



UPDATE ON TRANSNET SUPPLY CHAIN MANAGEMENT FRAMEWORK

[Johannesburg, 26 January 2023] Transnet SOC Ltd is making a number of changes to its supply chain management (SCM) policy to enable specific preferential procurement practices and provide certainty to qualifying bidders following the Preferential Procurement Regulations (PPR), 2023, which came into effect on 16 January 2023.

In terms of the new approach, which is in line with Section 217 of the Constitution, procurement will be handled through a specific preferential procurement policy – separate from Transnet’s current SCM policy – that sets out specific monetary thresholds for preferential procurement, including the original 80/20 and 90/10 preference points system.

The policy that is currently going through the governance approvals enables the setting of specific criteria to - inter alia - promote B-BBEE, youth-owned and women-owned enterprises, as well as enterprises in secondary towns where Transnet has most of its operations. There will be a very concerted drive for localisation that ensures the full participation of enterprises owned by black people, women and youth. As previously announced, Transnet is working with NAACAM to support the drive for localisation of key activities in the value chains that support Transnet’s operations, and also partnered with the National Empowerment Fund (NEF) to provide funding support.

While the new policy is being approved, the company will continue to apply the 80/20 and 90/10 preference point system as an interim measure, as provided for in section 2(1) of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) and PPR 2022.

This approach aligns with the Constitutional Court ruling that the policies of organs of state should take charge of driving transformation and preference in procurement to give effect to section 217(2) of the Constitution, and section 2(1) of the PPPFA.

A significant change Transnet has introduced, are longer procurement contracts that enable the enterprises to invest, earn a return and ensure mutual sustainability. Transnet believes that this is critical for the development of strong and enduring relationships with its SMME and BBBEE partners. Transformation is critical for Transnet to ensure a least-cost procurement environment, whilst supporting the sustainable growth of the South African economy.

Issued on behalf of Transnet SOC Ltd.