



SUSTAINABILITY OVERVIEW 2016

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This icon indicates where further information on a matter can be found elsewhere in this report.



This icon indicates where further information or supplementary reports can be found online www.aveng.co.za



Water treatment plant, eMalahleni Project, Mpumalanga

Boundary and scope of report

Aveng recognises that it needs financial stability and all round sustainability to succeed in creating value for its stakeholders.

Reporting philosophy and approach

This sustainability overview provides our stakeholders with a view of Aveng's sustainability focus areas, impacts and the management of these, as well as the Group's performance for the financial year from 1 July 2015 to 30 June 2016.

Our 2016 sustainability overview is available as a separate downloadable document on our website at www.aveng.co.za/sustainability/. As part of our evolving approach to corporate reporting, we have streamlined the integrated report in line with the recommendations contained in the King Code of Governance Principles for South Africa 2009 (King III) and the principles and elements contained in the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework V1.0.

For the 2016 financial year, a suite of reports has been made available to stakeholders, as explained in the table on page 3 for ease of reference. As Aveng improves its data systems (currently a commitment on the safety, health and environment roadmap) and embeds appropriate responses to group sustainability risks and opportunities into core business processes and management, further reflection of the Group's integrated thinking will be evident in its integrated reporting.

The 2016 sustainability overview builds on Aveng's 2015 report. There have been no significant changes in boundaries or scope during the reporting period. Where any restatements or changes in measurement methods have taken place, these are described in the relevant report section. The boundary of this overview is the Aveng Group as portrayed on page 7 of the 2016 integrated report at www.aveng.co.za, and in instances where reporting extends to other entities or groups of entities outside of the Group, this is disclosed in the relevant

section. Any limitations to this boundary, for whatever reason, are indicated as such where applicable. For instance, the reporting boundary of the environmental performance information disclosed represents approximately 70% coverage across all operating groups that currently have systems in place to generate this information.

Sustainability in one form or the other touches every aspect of our business and is therefore critical to our success. We are transparent about our commitments, standards and performance requirements and report annually on our progress through our sustainability overview that follows, set out in the sections outlined below:

- Safety (pages 6 to 10)
- Health and wellness (pages 12 to 14)
- Environment (pages 16 to 21)
- Human resources (pages 22 to 31)
- South Africa transformation (pages 32 to 38)
- Corporate social investment (pages 39 to 42).

We have provided insight into the context and focus areas in each section, and identified and correlated relevant stakeholder concerns and risks with actions Aveng executes across the Group. A review of performance against targets (where applicable) and prior periods has been provided at a group level and, where necessary, cascaded down to operating group level.

Further safety, environment and human resource information is provided in the operating group reports in the 2016 integrated report at www.aveng.co.za.

Aveng is not aligned to one single sustainability reporting framework, but rather draws on multiple frameworks and guidelines, such as the Global Reporting Initiative, the Carbon Disclosure Project, the Greenhouse Gas Protocol, the Water Disclosure Project, the JSE Socially Responsible Investment Index and various other laws or requirements relevant to our operations relating to environmental and

occupational health and safety matters. Our aim is to enhance our sustainability reporting guided by ongoing reporting improvement in our reporting process. Our sustainability information has been prepared in accordance with our internally developed guidelines, which are available on request from Aveng.

Governance

Sustainability forms part of the Board's roles and responsibilities.

The primary activities undertaken in 2016 by the social, ethics and transformation committee and the safety, health and environmental committee were as follows:

— Social, ethics and transformation committee

The social, ethics and transformation committee provides independent oversight by reviewing actions of the Board through an ethical lens and being accountable for specific areas within its mandate. The committee proactively reviews management actions and efforts to comply with relevant legislation and charters and apply the principles of the King III Report. This includes the review and recommendation, for approval by the Board, of policies, strategies and plans for management implementation, to ensure that the Company and the Group comply with the generic codes of good practice and the Construction Sector Code and targets aligned to the Department of Trade and Industry's B-BBEE Codes of Practice.

— Safety, health and environmental committee

The safety, health and environmental (SHE) committee ensures that the Aveng priority of "Home without Harm, Everyone Everyday" is upheld. While the committee is satisfied that it complied with its charter, it recognises that more work needs to be done to prevent avoidable accidents. The committee has developed a work plan to assist it in discharging its functions and this work plan is reviewed annually. Functions include embedding safety management systems, enhancing visible leadership and high-consequence activity protocols, and continuing with the near-miss and significant incident management programmes.

Boundary and scope of report continued

Safety is the first item of discussion on all board and operating group management agendas.

In the year under review, visible safety leadership was maintained and transport safety initiatives were implemented in the operating groups.

A penalty specific to the safety KPI impacts the bonus of all operating group managing directors, linking remuneration as an incentive to better results. An integrated SHE policy was approved by the Board in 2015 and reviewed in 2016.

In 2016 the Group commenced with the reporting of monitored incidents. These relate to the loss of lives in incidents that were not under the direct control of Aveng. The Group takes any loss of life seriously and strives for improvements in safety wherever possible.

@ Refer to www.aveng.co.za for the full corporate governance report.

The Aveng SHE Forum, which is chaired by the group SHE manager and comprises all operating group SHE executives, reviews performance, launches new initiatives and ensures that good practice and lessons are shared across the Group.

Material SHE matters

The Aveng SHE Forum conducted workshops to determine material SHE matters, which comprise:

- Compliance with SHE legislation and other requirements
- SHE incident management
- Subcontractor management
- Climate change implications
- Employee wellbeing.

The sustainability overview was approved for release on 19 September 2016.

Assurance

The King Code of Governance advocates that sustainability reporting and disclosure should be independently assured. The ultimate aim of governance is assurance: comfort that the Group complies with relevant legislation and good practice (compliance); confidence that there are no material control breakdowns (internal and external assurance); assurance that risks are managed (risk management); and a positive assertion that the organisation is operating with integrity and fairness (ethics management).

@ Refer to www.aveng.co.za for the full corporate governance report.

As part of the audit committee's responsibilities, it reviewed and recommended the approval of an appropriate external assurance provider in respect of the material elements of the sustainability overview. Ernst & Young Inc. has assured selected performance information in this report.

▲ The scope of the assurance, selected performance information and independent assurance report can be found on pages 4 and 5 of this report.

Suite of reports and interaction between reports

The 2016 sustainability overview complements the 2016 integrated report by providing more detailed disclosures on Aveng's sustainability performance. Certain topics, such as the organisational overview and business model, stakeholder engagement, risk management and material matters, as well as strategy are disclosed in the 2016 integrated report. Throughout the sustainability overview, references are provided to where further detail can be obtained from the suite of reports.

The Aveng DNA defines our aspirational culture, values and desired behaviour and is the underlying foundation for all of our people management key focus areas.



Boundary and scope of report continued

Aveng 2016 suite of reports

	Integrated report	Audited consolidated annual financial statements	Sustainability overview	Corporate governance	Annual general meeting documents
Contents	Concise communication focused on Aveng's material issues, performance and outlook for sustained value creation.	<ul style="list-style-type: none"> Audit committee report Directors' report Report of the independent auditors Audited consolidated financial statements. 	<ul style="list-style-type: none"> Safety Health and wellness Environment Human resources Transformation Corporate social investment Independent assurance report on selected sustainability information. 	<ul style="list-style-type: none"> Full corporate governance report King III compliance register. 	<ul style="list-style-type: none"> Our code of business conduct Salient features Commentary Extract from summarised audited consolidated financial statements Notice of annual general meeting Form of proxy Notes to the form of proxy Shareholders' diary Corporate information.
Relationship of information between suite of reports	Relevant cross-references to more comprehensive information across the suite of reports.	A summarised audited consolidated set of financial statements has been extracted from the audited consolidated financial statements and included in the integrated report as an appendix.	Key elements of the above information have been incorporated into the executive and operational reviews of the integrated report.	An abridged version of the full corporate governance report has been included in the integrated report.	This statutory information accompanies the integrated report and is posted to shareholders prior to the annual general meeting.
Frameworks and guidelines applied	<ul style="list-style-type: none"> The King Code of Governance for South Africa (2009) (King III) IIRC International Integrated Reporting Framework V1.0 Companies Act 71 of 2008 (Companies Act) JSE Listings Requirements. 	<ul style="list-style-type: none"> International Financial Reporting Standards (IFRS) Companies Act JSE Listings Requirements. 	<ul style="list-style-type: none"> Aveng safety, health and environment and human resource policies and frameworks Carbon Disclosure Project (CDP), Water Disclosure Project (WDP) and Greenhouse Gas (GHG) protocol JSE Socially Responsible Investment Index (SRI) B-BBEE Codes of Good Practice Construction Sector Charter. 	<ul style="list-style-type: none"> King III Companies Act JSE Listings Requirements. 	<ul style="list-style-type: none"> King III Companies Act JSE Listings Requirements.
Assurance	The Board, assisted by the audit committee and other sub-committees, oversees the integrated reporting process.	<ul style="list-style-type: none"> External audit opinions Internal audit Internal controls Management and governance oversight. 	<ul style="list-style-type: none"> Internal audit Limited assurance on selected metrics BEE verification. 	<ul style="list-style-type: none"> Internal audit Annual board assessments. 	<ul style="list-style-type: none"> Internal controls Management and governance oversight.
Web link	www.aveng.co.za				



Independent limited assurance report

Independent limited assurance report to the directors of Aveng Limited

Scope of our limited assurance engagement: specified key performance indicators

We have performed our limited assurance engagement in order to state our conclusion whether anything has come to our attention that causes us to believe that selected key performance indicators (KPIs) specified in our report below (specified KPIs), as presented in the 2016 sustainability overview of Aveng Limited (Aveng) for the year ended 30 June 2016 (the report), are not prepared, in all material respects, in accordance with the measurement criteria specified by the management of Aveng for reporting the specified KPIs as set out below (the criteria).

This engagement was conducted by a multi-disciplinary team including environmental and assurance specialists with relevant experience in sustainability reporting and sustainability assurance engagements.

Subject matter

The subject matter of our limited assurance engagement is the seven KPIs specified below, which are marked with a (A) on the relevant pages in the report. These KPIs were prepared by the management of Aveng applying management's specified measurement criteria for reporting each KPI (criteria). Further information about these measurement criteria accompanies the performance information set out on the relevant pages of the report.

Directors' responsibilities

The directors are responsible for the preparation and presentation of these KPIs in the report in accordance with the criteria, and for the selection of methods used to apply these criteria. We have not been engaged to express any opinion or conclusion about whether the methods selected by management to measure the criteria are appropriate for the purpose of reporting the specified KPIs in the report, and accordingly we do not express any such opinion or conclusion in relation thereto.

Category	Selected KPIs	Coverage
Transformation	1. Number of employees by designation in top, senior, middle and junior management	■ SA only
Environment	Carbon footprint: 2. Scope 1 – diesel consumption 3. Scope 2 – purchased electricity	■ SA ■ Australia
Health and safety	4. Injury frequency rates (IFR) (all and lost-time IFR) 5. Noise-induced hearing loss (NIHL)	■ SA ■ Australia
Community	6. Corporate social investment (CSI) trust spend (R)	SA Australia

Further responsibilities of the directors include the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance relevant to the preparation and presentation of the selected KPIs in the report.

The directors are also responsible for preparation of the information pertaining to specified greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: *A corporate accounting and reporting standard* (GHG Protocol).

In addition, the directors' responsibilities include the design, implementation and maintenance of internal control relevant to the preparation of the specified greenhouse gas emissions, and the preparation and presentation of the specified KPIs in the report, free from material misstatement whether due to fraud or error.

Inherent limitations

Non-financial performance information is subject to inherent limitations given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information.

GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our independence and quality control

We have complied with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on

fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Ernst & Young Inc. applies the *International Standard on Quality Control 1* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the specified KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the *International Standard on Assurance Engagements (ISAE) 3000 (revised)*, *Assurance Engagements other than Audits or Reviews of Historical Financial Information* and in accordance *ISAE 3410 Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform our engagement to obtain limited assurance about whether the selected KPIs are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (revised) and ISAE 3410 involves assessing the suitability in the circumstances of the criteria used by the management of Aveng as the basis of preparation of the specified KPIs, assessing the risks of material

Independent limited assurance report continued

misstatement of the selected KPIs whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the specified KPIs.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including obtaining an understanding of internal control relevant to the preparation of information used to prepare the specified KPIs solely for the purpose of determining the nature and extent of our procedures, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included enquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and their selection and application of sustainability reporting policies relevant to the sustainability reporting process
- Inspected documentation to corroborate the statements of management and senior executives in our interviews
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected KPIs
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria
- Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the directors in the preparation of the specified KPIs, and
- Evaluated whether the presentation of the specified KPIs in the report is consistent with our overall knowledge and experience of sustainability management and performance at Aveng Limited.

Our procedures did not include testing controls or performing procedures in relation to checking aggregation or calculation of data within IT systems, which would have been done had we been engaged to perform a reasonable assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and form, and are less in extent than for a reasonable assurance engagement. As a result the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the specified KPIs are prepared, in all material respects, in accordance with the criteria.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the specified KPIs identified above in the subject matter paragraph, as presented in the report are not prepared, in all material respects, in accordance with the criteria.

Other matters

Our report does not extend to any disclosures or assertions relating to future performance plans and / or strategies disclosed in the report.

The maintenance and integrity of Aveng Limited's website is the responsibility of management of Aveng. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes either to the selected KPI information as presented in the report or to our report for our independent limited assurance engagement that may have occurred since the initial date of presentation on the Aveng website.

Restriction of liability

Our work has been undertaken to enable us to report our limited assurance conclusion on the specified KPIs to the directors of Aveng in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than Aveng Limited, for our work, for this report, or for the conclusion we have reached.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Louis van Breda
Registered Auditor
Chartered Accountant (SA)
102 Rivonia Road
Sandton
2196

19 September 2016

Safety

Safety is a core value of Aveng and is integral to the way the Group conducts its business. Aveng has a structured, risk-based approach to safety management and is continuously improving the culture of safety across all of its operations. The Group recognises that it can only achieve the safety vision of “Home Without Harm, Everyone Everyday” if each employee adopts it as a personal value and if leaders visibly demonstrate their commitment to safety. The Aveng DNA enables and supports this process.



The meerkat has been selected as a symbol of “safety mindedness.”

A combined safety, health and wellness, and environmental (SHE) management policy, available at www.aveng.co.za, was adopted by Aveng in 2015 and reviewed in 2016. It has been clearly communicated to the operating groups, all of which implement an annual safety plan aligned with the group policy and their own requirements. Aveng’s safety approach is further enhanced by the safety framework which details the safety standards applicable to the operating groups. The standards define what each operating group should develop and implement. Apart from the operating group-specific safe operating procedures, the operating groups have also developed and entrenched lifesaving rules which are non-negotiable “cardinal” rules associated with behaviours and operating standards.

The Group’s culture of near-miss reporting and visible leadership remained strong during the period under review, contributing to an ongoing improvement in safety performance. All operating groups implemented planned risk-based audits and inspection programmes to monitor the implementation of operational controls for high-consequence activities and compliance with legal and client requirements on sites and premises.

The certification of safety and health management systems progressed well during the year.

The following operations were recertified during the year:

- All Aveng Grinaker-LTA business units
- All Aveng Steel business units
- The Plant and Assets division of Aveng Grinaker-LTA achieved its OHSAS 18001 certification in August 2016
- The safety and health management systems of the merged operations in Aveng Mining (formerly Aveng Shafts & Underground and Aveng Moolmans) are being integrated.

The Aveng Board and safety, health and environmental committee, enabled by the corporate SHE office, provide policy direction, oversight, implementation of the SHE frameworks and identification of risks and opportunities to improve the Group’s approach to SHE.

Key focus areas

Aveng has identified key safety focus areas across its diverse range of businesses. These focus areas are prioritised in the operating groups’ safety management programmes. They include:

- Strengthening the learning and communication culture of Aveng
- Improving transport risk management on public roads

- Improving employee and public safety on road construction or maintenance contracts
- Managing the implications of the 2014 Construction Regulations for the safety of clients, designers, safety agents, principal contractors, subcontractors and construction health and safety practitioners
- Continued entrenchment of lifesaving rules, supporting standards and critical behaviours
- Professional registration and further training of construction health and safety practitioners.

Aveng reports on key safety performance indicators informed by external guidelines, its internal standards and industry practice.

2016 Salient features

Overall improvement in safety performance:

- No lives lost under direct Aveng supervision (2015: 4)
- Five monitored incidents* resulting in the loss of eight lives
- 22% improvement in all injury frequency rate to 2,7 (2015: 3,5)
- 8% improvement in lost-time injury frequency rate to 0,22 (2015: 0,24)
- Resilience in near-miss reporting with 12 798 reported, of which approximately 88% were addressed (2015: 29 555; 96% addressed). This decrease is attributed to fewer projects
- More than 90% of Aveng operations achieved OHSAS 18001 certification (by headcount)
- 729 leadership visits by managing directors and their direct reports (2015: 903). This decline is attributed to the strong focus on measures undertaken to mitigate the impact of difficult market conditions. Business unit level senior managers continue to conduct visible felt leadership visits or visiting manager reports in their respective units.

** Prior to 2016 monitored incidents were not reported.*

HOME WITHOUT HARM
EVERYONE EVERYDAY

Safety continued

Performance area	2016	2016 target	2015	2014	2013
Lives lost under Aveng supervision	0	0	4	6	6
All injury frequency rate (AIFR) (A)	2,7	2,99	3,5	3,8	4,5
Lost-time injury frequency rate (LTIFR) (A)	0,22	0,20	0,24	0,22	0,24
Number of safety leadership visits by senior management	729	Three quarterly per executive	903	801	995
% operations with OHSAS 18001 certification (by headcount)	>90	>95	70	>95	>95

(A) This item was the subject of the limited assurance engagement performed by EY (refer to assurance report on pages 4 and 5).

Safety impacts and management

Aveng has identified its main safety stakeholders as employees, clients, agents, suppliers, contractors and the authorities responsible for ensuring compliance with safety regulations. Their key safety concerns and the requirements and actions taken to address them are reported in the table below:

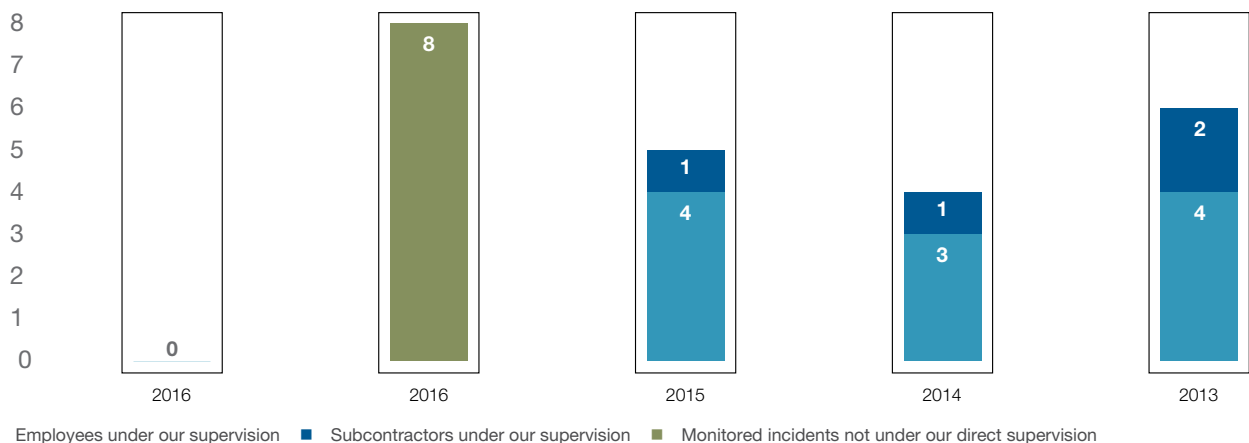
Stakeholder	Concern	Impact on business	Actions
Employees	<ul style="list-style-type: none"> Safe workplace No injuries to workers 	<ul style="list-style-type: none"> Reduced productivity Low worker morale 	<ul style="list-style-type: none"> Safety policies, systems and procedures to minimise risks are reviewed by executive management and external verification bodies Each operating group has an experienced safety professional who provides advice and support, and undertakes regular reviews Encouraging a reporting and learning culture Compliance reviews and audits Sharing of leading practices, enabled by Aveng SHE forum Consultative discussion about future legislative amendments and practical challenges in implementation. Engagements through formal structures such as SAFCEC and Master Builders of South Africa.
Clients	<ul style="list-style-type: none"> Injury-free operations on projects 	<ul style="list-style-type: none"> Reputational damage 	
Agents	<ul style="list-style-type: none"> Compliance with 2014 Construction Regulations and OHS Act 	<ul style="list-style-type: none"> Delays in project execution Poor relationship with clients 	
Authorities	<ul style="list-style-type: none"> Compliance with legislation High accident rates in construction industry 	<ul style="list-style-type: none"> Work stoppages Potential criminal prosecutions 	

Safety performance

Employee lives lost

No lives were lost under the direct management and control of Aveng. Regrettably, however, five monitored incidents resulted in the loss of eight lives. These are categorised as monitored incidents in our internal records and are investigated with the same rigour as if they were in our control.

Lives lost

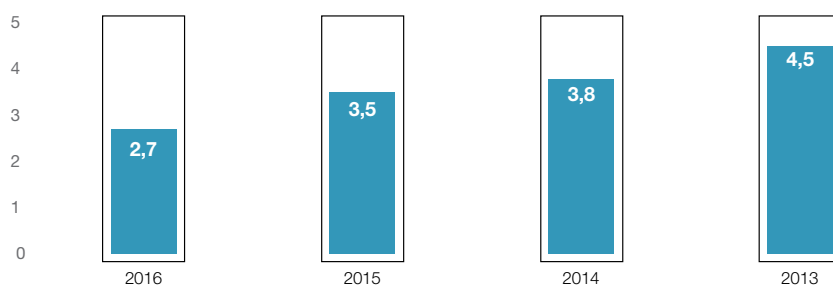


Safety continued

All injury frequency rate

Aveng recognises that trends in lost-time injuries (LTIs) are not a complete reflection of safety performance and therefore reports on the more holistic indicator, the all injury frequency rate (AIFR). This indicator includes all types of injuries ranging from first aid to lives lost. During 2016, 1 079 injuries on duty occurred, 89 of which were LTIs. This resulted in an AIFR of 2,70 which is below the tolerance level of 2,99 set for the year and demonstrates a significant improvement in safety performance compared to the 2015 AIFR of 3,5. The total number of injuries on duty during 2015 was 1 878.

AIFR trend (per 200 000 hours)



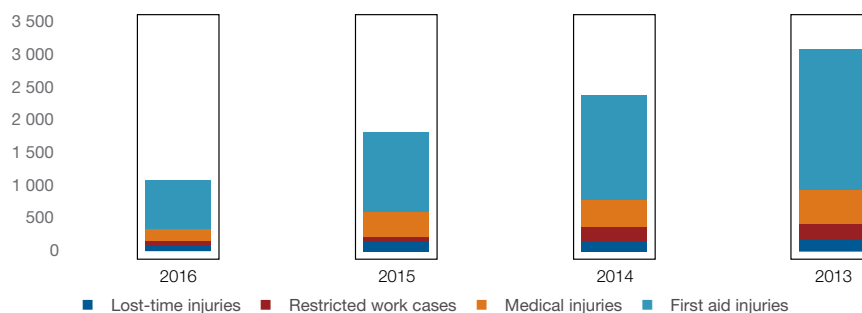
Lost-time injury frequency rate

Aveng did not meet its lost-time injury frequency rate (LTIFR) tolerance level of 0,20 and recorded 89 LTIs which resulted in a LTIFR of 0,22 in 2016 (2015: 0,24).

There was a consistent reduction in frequency rates during 2016.

The breakdown of all injuries into typical categories over the past four years indicates a marginal improvement compared to previous years and continuous improvement in total injuries.

All injuries per injury classification



Reporting and learning culture

Efforts to improve near-miss reporting continued throughout the Group. 12 798 near-misses were reported, approximately 88% of which were addressed at the site or at premises where they occurred, ensuring that responsibility and ownership remains where it belongs at site level.

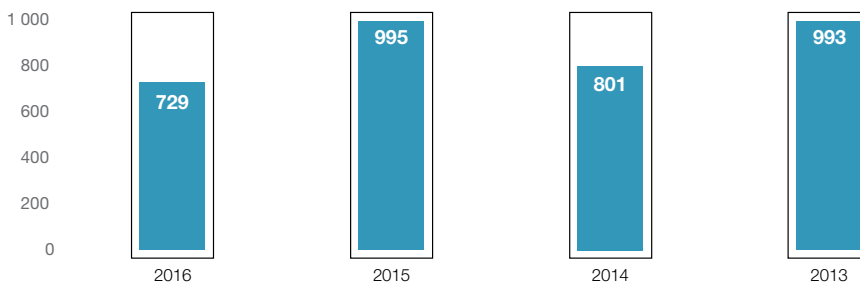
The safety, health and wellness and environmental culture maturity assessment framework developed in 2015 was implemented at Aveng Grinaker-LTA and outcomes of the assessment were addressed through an action plan which strengthens the SHE culture by improving involvement in site SHE meetings, coaching in decision-making, incident investigation, visible leadership, communication and processes and procedures. The framework will be implemented across the Group. The experience gained from the completed assessment will be used to identify and improve culture throughout the Group.

Safety continued

Ensuring executive leadership engagement with the workforce

Visible leadership visits to project sites and fixed facilities are an important leading indicator for Aveng. The general trend over the last four years has improved throughout the Group, indicating entrenchment of the visible felt leadership culture. Visits and visiting manager reports by executive and senior managers at business units are included in the operating group reports. To continue strengthening the execution of visible felt leadership (VFL) and visiting manager reports (VMRs), the group SHE manager presented an enhanced procedure to the Aveng executive committee, outlining how to conduct a VFL or VMR effectively.

Executive management leadership visit trend



Lives lost beyond the control of Aveng (monitored incidents)

Monitored incidents are significant incidents, including loss of lives or serious injuries and property damage. These incidents may occur in circumstances that are not under the management or control of Aveng. This category excludes public incidents and incidents to be reported as prescribed. The recorded number relates to the number of incidents where Aveng or subcontractor employees have been affected, such as in traffic-related incidents. These incidents do not form part of the Group's SHE performance statistics but are recorded and reported for purposes of learning.

In 2016, eight lives were lost due to circumstances beyond the control of Aveng.

Safety management systems

All operating groups are required to have systems in place to identify, manage and effectively respond to foreseeable safety risks. Approximately 90% (by headcount) of the operating group's safety management systems comply with externally verified health and safety systems. Standards complied with include:

- AS / NZS 4801:2001 Occupational health and safety management systems (Australia)

- BS OHSAS 18001:2007 Occupational health and safety management systems.

The following Aveng operations do not have OHSAS 18001 certification:

- International factories and warehouses of Aveng Manufacturing in Zambia, Swaziland and Mozambique. Plans have been developed to implement systematic frameworks based on the OHSAS 18001 standard at these factories. Once entrenched, independent audits towards certification will be considered
- REHM-Grinaker (Mauritius).

In 2016, 9 972 audits were raised while 8 085 (81%) of the audit findings were addressed.

SHE IT tool

McConnell Dowell is implementing CMO™ as an IT tool for SHE risk issues tracking, auditing, incident investigation, compliance management and reporting.

Aveng Grinaker-LTA is in the process of implementing a local Doc-wise SHEQ information management system.

A common reporting platform has been developed for the other operating groups to report SHE indicators from 2017. This platform will be accessible via SharePoint

and is linked to Business Intelligence (BI) and SAP HCM to enable analysis of trends. These tools should improve SHE data accuracy, completeness and validity and reduce human errors. In addition, the tools will provide an auditable trail of data entries and amendments.

Managing transport safety risks

As part of ongoing discussions with the South African National Roads Agency Limited (SANRAL) and South African Forum of Civil Engineering Contractors (SAFCEC) on improving support for traffic inspectorates during construction or maintenance work, Aveng Grinaker-LTA submitted a position paper to emphasise the risk exposure during road construction and maintenance projects, mainly in southern Africa.

In summary, the position paper stated that construction involves many labour-intensive tasks and in road construction this creates numerous hazardous situations at the interface between road users and construction personnel. Most construction zones on public roads are well demarcated and maintained by the agents of the relevant engineers and contractors. However, this does not mitigate the risk of vehicles travelling at speeds inappropriate for these zones. As a result, any loss of control of a vehicle in such a situation has a high probability of severe consequences for human life and / or property. Without strict enforcement of the provisions of the Road Traffic Act, little to no protection is offered to construction personnel and other members of the public. For example, the road construction contract on the N1 Free State (Ventersburg to Kroonstad) in South Africa has experienced 11 motor vehicle accidents which resulted in seven serious injuries and the loss of nine lives of members of the public.

The position paper requested that the South African National Prosecuting Agency (NPA) enforce the prosecutor provisions of the Road Traffic Act. SAFCEC supported this submission and added an industry endorsed letter to the NPA emphasising the benefits of appropriate enforcement of the provisions in the Road Traffic Act. In addition, SAFCEC requested clarity in the

Safety continued

mandates and responsibilities of the local, provincial and national policing authorities as well as the road agencies in the country. SANRAL subsequently confirmed that the temporal traffic signs on or near road closures are legally enforceable.

Managing high-consequence activities

The following initiatives were implemented to improve transport-related safety:

■ Operators risk-based driver training

This training ensured that all operators understand the plant and equipment they operate. Emphasis was placed on pre-operation checks and ensuring that operators know what to look for when completing a checklist and identifying

associated risks. In commentary-based driving, the instructor and other course attendees drove with the operators, observing their actions and providing running commentary on matters such as vehicle and load dynamics in relation to driving conditions. This training was extended to employees of subcontractors and service providers, such as taxi and bus operators.

A report on areas that require attention was provided. These include workshops failing to address problems on machines timeously and allowing them to worsen progressively, a general lack of understanding of the plant and the

importance of the pre-shift inspections, and operators receiving permits to drive machines without the necessary driving competence.

■ Office staff risk assessment driver training

All of the Aveng Grinaker-LTA Civil Engineering staff who do not operate machines or company vehicles but do drive received a compulsory four-hour training session covering situational awareness and risk assessment, vehicle forces and dynamics, the need to conduct pre-inspections for machines and passenger vehicles and case histories of major incidents.

Looking ahead

Focus areas for the year ahead	Desired outcomes	Actions
<i>Continued focus on developing a resilient learning culture</i>	Develop formal case studies and disseminate lessons learnt from significant or high-potential incidents	<ul style="list-style-type: none"> ■ Revise Aveng's significant incident investigation and management procedure ■ Provide a template for generating case studies from potential or actual significant incidents.
<i>Entrench continued improvement in safety performance</i>	10% or greater improvement in the average two-year AIFR	<ul style="list-style-type: none"> ■ Set targets for job observations by senior managers and SHE practitioners to determine adherence to standard operating procedures (SOP) ■ Assess continued suitability of SOP and ergonomics related to task and work environment.
<i>Continued focus on demonstrating visible leadership in safety</i>	All planned leadership visits effectively completed by senior management	<ul style="list-style-type: none"> ■ Provide training for Aveng executive committee on how to conduct VFLs effectively and test the learning during a site visit in 2017.
<i>Continued management of subcontractor and service provider safety</i>	Zero lives lost involving subcontractors and service providers	<ul style="list-style-type: none"> ■ Centre-led procurement has invested in software to enable pre-qualification evaluation and on-the-job auditing of subcontractors.
<i>Continued management of high-consequence activities</i>	Zero lives lost involving employees, subcontractors and service providers	<ul style="list-style-type: none"> ■ Roll-out Achilles software group-wide and supplement with SHE audit reports on subcontractor performance on projects.
<i>Management of SHE incidents</i>	Operating group focus on implementing procedures and associated training to address SHE high-consequence activities, improve root and generic cause analysis and share lessons learnt from SHE incidents.	<ul style="list-style-type: none"> ■ Revise Aveng's significant incident investigation and management procedure ■ Provide a template for generating case studies from potential or actual significant incidents ■ Schedule incident investigation technique training for senior SHE operations managers.



Health and wellness

Aveng seeks to ensure that the highest practical standards of health and wellness behaviour and performance are adopted and achieved across the Group. Aveng's vision for the health and wellness of its employees is "Home Without Harm, Everyone Everyday". This vision is becoming entrenched through the continuous raising of awareness about health and wellness practices so that they become ingrained in our values.

Health and wellness are core enablers for safety. Aveng understands that its employees' health and wellness impacts the Group's safety and production performance, and that its operations impact employees. Therefore robust systems, policies and procedures are necessary to manage this impact.

The Aveng DNA supports this culture and provides a blueprint for the way the Group conducts business, engages stakeholders and empowers employees to ensure personal and organisational success.

Management has made progress in operationalising the strategic pillars of the Aveng health and wellness framework which flows from the integrated safety, health and wellness, and environment (SHE) policy adopted in 2015 and implemented across all operating groups. The framework entrenches an understanding of the effects of work on health and the impact of individual employee wellbeing on work. The three strategic pillars are:

- HIV / Aids and TB management
- Occupational health
- Employee wellness

@ The SHE policy is available at www.aveng.co.za.

Each operating group develops and manages its own health and wellness programmes and procedures within the guidelines of the Group's framework. Regular meetings between the human resources and SHEQ teams in the operating groups ensure that the impact of health on safety is fully understood and managed. This includes review of absenteeism rates, incapacity and ill health cases. Regular reviews of the health and wellness strategy are undertaken in each operating group to evaluate impact and return on investment.

Aveng has engaged with its occupational health service providers to ensure that they meet legal requirements and the Group's standards to create a proactive medical surveillance programme.

Key focus areas

As part of its journey to further operationalise the health and wellness framework, Aveng prioritises the following areas of focus:

- Ongoing engagement with occupational medical service providers to ensure a proactive risk-based occupational health programme. This includes the active monitoring of the Group's ill health profile (2016: 10% of our workforce) to ensure that we are managing employees with restrictions or limitations in a proactive manner
- Creating opportunities for HIV / Aids and TB counselling and testing
- Management of noise induced hearing loss cases and employee exposure to excessive noise
- Improving the rate of employee engagement with the employee wellbeing programme (EWP) while enhancing the quality of service and cross-referral with the occupational health programme
- Ensuring appropriate transfer of health information management records to an electronic system.

2016 Salient features

Performance area	2016	2015	2014	Industry benchmark
Occupational health examinations	20 915	25 592	29 739	N / A
Ill health profile* (outcome of medical testing) (%)	10,9	6,8	N / A	30*
HIV counselling and testing (HCT)** employees	2 104	3 068	4 301	N / A
Noise induced hearing loss (NIHL) (A)	25	48	35	18%*** 458 600
EWP engagement rate (%)	10,8	9,3	9,3	12

(A) This item was the subject of the limited assurance engagement performed by EY (refer to assurance report on pages 4 and 5).

* Number of employees who have restrictions and limitations compared to medical testing conducted.

** HCT and wellness screening results have been obtained for South African operations only. While testing is being conducted across South African borders the results are not easily accessible; McConnell Dowell operations do not routinely conduct HIV tests, unless a request is made by the client or country in which operations occur.

*** The WHO estimates that 18% of adult-onset hearing losses in the 20 southern most countries in Africa (AFRE region), including South Africa, might be due to NIHL in the workplace (Nelson et al., 2005b).

Health and wellness performance

The following performance indicators were undertaken in 2016 as part of the Group's programme to manage health and wellness focus areas and challenges.

Occupational health

The Aveng occupational health standard was developed and implemented across the operating groups. This risk-based medical surveillance (RBMS) standard comprises pre-employment, periodic, exit and fitness to work (disability, incapacity and transfer) medical assessments, and goes beyond statutory obligations to include comprehensive travel risk assessments and executive medical examinations. These examinations are conducted in various

forms at client clinics, onsite clinics and mobile clinics.

Outcomes (fitness categories) from these medical surveillance examinations are closely monitored and interventions implemented to ensure employees are correctly placed and supported, where required.

The Group conducted 20 915 occupational health examinations in 2016, a slight decrease compared to the previous year when 25 592 examinations were conducted. This was due to lower activities. Nevertheless, all Aveng operating groups have improved reporting in line with the RBMS programme as a result of their

Health and wellness continued

significant efforts to build internal capacity, share best practice and learnings, and enhance partnerships with service providers to acquire results of examinations. In addition, the streamlined health and wellness key performance indicators required by the Group have improved reporting.

During the year, two medical evacuations were conducted (2015:10). A review of all cross-border management was undertaken and the implementation of a new programme for the management of global risk and emergency medical management will be implemented in 2017.

Noise induced hearing loss

NIHL continues to be an area of focus in the operating groups. Reducing NIHL risk will be a key focus area in 2017. This will include reviews of all current policies, procedures and baseline medical testing, occupational hygiene surveys, investigation of all potential hearing loss cases and ensuring the close-out of historic cases. An Aveng guideline will be implemented to ensure that the Group continues to monitor lead and lag indicators to guide hearing conservation initiatives, from engineering out noise at source to protecting employees from excessive noise exposure. The approach to a hearing conservation programme is that any employee exposed to noise above the noise rating limit of 85 decibels (dBA) in the workplace shall undergo medical surveillance, including audiogram tests conducted throughout the individual's work life.

HIV / Aids and TB management

The unique socio-economic conditions and demographic trends of work in Africa increase the risk of the Aveng workforce contracting HIV and TB, along with other communicable and non-communicable diseases.

The HIV prevalence in the South African population is estimated at approximately 11,2%ⁱ and it is estimated that about 80%ⁱⁱ of the population is infected with TB bacteria – the vast majority of whom have latent TB rather than active TB diseases. The current prevalence rate for TB-related

deaths in South Africa is 11,6%ⁱⁱ. Aveng notes that this rate of TB-related deaths is exacerbated by HIV infections.

Group incentives and improvements planned for 2017 aim to increase HIV / TB counselling for the workforce, by ensuring that the medical surveillance programme includes initial counselling on both HIV and TB and voluntary HIV testing, with cross-referral into the Aveng EWP to ensure management of those infected and affected.

A total of 2 104 employees were tested for HIV in 2016, with 69 testing positive, thus the Group's prevalence rate is 3%. Aveng is currently managing 69 cases of TB.

Aveng will continue to encourage its construction and mining operating groups to partner with district health clinics, non-governmental organisations, the South African Business Coalition On Health and Aids and funders to ensure that the Group addresses the challenges of HIV / Aids and the burden of disease for our greater communities.

Employee wellbeing programme

An independently managed EWP is available in both the South African and Australian operations and continues to provide employees and members of their households with responsive and proactive services to assist them to be the best they can be at work and at home, in the physical, mental, psychological and financial spheres of their lives.

This integrated EWP mitigates risks associated with employee health and behaviour to enhance workplace wellness and productivity. It also provides immediate counselling and support to teams at project sites or fixed facilities who experience a traumatic incident.

Employee wellbeing and the early identification and resolution of personal life stressors, such as emotional stress and financial problems, are key elements of the Aveng EWP. Now in its fifth year of implementation, in the South African operations, the EWP has been renewed and

continues to demonstrate consistent return on investment, focusing on enabling managers, employees and family members to restore themselves to their optimal functioning within an organisational and personal framework. Within this context, Aveng continues to ensure that elements of behavioural risk management are incorporated into EWP interventions.

The overall engagement rate, which includes uptake of all services provided, such as onsite post-trauma debriefing and counselling, face-to-face consultations, substance abuse awareness sessions, and manager referrals amounted to 10,8% (2015: 9,3%) for South African operations, and has exceeded the target of 6%. For Australian operations, the engagement rate is 9,4% (2015: 8%), which is below the industry benchmark. A key focus area in 2017 will be to ensure cross-referral between occupational health management and wellness management.

Policy and wellness incentives and improvements

The following policies were reviewed and revised during 2016 and will be implemented in 2017:

- Aveng Group HIV / TB management guideline
- Aveng Group fatigue management guideline
- Aveng Group smoking in the workplace standard.

The operating groups have developed procedures specific to their businesses and risk profiles to operationalise these guidelines.

Several health and health awareness campaigns were conducted by the operating groups in 2016, including:

- SAD – seasonal affective disorder for women days
- Personal hygiene awareness
- TB awareness
- World hypertension awareness
- Wellness testing days – the results of these assist in the design of our health and wellness campaigns.

ⁱ Reported by statistical release P0302 released 23 July 2015.

ⁱⁱ TB statistics for South Africa – national and provincial released 2010.

Health and wellness continued

Looking ahead

Focus areas for the year ahead	Desired outcomes	Actions
<i>Occupational health and management of ill-health profile including HIV / TB and other chronic diseases</i>	<p>Enhanced awareness and testing opportunities for HIV and TB</p> <p>Better management of ill-health profile</p> <p>Control of medical records in central database</p> <p>More streamlined absenteeism and incapacity management in conjunction with human resources</p> <p>Enhanced individual and group health profile</p> <p>Increased employee awareness and ownership of individual health.</p>	<ul style="list-style-type: none"> ■ Review the Aveng standard for medical surveillance to incorporate HIV / TB counselling into the risk-based medical surveillance programmes in all operating groups, including the development of a toolbox talk ■ Introduce a health information management system as part of the SHEQ information management system to assist with management of ill-health profile ■ Use approved occupational medical service providers with service level agreements to monitor efficiencies ■ Report on SharePoint platform ■ Referral and networking with the local government ■ Continued roll-out of the HIV / TB management guideline. Review effectiveness at operating group level ■ Cascade communication throughout organisation.
<i>Management of occupational risks – Management of NIHL</i>	<p>Enhanced occupational hygiene programmes</p> <p>Establish linkage between occupational exposures, outcomes and management of outcomes</p> <p>Understand potential risks and opportunities related to human and environmental factors (manual handling, heat stress, malaria season in affected regions, etc).</p>	<ul style="list-style-type: none"> ■ Develop and implement Aveng hearing conservation programmes (HCP) ■ Service level agreement to ensure that Aveng standard is implemented with all service providers ■ Develop Aveng standard to manage these potential risks and roll-out to operating groups.
<i>Continue to sustain high engagement of employees and dependants within the EWP</i>	<p>Early identification and management of troubled employees</p> <p>More engaged employees at all levels with EWP target >6%</p> <p>Higher productivity.</p>	<ul style="list-style-type: none"> ■ Training for all operating groups on management referral techniques with employee wellness provider.
<i>Continue to build competencies at the operating groups</i>	<p>Strengthen ownership with enhanced and customised programmes</p> <p>Promote group health and wellness forums as a best practice sharing platform.</p>	<ul style="list-style-type: none"> ■ Development of health and wellness champions.



Environment

Aveng recognises the potential impact its activities and operations may have on the environment and works systematically at improving its environmental management and performance.

As the majority of Aveng's operations are of a temporary project nature and usually in remote locations, the operating groups experience challenges in data capturing, monitoring and reporting on energy, water and waste. These challenges range from not having systems set up to codify reporting for environmental indicators and delayed invoicing by service providers, to insufficient administrative capability at site or project level. Aveng Grinaker-LTA and McConnell Dowell are configuring safety, health, environment and quality (SHEQ) information management systems to support environmental data collation. All other operating groups will report environmental indicators on a common reporting platform from 2017.

The Group's integrated safety, health and wellness, and environmental (SHE) management policy provides guidelines for environmental management and practices at the operations. The SHE policy was reviewed in 2016 and deemed to be relevant in demonstrating executive commitment to environmentally responsible project execution and production. The environmental management framework, together with the SHE policy, provide broad guidelines to ensure that the operating groups focus on areas where there may be a significant potential environmental impact. The operating groups have adopted the environmental framework through the development and implementation of environmental management systems (EMSs) that utilise the ISO 14001:2007 standard as a framework. External verification and certification of the EMS remains an ongoing area of focus.



The environmental framework is available at www.aveng.co.za.

Recent events have heightened the focus on sound environmental management. Following the negotiation of the historic global agreement on reduction in climate change at the United Nations 2015 Climate Change Conference, governments, civic

organisations and industries are likely to adopt this best practice in business operations. As awareness of climate change grows, clients are demanding increasingly high levels of focus on environmental matters in projects, particularly in the transport and social infrastructure sectors in Australia and New Zealand.

Aveng has developed a high-level group climate change response strategy to assist the operating groups to identify business opportunities and risks associated with climate change and determine means of adapting to and mitigating the effects of climate change.

Key focus areas

Despite the diverse nature of its operations and projects, Aveng has identified a set of common environmental key focus areas, some of which have been implemented, while others are in progress.

These focus areas are prioritised in the operating groups' environmental management programmes. They include:

- **Improving accuracy and confidence levels of reporting systems with the aim of setting improvement goals.** During 2016, progress was made in ensuring continuous improvement in the accuracy of data reported. The Group developed an IT-based SHE reporting platform which will enable the analysis of trends with effect from the 2017 financial year.
- **Improving Aveng's score for the Carbon Disclosure Project (CDP) and the Water Disclosure Project (WDP), which will demonstrate improved performance and progress in implementing the environmental framework.** Aveng has submitted its CDP and WDP reports for 2016, and the rating score is expected during 2017. The 2015 reports were rated at 83% (2014: 81%).
- **Increasing the capacity of environmental managers.** Progress was achieved in strengthening environmental competencies. This included webinar training at Aveng Manufacturing to introduce SHE practitioners to the 2015 version of the ISO 14001 standard and its impact on operating groups. McConnell Dowell initiated the entrenchment of the

Plan Do Check Act approach to risk and provided training in the use of the SHEQ IT Tool (CMO). This tool will improve data accuracy, completeness of scope of coverage and validity of the SHE data.

The Aveng Group's philosophy of management is to shift responsibility to business unit managers and their support resources so that they are accountable for their businesses. As a result, corporate SHE resources are minimal and are expected to set policy, coordinate group reports, lead and orientate SHE appointees to the Aveng approach.

Aveng reports on environmental key performance indicators informed by externally developed guidelines and its internally developed standards.

2016 Salient features

- Two major environmental incidents were recorded (2015: four)
- 216 minor environmental incidents were reported. They were predominately hydrocarbon spillages which are consistent with the business scope and industry profile
- Seven environmental regulatory notices were issued and resolved in 2016 (2015: two):
 - One was issued to Aveng Grinaker-LTA related to a soil density gauge that was not accounted for in the annual report submitted to the Department of Health's Directorate for Radiation Control.
 - An Improvement Notice on the 66KV Job(s) in New Zealand was issued to McConnell Dowell. This related to water drawn from the drinking water supply using a non-approved stand pipe connection.
 - Noise and dust complaints were received from neighbours to a construction site managed by McConnell Dowell.
 - A prohibition notice was issued to Aveng Grinaker-LTA regarding a subcontractor who was not registered with the Department of Labour as a competent person to issue a certificate of compliance for electrical installations.

Environment continued

- The local Department of Labour issued an improvement notice pertaining to broken asbestos shards at a few Aveng Grinaker-LTA sites.
- A notice of intent to issue an air quality directive regarding dust was issued to Aveng Manufacturing. No fines were issued.
- The Western Cape Department of Labour issued a prohibition notice to the Aveng Infraset factory in Kuilsrivier regarding eight non-conformances including an inadequate number of first aiders, inadequate guarding of equipment, inspection of lifting machinery, informing employees of site hazards and establishment of a health and safety committee. Site management addressed the issues and the notice was revoked.
- Aveng continues to engage with the South African Gauteng Department of Agriculture and Rural Development (GDARD) regarding the use of an old quarry and operation of a thermal zinc diffusion plant. GDARD and Aveng hold different views about the environmental legal requirements for these two operations.
- There has been an improvement in the group SHE management systems certification to greater than 90% (by headcount). The systems are integrated and the overall audit findings for 2016 were at 9 994, 8 062 of which were addressed.
- More than 90% of operating groups achieved ISO 14001 certification (based on headcount).

Performance area	2016	2015	2014	2013
Major environmental incidents	2	4	5	No data
% Operations (by headcount) with ISO 14001 certification of EMS*	>90%	70%	75%	<30%
Carbon emissions (tCO ₂ e) total**	179 199	247 296	297 592	675 013

* In 2016, certification was reported by headcount rather than revenue.

** As a result of the Group's adjustment in reporting approach to derive information from more reliable procurement sources such as utility bills, the 2013 figure is not comparable. The change was part of the continuous process to improve data quality and integrity with increased scope of coverage. Therefore 2014 is the revised base year for reporting on the carbon footprint.

Environmental impacts and management

Aveng's key environmental impacts include consumption of non-renewable resources (fossil fuels), energy consumption, air pollution (greenhouse gas emissions and dust fallout), soil and land contamination, waste, consumption of renewable resources, contamination of surface and

ground water, historical contamination and noise pollution.

Key internal and external stakeholders with an interest in Aveng or affected by the Group's operations include authorities responsible for environmental regulation, employees, clients, investors and communities. Aveng also plays a key role in

advocacy organisations such as the Green Building Council of South Africa, the National Business Initiative and the environmental committee of the South African Forum for Civil Engineering Contractors. Their main environmental concerns, as well as opportunities and actions taken to respond to them, are reported in the table below:

Stakeholder	Concern / opportunity	Impact on the business	Action
Employees	<p>Safe workplace that poses no risk to health and the environment</p> <p>Improved environmental awareness and responsible execution of tasks</p>	<ul style="list-style-type: none"> ■ Work stoppages ■ Low employee morale ■ Absenteeism due to ill health ■ General awareness of environmental issues. 	<ul style="list-style-type: none"> ■ Implement an environmental management system ■ Conduct inspections and audits ■ Awareness training ■ Issue regular environmental awareness talk topics applicable to work and home settings.
Communities	Direct and indirect environmental impacts	<ul style="list-style-type: none"> ■ Community health and safety ■ Complaints and regulatory notices ■ Reputational damage. 	<ul style="list-style-type: none"> ■ Continuous communication / engagement with communities ■ Environmental assessments / audits to identify and mitigate risks ■ Where necessary, establish environmental management forums.

Environment continued

Stakeholder	Concern / opportunity	Impact on the business	Action
<i>Authorities</i>	Compliance with relevant legislation and regulations	<ul style="list-style-type: none"> ■ Work stoppages ■ Reputational damage ■ Legal sanctions (notices / fines) ■ Site inspections. 	<ul style="list-style-type: none"> ■ Implement ISO 14001 compliance EMS ■ Compliance reviews ■ Measure, monitor and report against operating licence / authorisations.
<i>Clients</i>	Effective environmental management	<ul style="list-style-type: none"> ■ Work stoppages ■ Reputational damage ■ Penalties and / loss of contract. 	<ul style="list-style-type: none"> ■ Comply with client environmental management plan and relevant legislation ■ Continuous engagement with clients ■ Conduct environmental due diligence and implement effective remedial actions.
<i>Investors</i>	Reputational damage Negative impact on investor relations	<ul style="list-style-type: none"> ■ Disinvestments or decision not to invest. 	<ul style="list-style-type: none"> ■ Continue submitting water and carbon disclosure information ■ Assessment against JSE and SRI requirements.

Environmental performance

While Aveng operating groups continue to measure and monitor performance indicators, such as municipal water consumption, general and hazardous waste, environmental incidents and carbon emissions, the corporate office consolidates electricity, water and diesel purchased in the financial measurement approach, where the

actual invoice for key performance indicators (KPIs) is reported on and not consumption. Legal compliance matters are reported and managed, and the group legal counsel and group SHE manager provide support and guidance to affected operating groups.

During 2016, the SHE executives considered the previous SHE definitions

document and developed a SHE reporting framework which provided definitions based on industry best practice and guidance for SHE practitioners. The Group refined the SHE reporting KPIs from 38 to 14 main KPIs. Most of the Group's environmental KPIs are reported based on a scope of coverage of more than 70% of its operations.


Carbon emissions (tCO₂e)

Performance area	2016	2015	2014	2013
<i>Direct carbon dioxide (CO₂) – Scope 1 (from combustion of diesel procured)</i>	123 549 (A)	184 626	229 713*	567 669
<i>Direct carbon dioxide (CO₂) – Scope 2 (from purchased electricity)</i>	55 650 (A)	62 670	67 879*	107 344
<i>Carbon emissions (tonnes) total (tCO₂e)</i>	179 199	247 296	297 592*	675 013

Notes

- DEFRA (2014) emission factors were used to calculate Scope 1 emissions (2,6691).
- Eskom (2015) emission factors were used for purchased electricity (1,01).
- Australian National Greenhouse Accounts (August 2015) emission factors were used to calculate McConnell Dowell's emissions (0,83).

* In 2014, the Group reported carbon emissions significantly lower than in previous years. This is mainly due to the Group's adjustment in reporting approach in which information is derived from procurement sources such as utility bills. 2013 figures are not comparable to 2014 / 2015. The change was part of the continuous improvement process to improve data quality and integrity with increased scope of coverage.

(A) This item was the subject of the limited assurance engagement performed by EY (refer to assurance report on pages 4 and 5). 

Environment continued

The Group's carbon and water footprints for 2016 have reduced significantly due to a reduction in the number of projects executed during the year.

- Aveng Mining continues to be the highest user of diesel, followed by Aveng Grinaker-LTA and McConnell Dowell.
- Aveng Steel consumed the highest amount of electricity (26 462 779 kWh), followed by Aveng Manufacturing and McConnell Dowell, while Aveng Mining recorded the lowest usage as it receives power supply from mining clients. The total Group figure for electricity for 2016 was 56 191 131 kWh and this equates to 55 650 tCO₂e (2015: 62 670).
- The highest volume of water purchased by the Group reduced significantly due to the reduced number of projects executed. Aveng Grinaker-LTA and Aveng Manufacturing were the highest consumers of water, consuming approximately 78% of the Group's total usage.
- The operating groups continue to improve their water data capturing and reporting at many of their sites, particularly those in remote areas. Aveng Grinaker-LTA purchased 197 962 kilolitres (kℓ), whereas Aveng Steel purchased 89 kℓ of water.

Reporting for the 2016 period, the total volume of diesel purchased by the Group was 46 289 kℓ which equated to 123 549 tCO₂e (2015: 184 626). The amount of diesel purchased was significantly lower than in previous reporting periods due to the economic downturn.

Environment

Operational group	Emission diesel		Emission electricity		Water purchased
	Kilolitre	tCO ₂ e	KWh	tCO ₂ e	Kilolitre
<i>McConnell Dowell</i>	4 897	13 070	6 127 692	5 086	61 062
<i>Aveng Grinaker-LTA</i>	9 366	24 998	3 141 769	3 173	197 962
<i>Aveng Mining</i>	28 726	76 673	1 330 225	1 344	20 311
<i>Aveng Manufacturing</i>	1 992	5 317	17 249 200	17 452	104 838
<i>Aveng Steel</i>	1 308	3 491	26 462 779	26 727	89
<i>Aveng Corporate</i>	–	–	1 849 472	1 868	–
Aveng Group (total)	46 289	123 549	56 161 137	55 650	384 262

Progress has been made in developing a group strategy for managing climate change (adaptation and mitigation). In addition, a high level water risks and opportunities management guideline will be prepared in consultation with operating group SHE executives and managing directors. Benchmarking against peers and adopting leading practices has been undertaken. Operating groups continue to be encouraged to implement small scale sustainability initiatives.

Water

Municipal water consumed (kℓ)

2016	2015	2014	2013
384 262	1 092 611	561 078	875 483

Aveng uses mainly municipal water for its operations. The Group has a wide variety of water uses, including dust suppression which forms the bulk of water use in construction, manufacturing and mining operations. Aveng Grinaker-LTA reported the highest level of water consumption with 197 962 kℓ reported in 2016. Aveng Manufacturing continues to report high, but declining, consumption levels. However, consumption levels remain above 100 000 kℓ a year. 2016 has seen the lowest consumption for Aveng Manufacturing at 104 838 kℓ.

The operating groups continue to improve their water data capturing and reporting at many of their sites, particularly those in remote areas.

In June 2015, the Group prepared and submitted its first non-public disclosure report on water based on 2014 data. The 2016 report, based on 2015 data, will include all Aveng operating groups.

The Group captures actual water volume consumed based on invoices, which are auditable.

Environment continued

Environmental awareness

Environmental awareness training in environmental law and responsibilities was provided for employees and senior managers. The Group SHE manager developed SHE induction material for the on-boarding of new senior employees and members of the Board or its committees. A separate presentation was provided to the Leaders in Aveng training programme. The Board's SHE committee members were made aware of their legal duties and liabilities based on South African and Australian SHE legislation. The Aveng Board will be inducted during the first quarter of 2017.

Number of major environmental incidents reported

2016	2015	2014	2013
2	4	5	No data

Two major environmental incidents (both hydraulic oil spillages) were reported internally by the operating groups in 2016 (2015: four major incidents).

- On 5 October 2015, a hydraulic pipe of a compacting drum burst at Aveng Rail's Black Rock rail construction project, spilling 10 litres of hydraulic oil on the ground
- On 16 October 2015, a steel hydraulic pipe at the Aveng Rail Rosmead construction project became slightly loose due to improper fitting, spilling 50 litres of hydraulic oil on the ground.

These incidents were defined by the National Environmental Management: Waste Act, section 20 of the National Water Act and section 30 of the National Environmental Management Act, and reported to regulatory authorities by the clients. The incidents were addressed effectively, according to the environmental

spill kit and procedure. A bioremedial solution was also applied.

216 other environmental incidents involved hydrocarbon spillages and were addressed immediately. Business units are encouraged to report on near-miss and minor environmental incidents.

ISO 14001 certification

Aveng aims to have environmental management systems implemented in all fixed facilities and operations. Based on headcount, >90% of the operating groups were certified in 2016, including the three business units of Construction and Engineering: South Africa and rest of Africa which did not maintain ISO 14001 certification in 2015. The Plant and Assets operation within Aveng Grinaker-LTA embarked on the implementation of a SHE management system and will undergo certification in 2017. Aveng Steel recertified

all branches and factories. Aveng Mining is integrating system procedures into a single integrated SHE management system. The international factories and warehouses of Aveng Manufacturing in Swaziland, Mozambique, Zambia and Zimbabwe operate on informal SHE management systems and will be considered for ISO certification in the next two years.

The third edition of ISO 14001:2015 EMS standard was released with additional requirements. The companies that are certified for ISO 14001:2004 have until 14 September 2018 to comply with the requirements of the new standard. The Aveng SHE forum will review the implications for current environmental management systems and develop a programme to enable efficient recertification.

Operating group	Certification status	Comments
<i>McConnell Dowell</i>	100% certified	EMS maintained through surveillance audits and will endeavour to demonstrate continual improvements
<i>Aveng Grinaker-LTA</i>	100% certified	Recertification conducted in 2016. Plant and Assets certified but not REHM Grinaker Construction Co. Limited (Mauritius)
<i>Aveng Mining</i>	100% certified	EMS is being maintained. Surveillance audits conducted.
<i>Aveng Manufacturing</i>	90% certified	EMS successfully established and now being maintained, except in international operations.
<i>Aveng Steel</i>	95% certified	Recertification conducted in 2016

Environment continued

Looking ahead

Focus areas for the year ahead	Desired outcomes	Actions
<i>Continue to improve capturing, recording and reporting of environmental key performance indicators</i>	Establish baseline data sets for carbon, energy, waste and water for the Group that will enable the setting of achievable reduction targets	Operating group SHE executives, group SHE office and an independent climate change expert conduct quality assurance on environmental data at the end of each quarter
<i>Continue with energy efficiency audits at fixed facilities</i>	Identify and develop bespoke energy-efficient programmes at operations	Assist operations to achieve this outcome
<i>Continue to increase ISO 14001:2004 certification coverage of operations</i>	Ensure that a comprehensive, structured and systematic approach to environmental management is in place for continuous improvement in environmental performance	Focus on Aveng Steel and Aveng Manufacturing
<i>Continue to improve carbon management and performance to improve the CDP score</i>	Publicly declare and demonstrate management of climate change risks and opportunities at operations Increase energy and emissions efficiency at operations	Submit 2016 CDP information and respond to 2015 results Identify, prioritise and implement interventions to reduce emissions and energy intensity measures
<i>Continue responding to the WDP and improve on performance</i>	Publicly declare and demonstrate Aveng's approach and efforts towards managing water-related risks and impacts at the operations Increase energy and emissions efficiency at operations	Submit 2016 WDP information and respond to 2015 results Identify, prioritise and implement interventions to reduce emissions and energy intensity measures
<i>Draft regulations for the procedure and criteria to be followed in the determination of an administrative fine in terms of section 22A of the National Environmental Management: Air Quality Act have been released for comments. Once promulgated, this will be applicable to Construction and Engineering: South Africa and rest of Africa, where there may be air quality concerns / notices at asphalt plants</i>	Understand implications and prepare action plans to ensure compliance with new regulations	Review the draft regulations and determine potential implications for the affected businesses

Human resources

Human resource management at Aveng seeks to facilitate effective processes to attract, develop, performance manage, reward and retain high-performing employees. We continue to engage with our employees to ensure clear accountabilities and line of sight between organisational objectives and the outputs required of each employee to meet Aveng's overall strategic objectives.

Key focus areas

Following on from 2015, the human resources function at Aveng has continued to implement interventions designed to ensure the organisation meets the objectives of the *recover and stabilise* phase of the Group's strategy. Actions include:

- Ensuring we have the right people in the right positions with the right skills and capability, which include:
 - The development of leadership skills through in-house tailor-made leadership programmes for junior and middle managers and local and international flagship leadership programmes for executives
 - Ongoing technical and non-technical learning programmes
- Continuing to entrench a high-performance culture and a culture of accountability
- Continuous employee engagement through formal and informal engagement sessions to ensure employees are informed of the organisation's performance and strategy and to improve engagement and commitment
- The continuous review and maintenance of a robust succession planning model
- Ensuring human resource basics are in place and that key people-related metrics are measured and monitored and corrective action proactively taken where necessary
- Continuous stakeholder engagement
- Communicating and actioning the outcomes of the 2016 culture survey.



Empowering our people

The table below details the progress made since the last report across specific key human resource activities:

2016 Salient features

Performance area	Target	2016	2015	2014	2013
<i>Implementing an integrated talent management and succession planning model</i>	■ Top talent identified and developed	●	●	●	●
	■ Mission-critical and key management positions identified	●	●	◐	◐
	■ Employees identified, trained and developed to move into key and mission-critical positions as they become available	◐	◐	◐	◐
	■ Prioritising the identification and development of HDSA candidates for middle and senior management positions.	◐	◐		
<i>Measuring and managing performance</i>	■ Formal, standardised performance contracts in place for all junior, middle and senior managers with improved quality of performance reviews	●	●	◐	◐
	■ Individual development plans in place.	●	●	◐	◐
<i>Employee relations strategy</i>	■ Informed, engaged and committed employees	●	◐	◐	◐
	■ Reduction in propensity for unprocedural strikes.	●	◐	◐	◐
<i>Implementing a high-performance culture</i>	■ Culture enablers fully understood and embedded into the Aveng culture.	◐	◐	◐	◐
<i>Optimising our organisation / flattening levels</i>	■ A high-performing workforce with clearly understood roles and accountability within a flatter organisation.	●	●	◐	◐
<i>Human resource systems capability</i>	■ An integrated human resource information system (SAP HCM) providing accurate people management information and a B-BBEE reporting and analysing tool (Mpowered B-BBEE toolkit) implemented.	●	●	●	◐
<i>Targeted training and development</i>	■ Integrated training interventions focused on the development gaps identified through succession plans, performance management reviews and psychometric assessments.	●	●	◐	◐



Not implemented



Not fully implemented



Implemented with further work required



Fully implemented

Human resources continued

Human resource impacts and management

Aveng has identified its main human resource stakeholders and continuously engages with them through various formal and informal methods of engagement. Our progress during the 2016 financial year is detailed below:

Stakeholder	Issue	Impact on the business if not addressed	2016
<p>Employees</p> <p>Southern Africa and rest of the world operations</p> <ul style="list-style-type: none"> ■ Salaried 4 238 ■ Waged 9 257 <p>Australasia operation</p> <ul style="list-style-type: none"> ■ Overhead 399 ■ Project staff 1 273 ■ Waged 1 781 	<ul style="list-style-type: none"> ■ Alignment of employees with the strategy of the organisation and the desired organisational culture and values. 	<ul style="list-style-type: none"> ■ Sub-optimal performance and failure to meet targets ■ Labour disruption ■ Misaligned organisation. 	<ul style="list-style-type: none"> ■ Leadership conference for 130 senior leaders across the organisation ■ Ongoing CEO and MD roundtables ■ 2016 culture survey ■ Various in-house employee communication briefs launched.
<p>Organised labour</p> <ul style="list-style-type: none"> ■ NUM, NUMSA, UASA, AMCU and Solidarity in South Africa ■ AWU and CFMEU in Australia 	<ul style="list-style-type: none"> ■ Quality / consistency of engagement with unionised and non-unionised labour. 	<ul style="list-style-type: none"> ■ Tough labour relations environment ■ High propensity for labour disruption ■ Proliferation of unions. 	<ul style="list-style-type: none"> ■ Ongoing engagement with employees and organised labour ■ Direct regular communication with employees promoted.
<p>Managers</p>	<ul style="list-style-type: none"> ■ Ownership and accountability for performance in area of responsibility ■ Effective succession planning to ensure business continuity. 	<ul style="list-style-type: none"> ■ Sub-optimal business performance and failure to meet performance objectives. 	<ul style="list-style-type: none"> ■ Ongoing measurement of performance ■ Assessment batteries cascaded to lower levels in the organisation, with specific focus on certain skill sets critical to the success of the organisation ■ All employees identified as ready-now successors to key roles assessed and developed to ensure shortfalls identified are corrected or performance managed.
<p>Service providers</p>	<ul style="list-style-type: none"> ■ Alignment of service providers with the Aveng strategy, employment conditions, and values. 	<ul style="list-style-type: none"> ■ Could result in sub-optimal performance and failure to meet targets ■ Standards not maintained ■ Dysfunctional, unsustainable relationships with suppliers ■ Non-compliance to legislation. 	<ul style="list-style-type: none"> ■ Ongoing engagement with service providers to ensure they are aligned with Aveng policy, values and required legislation.
<p>Regulatory bodies relating to labour</p>	<ul style="list-style-type: none"> ■ Compliance with legislation. 	<ul style="list-style-type: none"> ■ Reputational and / or financial risk. 	<ul style="list-style-type: none"> ■ Ongoing reviews to ensure compliance with applicable legislation / codes.

Human resources continued

Human resources performance

Talent and succession planning

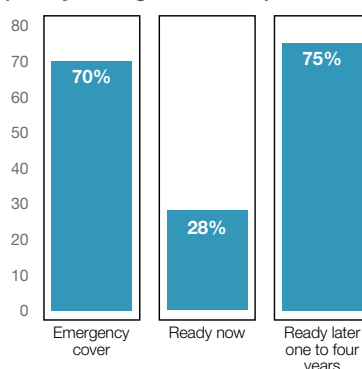
During the current tough market conditions and business environment, effective talent and succession management are essential to long term organisational sustainability and success. Aveng continues to invest in the management of talent in key business roles, the development of future leadership capacity and the retention of high-performing talent.

Since the 2015 report, succession planning processes have become more rigorous and entrenched at the operational level, with Aveng operating groups assuming ownership to mitigate succession risk at lower level positions. During the period under review, emphasis was placed on increasing the robustness of the succession planning model across the top three layers of the organisation. The process was enhanced through the incorporation of cognitive and behavioural assessment measures to identify and confirm the suitability and readiness of successors to key management roles. During the development of succession plans, management remained cognisant of its transformation targets and the need to identify historically disadvantaged South African (HDSA) talent as successors to key business roles. The attraction and retention of black professionals and talent remains a critical issue facing the organisation in South Africa and is being prioritised. Management is being called upon to take decisive action to address the less than favourable HDSA succession coverage currently evident, especially in senior level positions.

Management remained cognisant of its transformation targets and the need to identify historically disadvantaged South African talent as successors to key business roles.

Succession plans for the top three layers of the organisation have been reviewed and entailed the analysis of 80 key senior and operational positions across Aveng. Strong ready-later succession (one to four years) across key management roles generally exists, indicating progress in talent development and retention practices. Emergency cover across the top 80 positions also remains sufficient to cover the risk of immediate loss to key and critical positions. However, succession gaps do exist in the ready-now category. Where no ready-now internal successors exist, management has taken steps to identify key talent outside the organisation. Given the strong ready-later succession pipeline, together with a significant focus on executive leadership development and talent retention, internal ready-now cover is expected to improve in the medium term across senior levels in the organisation.

Aveng succession: Top three layers (80 key management roles)



The graph above details succession cover across the top three layers of Aveng. Of the 80 key senior positions, succession cover in emergency (70%) and ready-later (75%) categories is relatively strong. Cover in the ready-now category is relatively low as mentioned above. As part of our improved succession model, identified successors are more strictly assessed to ensure that they are indeed credible successors to critical roles. This rigour has contributed to the relatively low ready-now competent cover of 28% as a number of previously identified successors have since been removed from the list.

Succession progress of the top three layers of the organisation is continually tracked and reviewed and forms part of the operating group quarterly people management meetings chaired by the CEO.

Significant time and effort has been invested in retaining and further strengthening the Group's capability and capacity. To this end, Aveng reported no significant key and critical senior managerial losses during this reporting period. A number of key managerial and technical appointments were, however, made to strengthen overall capacity. Appointments include:

- Managing director of McConnell Dowell
- Black female general manager of Aveng Water
- Black female managing director of Aveng Rail
- Regional managers in Australasia
- HR executive at Aveng Mining
- Finance executives at Aveng Steel and Aveng Mining
- An operational executive at Aveng Grinaker-LTA
- Group strategy and investor relations executive.

During the period under review, standardised recruitment and selection processes were implemented across operating groups. The introduction of a standardised assessment matrix contributed to the quality of management and professional appointments. Management development assessments for key senior successors continue to provide input into individual development plans agreed annually as part of performance contracting.

Performance management

There was significant progress in maturing performance contracting across operating groups through effective cascading of key performance indicators from the CEO to operating group managing directors and further down into the organisation, with improved line of sight between organisation targets and individual targets.

Increased rigour was applied to further drive accountability and consequence management across all levels of management, including the monitoring and

Human resources continued

review of repeat poor performers. As a result, a number of employees were redeployed to roles that are more consistent with their capability and competence.

Tier one performance tracking and progress is measured at executive committee and board level to ensure performance is proactively and continuously measured and tracked. There has been a significant improvement in the alignment of performance ratings to organisation performance through effective target setting.

Development assessments have continued with specific focus on critical skills.

Additional information is available in the remuneration report section of the 2016 integrated report at www.aveng.co.za.



There has been a significant reduction in strike action both internally and in industry-related strikes.

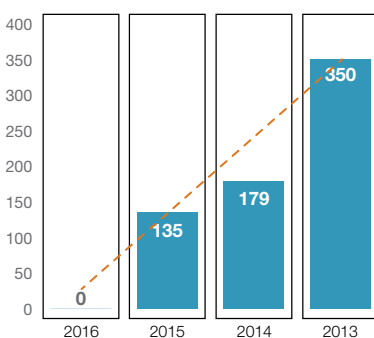
Employee relations

Impact of labour disruption

There has been a significant reduction in strike action internally and industry-related strikes. Between the reporting periods 2013 and 2015 there was a R215 million reduction in strike cost impact. This reduced further during 2016 with no strikes disrupting operations. This can be attributed to three key factors, namely the continuous engagement with employees and unions, effective longer term wage agreements and the current economic climate, where job security is paramount.

The graph below details the significant reduction in cost associated with strike action since 2013.

Cost impact as a result of strike action (Rm net operating earnings loss)



The employee relations climate within McConnell Dowell has remained stable, with no notable incidents during this reporting period.

Embedding a high-performance culture

In 2013, a group-wide culture survey was initiated to assess employees' views of workplace behaviours displayed in comparison to the desired culture. In 2015, follow-up surveys were conducted per operating group focusing on more in-depth culture issues specific to each operating environment using the 2013 survey.

During February 2016, a culture survey across all South African operations was initiated to track progress made since the 2013 survey results. The survey targeted all

salaried employees, using both electronic and paper-based methods of collecting the results. A total of 1 848 employees participated in the survey which equated to a 50% response rate – well above the norm.

The survey results showed a general improvement across all culture enablers. Of the eight enablers measured, five showed an overall improvement, two indicated regression and one enabler showed no movement since the 2013 survey. An additional enabler was added in 2016 to measure employee opinion on transformation within the organisation. The survey's outcome on transformation has indicated a need for more effective communication and employee engagement around this issue.

The table below illustrates the overall comparison of results compared to the 2013 survey.

DNA enabler	Comparison to 2013
Effective leadership	
Empowering our people	
Customer focused	
Performance and results driven	
Adaptable and open to change	
Honesty and integrity	
Teamwork	
Safety minded	
Transformation	Not previously measured

Having analysed the information, it is evident that the regression in the overall results for the “empowering our people” and “adaptable and open to change” enablers was attributable to the current restructuring across various operating groups and the corporate office.

Operating groups are developing action plans to address their specific results.

In light of the senior management changes in McConnell Dowell, a follow-up culture survey is planned for the latter part of calendar 2016 to track progress against its 2015 survey.

Human resources continued

Organisation optimisation

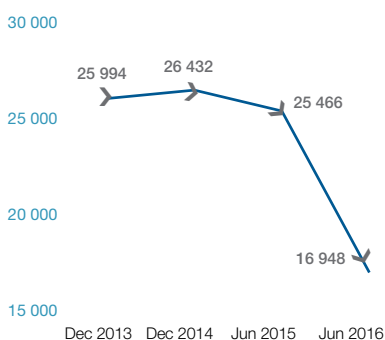
In response to tightening market conditions over the past few years, Aveng has reviewed its portfolio and business offering and consolidated business units to remain competitive within a leaner organisational structure. The headcount reduction at the Aveng corporate office, Aveng Grinaker-LTA and McConnell Dowell was directly linked to business optimisation, whereas restructuring within Aveng Mining and Aveng Steel was in response to market conditions. This has resulted in a headcount reduction since 2013 of 9 046 (35%) employees across South African and McConnell Dowell operations. In the 2016 financial year alone there was a headcount reduction of 8 518 employees. No significant critical skills were lost during this exercise. The restructuring has significantly reduced duplication, streamlined reporting levels and placed accountability at the right levels in the organisation.

In addition to ongoing workforce optimisation, McConnell Dowell implemented a significant change to its structure and operating model in 2016. The changes are designed to make McConnell Dowell, leaner, more customer centric and continue performance improvement by clarifying accountabilities and authorities. The changes were developed based on feedback from employees at various levels of the Group.

The graph above indicates the headcount movement since December 2013. While the bulk of the headcount reduction was due to contract terminations, there were significant retrenchments across all Aveng businesses. The fact that the reduction in headcount over this period was managed with no labour disruption is indicative of the relationships with organised labour in a joint effort to manage such a difficult transition and management capability to deal with large-scale restructuring interventions.

Please refer to page 40 of the 2016 integrated report at www.aveng.co.za for additional information on cost savings. @

Aveng total headcount: 2013 to 2016



Human capital systems and metrics

Since the successful completion of the SAP HCM project in March 2015, the maturity of human resource capability has increased significantly. A number of key metrics have been implemented that consistently measure people performance and productivity. Some of the successes realised include payroll standardisation, the effective management of absence and sick leave headcount management, enabling operating groups to make informed decisions about people management.

Next steps include the integration of McConnell Dowell operations to allow for group-wide real-time accurate data and information.

Learning and development

South African operations

The continued development and upskilling of employees across Aveng, especially in our key skill categories, is fundamental to ensuring a high-performing organisation. During the period under review, specific focus was placed on leadership development interventions for key supervisory and first line managers, middle managers and executive development interventions for senior executives.

Technical training highlights

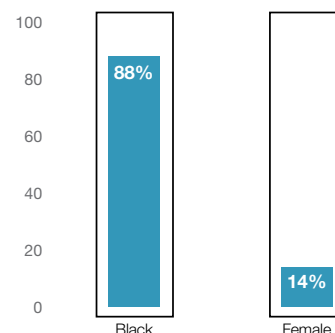
Aveng continues to run one of the most extensive technical training offerings in South Africa. Various Aveng training schools offer accredited training, apprenticeship and learnership programmes, covering trades such as welding, fitting and turning, lifting equipment training, rock breaking, diesel mechanics and construction-related programmes.

Technical training programmes

Apprenticeships

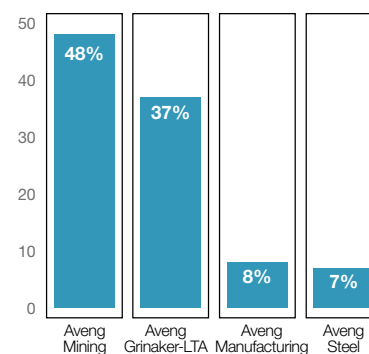
The Department of Higher Education and Training (DHET) has declared 2014 to 2024 as the decade of the artisan. As a responsible corporate citizen, Aveng supports this call and continues to deliver high-calibre artisans through one of the largest artisan training programmes in South Africa. In 2016, 382 apprentices were trained in a number of disciplines, i.e. earthmoving equipment, electrician, fitting and turning, millwright, tool, jig and dye maker tool setter. In alignment with Aveng's transformation commitments, of the 382 apprentices, 88% are black and 14% female. Of the 382, 48% are from Aveng Mining, 37% from Aveng Grinaker-LTA, 8% from Aveng Manufacturing and 7% from Aveng Steel.

Technical training programmes apprenticeships



Apprentices continue to be empowered and supported through the provision of trade test preparation and the assigning of dedicated mentors to guide them through their apprenticeship journey.

382 apprentices

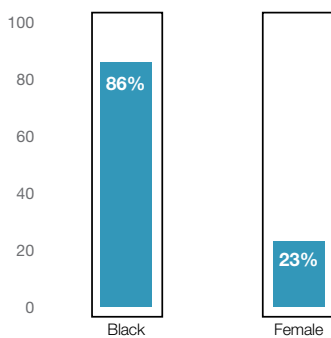


Human resources continued

Learnerships

Through its learnership programmes, Aveng develops pools of critical skills required by industry, while generating employment for historically disadvantaged individuals. A total of 168 learners are currently enrolled in learnership programmes across Aveng, 86% of whom are black and 23% female.

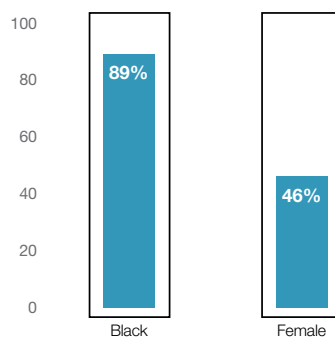
Learnerships



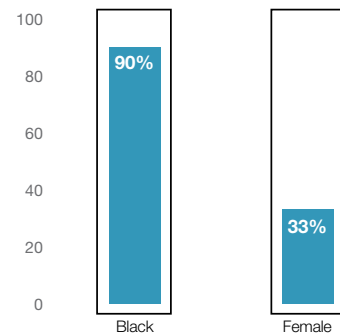
Graduate development and bursaries

Aveng runs one of the largest bursary programmes in its sector. There are 105 graduates across Aveng's South African operations, 89% of whom are black and 46% female. Aveng currently provides bursaries to 99 external students across various disciplines. Of the 99 bursars, 90% are black and 33% female.

105 graduates



99 external bursaries



	Technical training programme	Aveng Grinaker-LTA	Aveng Manufacturing	Aveng Mining	Aveng Steel
1	<i>Apprenticeships</i>				
	<i>Earthmoving and diesel mechanics</i>	7	5	116	
	<i>Electrician</i>		7	14	
	<i>Millwright</i>	2	4	3	15
	<i>Boilermakers</i>	6		20	10
	<i>General fitters</i>	12	7	9	2
	<i>Auto electricians</i>	2		18	
	<i>Pipe fitters</i>	34			
	<i>Riggers</i>	9		4	
	<i>Welders</i>	69			
	<i>Fitting and turning/tooljig and dye maker/tool setter</i>		7		
	Apprenticeships (total)	141	30	184	27
2	<i>Learnerships (including rockbreaking, mining, construction, building, roadworks, manufacturing and assembly as key learnerships)</i>	51	15	102	-
3	<i>Graduates in training (including civil, electrical, mechanical and mining engineering as well as project management as key programmes)</i>	40	46	7	12
4	<i>Bursars (engineering and project management-related study disciplines as a feeder to the graduate in training programme)</i>	36	61	2	-
	Total	268	152	295	39
	Total in training		754		

Human resources continued

Training highlights (South African operations) during the period under review include:

	<p>Aveng Grinaker-LTA graduate programme The Aveng Grinaker-LTA graduate development programme was restructured in January 2015 to more effectively support the required technical and professional needs of the graduates. A total of 16 graduates from the 2015 intake are currently in their second year on the programme. In 2016, 16 new graduates joined the programme. Of the 16, 39% are female and 69% are black.</p> <p>Aveng Grinaker-LTA professional registrations The Aveng Grinaker-LTA mentorship programme towards professional registration with the Engineering Council of South Africa is well entrenched, with 24 candidates currently on the civil engineering internship programme, and 19 on the mechanical engineering internship programmes. Ten candidates are females, and 31 of the 43 candidates are black (72%). The retention of professional black talent is a primary management focus going forward.</p>
	<p>Aveng Mining – first-line management training Aveng Mining continues to engage in cost optimisation efforts within its learning and development function. To this end, generic first-line management training material was developed and aligned to MQA unit standards. Two assessors and moderators in Aveng Mining have been registered to facilitate the generic management training content. Through this initiative, significant cost savings were realised while focus is placed on increasing managerial development offerings over the next two years.</p> <p>Aveng Mining technical training scope extension Aveng Mining has obtained scope extension approval from the MQA to include the training of Aveng Moolmans employees on rock breaking surface excavation level 3 and operation of surface mining equipment programmes. During this reporting period, 10 earthmoving equipment mechanic apprentices successfully completed their trade test and are awaiting permanent job placement at Aveng Moolmans. Of the 10 apprentices, 70% are black HDSA candidates.</p> <p>Aveng Mining MQA accreditation Aveng Shafts & Underground is in the process of acquiring a wide range of accreditations with the MQA. These accreditations are significant because of their use as decisive criterion during discretionary grant applications, tender applications and other related adjudications with prospective clients. The large-scale MQA accreditation process is currently at an advanced stage with the following achievements to date: Rock breaking Level 2 and 3 accreditation achieved; MQA engineering skills programmes achieved (e.g. diesel mechanical, electrical, generic engineering, rigging, and fitting including machining); Wesizwe site MQA approval completed; MERSETA programme approval accreditation status retained.</p>
	<p>Aveng Manufacturing – absorption of interns Aveng Manufacturing has achieved success with its internship programmes leading to the creation of a pool of critical skills needed within the organisation and industry. In 2016, Aveng Manufacturing brought 46 interns on board in various technical disciplines. Of the 46 interns, nine interns were absorbed within Aveng Manufacturing's business units and seven were absorbed externally. Of the 16 absorbed, eight were African males, seven were African females and one was a white male. The rest of the interns have been given a reference to enable them to secure placements with other prospective employers. Through these internships Aveng is contributing to addressing youth unemployment in South Africa.</p> <p>Aveng Manufacturing introduced a business services and administration learnership (NQF Level 3) targeted solely at people living with disabilities. Aveng Manufacturing – disability learnership Aveng Manufacturing introduced a business services and administration learnership (NQF Level 3) targeted solely at people living with disabilities. During the latter stages of the reporting period, seven beneficiaries were identified (five African females and two coloured females) and allocated to different business units in Aveng Manufacturing as part of creating a skills pipeline for employees living with disabilities. Once the theoretical parts of the learnership are concluded, the learners will be given practical exposure opportunities at a business unit level.</p> <p>Aveng Manufacturing – track master and track welder skills programmes Aveng Manufacturing Rail is implementing track master and track welder skills programmes to address the skills gap in the mechanised track maintenance sector. Since their inception, the programmes have been successful, developing four female track masters in 2016. To uplift local communities, Aveng Rail included four local community members (three African females and one African male) on the 2016 track welder programme. All four are from Ermelo where Aveng Rail is active on the Majuba Rail Project.</p> <p>Aveng Manufacturing – accreditation as training provider Aveng Rail in Boksburg has been accredited by TETA to provide extensive technical operator training programmes focusing on counterbalanced lift truck, overhead / gantry cranes, truck-mounted cranes, and operating heavy on-track maintenance machines. The accreditation of the Aveng Rail site is the first step towards the commercialisation of the training centre and the provision of training offerings to external clients.</p>

Human resources continued

Training highlights (Australian operations) during the period under review include:



McConnell Dowell

Key training and development programmes

McConnell Dowell delivered approximately 40 000 hours of formal training to employees in 2016. Programmes were delivered via a blend of classroom, on-the-job and web-based content, utilising internal and external subject matter experts.

The Australian graduate training programme continues to provide a significant pipeline of new talent for McConnell Dowell, particularly in core engineering and commercial disciplines.

Australia

During the period under review, the major learning and development initiatives launched in Australia included HSEQ onboarding, quality onboarding and the McConnell Dowell corporate online induction. Other initiatives included construction contract law training in western Australia, employee / industrial relations training, focused on compliance with the federal Building Code 2013. These were delivered for supervisors and project managers in a number of projects across Australia.

Technical capability development in core organisational competencies such as estimation was a key focus in 2016, including delivery of an expert estimation course for estimators.

The Australian graduate training programme continues to provide a significant pipeline of new talent for McConnell Dowell, particularly in core engineering and commercial disciplines. The 2016 intake commenced in February, joining their second and third year graduate programme colleagues, and forming a graduate cohort of approximately 40 across the region.

The Australian graduate programme includes formal coursework and assessment which allows participants to obtain a nationally accredited certificate in project management principles. Modules cover areas such as high-performance teams, stakeholder management, continuous improvement, presentation skills, negotiation skills, quality management and leadership. This is a key component of the programme and is highly regarded in the graduate market.

New Zealand

The main emphasis in New Zealand was on leadership development for first-line and middle management staff, tertiary study programmes, apprenticeship programmes, health and safety and other technical-related training initiatives.

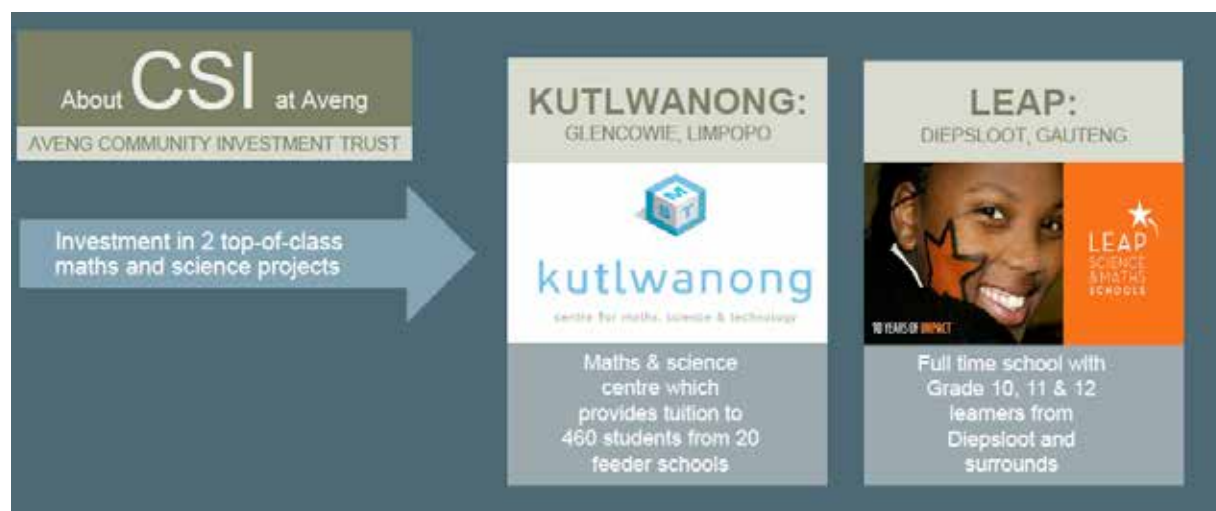
Training interventions included:

- The roll out of an aspiring leaders programme which was aimed at mid-tier managers. A number of employees enrolled in further education through New Zealand's Tertiary Study Agreement programme
- An apprentice programme was implemented in partnership with the Building Industry Training Organisation for new employees in the fields of carpentry and welding. A & B grade tunnel managers, superintendents and surveyors were assisted in their application and / or renewal of Certificates of Competencies (COCs) as required by Worksafe New Zealand
- Health and safety training in relation to the New Health and Safety at Work Act 2015
- Renewal of COCs for safety critical roles and the development of a continuous development programme (CDP) for tunnel employees to meet new Worksafe New Zealand legislative requirements. This included the provision of ongoing coaching and mentoring required to ensure a successful outcome for oral and written board exams. Some of the learning content delivered under this initiative was at Level 7 and 8 within the NZQA framework (i.e. university level study)
- A frontline leadership programme was launched during 2016, with a focus on self-awareness and development, communication and supervisory skills
- A myriad of compliance / health and safety training courses covering negotiation skills, presentation skills, contract law and procurement were presented.

Southeast Asia

The main focus of training in Southeast Asia was safety and technical capability. There was a strong focus throughout 2016 on upgrading workforce skills around hydraulic operation, electrical works, painting and precast concrete. Specific safety-based courses included the multi-skills second SEC (K) – precast concrete component erection, apply workplace safety in the process plant, perform workplace safety in confined space operation, basic traffic control course, construction safety orientation course and building construction supervisor safety course. Approximately 16 000 training hours were completed across the region in 2016.

Human resources continued



Included in the bursary intake for 2016, are six first year engineering students from the Aveng Kutlwanong Rebone Centre, an Aveng Community Investment Trust initiative. The Aveng Community Investment Trust was established in 2005 as part of the empowerment transaction entered into by Aveng at that time.

As a leading infrastructure company in South Africa, Aveng embraces its responsibility to play a meaningful role in the socio-economic development of the country and its people. Our approach to corporate social development has been consciously crafted to align with the Group's core skills requirements and South Africa's socio-economic imperatives and priorities. The trustees are committed to investing funds in projects that are geared to deliver maximum benefit to beneficiaries and provide a positive return on investment. Currently, the trust is directing its trust funds principally into two maths and science enhancement programmes at secondary school level, to address the dual challenge of low youth employability and the lack of technical / engineering skills.

Refer to corporate social investment report on pages 39 to 42. 

The investment in the Trust has shown significant returns with students excelling in maths and science. The results achieved during the last academic year include:

- 100% pass rate in maths and science at the Rebone Kutlwanong Maths and Science Centre, and 35 learners achieving distinctions in both maths and science, with the top achiever scoring 100% in both subjects, Rebone is fast becoming an iconic centre of educational excellence in the Limpopo province with a positive impact on 480 underprivileged children

- The Aveng sponsored LEAP 4 school in Diepsloot achieved a 92% pass rate in science and 84% in maths in 2015. This initiative is having a positive impact on 167 underprivileged children in Diepsloot
- The Aveng Community Investment Trust invested a total of R12,3 million in these two projects in 2016. A

Rebone is fast becoming an iconic centre of educational excellence in the Limpopo province.



“Aveng is committed to contributing positively to the socio-economic landscape in South Africa. Our legacy is not only about buildings and infrastructure, but about ensuring that we make a sustainably beneficial impact across the communities where we operate.”

Aveng Chairman, Mahomed Seedat, at the prize-giving ceremony at Rebone Kutlwanong Centre in Limpopo

A This item was the subject of the limited assurance engagement performed by EY (refer to assurance report on pages 4 and 5).

Human resources continued

The 2016 bursary students are all registered to complete a Bachelor of Science degree in engineering and will be absorbed by Aveng Grinaker-LTA, Aveng Manufacturing and Aveng Mining. The investment value is R595 000 per year over a four-year period.

The bursaries were awarded during a graduation ceremony held at the Rebone centre on 29 January 2016.

The awarding of the bursaries was well received and Aveng was thanked for its

contribution to education in the Limpopo region, which included recognition of its contribution by the Limpopo MEC for education who attended the awards ceremony.



Awarding of bursaries at the Aveng Kutlwanong Rebone centre graduation ceremony

Non-technical training programmes

Leadership and Executive development
Leading in Aveng programme
 Aveng is committed to providing leadership development interventions as part of its mission to develop an effective and high-performance organisation. Continuing to strengthen leadership capability through the training, appointment and development of strong leaders across all operating groups is a core focus of development interventions. Aveng continued with its premier leadership development programme, Leading in Aveng in 2016.

This is a fully accredited Advanced Diploma in Organisational Leadership (NQF Level 7, 120 credits towards an honours degree) programme for first-line supervisors, middle managers and senior managers. 61 delegates from across all South African operating groups participated in the 2016 programme.

Executive development programme

Two senior executives were nominated to attend the executive programme (TEP) presented by Darden School of Business in the USA. This programme which runs over a

three-week period at the Darden Business School premises at the University of Virginia is designed to expose executives to leading and latest global best practices in business leadership. The programme offered our senior leaders a holistic leadership experience to gain new knowledge, insights and skills, and to challenge current ways of thinking.

Additional information is available under skills development in the South Africa transformation report on page 35. 

Looking ahead

Key HR focus areas for year ahead	Desired outcomes / Actions
Continue to drive the transformation / localisation strategy	<ul style="list-style-type: none"> ■ Achieve transformation / localisation strategies set at each operating group ■ Meet the targets set for appointing key black talent into identified positions as part of the employment equity plan and as part of the Aveng succession plan ■ Set specific critical talent retention targets.
Entrench the employee relations strategy to reduce / eliminate strike impact	<ul style="list-style-type: none"> ■ Continue with CEO / MD roundtable engagement sessions and cascade to lower management levels ■ Continue engaging employees and unions on business realities and challenges as well as their role in contributing to the business turnaround.
Continue to drive the Aveng culture strategy	<ul style="list-style-type: none"> ■ Action findings from the 2016 culture survey ■ Drive key culture themes across the organisation ■ Conduct a McConnell Dowell follow-up culture survey.
Embed the succession planning model	<ul style="list-style-type: none"> ■ Set targets to ensure retention of critical talent ■ Grow the succession pipeline ■ Ensure achievement of employment equity targets and goals through incentivisation.
Continue driving a high-performance culture	<ul style="list-style-type: none"> ■ Continue to drive the employee value proposition ■ Address repeat poor performance ■ Continue employee engagement sessions ■ Implement actions from employee roundtable sessions ■ Recognise high-performing employees.

South Africa transformation

The 2016 financial year has been characterised by a number of significant legislative changes affecting transformation. Aveng supports and strives to remain at the forefront of transformation efforts by complying with the principles of broad-based black economic empowerment (B-BBEE) and measures its transformation progress against the generic codes of good practice as well as the construction sector code.

Boundary: this section relates to South African operations.

Aveng's South African operations currently hold a Level 2 (2014: Level 2) B-BBEE status with 91,49 points, its highest performance to date. This compares favourably to the Group's major competitors in the sector.

During 2016, transitioning to the revised codes required a significant paradigm shift in both performance and culture to securely maintain the same rating level in the next verification period. The Group has implemented a more robust transformation policy and all operating groups have implemented a three-year transformation strategy. Executive leadership continues to take accountability and responsibility for the

implementation and performance in their respective areas. Oversight of transformation performance is vested in the group transformation executive, who reports monthly to the executive committee and quarterly to the social, ethics and transformation (SET) committee, under the stewardship of the chairman of the Board.

In addressing and preparing the organisation for the challenges of the revised codes of good practice, the Group hosted a full-day transformation seminar for 283 executive, senior and line managers across Aveng to ensure greater understanding of transformation imperatives and the implications for the Group's business sustainability.

Key focus areas

Aveng retained its level 2 rating as measured against the construction sector charter for the financial year ended June 2015 and is focused on achieving a minimum level 4 when measured against the revised codes of good practice in October 2016. The drop to Level 4 is due to the more challenging targets set by the revised codes. It is anticipated that the Group will revert to measurement against the proposed new construction charter in October 2017.

The Group has identified these key transformation focus areas across its diverse range of South African operations:

- Achieve set transformation targets by complying with the revised codes of good practice and ensuring alignment with the new construction sector charter, once gazetted
- Increase B-BBEE performance by complying with the management control targets as measured against the national economically active population
- Recruit, retain and develop young black professionals into more senior managerial ranks
- Continue support for socio-economic development initiatives and in particular mathematics and science education
- Enhance and foster strategic relationships with key stakeholders
- Create opportunities for black-owned and black woman-owned EMEs and QSEs in line with the Group's strategy
- Continue to impact the development of rural-based entrepreneurs with annual supplier development seminars and workshops.

2016 Salient features

The performance of Aveng against strategic objectives defined in the Group's three-year transformation plan is discussed below.

Performance of Aveng (Africa) Proprietary Limited against the construction sector charter Broad-based black economic empowerment scorecard*

Scorecard elements	Aveng Africa 2015	Aveng Africa 2014	Aveng Africa 2013**	Comparison to prior year
Ownership	24	24	24	↔
Management control	10	9,26	7,46	↑
Employment equity	4,32	3,95	3,59	↑
Skills development	13,17	10,78	9,24	↑
Preferential procurement	20	20	18,31	↑
Enterprise development	15	15	15	↔
Socio-economic development	5	5	5	↔
TOTAL	91,49	87,99	82,35	↑
Rating	2	2	3	↔

↔ Constant

↑ Improvement

* Headcount and ownership verified at time of verification during October 2015.

** The decline in Aveng's performance in 2013 to a level 3 rating was as a result of the escalation in the construction sector charter's targets. The Company, however, implemented the necessary interventions to ensure that it regained a level 2 contributor status within a year.

@ For a copy of the Aveng B-BBEE certificate, go to: www.aveng.co.za. The current certificate is valid until 21 October 2016.

South Africa transformation continued

Transformation impacts and management

Aveng has identified its main transformation stakeholders as employees, clients, contractors, suppliers and the authorities that govern the Group's compliance with employment equity and B-BBEE legislation. Their key concerns or requirements, and the actions Aveng has taken to address them, are reported in the table below:

Stakeholder	Issue	Impact on the business	Actions
<i>Department of Trade and Industry and construction sector charter council</i>	Compliance with B-BBEE codes of good practice and construction charter targets	Non-compliance exposes the Group to: <ul style="list-style-type: none"> ■ Ineffective organisational transformation and a lower scorecard rating ■ Threats to association and licence to trade with others. 	<ul style="list-style-type: none"> ■ Integrated sustainable transformation and B-BBEE strategic plans are being implemented to drive transformation management across the operating groups ■ A B-BBEE toolkit and IT management system was implemented in 2014 to monitor and measure compliance with the construction charter targets and revised B-BBEE codes ■ A transformation and B-BBEE compliance framework is used by the operating groups as a reference guide ■ Execution of operating group strategies and plans are monitored monthly through the group transformation working committees.
<i>Department of Labour</i>	Compliance with employment equity (EE) statutory requirements, including EE regulations and EE codes of good practice	<ul style="list-style-type: none"> ■ Risk of not maintaining EE targets and remediation during a market downturn ■ Risk of non-compliance and penalties. 	<ul style="list-style-type: none"> ■ Operating group's EE reports for first-year targets against the successive EE plans for the five years until 2019 submitted to Department of Labour ■ Affirmative measures implemented to ensure increased compliance to achieve five-year targets ■ Quarterly EE audits conducted to monitor progress against annual numerical targets and governance processes.
<i>Suppliers</i>	Compliance with B-BBEE codes of good practice and construction sector charter targets and retaining empowering supplier status	<ul style="list-style-type: none"> ■ Lower preferential procurement scoring as suppliers may drop levels under the new codes ■ Lack of empowering supplier status will nullify spend with certain suppliers. 	<ul style="list-style-type: none"> ■ Commenced process to communicate with and train suppliers ■ High-risk suppliers identified and communicated to all business unit decision-makers ■ One-on-one interventions with high-risk suppliers ■ Ongoing communications and interactions with suppliers.
<i>Employees</i>	Appropriate consultation with employees on transformation-related matters and employee development	<ul style="list-style-type: none"> ■ An unstable workforce ■ High labour turnover ■ A loss of critical and scarce skills due to a non-conducive work environment ■ Inability to attract key skills. 	<ul style="list-style-type: none"> ■ Transformation roadshows conducted across the business to increase level of understanding and compliance ■ Transformation working committees established to monitor and evaluate transformation imperatives, provide employees with information and get feedback from them ■ EE and skills development committees are in place and meetings are conducted monthly or quarterly to monitor staff movement, training and development against the EE plan and annual numerical targets per operating group ■ Educational workshops, including diversity management, presented regularly.

In addition to developing the skills of employees, the group transformation team conducts extensive training for suppliers and enterprise development beneficiaries and their employees in each of our regions. We constantly engage with our supplier base in construction, mining, steel and manufacturing to assist them in achieving sustainable business productivity and transformation.



A table detailing our engagements with suppliers and beneficiaries is available on page 37.

South Africa transformation continued

Transformation monitoring and performance

Monitoring of the implementation of the annual employment equity (EE) numerical targets and workplace skills plans across the operating groups is conducted through operating group board meetings, the group executive committee, group transformation working committee and EE and skills development (SD) committees and forums. EE audits and monthly and quarterly employee movement reports are used to evaluate progress against yearly targets across the business. The effectiveness of EE and SD committees is monitored and they receive guidance, coaching and support from the group transformation working committee. Operating group or business unit EE and SD committees meet regularly either monthly, bi-monthly or quarterly. The committees with chairpersons and members who understand their roles and responsibilities and how EE matters can have a direct impact on the business's decision-making and tend to be more empowered and yield better results.

Appointment of females across the Group remains a challenge with less than 5% representation of African females at senior management levels. Some progress, though small, has been made in the appointment of people with disabilities. Operating groups conducted awareness sessions to increase awareness of the need to affirm people with disabilities and the importance of declaring disability status in the workplace. There was an increased drive to recruit capable people who are living with disabilities by working with associations and recruitment agencies that specialise in people with disabilities to identify suitably qualified candidates when recruitment opportunities arise.

Affirmative action measures to address barriers such as training and development, retention of employees from designated groups and reasonable accommodation for people with disabilities remain a challenge across the Group. Response plans have been developed by the operating groups to address these challenges. In particular, Aveng Manufacturing Automation and Control Solutions has, over a short period, transformed its EE profile into one that is more representative and exceeds the business unit's 2016 EE targets. Another example of a best practice is a talent fast-tracking programme established by Aveng Grinaker-LTA's Coastal business unit, where candidates are assigned mentors and coaches to assist them with their development.

Although the restructuring programme has had an adverse impact on some EE initiatives, the operating groups have developed capacity building plans to address gaps.

Governance structure

Aveng (Africa) Proprietary Limited retained its level 2 rating during the October 2015 audit cycle with notable improvements in the areas of management control, employment equity, skills development and preferential procurement. Preparation for the revised codes of good practice has been substantially achieved.

Ownership

Aveng's empowered ownership status at the last audit was 61,03% black-owned with 22,32% black women ownership. The Group's score of 24 / 25 remained unchanged during 2016.

Employment equity and management control

While the Aveng Board acknowledges that EE is one of Aveng's key transformation challenges, progress has been made in the employee workforce profile and management control representation of 10 / 10 (2015: 9,26 / 10). The objectives of the Group's EE policy and plan are to ensure that equity is achieved through the promotion of equal opportunities and fair treatment of its workforce and employment applicants by:

- Redressing any imbalances, injustices or unfair discrimination that may exist in policies, practices, procedures and the work environment
- Providing employees from designated groups with access to enhanced training and development opportunities within the business
- Implementing affirmative action measures to redress the disadvantages experienced by designated groups in the past
- Continually redressing the present challenges to accelerate progress through skills development programmes and the injection of talent
- Promoting diversity and respect for all employees
- Achieving equitable representation of all demographic groups at all levels and in all categories of the workforce as the ultimate tangible objective.

Aveng employs 15 903 (2015: 16 624) permanent employees in South Africa and 212 (2015: 1 152) non-permanent employees. A decline in work opportunities in the construction sector has had a negative impact on our business. The restructuring of Aveng, based on operational requirements made certain positions redundant, regardless of demographics. Although Aveng depends on a resumption of growth to increase employment, it is also applying more innovative human resources strategies in an effort to achieve its transformation targets.



Diversity training at Aveng, Jet Park

South Africa transformation continued

Table 1: Aveng (Africa) workforce profile (2015)*

Occupational levels	Designated								Foreign nationals		Total
	Male				Female				Male	Female	
	African	Coloured	Indian	White	African	Coloured	Indian	White			
Top management	3	0	1	8	0	0	0	0	1	0	13
Senior management	17	7	17	138	9	2	4	10	7	0	211
Professionals, specialists, mid management	191	97	82	747	56	7	18	104	32	2	1 336
Technical, junior management, supervisors	1 177	174	58	846	196	61	41	280	79	7	2 919
Semi-skilled and discretionary decision-making	5 330	374	34	230	640	68	26	168	450	7	7 327
Unskilled and defined decision-making	2 978	106	11	34	456	36	0	10	466	0	4 097
Total permanent	9 696	758	203	2 003	1 357	174	89	572	1 035	16	15 903
Non-permanent employees	130	11	6	23	19	3	2	7	11	0	212
Total	9 826	769	209	2 026	1 376	177	91	579	1 046	16	16 115

* Summary of workforce profiles as submitted to Department of Labour in October 2015 in terms of Employment Equity Act.

(A) This item was the subject of the limited assurance engagement performed by EY (refer to assurance report on pages 4 and 5).

Skills development

Aveng is committed to nurturing a culture of learning. The Group's skills development score improved significantly to 13,17 / 15 (2014: 10,78 / 15) as a result of our continued efforts to strengthen the skills of our employees. The operating groups undertook a number of apprenticeship, learnership, internship and leadership development programmes. The Group's intention is to retain these individuals as permanent employees.

Operating groups focused on addressing skills development challenges by increasing skills feeder pipelines (learnerships, apprenticeships and internships) with developmental training for current employees in managerial levels. As some training initiatives will only yield results in two to four years, coaching and mentorship programmes have been implemented to address these skills gaps to improve the skills development score. Continuous monitoring and evaluation of the current training and development initiatives implemented across the business will be reviewed and corrective measures

implemented to address other skills development impediments.

A learning and development forum enforces implementation of the requirements of the Employment Equity and Skills Development Acts. Compliance is monitored through accepted procedures and guidelines and the forum reports targets and progress against committed plans to the SET committee. Registered skills development facilitators submit annual plans and reports

(including workplace skills plan and annual training reports) to the respective Sector Education and Training Authorities (Construction and Manufacturing Education and Training Authorities as well as Mining Qualifications Authority). The budget for skills development is measured accordingly, and deviations from the plan are managed.

Additional information on skills development is provided in the human resources report on pages 26 to 29.



Diversity training in progress

South Africa transformation continued

Preferential procurement



Enterprise and supplier development training at Aveng

Aveng currently scores full points for this element and continues to drive its overall enterprise and supplier development (ESD) strategy from a corporate level. The Group expects to retain a high level of compliance during the October 2016 audit and has realigned its procurement practices in line with the higher targets of the revised codes. The Group has:

- Used centralised preferential procurement reporting and monitoring within centre-led procurement under a dedicated enterprise and supplier development manager, while ensuring greater accountability at business unit level for preferential procurement spend
- Increased emphasis on transformation requirements during its tendering and vendor selection processes
- Set aside opportunities for companies from the designated groups as well as black-owned and black woman-owned EMEs and QSEs
- Increased responsibility of procurement officials throughout the Group, including KPI targets at all levels
- Driven ongoing compliance using the newly created ESD unit within centre-led procurement
- Reduced expenditure on poorly empowered or non-empowered suppliers at centre-led procurement and business unit levels

- Continued to enter into strategic supply contracts at a group level with highly empowered suppliers.
- Continued to enter into three-year commercial supply contracts with qualifying black-owned and black women-owned EMEs and QSEs to capitalise on enhanced recognition on the preferential procurement scorecard
- Increased focus on spend with suppliers based in rural and underdeveloped areas and people with disabilities.

Compliance with the requirements of the revised codes of good practice commenced on 1 July 2015, and the Group has made substantial progress in preparing its employees and suppliers for the challenges that lie ahead by:

- Communicating its transformation strategy to major and high-risk suppliers
- Providing training to high-risk suppliers on the revised codes and assisting with transforming their businesses
- Training all senior decision-makers and influencers on the impact of ESD as well as the strategic imperative for the Group
- Providing detailed strategic and implementation guidelines for functional staff.

Monitoring and reporting of ESD performance remains vested with the chief procurement officer and the group transformation executive.

Enterprise development

Aveng currently scores full points for this element, and expects to retain a high degree of compliance during the October 2016 audit. In addition to the initiatives mentioned above, this performance is driven by:

- Centralised training and development coordination for contracted beneficiaries
- Increased spending with contracted beneficiaries across the Group to foster the creation of sustainable black-owned and black woman-owned companies.

Aveng has 149 beneficiaries with enterprise and supplier development contracts in compliance with the revised codes of good practice. The enterprise development contracts ensure that beneficiaries receive training and development to enable them to participate effectively in the Group's supply chain. The supplier development beneficiaries receive training and development and commercial contracts to support their ongoing sustainability. Training has been provided in marketing, social media, continuous improvement, presentation skills, business ethics, customer service, human resources, safety, risk and the revised codes of good practice. Aveng has extended this opportunity to emerging businesses in rural areas and businesses owned by people with disabilities. A number of enterprise development beneficiaries have become fully fledged suppliers to the Group. Job creation and sustainability are important outcomes of including start-up companies in the supply chain and the Group will continue with its formal and informal enterprise development programmes to ensure it reaches and impacts as wide a target audience as possible.

South Africa transformation continued

The table below sets out the number of suppliers and enterprise development beneficiaries trained during 2016:

Region	Gauteng	Limpopo	KwaZulu-Natal	Eastern Cape	Western Cape	Total number of delegates trained
<i>Tendering process</i>		58				58
<i>Developing business plan</i>		22				22
<i>Understanding procurement and profitability</i>		30				30
<i>Ethics in procurement</i>		31				31
<i>Revised codes</i>	158		29	36	34	257
<i>Safety</i>	159	37	16	20	18	250
<i>Risk</i>	159		16	20	18	213
<i>Continuous improvement</i>				10		10
<i>Presentation skills</i>				10		10
<i>Business plans</i>				10		10
<i>Marketing</i>		36		8		44
<i>Social media</i>				8		8
<i>Business ethics</i>	32		9		24	65
<i>Human resources</i>	122		10		25	157
<i>Customer care</i>	47		10		18	75

Emerging entrepreneurs who are not currently part of Aveng's supply chain or development programme will continue to receive free training to prepare them for inclusion. Beneficiaries will continue to receive training and development provided by internal experts and external service providers.

In addition to these current efforts, Aveng is embarking on a partnership with the Department of Trade and Industry (DTI) to establish the first construction sector business incubator in the country. Approval for the project was received from the DTI in May 2016.

The R30 million project over three years intends to create 40 construction sector business owners and more than 160 jobs. The business owners will be trained, developed and mentored over this period


and on graduation will be integrated into the Group's supply chain as well as those of our selected partners ensuring sustainable growth. The project is key to our ESD strategy and will play an integral part in transforming the sector.

ESD remains a critical aspect in changing the economic landscape in South Africa, and the transformation function continues to engage with various business sectors within the country in its ongoing efforts to introduce new thinking and strategies. Transformation officials continue to drive ESD best practice via guest lectures to fourth year logistics students at local universities.

Socio-economic development

Aveng believes that the communities it serves should be better off as a result of its presence. Consequently, our operating groups invest in local projects, and our employees engage in voluntary community service initiatives.

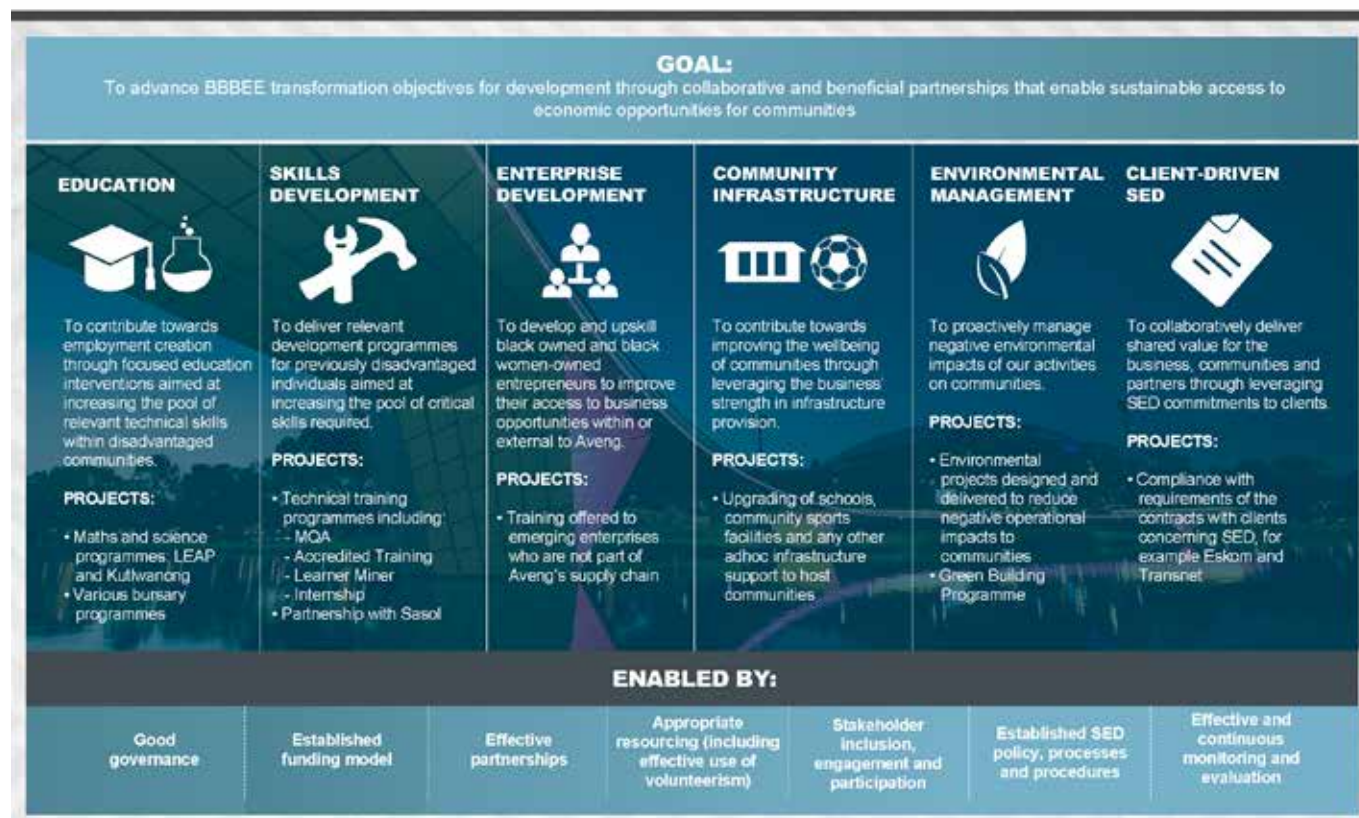
The Aveng socio-economic development (SED) strategy drives the Group's socio-economic development requirements. The key strategic pillars are education, skills development, enterprise development, community infrastructure, environmental management and client driven socio-economic activities. The Aveng Community Investment Trust serves as a vehicle to implement strategic initiatives aligned with these pillars. Through the Trust, Aveng continues to support the two flagship educational maths and science community-based projects.

For additional detailed information about the flagship projects, refer to the corporate social investment report on pages 39 to 42. 

South Africa transformation continued

AVENG SOCIO-ECONOMIC DEVELOPMENT (SED) STRATEGY
fact sheet

HOME WITHOUT HARM
EVERYONE EVERYDAY



Looking ahead

Focus areas for the year ahead	Desired outcomes
<i>Understanding, alignment and implementation of revised B-BBEE codes, and construction sector charter</i>	<ul style="list-style-type: none"> ■ Target high degree of compliance with the revised codes or the new charter, ensuring that priority elements and empowering supplier requirements are met ■ Increase internal training on all elements of the scorecard ■ Increase transformation awareness and accountability at all levels of Aveng through performance contracts or monthly and quarterly feedback sessions ■ Drive transformation initiatives and accountability within the Group through the working committees.
<i>Increase female representation targets for EE and B-BBEE</i>	<ul style="list-style-type: none"> ■ Develop and implement gender equality policy to drive female representation targets ■ Increase female representation for all core, critical and scarce skills positions at all levels within the Group ■ Focus on the promotion of women to key management positions ■ Implement holistic transformation strategies across the Group by taking a long view on compliance and organisational culture.
<i>Skills development</i>	<ul style="list-style-type: none"> ■ Increase focus on key black talent through continuous identification of current and future potential candidate feeder pipelines and skills development to assist in the achievement of operating groups' five-year EE plans.
<i>Enterprise and supplier development</i>	<ul style="list-style-type: none"> ■ Focus on achieving full points for enterprise and supplier development while ensuring greater opportunities for black-owned and black woman-owned SMMEs ■ Ensure high-risk suppliers are aware of the Group's strategy and remain compliant with the new codes by increasing supplier engagements and information sessions ■ Drive initiatives to identify and engage with companies from the designated groups.
<i>Socio-economic development (SED)</i>	<ul style="list-style-type: none"> ■ Implement Aveng's key SED strategic pillars and programmes ■ Foster partnership between the Group and operating groups on the implementation of key strategic SED initiatives.

Corporate social investment

Aveng embraces its responsibility to play a meaningful role in the socio-economic development of South Africa, its people and the other communities in which we operate. Our approach to corporate social investment (CSI) and socio-economic development (SED) has been crafted to take advantage of the Group's core competencies and to resonate with various countries' socio-economic imperatives and objectives.

Aveng supports the development of the communities in which it operates, and has for a number of years committed a portion of its earnings to CSI through the Aveng Community Investment Trust.

Aveng Community Investment Trust



The Aveng Community Investment Trust was established in 2005 following the empowerment transaction entered into by Aveng. Aveng commits 1% of headline earnings to CSI activities. Over the years, since its inception, the Aveng Community Investment Trust has made a strong and sustainable impact in the delivery of maths and science tuition at a secondary school level, artisan training and development, and the construction of building facilities for school and community use.

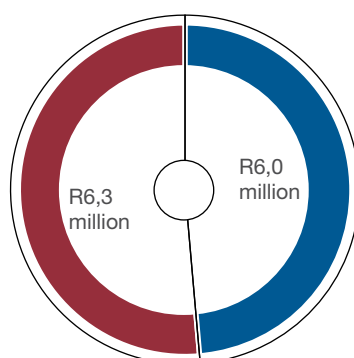
The Trust is guided by an unwavering commitment to best practice corporate governance across all aspects of CSI. Therefore it reports directly to the social, ethics and transformation committee.

Despite the prevailing tough environment which negatively impacted funds available for CSI, Aveng has continued to support its two flagship projects and is one of the leading socio-economic development contributors in the sector. To ensure the sustainability of the two flagship projects, the Trust received R10,6 million in the form of a loan from Aveng to enable it to meet its financial commitments. The beneficiaries include the LEAP4 school in Diepsloot, Johannesburg, and the Kutlwanong Rebone centre based in Glencowie, Limpopo.

These two best-in-practice maths and science projects have delivered exemplary matric results consistently. Working with **Kutlwanong** in Limpopo, Aveng sponsors a maths and science centre which provides tuition to 480 learners from 20 feeder schools, as well as a teacher training programme. In Gauteng, Aveng sponsors a full-time **LEAP4** school with Grade 10, 11 and 12 learners from Diepsloot and surrounding areas.

The Aveng Community Investment Trust invested a total of R12,3 million in the Kutlwanong and LEAP projects in 2016 (2015: R11 million).

Investment in Kutlwanong and LEAP: 2016 R12,3 million (2015: R11 million)



■ Kutlwanong
■ LEAP

Aveng Community Investment Trust highlights

Prize-giving ceremony

The Aveng Community Investment Trust hosted a prize-giving ceremony in Limpopo at the end of January 2016 to celebrate the exemplary matric results from the Kutlwanong Rebone centre. Certificates were handed out to 35 students who achieved a distinction in both maths and science, and cash awards were given to the top five achievers and two most improved students for 2015. Aveng awarded seven bursaries to students who will be pursuing engineering degrees at South African universities in 2016.

Bursars funded by Aveng operating groups:

- Aveng Manufacturing sponsors two learners studying towards mining engineering degrees at Wits University
- Aveng Grinaker-LTA sponsors three learners studying mining engineering, mechanical engineering and civil engineering degrees at Wits University
- Aveng Mining sponsors two students studying towards mining engineering at the University of Pretoria.



LEAP4 School, Diepsloot

Corporate social investment continued



Aveng Community Investment Trust beneficiaries

Performance of Kutlwanong Rebone Centre and LEAP4 Diepsloot School

Project	2016 investment	Beneficiaries	Performance
<i>LEAP4 school Diepsloot, Gauteng</i>	R6 251 281	190 Grade 8 to 12 learners	<ul style="list-style-type: none"> Key 2015 matric highlights are set out below: <ul style="list-style-type: none"> 50 learners wrote 29 students achieved bachelor passes 84% maths pass rate 92% science pass rate 58% of the learners achieved bachelor degree passes and 24% attained higher diploma passes.
<i>Kutlwanong Rebone centre, Glencowie, Limpopo</i>	R6 025 739	480 Grade 10, 11 and 12 learners	<ul style="list-style-type: none"> Key 2015 Matric highlights are set out below: <ul style="list-style-type: none"> 140 learners wrote 110 achieved bachelors pass 66% science pass rate 67% maths pass rate 79% of the students attained bachelors degree passes and 16% achieved diploma passes.
Total	R12 277 020 (A)		

(A) This item was the subject of the limited assurance engagement performed by EY (refer to assurance report on pages 4 and 5).

Teacher training programme

The Aveng Community Investment Trust, working in partnership with the Kutlwanong maths and science centre and the Department of Education, advanced the maths and science skills of 60 educators from the LEAP school based in Diepsloot, schools in and around the area, educators from schools within the Johannesburg north district, as well as teachers from LEAP

centres across Gauteng and Limpopo. The two-day workshop, which took place in June 2016, is an initiative which brought together the trust's two flagship education projects to better equip maths and science educators through training based on the Kutlwanong methodology. During the highly successful workshop, educators were equipped with relevant skills to explain difficult concepts in both maths and science

in a way that is easier to understand, using analogies, illustrations and demonstrations. The training aims to improve educator competence levels in subject knowledge and teaching skills, ultimately resulting in enhanced learner performance. An intensive follow-up training programme was held in August and September 2016.



Aveng Community Investment Trust Teacher Training Workshop

Corporate social investment continued

Aveng operating group's CSI highlights

The development and upskilling of the communities in which Aveng operates remains a key imperative. During 2016, over and above the training offerings by Aveng to its employees, our operating groups made significant contributions to community upliftment and the development of critical skills required within the industry.

Aveng Manufacturing

Aveng Rail invested R57 600 in the community around the Majuba Project and R160 000 in a local community school associated with the Rosemead Project. The latter investment involved the provision of computers, printing and photocopying machines.



Aveng Rail Rosemead Primary School Project

Aveng Mining

Aveng Mining has enrolled 22 Ledig community learners in the Aveng Shafts & Underground L2-L3 rock breaker learnership programme. A further 21 Ledig community learners were also enrolled for apprenticeship artisan programmes. Another mining engineering graduate from Ledig has been placed in an Aveng graduate development programme. Of the 34 community learners registered for the MQA Level 3 surface excavation blasting, 20 have successfully completed the programme and 10 are still studying.

Aveng Grinaker-LTA

Aveng Grinaker-LTA contributed towards a number of community development programmes:

- As part of Aveng Grinaker-LTA's involvement in the Construction Industry Partnership under the National Business Initiative, the Aveng Grinaker-LTA training centre trained 14 carpentry learners over a period of three months for a work readiness pilot project. A total of 14 additional learners were trained in the building trade. Eighteen of these students will conduct practical training on Aveng Grinaker-LTA building sites for nine months.
- Aveng Grinaker-LTA sponsored five Grade 11 students on Phase 1 of the Go for Gold programme. Phase 1 focuses on additional maths and science classes, as well as life skills training. Go for Gold Gauteng branch took on an additional 30 students during 2016.
- Aveng Grinaker-LTA sponsored five of these students – four on Grade 12 level, and one in Grade 11 – to the value of R210 000 for the 2016 academic year. Aveng Grinaker-LTA's Coastal business unit provided six students with experiential learning opportunities for a year. The students completed a learnership during this period.

Aveng Grinaker-LTA charity golf day

Aveng Grinaker-LTA hosted its annual charity golf day in October 2015 at which suppliers and clients played in a four-ball or sponsored a hole. The proceeds of R25 000 were donated to the LEAP foundation.



Chris Botha, managing director Aveng Grinaker-LTA, hands over a cheque to LEAP4's management team and learners.

McConnell Dowell

McConnell Dowell continued to support community and charitable organisations in the communities in which it operates in Australia, New Zealand and Southeast Asia. A key focus is providing support and sponsorship to disadvantaged children and youths in the community, as well as support for indigenous communities.

Charitable organisations receiving direct financial support from McConnell Dowell in 2016 include KidsCan Charitable Trust in New Zealand, the Salvation Army in Australia, Beacon (an organisation providing mentoring support to assist disadvantaged students transition from secondary school into higher learning, vocational training or employment) and the Singapore Children's Home.

Corporate social investment continued

CSI expenditure

Despite tough trading conditions experienced in recent years which have negatively impacted funds available for CSI, Aveng has continued to support its two CSI flagship projects.

Aveng	2016 R'000	2015 R'000
Aveng Community Investment Trust and head office*	13 290	11 860
McConnell Dowell	1 624	2 173
Aveng Grinaker-LTA	525	251
Aveng Mining	262	1 430
Aveng Manufacturing	1 383	763
Aveng Steel	26	234
Total	17 110	16 711

Refer to pages 32 to 38 for additional information on how Aveng has met its socio-economic development requirements as per the B-BBEE codes of good practice.

* This amount includes the total trust spend towards flagship projects of R12 277 020 (A) as well as administration and other costs.

Socio-economic development (SED)

In order to suitably address the SED demands on Aveng while delivering value for money that takes into account current financial realities of the Group and industry, an integrated response strategy has been crafted to address core business needs for skilled labour, contractual obligations to clients, local development needs, and thus to maintain Aveng's social development impact.

This integrated strategy aims to advance Aveng's transformation objectives for development through collaborative and mutually beneficial partnerships that enable sustainable access to economic opportunities for communities. The strategy is focused on six pillars, namely education, skills development, enterprise development, community infrastructure, environmental management and client-driven SED.

Key focus areas

Aveng has identified the need to strengthen the alignment of CSI / SED to its business objectives as a key focus area. The Group's integrated SED strategy focuses on:

- Improved collaboration within operating groups to maximise impact with limited funding available
- Ensuring operating groups use budgeted SED funds to meet their contractual obligations to clients and invest strategically in areas of operation
- Ensuring CSI activities meet SED requirements of the B-BBEE codes of good practice
- Ongoing monitoring and reporting mechanisms for social investments across Aveng
- Making the best use of "in kind" and "in time" contributions to support cash investments into projects
- Increasing Aveng's presence at the trust's two flagship projects.

Business address and registered office
Aveng Park, 1 Jurgens Street,
Jetpark, Gauteng, 1459

Telephone +27 (0)11 779 2800
Telefax +27 (0)11 784 5030

www.aveng.co.za

