CITY OF TSHWANE METROPOLITAN MUNICIPALITY

(a municipality as described in section 2 of the Local Government Municipal Systems Act, 2000, duly established in terms of Notice No. 6770, promulgated in the Provincial Gazette Extraordinary of 1 October 2000 in terms of section 12(1) read with section 14(2) of the Local Government: Municipal Structures Act, 1998, as amended)

ZAR5,500,000,000
Domestic Medium Term Note Programme

On 12 December 2012, the City of Tshwane Metropolitan Municipality (the "Issuer") established a ZAR4,500,000,000 Domestic Medium Term Note Programme (the "Programme") pursuant to a programme memorandum dated 12 December 2012 (the "Previous Programme Memorandum"). This Programme Memorandum (as defined below) will apply to all Notes (as defined below) issued under the Programme after 22 June 2018 (the "Programme Date") and will in respect of such Notes, supersede and replace the Previous Programme Memorandum in its entirety. This Programme Memorandum will not apply to any Notes issued under the Programme before the Programme Date, and the Previous Programme Memorandum will apply to such Notes.

Under this Programme the Issuer may from time to time issue notes (the "Notes"), which expression shall include Senior Notes and Subordinated Notes (each as defined herein) denominated in any currency agreed by the Issuer and the relevant Dealer(s) (as defined herein) and further subject to all Applicable Laws and, in the case of Notes listed on the Interest Rate Market of the JSE (as defined herein) or such other Financial Exchange(s) (as defined herein) as may be determined by the Issuer and the relevant authority, the debt listings requirements of the JSE Limited (the "JSE") or such other Financial Exchange(s), that are subject to the terms and conditions (the "Terms and Conditions") contained in this Programme Memorandum. Any other terms and conditions not contained in the Terms and Conditions that are applicable to any Notes, replacing or modifying the Terms and Conditions, will be set forth in a pricing supplement (the "Applicable Pricing Supplement").

Capitalised terms used in this Programme Memorandum are defined in the section of this Programme Memorandum headed "Terms and Conditions of the Notes", unless separately defined, and/or in relation to a Tranche of Notes, in the Applicable Pricing Supplement.

As at the Programme Date, the Programme Amount is ZAR5,500,000,000. This Programme Memorandum will apply to the Notes issued under the Programme (including Notes issued and Outstanding under the Previous Programme Memorandum) in an aggregate outstanding Nominal Amount which will not exceed ZAR5,500,000,000 unless such amount is increased by the Issuer pursuant to the section of this Programme Memorandum headed "General Description of the Programme".

The Notes may comprise, without limitation, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes and/or such combination of the foregoing Notes and/or such other type of Notes as may be determined by the Issuer and the relevant Dealer(s) and specified in the Applicable Pricing Supplement. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

This Programme Memorandum has been registered by the JSE. A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to all Applicable Laws. Unlisted Notes may also be issued under the Programme. Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE in accordance with the rules of the BESA Guarantee Fund Trust. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE or the BESA Guarantee Fund Trust. Unlisted Notes are not regulated by the JSE. A copy of the Applicable Pricing Supplement relating to a Tranche of Notes which is to be listed on the Interest Rate Market of the JSE will be delivered to the JSE and the CSD, before the Issue Date, and the Notes in that Tranche may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement, in accordance with the Applicable Procedures. The settlement of trades on the JSE will take place in accordance with the electronic settlement procedures of the JSE and the CSD for all trades done through the JSE. The placement of a Tranche of unlisted Notes may (at the discretion of the Issuer) be reported through the JSE reporting system, in which event the settlement of trades in such Notes will take place in accordance with the electronic settlement procedures of the JSE and the CSD for all trades done through the JSE. The settlement and redemption procedures for a Tranche of Notes listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

The Notes may be issued on a continuing basis and be placed by one or more of the Dealers specified under the section of this Programme Memorandum headed "Summary of Programme" and any additional Dealers appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis. References in this Programme Memorandum to the "relevant Dealer" shall, in the case of Notes being (or intended to be) placed by more than one Dealer, be to all Dealers agreeing to place such Notes.

Arranger and Dealer
Abab Bank Limited,
acting through its Corporate and Investment Banking division

JSE Debt Sponsor
Abab Bank Limited,
acting through its Corporate and Investment Banking division

Programme Memorandum dated 22 June 2018
GENERAL

Capitalised terms used in this section headed “General” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum and all documents incorporated by reference (see the section of this Programme Memorandum headed “Documents Incorporated by Reference”). To the best of the knowledge and belief of the Issuer, the information contained in this Programme Memorandum is in accordance with the facts and does not omit any fact which would make any statement false or misleading and all reasonable enquiries to ascertain such facts have been made. This Programme Memorandum contains all information required by law and the debt listings requirements of the JSE.

The JSE takes no responsibility for the contents of this Programme Memorandum, the annual financial statements, the annual reports and the Applicable Pricing Supplement(s), of the Issuer and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of this Programme Memorandum, the annual financial statements, the annual reports and the Applicable Pricing Supplement(s) of the Issuer and any amendments or supplements to the aforementioned documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of aforementioned documents. The JSE’s approval of the registration of this Programme Memorandum and listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer or of the Notes and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

The Issuer, having made all reasonable enquiries, confirms that this Programme Memorandum contains or incorporates all information which is material in the context of the issue and the offering of Notes, that the information contained or incorporated in this Programme Memorandum is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in this Programme Memorandum are honestly held and that there are no other facts, the omission of which would make this Programme Memorandum or any of such information or expression of any such opinions or intentions misleading in any material respect.

This document is to be read and construed with any amendment or supplement thereto (this document, as amended or supplemented, the Programme Memorandum) and in conjunction with any other documents which are deemed to be incorporated herein by reference (see the section headed “Documents Incorporated by Reference”) and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the Applicable Pricing Supplement. This Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and form part of this Programme Memorandum.

The Arranger, the Dealer(s), the JSE Debt Sponsor or any of their respective subsidiary or holding companies or a subsidiary of their holding company (Affiliates), other professional advisers named herein and the JSE have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arranger, the Dealer(s), the JSE Debt Sponsor nor any of their Affiliates or other professional advisers as to the accuracy or completeness of the information contained in this Programme Memorandum or any other information provided by the Issuer. The Arranger, the Dealer, the JSE Debt Sponsor, any of their Affiliates and other professional advisers do not accept any liability in relation to the information contained in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme.

No Person has been authorised by the Issuer to give any information or to make any representation not contained in or inconsistent with this Programme Memorandum or any other document entered into in relation to the Programme or any other information supplied by the Issuer in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger, the Dealer(s), the JSE Debt Sponsor nor any of their Affiliates or other professional advisers.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme is intended to provide a basis for any credit or other evaluation, or should be considered as a recommendation by the Issuer, the Arranger, the Dealer(s), the JSE Debt Sponsor, any of their Affiliates and other professional advisers that any recipient of this Programme Memorandum or any
other information supplied in connection with the Programme should subscribe for, or purchase, any Notes.

Each Person contemplating the subscription for, or purchase of, any Notes should determine for itself the relevance of the information contained in this Programme Memorandum and should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and its subscription for, or purchase of, Notes should be based upon any such investigation as it deems necessary. Neither this Programme Memorandum nor any Applicable Pricing Supplement nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer, the Arranger, the Dealer(s), the JSE Debt Sponsor, any of their Affiliates or other professional advisers to any Person to subscribe for or to purchase any Notes.

Neither the delivery of this Programme Memorandum nor any Applicable Pricing Supplement nor the offering, sale or delivery of any Note shall at any time imply that the information contained herein is correct at any time subsequent to the date hereof, or that any other financial statements or other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same. The Arranger, the Dealer(s), the JSE Debt Sponsor, any of their Affiliates and other professional advisers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, _inter alia_, the most recent financial statements, if any, of the Issuer when deciding whether or not to subscribe for, or purchase, any Notes.

Neither this Programme Memorandum nor any Applicable Pricing Supplement constitutes an offer to sell or the solicitation of an offer to buy or an invitation to subscribe for or purchase any Notes. The distribution of this Programme Memorandum and any Applicable Pricing Supplement and the issue, sale or offer of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Programme Memorandum or any Applicable Pricing Supplement or any Notes come are required by the Issuer, the Arranger, the Dealer(s), the JSE Debt Sponsor, any of their Affiliates and other professional advisers to inform themselves about, and observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Programme Memorandum or any Applicable Pricing Supplement and other offering material relating to the Notes, see the section headed "Subscription and Sale".

None of the Issuer, the Arranger, the Dealer(s), the JSE Debt Sponsor, any Affiliate nor any other professional advisers represents that this Programme Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger, the Dealer(s), the JSE Debt Sponsor, any of their Affiliates or other professional advisers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any advertisement nor other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any Applicable Laws and regulations. The Dealer(s) has represented that all offers and sales by it will be made on the same terms.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "Securities Act"). Notes may not be offered, sold or delivered within the United States or to U.S. Persons except in accordance with Regulation S under the Securities Act.

In connection with the issue and distribution of any Tranche of Notes under the Programme, the relevant Dealer(s), if any, that is specified in the Applicable Pricing Supplement as the Stabilising Manager (or any Person acting for the Stabilising Manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted by the debt listings requirements of the JSE and approved by the JSE, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all Applicable Laws, regulations and rules.
The price/yield and amount of a Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
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DOCUMENTS INCORPORATED BY REFERENCE

Capitalised terms used in this section headed “Documents Incorporated by Reference” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The following documents shall be deemed to be incorporated in, and to form part of, this Programme Memorandum:

(a) the Previous Programme Memorandum;
(b) all amendments and/or supplements to this Programme Memorandum prepared by the Issuer from time to time;
(c) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme;
(d) as at the Programme Date, the published consolidated audited annual financial statements of the Issuer and each Municipal Owned Entity and notes thereto, for the three financial years ended 30 June 2015, 2016 and 2017 and in respect of any issue of Notes after the Programme Date, the published consolidated audited annual financial statements, and notes thereto, of the Issuer in respect of further financial years, as and when such published consolidated audited financial statements become available;
(e) as at the Programme Date, the published annual report (incorporating the consolidated audited annual financial statements of the Issuer and each Municipal Owned Entity, together with reports and the notes thereto and attached to or intended to be read with such financial statements of the Issuer and each Municipal Owned Entity) for the three financial years ended 30 June 2015, 2016 and 2017 and in respect of any issue of Notes after the Programme Date, the published annual report of the Issuer in respect of further financial years, as and when such published annual report becomes available;
(f) as at the Programme Date, the Issuer’s Integrated Development Plan 2017-2021 (approved by council on 25 May 2017), published on the Issuer’s website (see below) and in respect of any issue of Notes under the Programme Date, any future Integrated Development Plan, as and when such Integrated Development Plan becomes available;
(g) as at the Programme Date, the Issuer’s Medium Term Revenue and Expenditure Framework 2018-2019 and in respect of any issue of Notes after the Programme Date, any future Medium Term Revenue and Expenditure Framework, as and when such Medium Term Revenue and Expenditure Framework becomes available;
(h) in respect of any issue of Notes under the Programme, if required, the disclosure statement issued in respect of such Notes in accordance with the Municipal Regulations on Debt Disclosure issued by National Treasury under the MFMA published in terms of Notice No. R492 of 15 June 2007 in Government Gazette No. 29966 of 15 June 2007, if required;
(i) the schedule of the application by the Issuer of the King Code on Corporate Governance in South Africa (the King IV Schedule); and
(j) all information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum which will be electronically submitted through the Stock Exchange News Service (SENS) or similar service established by the JSE, to SENS subscribers, if required,

save that any statement contained in this Programme Memorandum or in any of the documents incorporated by reference in and forming part of this Programme Memorandum shall be deemed to be modified or superseded for the purpose of this Programme Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will, for as long as any Note remains Outstanding, provide at its registered office as set out at the end of this Programme Memorandum, without charge, to any Person, upon request by such Person, a copy of all of the documents which are incorporated herein by reference, unless such documents have been modified or superseded, in which case the modified or superseding documentation will be provided, including the most recently obtained beneficial disclosure report made available by the Participant to the CSD. Requests for such documents should be directed to the Issuer.
at its registered office as set out at the end of this Programme Memorandum. In addition, the constitutive
documents of the Issuer will be available at the registered office of the Issuer as set out at the end of
this Programme Memorandum.

This Programme Memorandum, any amendments and/or supplements thereto, the Applicable Pricing
Supplements relating to any issue of listed Notes, the King IV Schedule and financial statements of the
Issuer are also available for inspection on the Issuer’s website at http://www.tshwane.gov.za. In
addition, this Programme Memorandum, any amendments and/or supplements thereto and the
Applicable Pricing Supplements relating to any issue of listed Notes will be filed with the JSE which will
publish such documents on its website at www.jse.co.za. This Programme Memorandum does not
consist of an offer or invitation by or on behalf of the Issuer, the Arranger and the Dealer(s) or their
Affiliates, the JSE Debt Sponsor or other professional advisors to any Person in any jurisdiction to
subscribe for or purchase any Notes.

The Issuer will, for so long as any Note remains outstanding and listed on the Interest Rate Market of
the JSE, publish a new Programme Memorandum or a supplement to this Programme Memorandum,
as the case may be, if:

(i) a change in the condition (financial or trading position) of the Issuer has occurred which is
material in the context of the Notes so listed and the Issuer’s payment obligations thereunder; or

(ii) an event has occurred which affects any matter contained in this Programme Memorandum, the
disclosure of which would reasonably be required by Noteholders and/or potential investors in
the Notes; or

(iii) any of the information contained in this Programme Memorandum becomes outdated in a
material respect; or

(iv) this Programme Memorandum no longer contains all the material correct information required by
the Applicable Procedures,

provided that, in the circumstances set out in paragraphs (iii) and (iv) above, no new Programme
Memorandum or supplement to this Programme Memorandum, as the case may be, is required in
respect of the Issuer’s audited annual financial statements if such audited annual financial statements
are incorporated by reference into this Programme Memorandum and such audited annual financial
statements are published, and submitted to the JSE within 4 (four) months after the financial year end
of the Issuer.
GENERAL DESCRIPTION OF THE PROGRAMME

Capitalised terms used in this section headed “General Description of the Programme” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer may from time to time issue one or more Tranches of Notes under the Programme, pursuant to this Programme Memorandum, provided that the aggregate outstanding Nominal Amount of all of the Notes issued under the Programme (including Notes issued under the Programme pursuant to the Previous Programme Memorandum) from time to time does not exceed the Programme Amount.

A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to the MFMA and all other Applicable Laws. Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange. If the Issuer issues a Tranche of unlisted Notes or a Tranche of Notes is listed on any Financial Exchange other than (or in addition to) the JSE, the Issuer will, by no later than the last Day of the month of issue of that Tranche of Notes, inform the JSE in writing of the aggregate Nominal Amount and the Maturity Date (if any) of that Tranche of Notes.

This Programme Memorandum and any supplement thereto will only be valid for the issue of Notes in an aggregate Nominal Amount that, when added to the aggregate Nominal Amount then Outstanding of all the Notes previously or simultaneously issued under the Programme (including Notes issued under the Programme under the Previous Programme Memorandum), does not exceed ZAR5,500,000,000 or its equivalent in other currencies. For the purpose of calculating the South African Rand equivalent of the aggregate Nominal Amount of the Notes issued under the Programme from time to time, the South African Rand equivalent of the Notes denominated in another Specified Currency (as specified in the Applicable Pricing Supplement) shall be determined as of the date of agreement to issue such Notes (the Agreement Date) on the basis of the spot rate for the sale of the South African Rand against the purchase of such Specified Currency in the South African foreign exchange market quoted by any leading bank selected by the Issuer on the Agreement Date (the Conversion Rate) and in respect of:

(a) Zero Coupon Notes and other Notes, the Conversion Rate shall be applied to the net subscription proceeds received by the Issuer for the relevant issue; and

(b) Partly-Paid Notes and Index-Linked Notes, the Conversion Rate shall be applied to the Nominal Amount regardless of the amount paid up on such Notes.

From time to time the Issuer may wish to increase the Programme Amount. Subject to the Applicable Procedures, all Applicable Laws and the Programme Agreement (as defined in the section headed “Subscription and Sale”), the Issuer may, without the consent of Noteholders, increase the Programme Amount by delivering a notice thereof to the Noteholders in accordance with Condition 18 (Notices) of the Terms and Conditions, and to the Arranger, the Dealer(s), the JSE and the CSD. Upon such notice being given to the Noteholders and the conditions set out in the Programme Agreement to exercise this right having been met, all references in this Programme Memorandum (and each agreement, deed or document relating to the Programme and/or this Programme Memorandum) to the Programme Amount will be, and will be deemed to be, references to the increased Programme Amount set out in such notice.

This Programme Memorandum will only apply to Notes issued under the Programme on or after the Programme Date.

A summary of the Programme and the Terms and Conditions appears below.
SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Programme Memorandum and, in relation to the Terms and Conditions of any particular Tranche of Notes, the Applicable Pricing Supplement. Words and expressions defined in the Terms and Conditions shall have the same meanings in this summary.

PARTIES

Issuer
City of Tshwane Metropolitan Municipality, a municipality as described in section 2 of the Local Government Municipal Systems Act, 2000, duly established in terms of Notice No. 6770, promulgated in the Provincial Gazette Extraordinary of 1 October 2000 in terms of section 12(1) read with section 14(2) of the Local Government: Municipal Structures Act, 1998, as amended.

Arranger
Absa Bank Limited, acting through its Corporate and Investment Banking division, a public company with limited liability and a registered bank duly incorporated in accordance with the company and banking laws of South Africa (Absa).

Dealer(s)
(a) Absa; and/or
(b) any other additional Dealer(s) appointed under the Programme by the Issuer from time to time, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer’s right to terminate the appointment of such Dealer(s).

Transfer Agent
Absa, or such other entity appointed by the Issuer as Transfer Agent, in which event that other entity will act as Transfer Agent, as specified in the Applicable Pricing Supplement.

Paying Agent
Absa, or such other entity appointed by the Issuer as Paying Agent, in which event that other entity will act as Paying Agent, as specified in the Applicable Pricing Supplement.

Calculation Agent
Absa, or such other entity appointed by the Issuer as Calculation Agent, in which event that other entity will act as Calculation Agent, as specified in the Applicable Pricing Supplement.

Issuer Agent
Absa, or such other entity as may be appointed issuer agent by the Issuer from time to time, in which event that other entity will act as Issuer Agent.

JSE Debt Sponsor
Absa, or such other entity appointed by the Issuer from time to time.

CSD
Strate Proprietary Limited (registration number 1998/022242/07), a private company with limited liability duly incorporated in accordance with the company laws of South Africa and registered as a central securities depository in terms of the Financial Markets Act or such additional, alternative or successor central securities depository as may be agreed between the Issuer and the relevant Dealer(s).

JSE
JSE Limited (registration number 2005/022939/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa and a licensed financial exchange in terms of the Financial Markets Act, or
any exchange which operates as a successor exchange to the JSE.

GENERAL

Blocked Rands

Blocked Rands may be used to subscribe for, or purchase, Notes, subject to the Exchange Control Regulations.

Clearing and Settlement

Each Tranche of Notes which is held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. The CSD acts as the approved electronic clearing house, and carries on the role of matching, clearing and facilitation of settlement of all transactions carried out on the JSE. Each Tranche of Notes which is held in the CSD will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the CSD (see the section of this Programme Memorandum headed “Settlement, Clearing and Transfers of Notes”).

Cross-Default

The terms of the Notes will contain a cross-default provision relating to Indebtedness for money borrowed having an aggregate outstanding amounts equals or exceeds 0.5% (zero point five percent) of the total assets of the Issuer as set out in Issuer’s latest published consolidated audited financial statements, or any guarantee of or indemnity in respect of any such indebtedness as further described in Condition 16 (Events of Default), unless otherwise set out in the Applicable Pricing Supplement.

Denomination

Notes will be issued in such denominations as may be agreed by the Issuer and the relevant Dealer(s) and as indicated in the Applicable Pricing Supplement, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank or regulator or any laws or regulations applicable to the Notes.

Description of Programme

City of Tshwane Metropolitan Municipality ZAR5,500,000,000 Domestic Medium Term Note Programme.

Distribution

Notes may be distributed by way of private placement, Dutch auction or bookbuild or any other means permitted under South African law, and in each case on a syndicated or non-syndicated basis as may be determined by the Issuer and the relevant Dealer(s) and reflected in the Applicable Pricing Supplement.

Form of Notes

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE and each Tranche of unlisted Notes will be issued in uncertificated form, and will be held in the CSD. The holder of a Beneficial Interest may exchange such Beneficial Interest for Notes in certificated form represented by an Individual Certificate (see the section of this Programme Memorandum headed “Form of the Notes”).

Governing Law

The Notes will be governed by and construed in accordance with the laws of South Africa in force from time to time.

Interest

Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked, and the method of
calculating interest may vary between the Issue Date and the Maturity Date.

**Interest Period(s)/Interest Payment Date(s)**
The Interest Rate, Interest Payment Date(s) and Interest Period(s), if any, applicable to a Tranche of Notes will be specified in the Applicable Pricing Supplement.

**Issue and Transfer Taxes**
As at the Programme Date, no securities transfer tax or any similar tax is payable in respect of the issue, transfer or redemption of the Notes (see the section of this Programme Memorandum headed “South African Taxation”). Any future transfer duties and/or taxes that may be introduced in respect of (or may be applicable to) the transfer of Notes will be for the account of Noteholders.

**Issue Price**
Notes may be issued on a fully paid or a partly paid basis and at their Nominal Amount or at a discount or premium to their Nominal Amount as specified in the Applicable Pricing Supplement.

**Listing**
This Programme has been approved by the JSE. Notes issued under the Programme may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer and the Dealer(s), subject to all Applicable Laws. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange(s).

**Maturities of Notes**
Such maturity(ies) as specified in the Applicable Pricing Supplement. The Notes are not subject to any minimum or maximum maturity.

**Negative Pledge**
The Senior Notes will have the benefit of a negative pledge as described in Condition 7 (Negative Pledge) of the Terms and Conditions.

**Noteholders**
The holders of Notes which are recorded as the registered Noteholders of those Notes in the Register. The relevant CSD Participant will be named in the Register as the registered Noteholder of each Tranche of Notes which is held in the CSD. Each holder of Notes which is represented by an Individual Certificate will be named in the Register as the registered Noteholder of such Notes.

**Notes**
Notes may comprise:

- **Fixed Rate Notes**
  Fixed Rate interest will be payable in arrears on such date or dates as may be agreed between the Issuer and the relevant Dealer(s), as indicated in the Applicable Pricing Supplement and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).

- **Floating Rate Notes**
  Floating Rate Notes will bear interest calculated at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency
governed by an agreement incorporating the ISDA Definitions; or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quoting service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as indicated in the Applicable Pricing Supplement.

The Margin (if any) relating to such Floating Rate Notes will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes, as indicated in the Applicable Pricing Supplement.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both, as indicated in the Applicable Pricing Supplement.

The Interest Period for Floating Rate Notes may be 1 (one), 2 (two), 3 (three), 6 (six) or 12 (twelve) months or such other period as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

Zero Coupon Notes
Zero Coupon Notes will be issued at their Nominal Amount or at a discount to it and will not bear interest (except in the case of late payment as specified).

Index-Linked Notes
Payments (whether in respect of interest on Indexed Interest Notes or in respect of principal on Indexed Redemption Amount Notes and whether at maturity or otherwise) will be calculated by reference to such index and/or formula as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

Dual Currency Notes
Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

Mixed Rate Notes
Mixed Rate Notes will bear interest over respective periods at the rates applicable for any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index-Linked Notes or Dual Currency Notes, each as specified in the Applicable Pricing Supplement.

Instalment Notes
The Applicable Pricing Supplement will set out the dates on which, and the
amounts in which, Instalment Notes may be redeemed.

Partly Paid Notes
The Issue Price will be payable in two or more instalments as set out in the Applicable Pricing Supplement.

Exchangeable Notes
Exchangeable Notes may be redeemed by the Issuer in cash or by the delivery of securities, as specified in the Applicable Pricing Supplement.

Other Notes
Terms applicable to any other type of Notes that are approved by the JSE, or its successor, or such other or further exchange or exchanges as may be selected by the Issuer in relation to an issue of listed Notes, or as agreed between the Issuer and the relevant Dealer(s) in respect of unlisted Notes, will be set out in the Applicable Pricing Supplement.

Rating
As at the Programme Date, the Issuer is rated. The Programme is not rated but may after the Programme Date be rated by a Rating Agency on a national or international scale basis. A Tranche of Notes may also, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. The Rating assigned to the Issuer and/or the Programme and/or the Notes, as the case may be, as well as the Rating Agency(ies) which assigned such Rating(s), will be specified in the Applicable Pricing Supplement. Unrated Tranches of Notes may also be issued.

A Rating is not a recommendation to subscribe for, buy, sell or hold Notes and may be subject to revision, suspension or withdrawal at any time by the Rating Agency. Any adverse change in the Rating of the Issuer and/or the Programme and/or a Tranche of Notes, as the case may be, could adversely affect the trading price of all or any of the Notes. Any amendment in the Rating of the Issuer and/or the Programme and/or a Tranche of Notes, as the case may be, after the Programme Date, will be announced on SENS.

Redemption
A Tranche of Notes will, subject to the Applicable Pricing Supplement, be redeemed on the Maturity Date, as set out in Condition 10.1 (Redemption at Maturity).

If so specified in the Applicable Pricing Supplement, the Issuer may redeem the Notes of any Tranche at any time prior to the Maturity Date following the occurrence of a change in law and/or for tax reasons, as set out in Condition 10.2 (Redemption for Tax Reasons), unless otherwise set out in the Applicable Pricing Supplement.

If so specified in the Applicable Pricing Supplement, the Noteholders may, having delivered a Stoppage of Transfer Redemption Notice, require the Issuer to redeem all Notes held by the Noteholders in accordance with Condition 18 (Notices) and in the manner specified in Condition 10.3 (Redemption pursuant to Stopping of the Transfer of Funds in terms of Section 38 to 40 of the MFMA) and the Applicable
Pricing Supplement, unless otherwise set out in the Applicable Pricing Supplement.

If “Early Redemption at the Option of the Issuer” is specified as applicable in the Applicable Pricing Supplement or pursuant to Condition 10.4 (Redemption at the Option of the Issuer), the Issuer may, having given not less than 30 (thirty) Days’ nor more than 60 (sixty) Days’ irrevocable notice (or such other period of notice as may be specified in the Applicable Pricing Supplement) to the Noteholders in accordance with Condition 18 (Notices), redeem the Tranche of Notes on any Optional Redemption Date(s), unless otherwise set out in the Applicable Pricing Supplement.

If “Redemption at the Option of Senior Noteholders” is specified as applicable in the Applicable Pricing Supplement, the Senior Noteholders of any Tranche of Senior Notes may, having given not less than 30 (thirty) Days’ nor more than 60 (sixty) Days’ notice (or such other period of notice as may be specified in the Applicable Pricing Supplement), require the Issuer to redeem Senior Notes on any Optional Redemption Date in the manner specified in Condition 10.5 (Redemption at the Option of the Senior Noteholders) and the Applicable Pricing Supplement.

If “Redemption in the event of a failure to maintain JSE Listing and/or Rating” is specified as applicable in the Applicable Pricing Supplement, the Noteholders of any Tranche of Notes may, after having been notified by the Issuer in accordance with Condition 18 (Notices), require the Issuer to redeem Notes in the manner specified in Condition 10.6 (Redemption in the event of a failure to maintain JSE Listing and/or Rating) and the Applicable Pricing Supplement.

Notes may be redeemed before their stated maturity at the option of the Issuer pursuant to the clean-up call option in terms of Condition 10.7 (Clean-Up Call Option).

Selling Restrictions

The distribution of this Programme Memorandum and/or any Applicable Pricing Supplement and any offering or sale of or subscription for a Tranche of Notes may be restricted by law in certain jurisdictions, and is restricted by law in the United States of America, the United Kingdom, the European Economic Area and South Africa (see the section of this Programme Memorandum headed “Subscription and Sale”). Any other or additional restrictions which are applicable to the placing of a Tranche of Notes will be set out in the Applicable Pricing Supplement. Persons who come into possession of this Programme Memorandum and/or any Applicable Pricing Supplement must inform themselves about and observe all applicable selling restrictions.

Size of the Programme

As at the Programme Date, the Programme Amount is ZAR5,500,000,000. This Programme Amount will only apply to Notes issued under Programme (including Notes issued under the Programme pursuant to the Previous Programme Memorandum) in an aggregate outstanding Nominal Amount which does not exceed the Programme Amount. The Issuer may increase the Programme Amount in the manner set out in the section of this Programme Memorandum headed “General Description of the Programme”. The Programme
Amount at the time of the issue of any Tranche of Notes will be set out in the Applicable Pricing Supplement.

Specified Currency

South African Rand or, subject to all Applicable Laws and, in the case of Notes listed on the Interest Rate Market of the JSE and the debt listings requirements of the JSE, such other currency as is specified in the Applicable Pricing Supplement.

Status of Senior Notes

The Senior Notes constitute direct, unconditional, unsubordinated and (subject to Condition 7 (Negative Pledge)) unsecured obligations of the Issuer and rank pari passu and rateably without any preference among themselves and, save for certain debts required to be preferred by law, equally with all other present or future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

Status and Characteristics relating to Subordinated Notes

The Subordinated Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and will rank pari passu among themselves and will rank at least pari passu with all other present and future unsecured and subordinated obligations of the Issuer subject to Applicable Law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound up, then and in any such event the claims of the Persons entitled to be paid amounts due in respect of the Subordinated Notes shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness of the Issuer, to the extent that, in any such event, and provided as aforesaid, no amount shall be eligible for setting-off or shall be payable to any or all of the Persons entitled to be paid amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, liquidation, winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

Stabilisation

In connection with the issue and distribution of any Tranche of Notes under the Programme, the Dealer(s), if any, that is specified in the Applicable Pricing Supplement as the Stabilising Manager (or any Person acting for the Stabilising Manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted by the debt listings requirements of the JSE and approved by the JSE, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all Applicable Laws, regulations and rules.

Taxation

A summary of the applicable tax legislation in respect of the Notes, as at the Programme Date, is set out in the section of this Programme Memorandum headed “South African Taxation”. The summary does not constitute tax advice. Potential investors in the Notes should, before making an investment in the Notes, consult their own professional
advisers as to the potential tax consequences of, and their tax positions in respect of, an investment in the Notes.

Terms and Conditions
The terms and conditions of the Notes are set out in the section of this Programme Memorandum headed "Terms and Conditions of the Notes". The Applicable Pricing Supplements may specify other terms and conditions (which may replace, modify or supplement the Terms and Conditions) in relation to specific terms and conditions of the Notes of any Tranche of Notes issued.

Use of Proceeds
The Issuer will use the issue proceeds of the Notes for its general operational and/or business purposes, or as may otherwise be described in the Applicable Pricing Supplement.

Withholding Taxes
In the event that any withholding tax or such other deduction is required by law, then the Issuer will, subject to certain exceptions as provided in Condition 11 (Taxation), pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction.
FORM OF THE NOTES

Capitalised terms used in this section headed “Form of the Notes” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Notes issued in certificated form

All certificated Notes will be represented by a single Individual Certificate in registered form. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

Subject to the Applicable Laws, title to Notes represented by Individual Certificates will be freely transferable and will pass upon registration of transfer in accordance with Condition 14.2 (Transfer of Notes represented by Individual Certificates) of the Terms and Conditions.

The Issuer shall regard the Register as the conclusive record of title to the Notes represented by Individual Certificates.

Payments of all amounts due and payable in respect of Notes represented by Individual Certificates will be made in accordance with Condition 9 (Payments) of the Terms and Conditions to the Person reflected as the registered Noteholder of such Notes in the Register at 17h00 (South African time) on the Last Day to Register, and the payment obligations of the Issuer will be discharged by proper payment to or to the order of such registered holder in respect of each amount so paid.

Notes issued in uncertificated form

A Tranche of Notes which is listed on the Interest Rate Market of the JSE will be freely transferable and must, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act.

Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Tranche of Notes issued in uncertificated form will be held by the CSD, and the relevant CSD Participant will be named in the Register as the registered Noteholder of that Tranche of Notes.

Beneficial Interests in Notes held in the CSD

A Tranche of Notes which is listed on the Interest Rate Market of the JSE will be issued in uncertificated form and held in the CSD. A Tranche of unlisted Notes may also be held in the CSD. While a Tranche of Notes is held in the CSD, the relevant CSD Participant will be named in the Register as the registered Noteholder(s) of the Notes in that Tranche.

The CSD will hold each Tranche of Notes subject to the Financial Markets Act and the Applicable Procedures. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the relevant CSD Participant for the holders of Beneficial Interests in such Notes.

The CSD maintains central securities accounts only for Participants. As at the Programme Date, the Participants are Citibank N.A. South Africa Branch; FirstRand Bank Limited; Nedbank Limited; Standard Chartered Bank, Johannesburg Branch; Société Générale, Johannesburg Branch; The Standard Bank of South Africa Limited and the South African Reserve Bank. Beneficial Interests which are held by Participants will be held directly through the CSD, and the CSD will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the CSD for such Participants.

The Participants are in turn required to maintain securities accounts for their clients. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests in the Notes or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through their Participants. Euroclear Bank S.A./N.V. as operator of the Euroclear System (Euroclear) and Clearstream Banking, société anonyme, (Clearstream Luxembourg) (Clearstream) may hold Notes through their Participant.
In relation to each Person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular outstanding Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the outstanding Nominal Amount of such Notes standing to the account of any Person shall be *prima facie* proof of such Beneficial Interest. The relevant CSD Participant (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the CSD as the holder of that outstanding Nominal Amount of such Notes for all purposes.

Subject to Applicable Laws, title to Beneficial Interests held by Participants directly through the CSD will be freely transferable and pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Subject to Applicable Laws, title to Beneficial Interests held by clients of Participants indirectly through such Participants will be freely transferable and pass on transfer thereof by electronic book entry in the security accounts maintained by such Participants for such clients. Beneficial Interests may be transferred only in accordance with the Applicable Procedures. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

The holder of a Beneficial Interest will only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 12 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Terms and Conditions.
Set out below is the form of Applicable Pricing Supplement that will be completed for each Tranche of Notes issued under the Programme:

CITY OF TSHWANE METROPOLITAN MUNICIPALITY

(a municipality as described in section 2 of the Local Government Municipal Systems Act, 2000, duly established in terms of Notice No. 6770, promulgated in the Provincial Gazette Extraordinary of 1 October 2000 in terms of section 12(1) read with section 14(2) of the Local Government: Municipal Structures Act, 1998, as amended)

Issue of [•]Aggregate Nominal Amount of Tranche] [Title of Notes]

Under its ZAR5,500,000,000 Domestic Medium Term Note Programme

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum, registered on and dated [*] June 2018, prepared by City of Tshwane Metropolitan Municipality in connection with the City of Tshwane Metropolitan Municipality ZAR5,500,000,000 Domestic Medium Term Note Programme, as amended and/or supplemented from time to time (the Programme Memorandum)

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the section of the Programme Memorandum headed “Terms and Conditions of the Notes”.

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. The Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

PARTIES

1. Issuer City of Tshwane Metropolitan Municipality
2. Dealer(s) [ ]
3. Manager(s) [ ]
4. Debt Sponsor [ ]
5. Paying Agent [ ]
   Specified Address [ ]
6. Calculation Agent [ ]
   Specified Address [ ]
7. Transfer Agent [ ]
   Specified Address [ ]

PROVISIONS RELATING TO THE NOTES

8. Status of Notes [Senior/Subordinated];
   [Secured/Unsecured]
9. Form of Notes [Listed/Unlisted] Notes, issued in [uncertificated form and held by the CSD] /
10. Series Number [ ]
11. Tranche Number [ ]
12. Aggregate Nominal Amount: [ ]
   (ε Series [ ])
   (τ Tranche [ ])
13. Interest [Interest-bearing/Non-interest-bearing]
14. Interest Payment Basis [[Fixed Rate/Floating Rate/Zero Coupon/Index-Linked/Dual Currency/Partly Paid/Instalment Notes/other]
15. Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another [Insert details including date for conversion]
16. Issue Date [ ]
17. Nominal Amount per Note [ ]
18. Specified Denomination [ ]
19. Specified Currency [ ]
20. Issue Price [ ]
21. Interest Commencement Date [ ]
22. Maturity Date [ ]
23. Applicable Business Day Convention [Floating Rate Business Day / Following Business Day / Modified Following Business Day / Preceding Business Day / other convention – insert details]
24. Final Redemption Amount [ ]
25. Last Day to Register [ ]
26. Books Closed Period(s) The Register will be closed from [… to [… and from [… to […] (all dates inclusive) in each year until the Maturity Date
27. Default Rate [ ]

**FIXED RATE NOTES**

28. (a) Fixed Rate of Interest [ ] percent. per annum [payable annually/semi-annually/quarterly] in arrear
   (b) Fixed Interest Payment Date(s) [ ] in each year up to and including the Maturity Date/other
   (c) Fixed Coupon Amount(s) [ ] per [ ] in Nominal Amount
   (d) Initial Broken Amount [ ]
   (e) Final Broken Amount [ ]
   (f) Day Count Fraction [ ]
   (g) Any other terms relating to the particular method of calculating interest [ ]

**FLOATING RATE NOTES**

29. (a) Floating Interest Payment Date(s) [ ]
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(b)</td>
<td>Interest Period(s)</td>
</tr>
<tr>
<td>(c)</td>
<td>Definition of Business Day (if different from that set out in Condition 1) <strong>(Interpretation)</strong></td>
</tr>
<tr>
<td>(d)</td>
<td>Minimum Rate of Interest</td>
</tr>
<tr>
<td>(e)</td>
<td>Maximum Rate of Interest</td>
</tr>
<tr>
<td>(f)</td>
<td>Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision)</td>
</tr>
</tbody>
</table>

30. Manner in which the Rate of Interest is to be determined

31. Margin

32. If ISDA Determination:
   (a) Floating Rate
   (b) Floating Rate Option
   (c) Designated Maturity
   (d) Reset Date(s)
   (e) ISDA Definitions to apply

33. If Screen Determination:
   (a) Reference Rate (including relevant period by reference to which the Rate of Interest is to be calculated)
   (b) Interest Rate Determination Date(s)
   (c) Relevant Screen Page and Reference Code

34. If Rate of Interest to be calculated otherwise than by ISDA Determination or Screen Determination, insert basis for determining Rate of Interest/Margin/Fallback provisions

35. Calculation Agent responsible for calculating amount of principal and interest

**ZERO COUPON NOTES**

36. (a) Implied Yield
   (b) Reference Price
   (c) Any other formula or basis for determining amount(s) payable

Percent [NACA] [NACM] [NACQ] [NACS] [other method of compounding]
PARTLY PAID NOTES

37. (a) Amount of each payment comprising the Issue Price [ ]

(b) Dates upon which each payment is to be made by Noteholder [ ]

(c) Consequences (if any) of failure to make any such payment by Noteholder [ ]

(d) Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments [ ] percent per annum

INSTALMENT NOTES

38. Instalment Dates [ ]

39. Instalment Amounts (expressed as a percentage of the aggregate Nominal Amount of the Notes) [ ]

MIXED RATE NOTES

40. Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for:

(a) Fixed Rate Notes [ ]

(b) Floating Rate Notes [ ]

(c) Index-Linked Notes [ ]

(d) Dual Currency Notes [ ]

(e) Other Notes [ ]

41. The interest rate and other pertinent details are set out under the headings relating to the applicable forms of Notes [ ]

INDEX-LINKED NOTES

42. (a) Type of Index-Linked Notes [Indexed Interest Notes / Indexed Redemption Amount Notes]

(b) Index/Formula by reference to which Interest Rate / Interest Amount is to be determined [ ]

(c) Manner in which the Interest Rate / Interest Amount is to be determined [ ]

(d) Interest Period(s) [ ]

(e) Interest Payment Date(s) [ ]

(f) Provisions where calculation by reference to index and/or formula is impossible or impracticable [ ]
(g) Definition of Business Day (if different from that set out in Condition 1 (Interpretation)) [ ]

(h) Minimum Rate of Interest [ ] percent per annum

(i) Maximum Rate of Interest [ ] percent per annum

(j) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision) [ ]

DUAL CURRENCY NOTES

43. (a) Type of Dual Currency Notes [Dual Currency Interest/Dual Currency Redemption Amount] Notes

(b) Rate of Exchange/method of calculating Rate of Exchange [ ]

(c) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable [ ]

(d) Person at whose option Specified Currency(ies) is/are payable [ ]

EXCHANGEABLE NOTES

44. (a) Mandatory Exchange applicable? [Yes/No]

(b) Noteholders’ Exchange Right applicable? [Yes/No]

(c) Exchange Securities [ ]

(d) Manner of determining Exchange Price [ ]

(e) Exchange Period [ ]

(f) Other [ ]

OTHER NOTES

45. If the Notes are not Partly Paid Notes, Instalment Notes, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes, Index-linked Notes, Dual Currency Notes or Exchangeable Notes or if the Notes are a combination of any of the aforesaid, set out the relevant description and any additional Terms and Conditions relating to such Notes.

PROVISIONS REGARDING REDEMPTION/MATURITY

46. Redemption at the Option of the Issuer: [Yes/No]

If yes:

(a) Optional Redemption Date(s) [ ]

(b) Optional Redemption Amount(s) and method, if any, [ ]
of calculation of such amount(s)

(c) Minimum period of notice (if different from Condition 10.4 (Redemption at the Option of the Issuer) [ ]

(d) If redeemable in part:
   Minimum Redemption Amount(s) [ ]
   Higher Redemption Amount(s) [ ]

(e) Other terms applicable on Redemption [ ]

47. Redemption at the Option of the Senior Noteholders: [Yes/No]
   if yes:
   (a) Optional Redemption Date(s) [ ]
   (b) Optional Redemption Amount(s) [ ]
   (c) Minimum period of notice (if different from Condition 10.5 (Redemption at the Option of the Senior Noteholders)) [ ]
   (d) If redeemable in part:
       Minimum Redemption Amount(s) [ ]
       Higher Redemption Amount(s) [ ]
   (e) Other terms applicable on Redemption [ ]
   (f) Attach pro forma put notice(s) [ ]

48. Redemption in the event of a failure to maintain JSE Listing and/or Rating at the election of Noteholders pursuant to Condition 10.6 (Redemption in the event of a failure to maintain JSE Listing and/or Rating) [ ]

49. Early Redemption Amount(s), if different from that set out in the Condition 10.8 (Early Redemption Amount(s)), payable on redemption for taxation reasons in terms of Condition 10.2 (Redemption for Tax Reasons), at the option of the Noteholders in terms of Condition 10.3 (Redemption Pursuant to Stopping of the Transfer of Funds in terms of Sections 38 to 40 of the MFMA), at the option of the Issuer in terms of Condition 10.4 (Redemption at the Option of the Issuer), at the option of the
Noteholders in terms of Condition 10.5 *(Redemption at the Option of the Senior Noteholders)*, in terms of Condition 10.6 *(Redemption in the event of a failure to maintain JSE Listing and/or Rating)*, in terms of Condition 10.7 *(Clean-Up Call Option)*, or on an Event of Default in terms of Condition 16 *(Events of Default)*.

If yes:

(a) Amount payable; or  
(b) Method of calculation of amount payable

**GENERAL**

50. Financial Exchange  
51. Additional selling restrictions  
52. ISIN No.  
53. Stock Code  
54. Stabilising manager  
55. Provisions relating to stabilisation  
56. Method of distribution  
57. Credit Rating assigned to the [Issuer]/[Programme]/[Notes]  
58. Applicable Rating Agency  
59. Governing law (if the laws of South Africa are not applicable)  
60. Other provisions

**DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS IN RELATION TO THIS ISSUE OF NOTES**

61. Paragraph 3(5)(a)  
The "ultimate borrower" (as defined in the Commercial Paper Regulations) is the [Issuer].

62. Paragraph 3(5)(b)  
The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.

63. Paragraph 3(5)(c)  
The auditor of the Issuer is [insert].

64. Paragraph 3(5)(d)  
As at the date of this issue:

(i) the Issuer has [not issued]/[issued ZAR\*,000,000,000] Commercial Paper (as defined in the Commercial Paper Regulations); and

(ii) the Issuer estimates that it may issue [ZAR\*,000,000,000] of Commercial Paper during the current financial year, ending [Insert].
65. **Paragraph 3(5)(e)**

   All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the Notes is contained in the Programme Memorandum and the Applicable Pricing Supplement.

66. **Paragraph 3(5)(f)**

   There has been no material adverse change in the Issuer’s financial position since the date of its last audited financial statements.

67. **Paragraph 3(5)(g)**

   The Notes issued will be [listed/unlisted].

68. **Paragraph 3(5)(h)**

   The funds to be raised through the issue of the Notes are to be used by the Issuer for its [general corporate purposes/funding of its business operations/other].

69. **Paragraph 3(5)(i)**

   The payment obligations of the Issuer in respect of the Notes are unsecured.

70. **Paragraph 3(5)(j)**

   [Insert], the statutory Auditor of the Issuer, have confirmed that [their review did not reveal anything which indicates / nothing has come to their attention to indicate] that this issue of Notes issued under the Programme will not comply in all respects with the relevant provisions of the Commercial Paper Regulations.

**Responsibility:**

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted from the Programme Memorandum or this Applicable Pricing Supplement which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that the Programme Memorandum together with the Applicable Pricing Supplement contain all information required by law and the Debt Listings Requirements of the JSE. The Issuer accepts full responsibility for the accuracy of the information contained in the Programme Memorandum, this Applicable Pricing Supplement and all documents incorporated by reference (see the section of the Programme Memorandum headed “Documents Incorporated by Reference”).

As at the date of this Applicable Pricing Supplement, the Issuer confirms that the authorised Programme Amount of ZAR5,500,000,000 has not been exceeded.

Application [is hereby][will not be] made to list this issue of Notes [on ● ●●●●].

**SIGNED** at ________________________ on this ______ day of _____________________ ●●●●

For and on behalf of

**CITY OF TSHWANE METROPOLITAN MUNICIPALITY**

Name: ___________________________ Name: ___________________________
Capacity: ________________________ Capacity: ________________________
Who warrants his/her authority hereto Who warrants his/her authority hereto
TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued by the Issuer which will be incorporated by reference into each Note. A Tranche of Notes will be issued on, and subject to, the below Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

Before the Issuer issues any Tranche of listed Notes, the Issuer shall complete, sign and deliver to the JSE or such other or further Financial Exchange(s) and the CSD a pricing supplement based on the pro forma Applicable Pricing Supplement included in the Programme Memorandum setting out details of such Notes. The Issuer may determine that particular Notes will not be listed on the Interest Rate Market of the JSE or such other Financial Exchanges and, in that case, no Applicable Pricing Supplement will be delivered to JSE or such other or further Financial Exchange(s).

If there is any conflict or inconsistency between provisions set out in the Applicable Pricing Supplement and the provisions set out in these Terms and Conditions of the Notes, then the provisions in the Applicable Pricing Supplement will prevail.

Words and expressions used in the Applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated.

Any reference to legislation or a statute shall be to such legislation or statute as amended, varied or re-enacted from time to time.

1. INTERPRETATION

In these Terms and Conditions, unless inconsistent with the context or separately defined in the Applicable Pricing Supplement, the following expressions shall have the following meanings:

- **Applicable Laws** in relation to any Person, all and any statutes and subordinate legislation and common law, regulations, ordinances and by-laws, directives, codes of practice, circulars, guidance notices, judgments and decisions of any competent authority, or any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation and other similar provisions, from time to time, compliance with which is mandatory for that Person;

- **Applicable Pricing Supplement** in relation to a Tranche of Notes, the pricing supplement completed and signed by the Issuer in relation to that Tranche of Notes, setting out the additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the pro forma pricing supplement which is set out in the section of the Programme Memorandum headed “Pro Forma Applicable Pricing Supplement”;

- **Applicable Procedures** the rules and operating procedures for the time being of the CSD, the Participants and the debt listings requirements of the JSE and/or any other Financial Exchange;

- **Banks Act** the Banks Act, 1990;

- **Beneficial Interest** in relation to a Tranche of Notes which is held in the CSD, the beneficial interest as co-owner of an undivided share of all of the Notes in that Tranche, as contemplated in section 37(1) of the Financial Markets Act, the nominal value of which beneficial interest, in relation to any number of Notes in that Tranche, is determined by reference to the proportion that the aggregate outstanding Nominal Amount of such number of Notes bears to the aggregate outstanding Nominal Amount of all of the Notes in that Tranche, as provided in section 37(3) of the Financial Markets Act;

- **BESA Guarantee Fund Trust** the guarantee fund trust established and operated by the JSE as a separate guarantee fund, in terms of sections 8(1)(h) and 17(2)(w) of the Financial Markets Act or any successor fund;
Books Closed Period in relation to a Tranche of Notes, the period, as specified in the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfers of the Notes will not be registered, or such shorter period as the Issuer may decide in order to determine those Noteholders entitled to receive principal and/or interest;

Business Day a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) on which commercial banks settle ZAR payments in Johannesburg, save further that if the Applicable Pricing Supplement so provides, “Business Day” shall include a Saturday;

Calculation Agent Absa, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent in respect of that Tranche or Series of Notes, as indicated in the Applicable Pricing Supplement;

Class of Noteholders the holders of a Series of Notes or, where appropriate, the holders of different Series of Notes;

Commercial Paper Regulations the commercial paper regulations of 14 December 1994 issued pursuant to paragraph (cc) of the definition of “the business of a bank” in the Banks Act, set out in Government Notice 2172 and published in Government Gazette 16167 of 14 December 1994;

Companies Act the Companies Act, 2008;

Constitution the Constitution of the Republic of South Africa, 1996

CSD Strate Proprietary Limited (registration number 1998/022242/07), a private company with limited liability duly incorporated in accordance with the company laws of South Africa and registered as a central securities depository in terms of the Financial Markets Act or such additional, alternative or successor central securities depository as may be agreed between the Issuer and the relevant Dealer(s);

Day a Gregorian calendar day unless qualified by the word “Business”;

Day Count Fraction in relation to a Tranche of Notes (where applicable) and the calculation of an amount for any period of time (the “Calculation Period”), the Day Count Fraction specified as such in the Terms and Conditions or the Applicable Pricing Supplement and:

(a) if “Actual/365 (Fixed)” or “Act/365 (Fixed)” or “A/365 (Fixed)” or “A/365F” is so specified, means the actual number of Days in the Calculation Period in respect of which payment is being made divided by 365;

(b) if “Actual/Actual (ICMA)” or “Act/Act (ICMA)” is so specified, means:

1. where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of Days in the Calculation Period divided by the product of (1) the actual number of Days in such Regular Period and (2) the number of Regular Periods in any year; and

2. where the calculation Period is longer than one Regular Period, the sum of:
a) the actual number of Days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of Days in such Regular Period and (2) the number of Regular Periods in any year; and

b) the actual number of Days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of Days in such Regular Period and (2) the number of Regular Periods normally ending in any year;

c) if “Actual/Actual”, “Actual/Actual (ISDA)”, “Act/Act” or “Act/Act (ISDA)” is so specified, means the actual number of Days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of Days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of Days in that portion of the Calculation Period falling in a non-leap year divided by 365);

d) if “Actual/360”, “Act/360” or “A/360” is so specified, means the actual number of Days in the Calculation Period in respect of which payment is being made divided by 360;

e) if “30/360”, “360/360” or “Bond Basis” is so specified, means the number of Days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

\[
\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + 30 \times (M_2 - M_1) + (D_2 - D_1)]}{360}
\]

where:

“\(Y_1\)” is the year, expressed as a number, in which the first Day of the Calculation Period falls;

“\(Y_2\)” is the year, expressed as a number, in which the first Day immediately following the last Day included in the Calculation Period falls;

“\(M_1\)” is the calendar month, expressed as a number, in which the first Day of the Calculation Period falls;

“\(M_2\)” is the calendar month, expressed as a number, in which the first Day immediately following the last Day included in the Calculation Period falls;

“\(D_1\)” is the first Day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case \(D_1\) will
be 30; and

“D₂” is the Day, expressed as a number, immediately following the last Day included in the Calculation Period unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

(f) if “30E/360” or “Eurobond Basis” is so specified, means the number of Days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

\[
\text{Day Count Fraction} = \frac{[360 \times (Y₂ - Y₁) + 30 \times (M₂ - M₁)] + (D₂ - D₁)}{360}
\]

where:

“Y₁” is the year, expressed as a number, in which the first Day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the Day immediately following the last Day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first Day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the Day immediately following the last Day included in the Calculation Period falls;

“D₁” is the first Day, expressed as a number, of the Calculation Period unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the Day, expressed as a number, immediately following the last Day included in the Calculation Period unless such number would be 31, in which case D₂ will be 30; and

(g) if “30E/360 (ISDA)” is so specified, means the number of Days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

\[
\text{Day Count Fraction} = \frac{[360 \times (Y₂ - Y₁) + 30 \times (M₂ - M₁)] + (D₂ - D₁)}{360}
\]

where:

“Y₁” is the year, expressed as a number, in which the first Day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the Day immediately following the last Day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first Day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the
Day immediately following the last Day included in the Calculation Period falls; 

“D₁” is the first Day, expressed as a number, of the Calculation Period unless (i) that Day is the last Day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the Day, expressed as a number, immediately following the last Day included in the Calculation Period unless (i) that Day is the last Day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;

Dealer(s) Absa and/or any other entity appointed as Dealer by the Issuer, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer’s right to terminate the appointment of any such Dealer, as indicated in the Applicable Pricing Supplement;

Default Rate in relation to a Tranche of Notes, the Interest Rate applicable to such Notes or the default rate specified as such in the Applicable Pricing Supplement;

Dual Currency Notes Notes which pay interest in a base currency and the principal in a non-base currency or vice versa, as indicated in the Applicable Pricing Supplement;

Early Redemption Amount in relation to a Tranche of Notes, the amount, as set out in Condition 10.8 (Early Redemption Amounts), at which the Notes will be redeemed by the Issuer, pursuant to the provisions of Condition 10.2 (Redemption for Tax Reasons), Condition 10.3 (Redemption Pursuant to Stopping of the Transfer of Funds in terms of Sections 38 to 40 of the MFMA), Condition 10.4 (Redemption at the Option of the Issuer), Condition 10.5 (Redemption at the Option of the Senior Noteholders), Condition 10.7 (Clean-Up Call Option), Condition 10.6 (Redemption in the event of a failure to maintain JSE Listing and/or Rating) and/or Condition 16 (Events of Default);

Encumbrances any mortgage, pledge, hypothecation, assignment, cession in securitatem debiti, deposit by way of security or any other agreement or arrangement (whether conditional or not and whether relating to existing or to future assets), having the effect of providing a security interest to a creditor or any agreement or arrangement to give any form of a secured claim to a creditor but excluding statutory preferences, any security interest arising by operation of law;

Event of Default in relation to a Series of Notes, any of the events described in Condition 16 (Events of Default);

Exchangeable Notes Notes which may be redeemed by the Issuer in the manner indicated in the Applicable Pricing Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Securities as is determined in accordance with the Applicable Pricing Supplement;

Exchange Control Regulations the Exchange Control Regulations, 1961, promulgated pursuant to the Currency and Exchanges Act, 1933;

Exchange Period in relation to a Tranche of Notes, in respect of Exchangeable Notes to which the Noteholders’ Exchange Right applies (as indicated in the Applicable Pricing Supplement), the period indicated in the Applicable Pricing Supplement during which such right may be exercised;

Exchange Price in relation to a Tranche of Exchangeable Notes, the amount
determined in accordance with the manner described in the Applicable Pricing Supplement, according to which the number of Exchange Securities which may be delivered in redemption of an Exchangeable Note will be determined;

**Exchange Securities**

in relation to a Tranche of Exchangeable Notes, the securities indicated in the Applicable Pricing Supplement which may be delivered by the Issuer in redemption of the Exchangeable Notes to the value of the Exchange Price;

**Extraordinary Resolution**

(a) a resolution in writing signed, no later than 20 Business Days of receiving notice of the written resolution, by or on behalf of the Noteholders or a Class of Noteholders holding not less than of 66.67% (sixty-six point sixty-seven percent) in Nominal Amount of the Notes Outstanding from time to time or a specific Class of Notes, as the case may be; or

(b) a resolution passed at a meeting (duly convened) by the Noteholders or a Class of Noteholders, as the case may be, by a majority of the Noteholders consisting of not less than 66.67% (sixty-six point sixty-seven percent) of the votes given on such poll or if a vote by show of hands be duly demanded then by a majority consisting of not less than 66.67% (sixty-six point sixty-seven percent) of the Persons voting at such meeting on a show of hands;

**Final Broken Amount**

in relation to a Tranche of Notes, the final broken amount specified as such in the Applicable Pricing Supplement;

**Final Redemption Amount**

in relation to a Tranche of Notes, the amount of principal specified in the Applicable Pricing Supplement payable in respect of such Tranche of Notes upon the Maturity Date;

**Financial Exchange**

the JSE and/or such other or additional financial exchange(s) as may be determined by the Issuer and the relevant Dealer(s), subject to Applicable Laws, and upon which the Notes are listed as specified in the Applicable Pricing Supplement;

**Financial Markets Act**

the Financial Markets Act, 2012;

**Fixed Coupon Amount**

in relation to a Tranche of Fixed Rate Notes (where applicable), the amount specified as such in the Applicable Pricing Supplement;

**Fixed Interest Payment Date**

in relation to a Tranche of Fixed Rate Notes, the date specified as such in the Applicable Pricing Supplement;

**Fixed Interest Period**

in relation to a Tranche of Fixed Rate Notes, the period from (and including) a Fixed Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Fixed Interest Payment Date or as otherwise set out in the Applicable Pricing Supplement;

**Fixed Rate Notes**

Notes which will bear interest at the Fixed Rate of Interest, as indicated in the Applicable Pricing Supplement;

**Fixed Rate of Interest**

in relation to a Tranche of Notes, the fixed rate of interest specified as such in the Applicable Pricing Supplement;

**Floating Rate Notes**

Notes which will bear interest at a Floating Rate Interest as indicated in the Applicable Pricing Supplement and more fully described in Condition 8.2 (*Floating Rate Notes and Indexed Interest Notes*);

**Floating Rate**

in relation to a Tranche of Notes, the floating rate of interest specified as such in the Applicable Pricing Supplement;

**Higher**

in relation to a Tranche of Notes, the higher redemption amount specified as such in the Applicable Pricing Supplement;
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Redemption Amount</strong></td>
<td>International Capital Market Association;</td>
</tr>
<tr>
<td><strong>ICMA</strong></td>
<td>the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);</td>
</tr>
<tr>
<td><strong>Implied Yield</strong></td>
<td>in relation to a Tranche of Zero Coupon Notes, the yield accruing on the Issue Price of such Notes, as specified in the Applicable Pricing Supplement;</td>
</tr>
<tr>
<td><strong>Indebtedness</strong></td>
<td>any obligation (whether incurred as principal or as surety) for the payment or repayment of money borrowed from any third party lender and (without double counting) guarantees or indemnities (other than those given in the ordinary course of business) given, whether present or future, actual or contingent;</td>
</tr>
<tr>
<td><strong>Indexed Interest Notes</strong></td>
<td>Notes in respect of which the Interest Amount is calculated by reference to an index and/or a formula as indicated in the Applicable Pricing Supplement;</td>
</tr>
<tr>
<td><strong>Index-Linked Notes</strong></td>
<td>an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable and as indicated in the Applicable Pricing Supplement;</td>
</tr>
<tr>
<td><strong>Indexed Redemption Amount Notes</strong></td>
<td>Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or a formula as may be indicated in the Applicable Pricing Supplement;</td>
</tr>
<tr>
<td><strong>Individual Certificate</strong></td>
<td>a Note in the definitive registered form of a single certificate and being a certificate exchanged for Beneficial Interest in accordance with Condition 12 (Exchange of Beneficial Interests and Replacement of Individual Certificates) and any further certificate issued in consequence of a transfer thereof;</td>
</tr>
<tr>
<td><strong>Initial Broken Amount</strong></td>
<td>in relation to a Tranche of Notes, the initial broken amount specified as such in the Applicable Pricing Supplement;</td>
</tr>
<tr>
<td><strong>Instalment Amount</strong></td>
<td>in relation to a Tranche of Instalment Notes, the amount expressed (in the Applicable Pricing Supplement) as a percentage of the Nominal Amount of an Instalment Note, being an instalment of principal (other than the final instalment) on an Instalment Note;</td>
</tr>
<tr>
<td><strong>Instalment Notes</strong></td>
<td>Notes issued on the same date but redeemed in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as specified in the Applicable Pricing Supplement;</td>
</tr>
<tr>
<td><strong>Instalment Dates</strong></td>
<td>in relation to a Tranche of Instalment Notes, the dates specified as such in the Applicable Pricing Supplement;</td>
</tr>
<tr>
<td><strong>Interest Amount</strong></td>
<td>in relation to a Tranche of Notes, the amount of interest payable in respect of each Nominal Amount of Fixed Rate Notes, Floating Rate Notes and Indexed Interest Notes, as determined by the Calculation Agent in accordance with Condition 8 (Interest);</td>
</tr>
<tr>
<td><strong>Interest Commencement Date</strong></td>
<td>in relation to a Tranche of Notes (where applicable) the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;</td>
</tr>
<tr>
<td><strong>Interest Determination</strong></td>
<td>in relation to a Tranche of Notes, the date specified as such in</td>
</tr>
</tbody>
</table>
Date

the Applicable Pricing Supplement;

Interest Payment Date

in relation to a Tranche of Notes, the Interest Payment Date(s) and/or the Redemption Date specified in the Applicable Pricing Supplement or, if no express Interest Payment Date(s) is/are specified in the Applicable Pricing Supplement, the last Day of the Interest Period commencing on the preceding Interest Payment Date, or, in the case of the first Interest Payment Date, commencing on the Interest Commencement Date;

Interest Period

in relation to a Tranche of Notes, each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

Interest Rate and Rate of Interest

in relation to a Tranche of Notes, the rate or rates of interest applicable to Notes other than Zero Coupon Notes as indicated in the Applicable Pricing Supplement;

Interest Rate Market of the JSE

the separate platform or sub-market of the JSE designated as the “Interest Rate Market”, or such other platform or sub-market designated by the JSE from time to time, and on which Notes (and other debt securities) may be listed;

ISDA

the International Swaps and Derivatives Association Inc.;

ISDA Definitions

the 2006 ISDA Definitions published by ISDA (as amended, supplemented, revised or republished from time to time) as specified in the Applicable Pricing Supplement;

Issue Date

in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;

Issue Price

in relation to a Tranche of Notes, the price specified as such in the Applicable Pricing Supplement;

Issuer

the City of Tshwane Metropolitan Municipality a municipality as described in section 2 of the Local Government Municipal Systems Act, 2000, duly established in terms of Notice No. 6770, promulgated in the Provincial Gazette Extraordinary of 1 October 2000 in terms of section 12(1) read with section 14(2) of the Local Government: Municipal Structures Act, 1998;

Issuer Agent

Absa, or such other entity as may be appointed issuer agent from time to time, in which event that other entity will act as Issuer Agent;

JSE

the JSE Limited (registration number 2005/022939/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa and a licensed financial exchange in terms of the Financial Markets Act or any exchange which operates as a successor exchange to the JSE;

Last Day to Register

with respect to a particular Tranche of Notes (as specified in the Applicable Pricing Supplement), the last date or dates preceding a Payment Day on which the Transfer Agent will accept Transfer Forms and record the transfer of Notes in the Register for that particular Tranche of Notes and whereafter the Register is closed for further transfers or entries until the Payment Day;

Mandatory Exchange

in relation to a Tranche of Exchangeable Notes, the mandatory exchange specified as such in the Applicable Pricing Supplement;

Margin

in relation to a Tranche of Notes (where applicable), the margin specified as such in the Applicable Pricing Supplement;

Material Indebtedness

The terms of the Notes will contain a cross-default provision relating to Indebtedness for money borrowed having an
aggregate outstanding amount which equals or exceeds 0.5% (zero point five percent) of the total assets of the Issuer as set out in Issuer’s latest published consolidated audited financial statements, or any guarantee of or indemnity in respect of any such indebtedness, as further described in Condition 16 (Events of Default), unless otherwise set out in the Applicable Pricing Supplement;

**Material Municipal Owned Entity** any Municipal Owned Entity (i) of which the Issuer owns more than 50% (fifty percent) of the ordinary shares and (ii) which represents at least 10% (ten percent) of the total assets of the Issuer as reflected in the Issuer’s most recent published consolidated audited annual financial statements;

**Maturity Date** in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;

**MFMA** the Local Government: Municipal Finance Management Act, 2003;

**Minimum Redemption Amount** in relation to a Tranche of Notes, the minimum redemption amount specified as such in the Applicable Pricing Supplement;

**Mixed Rate Notes** Notes which will bear interest over respective periods at differing Interest Rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Index-Linked Notes, each as indicated in the Applicable Pricing Supplement and as more fully described in Condition 8.4 (Mixed Rate Notes);

**Municipal Owned Entity** any “municipal entity” of the Issuer as defined in section 1 of the Local Government: Municipal Systems Act, 2000;

**NACA** nominal annual compounded annually;

**NACM** nominal annual compounded monthly;

**NACQ** nominal annual compounded quarterly;

**NACS** nominal annual compounded semi-annually;

**Nominal Amount** in relation to any Note, the total amount, excluding interest and any adjustments on account of any formula, owing by the Issuer under the Note;

**Noteholders** the registered holders of the Notes as recorded in the Register;

**Noteholders’ Exchange Right** in relation to Exchangeable Notes, if indicated as applicable in the Applicable Pricing Supplement, the right of Noteholders of Exchangeable Notes to elect to receive delivery of the Exchange Securities in lieu of cash from the Issuer upon redemption of such Notes;

**Notes** secured or unsecured registered notes issued or to be issued by the Issuer under the Programme, pursuant to this Programme Memorandum;

**Outstanding** in relation to the Notes, all the Notes issued under the Programme other than:

(a) those which have been redeemed in full;

(b) those in respect of which the date for redemption in accordance with the Terms and Conditions has occurred and the redemption monies wherefore (including all interest (if any) accrued thereon to the date for such redemption and interest (if any) payable under the Terms and Conditions after such date) remain available for payment against presentation of Individual Certificates (if any);
(c) those which have been purchased and cancelled as provided in Condition 10 (Redemption and Purchase);

(d) those which have become prescribed under Condition 15 (Prescription);

(e) those represented by mutilated or defaced Individual Certificates which have been surrendered in exchange for replacement Individual Certificates pursuant to Condition 12 (Exchange of Beneficial Interests and Replacement of Individual Certificates); or

(f) (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) those Notes represented by Individual Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Individual Certificates have been issued pursuant to Condition 12 (Exchange of Beneficial Interests and Replacement of Individual Certificates),

provided that for each of the following purposes:

(a) the right to attend and vote at any meeting of the Noteholders; and

(b) the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 19 (Amendment of these Conditions) and 20 (Meetings of Noteholders/Consent Process),

all Notes (if any) which are for the time being held by the Issuer (subject to any Applicable Law) or by any Person for the benefit of the Issuer and not cancelled shall (unless and until ceasing to be so held), be deemed not to be Outstanding;

Optional Redemption Amount in relation to a Tranche of Notes, the optional redemption amount specified as such in the Applicable Pricing Supplement;

Participant a Person accepted by the CSD as a Participant in terms of section 31 of the Financial Markets Act, and who is approved as a Settlement Agent to perform electronic settlement of funds and scrip;

Partly Paid Notes Notes which are issued with the Issue Price partly paid and which Issue Price is paid up fully by the Noteholder in instalments as indicated in the Applicable Pricing Supplement;

Paying Agent Absa, unless the Issuer elects to appoint another entity as Paying Agent, in which event that other entity shall act as a Paying Agent in respect of that Tranche or Series of Notes, as indicated in the Applicable Pricing Supplement;

Payment Day any day which is a Business Day and upon which a payment is due by the Issuer in respect of the Notes;

Permitted Encumbrance (a) any Encumbrance of the Issuer or any Material Municipal Owned Entity existing as at the Programme Date; or

(b) any Encumbrance created over any asset owned, acquired, purchased, developed or construed by the Issuer or any Material Municipal Owned Entity after the Programme Date (including any Encumbrance over the shares or other ownership interests in, or securities of, any person, acquired, subscribed for by the Issuer or any Material Municipal Owned Entity after the Programme Date, or the assets of such other company or person) if such Encumbrance was created for the sole purpose of
financing or refinancing that asset by the Issuer or any Material Municipal Owned Entity, provided that the indebtedness so secured shall not exceed the *bona fide* arm’s length market value (on or about the date of the creation of such Encumbrance) of such asset or the cost of that acquisition, purchase, development or construction of that asset by the Issuer or any Material Municipal Owned Entity (including all interest and other finance charges, adjustments due to changes in circumstances and other charges reasonably incidental to such cost, whether contingent or otherwise) and where such market value or costs both apply, the higher of the two; or

(c) any Encumbrance created by the Issuer or any Material Municipal Owned Entity over deposit accounts securing a loan to the Issuer or any Material Municipal Owned Entity of funds equal to the amounts standing to the credit of such deposit accounts, including any cash management system; or

(d) any Encumbrance created in the ordinary course of the Issuer or any Municipal Owned Entity’s business over stock-in-trade, inventory, accounts receivable or deposit accounts, including any cash management system; or

(e) any Encumbrance created over or with respect to any receivables of the Issuer or any Material Municipal Owned Entity after the Programme Date, if such Encumbrance was created pursuant to any securitisation or like arrangement in accordance with normal market practice and whereby the Relevant Borrowings are limited to the value of such receivables (on or about the date of creation of such Encumbrance);

For the purposes of this paragraph (e), **Relevant Borrowings** means any Indebtedness of the Issuer and/or the Material Municipal Owned Entity’s in the form of, or represented by, bonds, notes, debentures or other debt securities which are unlisted or which quoted or are to be quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other securities market (whether or not initially distributed by way of private placement), but excluding any such Indebtedness which upon the issuance thereof had a stated maturity not exceeding one year and any option or warrant in respect of any share or index; or

(f) any Encumbrance created over or with respect to any netting or set-off arrangement entered into by the Issuer or any Material Municipal Owned Entity in the ordinary course of banking arrangements for purposes of netting debit and credit balances; or

(g) in addition to any Encumbrance referred to above, any Encumbrance securing in aggregate an amount which does not exceed the greater of ZAR100,000,000 (or its equivalent in any other currency or currencies) or 10% (ten percent) of the total assets of the Issuer at the time the Encumbrance is established, as set out in the Issuer’s latest published consolidated audited financial statements;

*Person* shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any
association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

**Programme**
City of Tshwane Metropolitan Municipality ZAR5,500,000,000 Domestic Medium Term Note Programme under which the Issuer may from time to time issue Notes;

**Programme Amount**
the maximum aggregate outstanding Nominal Amount of all of the Notes that may be issued under the Programme (including Notes issued and Outstanding under the Previous Programme Memorandum) at any one point in time, being ZAR5,500,000,000 or such increased amount as is determined by the Issuer from time to time, subject to the Applicable Procedures, Applicable Laws and the Programme Agreement, as set out in the section of this Programme Memorandum headed “General Description of the Programme”;

**Programme Date**
the date of this Programme Memorandum being 22 June 2018;

**Rating**
in relation to the Issuer and/or the Programme and/or a Tranche of Notes (where applicable), as the case may be, the rating of the Issuer and/or the Programme and/or the Tranche of Notes, as the case may be, granted by the Rating Agency, specified in the Applicable Pricing Supplement;

**Rating Agency**
Global Credit Rating Co. Proprietary Limited (GCR), Standard & Poor’s Ratings Services (S&P) or Moody’s Investors Service Limited (Moody’s), as the case may be, and their successors or any other rating agency of equivalent international standing, as the case may be, and as specified in the Applicable Pricing Supplement (if applicable) and/or notified to Noteholders pursuant to Condition 18 (Notices);

**Redemption Date**
in relation to a Tranche of Notes, the date upon which the Notes are redeemed by the Issuer, in accordance with Condition 10 (Redemption and Purchase);

**Reference Banks**
four leading banks in the South African inter-bank market selected by the Calculation Agent;

**Reference Rate**
in relation to a Tranche of Notes (where applicable), the rate specified as such in the Applicable Pricing Supplement;

**Reference Price**
in relation to a Tranche of Notes (where applicable), the price specified as such in the Applicable Pricing Supplement;

**Register**
the register of Noteholders maintained by the Transfer Agent in terms of Condition 13 (Register), including any Uncertificated Securities Register, as the case may be;

**Regular Period**
(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the Day and the month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is
scheduled to be paid only be means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the Day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

**Relevant Date**
in respect of any payment relating to the Notes, the date on which such payment first becomes due, except that, in relation to monies payable to the CSD in accordance with these Terms and Conditions, it means the first date on which (i) the full amount of such monies have been received by the CSD, (ii) such monies are available for payment to the holders of Beneficial Interests and (iii) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;

**Relevant Screen Page**
in relation to a Tranche of Notes (where applicable), the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the Applicable Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**Representative**
a Person duly authorised to act on behalf of a Noteholder, the Transfer Agent or the Paying Agent, as the case may be, who may be regarded by the Issuer (acting in good faith) as being duly authorised based upon the tacit or express representation thereof by such Representative, in the absence of express notice to the contrary from such Noteholder, the Transfer Agent and the Paying Agent;

**Senior Noteholders**
the Noteholders of Senior Notes;

**Senior Notes**
Notes issued with the status and characteristics set out in Condition 5 (Status of Senior Notes), as indicated in the Applicable Pricing Supplement;

**SENS**
the Stock Exchange News Service;

**Series**
a Tranche of Notes together with any further Tranche or Tranches of Notes which are:

(a) expressed to be consolidated and form a single series; and

(b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;

**Settlement Agent**
a Participant, approved by the CSD in terms of the Applicable Procedures to perform electronic settlement of both funds and scrip on behalf of market Participants;

**Specified Currency**
in relation to each Note in a Tranche of Notes, subject to all Applicable Laws, the currency specified in the Applicable Pricing Supplement;

**Specified Denomination**
in relation to each Note in a Tranche of Notes, the amount specified as such in the Applicable Pricing Supplement;

**Specified Office**
the office of the Transfer Agent, the Paying Agent and/or the Calculation Agent as specified in the Applicable Pricing Supplement;
2. **ISSUE**

2.1. The Issuer may, at any time and from time to time (without the consent of any Noteholder), issue one or more Tranche(s) of Notes pursuant to the Programme, provided that the aggregate Outstanding Nominal Amount of all of the Notes issued under the Programme (including Notes issued and Outstanding under the Previous Programme Memorandum) from time to time does not exceed the Programme Amount.
2.2. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement relating to that Tranche of Notes.

2.3. Each Note, may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Note, a Dual Currency Note, a Mixed Rate Note or such combination of any of the foregoing or such other type of Note as may be determined by the Issuer and specified in the relevant Applicable Pricing Supplement.

2.4. All payments in relation to the Notes will be made in the Specified Currency. Each Note will be issued in the Specified Denomination.

2.5. The Terms and Conditions of a Tranche of Notes are incorporated by reference into the Individual Certificate(s) (if any) representing the Notes in that Tranche. The Applicable Pricing Supplement relating to a Tranche of Notes issued in certificated form will be attached to the Individual Certificate(s) representing the Notes in that Tranche.

3. FORM AND DENOMINATION

3.1. General

3.1.1. A Tranche of Notes may be issued in the form of listed or unlisted Notes, as specified in the Applicable Pricing Supplement.

3.1.2. A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or further Financial Exchange(s) as may be determined by the Issuer and the Dealer(s), subject to any Applicable Laws and Applicable Procedures. Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and if so, the Financial Exchange on which such Tranche of Notes will be listed.

3.2. Registered Notes

A Tranche of Notes will be issued in certificated form or in uncertificated form, as contemplated in Condition 3.2.1 (Notes issued in certificated form) and Condition 3.2.2 (Notes issued in uncertificated form) respectively, as specified in the Applicable Pricing Supplement. Each Tranche of Notes which is listed on the Interest Rate Market of the JSE and issued in uncertificated form, will be held in the CSD, as contemplated in Condition 3.2.2 (Notes issued in uncertificated form). A Tranche of unlisted Notes may also be held in the CSD, as contemplated in Condition 3.2.3 (Beneficial Interests in Notes held in the CSD).

3.2.1. Notes issued in certificated form

All Notes issued in certificated form will be represented by Individual Certificates.

3.2.2. Notes issued in uncertificated form

A Tranche of Notes which is listed on the Interest Rate Market of the JSE will, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act. Notes issued in uncertificated form will be held in the CSD. Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Note which is represented by an Individual Certificate may be replaced by uncertificated securities in terms of section 33 of the Financial Markets Act.

3.2.3. Beneficial Interests in Notes held in the CSD

(i) A Tranche of unlisted Notes may also be held in the CSD.

(ii) The CSD will hold Notes subject to the Financial Markets Act and the Applicable Procedures.

(iii) All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD for the holders of Beneficial Interests in such Notes.

(iv) A holder of a Beneficial Interest shall only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 12 (Exchange of Beneficial Interests and Replacement of Individual Certificates).
3.2.4. **Recourse to the BESA Guarantee Fund Trust**

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE or the BESA Guarantee Fund Trust. Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the BESA Guarantee Fund Trust. Unlisted Notes are not regulated by the JSE.

4. **TITLE**

4.1. **Notes issued in certificated form**

4.1.1. Each holder of Notes represented by an Individual Certificate will be named in the Register as the registered holder of such Notes.

4.1.2. Title to Notes represented by an Individual Certificate will pass upon registration of transfer in the Register in accordance with Condition 14.2 (**Transfer of Notes represented by Individual Certificates**).

4.1.3. The Issuer, the Transfer Agent and the Paying Agent shall recognise a Noteholder as the sole and absolute owner of the Notes registered in that Noteholder’s name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Note may be subject.

4.2. **Notes issued in uncertificated form**

The relevant CSD Participant(s) will be named in the Register as the registered holder of each Tranche of Notes which is issued in uncertificated form.

4.3. **Beneficial Interests in Notes held in the CSD**

4.3.1. While a Tranche of Notes is held in the CSD, the relevant CSD Participant(s) will be named in the Register as the sole Noteholder of the Notes in that Tranche.

4.3.2. Beneficial Interests which are held by Participants will be held directly through the CSD, and the CSD will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the CSD for such Participants.

4.3.3. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD through their Participants.

4.3.4. In relation to each Person shown in the records of the CSD or the relevant CSD Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant CSD Participant, as the case may be, as to the aggregate Nominal Amount of such Notes standing to the account of such Person shall be **prima facie** proof of such Beneficial Interest. The relevant CSD Participant (as the registered holder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Nominal Amount of such Notes for all purposes.

4.3.5. Beneficial Interests in Notes may be transferred only in accordance with the Applicable Procedures. Such transfers will not be recorded in the Register and the relevant CSD Participants will continue to be reflected in the Register as the registered holder of such Notes, notwithstanding such transfers.

4.3.6. Any reference in the Terms and Conditions to the relevant Participant shall, in respect of a Beneficial Interest, be a reference to the Participant appointed to act as such by the holder of such Beneficial Interest.
5. **STATUS OF SENIOR NOTES**

The Senior Notes are direct, unconditional, unsubordinated and (subject to Condition 7 (Negative Pledge)) unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (save for certain debts required to be preferred by law) equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

6. **STATUS AND CHARACTERISTICS OF SUBORDINATED NOTES**

6.1. Subordinated Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer, save for those which have been accorded preferential rights by law, or as otherwise set out in the Applicable Pricing Supplement.

6.2. Subject to Applicable Laws, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up, the claims of the Persons entitled to payment of amounts due in respect of the Subordinated Notes, shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness, to the extent that, in any such event, and provided as aforesaid, no amount shall be eligible for setting-off or shall be payable to any or all of the Persons entitled to payment of amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, insolvency, or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

7. **NEGATIVE PLEDGE**

7.1. For so long as any Tranche of the Senior Notes remains Outstanding, the Issuer undertakes not to, and shall procure that no other Material Municipal Owned Entity shall, create or permit the creation of any Encumbrances other than Permitted Encumbrances over any of their present or future business undertakings, assets or revenues to secure any present or future Indebtedness (save for those which have been accorded a preference by law) without at the same time securing all Senior Notes equally and rateably with such Indebtedness or providing such other security or arrangement as may be approved by Extraordinary Resolution of the Senior Noteholders, unless the provision of any such security is waived by an Extraordinary Resolution of the Senior Noteholders.

7.2. The Issuer shall be entitled, but not obliged, to form, or procure the formation of, a trust or special purpose company (or more than one), or appoint, or procure the appointment of, an agent or agents to hold any such rights of security for the benefit or on behalf of such Noteholders.

8. **INTEREST**

8.1. **Fixed Rate Notes**

8.1.1. Each Fixed Rate Note bears interest on its outstanding Nominal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the Applicable Pricing Supplement at the rate(s) per annum equal to the Fixed Rate of Interest so specified, payable in arrears on the Fixed Interest Payment Dates in each year up to and including the Maturity Date.

8.1.2. The first payment of interest will be made on the Fixed Interest Payment Date next following the Interest Commencement Date.

8.1.3. Except as provided in the Applicable Pricing Supplement, the amount of interest payable per Note on each Fixed Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount, provided that:

8.1.3.1. if an Initial Broken Amount is specified in the Applicable Pricing Supplement, then the first Interest Amount shall equal the Initial Broken Amount specified in the Applicable Pricing Supplement; and

8.1.3.2. if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal the Final Broken Amount.

8.1.4. If interest is required to be calculated for a period other than a Fixed Interest Period, such
interest shall be calculated by applying the Fixed Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, as specified in the Applicable Pricing Supplement, and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half such Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

8.2. Floating Rate Notes and Indexed Interest Notes

8.2.1. Interest Payment Dates

Each Floating Rate Note and Indexed Interest Note bears interest on its outstanding Nominal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the Applicable Pricing Supplement, and such interest will be payable in arrears on the Interest Payment Date(s) in each year specified in the Applicable Pricing Supplement. Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

8.2.2. Rate of Interest

The Rate of Interest payable from time to time in respect of the Floating Rate Notes and Indexed Interest Notes will be determined in the manner specified in the Applicable Pricing Supplement.

8.2.3. Minimum and/or Maximum Rate of Interest

If the Applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the Applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

8.2.4. Determination of Rate of Interest and Calculation of Interest Amount

The Calculation Agent, in the case of Floating Rate Notes and Indexed Interest Notes will determine, calendar dates of interest payments, the Rate of Interest and calculate the Interest Amount payable in respect of each Floating Rate Note and Indexed Interest Note in respect of each Specified Denomination for the relevant Interest Period, and the Calculation Agent shall notify the Issuer of the Rate of Interest for the relevant Interest Period as soon as is practicable after calculating the same. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half a Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

8.2.5. Interest Determination, Screen Rate Determination including Fallback Provisions

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph, ISDA Rate for an Interest Period means a rate equal to the Floating Rate that would be determined by such agent as is specified in the Applicable Pricing Supplement under an interest rate swap transaction if that agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the most recent ISDA Definitions and under which:

(a) the Floating Rate Option is as specified in the Applicable Pricing Supplement;
(b) the Designated Maturity is the period specified in the Applicable Pricing Supplement; and
(c) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based
on ZAR-JIBAR-SAFEX, the first Day of that Interest Period; or (ii) in any other case, as specified in the Applicable Pricing Supplement.

For the purposes of the above sub-paragraph Floating Rate, Floating Rate Option, Designated Maturity and Reset Date have the meanings given to those terms in the ISDA Definitions specified in the Applicable Pricing Supplement.

Where Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject to the provisions below, be either:

(a) if the Relevant Screen Page is available,

(i) the offered quotation (if only one quotation appears on the screen page); or

(ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage per annum) for the Reference Rate which appears on the Relevant Screen Page as at 11h00 (or as otherwise specified in the Applicable Pricing Supplement) (Johannesburg time) on the Interest Determination Date in question plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations; or

(b) if the Relevant Screen Page is not available or if, in the case of (a)(i) above, no such offered quotation appears or, in the case of (a)(ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11h00 (Johannesburg time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent; or

(c) if the Rate of Interest cannot be determined by applying the provisions of (a) and (b) above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks offered, at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, deposits in an amount approximately equal to the nominal amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate to prime banks in the Johannesburg interbank market plus or minus (as appropriate) the Margin (if any). If fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the Rate of Interest for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the Nominal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, by the Reference Banks plus or minus (as appropriate) the Margin (if any). If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the
last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Applicable Pricing Supplement as being other than ZAR-JIBAR-SAFEX, the Rate of Interest in respect of such Notes will be determined as provided in the Applicable Pricing Supplement.

8.2.6. **Notification of Rate of Interest and Interest Amount**

The Issuer will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the JSE and the CSD and/or every other relevant exchange or authority, and will announce on SENS, as soon as possible after their determination but in any event no later than the 3rd (third) Business Day before the relevant Interest Payment Date. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the JSE, the CSD and/or every other relevant exchange or authority and to the Noteholders in accordance with Condition 18 (Notices) at least 3 (three) Business Days prior to the relevant Interest Payment Date.

8.2.7. **Certificates to be Final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this sub-paragraph 8.2, by the Calculation Agent shall (in the absence of wilful deceit, bad faith or manifest error or proven error) be binding on the Issuer and all Noteholders and in the absence as aforesaid no liability to the Issuer or the Noteholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

8.3. **Dual Currency Interest Notes**

In the case of Dual Currency Interest Notes, the Interest Rate or Interest Amount payable shall be determined in the manner specified in the Applicable Pricing Supplement.

8.4. **Mixed Rate Notes**

The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on the form of interest-bearing Note (be it a Fixed Rate Note, Floating Rate Note, Index-Linked Note or Dual Currency Note) specified for each respective period, each as specified in the Applicable Pricing Supplement. During each such applicable period, the Interest Rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes, Index-Linked Notes or Dual Currency Notes, as the case may be.

8.5. **Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate specified in the Applicable Pricing Supplement until the date on which all amounts due in respect of such Note have been paid, or, in respect of uncertificated Notes, the date on which the full amount of the money payable has been received by the CSD and/or the Participants and notice to that effect has been given to Noteholders in accordance with Condition 18 (Notices).

8.6. **Business Day Convention**

If any Interest Payment Date (or other date), which is specified in the Applicable Pricing Supplement to be subject to adjustment in accordance with a Business Day Convention, would otherwise fall on a Day that is not a Business Day, then, if the Business Day Convention specified is:

(a) the **Floating Rate Business Day Convention**, such Interest Payment Date (or other date) shall be postponed to the next Day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day and (ii) each
subsequent Interest Payment Date (or other date) shall be the last Business Day in the
month which falls the number of months, or other period specified as the Interest Period
in the Applicable Pricing Supplement, after the preceding applicable Interest Payment
Date (or other date) has occurred; or

(b) the Following Business Day Convention, such Interest Payment Date (or other date)
shall be postponed to the next Day which is a Business Day; or

(c) the Modified Following Business Day Convention, such Interest Payment Date (or
other date) shall be postponed to the next Day which is a Business Day unless it would
thereby fall into the next calendar month, in which event such Interest Payment Date
(or other such date) shall be brought forward to the first preceding Business Day; or

(d) the Preceding Business Day Convention, such Interest Payment Date (or other date)
shall be brought forward to the first preceding Business Day.

9. PAYMENTS

9.1. General

Payments of principal and/or interest on an Individual Certificate shall be made to the
registered holder of such Note, as set forth in the Register on the close of business on the
Last Day to Register (as specified in the Applicable Pricing Supplement). In addition to the
above, in the case of a final redemption payment, the holder of the Individual Certificate shall
be required, on or before the Last Day to Register prior to the Maturity Date, to surrender such
Individual Certificate at the offices of the Transfer Agent.

Payments of principal and/or interest in respect of uncertificated Notes shall be made to the
CSD or the Participants, as shown in the Register on the Last Day to Register, and the Issuer
will be discharged of its payment obligations by proper payment to the CSD or the Participants,
in respect of each amount so paid. Each of the Persons shown in the records of the CSD and
the Participants, as the case may be, shall look solely to the CSD or the Participant, as the
case may be, for his share of each payment so made by the Issuer to the registered holder of
such uncertificated Notes.

Payment will be subject in all cases to any fiscal or other laws, directives and regulations
applicable thereto in the place of payment, but without prejudice to the provisions of Condition
11 (Taxation).

9.2. Method of Payment

Payments will be made in the Specified Currency by credit or transfer, by means of electronic
settlement, to the Noteholder.

Payments will be subject in all cases to any fiscal or other laws, directives and regulations
applicable thereto in the place of payment, but without prejudice to the provisions of
Condition 11 (Taxation).

If the Issuer is prevented or restricted directly or indirectly from making any payment by
electronic funds transfer in accordance with the preceding paragraph (whether by reason of
strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation,
shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of
labour, Government interference or control or any other cause or contingency beyond the
control of the Issuer), the Issuer shall make such payment by cheque marked “not transferable”
(or by such number of cheques as may be required in accordance with applicable banking law
and practice to make payment of any such amounts). Such payments by cheque shall be sent
by post to the address of the Noteholder as set forth in the Register or, in the case of joint
Noteholders, the address set forth in the Register of that one of them who is first named in the
Register in respect of that Note.

Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint
Noteholders, the first one of them named in the Register. Cheques may be posted by ordinary
post, provided that neither the Issuer, nor the Paying Agent shall be responsible for any loss
in transmission and the postal authorities shall be deemed to be the agent of the Noteholders
for the purposes of all cheques posted in terms of this Condition 9.2.

In the case of joint Noteholders, payment by electronic funds transfer will be made to the
account of the Noteholder first named in the Register. Payment by electronic transfer to the
Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes.

9.3. **Payment Day**

If the date for payment of any amount in respect of any Note is not a Business Day in the relevant place of payment, the applicable Business Day Convention shall apply and the holder shall not be entitled to further interest or other payment in respect of any delay in payment, or if the Business Day Convention is not applicable, the holder thereof shall not be entitled to payment until the next following Business Day, and the holder shall not be entitled to further interest or other payment in respect of such delay.

9.4. **Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

9.4.1. any additional amounts which may be payable with respect to principal under Condition 11 (Taxation);

9.4.2. the Final Redemption Amount of the Notes or the Early Redemption Amount of the Notes, as the case may be;

9.4.3. the Optional Redemption Amount(s) (if any), as specified in the Applicable Pricing Supplement, of the Notes;

9.4.4. in relation to Installment Notes, the Installment Amounts;

9.4.5. in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 10.8.3); and

9.4.6. any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes, but excluding for the avoidance of doubt, interest.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 11 (Taxation).

10. **REDEMPTION AND PURCHASE**

10.1. **Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer in the Specified Currency at its Final Redemption Amount plus interest (if any) specified in, or determined in the manner specified in, the Applicable Pricing Supplement on the Maturity Date.

10.2. **Redemption for Tax Reasons**

Notes may be redeemed at the option of the Issuer at any time (in the case of Notes other than Floating Rate Notes, Indexed Interest Notes or Mixed Rate Notes having an Interest Rate then determined on a floating or indexed basis) or on any Interest Payment Date (in the case of Floating Rate Notes, Indexed Interest Notes or Mixed Rate Notes), on giving not less than 30 (thirty) Days nor more than 60 (sixty) Days’ notice to the Noteholders prior to such redemption, in accordance with Condition 18 (Notices) (which notice shall be irrevocable, certified by 2 (two) authorised signatories of the Issuer and include particulars of the relevant change pursuant to Condition 10.2.1 below), if the Issuer, immediately prior to the giving of such notice, is of the reasonable opinion that:

10.2.1. as a result of any change in, or amendment to, the laws or regulations of South Africa or any political sub-division of, or any authority in, or of, South Africa having power to tax, or any change or amendment which becomes effective after the relevant Issue Date, the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 11 (Taxation); and

10.2.2. the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 (ninety) Days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Notes may be redeemed by the Issuer in
accordance with this Condition 10.2 in whole or in part. A redemption in part may be effected by the Issuer:

10.2.2.1. notwithstanding that such partial redemption may not entirely avoid such obligation to pay additional amounts as provided for or referred to in Condition 11 (Taxation); and

10.2.2.2. mutatis mutandis in the manner described in Condition 10.4 (Redemption at the Option of the Issuer), provided that the references to the giving of notice therein and to the Minimum Redemption Amount and the Higher Redemption Amount (both as specified in the Applicable Pricing Supplement) therein shall be disregarded for such purposes.

Notes redeemed for tax reasons pursuant to this Condition 10.2 will be redeemed at their Early Redemption Amount referred to in Condition 10.8 (Early Redemption Amounts), together (if appropriate) with interest accrued from (and including) the immediately preceding Interest Payment Date to (but excluding) the date of redemption or as specified in the Applicable Pricing Supplement.

10.3. Redemption pursuant to Stopping of the Transfer of Funds in terms of Sections 38 to 40 of the MFMA

10.3.1. In the event of stoppage of funds due to the Issuer as its share of the local government’s equitable share referred to in section 214 of the Constitution of the Republic of South Africa, 1996, in terms of sections 38 to 40 of the MFMA (a Stoppage of Transfer Event) and where such funds constitute more than 10% (ten percent) of Total Aggregated Debt Capital, the Issuer shall, promptly on becoming aware that a Stoppage of Transfer Event has occurred at any time while any Note remains Outstanding, give notice (Stoppage of Transfer Notice) to the relevant Class of Noteholders in accordance with Condition 18 (Notices) setting out the details of the Stoppage of Transfer Event and the circumstances giving rise to it and the procedure for exercising the option contained in Condition 10.3.2 below.

10.3.2. Such option shall be exercisable by each Noteholder of that Class by the delivery of a written notice (a Stoppage of Transfer Redemption Notice) to the Issuer within 30 (thirty) Days in accordance with Condition 18 (Notices) after the receipt by each Noteholder of that Class of the Stoppage of Transfer Notice, unless prior to the delivery by that Noteholder of its Stoppage of Transfer Notice the Issuer gives notice to redeem the Notes.

10.3.3. Subject to Condition 10.3.2, the Issuer shall redeem all Notes held by each Noteholder of that Class at its Early Redemption Amount together with accrued interest (if any) within 15 (fifteen) Business Days of having received a Stoppage of Transfer Redemption Notice from the Noteholder(s) to redeem such Notes.

10.3.4. Notes redeemed due to the stopping of a transfer of funds pursuant to this Condition 10.3 will be redeemed at their Early Redemption Amount referred to in Condition 10.8 (Early Redemption Amounts), together (if appropriate) with interest accrued from (and including) the immediately preceding Interest Payment Date to (but excluding) the date of redemption or as specified in the Applicable Pricing Supplement.

10.4. Redemption at the Option of the Issuer

If the Issuer is specified in the Applicable Pricing Supplement as having an option to redeem, the Issuer may, having given not less than 30 (thirty) Days nor more than 60 (sixty) Days irrevocable notice to the Noteholders in accordance with Condition 18 (Notices) or unless otherwise specified with the Applicable Pricing Supplement, redeem all or some of the Notes (to which such Applicable Pricing Supplement relates) then Outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Applicable Pricing Supplement, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

Any such redemption must be of a Nominal Amount equal to the Minimum Redemption Amount or a Higher Redemption Amount, both as indicated in the Applicable Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed (Redeemed Notes) will be selected individually by lot, in the case of Redeemed Notes represented by Individual Certificates, and in accordance with the Applicable Procedures in the case of Redeemed Notes which are uncertificated, and in each case not more than 30 (thirty) Days prior to the date fixed for redemption (such date of selection being hereinafter called the Selection Date).
In the case of Redeemed Notes represented by Individual Certificates, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 18 (Notices) not less than 30 (thirty) Days prior to the date fixed for redemption. The aggregate Nominal Amount of Redeemed Notes represented by Individual Certificates shall bear the same proportion to the aggregate Nominal Amount of all Redeemed Notes as the aggregate Nominal Amount of Individual Certificates outstanding bears to the aggregate Nominal Amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned Nominal Amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate Nominal Amount of Redeemed Notes which are uncertificated shall be equal to the balance of the Redeemed Notes. No exchange of the relevant uncertificated Notes will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this sub-paragraph, and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 18 (Notices) at least 10 (ten) Days prior to the Selection Date.

Holders of Redeemed Notes shall surrender the Individual Certificates, if any, representing the Notes in accordance with the provisions of the notice given to them by the Issuer as contemplated above. Where only a portion of the Notes represented by such Individual Certificates are redeemed, the Transfer Agent shall deliver new Individual Certificates to the Noteholders in respect of the balance of the Notes.

10.5. **Redemption at the Option of the Senior Noteholders**

If Senior Noteholders are specified in the Applicable Pricing Supplement as having an option to request the redemption of Senior Notes, each Senior Noteholder may exercise such option in respect of such Senior Notes by delivering to the Transfer Agent, in accordance with Condition 18 (Notices), a duly executed notice (Put Notice), at least 30 (thirty) Days but not more than 60 (sixty) Days, prior to the Optional Redemption Date.

For redemption in part, the redemption amount specified in such Put Notice in respect of any such Senior Note must be of a principal amount equal to or greater than the Minimum Redemption Amount or equal to or less than the Higher Redemption Amount, each as indicated in the Applicable Pricing Supplement.

The redemption by each Senior Noteholders of uncertificated Senior Notes shall take place in accordance with the Applicable Procedures.

The Issuer shall proceed to redeem the Senior Notes in respect of which such option has been exercised in accordance with the terms of the Applicable Pricing Supplement, at the Optional Redemption Amount and on the Optional Redemption Date, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

In the event that the redeeming Senior Noteholder is the holder of an Individual Certificate, then such Senior Noteholder shall (attached to the Put Notice) deliver the Individual Certificate to the Transfer Agent for cancellation. A holder of an Individual Certificate shall, in that holder’s Put Notice, specify a bank account into which the redemption payment amount is to be paid.

The delivery of Put Notices shall be required to take place during normal office hours to the Transfer Agent. Put Notices shall be available for inspection at the Specified Offices of the Transfer Agent.

Any Put Notice given by a holder of any Senior Note pursuant to this paragraph shall be irrevocable except where, after giving the notice but prior to the due date of redemption, an Event of Default shall have occurred and be continuing in which event such Senior Noteholder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Senior Note forthwith due and payable pursuant to Condition 16 (Events of Default).

The Issuer shall have no liability to remedy any defects in any Put Notice or bring any such defects to the attention of any Noteholder.

10.6. **Redemption in the event of a failure to maintain JSE Listing and Rating**

The provisions of this Condition 10.6 (Redemption in the event of a failure to maintain JSE Listing and Rating) shall apply if specified in the Applicable Pricing Supplement.

10.6.1. The Issuer shall, for so long as listed Notes remain Outstanding:
10.6.1.1. ensure that those Notes remain listed on the Interest Rate Market of the JSE (the JSE Listing); and

10.6.1.2. maintain a Rating (whether or not specified in the Applicable Pricing Supplement) in respect of the Issuer, the Notes or the Programme, as the case may be.

10.6.2. If a breach of any one of the undertakings in Condition 10.6.1 above occurs, then the Issuer shall within 3 (three) Business Days of such breach and in accordance with Condition 18 (Notices), give notice (the Issuer Redemption Notice) of such breach and the procedure for exercising the option set out in Condition 10.6.3 below to the Noteholders.

10.6.3. Each Noteholder may within the period ending 45 (forty-five) Business Days of receipt of the Issuer Redemption Notice (the Election Period), require the Issuer to redeem its Notes on:

10.6.3.1. the Interest Payment Date immediately following the Election Period; or

10.6.3.2. if the Election Period expires within a Books Closed Period, the next Interest Payment Date falling after the Interest Payment Date at the end of the Election Period, by delivery to the Issuer of a notice (the Noteholder Redemption Notice) in accordance with Condition 18 (Notices).

10.6.4. The Issuer shall, in accordance with Condition 10.6.3 above, redeem the Notes relevant to each Noteholder Redemption Notice at the Early Redemption Amount calculated in accordance with Condition 10.8 (Early Redemption Amounts), together with accrued interest (if any).

10.7. Clean-Up Call Option

On any Interest Payment Date on which the aggregate Outstanding Nominal Amount of the Notes of a Series is equal to or less than 10% (ten percent) of the maximum aggregate Nominal Amount of the Notes of that Series that have been issued at any time, and upon giving not less than 20 Days’ notice to the Noteholders in accordance with Condition 18 (Notices) (which notice shall be irrevocable), the Issuer may redeem all, but not some only, of the Notes of that Series at their Early Redemption Amount referred to in Condition 10.8 (Early Redemption Amounts), save for Fixed Rate Notes which will be redeemed at the market-to-market price published by the JSE from time to time, together with accrued and unpaid interest (if any) from (and including) the immediately preceding Interest Payment Date to (but excluding) the date of redemption.

10.8. Early Redemption Amounts

For the purpose of Condition 10.2 (Redemption for Tax Reasons), Condition 10.3 (Redemption pursuant to Stopping of the Transfer of Funds in terms of Sections 38 to 40 of the MFMA), Condition 10.4 (Redemption at the Option of the Issuer), Condition 10.5 (Redemption at the Option of the Senior Noteholders), Condition 10.7 (Clean-Up Call Option), Condition 10.6 (Redemption in the event of a failure to maintain JSE Listing and Rating) and/or Condition 16 (Events of Default), the Notes will be redeemed at the Early Redemption Amount plus interest (if any), calculated as follows:

10.8.1. in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or

10.8.2. in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in, or determined in the manner specified in, the Applicable Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at their Nominal Amount; or

10.8.3. in the case of Zero Coupon Notes, at an amount (the Amortised Face Amount) equal to the sum of: (i) the Reference Price; and (ii) the product of the Implied Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable; or

10.8.4. such other amount or method of calculation of the amount payable as is provided in the Applicable Pricing Supplement.

Where such calculation is to be made for a period which is not a whole number of years, it
shall be calculated on the basis of actual Days elapsed divided by 365 (three hundred and sixty five), or such other calculation basis as may be specified in the Applicable Pricing Supplement.

10.9. **Instalment Notes**

Instalment Notes will be redeemed at the Instalment Amounts and on the Instalment Dates. In the case of early redemption in accordance with Conditions 10.2 (Redemption for Tax Reasons), Condition 10.3 (Redemption Pursuant to Stopping of the Transfer of Funds in terms of Sections 38 to 40 of the MFMA), Condition 10.4 (Redemption at the Option of the Issuer), Condition 10.5 (Redemption at the Option of the Senior Noteholders), Condition 10.6 (Redemption in the event of a failure to maintain JSE Listing and Rating) and/or Condition 16 (Events of Default), the Early Redemption Amount will be determined pursuant to Condition 10.8 (Early Redemption Amounts).

10.10. **Partly Paid Notes**

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 10 (Redemption and Purchase) and the Applicable Pricing Supplement. In the case of early redemption in accordance with Condition 10.2 (Redemption for Tax Reasons), Condition 10.3 (Redemption Pursuant to Stopping of the Transfer of Funds in terms of Sections 38 to 40 of the MFMA), Condition 10.4 (Redemption at the Option of the Issuer), Condition 10.5 (Redemption at the Option of the Senior Noteholders), Condition 10.6 (Redemption in the event of a failure to maintain JSE Listing and Rating) and/or Condition 16 (Events of Default), the Early Redemption Amount will be determined pursuant to Condition 10.8 (Early Redemption Amounts).

10.11. **Exchangeable Notes**

If the Notes are Exchangeable Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in the manner indicated in the Applicable Pricing Supplement. Exchangeable Notes in respect of which Mandatory Exchange is indicated in the Applicable Pricing Supplement as applying, or upon the exercise by the Noteholder of the Noteholder’s Exchange Right (if applicable), will be redeemed by the Issuer delivering to each Noteholder as many of the Exchange Securities as are required in accordance with the Exchange Price. The delivery by the Issuer of the Exchange Securities in the manner set out in the Applicable Pricing Supplement shall constitute the in specie redemption in full of such Notes.

10.12. **Purchases**

The Issuer or any Municipal Owned Entity (as the case may be) may at any time purchase Notes (in the open market or in privately negotiated transactions with any Noteholders) at any price in the open market or otherwise. Such Notes may, subject to Applicable Law, be held, resold, or, at the option of the Issuer and/or the relevant Municipal Owned Entity, as the case may be, surrendered to the Transfer Agent for cancellation.

10.13. **Cancellation**

All Notes which have been redeemed will forthwith be cancelled. All Notes so cancelled shall be forwarded to the Issuer and cannot be re-issued or resold. Where only a portion of Notes represented by an Individual Certificate are cancelled, the Transfer Agent shall deliver an Individual Certificate to such Noteholder in respect of the balance of the Notes.

10.14. **Late Payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 10 (Redemption and Purchase) or upon its becoming due and repayable as provided in Condition 16 (Events of Default) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 10.8.3 as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of: (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and (ii) 5 (five) Days after the date on which the full amount of the monies payable has been received by the CSD, and notice to that effect has been given to the Noteholder in accordance with Condition 18 (Notices).
10.15. **Applicable Procedures**

The redemption and partial redemption of Beneficial Interests shall take place in accordance with the Applicable Procedures and the Financial Markets Act.

11. **TAXATION**

11.1. All payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of South Africa or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.

11.2. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note:

11.2.1. held by or on behalf of a Noteholder who is liable for such taxes or duties in respect of such Note by reason of his having some connection with South Africa other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or

11.2.2. presented for payment by or on behalf of, or held by, a Noteholder who could lawfully avoid (but has not so avoided) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future by making a declaration of non-residence or other similar claim or filing for exemption to which it is entitled to the relevant tax authority or the Paying Agent (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or

11.2.3. where such withholding or deduction is in respect of taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the taxable income (as defined in section 1 of the Income Tax Act) or taxable capital gain (as defined in paragraph 1 of Schedule 8 to the Income Tax Act) of any Noteholder; or

11.2.4. where (in the case of payment of principal and/or interest which is conditional on surrender and/or presentation of the relevant Individual Certificate in accordance with the Terms and Conditions) the relevant Individual Certificate is surrendered and/or presented more than 30 (thirty) Days after the Relevant Date, except to the extent that the Noteholder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth Day; or

11.2.5. held by or on behalf of a Noteholder who is a foreign person (i.e. non-resident for tax purposes) and who does not qualify for any of the exemptions to the withholding tax on interest (levied in terms of section 50B of the Income Tax Act, as may be amended from time to time), in terms of section 50D of the Income Tax Act; or

11.2.6. if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters.

11.3. Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under these Terms and Conditions or under any undertakings given in addition to, or in substitution for, these Terms and Conditions.

12. **EXCHANGE OF BENEFICIAL INTERESTS AND REPLACEMENT OF INDIVIDUAL CERTIFICATES**

12.1. **Exchange of Beneficial Interests**

12.1.1. The holder of a Beneficial Interest in Notes may, in terms of the Applicable Procedures and subject to section 42 of the Financial Markets Act, by written notice to the holder’s nominated Participant (or, if such holder is a Participant, the CSD), request that such Beneficial Interest be exchanged for Notes in definitive form represented by an Individual Certificate (the Exchange Notice). The Exchange Notice shall specify (i) the name, address and bank account details of the holder of the Beneficial Interest and (ii) the Day on which such Beneficial Interest is to be exchanged for an Individual Certificate; provided that such Day shall be a Business Day and shall fall not less than 30 (thirty) Days after the
Day on which such Exchange Notice is given.

12.1.2. The holder’s nominated Participant will, following receipt of the Exchange Notice, through the CSD, notify the Transfer Agent that it is required to exchange such Beneficial Interest for Notes represented by an Individual Certificate. The Transfer Agent will, as soon as is practicable but within 14 (fourteen) Days after receiving such notice, in accordance with the Applicable Procedures, procure that an Individual Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 (fourteen) Day period, to the holder of the Beneficial Interest at the Specified Office of the Transfer Agent; provided that joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding, and the delivery to one of those joint holders shall be delivery to all of them.

12.1.3. In the case of the exchange of a Beneficial Interest in Notes issued in uncertificated form:

12.1.3.1. the CSD will surrender (through the CSD system) such uncertificated Notes to the Transfer Agent at its Specified Office; and

12.1.3.2. the Transfer Agent will obtain the release of such uncertificated Notes from the CSD in accordance with the Applicable Procedures.

12.1.3.3. An Individual Certificate shall, in relation to a Beneficial Interest in any number of Notes issued in uncertificated form of a particular aggregate Nominal Amount standing to the account of the holder thereof, represent that number of Notes of that aggregate Nominal Amount, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Nominal Amount is equivalent to a fraction of the Specified Denomination or a fraction of any multiple thereof, such Individual Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

12.2. Replacement

If any Individual Certificate is worn out, mutilated, defaced, stolen, destroyed or lost it may be replaced at the Specified Office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such indemnity as the Issuer and the Transfer Agent may reasonably require. Worn out, mutilated or defaced Individual Certificates must be surrendered at the Specified Office of the Transfer Agent before replacements will be issued.

12.3. Death and sequestration or liquidation of Noteholder

Any Person becoming entitled to Notes as a consequence of the death, sequestration or liquidation of the holder of such Notes may, upon producing evidence to the satisfaction of the Issuer that he holds the position in respect of which he proposes to act under this Condition 12.3, or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the Applicable Procedures, this Condition 12.3 and Condition 14.2 (Transfer of Notes represented by Individual Certificates), may transfer such Notes. The Issuer and (if applicable) the CSD and the relevant Participant shall be entitled to retain any amount payable upon the Notes to which any Person is so entitled until such Person shall be registered as aforesaid or until such time such Notes are duly transferred.

12.4. Costs

The costs and expenses of the printing, issue and delivery of each Individual Certificate and all taxes and governmental charges that may be imposed in relation to such Individual Certificate and/or the printing, issue and delivery of such Individual Certificate shall be borne by the holder of the Notes represented by that Individual Certificate. Separate costs and expenses relating to the provision of Individual Certificates and/or the transfer of Notes may be levied by other Persons, such as a Participant, under the Applicable Procedures, and such costs and expenses shall not be borne by the Issuer. The costs and expenses of the delivery of Certificates and all taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Noteholder.

13. REGISTER

13.1. The Register of Noteholders in respect of Notes in certificated form:

13.1.1. shall be kept at the Specified Office of the Transfer Agent and a copy thereof shall be made
available for inspection at the registered office of the Issuer (as set out at the end of the Programme Memorandum) or such other Person as may be appointed for the time being by the Issuer to maintain the Register;

13.1.2. shall contain the names, addresses and bank account numbers of the registered Noteholders;

13.1.3. shall show the total Nominal Amount of the Notes held by Noteholders;

13.1.4. shall show the dates upon which each of the Noteholders was registered as such;

13.1.5. shall show the serial numbers of the Individual Certificates and the dates of issue thereof;

13.1.6. shall be open for inspection at all reasonable times during business hours on Business Days by any Noteholder or any Person authorised in writing by a Noteholder; and

13.1.7. shall be closed during the Books Closed Period.

13.2. The Transfer Agent shall alter the Register in respect of any change of name, address or account number of any of the Noteholders of which it is notified.

13.3. Except as provided for in these Terms and Conditions or as required by law, in respect of Notes, the Issuer will only recognise a Noteholder as the owner of the Notes registered in that Noteholder’s name as per the Register.

13.4. Except as provided for in these Terms and Conditions or as required by law, the Issuer shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Individual Certificate may be subject.

13.5. The Uncertificated Securities Register maintained by the CSD in respect of Notes in uncertificated form in accordance with Applicable Laws and the Applicable Procedures will form part of the Register.

14. TRANSFER OF NOTES

14.1. Transfer of Beneficial Interests in Notes held in the CSD

14.1.1. Beneficial Interests may be transferred only in accordance with the Applicable Procedures through the CSD.

14.1.2. Transfers of Beneficial Interests to and from clients of Participants occur by way of electronic book entry in the securities accounts maintained by the Participants for their clients, in accordance with the Applicable Procedures.

14.1.3. Transfers of Beneficial Interests among Participants occur through electronic book entry in the central securities accounts maintained by the CSD for the Participants, in accordance with the Applicable Procedures.

14.1.4. Transfers of Beneficial Interests in Notes will not be recorded in the Register and the relevant CSD Participant will continue to be reflected in the Register as the Noteholder of such Notes notwithstanding such transfers.

14.2. Transfer of Notes represented by Individual Certificates

14.2.1. In order for any transfer of Notes represented by an Individual Certificate to be recorded in the Register, and for such transfer to be recognised by the Issuer:

14.2.1.1. the transfer of such Notes must be embodied in a Transfer Form;

14.2.1.2. the Transfer Form must be signed by the registered Noteholder of such Notes and the transferee, or any Representatives of that registered Noteholder or transferee; and

14.2.1.3. the Transfer Form must be delivered to the Transfer Agent at its Specified Office together with the Individual Certificate representing such Notes for cancellation.

14.2.2. Notes represented by an Individual Certificate may only be transferred, in whole or in part, in amounts of not less than the Specified Denomination (or any multiple thereof).

14.2.3. Subject to this Condition 14.2, the Transfer Agent will, within 3 (three) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any Applicable Laws and/or Applicable Procedures), record the transfer of Notes
represented by an Individual Certificate (or the relevant portion of such Notes) in the Register, and authenticate and deliver to the transferee at the Transfer Agent's Specified Office or, at the risk of the transferee, send by mail to such address as the transferee may request, a new Individual Certificate in respect of the Notes transferred reflecting the outstanding Nominal Amount of the Notes transferred.

14.2.4. Where a Noteholder has transferred a portion only of Notes represented by an Individual Certificate, the Transfer Agent will authenticate and deliver to such Noteholder at the Transfer Agent's Specified Office or, at the risk of such Noteholder, send by mail to such address as such Noteholder may request, at the risk of such Noteholder, a new Individual Certificate representing the balance of the Notes held by such Noteholder.

14.2.5. The transferor of any Notes represented by an Individual Certificate will be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.

14.2.6. Before any transfer of Notes represented by an Individual Certificate is registered in the Register, all relevant transfer taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Issuer and the Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.

14.2.7. No transfer of any Notes represented by an Individual Certificate will be registered whilst the Register is closed as contemplated in Condition 13 (Register).

If a transfer of any Notes represented by an Individual Certificate is registered in the Register, the Transfer Form and cancelled Individual Certificate will be retained by the Transfer Agent.

In the event of a partial redemption of Notes under Condition 10.4 (Redemption at the Option of the Issuer), the Transfer Agent shall not be required in terms of Condition 10.4 (Redemption at the Option of the Issuer), to register the transfer of any Notes during the period beginning on the tenth Day before the date of the partial redemption and ending on the date of the partial redemption (both inclusive).

15. PRESCRIPTION
The Notes will become void unless presented for payment of principal within a period of three years after their redemption date.

16. EVENTS OF DEFAULT

16.1. Senior Notes

16.1.1. If, for any particular Series of Notes, one or more of the following events or unless otherwise set out in the Applicable Pricing Supplement (Events of Default) shall have occurred and be continuing:

16.1.1.1. **Non-Payment**
the Issuer fails to pay any principal or interest due under the Senior Notes on its due date for payment thereof and any such failure continues for a period of 5 (five) Business Days; or

16.1.1.2. **Negative Pledge**
the Issuer or any Material Municipal Owned Entity, as the case may be, fails to remedy a breach of Condition 7 (Negative Pledge) and such failure to remedy continues for a period of 21 (twenty one) Business Days; or

16.1.1.3. **Breach of Material Obligations**
the Issuer or any Material Municipal Owned Entity fails to perform or observe any of its other material obligations or undertakings (not specifically covered elsewhere in this Condition 16.1) under or in respect of any of the Senior Notes and such failure to remedy continues for a period of 30 (thirty) Days; or

16.1.1.4. **Cross Default**
any Material Indebtedness of the Issuer or any Material Municipal Owned Entity is declared to be or becomes due and repayable before its stated maturity by reason of an event of default (howsoever described); or
16.1.1.4.2. the Issuer or any Material Municipal Owned Entity fails to make any payment in respect of any Material Indebtedness on the due date for payment (as extended by any originally applicable grace period); or

16.1.1.4.3. any security given by the Issuer or any Material Municipal Owned Entity for any Material Indebtedness becomes enforceable by reason of default in relation thereto and steps are taken to enforce such security; or

16.1.1.4.4. a default is made by the Issuer or any Material Municipal Owned Entity in making any payment due under any guarantee and/or indemnity (at the expiry of any originally applicable grace period) given by it in relation to any Material Indebtedness of any other person; or

16.1.1.5. **Authorisation and Consents**

any action, condition or thing, including obtaining any consent, licence approval or authorisation now or in future necessary to enable the Issuer to comply with its respective obligations under the Notes, is not taken, fulfilled or done or any such consent, licence, approval or authorisation is revoked, modified, withdrawn or withheld or ceases to be in full force and effect, resulting in the Issuer being unable to perform any of its respective payment or other obligations in terms of the Notes and the Issuer fails to take reasonable steps to remedy such circumstances within 21 (twenty one) Business Days; or

16.1.1.6. **Insolvency etc.**

an order by any court of competent jurisdiction or authority for administration of the Issuer in terms of section 139 of the Constitution, the winding-up, business rescue proceedings, dissolution or placement under supervision and commencement of business rescue proceedings of any Material Municipal Owned Entity is made whether provisionally (and not dismissed or withdrawn within 30 (thirty) Days thereof) or finally, or the Issuer is placed under administration in terms of section 139 of the Constitution or any Material Municipal Owned Entity is placed under voluntary liquidation or curatorship or a meeting is convened to consider the passing of a resolution, or a resolution is passed, to authorise the implementation of any business rescue proceedings in respect of the Material Municipal Owned Entity, provided that no liquidation, curatorship, winding-up business rescue proceedings or dissolution shall constitute an Event of Default if (i) the liquidation, winding-up, business rescue proceedings or dissolution is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within any Material Municipal Owned Entity with any third party; or (ii) the liquidation, winding-up, dissolution or business rescue proceedings is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganization or other similar arrangement, the terms of which were approved by an Extraordinary Resolution of Noteholders before the date of the liquidation, winding-up or dissolution or business rescue proceedings; or

16.1.1.7. **Winding-up etc.**

any Material Municipal Owned Entity, initiates or consents to judicial proceedings relating to itself under any applicable compromise with creditors, liquidation, winding-up, or insolvency or business rescue, or other similar laws or compromises or attempts to compromise, with its creditors generally (or any significant class of creditors) or any meeting of creditors is convened by the any Material Municipal Owned Entity, to consider a proposal for an arrangement or compromise with its creditors generally (or any significant class of its creditors), save for any such initiation, consent, attempt or convening of a meeting which relates to any Material Municipal Owned Entity, and is for the purposes of an internal reconstruction or reorganisation within such Material Municipal Owned Entity; or

16.1.1.8. **Enforcement Proceedings**

if a Person validly attaches in execution the whole or a material part of the undertaking or assets of the Issuer or any Material Municipal Owned Entity, as the case may be, or an execution or attachment or other process is validly levied, enforced upon, sued out or put in force against the whole or a material part of the undertaking or assets of any
of them in both instances following a judgement against the Issuer or any Material Municipal Owned Entity, as the case may be, by a court of competent jurisdiction and such is not discharged within 30 (thirty) Days; or

16.1.1.9. **Stay of Proceedings**

the granting of an order by any competent court or authority for the staying or suspension of all legal proceedings against the Issuer or any Material Municipal Owned Entity or the suspension, settlement or termination of the Issuer's and/or any Material Municipal Owned Entity's financial obligations to creditors in terms of sections 152 to 155 of the MFMA; or

16.1.1.10. **National or Provincial Government Intervention**

da provincial and/or national government intervention and/or the implementation of a financial recovery plan or distribution scheme in terms of sections 135 to 150 of the MFMA; or

16.1.1.11. **Other**

any other Event of Default provided for such Series, as specified in the Applicable Pricing Supplement,

then any Senior Noteholder may, by written notice to the Issuer at the registered office of the Issuer, effective upon the date of receipt thereof by the Issuer, declare the Senior Notes held by the Senior Noteholder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 10.8 (*Early Redemption Amounts*)), together with accrued interest (if any) to the date of repayment, or as specified in the Applicable Pricing Supplement.

16.1.2. **Subordinated Notes**

If the Issuer defaults in relation to Subordinated Notes in the payment of any amount payable in respect of such Notes, and such default continues for a period of 7 (seven) Business Days after receiving written notice from any of the holders of Subordinated Notes, or if an Event of Default as contemplated in Condition 16.1.1.6 (*Insolvency*) occurs, any holder of a Subordinated Note may, subject as provided below, at its discretion and without notice, institute such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under such Subordinated Notes, provided that the Issuer shall not be obliged, save in the case of liquidation or winding-up, to pay any sum or sums sooner than the same would otherwise have been payable by it.

In the event of the winding-up or liquidation, whether finally or provisionally, of the Issuer, otherwise than for the purposes of an amalgamation, merger, consolidation or re-organisation not involving liquidation, winding-up or bankruptcy, then any holder of Subordinated Notes issued by the Issuer may by written notice to the Issuer at its registered office, require that its Subordinated Notes are immediately due and repayable at their Early Redemption Amount together with the accrued interest to the date of payment, save that the Noteholders of Subordinated Notes may only receive payment once all the other creditors of the Issuer have been paid in full.

16.3. **Notification of Event of Default**

If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Noteholders in accordance with Condition 18 (*Notices*), the Dealer(s) and the JSE in writing.

17. **CALCULATION AGENT, TRANSFER AGENT PAYING AGENT AND ISSUER AGENT**

Any third party appointed by the Issuer as Calculation Agent, Transfer Agent, Paying Agent, Issuer Agent or otherwise shall act solely as the agents of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with any Noteholders. The Issuer is entitled to vary or terminate the appointment of such agents and/or appoint additional or other agents and/or approve any change in the specified office through which any agent acts.
18. **NOTICES**

18.1. Notices to Noteholders shall be valid if mailed to their registered addresses appearing in the Register. Any such notice shall be deemed to have been given on the 7th (seventh) Day after the Day on which it is mailed.

18.2. All notices to the holders of Notes represented by Individual Certificates shall be in writing and shall be sent by registered mail to the respective addresses of those Noteholders appearing in the Register or delivered by hand to the respective addresses of those Noteholders appearing in the Register. Each such notice shall be deemed to have been received by the relevant Noteholder on the date on which such notice is sent by registered mail (if such notice is sent by registered mail).

18.3. Notwithstanding the provisions of Condition 18.1, for so long as all of the Notes in a Tranche are held in their entirety in the CSD, they may be substituted for the notice contemplated in Condition 18.1, by the delivery of the relevant notice to the CSD, the Participants and the Financial Exchange for communication by them to the holders of Beneficial Interests in such Notes in accordance with the Applicable Procedures. Each such notice will be deemed to have been received by the holders of Beneficial Interests on the Day of delivery of such notice to the CSD.

18.4. Notwithstanding the provisions of this Condition 18 (Notices) and in respect of listed Notes only, notices relating to the dissemination of information by the Issuer (save for any notices relating to the amendment of any Condition in terms of Condition 19 (Amendment of these Conditions) may be announced via SENS.

18.5. Any notice to the Issuer shall be deemed to have been received by the Issuer, if delivered to the registered office of the Issuer, on the date of delivery, and if sent by registered mail, on the seventh Day after the Day on which it is sent. The Issuer may change its registered office upon prior written notice to Noteholders specifying such new registered office.

18.6. For so long as any of the Notes are uncertificated, notice may be given by any holder of an uncertificated Note to the Issuer via the relevant Settlement Agent in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Participants may approve for this purpose.

19. **AMENDMENT OF THESE CONDITIONS**

19.1. These Terms and Conditions set out all the rights and obligations relating to the Notes and, subject to the further provisions of this Condition 19, no addition, variation or consensual cancellation of these Terms and Conditions shall be of any force or effect unless the JSE has been notified and the amendments have been reduced to writing and signed by or on behalf of the Issuer and the Noteholders.

19.2. The Issuer may effect, without the consent of the Noteholders or the relevant Class of Noteholders, as the case may be, any modification of the Terms and Conditions which is of a technical nature (including an increase in the Programme Amount) or which is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is established, provided that the JSE or such other Financial Exchange, as the case may be, is provided with the amended documents immediately after the Noteholders have been notified of such modification or amendment. Any such modification shall be binding on the Noteholders or the relevant Class of Noteholders, as the case may be, and any such modification shall be communicated to the Noteholders or the relevant Class of Noteholders, as the case may be, in accordance with Condition 18 (Notices) as soon as is practicable thereafter.

19.3. Subject to the prior conditional formal approval of the JSE or such other Financial Exchange, as the case may be, the Issuer may, with the prior sanction of an Extraordinary Resolution of the Noteholders or the relevant class of Noteholders amend these Terms and Conditions, provided that no such amendment shall be of any force or effect unless notice of the intention to make such amendment shall have been given to all Noteholders or the relevant class of Noteholders, as the case may be, in terms of Condition 18 (Notices).

20. **MEETINGS OF NOTEHOLDERS / CONSENT PROCESS**

20.1. Convening of meetings

20.1.1. The Issuer may at any time convene a meeting of Noteholders (a meeting or the meeting).
20.1.2. The Issuer shall convene a meeting upon the requisition in writing of the holders of at least 10% (ten percent) of the aggregate Nominal Amount Outstanding of the Notes (requisition notice).

20.1.3. Whenever the Issuer wishes or is required to convene a meeting, it shall forthwith give notice in writing to the Noteholders as specified in Condition 20.4 (Amendment Notices).

20.1.4. All meetings of Noteholders shall be held in Johannesburg (unless otherwise provided in the Issuer's constitutive documents).

20.1.5. Any director or duly authorised representative of the Issuer, and any other Person authorised in writing by the Issuer, may attend and speak at a meeting of Noteholders, but shall not be entitled to vote, other than as a proxy (as defined below) or duly authorised representative of a Noteholder.

20.2. Requisition

20.2.1. A requisition notice shall state the nature of the business for which the meeting is to be held and shall be deposited at the registered office of the Issuer.

20.2.2. A requisition notice may consist of several documents in like form, each signed by one or more requisitionists.

20.3. Convening of meetings by requisitionists

If the Issuer does not proceed to cause a meeting to be held within a period of 10 (ten) days business days of the deposit with the company secretary of the Issuer of a requisition notice, requisitionists who together hold not less than 10% (ten percent) of the aggregate Nominal Amount outstanding of the Notes for the time being, may themselves convene the meeting, but the meeting so convened shall be held within 60 (sixty) Days from the date of such deposit and shall be convened as nearly as possible in the same manner as that in which meetings may be convened by the Issuer. Notice of the meeting shall be required to be given to the Issuer.

20.4. Amendment Notices

20.4.1. The Issuer shall deliver to all Noteholders or all Noteholders of the relevant Class of Noteholders, in accordance with Condition 18 (Notices) a written notice, at least 15 Business Days before the meeting, specifying:

20.4.1.1. the date, place, time and the record date of the meeting;

20.4.1.2. the nature of the business for which the meeting is to be held;

20.4.1.3. the form of the proposed resolutions to be considered; and

20.4.1.4. the percentage of voting rights that will be required for the proposed resolution to be adopted and shall include a statement to the effect that Noteholders may appoint proxies (who need not also be Noteholders) and that the participants at the meeting need to provide satisfactory identification.

20.4.2. The notice period referred to in 20.4.1 may be reduced if all Noteholders or the relevant class of Noteholders, as applicable, are present at the meeting and vote to waive the minimum notice period.

20.4.3. In the case of a written resolution, the notice to Noteholders or class of Noteholders must include the proposed resolution, the record date, any restrictions on voting as provided for in these Terms and Conditions, the last date on which a Noteholder may submit its written vote as well as the address where the vote must be submitted.

20.4.4. The accidental omission to give such notice to any Noteholder or the non-receipt of any such notice, shall not invalidate the proceedings at a meeting.

20.5. Quorum

20.5.1. At any meeting one or more Noteholders present in person or by proxy and holding in aggregate not less than 25% (twenty-five percent) of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting shall form a quorum for the transaction of business, unless otherwise provided in the Issuer's constitutive documents. If there are more than two Noteholders, then the meeting may not begin until at least three Noteholders are present at the meeting.
20.5.2 If within one hour from the time fixed for a meeting a quorum is not present (i) for the meeting to take place, then the meeting shall stand adjourned for one week or (ii) for the matter to be considered, then the meeting shall be postponed to a later time in the meeting unless there is no other business on the agenda for the meeting, in which case the meeting will stand adjourned for one week. The Chairman may extend the one hour limit for a reasonable period on the grounds that (i) exceptional circumstances affecting weather or transportation have generally impeded or are generally impeding the ability of the Noteholders to be present at the meeting or (ii) one or more particular Noteholders, having been delayed, have communicated an intention to attend the meeting, and those Noteholders, together with others in attendance, would satisfy the quorum requirements or the meeting or the matter to be considered. The Issuer is not required to give further notice of a meeting that has been postponed or adjourned unless the location of the meeting has changed. If at the time appointed for a postponed meeting to begin or an adjourned meeting to resume, the requirements for a quorum have not been satisfied, the Noteholders present in person or by proxy will be deemed to constitute a quorum.

20.6. Chairman

The chairman of the meeting shall be appointed by the Issuer.

20.7. Adjournment

20.7.1 A meeting or the consideration of any matter at the meeting may however be adjourned from time to time without further notice, on a motion supported by persons entitled to exercise, in aggregate, the majority of the voting rights held by all of the persons who are present at the meeting at the time and that are entitled to be exercised on at least one matter remaining on the agenda of the meeting or on the matter under consideration. Such adjournment may be to a fixed time and place or until further notice (such notice must then be provided to the Noteholders).

20.7.2 No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

20.8. How questions are decided

20.8.1. At a meeting, a resolution put to the vote shall be decided by a poll unless, before the declaration that such meeting will be conducted by poll, a vote by show of hands is demanded by the chairman or by any one of the Noteholders present in person or by proxy.

20.8.2. Unless a vote by show of hands is demanded, a declaration by the chairman that on a poll a resolution has been carried, or carried by a particular majority, or lost, shall be conclusive evidence of that fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.

20.8.3. A polled vote must be held on a particular matter to be voted on at a meeting if a demand for a vote is made by (i) at least five persons having the right to vote on the matter either in person or as proxy of the Noteholder or (ii) a person who is, or persons who together are, entitled to exercise at least 10% of the voting rights entitled to be voted on that matter.

20.8.4. In the case of an equality of votes, whether on a poll or a show of hands, the chairman shall not be entitled to a casting vote in addition to the vote, if any, to which he is entitled.

20.9. Votes

On a show of hands every Noteholder present in person shall have one vote. On a poll every Noteholder, present in person or by proxy, shall have one vote for each ZAR1,000,000 (One Million Rand) of the Nominal Amount outstanding of the Notes held by him. The joint holders of Notes shall have only one vote on a show of hands and one vote on a poll for each ZAR1,000,000 (One Million Rand) of the Nominal Amount outstanding of the Notes of which they are the registered holder and the vote may be exercised only by that holder present whose name appears first on the Register in the event that more than one of such joint holders is present in person or by proxy at the meeting. The Noteholder in respect of uncertificated Notes shall vote at any such meeting on behalf of the holders of Beneficial Interests in such Notes in accordance with the instructions to the CSD from the holders of Beneficial Interests conveyed through the Settlement Agents in accordance with the Applicable Procedures. Notwithstanding anything to the contrary contained herein, any Noteholder that is the Issuer or any of its Municipal Owned Entities shall not be entitled to vote.
20.10. **Proxies and representatives**

20.10.1. **Noteholders may:**

20.10.1.1 present in person; or
20.10.1.2 through any appointed Person (a proxy), by an instrument in writing (a form of proxy), signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney of a duly authorised officer or a duly authorised officer of the corporation, vote on a poll.

20.10.2. A Person appointed to act as proxy need not be a Noteholder.

20.10.3. The form of proxy shall be deposited at the registered office of the Issuer or at the office where the Register is kept or at such other office as the Issuer may determine not less than 24 (twenty four) hours before the time appointed for holding the meeting or adjourned meeting at which the Person named in such form of proxy proposes to vote, or the Chairperson decides otherwise and in default, the proxy shall be invalid.

20.10.4. No form of proxy shall be valid after the expiration of 12 (twelve) months from the date named in it as the date of its execution.

20.10.5. A proxy shall have the right to demand or join in demanding a poll.

20.10.6. Notwithstanding Condition 20.10.4 the form of proxy shall be valid for any adjourned meeting, unless the contrary is stated thereon.

20.10.7. A vote given in accordance with the terms of a proxy shall be valid notwithstanding the previous death or incapacity of the principal or revocation of the proxy or of the authority under which the form of proxy was executed or the transfer of Notes in respect of which the proxy was given, provided that no intimation in writing of such death, incapacity or revocation shall have been received by the Issuer at the office of the Transfer Agent more than, and that the transfer has been given effect to less than, 12 (twelve) hours before the commencement of the meeting or adjourned meeting at which the proxy is to be used.

20.10.8. Any Noteholder which is a corporation may by resolution of its directors or other governing body authorise any Person to act as its representative in connection with any meeting or proposed meeting of Noteholders. Any reference in this Condition 20 (Meetings of Noteholders) to a Noteholder present in person includes such a duly authorised representative of a Noteholder.

20.11. **Minutes**

20.11.1. The Issuer shall cause minutes of all resolutions and proceedings of meetings to be duly entered in the minute books of the Issuer.

20.11.2. Any such minutes as aforesaid, if purporting to be signed by the chairman of the meeting at which such resolutions were passed or proceedings held or by the chairman of the next succeeding meeting, shall be receivable in evidence without any further proof, and until the contrary is proved, a meeting of Noteholders in respect of the proceedings of which minutes have been so made shall be deemed to have been duly held and convened and all resolutions passed thereat, or proceedings held, to have been duly passed and held.

20.12. **Mutatis mutandis application**

The provisions of this Condition 20 (Meetings of Noteholders) shall apply mutatis mutandis to the calling and conduct of meetings on an individual Tranche, Series or Class of Noteholders, as the case may be.

21. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes having terms and conditions the same as any of the other Notes issued under the Programme or the same in all respects save for the amount and date of the first payment of interest thereon, the Issue Price and the Issue Date, so that the further Notes shall be consolidated to form a single Series with the Outstanding Notes.
22. GOVERNING LAW

These Terms and Conditions and all rights and obligations to the Notes are governed by, and shall be construed in accordance with, the laws of South Africa in force from time to time.

SIGNED at Pretoria on this 22nd day of June 2018.

For and on behalf of
CITY OF TSHWANE METROPOLITAN MUNICIPALITY

[Signature]
Name: Mosakga
Capacity: City Manager
Who warrants his/her authority hereto

[Signature]
Name: J. Banda
Capacity: Chief Financial Officer
Who warrants his/her authority hereto
USE OF PROCEEDS

Capitalised terms used in this section headed “Use of Proceeds” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

For purposes of the Commercial Paper Regulations it is recorded that the “Ultimate Borrower”, as defined in the Commercial Paper Regulations, of the net proceeds from each Tranche of Notes will be the Issuer, unless otherwise indicated in the Applicable Pricing Supplement.

The proceeds from each issue of Notes will be applied by the Issuer for its general operational and/or business purposes or as may otherwise be described in the Applicable Pricing Supplement.
DESCRIPTION OF CITY OF TSHWANE METROPOLITAN MUNICIPALITY

1. Introduction

The City of Tshwane Metropolitan Municipality (the Issuer or the Municipality or the City) is classified as a Category A Grade 6 urban municipality by the Municipal Demarcation Board in terms of section 4 of the Local Government Municipal Structures Act, 1998 (the Municipal Structures Act). The Municipality was established on 5 December 2000 through the integration of various municipalities and councils that had previously served the greater Pretoria regime and surrounding areas. The boundary of the city was further amended on 28 May 2008, through a proclamation in the Government Gazette which incorporated the former Metsweding District Municipality, including Dinokeng tsa Taemane (Cullinan) and Kungwini (Bronkhorstspruit) into the borders of City of Tshwane. The incorporation, which gave birth to the new City of Tshwane in May 2011 after the local government elections, was in line with the Gauteng Global City Region Strategy to reduce the number of municipalities in Gauteng by the year 2016.

With the incorporation of the abovementioned areas, it enlarged the area which covers the City to an extent of 6 345km². The extent of this can be practically explained in that the City stretches almost 121 km from east to west and 108 km from north to south making it at that time the third-largest city in the world in terms of land area, after New York and Tokyo/Yokohama. It also makes up more than 30% of the Gauteng Province’s 19 055km².

The City of Tshwane has a Mayoral Executive System combined with a ward participatory system in accordance with section 8 (g) of the Municipal Structures Act, Act 117 of 1998. It consists of 107 geographically demarcated wards, 214 elected councillors (107 ward Councillors and 107 proportional representative Councillors), and it has just over 3.1 million residents. For administrative purposes and to enhance service delivery, it is divided into seven regions.

As the administrative seat of Government and hosting a number of embassies, City of Tshwane has proven to be a leader on the African continent in providing affordable industrial sites, various industries, office space, education and research facilities.

An estimated 90 percent of all research and development in South Africa is conducted in Tshwane by institutions such as Armscor, Medical Research Council, Council for Scientific and Industrial Research, Human Sciences Research Council and educational institutions such as the University of South Africa, the University of Pretoria and Tshwane University of Technology.

Demographics

The total population in the Gauteng Province for 2016 was estimated at 13.5 million, which is approximately 24 percent of South Africa’s population (55.91 million). That makes Gauteng the most populous province in the country, and Tshwane makes up more than 3 million of the total Gauteng population.

Pretoria, as one component of Tshwane, is the executive capital of South Africa and is home to the Union Buildings. The City is the centre of Government and the headquarters of all national government departments.

The main economic sectors in the Municipality’s area are community services followed by finance and manufacturing. The largest sub-sector within manufacturing is metal products, machinery and household appliances, followed by the manufacturing of transport equipment. All the major banks and financial services institutions have offices in Tshwane.
2. **Ownership and Control**

**Executive Control**

During the previous term, the Tshwane Metropolitan Municipal Council (the Council) adopted a governance model which aims to separate the roles and functions of the legislative and executive wings of the Council. The rationale for implementing the model included the following:

- The need to enhance service delivery through improving the institutional arrangements of the City;
- Improved oversight of the Council through the development of oversight committees; and
- Allowing for an interactive decision-making process in the executive and legislative arms of the Council.

For more information please see document headed "Schedule of Application by the COT of the King IV Principles" which is available on the Issuer's website at [http://www.tshwane.gov.za](http://www.tshwane.gov.za).

The governance model adopted by the Council during the previous term, consists of the legislature, made up of the Speaker of Council, Chief Whip and Section 79 Portfolio and Standing Committees; the executive branch consists of the Executive Mayor and Members of the Mayoral Committee (MMCs) and the administration, which is led by the City Manager. This model has been implemented and consistently applied in the affairs of the City. The model intends to ensure that the City executes its functions through the leadership of the ExecutiveMayor while the legislature oversees the activities of the executive branch for transparency and accountability.

The legislature consists of the Council, the Speaker of the Council, Councillor Rachel Mathebe; the Chief Whip, Councillor Christiaan van den Heever, and two sets of Council committees: Section 79 portfolio committees and standing committees.

The Council consists of 214 elected councillors, of which 107 are ward councillors and 107 are proportional representation councillors. The role of the Council, in line with the Municipal Systems Act, 2000 (the Municipal Systems Act) is to engage in meaningful discussion on matters related to the City’s development. The Council is responsible for approving municipal by-laws, the Integrated Development Plan, the budget and tariffs. Further, the Council, through its various committees, monitors and scrutinises delivery and outputs as carried out by the executive branch. In relation to public participation, the Council is responsible for facilitating stakeholder and community participation in the affairs of the Municipality as described by the Municipal Structures Act.

As part of the core of the Council’s model and its commitment to the separation of powers, sixteen Section 79 oversight and/or standing committees have been established and adopted by the Council. The Section 79 oversight committees are chaired by Councillors who are designated full-time councillors and these chairpersons are elected by the Council.

The following are the Section 79 oversight committees:

- Services Infrastructure;
- Transport;
- Housing and Human Settlement;
- Health and Social Development;
- Sport and Recreation;
- Community Safety;
- Integrated Development Planning;
- Agriculture and Environmental Management;
- Economic Development and Spatial Planning;
- Corporate and Shared Services; and
- Finance.

The responsibilities of the abovementioned committees are as follows:

- Scrutinising reports referred to them by the Council emanating from the Executive Mayor and/or Mayoral Committee and advising the Council accordingly;
- Overseeing the performance of the executive branch and departments on behalf of the Council; and
- Providing an advisory legislative role.

The following Councillors are the Chairpersons of these Committees in the City of Tshwane as at the Programme Date:

<table>
<thead>
<tr>
<th>Name</th>
<th>Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ali Makhafula</td>
<td>Community Safety</td>
</tr>
<tr>
<td>Peter Sutton</td>
<td>Finance</td>
</tr>
<tr>
<td>Thabisile Vilakazi</td>
<td>Sport and Recreation</td>
</tr>
<tr>
<td>Abel Nkwana</td>
<td>Economic Development and Spatial Planning</td>
</tr>
<tr>
<td>Dikeledi Selowa</td>
<td>Services Infrastructure</td>
</tr>
<tr>
<td>Wildri Peach</td>
<td>Agriculture and Environmental Management</td>
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<tr>
<td>Zweli Khumalo</td>
<td>Corporate and Shared Services</td>
</tr>
<tr>
<td>Elmarie Linde</td>
<td>Transport</td>
</tr>
<tr>
<td>Nkele Molapo</td>
<td>Housing and Human Settlement</td>
</tr>
<tr>
<td>Rita Aucamp (Alderman)</td>
<td>Health and Social Development</td>
</tr>
<tr>
<td>Prof Clive Napier</td>
<td>Integrated Development Planning</td>
</tr>
</tbody>
</table>

Standing Committees are permanent committees established to deal with Council related matters. They are delegated some decision-making powers, and are required to submit reports to the Council. Councillors chair all standing committees, except the Audit Performance Committee, which is chaired by an independent person in line with the prescriptions of the Municipal Finance Management Act, 2003 (the MFMA).

The Standing Committee and their Chairpersons, as at the Programme Date, are as follows:

<table>
<thead>
<tr>
<th>Chairperson</th>
<th>Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awie Erasmus</td>
<td>Municipal Public Accounts</td>
</tr>
<tr>
<td>Hannes Coetzee</td>
<td>Civilian Oversight</td>
</tr>
<tr>
<td>Kate Prinsloo (Alderman)</td>
<td>Petitions</td>
</tr>
</tbody>
</table>
The Executive

Executive Mayor and Mayoral Committee

The Executive Mayor has an overarching strategic and political responsibility as the centre of the system of governance. The executive powers are vested in him by the Council to manage the daily affairs of the City. The Executive Mayor, Councillor Solly Msimanga, assisted by the Mayoral Committee, leads the executive branch of the City. Each Member of the Mayoral Committee is responsible for a particular portfolio, as listed below, as at the Programme Date:

<table>
<thead>
<tr>
<th>Member of Mayoral Committee</th>
<th>Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mike Mkhari</td>
<td>Agriculture and Environmental Management</td>
</tr>
<tr>
<td>Randall Williams</td>
<td>Economic Development and Spatial Planning</td>
</tr>
<tr>
<td>Cilliers Brink</td>
<td>Corporate and Shared Services</td>
</tr>
<tr>
<td>Anniruth Kissoonduth</td>
<td>Safety and Security</td>
</tr>
<tr>
<td>Mare-Lise Fourie</td>
<td>Finance</td>
</tr>
<tr>
<td>Sakkie du Plooy</td>
<td>Health and Social Development</td>
</tr>
<tr>
<td>Mandla Nkomo</td>
<td>Housing and Human Settlements</td>
</tr>
<tr>
<td>Darryl Moss</td>
<td>Infrastructure</td>
</tr>
<tr>
<td>Ntsiki Mokhotho</td>
<td>Sports, Recreation, Arts and Culture</td>
</tr>
<tr>
<td>Sheila Lynn Senkubuge</td>
<td>Roads and Transport</td>
</tr>
</tbody>
</table>

Administrative arrangements

Subsequent to the local government elections held on 3 August 2016, the new political dispensation reviewed the institutional arrangements within the City, with the aim to restructure the organisation and enable it to respond and deliver the priorities of local government. The following were the framers on which the institutional review was based:

- To ensure that the organisation/administration is stable during the transitional period, while ensuring that there are as little disruptions as possible and that all services continue to be rendered.

- To revitalise the institution inclusive of its people, systems and structures, in order to better respond to the needs of service delivery recipients.

- To ensure that services are delivered in a more efficient, effective and economic way.

The Council, at its meeting held on 24 November 2016, approved the new macro structure of the City of Tshwane. The City Manager of the City of Tshwane is Dr Moeketsi Mosola, who is the Accounting Officer as defined by the Municipal Structures Act. The responsibilities of the City Manager include managing the financial affairs and service delivery of the Municipality. The City Manager and his deputies constitute top management.
The Shareholder Unit

The Shareholder Unit (SHU) is tasked with reviewing, monitoring and overseeing the affairs, practices, activities, behaviour and conduct of the municipal entities (MEs), in order to satisfy the City of Tshwane that the MEs’ affairs and businesses are being conducted in the manner expected and in accordance with the commercial, legislative and other prescribed or agreed norms. It is temporarily headed by Shaakira Karolia.

Municipal entities

Municipal entities are separate legal entities, each headed by a board of directors and utilised by a municipality to deliver services to its community in line with the developmental objectives of the municipality. The City is serviced by three municipal entities which must perform according to service delivery agreements and performance objectives set by the Municipality.

The City is currently in a process to assess and review the entities model with regard to its mandate and functionality as well as the role which the SHU to ensure the functionality of the entities.

Municipal Entities of the City of Tshwane, as at the Programme Date, are as follows:

<table>
<thead>
<tr>
<th>CEO</th>
<th>Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amolemo Mothoagae</td>
<td>Housing Company Tshwane (HCT)</td>
</tr>
<tr>
<td>Bongiwe Zwedala (Acting)</td>
<td>Sandspruit Works Association (SWA)</td>
</tr>
<tr>
<td>Solly Mokgaladi</td>
<td>Tshwane Economic Development Agency (TEDA)</td>
</tr>
</tbody>
</table>

Regional services

The City’s regional services model and regional structures are integral parts of its rationale to bring services closer to the people and to transform regions into superb places to live, work and stay, while capitalising on each region’s uniqueness to create strong, resilient and prosperous living areas.

The institutional arrangements in the Regional Coordination and Transformation Office, as at the Programme Date, are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cali Phanyane</td>
<td>Head: Regional Operations and Coordination</td>
</tr>
<tr>
<td>Phililemon Mathane (Acting)</td>
<td>Regional Executive Director: Region 1</td>
</tr>
<tr>
<td>Godfrey Mnguni</td>
<td>Regional Executive Director: Region 2</td>
</tr>
<tr>
<td>Kgomotso Mohlala</td>
<td>Regional Executive Director: Region 3</td>
</tr>
<tr>
<td>Masehe Tefello (Acting)</td>
<td>Regional Executive Director: Region 4</td>
</tr>
<tr>
<td>Nomsa Mabasa</td>
<td>Regional Executive Director: Region 5</td>
</tr>
<tr>
<td>Sello Chipu</td>
<td>Regional Executive Director: Region 6</td>
</tr>
<tr>
<td>Persia Makgopa (Acting)</td>
<td>Regional Executive Director: Region 7</td>
</tr>
</tbody>
</table>

The regionalisation of service delivery refers to the decentralisation of certain operational and maintenance functions to regional offices led by the respective Regional Executive Directors (REDS) who report to the Chief Operations Officer.
The process of the rollout of the new macro structure is currently being implemented and supported by the rollout of the micro structure which supports it. The latter will be concluded by the beginning of the 2017/18 financial year.

### 3. Strategic Intent

#### City of Tshwane 2030 Vision

The City of Tshwane’s IDP document presents the desired vision for 2030:

**Tshwane: A prosperous Capital City through fairness, freedom, and opportunity.**

The new vision of the City of Tshwane capitalises on our position as SA’s Capital of opportunities and bedded on the values of fairness, freedom, and opportunity.

The table below articulates our meaning in applying these values.

<table>
<thead>
<tr>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairness</td>
<td>A fair society is one in which our achievements should be the result of our hard work and efforts. Fairness requires equal and plentiful opportunities and the means to make the most of them. Equal and fair justice acknowledges the legacy of Apartheid and commits to redress it. Fairness cannot be said to exist in a society burdened by large-scale inequality.</td>
</tr>
<tr>
<td>Freedom</td>
<td>Freedom is the hard-won right of all South Africans. Everyone has the right to express their freedom, mindful that their choices come with responsibilities towards others. This includes the freedom to earn a living and accumulate wealth, live anywhere we want, say what we believe in, and develop our talents and pursue our dreams.</td>
</tr>
<tr>
<td>Opportunity</td>
<td>This value is about making it easier to do business within the City and ensure that infrastructure services such as water and electricity, economic services, economic nodes, and social security prevails to attract and retain job creating investments.</td>
</tr>
</tbody>
</table>

The achievement of the vision as stated above depends on embedding the above governance values in the plans and actions of the City and its partners. In fact, the above principles can propel the City towards its vision provided that the following strategic development pillars are embraced: 1) economic growth and job creation, 2) creating a caring environment and promoting inclusivity, 3) delivering excellent service and protecting the environment, 4) keeping the residents safe, and 5) being open, honest, and responsive.
Strategic Pillars for 2017/21

The following are the strategic pillars that will guide the development and implementation of the City's objectives over the next term of office:

A City that Facilitates Economic Growth and Job Creation: The City’s plan for the next five years will be to create a City of opportunities. The plan centres around five focus areas we believe will create economic growth which is labour absorbing and provides many more residents with new employment opportunities to further the development of the City. By making it easier to do business, supporting entrepreneurship, empowering individuals, investing in infrastructure and encouraging new industries, will lead and enhance the City’s chances of economic growth and employment.

A City that Cares for Residents and Promotes Inclusivity: The City of Tshwane is committed to redressing historical injustices and addressing the neglect of poorer communities by the previous administration. Many communities in the City of Tshwane do not have access to basic services and still experience the spatial legacy challenge left by apartheid. Although some gains have been made to improve service provision to poorer communities since 1994, too many people still do not have access to formal services, live far away from job opportunities, and do not have access to basic health care services.

There are more than 170 informal settlements in Tshwane with varying level of services. This has led to many people living in poor conditions without access to adequate sanitation, running water or electricity. Informal areas were left dirty without regular refuse removal or area cleaning. The City is committed to addressing these challenges over time and redress our hurtful past and provide people with dignified living spaces.

A City that Delivers Excellent Services and Protects the Environment: In order to achieve suitability in the City, service delivery needs to be improved and expanded in a sustainable manner. Water and energy resources along with the environment needs to be protected.

The City is committed to redressing historical unequal service provision and addressing inherited service delivery backlogs. The City is working towards providing quality services to all residents, adopting innovative solutions to service delivery challenges, and reprioritizing resources to where they are needed most. The provision of services also includes the delivery of housing opportunities.

A City that Keeps Residents Safe: Ensuring the safety and wellbeing of residents is one of the key priorities of the City. Residents need to feel safe and be safe in the City they call home. Drug abuse and related crime is currently one of the biggest challenges faced by the City.

A City that is Open, Honest and Responsive: The City is committed to transparent and accountable governance with zero tolerance for corruption. City processes and systems will be run in an open and effective way and only the best officials will be retained and attracted to improve the City’s performance. The City prioritises being responsive to residents and work together with residents on the issues that impact communities to find solutions.

Pillar 1 – A City that Facilitates Economic Growth and Job Creation

For Tshwane to be a City characterised by Opportunity, Caring and Inclusivity, Sustainability, Safety and Cleanliness, Openness and Honesty, and Communication, the City’s development plan cannot ignore addressing challenges that arise in any of its pillars.

It is, however, undeniable that job-creation is central to economic growth, if not the most important part of the solution to this triple threat. Economic growth allows businesses to expand and start-up businesses to succeed and create more employment opportunities in the City. Employment will empower more individuals and their families.

As discussed in the IDP, Tshwane has not created enough jobs to keep up with the growing population. It is estimated that the number of unemployed people in 2016 is the same as at the beginning of 2015.
Each unemployed resident represents an individual who cannot realise economic empowerment. While the trend over the last two years is ultimately positive, the City can and must do more towards enabling much more rapid economic growth that can create jobs and meaningfully reduce the absolute number of residents who do not have a job.

The City also recognises that promoting economic growth and development is one of the key mandates of local government.

This mandate and the static absolute unemployment figures, when viewed together, make it clear that the City must focus its efforts, in terms of the local economy, on a measure which will bring about significant labour absorptive measures.

To do this, issues which prevent new business start-ups or the expansion of existing companies, must be actively tackled. Some of the challenges that the City can and will address include:

- The structural barriers for the entry of youth into the economy, such as a lack of financing or work experience;
- Ensure that regulations do not unnecessarily hinder job creation and that bureaucratic processes do not hold back growth;
- The need for better maintained and/or refurbished bulk services (including water and electricity service provision);
- The need for bulk services and infrastructure to be extended to previously unserved/informal communities;
- The need to recognise and support the informal sector as part of a developing economy; and
- Identifying those sectors which the City has comparative or competitive advantage to further diversify the local economy.

In addition to the above focus on removing barriers for new and existing businesses, the City also recognises that it can and should play a role in directly supporting individuals to find employment. This will be partly achieved through addressing the structural barriers individuals face when trying to start their own businesses. There are also a number of other interventions which the City can explore to help Tshwane’s unemployed residents take advantage of economic opportunities.

This is why a key pillar of the City’s plan for the next five years will be that of creating an “Opportunity City”. The plan centres around five focus areas we believe will create economic growth which is labour absorbing and provide many more residents with new employment opportunities and further the development of the City.

Under this pillar, the City undertakes to:

- Attract investment and encourage growth by making it easy to do business in Tshwane;
- Revitalise and support Tshwane’s entrepreneurs;
- Empower individuals to take advantage of opportunities;
- Lead Infrastructure growth and revitalize existing nodal economies; and
- Encourage tourism and recreation.

Priority 1: Attracting Investment and encouraging growth by making it easy to do business in Tshwane

Inefficient and irrelevant local government regulation can delay business operations and expansions severely and can carry a high cost, not only in monetary terms for businesses, but in the potential employment growth lost. The new administration in Tshwane plans to focus significant attention on ensuring the City can be an economic growth hub.
Action 1: Making Investment Simple and Easy

- Delays in approving planning and land use applications, connection to utilities and rate clearance certificates can be significantly cost-prohibitive for businesses.

- Over the next term, the government will modernise, including with the use of e-planning systems, the bureaucratic processes associated with these applications. The main aim of this system-overhaul is to ensure that applications are approved within legislated time frames, or sooner, allowing businesses to establish themselves or expand more rapidly.

- During this term of office, a broad audit of all policies and by-laws which impact businesses will be undertaken to ensure that they serve a relevant purpose. Those which do not, and simply create more red tape and barriers for business growth, will be repealed.

- Incorrect billing and prohibitive tariffs can seriously impact on the cash flow of businesses, especially smaller and medium businesses. The City will prioritise an overhaul of the billing system over the next five years, including through the use and integration of E-Systems, to ensure that all businesses and residents are billed correctly and fairly.

- Create an Investment Promotion Unit which assists with investment facilitation in terms of land use applications, connection to utilities, rates clearance certificates and other compliance.

- The Mayor’s office will create and capacitate a business investment unit. This unit will ensure that applications which pertain to investment that is particularly labour absorptive is fast-tracked. This unit will prioritize assistance to high value investments which create a significant number of jobs.

- The City will continue to roll out Information and Communications Technology (ICT) network solutions which can improve the efficiency of doing businesses and lower the associated costs.

Priority 2: Revitalising and supporting Tshwane’s entrepreneurs

To address the challenges mentioned above, the City must also provide support to existing businesses, from micro informal traders to small to medium firms. These businesses are also vital in the fight against poverty, unemployment and inequality.

Action 1: Enabling the informal Trader

- Reimage spatial planning to accommodate the dual economy, formal and informal. This will require the City to understand where it is most appropriate and beneficial for informal traders to operate and roll out more services and facilities, including regular refuse removal, sanitation solutions, safety and security and access to water accordingly. Storage solutions, like lock up units in trading hubs will be investigated.
  
  o Another key to the success is providing traders with security of tenure. The City will explore a myriad of options for doing this, such as mapping “lots” in major informal trading hubs and ensuring that these lots are allocated to traders for a specific period as per their operating license. This essentially guarantees each licensed trader the use of the same area for trade over the duration of their license.

  o The City will consider the use of GIS and other technologies to establish hubs or trade corridors in areas or along routes which have significant foot traffic.

- The City will work hard over the next term to ensure that informal street traders can operate in a more enabling environment. The first step is getting licensing for traders right. The City will explore a number of options, including E-Systems accessible via mobile devices to apply, amend or renew trading licenses. Licensing would also include guaranteed trading spaces or lots. The City will endeavour to charge fair licensing structure.

- The City will ensure the focus of law enforcement in terms of the informal economy shifts to facilitation. Law enforcement will assist informal traders to follow relevant by-laws as well as
health and safety guidelines, while assisting with the resolution of disputes between different stakeholders.

- Stakeholder Engagement will be facilitated by the City so that different informal trading associations can raise concerns for constructive dialogue.

**Action 2: Supporting small and micro business to have longer life-spans and increased turnover**

- Connecting Small Medium and Micro-sized Enterprises (SMMEs) with the Investment Promotion Unit to ensure they have access to opportunities related to current and future investment programmes.
- Overhauling all City-run skills provision programs to ensure they are more efficient and relevant by adjusting their design to allow for a monitoring and evaluation feedback loop. This will allow the City to assess how businesses which were recipients of support have fared, including subsequent challenges they were faced with, and use this information to adjust the skills programs accordingly.
- Supporting ‘small-hold’ agricultural producers with industry-specific business skills by leveraging the overhauled skills provisions programs mentioned above.

**Priority 3: Empowering individuals to take advantage of opportunity**

**Action 1: Empowering individuals**

- The City will pilot a “Job Centre” program over the term. The aim of this centre is to assist and empower Tshwane’s unemployed residents find and take advantage of employment and/or business opportunities. The centre will act as a hub for those seeking assistance to find work providing services including but not limited to, assistance with applications and CVs, career and skill-patching advice, collated information on available employment opportunities in the City, as well as support for small and micro businesses in terms of compliance with City regulation. Vitally, the job Centre program will link with the Investment Promotion Unit allowing it to inform unemployed residents about new investment ventures and the associated job opportunities they create.

**Priority 4: Infrastructure-led growth as a catalyst and to revitalize existing nodal economies**

**Action 1: Addressing the City’s Infrastructure challenges**

- Expand, upgrade and refurbish water, electricity, road networks and public transport, where necessary, to allow for greater commercial activity across the City. This will also serve to catalyse economic activity in “Township” economies by creating a more conducive business environment through the delivery of expanded and reliable services and transport links. Spatial design with regard to service delivery and infrastructure expansion to these areas will require earmarking land for potential commercial activity as these economies begin to expand.
- Develop and roll out a plan for freight transport in the metro, based on sound spatial planning principles and linked to information about new investments and opportunities.

**Action 2: Address Infrastructure and service delivery inadequacies which are preventing existing or fledgling industries from growing and/or threatening their survival.**

- Focus specific infrastructure interventions in areas where there is existing industry which is inhibited by the current level of infrastructure and service delivery. These interventions will focus on ensuring bulk service delivery which is reliable and encourages established businesses to further invest in these areas.
- The following areas have been identified as those with the highest return on investment (where return is calculated as potential job growth):
  - Rosslyn;
o Ekandustria (eKangala); and
o Watloo.

- Related spatial planning, in terms of human settlements, will focus increased demand for housing as close as possible to existing urban areas, public transport routes and service delivery infrastructure.

**Priority 5: Encouraging Tourism and Recreation**

**Action 1: Aligning tourism industry efforts in the City to meet strategic demand**

- Encourage and support the local tourism industry to focus on attracting domestic and international visitors who have government-related business in the capital or those visiting higher education institutions.
- Collaborate with the tourism industry to advertise and promote local accommodation ahead of cultural, sport or governmental events.
- Partner with existing recreational facilities to maximize the number of events hosted in the City.
- Investigate zoning possibilities which encourage recreational and cultural activities after working hours in the City Centre.

**Pillar 2 – A City that Cares for Residents and Promotes Inclusivity**

The City of Tshwane is committed to redressing historical injustices and addressing the neglect of poorer communities by the previous administration.

Many communities in the City of Tshwane do not have access to basic services and still experience the spatial legacy challenges left by apartheid. Although some gains have been made to improve service provision to poorer communities since 1994, too many people still do not have access to formal services, live far away from job opportunities and do not have access to basic health care services. The extent of the challenge is discussed in detail in Chapter 1 of the Integrated Development Plan (IDP) document.

The City is committed to addressing these challenges over time in order to redress our hurtful past and provide people with dignified living spaces. In order to create a caring and inclusive City, service delivery to informal settlements will be prioritised. Those who cannot afford to pay for services will be supported by the City and access to public health care services will be improved. The City is also committed to addressing the spatial legacy challenges of apartheid by developing more integrated communities and rolling out affordable and reliable public transport. A caring and inclusive Tshwane also reflects our heritage through space making that embraces our shared heritage, thus building a socially cohesive and integrated communities.

In order to achieve redressing our unequal past, reducing backlogs, improving access to housing opportunities and protecting our natural resources, the following challenges need to be overcome:

- Severe backlogs in basic service provision to informal settlements.
- The growing number of vulnerable residents that do not have access to job opportunities and cannot afford basic services.
- Communities that are separated and living far away from each other.
- Not enough access to safe, affordable and reliable public transport.
- Poor access to City-run health care services.

All these challenges speak to a City that needs to become more caring and look after vulnerable residents that face severe challenges. Under this pillar, the City undertakes to the:
• Upgrading of informal settlements;
• Supporting vulnerable residents;
• Building integrated communities;
• Promoting safe, reliable and affordable public transportation; and
• Improving access to public health care services.

Priority 6: Upgrading of informal settlements

Too many communities in the City do not have access to quality basic services and live in underdeveloped areas. Residents in many informal settlements still only have access to rudimentary water and sanitation services, infrequent refuse removal and area cleaning and do not benefit from adequate infrastructure upgrades.

The City aims to address this as a matter of priority in a systematic way through a redress initiative. The City currently has approximately 173 informal settlements of which the majority have no access or receive rudimentary basic services. This is wholly unacceptable. The City will prioritise the upgrading of services delivered to informal settlements in order to improve the quality of life of those residents.

The City’s offer to upgrade informal settlements:

Action 1 - Mainstreaming services to informal settlements

• Conduct an audit of service delivery standards in all informal settlements.
• Introduce a number of basic service delivery relief measures in unserviced informal settlements, including access to sanitation measures where none are available, weekly door to door refuse removal and regular area cleaning.
• Prioritise the roll out of site and service upgrades on a systematic basis.
• Aim to meet national service standards in informal areas.
• Increase access to clean and safe drinking water.
• Improve access to the electricity grid.
• Service rudimentary sanitation services more regularly and aim to systematically expand and upgrade sanitation services across informal settlements.
• Perform weekly door-to-door refuse removal services and conduct regular area cleaning.
• Address the vulnerability of residents to crime and disasters. *Unpacked under the Safe City section.
• Establishing a back-yarder program in townships and informal settlements to serve more residents with basic services in a denser area.

Action 2 – Addressing the spatial development challenges of informal settlements to improve quality of life

• Exploring re-blocking initiatives by partnering with civil society and community groups in informal areas.
• Working towards upgrading the road network in informal areas.
• Creating safe public spaces in informal areas for recreational activities.
Priority 7: Supporting vulnerable residents

Many residents cannot afford basic services and need to be supported by the City.

Although there is an indigent’s program in place, too many qualifying residents are not registered to receive this support. The City aims to support all qualifying residents with a basket of free basic services.

The City’s offer is:

**Action 1 – Improving the indigent’s support program**
- Auditing the indigent database.
- Reviewing the basket of free basic services to maximize the benefit of the programme.
- Marketing the indigent’s program in communities to encourage qualifying residents to register to receive the free basket of free basic services.

**Action 2 – Providing broader support for poorer residents**
- Addressing homelessness through leveraging existing municipal property and collaborating with civil society, especially institutions of higher learning.
- Supporting those who suffer from drug and alcohol abuse.

Priority 8: Building Integrated Communities

Many communities in Tshwane are not integrated and are still very homogeneous and separate. Tshwane still has the legacy of Apartheid era spatial planning challenges, and we will seek to better integrate and bring opportunities to all residents of the City, as equal citizens.

All residents should feel confident and of equal importance when engaging with the City and the broader local community.

Thus, the City is striving to create integrated communities where people from all walks of life can live and work together.

The City will achieve this by:

**Action 1- Creating spaces and housing opportunities that bring people together**
- Ensuring that urban planning and zoning seek to densify and better integrate the City as well as providing adequate public spaces.
- Encouraging and facilitating mixed-use and mixed-income housing developments.
- Pursuing densification in appropriate areas along public transport routes.
- Establishing and maintaining inclusive community amenities such as childcare facilities, municipal halls, parks, recreational areas, cemeteries, sports grounds, markets and libraries.
- Connecting people though safe, reliable and affordable public transport.
- Prioritising safety and cleaning to attract people and business back into the city centre as part of the inner-city rejuvenation.

Priority 9: Promoting safe, reliable and affordable transportation system

Safe, reliable and affordable public transportation is needed to address inequalities as well as addressing other developmental strains like increased traffic congestion.
Due to the legacy of apartheid spatial planning challenges, poorer people live far away from job opportunities and thus spend a disproportionate amount of their income on public transport. The City aims to realise long-term intermodal transportation integration. To achieve this, land use management, provision of services and financing public transportation will need to be restructured such that it responds to the commuter and the economic demands for transportation.

The City is committed to:

**Action 1 – Providing high quality public transportation**

- Rolling out and expanding the *A Re Yeng Bus Rapid Transit System* in the short term and increasing the ridership towards sustainable operation of the Tshwane Bus Company in the long term.
- Aligning rail, road and air transportation within the City and within the city-region.
- Collaborating with transport service providers and users to create a safe transportation sector and responsible use of our network and infrastructure.
- Further rolling out carbon neutral busses.
- Upgrading transportation hubs to encourage trading and other economic entities, making the spaces safer and addressing decaying facilities.

**Priority 10: Improving access to public health care services**

The geographical layout of the City, among other factors, means that access to health care facilities in the City is currently a challenge. Due to the differences in location and income, access is determined not only by physical location of health care facilities but also by the affordability of health services. Low levels of access to decent health care leads to lower quality of life and has many knock-on effects for a productive economy.

The City’s offer to address this is:

**Action 1 – Improving City-run health care initiative**

- Developing health care capacity based on the services that are rendered by the City. This will include better integration within the public and private health systems and allocation of adequate resources to deal with communicable and non-communicable diseases.
- Partnering with communities to develop community based health care services. The intervention allows for flexible delivery of health services while it improves the distribution of health information.
- Extending operating hours of City operated health care facilities that offer primary health care over the term of office.
- Creating strategic partnerships with the knowledge and innovation institutions towards developing efficient and effective health solutions.
- Instituting excellence in the provision of health services and monitoring our health outcomes.

**Pillar 3 – A City that Delivers Excellent Services and Protects the Environment**

In order to achieve suitability in the City, service delivery needs to be improved and expanded in a sustainable manner. Water and energy resources, along with the environment, needs to be protected.

The City is committed to redressing historical unequal service provision and addressing inherited delivery backlogs. The City is working towards providing quality services to all residents, adopting innovative solutions to service delivery challenges, and reprioritizing resources to where they are needed most. The provision of services also includes the delivery of housing opportunities.
The City also has a responsibility to protect natural resources and the environment.

The City's priority is to provide excellent services in a way that allows for sustainable expansion and development. Water and energy resources should be protected in our bid to increase and improve service delivery.

The pillar covers the following priorities:

- Delivering high quality services; and
- Safeguarding water and energy security and protection of natural environment.

**Priority 11: Delivering high quality services**

**Action 1 – Delivering high quality and sustainable basic services**

- Fixing potholes and maintaining all municipal roads.
- Providing access to electricity, potable water and sanitation.
- Conducting weekly door-to-door refuse collection from formal and informal areas.
- Providing systematic area cleaning.
- Prioritising the regular maintenance and refurbishment of municipal infrastructure.

**Action 2 – Providing housing opportunities**

- Speeding up the delivery of subsidised housing opportunities to residents on the housing list.
- Encouraging the development of social housing and other GAP housing options by working with other tiers of government and the private sector.
- Prioritising the roll out of site and service on a systematic basis in informal settlements.
- Speeding up the transfer of title deeds to state-subsidised housing to residents, to give legal ownership of property to those residents.

**Priority 12: Safeguarding water and energy security and protection of natural environment**

- In line with the national targets, the City will be moving towards zero building standards.
- Reducing greenhouse gas emissions through economic activities and provision of services.
- Protecting of the natural environment resources and assets.
- Ensuring future supply of water and energy in line with the economic and social demand.
- Continuing to promote and facilitate embedded electricity generation.
- Updating and enforcing the Green Buildings by-law.
- Further rolling out of carbon neutral busses.

**Pillar 4 – A City that Keeps Residents Safe**

We acknowledge that policing is the primary responsibility of the SAPS and national government; however, the City will seek to improve the safety of residents. Ensuring the safety and wellbeing of residents is one of the key priorities of the City. Residents need to feel safe and be safe in the City they call home. Drug abuse and related crime is currently one of the biggest challenges faced by the City.
The City will focus on utilising the metro police and law enforcement to increase visible policing in strategic areas, addressing the metro police’s ability to respond to a variety of challenges, prioritising initiatives to deal with drug abuse and protecting residents from disasters effectively.

The challenges with regards to safety and security in the City are:

- High levels of crime in all communities;
- Inefficiencies in law enforcement efforts;
- Social ills in communities that are the cause and also the outcome of increased crime in communities; and
- Disasters impacting communities, especially poorer vulnerable residents.

The pillar covers the following priorities:

- Creating safe communities;
- Addressing drug abuse; and
- Protecting communities from disaster.

**Priority 13: Creating safe communities**

Ensuring safety of communities is an important priority for the City, to ensure a high quality of life for residents. This entails addressing crime and the social determinants of crime with the mechanisms available to the City.

In creating safe and secure communities, the City prioritises:

**Action 1 – Improving policing and law enforcement efforts**

- Overhauling specialized Tshwane Metro Police Department (TMPD) units to deal with a range of challenges that include drug abuse and hijacking.
- Addressing the efficacy of the TMPD.
- Increasing visible policing in crime hot-spot areas.
- Improving traffic policing to ensure the safety of commuters.
- Coordinating efforts of TMPD and Roads and Transport Department to improve road safety.
- Cooperating with the South African Police Department to have a presence in police stations to service the community better.

**Action 2 – Involving the community in making areas safer**

- Enabling and supporting community safety initiatives like neighbourhood watches.
- Establishing a hotline for community members to report crime.
- Running education and awareness campaigns in schools around safety and security.

**Action 3 – Building safer communities**

- Promoting safety conscious built environment through planning and maintenance of public and private spaces.
- Improving lighting in public areas.
Priority 14: Addressing drug abuse

The misuse and abuse of drugs is a major safety and social development challenge in the City of Tshwane. This challenge affects all residents, but poorer communities are disproportionately affected due to lower levels of access to health care, higher exposure to drug related activities that leads to crime and violence and a lessened ability to seek out rehabilitation due to cost or availably. The City of Tshwane’s approach will be multi-pronged looking at prevention, suppression and intervention.

The City’s offer is:

Action 1 – Drug and Substance Abuse Prevention

- Educating residents about the dangers and effects of drug abuse through information sharing and awareness campaigns.
- Expanding choices by looking at afterschool activities for young people, running youth development programmes and rolling out skills and capacity building programs.
- Investigating design interventions for new and exciting development that prevent the creation of areas that might enable drug trade and other anti-social behaviour.

Action 2 – Drug and Substance Abuse Suppression

- Embarking on visible policing interventions at key strategic areas like open spaces and known drug trade hot-spots.
- Establishing specialised Units to target drug dealers and manufacturers.
- Coordinating operations with the SAPS.
- Evicting drug dealers from City-owned property, especially residential units.
- Providing a call line and other communication channels to receive tip-offs.

Action 3 – Drug and Substance Abuse Intervention

- Parting with privately owned treatment sites with professional staff in order to address the rehabilitation of drug users. Utilising the Matrix clinic model, which will provide out-patient care and assistance.
- Creating an enabling environment for registered NGOs and CBOs providing services like aftercare interventions.
- Marketing the availability of these services in communities.

Priority 15: Protecting communities from disaster

The City needs to be prepared for disasters that impact on communities like floods and fires. Adequate planning and quick response times are vitally important to lessen the effects of disasters on the lives of residents. The City commits to:

- Improving planning to mitigate against natural disasters and emergencies;
- Developing early warning systems towards safety and disaster management;
- Re-evaluating the disaster management and relief initiatives to aid residents in informal settlements that is left destitute by disasters; and
- Improving response times for all disaster incidents.
Pillar 5 - A City that is Open, Honest and Responsive

The City is committed to transparent and accountable governance with zero tolerance for corruption. City processes and systems will be run in an open and effective way and only the best people will be retained and attracted to improve the City’s performance.

The City prioritises being responsive to residents, to work together on the issues that impact communities to find solutions together.

In the City of Tshwane, people have gone unheard for too long, queries were not resolved fast enough and decisions were taken behind closed doors.

This is evident when you analyses the challenges of the City in this regard:

• Too many contracts were entered into that were hamstringing delivery.
• Poor institutional capacity in many instance.
• Deficient customer relation management.
• Not enough transparency and accountability in government process like awarding tenders and short term employment opportunities.
• Not communicating adequately with residents.
• These challenges need to be addressed, in order to be a City that is open, honest and responsive.

The pillar covers the following priorities:

• Building a capable city government;
• Fighting corruption; and
• Communicating regularly and effectively with residents.

Priority 16: Building a capable city government

Action 1 – Establishing professional and effective government processes

• Delays in approving planning and land use applications, connection to utilities and rate clearance certificates can be significantly cost-prohibitive for businesses.
• Over the next term, the Government will modernise, including with the use of e-planning systems, the bureaucratic processes associated with these applications.
• As discussed on the economic section of the IDP:
• Improving Customer Relation Management to ensure that residents have positive and effective customer experiences when engaging with the City.
• Ensuring that Extended Public Works Program opportunities are distributed fairly to allow for as many residents as possible to benefit from the programme.
• Ensuring that human resource processes in the City are professional and fair, and that good civil servants are retained and attracted.
• Encouraging an institutional culture of service and dedication to our communities and City.

Action 2 - Improving the revenue system

• Establishing an accurate billing system.
- Striving for financial sustainability.
- Improving debt collection in order to enable the City to spend more on service provision.
- Exploring alternative sources of funding to expand the work of the City to deliver more services for more people.

**Priority 17: Fighting Corruption**

**Action 1 – Putting measures in place to root out corruption**

- Opening a corruption and fraud reporting line.
- Encouraging officials and residents to report any possible corruption or fraud.
- Opening the tender process at the bid adjudication stage to allow for more transparency.
- Enabling the Risk Unit further to investigate any fraud or corruption in the City.

**Priority 18: Communicating regularly and effectively with residents**

- Regularly hosting report back meetings in all communities, in order to inform residents of the work of the City.
- Prioritise public participation processes to listen to community members regarding decisions that impact on them.
- Using technology like social media creatively to reach more residents in the City’s communications efforts.
- Ensuring that the ward system is functioning to allow people to provide oversight and provide input in to the City business at ward level.

**Conclusion**

The long term vision of the City, as well as the outlined 5 Pillars, will act as compass to guide the City to achieve the 2017/21 IDP objectives. However, both will further need to be unpacked and packaged into programmes and projects for implementation in the short to medium term. Furthermore, the role of citizens towards making local government accountable will also serve as a constant reminder of the City’s obligation towards achieving “Vision 2030”, as active citizenry will play a role of monitoring the City’s progress towards the implementation of the strategy.
INVESTOR CONSIDERATIONS

Capitalised terms used in this section headed “Investor Considerations” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. The value of the Notes could decline due to any of these risks, and investors may lose some or all of their investment.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this Programme Memorandum to reach their own views prior to making any investment decision.

References below to the “Terms and Conditions”, in relation to Notes, shall mean the “Terms and Conditions of the Notes” set out under the section of this Programme Memorandum headed “Terms and Conditions of the Notes”.

Factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme

Risks Relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Programme Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor’s overall investment portfolio.
There may not be an active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. There is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the Applicable Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the government of South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the Applicable Pricing Supplement specifies that the Notes are redeemable at the Issuer’s option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Because uncertificated Notes are held by or on behalf of the CSD, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme which are listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange and/or held in the CSD may, subject to Applicable Laws and the Applicable Procedures, be issued in uncertificated form. Unlisted Notes may also be held in the CSD in uncertificated form. Notes held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. Except in the limited circumstances described in the Terms and Conditions, investors will not be entitled to receive Individual Certificates. The CSD will maintain records of the Beneficial Interests in Notes and/or issued in uncertificated form, which are held in the CSD (whether such Notes are listed or unlisted). Investors will be able to trade their Beneficial Interests only through the CSD and in accordance with the Applicable Procedures.

Payments of principal and/or interest in respect of uncertificated Notes will be made to the CSD or the Participants and the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the CSD or the Participants for distribution to their account holders. A holder of a Beneficial Interest in uncertificated Notes, whether listed or unlisted, must rely on the procedures of the CSD to receive payments under the relevant Notes. Each investor shown in the records of the CSD or the Participants, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such uncertificated Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, such Beneficial Interests.

Holders of Beneficial Interests in uncertificated Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the CSD to appoint appropriate proxies.

Recourse to the BESA Guarantee Fund Trust

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the BESA Guarantee Fund Trust. Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the BESA Guarantee Fund Trust. Unlisted notes are not regulated by the JSE.
Credit Rating

Tranches of Notes issued under the Programme, the Issuer and/or the Programme, as the case may be, may be rated or unrated. A Rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning Rating Agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

Risks related to the structure of the particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index-Linked and Dual Currency Notes

The Issuer may issue Notes the terms of which provide for interest or principal payable in respect of such Notes to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a Relevant Factor) or with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the Nominal Amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.
Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer’s ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate may at any time be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes where denominations involve integral multiples: Individual Certificates

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive an Individual Certificate in respect of such holding and would need to purchase a Principal Amount of Notes such that its holding amounts to a minimum Specified Denomination.

If Individual Certificates are issued, holders should be aware that Individual Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Modification and waivers and substitution

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The Notes are governed by, and will be construed in accordance with, South African law in effect as at the Programme Date. No assurance can be given as to the impact of any possible judicial decision or change to South African law or administrative practice in South Africa after the Programme Date.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks Relating to the Issuer

In the course of the group’s business operations it is exposed to interest rate, credit, liquidity and market risk. The group has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

Interest rate risk

Interest rate risk arises from the fluctuations in the economic market due to the economic climate. The group manages its interest rate risk by maintaining an appropriate mix between fixed and floating
interest rate borrowings and investments, as well as by entering into interest rate swap contracts on outstanding borrowings.

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

**Interest rate swaps**

The group has entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige it to pay interest at variable rates/fixed rates on the same amounts. The interest rate swaps allow the group to raise long-term borrowings at fixed rates/floating rates and effectively swap them for variable rates/fixed rates in terms of the structured finance contractual requirements.

**Currency risk**

The group undertakes certain transactions denominated in foreign currencies (although the transactions entered into are with service providers based in South Africa), hence exposures to exchange rate fluctuations might arise. The group, however, manages this risk by entering into contracts where the risk is carried by the service provider.

**Credit risk**

Financial assets, which potentially subject the Municipality to the risk of non-performance by counterparties and thereby subject the group to concentrations of credit risk, consist mainly of trade receivables. Credit risk is controlled through the application of a credit control policy and monitoring procedures. Where necessary, the group obtains appropriate deposits and guarantees from debtors to mitigate risk. The group's cash and cash equivalents and short-term deposits are placed with high-credit-quality financial institutions.

The group limits its treasury counter-party exposure arising from the money market by only dealing with well-established financial institutions confirmed by the rating agency appointed by the Group Chief Financial Officer. The group only deals with financial institutions with a short-term credit rating of A+ and long-term credit rating of AA- and higher at an international accredited credit rating agency. The group's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the group's customer base and their dispersion across different industries and geographical areas. The group does not have any significant exposure to any individual customer or counter-party. Accordingly, the group does not consider there to be any significant concentration of credit risk that has not been adequately provided for. Trade receivables are presented net of the allowance for impairment.

**Liquidity risk**

The group manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecast cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. In terms of its borrowing requirements, the group ensures that adequate funds are available to meet its expected and unexpected financial commitments. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded.

The group’s risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

**Market risk**

The group is exposed to fluctuating market prices inherent in the purchasing of electricity, water and coal used in the delivery of electricity and water services. The group manages this risk by giving any price increases through to the consumers on an annual basis. An agreement has been entered into with both Eskom and Rand Water that tariff increases occur only once a year.
Interest rate risk management: The group's interest rate profile consists of fixed and floating rate loans and bank balances that expose the Municipality to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

**Financial assets/liabilities**

- Trade and other receivables/payables: At a fixed rate of interest
- Management manages interest rate risk by negotiating beneficial rates on floating rate loans and, where possible, using fixed-rate loans. Management also has a policy of balancing the interest on asset loans with the interest payable on liabilities.

**Fair values**

- The group's financial instruments consist mainly of cash and cash equivalents, trade receivables, investments, trade payables, longterm debt and derivative instruments (interest rate swaps).
- No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are carried at amortised cost. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

**Cash and cash equivalents:** The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities.

**Trade receivables (debtors):** The carrying amount of trade receivables, net of provision for impairment (provision for bad debt), approximates fair value due to the relatively short-term maturity of these financial assets.

**Investments:** Investments are carried at their original cost in the statement of financial position, except for those where the interest received semiannually is capitalised. The fair value of publicly traded instruments is based on quoted market prices for those investments.

**Trade payables:** The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

**Interest-bearing borrowings:** Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis. The fair value of interest-bearing borrowings with variable interest rates approximates their carrying amounts.

**Derivatives (interest rate swaps):** Derivative financial instruments (interest rate swaps) are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

**Capital risk management**

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

There are no externally imposed capital requirements.
SETTLEMENT, CLEARING AND TRANSFER OF NOTES

Capitalised terms used in this section headed “Settlement, Clearing and Transfer of Notes” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Notes listed on the Interest Rate Market of the JSE and/or held in the CSD

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE in uncertificated form will be held in the CSD. A Tranche of unlisted Notes may also be held in the CSD.

Clearing systems

Each Tranche of Notes listed on the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the Applicable Procedures for the time being of the JSE and the CSD through the electronic settlement system of the CSD. Such Notes will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the CSD.

The CSD has, as the operator of an electronic clearing system, been appointed by the JSE to match, clear and facilitate the settlement of transactions concluded on the JSE. Subject as aforesaid each Tranche of Notes which is listed on the Interest Rate Market of the JSE will be issued, cleared and transferred in accordance with the Applicable Procedures and the Terms and Conditions, and will be settled through Participants who will comply with the electronic settlement procedures prescribed by the JSE and the CSD. The Notes may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the Dealer(s).

Participants

The CSD maintains accounts only for Participants. As at the Programme Date, the Participants which are approved by the JSE, in terms of the listing requirements of the JSE, as Settlement Agents to perform electronic settlement of funds and scrip are Citibank N.A. South Africa Branch; FirstRand Bank Limited; Nedbank Limited; Standard Chartered Bank, Johannesburg Branch; Société Générale, Johannesburg Branch; The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear, as operator of the Euroclear System, and Clearstream will settle offshore transfers in the Notes through their Participants.

Settlement and clearing

Participants will be responsible for the settlement of scrip and payment transfers through the CSD, the JSE and the South African Reserve Bank.

While a Tranche of Notes is held in the CSD, the relevant CSD Participant will be named in the Register as the sole Noteholder of the Notes in that Tranche. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD for the holders of Beneficial Interests in such Notes.

In relation to each Person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the Nominal Amount of such Notes standing to the account of such Person shall be prima facie proof of such Beneficial Interest. The relevant CSD Participant (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Nominal Amount of such Notes for all purposes.

Payments of all amounts in respect of a Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or held in uncertificated form will be recorded by the relevant CSD Participant, as the registered Noteholder of such Notes, distinguishing between interest and principal, and such record of
payments by the relevant CSD Participant, as the registered Noteholder of such Notes, shall be *prima facie* proof of such payments.

**Transfers and exchanges**

Subject to the Applicable Laws, title to Beneficial Interest held by clients of Participants indirectly through such Participants will be freely transferable and pass on transfer thereof by electronic book entry in the securities accounts maintained by such Participants for such clients. Subject to the Applicable Laws, title to Beneficial Interests held by Participants directly through the CSD will be freely transferable and pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Beneficial Interests may be transferred only in accordance with the Applicable Procedures.

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 14.2 (*Transfer of Notes represented by Individual Certificates*).

**Records of payments, trust and voting**

Neither the Issuer nor the Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to Beneficial Interests. Neither the Issuer nor the Paying Agent nor the Transfer Agent will be bound to record any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

**BESA Guarantee Fund Trust**

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE or the BESA Guarantee Fund Trust. Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of the Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the BESA Guarantee Fund Trust.

**Notes listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE**

Each Tranche of Notes which is listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the rules and settlement procedures for the time being of that Financial Exchange. The settlement and redemption procedures for a Tranche of Notes which is listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.
SUBSCRIPTION AND SALE

Capitalised terms used in this section headed “Subscription and Sale” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Dealer has in terms of the amended and restated programme agreement dated on or about 22 June 2018, as may be amended, supplemented or restated from time to time (the Programme Agreement), agreed with the Issuer a basis upon which it may from time to time agree to subscribe for Notes or procure the subscription of the Notes.

Selling restrictions

South Africa

Each Dealer has (or will have) represented, warranted and agreed that it (i) will not offer Notes for subscription, (ii) will not solicit any offers for subscription for or sale of the Notes, and (iii) will itself not sell or offer the Notes in South Africa in contravention of the Companies Act, Banks Act, Exchange Control Regulations and/or any other Applicable Laws and regulations of South Africa in force from time to time.

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that it will not make an “offer to the public” (as such expression is defined in the Companies Act, and which expression includes any section of the public) of Notes (whether for subscription, purchase or sale) in South Africa. This Programme Memorandum does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act.

Offers not deemed to be offers to the public

Offers for subscription for, or sale of, Notes are not deemed to be offers to the public if:

(a) made only to certain investors contemplated in section 96(1)(a) of the Companies Act; or

(b) the total contemplated acquisition cost of Notes, for any single addressee acting as principal, is equal to or greater than ZAR1,000,000, or such higher amount as may be promulgated by notice in the Government Gazette of South Africa pursuant to section 96(2)(a) of the Companies Act.

Information made available in this Programme Memorandum should not be considered as “advice” as defined in the Financial Advisory and Intermediary Services Act, 2002.

United States

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the Securities Act) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

(a) the Notes in that Tranche have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in certain transactions exempt from the registration requirements of the Securities Act;

(b) it has not offered, sold or delivered any Notes in that Tranche and will not offer, sell or deliver any Notes in that Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 (forty) Days after completion of the distribution, as determined and certified by the Dealer(s) or, in the case of an issue of such Notes on a syndicated basis, the relevant Lead Manager, of all Notes of the Series of which that Tranche of Notes is a part, within the United States or to, or for the account or benefit of, U.S. Persons;

(c) it will send to each dealer to which it sells any Notes in that Tranche during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. Persons; and
it, its Affiliates and any Persons acting on its or any of its Affiliates’ behalf have not engaged and will not engage in any directed selling efforts in the United States (as defined in Regulation S under the Securities Act) with respect to the Notes in that Tranche and it, its Affiliates and any Persons acting on its or any of its Affiliates’ behalf have complied and will comply with the offering restrictions requirements of Regulation S.

Until 40 (forty) Days after the commencement of the offering of a Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the Securities Act.

**European Economic Area**

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date** it) has not made and will not make an offer of any of such Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of any of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal Persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an **“offer of Notes to the public”** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **“Prospectus Directive”** means Directive 2003/71/EC (and amendments thereto including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression **“2010 PD Amending Directive”** means Directive 2010/73/EU.

Each Dealer has (or will have) represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any commission, fee or non-monetary benefit received from the Issuer complies with the applicable rules set out in the Markets in Financial Instrument Directive 2004/39/EC (as amended, varied or replaced from time to time, including through the implementation of Directive 2014/65/EU (as amended, MiFID II).

**United Kingdom**

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

(a) in relation to any of the Notes in that Tranche which have a maturity of less than one year, (i) it is a Person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any of such Notes other than to Persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act, 2000 (the **FSMA**) by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any of
the Notes in that Tranche under circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any of the Notes in that Tranche in, from or otherwise involving the United Kingdom.

**General**

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to agree that:

(a) it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures the subscription for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscription, offers or sales; and

(b) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement.

Neither the Issuer nor any of the Dealer(s) represent that Notes may at any time lawfully be subscribed for or sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to any exemption available thereunder nor assumes any responsibility for facilitating such subscription or sale.
REGULATORY AND LEGAL

Capitalised terms used in this section headed “Regulatory and Legal” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The comments below are intended as a general guide to the current regulatory and legal environment affecting the Issuer under the laws of South Africa. The contents of this section headed “Regulatory and Legal” do not, however, constitute regulatory and/or legal advice and persons who are in any doubt as to the legal position should consult their professional advisors.

On 1 July 2005, section 179(1) of the MFMA came into force and effect and repealed the Local Government Transition Act, 1993. Under sections 38, 39 and 40 of the MFMA the National Treasury may stop the transfer of funds due to a municipality as: (i) an allocation or (ii) a share of the local government’s equitable share of budgeted funding, but only if the municipality commits a serious or persistent breach of the measures established in terms of section 214(c) or 216(1) of the Constitution of South Africa, 1996.

In terms of section 45 of the MFMA, the Issuer may incur short-term debt only for the purposes referred to in the section headed “Use of Proceeds” of this Programme Memorandum. In terms of section 45, the Issuer may incur short-term debt only if a resolution of the Council, signed by the mayor, has approved the relevant debt agreement. The accounting officer is also required to sign the debt agreement or any other document which creates or acknowledges the debt.

The Council may either approve a short-term debt transaction individually or alternatively, approve an agreement with a lender for a short-term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility.

The Issuer is required to pay off short-term debt within the relevant financial year in which the debt was incurred and may not renew or refinance short-term debt (whether its own debt or that of any other entity) where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

Under sections 46 of the MFMA the Issuer may incur long-term debt only for purposes referred to in the section headed “Use of Proceeds” of this Programme Memorandum.

In terms of section 46 of the MFMA, the Issuer may incur long-term debt only if a resolution of the Council, signed by the mayor, has approved the relevant debt agreement and the accounting officer has signed the agreement or other document which creates or acknowledges the debt.

The Issuer may borrow money for the purpose of re-financing existing long-term debt, provided that the following requirements are fulfilled:

(a) existing long-term debt was lawfully incurred;
(b) the re-financing does not extend the term of the debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed;
(c) the net present value of projected future payments (including principal and interest payments) after re-financing is less than the net present value of projected future payments before re-financing; and
(d) the discount rate used in projecting net present value is reasonable.

The accounting officer of the Issuer must, at least 21 days prior to the meeting of the Council at which approval for the debt is to be considered, make public an information statement setting out particulars of the proposed debt. The particulars must state the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided. In addition, the accounting officer must invite the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the Council in respect of the proposed debt.
The accounting officer must subsequently submit a copy of the information statement to the Council at least 21 days prior to the meeting of the Council, together with particulars of the essential repayment terms, including the anticipated debt repayment schedule and the anticipated total cost in connection with such debt over the repayment period.

**Conditions applying to both short-term and long-term debt**

The Issuer shall only be entitled to incur a debt if the debt is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency. If security is to be provided by the Issuer in terms of section 48 of the MFMA, a Council resolution authorising the provision of security must determine whether the asset or right with respect to which the security is provided, is necessary for providing the minimum level of basic municipal services. If so, the resolution must also indicate the manner in which the availability of the asset or right for the provision of that minimum level of basic municipal services will be protected. A municipality may be authorised by the Council to provide security for any of its or any Municipal Owned Entity’s (under its sole control) debt obligations or in respect of the contractual obligations of the municipality undertaken in connection with capital expenditure by other persons on property, plant or equipment to be used by the municipality or such other person for the purpose of achieving the objects of local government in terms of section 152 of the Constitution.

Sections 135 to 150 of the MFMA provide for discretionary and mandatory provincial and national government intervention in the form of amongst others, preparation and implementation of financial recovery plans which will entail that all revenue, expenditure and budget decisions must be taken within the framework of and subject to the limitations of such recovery plan.

Sections 152 to 155 of the MFMA provides that if a municipality is unable to meet its financial commitments, it may apply to the High Court for an order to:

(a) stay all legal proceedings by persons claiming money from the municipality; or
(b) suspend the municipality’s financial obligations to creditors until the municipality can meet those obligations; or
(c) terminate the municipality’s financial obligations to creditors and to settle claims in accordance with a distribution scheme.

A distribution scheme may not be implemented unless approved by the High Court and it must determine the amount available for distribution, list all creditors with claims which qualify for the purposes of the distribution scheme, indicating which of those are secured and the manner in which they are secured and provide for the distribution of the amount available amongst creditors.
The comments below are intended as a general guide to the relevant tax laws of South Africa as at the Programme Date. The contents of this section headed “South African Taxation” do not constitute tax advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.

Securities Transfer Tax

The issue, transfer and redemption of the Notes will not attract securities transfer tax under the Securities Transfer Tax Act, 2007 (the STT Act) because the Notes do not constitute “securities” as defined in the STT Act. Any future transfer duties and/or taxes that may be introduced in respect of (or applicable to) the transfer of Notes will be for the account of holders of the Notes.

Value-Added Tax

No value-added tax (VAT) is payable on the issue or transfer of the Notes. The issue, sale or transfer of the Notes constitute “financial services” as defined in section 2 of the Value-Added Tax Act, 1991 (the VAT Act). In terms of section 2 of the VAT Act, the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security as well as the buying and selling of derivatives constitute a financial service, which is exempt from VAT in terms of section 12(a) of the VAT Act.

However, commissions, fees or similar charges raised for the facilitation of the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of Notes constitute “debt securities” as defined in section 2(2)(i) of the VAT Act will be subject to VAT at the standard rate (currently 14 percent), except where the recipient is a non-resident as contemplated below.

Services (including exempt financial services) rendered to non-residents who are not in South Africa when the services are rendered, are subject to VAT at the zero rate in terms of section 11(2)(l) of the VAT Act.

Income Tax

Under current taxation law effective in South Africa a “resident” (as defined in section 1 of the Income Tax Act) is subject to income tax on his/her worldwide income. Accordingly, all Noteholders who are “residents” of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any income (including income in the form of interest) earned in respect of the Notes. Non-residents of South Africa are subject to income tax on all income derived from a South African source (subject to domestic exemptions or relief in terms of an applicable double taxation treaty).

Interest income is derived from a South African source if that amount:

(a) is incurred by a person that is a South African tax resident, unless the interest is attributable to a foreign permanent establishment of that resident; or

(b) is derived from the utilisation or application in South Africa by any person of any funds or credit obtained in terms of any form of “interest-bearing arrangement”.

The Notes will constitute an “interest-bearing arrangement”. The Issuer is tax resident in South Africa as at the Programme Date. Accordingly, unless the Notes are attributable to a permanent establishment of the Issuer outside of South Africa, the interest paid to the Noteholders will be from a South African source and subject to South African income tax unless such income is exempt under section 10(1)(h) of the Income Tax Act (see below).
Under section 10(1)(h) of the Income Tax Act, any amount of interest that is received or accrued by or to a Noteholder who, or which, is not a resident of South Africa during any year of assessment is exempt from income tax, unless:

(a) that person is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve month period preceding the date on which the interest is received by, or accrues to, that person; or

(b) the debt from which the interest arises is effectively connected to a permanent establishment of that person in South Africa.

If a Noteholder does not qualify for the exemption under Section 10(1)(h) of the Income Tax Act, an exemption from, or reduction of any South African income tax liability may be available under an applicable double taxation treaty.

Furthermore, certain entities may be exempt from income tax. Purchasers are advised to consult their own professional advisers as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act or under an applicable double taxation treaty.

Under section 24J of the Income Tax Act, broadly speaking, any discount or premium to the principal amount of a Note is treated as part of the interest income on the Note. Interest income which accrues (or is deemed to accrue) to a Noteholder is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day-to-day basis until that Noteholder disposes of the Note or until maturity unless an election has been made by the Noteholder, which is a company, if the Noteholder is entitled under Section 24J(9) of the Income Tax Act to make such election, to treat its Notes as trading stock on a mark-to-market basis. This day-to-day basis accrual is determined by calculating the yield to maturity (as defined in Section 24J of the Income Tax Act) and applying this rate to the capital involved for the relevant tax period. The premium or discount is treated as interest for the purposes of the exemption under section 10(1)(h) of the Income Tax Act.

Section 24JB deals with the fair value taxation of financial instruments for certain types of taxpayers (covered persons). Noteholders should seek advice as to whether these provisions may apply to them.

To the extent the disposal of the Note gives rise to a gain or a loss, the normal principles are to be applied in determining whether such gain or loss should be subject to income tax in terms of the Income Tax Act.

**Capital Gains Tax**

Capital gains and losses of residents of South Africa on the disposal of Notes are subject to capital gains tax unless the Notes are purchased for re-sale in the short term as part of a scheme of profit making, in which case the proceeds will be subject to income tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. In terms of section 24J(4A) of the Income Tax Act an adjusted loss on transfer or redemption will, to the extent that it has previously been included in the taxable income of the holder (as interest), be allowed as a deduction from the taxable income of the holder when it is incurred during the year of assessment in which the transfer or redemption takes place, and accordingly will not give rise to a capital loss.

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a Person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that Person through which a trade is carried on in South Africa during the relevant year of assessment.

Purchasers are advised to consult their own professional advisers as to whether a disposal of Notes will result in a liability to capital gains tax.
Withholding Tax

A final withholding tax on interest is levied at the rate of 15%, applying to interest payments made from a South African source to foreign persons (i.e. non-residents), subject to certain exemptions (see below). South Africa is also a party to double taxation treaties that may provide full or partial relief from the withholding tax on interest, provided that certain requirements are met.

The available exemptions apply in respect of the instrument giving rise to the interest, to the foreign person receiving the interest, or to the person liable for the interest (i.e. the Issuer).

Regarding the exemptions applicable in respect of the instrument, an amount of interest is exempt if it is paid to a foreign person in terms of “listed debt”, being debt listed on a “recognised exchange”, as defined in terms of paragraph 1 of the Eighth Schedule to the Income Tax Act. The Notes may be listed on a recognised exchange. Thus, to the extent that the Notes remain listed on that exchange (and to the extent that that exchange remains a recognised exchange), any interest paid to a foreign person in respect of the Notes will be exempt from the withholding tax on interest. If the Notes are not listed on a recognised exchange, then the interest paid to a foreign person will not be exempt from the withholding tax on interest unless another exemption is applicable.

Regarding the exemptions applicable in respect of the foreign person receiving the interest, an amount of interest is exempt if –

(a) that foreign person is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve month period preceding the date on which the interest is paid;

(b) the debt claim in respect of which that interest is paid is effectively connected with a permanent establishment of that foreign person in South Africa, if that foreign person is registered as a taxpayer in terms of the Tax Administration Act, 2011; and

(c) The foreign person submits a declaration confirming their exemption to the person liable for the payment of the interest before payment of the interest is made.

If a foreign person does not qualify for the above exemption, then any interest paid to that foreign person will not be exempt from the withholding tax on interest unless another exemption is applicable.

Regarding the exemptions applicable in respect of the person liable for the interest, none of these will be applicable in respect of the Issuer. Thus, if the exemptions in respect of listed debt and foreign persons above are not applicable, then any interest paid to a foreign person will not be exempt from the withholding tax.

Definition of Interest

The references to “interest” above means “interest” as understood in South African tax law. The statements above do not take account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the Terms and Conditions or any related documentation.
SOUTH AFRICAN EXCHANGE CONTROL

Capitalised terms used in this section headed “South African Exchange Control” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The information below is intended as a general guide to the position under the Exchange Control Regulations as at the Programme Date. The Exchange Control Regulations are subject to change at any time without notice. The contents of this section headed “South African Exchange Control” do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.

Non-South African resident Noteholders and emigrants from the Common Monetary Area

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the applicable Terms and Conditions may be subject to the Exchange Control Regulations.

Emigrant Blocked Rands

Blocked Rands may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rands may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account.

Emigrants from the Common Monetary Area

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed “non-resident”. Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant’s blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD, the securities account maintained for such emigrant by the relevant Participant will be designated as an “non-resident” account.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder’s Blocked Rand account, as maintained by an authorised foreign exchange dealer. Interest payments are freely transferable and may be credited to the emigrant’s non-resident Rand account. Capital amounts in respect of principal are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

Non-residents of the Common Monetary Area

Any Individual Certificates issued to Noteholders who are non-resident in the Common Monetary Area will be endorsed “non-resident”. In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the CSD, the securities account maintained for such Noteholder by the relevant Participant will be designated as a “non-resident” account.

It will be incumbent on any such non-resident Noteholder to instruct the non-resident’s nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa or Rand from a non-resident Rand account and provided that the relevant Individual Certificate has been endorsed “non-resident” or the relevant securities account has been designated as a “non-resident” account, as the case may be.

The Issuer is domiciled and incorporated in South Africa and as such is not required to obtain exchange control approval.

For purposes of this section, Common Monetary Area means South Africa, Lesotho, Namibia, and Swaziland.
GENERAL INFORMATION

Capitalised terms used in this section headed “General Information” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa, including but not limited to the MFMA as at the Programme Date have been given for the update of the Programme and the issue of Notes, to the extent applicable, and for the Issuer to undertake and perform its obligations under the Programme Memorandum and the Notes.

Listing

The Programme Memorandum was approved by the JSE on or about 22 June 2018. Notes to be issued under the Programme may be listed on the Interest Rate Market of the JSE or any other Financial Exchange. Unlisted Notes may also be issued under the Programme Memorandum.

Documents Available

So long as the Notes are capable of being issued under the Programme, copies of the documents incorporated under the section headed “Documents Incorporated by Reference” will, when published, be available at the registered office of the Issuer as set out at the end of this Programme Memorandum. This Programme Memorandum, any supplement and/or amendment hereto, the Applicable Pricing Supplements relating to any issue of listed Notes and the published audited annual financial statements of the Issuer will also be available on the Issuer’s website at www.tshwane.gov.za and this Programme Memorandum, any supplement and/or amendment hereto and the Applicable Pricing Supplements relating to any issue of listed Notes will be available on the JSE’s website www.jse.co.za.

Material Change

As at the Programme Date, and after due and careful inquiry, there has been no material change in the financial or trading position of the Issuer since the date of the Issuer’s latest audited financial statements. As at the Programme Date, there has been no involvement by the Auditor General in making the aforementioned statement.

Litigation

Save as disclosed herein, neither the Issuer, nor any of its respective consolidated Municipal Owned Entities is or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had a significant effect on the financial position of the Issuer or its consolidated Municipal Owned Entities.

Auditor

The Auditor General of South Africa has acted as the auditor of the published consolidated annual financial statements of the Issuer for the financial periods ended 30 June 2015, 2016 and 2017 and in respect of those periods, have issued unmodified audit reports.
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