Bands will take into account the occupational specific categories.</p> <ul style="list-style-type: none"> For managers in levels A and B the Group Remuneration Office will recommend the appropriate remuneration bands based on market information and internal parity. Approval of the final appointment and remuneration package will be in terms of the delegations below. Each OD will apply the Guidelines and Salary Bands when appointing and structuring the packages of management employees in levels C and below. Approval of the final appointment and remuneration package will be in terms of the delegations below. After salary adjustments and before a mandate is sought for the next financial year, the Group Remuneration Office will conduct a comparative analysis of salaries across ODs to inform the Group Guidelines and Salary Bands of managers for the new financial year. Affordability and the need for internal and external parity will inform these guidelines. 							
HUMAN RESOURCES	Board* (on behalf of the Shareholder)	RemSEC & CORP GOV	GCE	GE: HR	OD/SU CE/ GE	OD/SU HR GM	LM:G M
2.1 Executive Directors	*FA						
2.2 Group Exco (A level excluding executive directors)		C	*FA	R			
2.3 General Managers (B level)			FA	R	R		
2.4 Executive Managers (C level)				A	FA	R	R
2.5 Senior Management (D level and below)						FA	R

* The Chairpersons of Remuneration, Social and Ethics and the Corporate Governance and Nominations Committees will be consulted by the GCE for the appointment of Group Exco Members (other than executive directors). The consultation will be through a memorandum submitted to the Chairpersons of the Committees.

*In consultation with the Shareholder Minister.

<p>3 Appointment of Fixed-Term Contract Employees</p> <p>A person appointed on a fixed-term contract (for a specific period of time or to perform a specific project) must be appointed into a graded position.</p>							
HUMAN RESOURCES	Board (on behalf of the shareholder)*	REMSEC	GCE	GE: HR	OD/SU CE/GE	OD/SU HR GM	LM: GM
3.1 Executive Directors	*FA						
3.2 Group Exco (A Level excluding executive directors)		FA	R				
3.3 General Managers (B level)			FA	R	R		
3.4 Executive Managers (C level)					FA	R	R
3.5 Senior Management (D level and below)						FA	R

4 Counter Offers and Interim Salary Adjustments

- In line with the Group Remuneration Philosophy approved by the REMSEC, there will be no interim / ad-hoc remuneration adjustments.

If an employee produces a written and current counter offer of employment with details of the remuneration package, and the Company seeks to retain the employee based on the criticality of the employee's skill, an interim adjustment of the employee's current remuneration package may be offered in terms of the delegations below. Any counter offer must be in accordance with the Group Guidelines and Salary Bands issued by Group Remuneration.

HUMAN RESOURCES	Board (on behalf of the Shareholder)*	REMSEC	GCE	GE: HR	OD/SU CE/ GE	OD/SU HR GM	GM:HR	LM:G M
4.1 Executive Directors	*FA							
4.2 Group Exco (A excluding executive directors)		FA	R	N			R	
4.3 General Managers (B level)			FA	R	R		R	
4.4 Executive Managers (C level)				FA	R	R	R	R
4.5 Senior Management (D level and below)						FA	FAcc	R

5	Internal Rewards / Awards / Exceptional Payments / Ex-gratia Awards The amounts reflected below are per initiative (not per individual employee payment) per annum									
	HUMAN RESOURCES	Board	RemSEC	GCE	GE: HR	GCFO	OD/SU CE/ GE	HR OM	GM:HR	LM: GM
5.1	R10m and above	FA	R	R	R				R	
5.2	Between R5m but not exceeding R10m		FA	R	R				R	
5.3	Between R50 000 but not exceeding R5m			FA	R		R		R	
5.4	Between R20 000 but not exceeding R50 000				FA		FA	R	R	R
5.5	Up to but not exceeding R 10 000						FA	R	R	R

*In consultation with the Shareholder Minister

6	Suspension of Employees <ul style="list-style-type: none"> The suspension of all employees is per the delegations of authority below. In the case of the suspension of a bargaining unit employee, the relevant OO Employee Relations Manager must recommend the suspension based on the merits of the case. 									
	HUMAN RESOURCES	Board (on behalf of the Shareholder)*	GCE	GE: HR	OD/SU CE/ GE	OD/SU HR GM	GM: ER	LM: GM	LM	ER Manager
6.1	Executive Directors	*FA								
6.2	Group Exco (A level excluding executive directors)		FA	R			R			
6.3	General Managers (B level)		FA	R	R		R			
6.4	Executive Managers (C level)			FA	R	R	A	R		
6.5	Senior Management (D level to F level)					R	A	FA	R	A
6.6	Bargaining unit employees								FA	R

7	Dismissal of Employees <ul style="list-style-type: none"> The dismissal of any employee for reasons of discipline or incapacity must be preceded by a fair hearing in line with Company policies. The dismissal of an employee for operational requirements must be preceded by a fair consultation process. 									
	HUMAN RESOURCES	Board (on behalf of the Shareholder)*	GCE	GE: HR	OD/SU CE/GE	OD/SU HR GM	GM: ER	LM: GM	LM	ER Manager
7.1	Executive Directors	*FA								
7.2	Group Exco (A level excluding executive directors)		FA	R			R			
7.3	General Managers (B level)		FA	R	R		A			
7.4	Executive Managers (C level)			A	FA	R	R	R		A
7.5	Senior Management (D level to F level)				A	R	R	FA	R	A
7.6	Bargaining unit employees								FA	R

8	Mutual Separation Terms and conditions and financial settlement amounts of mutual separation agreements for A ~ D Roles will be guided by the Guidelines issued by the Group Remuneration Office.								
HUMAN RESOURCES		Board (on behalf of the Shareholder)*	RemSEC	GCE	GE: HR	OD/SU CE/GE	OD/SU HR GM	GM:ER	LM:GM
8.1	Executive Directors	*FA							
8.2	Group Exco (A level excluding executive directors)		FA	R	R			R	
8.3	General Managers (B level)			FA	R	R		R	
8.4	Executive Managers (C level and below)				FA	R	R	R	R

9	Collective Bargaining and Trade Union Recognition							
HUMAN RESOURCES		RemSEC	GCE	GE: HR	OD/SU CE/ GE	OD/SU HR GM	GM:ER	LM:GM
9.1	Conclusion of any Collective Agreements with Labour excluding shift patterns			FA	R	R	R	
9.2	Mandate for salary and wage negotiations	FA	R	R			R	
9.3	Recognition of Labour and Signing of Recognition Agreement	N	N	FA			R	

10 Deviation from Approved Human Resources Policies									
HUMAN RESOURCES		Group Exco	GCE*	GCFO	GE: HR	OD/SU CE/GE	OD/SU HR GM	GM: ER	LM: GM
10.1	Any deviation from a Transnet HR Policy		FA		R	R	R	R	R
10.2	Approval of HR policies	FA							
10.3	Report all human capital risks				R				

5.8 General Delegations

5.8.1 Chartering of Aircraft

Authority Level	OD CE/SU GE	GCFO	GCE
Chartering of Aircraft	NIL	Up to but not exceeding R3m	Exceeding R3m
Chartering of helicopters for operations	R250 000*	Up to but not exceeding R1m	Exceeding R1m

* The limits for OD CEs/SU GE are cumulative per aircraft per month.

5.8.2 Mobile phones: Authorising payments exceeding monthly limits (reflected in mobile phone contract)

Companywide	Group Exco Member	GCFO	GCE
	Up to but not exceeding R10 000 per month	Up to but not exceeding R20 000 per month	Exceeding R20 000 per month

5.8.3 Entertainment Expenditure

Authority Level	OD CE	Group Executives	GCE
	Up to but not exceeding R50 000 per occasion	Up to but not exceeding R50 000 per occasion	Amounts exceeding R50 000 per occasion

Costs incurred by any person on behalf of the Company must be authorised by that person's superior and must be within the approved budgetary limits. Supporting documentation should be marked cancelled to prevent re-use thereof. All entertainment expenses must be business related expenses.

5.8.4 Rewards/Awards/Exceptional Payments to external parties: (Examples: *Ex-gratia* awards, exceptional performance, recognition payments)

	OD CE	GCFO	GCE	REMSEC	Board
Operating Divisions	Up to but not exceeding R50000	Up to but not exceeding R100000	Up to but not exceeding R5m	Up to but not exceeding R10m	Exceeding R10m
Specialist units	Group Exco Members	GCFO	GCE	REMSEC	Board
	Up to but not exceeding R50000	Up to but not exceeding R100000	Up to but not exceeding R5m	Up to but not exceeding R10m	Exceeding R10m

5.8.5 Sponsorships and Donations

Approval Authority →	OD CE	GCFO	GCE	REMSEC	Board
Operating Divisions	Up to but not exceeding R5m	Up to but not exceeding R7m	Up to but not exceeding R10m	Up to but not exceeding R20m	Exceeding R20m
Approval Authority →	Group Exco Members	GCFO	GCE	REMSEC	Board
Specialist Units	Up to but not exceeding R2m	Up to but not exceeding R7m	Up to but not exceeding R10m	Up to but not exceeding R20m	Exceeding R20m

Approval limits are cumulative per annum e.g. the OD CE can approve a total amount of R5m per annum for sponsorships and donations.

5.8.6 Annual filing of tariff applications with Regulators

- Policy and Regulation Committee will approve the OD tariff increase applications.
- The OD CE in concurrence with the GCFO are delegated to file the Tariffs applications with relevant Regulatory body.

5.8.7 International Business Travel (Including travel to African countries)

	Approval Authority
Below CE level at Operating Division*	GCE
CE of Operating Division	GCE
Corporate Centre	GCE
Specialist Units	GCE
Group Executives	GCE
GCE and Chairperson	User – Retrospective review by GCE or Chairperson and vice versa.

*CE of OD must recommend and the GCE to approve

5.8.8 Domestic Business Travel

	Approval Authority
Chairperson/GCE/Group Exco Members	User

CE of Specialist Unit	Group Exco member responsible
General Managers/Extended Exco	OD CE/OD CFO/Group Executives
All other levels	Extended Exco

All travel must be in line with the approved Travel Policy as amended in accordance with the provisions of National Treasury Instruction Note 1 of 2013/14. Extended Exco Members at an OD/SU may sub-delegate to the appropriate lower level.

5.8.9 Communication

	Approval Authority
External communication on strategy and operations	GM: Public and Corporate Affairs or GCE or his Designate
Communication on operational issues relating to an OD	Group Exco Member responsible for OD
Communication with the Shareholder Minister	Office of the GCE or Chairperson of the Board of Directors

Approval to attend seminars and or conduct presentations to external parties which may result in indirect communication may be approved by a OD CE/SU GE or the GCE.

5.8.10 Establishment of Special Purpose Vehicles (SPVs), Public Private Partnerships (PPPs), Private Sector Participation (PSP) and Trusts

	Approval Authority
Establishment of SPVs, PPPs, PSPs and Trusts	Board to approve after recommendation by ADC, the GCE, GCFO, GE: Legal and Compliance as per the Materiality and Significance Framework contained in the Compact with the Shareholder if the transaction is specified in the Corporate Plan if not specified in the Corporate Plan then Board may approve the transaction up to but not exceeding capital risk of R100m. Capital risk in excess of R100m are to be recommended by the Board for Shareholder approval.

The Company shall not without the prior written approval of the Shareholder enter into any transaction which exceeds or falls outside of the limits prescribed by the Shareholder's Compact or the Significance and Materiality Framework.

5.8.11 Establishment of Joint Ventures or Consortia with Entities incorporated in foreign jurisdictions To be read in conjunction with 5.8.10 above.

	Approval Authority
Establishment of Joint Ventures or Consortia with Entities incorporated in foreign jurisdictions	Approval to enter into an agreement or other binding document establishing a joint venture or consortium with an entity incorporated in foreign jurisdiction requires approval from the Shareholder Minister on recommendation from the Board and in addition, if it also contains foreign currency exposure, approval must be sought and obtained as per the monetary thresholds indicated in the second bullet under item 5.5.1.2 above. If capital risk is R100m or below, Board approval is required as per the Materiality and Significance Framework contained in the Compact with the Shareholder. Capital risk in excess of R100m for this transaction are to be recommended by the Board of Directors for approval by the Shareholder.

The Company shall not without the prior written approval of the Shareholder enter into any transaction which exceeds or falls outside of the limits prescribed by the Shareholder's Compact or the Significance and Materiality Framework (SMF)

5.8.11 Restructuring and sale of business

	Approval Authority
Restructuring or sale of business	Board in accordance with Section 54 of the PFMA

5.8.12 Pension Fund and Medical Fund Rule Amendments as recommended by the Board of Trustees of the Funds

	Approval Authority
Changes to the rules of the pension and medical fund that do not require Ministerial approval	GCE and GCFO
Rule amendments that require Ministerial approval	Board to recommend to the Minister of Public Enterprises for approval

5.8.13 Application for Environmental Authorisation

- All environmental impact assessment or basic assessment applications must be prepared by a competent independent environmental assessment practitioner/consultant, unless exemption from this provision has been obtained in writing by the Department of Environmental Affairs and under the supervision of the Environmental Department in the OD/SU.
- The application for environmental authorisation must be signed as per the approval authority below.

	Approval authority to act as applicant for an environmental authorisation for Transnet SOC Ltd
Operating Division	Project Manager/ Operations Manager/Environmental Manager
Specialist Unit (Transnet Property)	Chief Operations Officer of Property
Specialist Unit (Transnet Capital Projects)	Project Director

- The applicant remains legally responsible for the compliance with the environmental authorisation throughout the implementation of the authorisation.
- Should an authorisation for new capital projects contain operational elements after formal handover of the project by TCP, the DEA needs to be informed in writing of the change in names and acknowledgement from DEA be filed.
- Should any of the above applicants leave the Company, the DEA needs to be informed in writing of the new person responsible for the implementation of the environmental authorisation.

5.8.14 Recommendation on Board-approved Policies

Deviation from Policy:	Board	Audit	Risk	ADC	Corporate Governance and Nominations Committee	RemSEC	Group Exco
Governance and Ethics Management Policies	FA					R	
HR related (succession planning, excluding executive directors)						FA	
HR related (succession planning for executive and non-executive directors)	R				R		
HR related (performance management)						FA	
Procurement related	FA			R			
Property related				FA			
Risk related			FA				
Treasury Related		FA					
Tax related		FA					
CSI related	FA					R	
Compliance related	FA	R					
Marketing	FA					R	
Advertising	FA					R	
Sustainability (Energy and Water)	FA					R	
B-BBEE	FA					R	
PSP	FA			R			
Financial Policy w.r.t. Insurance		N	FA				R



TRANSNET



ANNEXURE "B"

**DELEGATION OF AUTHORITY FRAMEWORK
(EFFECTIVE FROM 1 DECEMBER 2015)**

**APPROVED BY THE BOARD OF DIRECTORS ON
25 NOVEMBER 2015
UNDER RESOLUTION
10-15/16FY/8**

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