

ADDENDUM 1

TO THE

SUPPLY CHAIN MANAGEMENT (SCM) POLICY

(that was Approved on 11 December 2023)

Policy No: TG/ISCM 15/1P

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1. AMENDMENTS TO THE SUPPLY CHAIN MANAGEMENT (SCM) POLICY

The Transnet Board of Directors amends the Supply Chain Management (SCM) Policy as follows:

1.1 *Ad* Clause 5: APPROPRIATE PROCUREMENT AND PROVISIONING SYSTEM

By amending clause 5.4 to read as follows:

5.4 The details of the appropriate approaches and mechanisms for procurement directed at revenue or commercial generation will be described in the "Manual for Procurement Directed at Revenue Generation". Operating Division (OD) may implement SOPs due to the unique nature of the different ODs within the framework of the Manual. In the absence of a specific Manual or OD specific SOPs the Goods and Services Manual and the Construction Manual shall be used for guidance.

By adding clause 5.6 as follows:

5.6 The fundamental principle of establishing an appropriate procuring regime for procurement directed at revenue generation is to guarantee that Transnet, as a commercial state-owned company is able to deliver on its contractual commitments in an agile and efficient manner by ensuring that the applied procurement process allow for agile, transparent, fair and cost-effective methods of acquiring critical goods and services that impact on the delivery to the customers which affects the economy of the country.

By adding clause 5.7 as follows:

5.7 To achieve these principal objectives, Transnet will identify its critical supplier stakeholders such as the OEMs and other strategic suppliers or service providers and enter into strategic long-term agreements and partnerships within the ambit of this Policy. This will support the supply, maintenance, upgrading and refurbishment of critical infrastructure, rail network, equipment and components to cover the lifecycle of the operations assets that are utilized for delivery to customers. Furthermore, it will sustain the quality of our services to our customers in other revenue streams such as the Transnet Blue Train. These agreements and partnerships will ensure the standardisation of the operations equipment and components, open opportunities for cost savings through leveraging of the economies of scale, transformation objectives and optimisation of resources which will result in value for money.

By adding clause 5.8 as follows:

5.8 for the procurement directed at revenue generation, Transnet must adopt a customized cluster of procurement mechanisms that are designed to fast-track the procurement processes while ensure compliance to the principles of the PFMA and other applicable legislation. These procurement mechanisms are intended to allow flexible approaches of engagements between Transnet and strategic suppliers in the market as well as entering into joint intervention arrangements with customers to pull together and combine resources and capabilities to address any Transnet procurement challenges that may directly affect that particular customer or a group of customers in a particular region or corridor.

5.8.1 A customer buy-back / step-in clause in a commercial agreement between Transnet and the customer or group of customers is one form of a joint intervention arrangement that should be considered for situations where the customer may be in a better position to supply the goods or services to Transnet quicker than the Transnet internal procurement processes particularly in situations where delays in procurement will lead to Transnet not being able to meet its commercial contractual commitments which may result in Transnet losing the customer, having the contracts terminated or being liable for heavy penalty sanctions. This mechanism may be used in instances where a customer or group of customers in a particular region or corridor come together and offer assistance to Transnet in the form of goods or services that Transnet needs to resolve a crisis situation that would cause business disruption for both Transnet and the customer or customers in that region or corridor.

1.2 *Ad* Clause 6: PROCUREMENT BY OTHER MEANS

By deleting clause 6.3 entirely, as follows:

~~6.3. Prospective suppliers for this mechanism shall be identified on the CSD (except for international service providers with no registered local entity) and/or any other approved supplier database in the public sector.~~

By deleting clause 6.4.15 entirely, as follows:

~~6.4.15 Buy-back or Step-in commercial agreements occur where there is an agreement reached with the customer for them to procure on behalf of Transnet and supply Transnet with agreed goods and /or services that would or may otherwise have been required to be procured by Transnet for the delivery of services to the customer. These goods or services are critical to the timely or continued service delivery to the customer and where the customer has available or is able to source and~~

~~provide the goods to Transnet in the timelines required. This mechanism may also occur in instances where a group of customers in a particular region or corridor come together and offer assistance to Transnet in the form of goods or services that Transnet needs to resolve a crisis situation that would cause business disruption in that region or corridor.~~

By deleting clause 6.6.3.6 entirely, as follows:

~~6.6.3.6 Buy back or Customer Step in to be used with existing customers where existing contractual relationship exists.~~

2. **WHOLE DOA FRAMEWORK**

All Clauses, together with Annexures, other than those referred to in this Addendum shall remain unchanged and in full force and effect as amended herein.

Recommended by



Michelle Phillips
Group Chief Executive

Date: 12/09/24

Approved by



Mr Andile Sangqu
Chairperson
Transnet Board of Directors
Date: 30 September 2024