TRANSNET

delivering freight reliably

Unlocking Infrastructure Delivery and Restoring the Ethical Balance in Construction - Applying this in the Transnet context

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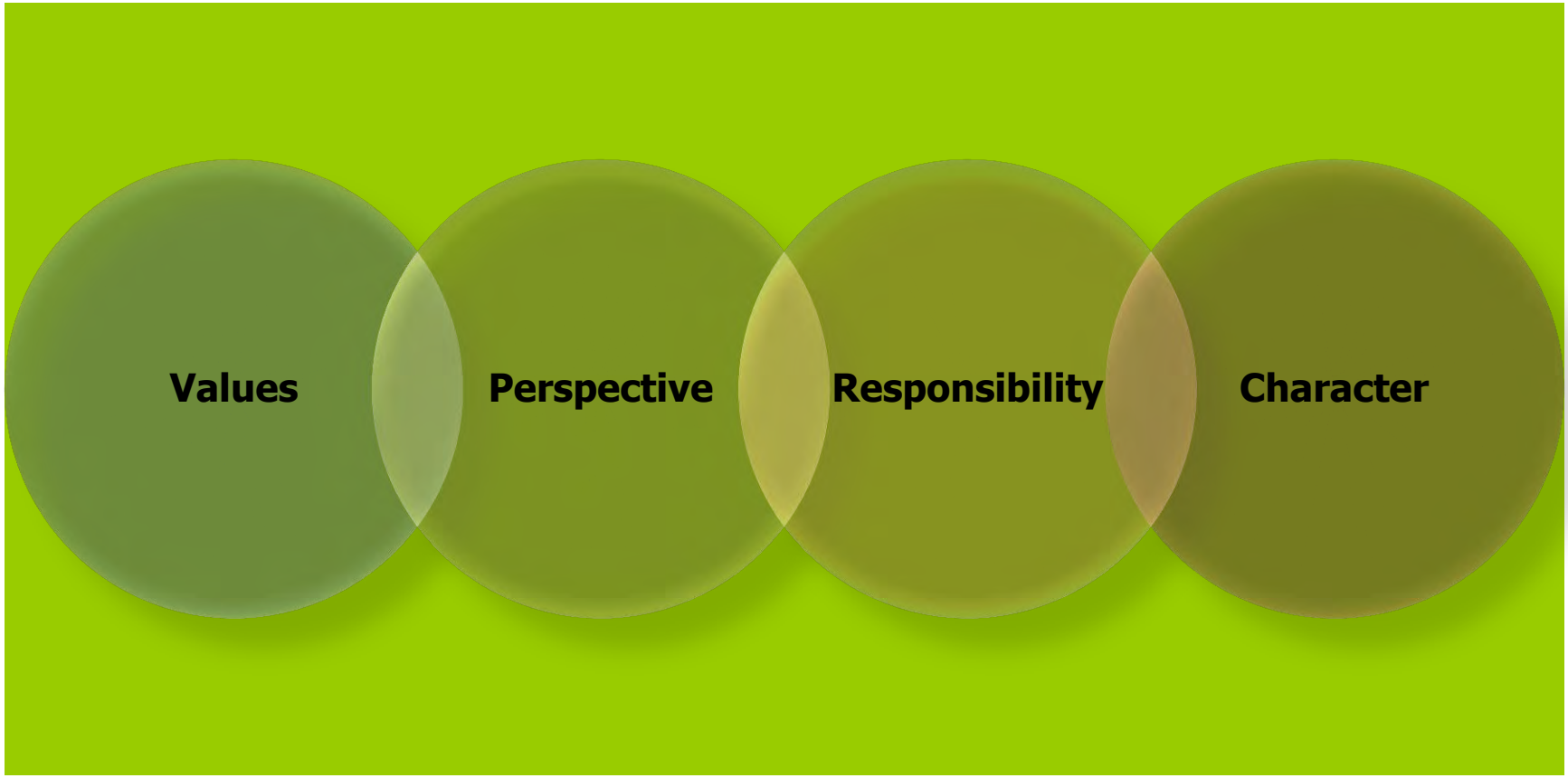
OVERVIEW OF PRESENTATION

- Ethical balance
- An Ethical Balance in Infrastructure delivery
- Culture Charter and Code of Ethics
- Sustainability Framework
- How does Transnet integrate ethical conduct in infrastructure delivery
- Sustainable Development criteria of the Project Life Cycle Process
- Strategic projects in KZN: Applying an ethical balance to delivery of projects - example
- Ethical challenges for engineers

Ethical balance - Mark S. Putnam (Global Ethics University)



Ethical balance - Mark S. Putnam (Global Ethics University) continue

Values:

Values are the fundamental principles or rules when lived by make you "ethical" or not. You must have deeply-held core values that *show themselves visibly in the everyday moral decisions you make.*

Perspective:

Perspective prevents you from leaning to one extreme or another. Having an ethical perspective requires the ability to *be flexible in interpreting and analysing things* within a morally principled framework. That is, you are not judgmental of others yet you have a solid moral foundation. Somehow you are able to *see the big picture* and live in peace with it.

Responsibility:

Ethically balanced people accept responsibility for their ethical shortcomings and make a genuine effort to change for the better. It is more than blame. It is an effort to *do what it takes to change and move forward.*

Character:

There must be a *genuine self-awareness of who you are at your very core*. What do you believe is right or wrong? This is the real you behind the façades and outward appearances. Your character should not change with the circumstance but be a constant moral anchor.

Transnet Culture Charter – our values

Entrenchment of values in Transnet and infrastructure delivery

Our Code of Ethics

- For the continuation of sustained ethical conduct it must be entrenched within the core values of it's employees.
- All employees sign a Code of Ethics when they join the company.

Transnet strives to be…	Transnet Employees…
❖ Transparent in all its dealings and disclosures; ❖ Not politically biased; ❖ Beyond reproach in the quality of its products and services; ❖ Proud of its standing as regards integrity and credibility; ❖ Consistent in honoring its social, legal and moral obligations; ❖ Responsible and accountable; and ❖ Aware of the need to foster loyalty and long enduring relationships.	❖ Act with integrity at all times; ❖ Are customer orientated; ❖ Are honest; ❖ Are driven to perform; ❖ Recognise their duty to protect Transnet's assets and property; ❖ Are passionate about their work; and ❖ Are committed.

Table 1: Extract from Transnet Code of Ethics

An Ethical Balance in Infrastructure delivery

- Infrastructure that addresses the socio-economic needs of a rapidly growing South Africa without compromising the ability of our biophysical environment to provide the services required for sustained human health, wellbeing and experience.

- To achieve this balance, infrastructure delivery must be guided by a code or set of principles that clearly establish a basis or framework for ethical decision making.

- The key integrator of these codes and principles are the systems (ecosystems, socio-political and economic), and supported by a governance framework that includes monitoring and reporting.
- Governance must set the framework for consistent and cohesive behaviours and compliance by directors, employees, contractors, and other individuals who work on the company's behalf.

- In infrastructure delivery, there is **a very close correlation between ethical conduct and the fundamental principles of sustainable development.**

Sustainability Framework in Transnet

- **To ensure sustainable development, Transnet has committed itself to a set of Environmental, Social and Economic principles and objectives that are entrenched within all of its business practices.**

ECONOMIC DIVIDENDS

- Cost-effective freight logistics infrastructure ahead of demand.
- Reliable and efficient rail, port and pipeline services.
- Skilled human resources aligned to infrastructure and services.
- Local supplier industry development.
- Job creation.
- Rural development.
- Regional integration.
- A financially stable business, able to raise and service debt, reinvest revenues and pursue agreements with private parties to optimise investment and services.

SOCIAL DIVIDENDS

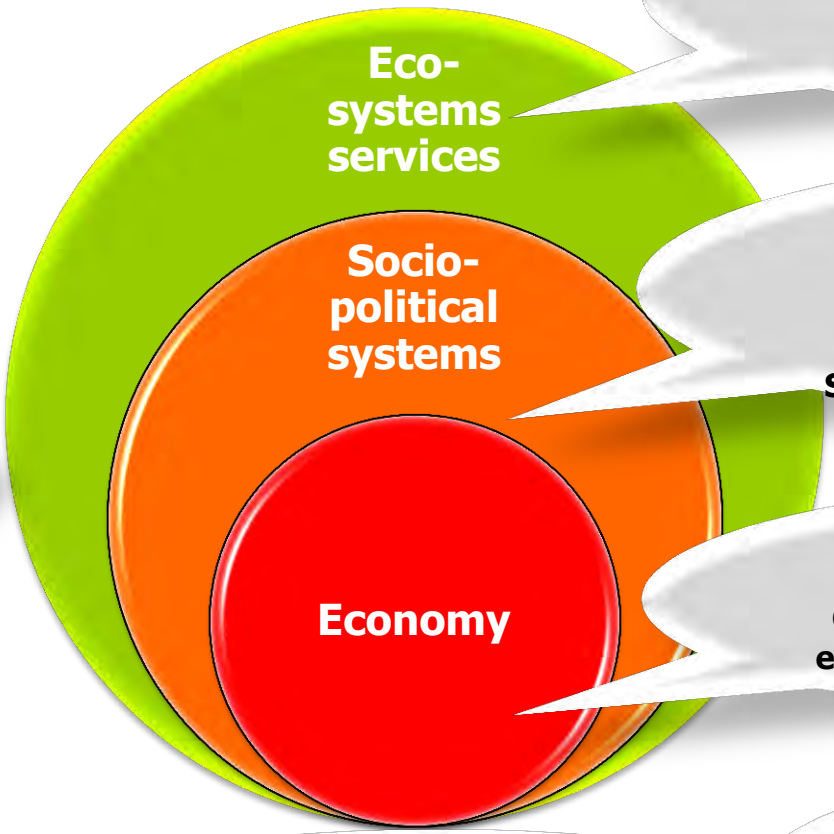
- Good governance, accountability and transparency.
- Zero tolerance of fraud and corruption.
- A representative workforce.
- Safety.
- Staff wellness.
- Broad-based black economic empowerment.
- Corporate social investment.
- Community benefits.
- Proactive stakeholder engagement.

ENVIRONMENTAL DIVIDENDS

- Modal shift from road-to-rail, lowering South Africa's carbon emissions.
- Energy efficiency.
- Climate change mitigation.
- Climate change adaptation.
- Water use efficiency.
- Waste management optimisation.
- Biodiversity enhancement.

Sustainable Development Framework applied to infrastructure delivery

Communication and Media strategy and plan in support of entire process



Determine value of eco-system services to cost mitigation/ offsets for impacts (FEL 3)
Interface with technical/design teams (FEL2)
Sustainability options
Environmental constraints and impacts

Stakeholder mapping and engagement strategy, including amongst others:
Public/Government/Politicians etc
Corporate Social Investments and Responsibility
Social impact assessment (FEL2 – FEL3)

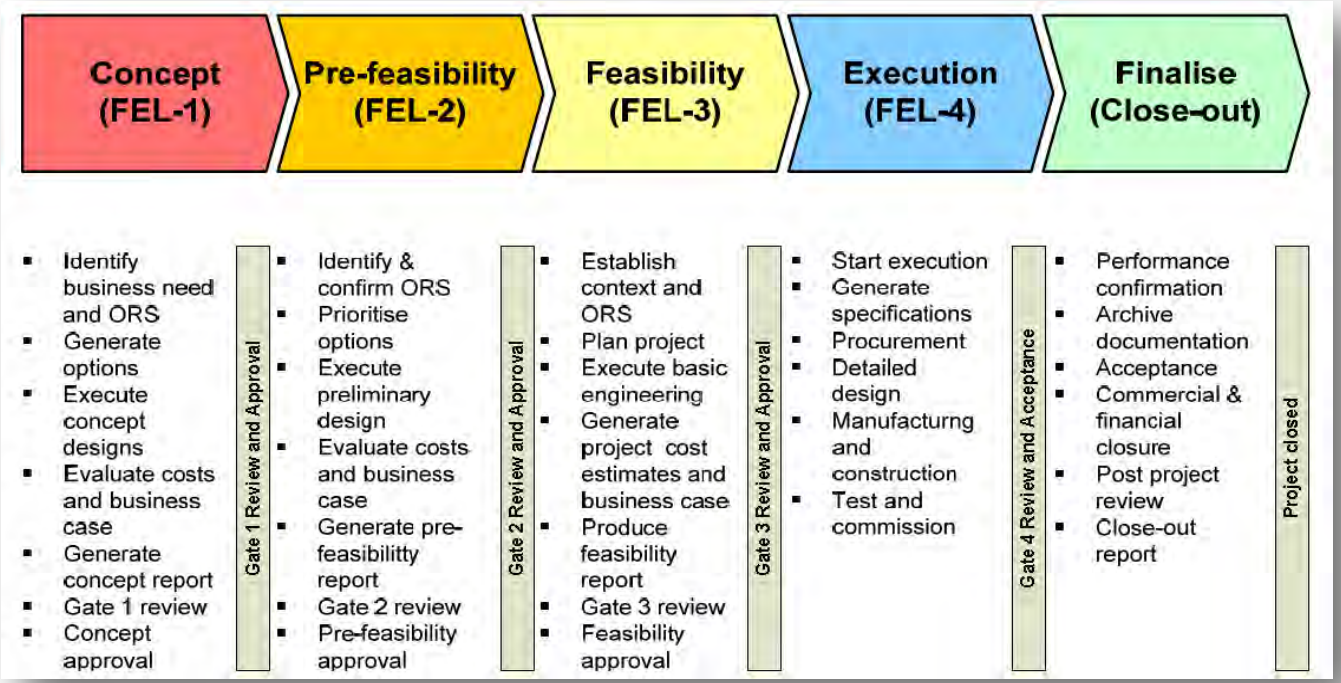
Economic study to indicate:
National imperative for project
Contribution to GDP/Regional and local economies (job creation etc) (FEL1-FEL3)

Governance

Ensure compliance with:
Constitution (sec 24 – Env right)
Environmental Legislation
Authorisations and Permits (FEL3)

How does Transnet integrate ethical conduct in infrastructure delivery

- Through a systematic approach governed by an framework for delivery of projects (Project Life Cycle process)



The PLP is based on a Front End Loading approach to project/infrastructure delivery requiring a progressive and phased increase in project investment in line with progressively decreasing risk whilst increasing clarity and certainty over time. This approach applies to all aspects forming part of the PLP including sustainable development and rests on a firm foundation of governance.

Decisions taken during each phase is subjected to a Gate Review conducted by an independent, skilled team of employees. Before a project can proceed to the next phase of the PLP, all criteria for that particular phase must be met and evaluated by the Gate Review team.

Summary of Sustainable Development criteria of the Project Life Cycle Process

- Environmental aspects to be impacted by the project must be identified and investigated in detail.
- The social and environmental attributes of an area surrounding any project option must be understood through the collection of baseline data.
- Project options that poses inherent biophysical and social fatal flaws should be eliminated.
- Whenever a decision is made on the preferred project option, this decision must not only be cognisant of financial cost, but also of potential positive and negative social and environmental impacts.
- A project must, throughout its lifecycle, comply with relevant environmental legislation.
- Social and Political risks must be identified and addressed.

Summary of Sustainable Development criteria of the Project Life Cycle Process continue

- There must be a common understanding between stakeholders of what sustainability is and how it relates to the project at hand. This understanding must be aligned and communicated to all.
- Any project must have clear sustainability objectives and key performance indicators to track progress against these objectives
- Benchmarking opportunities must be identified and implemented where practical
- Procurement of any product or service during the PLP must be transparent, fair and sustainable
- The information above, must be incorporated into infrastructure design criteria and specifications that are usable by engineers and construction personnel.

The ultimate objective is that, through effective planning, the best project option (from an economic, social and environmental perspective) is selected and executed in a manner that benchmarks sustainability.

Strategic projects – applying an ethical balance to the delivery of strategic projects

Ensure Due Diligence in Property Acquisition

Ensure strategic alignment with other plans (IDP etc.)

Identify Environmental Fatal flaws and Sensitivities

Investigate and Establish Environmental Baseline

Ensure positive socio-economic and environmental impacts are realised and negative impacts minimised during construction of the Port

Incorporate obtained environmental information into and establish Environmental Design Criteria

Incorporate best practice on social and environmental responsibility in port plans to improve potential funding approvals

Coordinate and ensure effective and transparent stakeholder engagement

Ensure sustainability of Port Development Framework

Determine social, economic and environmental impacts and establish adequate mitigation and management plans

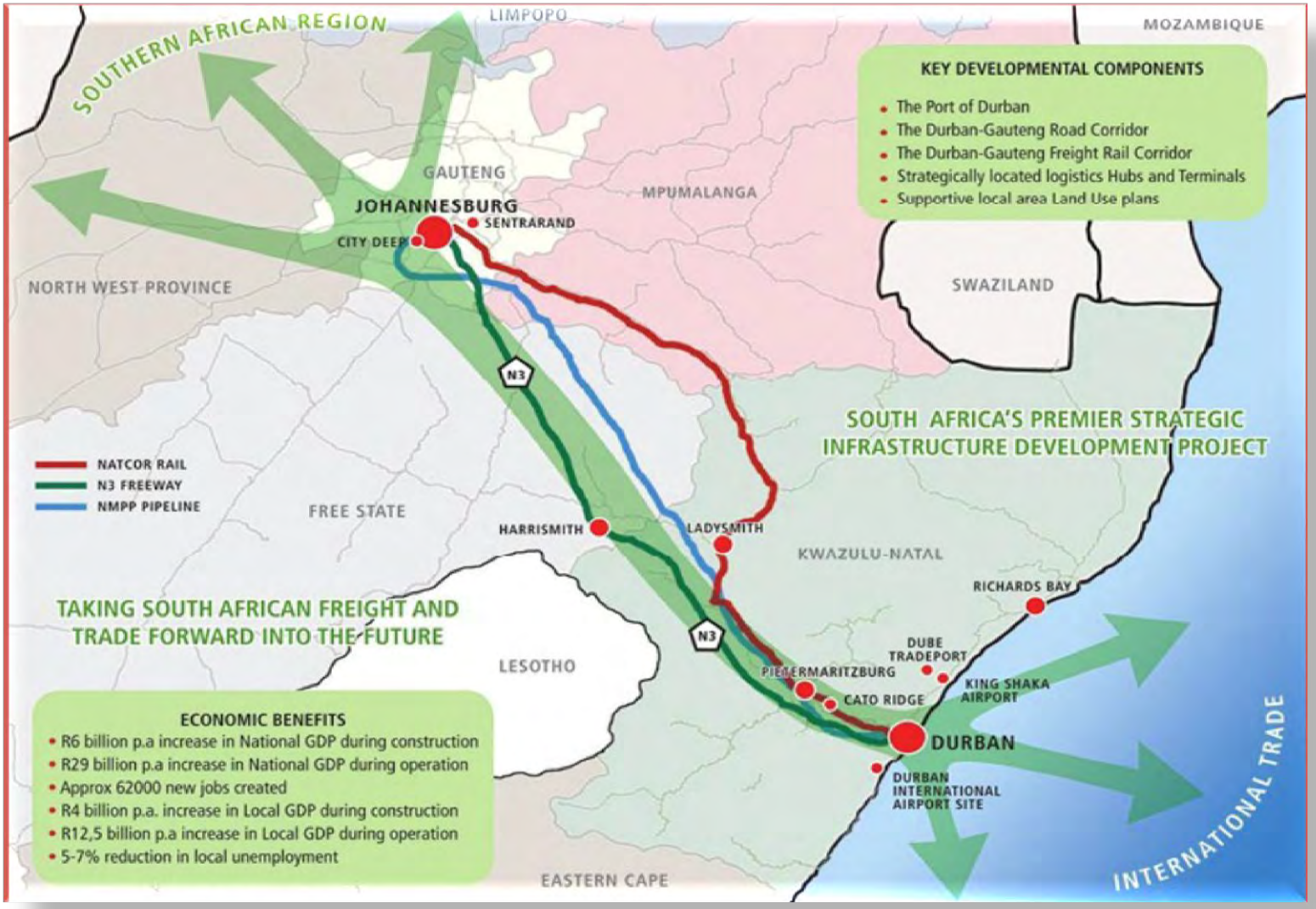
Ensure public involvement and input to project

Ensure project feasibility is subjected to full cost accounting and the triple bottom line

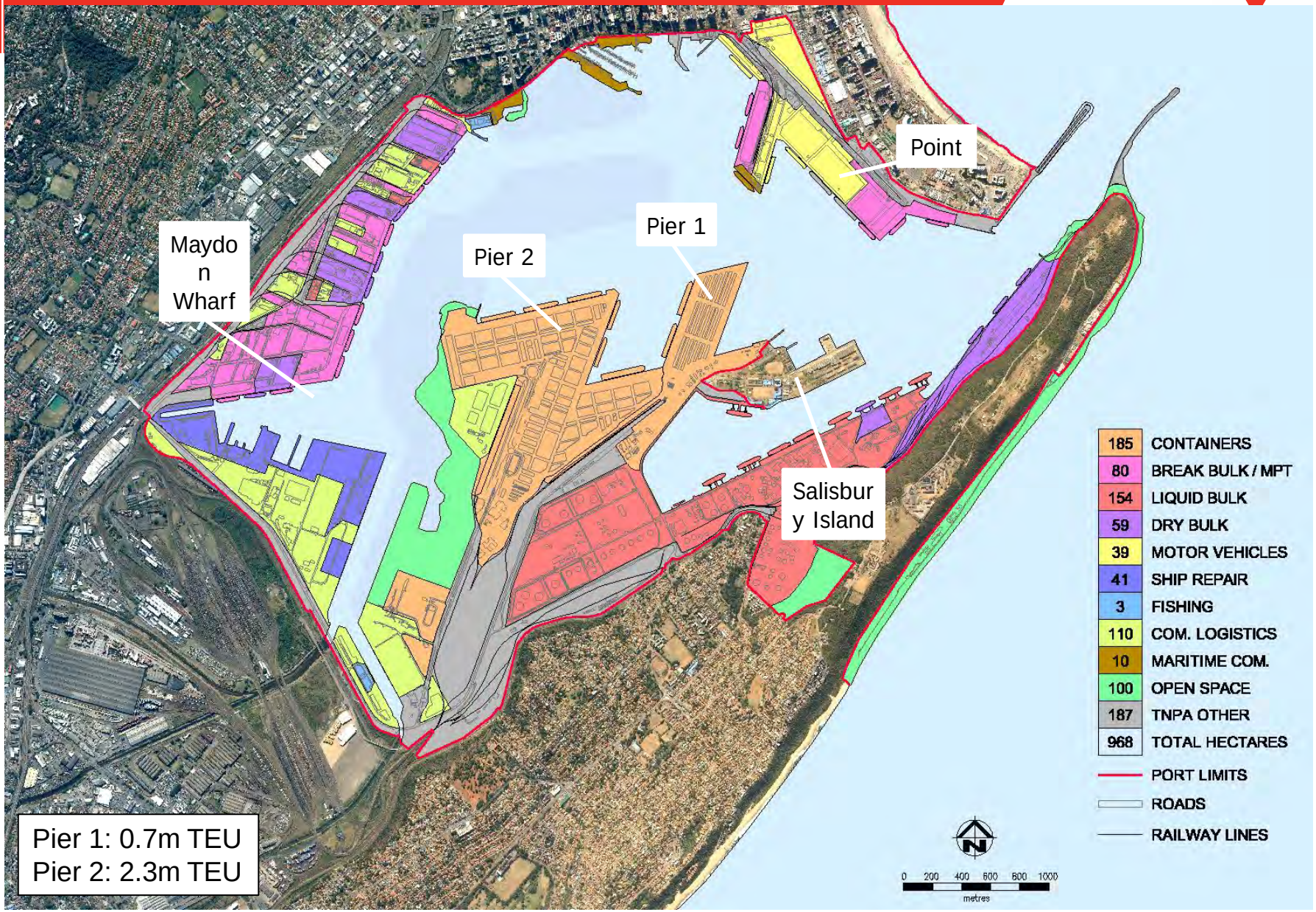
Strategic projects KZN: Coal and Minerals System

DURBAN-FREESTATE-GAUTENG CORRIDOR

Part of national PICC SIP 2



Port of Durban – Current Layout - 2012



Pier 1: 0.7m TEU
Pier 2: 2.3m TEU

Ethical Challenges for Engineers

Realities	Ethical Challenges
Population growth creates an increased demand for resources	How do you balance the socio-economic needs with the environmental constraints during design and delivery of infrastructure projects?
Even though there are stronger regulatory controls on social and environmental impacts, Regulators do not have the internal capacity to enforce the law – although this is now changing.	In delivery and construction, there are many opportunities to dismiss compliance for the sake of project schedule and cost – it is your moral decision which path you take.
The procurement of products that have been subjected to full cost accounting and services that are environmental responsible, tend to be costly.	How does one maintain competitive market share when your input cost goes up because of a commitment to sustainability?

In the end, it is in your hands…