

FREQUENTLY ASKED QUESTIONS VOLUNTARY SEVERANCE PACKAGE FOR BARGAINING UNIT EMPLOYEES

Dear Colleagues,

I refer to the communiqué dated 22 March 2017, introducing the voluntary severance package for the bargaining unit employees across Transnet.

Below, please find frequently asked questions and responses. If you have any other queries, please don't hesitate to send your question to the special e-mail address (VSP@transnet.net)

1 Who is eligible for the VSP?

- 1.1 All permanent bargaining unit employees, who are below 60 years of age as at 31 March 2017 are eligible to apply, subject to operational and business requirements and the final approval from Transnet.

2 Can Trainees apply for the VSP?

- 2.1 No, Young Professionals and any employee on a learnership program form part of the Transnet skills pipeline and are excluded.

3 What is the tax implication for early retirement and VSP?

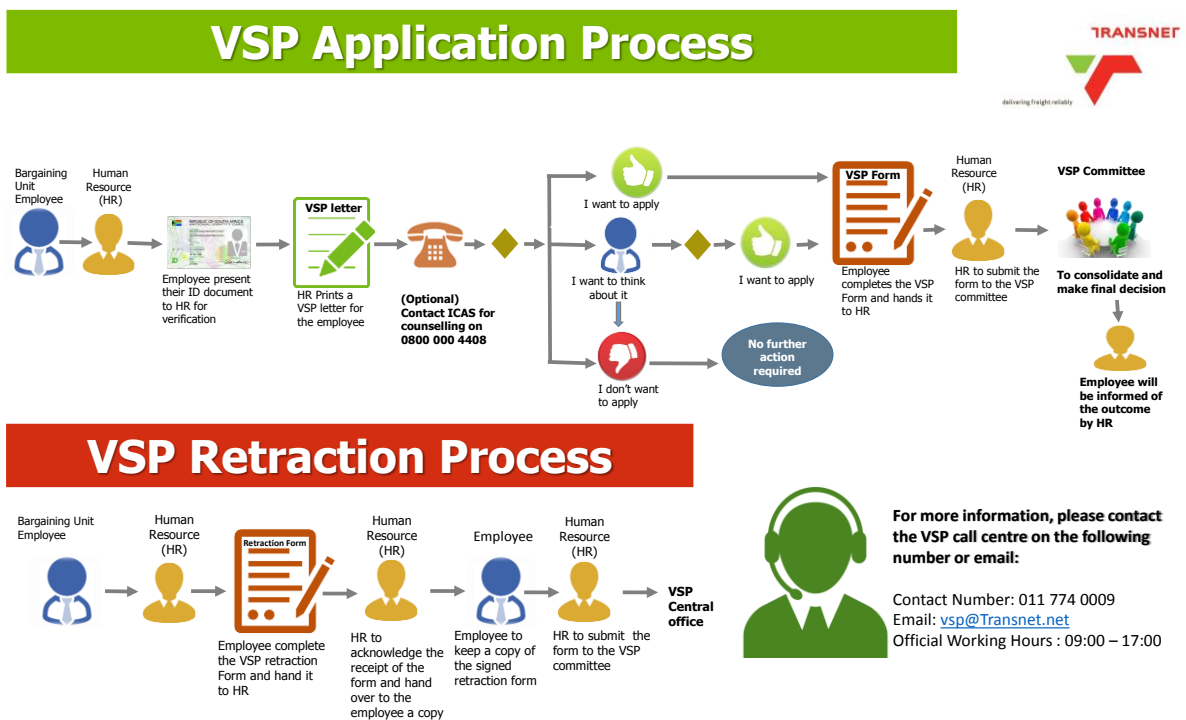
- 3.1 Transnet will submit a tax directive application to SARS before the lump-sum amount is paid.
- 3.2 The 'Retirement, death, and severance lump sum benefit tax table' and the 'Retirement lump sum withdrawal tax table' apply cumulatively over your lifetime. In other words, if you have previously received a lump sum benefit that has been taxed in terms of either of these tax tables, you would have to calculate the tax on your latest lump sum by taking into account the tax paid on the previous lump sums. It is strongly recommended that you seek tax advice in this regard.
- 3.3 In the event that you elect to accept the VSP offer from Transnet (and either retire/resign from Transnet), the Transnet pension or retirement fund (the fund) will be advised. The form of the payout from the fund (lump sum and/or annuity) will depend on whether you exit the fund through retirement or withdrawal. The taxation of the payouts will also depend on the type of payout that you receive, as well as whether, in the case of a withdrawal, you choose to transfer the lump sum to another retirement or preservation fund.

- 3.4 Once you have made an election, the fund will submit a request for a tax directive to the South African Revenue Service (SARS) who will instruct the fund on the rate of tax to be applied, based on SARS' records of the individual taxpayer. Remember that SARS will take into account in calculating the tax payable on your lump sum from the fund, any lump sums that were previously taxed under either the 'Retirement, death, and severance lump sum benefit tax table' and/or the 'Retirement lump sum withdrawal tax table'.
- 3.5 The fund will deduct the tax payable as instructed on the tax directive from SARS from your lump sum and pay over the remainder to you. Any disagreement in this regard will need to be resolved between SARS and the individual taxpayer. In addition to the tax, SARS has the right to claim from the lump sum any outstanding taxes and penalties that is owed to them. In this event, the fund will only pay over the remained (lump sum less tax less outstanding penalties and tax) to you.
- 3.6 Any annuity income would be taxable at your marginal tax rate.
- 3.7 Employees must note that the tax application will be based on each individual situation as per previous tax benefits received. (The SARS Contact Centre can be called on 0800 00 SARS (7277) between 08h00 - 17h00 for any enquiries).
- 3.8 Leave pay and pro-rata bonuses that are paid at the same time as the VSP lump-sum do not form part of a severance benefit and are subject to normal income tax.

4 How can I get details of the value of VSP lump-sum?

- 4.1 All eligible bargaining unit employees will receive a personalised statement with their severance package benefit value from an HR Practitioner in any Human Resources Office closest to where the employee is based (e.g. if your are a TFR employee and only TE has an HR Office in your area, you will be able to obtain your statement from the TE HR Office and they will assist you with the process); or
- 4.2 In the case of employees with Employee Self Service (ESS) access, the ESS option is available on SAP via the path: Employee Self Service – Salary Statement and IRP5 – Voluntary Severance Package

5 What is the process to apply for a VSP?



6 What is annual pensionable salary?

6.1 Annual pensionable salary refers to your annual basic salary plus your service bonus (13th cheque).

7 If I apply and later change my mind, will I be allowed to withdraw my application?

You will be able to change your application if you so wish as long as it is before the 14th April 2017 at 23:59.

8 Will I be required to work a notice month?

8.1 It is anticipated that employees whose applications are approved, will exit the service of Transnet by 30 April 2017.

9 Will I be able to get a payment break from other institutions where I may have debt, if I take a voluntary package? (e.g. insurances, bond, life cover and medical aid)?

9.1 The VSP is a voluntary decision by the employee. If you are considering applying for a VSP, you must consider your personal financial situation and engage with the service providers where you have debt/s to come to an arrangement.

10 If I need financial advice, will Transnet assist in providing me with advice?

10.1 You can contact ICAS, the service provider contracted to assist Transnet employees who will be able to assist you. They can be contacted from a toll-free number that is: 0800 000 408.

11 If I have leave days to my credit, will the value of the leave days be paid out to me if I exit the service due to a VSP?

11.1 Yes, the accumulated leave days that you have to your credit at the date of exit, will be paid to you (less tax).

12 If my VSP application is approved and I exit the service of Transnet on 30 April 2017, when will I receive my money?

12.1 The normal salary for April will be paid on 26 April 2017 and

12.2 The VSP value will be paid before the end of May 2017.

13 What is the process that will be followed in terms of approving or refusing my application? Who will make the final decision whether an application is accepted or rejected?

13.1 The process that will be implemented for the approval of VSP package is summarized as follows:

13.1.1 The employee through the HR office will hand over the application to the HR Practitioner who will submit the application (no signature from the line manager required);

13.1.2 Following the closing date, all line managers will be notified of applications of direct subordinates by HR BPs / Managers and would be required to make a recommendation (supported / not supported);

13.1.3 It will then be escalated to the relevant General Manager of the Department where the employee is employed for a recommendation;

13.1.4 Thereafter it will be submitted to the relevant Chief Executive or GLT member for approval.

13.2 In the case that a VSP application is declined, the following process will apply:

13.2.1 All declined VSP's, in the Operations functions, will be escalated to the Group Chief Operating Officer, Mr Mlamuli Buthelezi for final approval; and

13.2.2 All declined VSP's, outside of the Operations functions, will be escalated to the relevant GLT member for ratification and final approval by the GLT Steering Committee.

14 Is there any opportunity for re-employment with Transnet if I have taken a VSP?

14.1 No, employees who opt to take a VSP cannot be re-employed, either permanently or on a fixed term contract, for a period of seven years following the date of exit.

15 If I was a fixed term contract employee prior to being appointed on a permanent basis, will my service as a fixed term contract employee be recognised?

15.1 No, your service as a fixed term contract employee will not be considered for purposes of calculating the VSP offer, only the years of service as a permanent employee will be considered.

16 How is the pro-rata severance package determined for those employees with less than 10 years?

16.1 For every completed year of service, you will get 10% of your annual cost to company package / pensionable salary.

16.1.1 Example: If you have 2 years of completed service and earn R100,000 per annum, the formula will be $2 \times 10\% \times R100,000 = R20,000$

17 If Transnet does not receive sufficient applications, what will the next step be? Will forced retrenchments take place?

17.1 Transnet will implement additional measures to ensure the sustainability of the business, and will endeavor to avoid any forced retrenchments.

18 Why are employees 60 years and older excluded from the opportunity to apply for the VSP, since they may be more inclined to accept the VSP?

18.1 Employees, who are 60 years and older are close to retirement. It is not to Transnet's advantage to offer VSPs to this category of employees. These employees can apply for early retirement.

19 Can I continue with contributions to the Transnet Retirement Fund after I exit the service of Transnet?

19.1 No. However, the Rules of the Transnet Retirement Fund do allow members who exit employment for any reason other than death, disablement or retirement to leave their benefits in the Fund. Such an election is referred to as deferred membership, although it is also referred to as "paid-up" benefits.

19.2 No further contributions may be made into the Fund during the period that the pay-out of the Fund value is deferred.

19.3 The call centre number for Momentum Retirement Administrators is 0860 657 585.

20 Can I pay the value of my VSP package value into my Retirement Fund?

20.1 No, the rules of the Retirement Fund determine that an employee who is out of service cannot contribute to the Retirement Fund.

20.2 Also refer to question 19 above.

21 Will I able to claim for Unemployment Insurance Fund (UIF) if I take a VSP?

21.1 No, even after the recent amendments to the Act, an employee who opts for a voluntary package is not entitled to unemployment benefits because the contract is not terminated by the employer and there is no dismissal either.

22 If I owe money to Transnet, will I still be liable to pay the debt if my VSP is approved?

22.1 Yes, all outstanding debts, including study loans, which you may have, will be repayable on termination of service. The debt will be deducted from your severance package.

22.2 This may include any debt from training agreements that you may have with Transnet.

23 If 10 years of service is equivalent to one year's salary, will I be right if I say 25 years will be equivalent to two and a half years' salary?

23.1 No, the assumption is incorrect. The communique clearly indicates that all employees with 10 years of completed service and longer will receive one year's salary as a severance package.

23.2 This means that all employees with more than 10 years of completed service will receive a VSP equal to one year's salary, i.e. if you earn R100,000 per annum, your package will be equal to R100,000 as long as you have 10 or more years of completed service and are younger than 60 years of age as at 31 March 2017.

24 What will happen to me if my VSP application is declined and Transnet, in future, decides to forcefully retrench? Will I be impacted?

24.1 Transnet has concluded a three year wage agreement with recognized trade unions which will expire on 31 March 2018. The clause states as follows:

"There will be no forced retrenchments in Transnet during the currency of this agreement. Transnet is entitled to offer voluntary retrenchment and voluntary early retirement packages to employees should it deem it necessary to do so due to its operational requirements. Transnet may also terminate the services of any employee, without payment of a severance package, if the employee unreasonably refuses to accept a reasonable offer of alternative employment with Transnet."

25 What will happen after the expiry of the agreement between management and labour?

25.1 The current negotiated wage agreement with labour covering for a three year period. The agreement expires on 31 March 2018 after which a new agreement will be negotiated with labour.

26 Is there any benefit for an employee who has less than one year of service and who wants to take a VSP?

26.1 You must have at least one year of completed service to be eligible to apply for a VSP.

26.2 Accordingly, an employee with less than one year of service may not apply for a VSP.

27 When will I know what the outcome of my package application is?

27.1 Transnet, via the Group Human Resources, will inform you in writing of the outcome of your package application after the closing date of 14 April 2017, but by no later than 25 April 2017.

28 Will Transnet provide me with financial counselling to assist me in making my decision?

28.1 Yes, Transnet encourages employees to contact their Wellness Practitioner to arrange for EAP assistance.

29 If my application for a VSP is not approved, will I have the opportunity to lodge a dispute against the decision?

29.1 No, Transnet has the right to decline a VSP application based on business requirements. The GLT Steering Committee will have the final approval authority.

30 Can I apply for VSP even if I am on suspension or have a disciplinary case pending?

30.1 No, employees who have a pending disciplinary case or are on precautionary suspension, are not eligible to apply for a VSP.

31 I have 40 years' service in Transnet, why do I qualify for one year pensionable salary only?

31.1 This is a voluntary initiative across the business. It is the right of the company to decide how the package value must be determined during any voluntary program and it remains the choice of the employee to apply for a VSP.

32 If I apply for VSP, will I qualify for Short Term Incentive bonus if it's paid?

32.1 Yes, if Transnet pays a Short-Term Incentive in respect of the 2016/17 financial year, eligible employees will qualify on the pay date as per the Ground Rules of the Scheme.

33 How will my gain-share for the last quarter be handled if I leave at end of April?

33.1 If the employee qualifies for a gain share payment, it will be paid on the payment date as per the Ground Rules of the Scheme.

34 Are there any present employee benefits carried over to employees that accept the VSP?

34.1 No, if you exit the service of Transnet due a VSP, there are no further employee benefits.

35 Can employees that have been placed in Risk pool or are in the process of being moved to the risk pool apply for the VSP?

35.1 No, employees in the Risk Pool are not eligible to apply for a VSP.

36 Important Timelines

36.1 The final approval of your application will be provided in writing after the closing date of Friday, 14 April 2017 but before 25 April 2017, issued from Group Human Resources.

NONKULULEKO SISHI

Chief Human Resources Officer