



Contents

40	Independent assurance report
42	Approach to sustainability
44	Economic sustainability
46	Safety report
49	Health and wellness report
54	Environmental report
58	Human resources report
62	Transformation report
66	CSI report

Community building project using rammed earth technology, Limpopo, South Africa



WAVENGROUP
Leaders in infrastructure development

Independent assurance report to the directors of the Aveng Group for the period ended 30 June 2012

Scope of our engagement

We have completed our independent limited assurance engagement to enable us to express our limited assurance conclusions on whether anything has come to our attention that causes us to believe that the Aveng Group's Sustainability overview 2012 (the Report) for the period ended 30 June 2012, has not been prepared, in all material respects, in accordance with the principles and listing requirements of the Johannesburg Stock Exchange's Socially Responsible Investment (JSE SRI Index) for a High Impact business, and whether the following key performance indicators (specified KPIs) contained in the report have not been prepared in all material respects in accordance with the criteria disclosed in the footnotes on the relevant pages:

- » Recordable injury frequency rate for the 12 months ended June 2012 as disclosed on pages 47 and 48
- » Lost time injury frequency rate (LTIFR) for the 12 months ended 30 June 2012 as disclosed on page 47
- » Carbon footprint (Scope 1 – diesel) for the 12 months ended 30 June 2012 as disclosed on page 55
- » CSI trust payments for the 12 months ended 30 June 2012 as disclosed on page 66
- » Number of employees who underwent HIV/Aids training for the 12 months ended 30 June 2012 as disclosed on page 51
- » Investment in training (Rand) for the 12 months ended 30 June 2012 as disclosed on page 8.

The specified KPIs noted above have been highlighted in bold, italics in the report and annotated with an 'A' for identification purposes.

Our responsibility in performing our independent limited assurance engagement is to the Aveng Group only and in accordance with the terms of reference for this engagement (including the release letter dated 14 September 2012 as agreed with them). To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Aveng Group for our work, for this report, or for the conclusions we have reached.

We have complied with the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multidisciplinary team of health, safety, social, environmental and assurance specialists with extensive experience in sustainability reporting.

The Aveng Group has elected to prepare the report in accordance with the principles and listings requirements for a High Impact business which are published by the JSE SRI, a full copy of which can be obtained from the JSE's website.

Directors' responsibility

The directors are responsible for implementing a stakeholder engagement process to identify all relevant stakeholders, to identify key issues, to respond appropriately to key issues identified, to determine those key performance indicators which may be relevant and material to the identified stakeholders, and to design and apply appropriate sustainability reporting policies. The directors are also responsible for the preparation and presentation of the report, the information and assessments contained in the report and for such internal control as the directors determine is necessary to ensure that the information and data reported meet the requirements of the relevant criteria, and contain all relevant disclosures that could materially affect any of the conclusions drawn.

Assurance provider's responsibility

Our responsibility is to express our limited assurance conclusion on the report and the specified KPI based on our independent limited assurance engagement. Our independent limited assurance engagement was performed in accordance with the International Federation of Accountants' (IFACs) International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. This standard requires us to comply with ethical requirements and to plan and perform our engagement to obtain the assurance as required by the scope of our engagement, as expressed in this report.

Basis of work and limitations

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the subject matter and the purpose of our engagement. In making these assessments, we have considered internal controls relevant to the entity's preparation and presentation of the report and the information contained therein, in order to design procedures appropriate for gathering sufficient appropriate assurance evidence to determine that the information in the report is not materially misstated or misleading as set out in the summary of work performed below. Our assessment of relevant internal control is not for the purpose of expressing a conclusion on the effectiveness of the entity's internal controls.

We planned and performed our work to obtain all the information and explanations that we considered necessary to provide a basis for our limited assurance conclusions pertaining to the report and the specified KPIs, expressed on page 41.

Where a limited assurance conclusion is expressed, our evidence gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods adopted for the definition and gathering of information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements.

Summary of work performed

Set out below is a summary of the procedures performed pertaining to the report and the specified KPIs which were included in the scope of our limited assurance engagement.

- » We obtained an understanding of
 - The entity and its environment
 - The stakeholder engagement process
 - The selection and application of sustainability reporting policies
 - How management has applied the principle of materiality in preparing the report and the specified KPIs
 - The significant reporting processes including how information is initiated, recorded, processed, reported and incorrect information is corrected, as well as the policies and procedures within the reporting processes.
- » We made such enquiries of management, employees and those responsible for the preparation of the report and the specified KPIs, as we considered necessary.
- » We inspected relevant supporting documentation and obtained such external confirmations and management representations as we considered necessary for the purposes of our engagement.
- » We performed analytical procedures and limited tests of detail responsive to our risk assessment and the level of assurance required, including comparison of judgementally selected information to the underlying source documentation from which the information has been derived.

We believe that the evidence obtained as part of our limited assurance engagement, is sufficient and appropriate to provide a basis for our findings and our limited assurance conclusion expressed below.

Conclusion

Based on the work performed and subject to the limitations described above, nothing has come to our attention that causes us to believe that:

- » The report for the period ended 30 June 2012 has not been prepared, in all material respects, in accordance with the principles and listings requirements of the JSE SRI for a High Impact business
- » The specified KPIs contained in the report have not been prepared in all material respects in accordance with the respective criteria noted in the corresponding footnotes.

Other matter

The maintenance and integrity of the Aveng Group's website is the responsibility of the Aveng Group's management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Aveng Group's 2012 Sustainability overview or our assurance report that may have occurred since the initial date of presentation on the Aveng Group's website.

Ernst & Young Inc.

Ernst & Young Inc
Director – Jeremy Grist
Registered Auditor
Chartered Accountant (SA)

52 Corlett Drive
 Johannesburg
 14 September 2012

Approach to sustainability

As the Aveng Group continues to create shareholder value, it remains committed to ensuring the wellbeing of the communities in which it operates and is respectful towards precious environmental resources.

The Aveng Group's commitment to sustainable development is encapsulated in our corporate mission which is to leave a "positive and lasting legacy".

The group recognises that it has a responsibility to the wellbeing of the communities in which it operates, considering the impact of socio-economic and environmental challenges and limited natural resources.

The group's commitment to sustainable development is driven at a group level, endorsed and measured by the board and implemented across all operating groups.

Sustainability is encouraged across all facets of the business

Participation at board level	Responsible use of natural resources	Ensuring long-term sustainability
<p>Directors, through their involvement on board committees, are accountable for group sustainability performance.</p> <p>Angus Band – remuneration and nomination committee, investment committee, risk committee, tender risk committee, social, ethics and transformation committee (<i>economic and social sustainability</i>).</p> <p>Roger Jardine – risk committee, executive committee, safety, health and environmental committee (<i>economic, environmental and social sustainability</i>)</p> <p>Peter Erasmus – risk committee, tender risk committee (<i>economic sustainability</i>)</p> <p>May Hermanus – safety, health and environmental committee, (<i>environmental and social sustainability</i>)</p> <p>Rick Hogben – safety, health and environmental committee, remuneration and nomination committee (<i>environmental and social sustainability</i>), <i>audit committee</i></p> <p>Thoko Mokgosi-Mwantembe – social, ethics and transformation committee, remuneration and nomination committee (<i>social sustainability</i>)</p> <p>Myles Ruck – investment committee, audit committee (<i>economic sustainability</i>)</p> <p>Nkululeko Sowazi – social, ethics and transformation committee, investment committee, remuneration and nomination committee (<i>social and economic sustainability</i>)</p> <p>Peter Ward – risk committee, audit committee, tender risk committee (<i>economic sustainability</i>)</p> <p>Juba Mashaba – executive committee (<i>social and economic sustainability</i>)</p> <p>Kobus Verster – tender risk committee, executive committee (<i>social and economic sustainability</i>)</p> <p>David Robinson – executive committee (<i>social and economic sustainability</i>)</p> <p>Stephen Pell – tender risk committee, risk committee, executive committee (<i>social and economic sustainability</i>)</p> <p>Michael Kilbride – risk committee (<i>economic sustainability</i>)</p> <p>Mahomed Seedat – safety, health and environmental committee (<i>environmental and social sustainability</i>)</p>	<p>The Aveng Group recognises its responsibility to society, economically, socially and environmentally. The group has committed to monitor its usage of natural resources, develop a base line for its carbon emissions footprint and limit its impact on the environment. A safety committee was established in 2009. The mandate was extended to include health and environmental issues in 2010 and a joint safety, health and environmental board committee was formed. This reflects the board's commitment to a holistic and responsible sustainability journey.</p>	<p>Long-term sustainability is critical to the Aveng Group's ability to deliver ongoing value to its shareholders. The group's focus on ensuring long-term sustainability centres around:</p> <p>Efficiency improvements and cost management For more on this, see joint chairman's/CEO's review and operational reports.</p> <p>Growth – broadening the group's geographic and industry footprint; synergy optimisation across the group; and customer optimisation</p> <p>Sustainability management Risk, safety, health, wellness, environmental and human capital management at the highest level. Strong ethical culture and transformation of the business in line with the requirements of the geographies in which we operate.</p>

Sustainability journey

Key area	Our commitment to sustainable development	2011 Achievements	2012 Achievements	Future objectives	More info
Economic sustainability	To build and maintain a robust and enduring business for the benefit of all stakeholders	Revenue of R34,3 billion, total value added of R11,3 billion	Revenue of R40,9 billion, total value added of R13,4 billion	Continued focus on creating sustainable value for all stakeholders	See the economic sustainability report on pages 44 – 45
Transformation	To achieve substantial transformation in the group's South African operations	Aveng (Africa) and Aveng Trident Steel rated as level 3 (138%) and level 5 (80%) B-BBEE contributors respectively, in terms of the Construction Sector Charter	Aveng (Africa) and Aveng Trident Steel rated as level 2 (156%) and level 4 (100%) B-BBEE contributors respectively, in terms of the Construction Sector Charter	Minimum rating of level 3 B-BBEE contributor in terms of the Construction Sector Charter	See transformation report on pages 62 – 65
Social & Ethics	To facilitate sustainable sound development and promote ethical behaviour in accordance with legislation and the recommendations of various forums	All identified employees undertook anti-corruption and Competition Commission compliance training. The group provided bursaries, developed suitable internal training schools for service skills, undertook leadership development and focused on culture alignment within the group	All employees above grade 9 signed a pledge committing to uphold the group ethical standards and agreements. Continual anti-corruption training and evaluation. The group focused on talent development and succession management, enrolling 310 apprentices, 309 learnerships and 125 bursars	Review code of conduct in line with best practice. Continue with online training and ethical evaluations	See human resources report on pages 58 – 61, transformation report on pages 62 – 65, corporate social investment report on pages 66 – 67, corporate governance report on pages 92 – 111

Sustainability journey

Key area	Our commitment to sustainable development	2011 Achievements	2012 Achievements	Future objectives	More info
Environmental sustainability	To encourage behaviour and practices that contribute to environmental stewardship	Public disclosure of CDP. Improving the measurement scope and boundary of carbon emission sources. ISO 14001 certification at two additional operating groups.	Environmental policy and framework developed. Environmental gap analysis completed. Continued improvement in measuring and reporting of carbon emissions.	ISO 14001 certification at all operations. Accurate baseline carbon and water footprint established. Implement environmental framework.	See environmental report on pages 54 – 57 as well as operational reports for progress on key environmental measures.
Employee satisfaction	To prioritise people and provide a great place to work for all	More than 30 000 people employed across globe. Over R40 million invested in training in SA.	As beneficiaries of the Aveng Empowerment Trust, approximately 12 900 current and retired employees of Aveng (Africa) and Aveng Trident Steel received a payout of approximately R300 million which had accrued to the trust, confirming the broad-based aspect of the Aveng BEE transaction entered into in 2004.	Raise the performance bar of talented employees, including emerging leadership talent.	See human resources report on pages 58 – 61.
Health and safety	To establish an occupational environment that protects against injury and illness, enhances wellbeing and increases productivity. To encourage behaviour and practices that entrench the group safety vision	Employee demographic profile developed. Health and wellness strategic pillars identified. Appointed group executive to lead health and wellness journey. Board safety committee mandate increased to safety, health and environmental committee. 6% improvement in the recordable injury frequency rate to 1,22. More than 95% of operations OHSAS 18001 certified.	Health and wellness policy and framework developed. Employee wellbeing programme implemented. HIV/Aids impact analysis completed. Improvement in safety climate maturity at five of seven operating groups. 78% improvement in visible safety leadership visits by senior management. 3% improvement in recordable injury frequency rate to 1,19 ^A .	Review and update group occupational health profile. Increase opportunities for employees to know their health status. Implement health and wellness framework. Eliminate fatalities and achieve a resilient culture of safety at all operations.	See safety report on pages 46 – 48 and health and wellness report on pages 49 – 53.
Corporate social investment	To make a positive and meaningful difference in the communities in which the group operates, with a specific focus on skills development	R22,7 million CSI spend on active staff volunteerism programmes. Ongoing focus on skills development.	The Aveng CSI Trust will benefit to the value of R301 million from the BEE transaction entered into in 2004 which will be used to sustain and extend the group's CSI efforts. Ongoing focus on skills development.	Contribute to community and skills development to make a real contribution to socio-economic progress in the areas in which we operate.	See corporate social investment report on pages 66 – 67.

Key milestones in our sustainability journey

- » In 2007 the group embarked on its sustainability journey by working with the JSE on the JSE Sustainability Reporting Initiative (SRI). This initiative is conducted in conjunction with EIRIS in the United Kingdom.
- » In 2008 a process was put into place to measure various additional areas through to 2010 in a focused manner. This took cognisance of the intent of the group to provide data to and be included in the Carbon Disclosure Project in 2009.
- » Initial submissions were made in 2009 and in 2011 and 2012 an open submission was made to the CDP. This involvement in both the JSE SRI Index and EIRIS programme will now be enhanced with the group's involvement in the CDP programme which the JSE is progressively including in its reporting requirements.
- » The group was a founder signatory to the World Economic Forum Programme Against Corruption Initiative (PACI). This has formed the basis of the group's Anti-Corruption Programme that was initially rolled out in 2008. The group is a member of the PACI task group and is currently involved with a working group undertaking an evaluation of the development of a due diligence tool for the selection of partners, suppliers etc to ensure they comply with the PACI requirements. In July 2012 the Aveng Group pledged a recommitment to WEF Partnering Against Corruption Initiative principles.
- » The group determined in 2009 that it would focus on the JSE SRI Index, EIRIS, CDP and PACI initiatives to ensure that it applied the necessary systematic approach and attention to these initiatives to ensure that best practice was achieved in these areas prior to adding any additional focus areas to the group's reporting structure. This has proved to be the correct approach and the necessary benefits are being seen in the current initiatives. It is anticipated that once full maturity has been achieved in these areas we will extend this to include the GRI reporting requirements. It is anticipated that this will be adopted in early 2013.
- » In 2011 the group developed an environmental policy, and in the first quarter of 2012 an environmental framework was developed.

^AAssured

Despite a difficult financial year, the Aveng Group has continued to contribute positively to a sustainable economy, delivering a 19% increase in revenue to R40,9 billion for the year under review.

Total value added by the group's diverse activities to the cost of raw materials, products and services purchased amounted to R13,4 billion. The group's providers of goods and services benefited from expenditure of R27,7 billion on products and services from suppliers.

The Aveng Group maintained its dividend payout ratio having declared a dividend of 60,0 cents per share for 2012 (2011: 145,0 cents), resulting in a dividend cash distribution to shareholders of R233,9 million.

The financial performance of the Aveng Group directly impacts on its capacity to act as a responsible corporate citizen in its pursuit of economic sustainability for all stakeholders. The group is dedicated to building and maintaining a robust, enduring business

for the benefit of all its stakeholders, the South African economy and society at large. The Aveng Group is also committed to keeping accurate and reliable records that fairly reflect all business transactions in terms of the International Financial Reporting Standards, to ensure that the group is able to properly manage its affairs and meet its legal, financial and reporting obligations.

Wealth creation

The Aveng Group endeavours to improve its financial performance year-on-year to achieve solid growth and to create value for its stakeholders and the communities in which it operates. The group strives to contribute positively to the development of society and economies in its operating territories.

The value added statement is a measure of the wealth created by the group during the year under review. It equates the amount of value added by its diverse activities to the cost of raw materials, products and services purchased. The statement shows the total wealth created and how it was distributed.

Value added statement for the group at 30 June 2012

	2012 Rm	2011 Rm
Revenue	40 885,5	34 323,6
Net cost of products and services	27 721,2	23 396,5
Value added by operations	13 164,2	10 927,1
Income from investments and interest	225,9	346,9
Total value added	13 390,1	11 274,0
Applied as follows to:		
Employees as salaries, wages and other benefits	11 072,4	8 333,3
Providers of capital – financing costs	75,7	58,5
– dividends	561,2	565,1
The state as taxes	203,1	583,7
Total value distributed	11 912,5	9 540,7
Reinvested in the group – amortisation and depreciation	1 515,6	1 125,1
– reserves retained	(38,0)	608,3
Total value added	13 390,1	11 274,0

Indirect impacts

The total economic impact of an organisation includes its indirect impacts. These are usually benefits to the broader society and the workforce arising in the course of its business and to which a monetary amount is not directly attributable. The Aveng Group does not assess and quantify its indirect economic impacts. However, some of the indirect economic benefits of the group are:

- » Expenditure on products and services to suppliers amounted to R27,7 billion which, in turn, created opportunities for the group's suppliers to employ staff in order to keep pace with its demands.
- » During the year R11,0 billion was paid as salaries, wages and other benefits to its 33 221 employees, supporting economic activity in their broader communities.
- » The group uses the products and services of a wide range of people and companies in many regions around the world. Through its supply chain, the group injects wealth into those communities from which it procures.
- » The Aveng Group also works extensively with contractors and subcontractors on projects across all operations. In this way it supports the growth and development of smaller businesses, injecting wealth into their communities.
- » The group engages actively with small businesses in the role of mentor through its enterprise development programmes, offering assistance in growing and developing these businesses, thereby indirectly contributing to the socio-economic development of South Africa.

- » The group constructs infrastructure and other assets which are beneficial to the economy and the communities in which the projects are located, for example, the development of alternative, renewable energy sources, water treatment, the building of port infrastructure to increase import and export capabilities and the construction and maintenance of roads and airport runways to improve transportation services.
- » Innovations, research and development supported by the organisation are of economic benefit to the countries in which they are developed. The construction, mining and manufacturing industries continually seek innovative ways to enhance their products, services and work processes to ensure improved quality, cost-effectiveness, safety and speedier delivery while also minimising impacts on the environment and society. Research and development are conducted by several operations within the group to improve on and develop new products and processes and minimise any negative impacts of its current practices.

Safety is a core value of the Aveng Group and integral to the way it conducts business. It is demonstrated by commitment to high standards and assignment of specific responsibilities for safety.

The value the group places on the safety of employees, subcontractors, partners and any visitors to its sites is reflected in the safety vision, “Home Without Harm Everyone Everyday”. The safety policy and framework supports the group safety vision, provides direction and sets standards for Aveng operations to develop and manage their safety programmes and strategies.

Unfortunately, in the period under review the group did not meet a key safety objective, to eliminate fatalities at the workplace. The group remains deeply committed to addressing the root causes of safety events to realise this objective.

The Aveng Group deeply regrets that 12 people (six employees and six subcontractors) died in workplace accidents during the financial year. Seven of these accidents occurred within the group's South African operations and five occurred within the group's international operations. Three of the fatalities involved company vehicles driven on public roads. Each fatal accident was subject to an in-depth investigation including formal “root cause analysis” and a corporate review by the safety, health and environmental (SHE) committee of the board.

For the Aveng Group, even a single fatality is unacceptable and actions are taken to avoid similar incidents. The group expresses its condolences to the families, friends and colleagues of those who passed away in work-related incidents.



For more information on the Aveng group safety policy and framework go to www.aveng.co.za

Highlights

- » More than 95% of the group's operations continue to maintain certification for the OHSAS 18001 health and safety management standard. Maintaining certification ensures that a comprehensive, structured and systematic approach to health and safety management is in place for continued improvement in safety performance.
- » Improvement in the safety climate maturity level at five of the seven operating groups, no change at one, and 1% deterioration at one operating group. This is a clear indication that the group is making steady progress along its safety journey.
- » CEO safety workshop to reflect on the safety journey and key initiatives to improve the safety culture. Some of the initiatives include greater focus by management on high consequence activities, quality of leadership engagements and improving the learning culture.
- » 78% improvement in the number of visible safety leadership visits by the group CEO, operating group managing directors and their management teams to 446 (F2011: 250). Demonstration of senior management commitment is a crucial pillar of the group safety journey with its effect seen in the improved performance in a number of safety indicators.
- » The group continued to prioritise the development of a resilient reporting culture, recording a 140% increase in reported near-miss incidents to 288 716 (F2011: 120 390). Employees are encouraged to report unsafe conditions, hazards, ineffective procedures and anything that could potentially lead to an unwanted outcome.

Our concerns

- » Twelve fatalities at the group's operations: 50% of the fatalities involved subcontractors, JV partners and service provider employees. The group is revising its approach to ensure that, wherever contractually possible, early structured engagement with clients and joint venture partners takes place to clarify systems, policies, standards and rules. Greater focus is also being placed during internal audits on planned and completed high consequence activities.
- » Increase in transport incidents: Transport safety management involving heavy haulage trucks, vehicles on public roads and surface and underground mobile equipment on sites requires a strategic and systematic approach. The group has appointed a transport safety executive to lead the improvements in transport safety management. Improved focus is also being placed on monitoring of compliance with the group vehicle and driver safety policy.

Key activities during the year

The group continued to make progress with the safety journey and roadmap by continuing to focus on leadership, culture, management systems and management of high consequence activities. Key activities during the year included:

- » Maintaining OHSAS 18001 certification at most of the group's operations. REHM Grinaker, Facades and Aveng Manufacturing DFC are the only operations without OHSAS 18001 certification.

- » Increasing the monitoring, compliance and auditing capability by commencing with safety audits by the Aveng Group office. The group safety framework continues to guide the operating groups to implement formal safety management systems to deal with hazards relevant to their operations.
- » The group continues to increase awareness and understanding of living the Aveng DNA. The Aveng DNA is the blueprint for the way we conduct business, engage stakeholders and empower employees to ensure personal and organisational success. Safety is a core value of the group and also a key enabler within the Aveng DNA.
- » Demonstrating leadership in safety gained momentum with 446 visible safety leadership visits undertaken by the senior executives (CEO, MDs and their management teams). This is a clear demonstration of management's commitment to safety, leadership and engagement with employees.
- » Conducting safety climate assessments across the group's operations to determine the need to improve each operation's safety culture.
- » Significant focus and effort directed at embedding a resilient reporting culture with 288 716 near-miss incidents reported during the year.
- » Developing and rolling out several focused safety campaigns at the operations.
- » Review and strengthening of subcontractor safety protocols.

Safety performance

The performance for most of the key safety indicators was better than the goals as indicated in the table below. The lost time injury frequency rate (LTIFR)* improved by 20% to **0,24^A**. Although the group recognises that LTIFR is a lag indicator where lower rates do not necessarily equate to a safer workplace, it has chosen to continue reporting on LTIFR as it is a widely used industry

benchmark. The group continues to promote a near-miss reporting culture where a higher number of incidents are reported as this reflects openness and enables greater learning across the group. By analysing the near-miss data, the group identifies 'free lessons' and communicates these to personnel to reduce workplace injuries.

Reporting culture

Ma'aden Aluminium – Reduction Area Mechanical and Piping Project – Saudi Arabia

The McConnell Dowell Saudi Arabia Project team at Ma'aden Aluminium – Reduction Area Mechanical and Piping Project in Saudi Arabia achieved 500 000 man hours lost-time injury free. In addition to this milestone, the project team completed over 10 000 HSE observations since November 2011. In 2009, a HSE observation card system was introduced in the Middle East operations as part of the quest to improve the safety culture. By 2010, an increase in the numbers of observation cards, coupled with a significant increase in the near-miss event reporting frequency rate, resulted in a significant reduction in the recordable injury frequency rate (from 1,8 in 2009 to 0,7 in 2011). The Ma'aden Project team has taken the lead on this and the project management has set KPIs for HSE observation reporting for all the project teams. The HSE observation reporting performance results are discussed at the weekly toolbox meeting and the weekly supervisor's meeting. The numbers of HSE observations completed each month is clearly having a direct influence on behavioural safety on the site.

The managing directors and their reports continued to demonstrate their safety leadership commitment, with 446 engagements conducted across the group, a 78% improvement compared to the previous financial year. This is the second year where the group has used its internally developed capabilities to conduct safety climate assessments. An 18% improvement in the safety climate maturity level to 3,04 was achieved when compared to the baseline maturity level of 2,57 in the previous financial year.

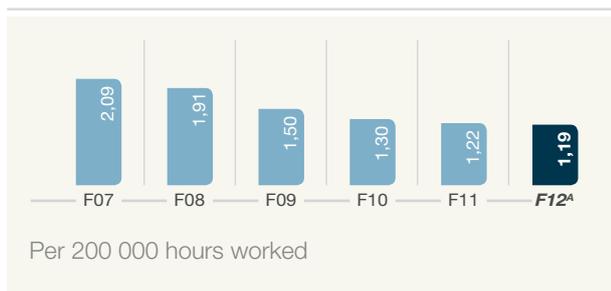
of the RIFR is shown in the table on page 48. RIFR is the number of fatalities, lost-time injuries, restricted work cases and medical treatments for every 200 000 hours worked at the group's operations by employees, subcontractors and service providers. Recordable cases in some joint ventures are reported proportionally to the group's shareholding. The Aveng Group recorded a 3% improvement in RIFR. While this improvement is praiseworthy, it nonetheless means that 838 people were involved in incidents with the outcomes ranging in severity from fatalities, lost-time injuries and restricted work cases to medical treatment injuries.

The group will continue to report on a broader injury rate called the recordable injury frequency rate (RIFR). The historical performance

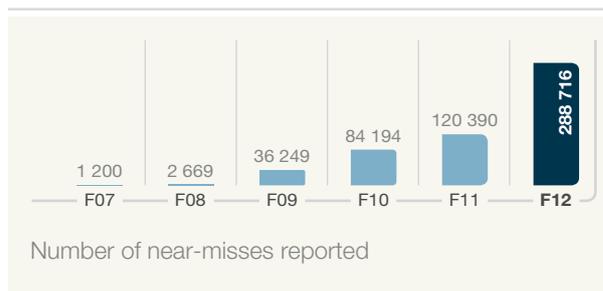
Safety performance indicators

Indicator	Goal 2012	Actual 2012	Actual 2011	Performance
Number of fatalities	0	12	8	Worse than goal
Fatality frequency rate	0	0,017	0,012	Worse than goal
Lost-time injury frequency rate*	0,29	0,24^A	0,3	Better than goal
Number of visible safety leadership engagements	444	446	250	Better than goal
Health and safety management system certification (OHSAS 18001)	>95%	>95%	>95%	Goal met
Near-miss to all injury ratio***	>25	88	33	Better than goal
Safety climate maturity level	>2,75	3,04	2,57	Better than goal

Recordable injury frequency rate (RIFR)**



Near-miss reporting culture



^A Assured.

* LTIFR: Number of injuries involving employees, contractors and service providers that result in time lost from work of one day/shift or more per 200 000 hours worked.

** RIFR: Numbers of fatalities, lost-time injuries and restricted work cases per 200 000 hours worked.

*** Near-miss: An opportunity to improve a safety practice or a condition, or an incident that has potential to cause an injury to a person.

Recordable injury frequency rate (RIFR) per 200 000 hours worked

	Actual 2012	Actual 2011	% variance
Aveng Grinaker-LTA	0,88	1,06	17
McConnell Dowell	1,79	1,24	(44)
Aveng Moolmans	0,80	0,95	16
Aveng Manufacturing	1,78	1,81	2
Aveng Trident Steel	1,77	3,17	44
Aveng E+PC	1,14	0,65	(75)
Aveng Water	0,96	N/A	N/A
Aveng Group	1,19^A	1,22	3

^AAssured.

Key challenges

- » Elimination of fatalities at the group's operations
- » Continue improving the learning and sharing culture to reduce the occurrence of injuries and exposure to workplace hazards
- » Continue improving the management and control of high consequence activities
- » Continue improving subcontractor safety management
- » Focus on quality of visible leadership engagements
- » Improving transport safety management on our worksites and on public roads
- » Continually improve the competence and level of engagement with employees

Key achievements and awards

- » Aveng Water achieved OHSAS 18001 certification
- » Aveng Manufacturing Duraset business unit completed one year without a LTI for the first time in June 2012
- » Aveng Mining – Underground completed two million fatality free shifts in October 2011
- » Aveng Moolmans Siguirri Gold Mine contract in Guinea (West Africa) achieved 4 630 968 LTI free man hours in June 2012
- » Aveng Grinaker-LTA SAPREF contract achieved 4 682 236 LTI free man hours in May 2012

- » Aveng Moolmans Langer Heinrich contract in Namibia achieved 2 611 871 LTI free man hours in June 2012
- » Aveng Water Optimum Water Reclamation Plant and Erongo Desalination Plant completed two years without a LTI in June 2012
- » Aveng E+PC Kopermyn Coal wash plant completed five years without a LTI and the Pembani coal wash plant completed four years without a LTI
- » McConnell Dowell PARS project team was awarded the prestigious 'Award for Excellence in Responsible Care' on their Singapore Parallel Train (SPT) Project by ExxonMobil Chemicals. This is one of the highest honours that an individual, team or site can achieve within ExxonMobil Chemical
- » McConnell Dowell DTL2 C916 Beauty World Station and Tunnel project in Singapore was awarded first prize in the Land Transport Authority's (LTA) Annual Safety Award Convention (ASAC) 2011 awards. The prestigious first prize is awarded to projects demonstrating excellence in safety culture and management
- » McConnell Dowell Ambuklao and Binga Hydropower Plants Project in Philippines achieved two million LTI free man hours in August 2011

Looking ahead

Key objectives for year ahead	Goals
Continue improving the safety culture	Reduced injury rates, increased safety climate scores
Improve quality of visible leadership engagements	Engaged and committed workforce
Eliminate fatalities	Zero fatalities
Improve transport safety on work sites and public roads	Reduced transport related incidents and injuries
Improve management and control of high consequence activities	Zero fatalities, decrease in significant incidents
Embed a resilient learning culture	Avoidance of similar incidents
Improve subcontractor safety management	Reduced incidents involving subcontractors; improved productivity



For more information on key achievements go to www.aveng.co.za

Health and wellness

Health and wellness is integral to safety as a core value and as a top-line enabler for the Aveng DNA. The Aveng DNA guides the way we engage with stakeholders and empower employees to ensure personal and organisational success and ultimately, productivity. In keeping with our DNA, Aveng is committed to the health, wellness and safety of our employees.

The health and wellness policy and framework supports our health and wellness vision of “Home Without Harm Everyone Everyday”. In building the Aveng house of health and wellness the dynamic relationship between the effects of work on health and the effects of individual health on work, is integral. An individual brings to the workplace an array of personal health conditions and susceptibilities. It is this combination and interaction of individual susceptibilities and hazardous exposures at the workplace that result in poor outcomes in the form of occupational injury, disease, disability and death. The group manages its occupational hazards and provides opportunities for individuals to know their health status, thereby managing the total employee health and wellness risk profile.

The group strives to integrate the three strategic pillars of HIV/Aids and TB, occupational health, and wellness, where reasonably practicable. This strategy has at its foundation compliance with applicable legal frameworks of the countries in which it operates. Collaboration with partners and stakeholders both internally and externally is key to ensuring that the group health and wellness strategy remains relevant and germane to the business. Research, monitoring, evaluating, communicating and reporting on health and wellness initiatives, as well as embracing the Aveng Group’s core values of safety, honesty and accountability, are key to living the Aveng DNA.

The health and wellness policy informs the framework, which is a set of standards and principles upon which each operating group develops and manages its own health and wellness programmes. In line with visible leadership and good governance principles, this is done under the direction and supervision of each operating group’s board and executive committee to ensure that the highest standards of accountability are achieved. Accountability for

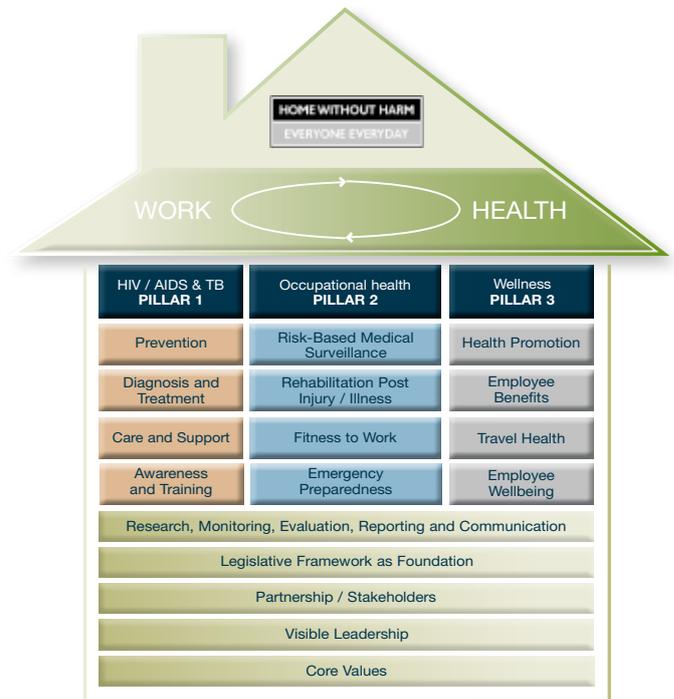
Highlights

- » Development of a health and wellness policy which embodies the Aveng DNA and recognises that in the line of conducting our business, there are potential health and wellness risks to employees and that the group has an obligation to manage those risks
- » Development of a health and wellness framework to provide an implementation foundation to the policy
- » Completed HIV/Aids impact analysis illustrated estimated prevalence costs and projections previously undocumented within the group
- » Selected medical incident reviews provided the operating groups with fresh insights into site establishment project risk management and medical emergency response planning
- » Launch of the employee wellbeing programme for employees, spouses and dependants within the group
- » Group health and wellness culture journey documented and presented at the International Congress on Occupational Health
- » Significant improvement in reporting and monitoring of health and wellness performance indicators

health and wellness is owned jointly by the human resources (HR) and safety, health and environmental executives at the operating groups.



For more information on the Aveng Group health and wellness policy and framework go to www.aveng.co.za



Notwithstanding the fact that the group operates in physically and psychologically demanding environments that are geographically dispersed, the following significant successes and learnings merit highlighting:

Our concerns

- » Multiple occupational health service providers with associated inconsistencies reflected in varying degrees of quality of health service provision. The resultant inconsistency of data is hampering progress on reporting of the strategic pillar for occupational health.
- » Inadequate absenteeism management to measure and quantify absence from work objectively and consistently. Such a programme will be a barometer for health and wellness interventions as well as human capital management within the group.

Key activities during the year

- » **Health and wellness employee demographic profile**
This data collection exercise provided valuable information on overall employee medical scheme membership, age and gender profile, duration of service and geographical location of employees in the South African operations.
- » **HIV/Aids impact analysis**
The employee demographic profile provided inputs into the first HIV/Aids impact analysis. The estimated 2011 prevalence for the Aveng Group’s South African operations is 14%.
- » **Employee wellbeing programme**
Implementation of the employee wellbeing programme (EWP) has provided a platform for 24/7/365 employee, spouse and dependant support in keeping with the “Health and Wellness around the clock” theme implicit in the health and wellness framework.
- » **Occupational health service provision**
An extensive review of current service provision was undertaken with the objective of appointing a preferred, single service provider for the South African operations. This review has highlighted the opportunities for improving our approach to conducting risk based medical surveillance examinations, storage and retention of employee medical surveillance records, and linking hazardous exposures to individual outcomes. These are all key drivers for occupational health performance.
- » **Stakeholder engagements**
Engagements with key external stakeholders, including service providers, clients, partners, academic institutions and industry bodies is vital to determine and implement best practice and ensure compliance to standards.

» **Wellness days**

Wellness days were conducted within the group, in partnership with service providers. All employees, visitors and subcontractors were invited to participate in determining their individual health status. The emerging chronic disease profile with cases of previously undiagnosed hypertension, hypercholesterolaemia, diabetes mellitus, HIV/Aids and TB provided participants with insight into their health status.

» **Health and wellness performance monitoring**

Reporting of key indicators within the wellness, occupational health, HIV/Aids and TB pillars has commenced, and will further enhance the monitoring and evaluation of interventions.

Health and wellness performance

» **Occupational health**

The top occupational health risks for the group have been identified, with strategic plans being developed to effectively manage the risks. Occupational risk exposure profiles, which take into account the inherent requirements of a job and hazardous occupational exposures, are being developed. This ensures that appropriate and risk-based medical surveillance examinations are conducted and that specific tests such as random and routine drug screening tests are conducted on safety critical jobs.

» **Wellness**

The employee wellbeing programme (EWP) was launched as an employee benefit offering to all Aveng Group employees, spouses and dependants. A confidential service is available for advice and support for issues ranging from financial, legal, stress and childcare to support with chronic diseases such as HIV/Aids and TB. In just over six months there have been 351 individuals accessing EWP services and 157 group trauma participants.

Four high risk cases, two of which are described below, have required immediate intervention, illustrating how proactive measures can prevent incidents at the workplace and enhance wellbeing at work. A heat map is being developed which will illustrate which areas should be monitored and which interventions initiated to manage the problem areas.

Employee wellbeing programme high risk cases

	Case 1:	Case 2:
Occupation	Crane operator	Sales
Presenting problems	Suicidal, domestic violence, alcohol, infidelity, financial	Suicidal, domestic violence, depression, absenteeism, disciplinary
Reason for flagging	Risk to self and others Considering using work equipment to commit suicide	Access to pills Extremely emotional Final written warning at work
EWP intervention	Telephonic counselling Four face-to-face consultations Follow-up calls Alcohol rehabilitation recommended	Telephonic counselling One face-to-face consultation Hospital admission Follow-up counselling sessions
Resolution	Disclosure to family relative	Disclosure to supervisor “Feels like new person”

» HIV/Aids and TB

The group partners with the South African Business Coalition on HIV/Aids (SABCOHA) on advocacy issues, peer educator support and training, testing, and data collation. The 2011 peer educator conference was held in collaboration with SABCOHA, and Aveng Manufacturing was the main sponsor of the event. Aveng Manufacturing Duraset peer educators presented a theatrical performance that was well received by delegates. Aveng Moolmans trained **31^{A†}** peer educators and Aveng Manufacturing trained **52^{A†}** peer educators. The training of wellness supporters is moving from support for just HIV/Aids to support for the broader range of chronic diseases and lifestyle issues. As a key prevention measure, condom distribution remains a focus within the group.

Due to the high rate of HIV/Aids and TB co-infection, the group strives to integrate HIV/Aids and TB initiatives and subscribes to the principle that every employee should be tested and screened for both HIV and TB at every opportunity. HIV Counselling and Testing (HCT) and TB symptom screening continue to be part of wellness day activities and testing campaigns at various operating sites. Employees who are affected or infected with HIV and/or TB are assisted to access support services through the relevant medical scheme programme, public health services, or through the EWP.

^A Assured.

[†] Training standard aligned to the Aveng Group's health and wellness framework.

HIV counselling and testing and TB symptom screening (wellness days only)

HCT	575 participants
Tested positive	15 participants
TB questionnaires	643 participants

Health and wellness performance indicators

Indicator	Goal 2012	Actual 2012	Actual 2011	Performance
Aveng Group health and wellness policy	Approved policy	Approved policy	No group policy	Goal met
Aveng Group health and wellness framework	Develop framework	Framework developed and operationalising strategic pillars commenced	No framework	Better than goal
Employee demographic profile*	Completed report	Completed	No profile	Goal met
HIV/Aids impact analysis*	Conduct impact analysis	Completed	No analysis conducted	Goal met
Employee wellbeing programme	Develop programme for all employees and dependants	Implemented	No programme	Goal met
Wellness screening events – HCT, TB and personal health risk assessments	At least one per operating group	7	2	Goal met
Medical incident reviews	Conduct detailed reviews for selected incidents	2	0	Better than goal

*Aveng Group South African operations.

Key challenges

- » Standardised, consistent and quality health and wellness reporting within a management information system.
- » Review and reduce the number of occupational health service providers used in the group.

Key achievements

Health and wellness around the clock



In keeping with the group's vision of "Home Without Harm Everyone Everyday", and the "Health and wellness around the clock" philosophy, the group reaches out to employees both at work and at home.

Reaching out to employees



Aveng Trident Steel launched its refurbished on-site occupational and primary health clinic at its Roodekop site, where trained staff deliver a professional and confidential service to employees ensuring that employees are fit to do the job they are assigned to do.



Best practice: at this on-site clinic that provides occupational and primary health care services, a confidential telephone line is available in a private room for use by any employee to access the EWP.

**Reaching out to communities:
malaria programme**

Aveng employees working in West and East African operations are exposed to malaria daily. Aveng Moolmans has adopted an integrated approach for malaria prevention control, diagnosis and treatment together with key clients and the communities. During August 2011, a community health work programme was launched at the Sadiola operations promoting preventive health education on malaria.

Safety representatives distributed pamphlets and mosquito repellents to all women and children in the Sadiola Village of Mali.

Case study of risk-based medical surveillance and workplace wellness



The LineFIT® programme was developed in response to an increase in musculoskeletal injuries at Electrix Distribution Services division, a wholly owned subsidiary of McConnell Dowell in New Zealand. Linesmen are required to work in restrictive positions while being harnessed. Overhead work on platforms and suspensions are some of the tasks required of them. Site visits, assessments of injured employees and the job task analyses led to a specific programme being designed that targeted increasing core strength. There has since been a significant reduction in back-related injuries with 50% less visits to the chiropractor. Safety performance continuously improved since inception of the programme. The success of this programme inspired other similar initiatives such as the roadFIT® and deskFIT® programmes.

LineFIT® started as an injury prevention programme, but over time has become a means of improving safety, health and wellness culture and boosting employee morale.

Electrix won both the wellness and design categories at the 2011 New Zealand Workplace Health and Safety Awards, and was judged the overall supreme winner.

Looking ahead

Key objectives for year ahead	Goals
Continued implementation of the health and wellness framework	Healthy, well and fit workforce demonstrating our commitment to being a caring employer
Appoint preferred single-service provider for occupational health	Improved understanding and monitoring of occupational health profile for the group Business operational efficiencies
Continued implementation and roll-out of employee wellbeing programme (EWP)	Increased utilisation of EWP Increased understanding of the employee wellbeing profile and monitoring thereof
Improve absenteeism and fatigue management programmes	Improved health and safety performance through reduced injuries Improved productivity
Review and improve executive medical programme	Baseline executive health profile
Increase opportunities for screening for HIV, TB and other chronic diseases	Enhanced individual and group health profile
Implement health and wellness management information system	Improved health and wellness trends, intelligence and strategic intervention planning

At Aveng Group, we recognise the impact of our activities and operations on the environment. Consequently, the group has embarked on a journey towards environmental stewardship. Two strategic documents that systematically and consistently guide the group in managing environmental impacts were developed, namely the group environmental policy and group environmental framework.

The Aveng Group environmental policy and framework

The group's environmental policy highlights our commitment to minimise environmental degradation and improve our environmental practices, management and performance, thereby mitigating environmental pollution where possible. This includes responding to climate change risks and opportunities.

The environmental framework provides direction to Aveng operations in implementing the Aveng Group environmental policy. It sets standards that each operating group will use to develop and manage its own programmes and strategies that will contribute towards the following strategic environmental goals:

- » Develop and implement carbon, energy and waste management programmes
- » Develop and implement water optimisation programmes
- » Establish input materials and resource optimisation initiatives
- » Establish fully integrated biodiversity strategies and management plans

Implementation of these environmental strategic goals will be supported by:

- » The group's business values and the Aveng DNA
- » Specific environmental policies
- » Complying with the environmental legal framework of countries we operate in
- » Visible leadership
- » ISO 14001 certified environmental management systems



For more information on the environmental policy and framework go to www.aveng.co.za

Highlights

- » Significant improvement in the collection and reporting of environmental data, resulting in an improved understanding of the scope and coverage of the environmental impact emanating from the group's operations and activities. This will enable the group to set accurate reduction targets while investigating ways to reduce the environmental impact in our operations.
- » Developed a group environmental policy which guides all employees in pursuing their shared responsibility with the group to protect the environment in all group-related work.
- » Completed an environmental gap analysis enabling the group to benchmark itself against its peers in the industry in terms of environmental management practices and performance. The gap analysis also provided insight into environmental best practices, which were considered when developing the group environmental framework.
- » Developed a group environmental framework that supports the group environmental policy and provides direction and sets standards for Aveng operations to develop and manage their environmental programmes and strategies.
- » 47% increase in 2011 Carbon Disclosure Project score to 66% (2010 CDP score: 45%). The Aveng score for two of the six disclosure reporting sections (opportunities and risks) was better than the average scores for these categories among the JSE Top 100 companies.
- » Submitted public response to 2012 Carbon Disclosure Project.

Our concerns

- » The group was invited to participate in the Water Disclosure Project (WDP 2012) along with other JSE Top 100 companies. The group is still in the process of improving the collection and reporting of appropriate water usage data, and therefore decided not to participate during the WDP 2012 reporting cycle. It is anticipated that the group will be in a position to respond to the WDP 2013.
- » To consolidate the greenhouse gas (GHG) emissions across its operations, the group must identify the boundaries it will work within and be consistent in its approach over time. The GHG Protocol defines two distinct approaches which should be used to define organisational boundaries, the equity share and the control approach. The control approach is split into financial and operational control. The Aveng Group, which operates within the construction sector, has varied business operations and they differ in their legal and organisational structures. These include wholly owned operations, joint ventures, and wholly or partly owned subsidiaries. Given the complex and varied nature of the contractual mix within the construction sector, it may not be possible to choose one approach which is ideal. This is an area which requires further discussion within the sector as a whole.

Key activities during the year

- » Development of group environmental policy and framework. These strategic documents will provide a consistent guideline and direction for the group's operations to achieve environmental stewardship.
- » Approximately 75% of the group's operations, by revenue, continue to maintain certification to the ISO 14001:2004 environmental management standard. An additional two Aveng Manufacturing Steeledale factories have been recommended for certification during the year under review.
- » Development and roll-out of collection and reporting guidelines for key environmental performance indicators. The construction industry within which the group operates is complex, with different types of companies operating at different points in the value chain, spanning engineering, manufacturing, mining, construction and steel. Given the diverse range of businesses within the group, it is also important that the methodology is able to draw distinct lines of responsibility for carbon emissions and other environmental indicators within the construction/building value chain. The reporting and operational boundary challenges are being addressed through more training and awareness.

- » Completed an environmental gap analysis across all operations. The gap analysis enabled the group to benchmark its environmental management and performance against international and local industry peers. Several best practices recommended as a result of the gap analysis were incorporated into the group environmental framework.
- » The group has for the second consecutive year publicly responded to the Carbon Disclosure Project (CDP 2012). This demonstrates commitment by the group to managing and disclosing its approach to climate change.



For more information on our 2012 CDP response, go to www.cdproject.net

Environmental performance

The group has developed its set of environmental key performance indicators based on the Global Reporting Initiative (GRI) and the GHG Protocol.

Carbon emissions

During 2011, for the first time the Aveng Group measured and reported Scope 1 and 2 carbon emissions for the reporting period, as shown in the table below. The group's Scope 1 emissions included emissions from diesel combustion in owned vehicles and electricity generators. Scope 2 emissions included emissions from the generation of purchased electricity. This method of reporting will continue in the 2012 financial year. The group continues working towards improving the scope, coverage and accuracy of its carbon footprint.

The group emitted 585 869 (tCO₂e) total tonnes of CO₂e for the year under review (2011: 449 229 tCO₂e). The group calculated its tCO₂e using two primary sources of emissions: diesel consumed and purchased electricity. The total increase in the carbon emissions profile was expected owing to increased scope, coverage and accuracy of the data collected and reported.

The Aveng Group	Unit	Actual 2012	Actual 2011*
Carbon emissions (tonnes)			
<i>Direct carbon dioxide (CO₂) – Scope 1^{A†}</i>	t CO ₂ e	438 567	392 405**
Indirect carbon dioxide (CO ₂) – Scope 2	t CO ₂ e	145 098	42 650
Indirect carbon dioxide (CO ₂) – Scope 3	t CO ₂ e	2 204	14 174
Total carbon emissions	t CO ₂ e	585 869	449 229
Emissions intensity	t CO ₂ e per R1 million revenue	14,33	13,21
Waste (kilotonnes)			
General waste	kt	107	n/a
Water (kilotonnes)			
Water use	kℓ	11 685 673	1 337 397

* 2011 figures restated as a result of improved Scope 1, 2 and 3 reporting.

** Improved Scope 1 reporting resulted in more accurate data for three operating groups.

^A Assured.

[†] Scope 1 emissions included emissions from diesel consumption in owned vehicles and electricity generators.

Water

Water is one of the six environmental pillars as defined in the group's environmental framework. Understanding our water quality and footprint parameters continues to be a key focus area for the 2012/2013 financial year. Once the water footprint is established, water optimisation and efficiency strategies and management programmes can be implemented.

We have commenced with recording and reporting municipal water quantities used throughout our operations. The group used 11 685 673kℓ of municipal water in the reporting year. The increase in the municipal water used is attributed to improved reporting during the reporting period.

General waste

The management of waste is a key pillar in the group environmental framework. The group has for the first time reported on general waste taken to landfill sites. The group generated 107ktonnes of general waste bound for landfill sites.

Improvements in the reporting, monitoring and management of carbon emissions, water and waste are anticipated in 2013 with the progressive implementation of the group environmental framework.

Environmental performance indicators

Indicator	Goal	Actual 2012	Actual 2011	Performance
Aveng Group environmental policy	Approved policy	Approved policy	No group policy	Goal met
Aveng Group environmental framework	Develop framework	Framework developed and operationalising strategic pillars commenced	No framework	Goal met
Improve collection and monitoring of environmental data	Scope of coverage >60% at all operating groups	>60%	>40%	Goal met
Benchmark group environmental approach and conduct gap analysis to identify best practices	Benchmark and gap analysis completed	Completed	No benchmark or gap analysis conducted	Goal met
Make a public disclosure to the carbon disclosure project – CDP 2012	Public disclosure for CDP	Completed	Completed	Goal met

Key challenges

- » The group is closely monitoring environmental fiscal reforms and policies in various countries it operates in, in an effort to understand and quantify the potential financial costs of greenhouse gas emissions and associated climate risks, threats and opportunities. Some of the identified climate change risks include:
 - Carbon taxes
 - Emissions reporting obligations
 - Fuel/energy taxes and regulations
 - Water and energy scarcity as well as tariff increases
- » Understanding and setting an environmental approach and reporting boundaries for the group is an ongoing challenge given the complexities encountered within the construction, mining, manufacturing and engineering environments globally and various types and duration of contracts and projects.

Risks

A number of major climate change risks were identified and processes put in place to address the identified risks.

» For instance in temperature, extremes can affect project delivery by:

- More frequent increases in temperature which can result in increasing risk of damage to expensive operating machines and construction equipment at various projects
- Extreme heat increases the likelihood of field fires
- Heat-stress is a factor with increased incidences of heat stroke and health and safety risks
- Excessive long-duration rain can affect our business negatively in terms of lost production and revenue. Flash floods from severe storms have been known to wash away low-lying bridges and preventing access to working sites
- Flooding in mines contributes to safety issues as well as reduced levels of production

Opportunities

Environmental management and sustainability are integral to the group's business strategy, resulting in:

- » The launch of Aveng Water (delivering advanced water solutions in southern Africa and Australia)
- » Aveng E⁺PC pursuing renewable energy (mainly wind and solar) design and construction projects.



For more information on Aveng Group's climate change risk and opportunities go to www.cdproject.net

Key achievements/initiatives and awards

- » McConnell Dowell in Australia:
 - Introduced Sustainability Leadership at Seaford Rail Extension project which set clear objectives and targets for waste management. This initiative raised awareness through the 'Clean Zone' challenge and managed to deliver an innovative solution for improving contractor compliance. It achieved a recycling rate of 98%, which means far less quantities of waste disposed at landfill sites.
 - In the Philippines, the operating group worked with the local community to establish two biomass briquette-manufacturing plants. These provide ongoing benefits of local community ownership, income, and generating a renewable energy source that aids in the reduction of carbon emissions.
 - Built Environs managed the integration of sustainable design and construction considerations for the Green Building Council Australia five-star (Green Star – Office Interiors v1.1) rated building at 100 Hutt Street, Adelaide. This included rooftop-fed rainwater tanks for amenities and car parks designed to encourage the use of small cars.
 - The Gold Coast Rapid Transit project implemented a pre-award sustainability evaluation questionnaire to assess suppliers' sustainable practices and encourage sustainable solutions. This practice is going to be implemented group-wide.
 - The Adelaide Desalination Project, whose primary function is to desalinate seawater, identified an energy efficiency opportunity by using an Outfall Energy Recovery Device (Turbine). The total electricity generated by both the energy reduction devices will be 1 440kW at a total plant production of 300Mℓ/d.
 - The Laverton Plant Yard harvests rainwater from structures. This recycled water is used for wash down bays and bathroom facilities saving approximately 451 000ℓ per year.
 - The Australian Square Kilometre Array Pathfinder project in Western Australia identified an opportunity to reuse timber from cable drums to create 260m² of walkways, which were utilised by the local community on project completion. This reduced costs associated with materials, transport and waste disposal.

- » Aveng Grinaker-LTA constructed the Nedbank Office Block in Umhlanga (KwaZulu-Natal north coast), which achieved 5-star Green Building status. This six-storey, R90 million project was completed in approximately 10 months.
- » Aveng Manufacturing:
 - Introduced environmentally friendly products such as Eco-shield and mine-shaft insulation which keeps the shafts naturally cooler
 - The continuous improvement department investigated various ways of reducing the amount of cement required in their concrete products. Below is a high-level feedback of the results of this initiative:

Project name	Total kg cement reduction over 18 months	Carbon emissions savings realised
Replaced cement with pozzfill and add mix in four of the concrete products.	3 416 920kg	3 416 CO ₂ e (tonnes)

- » Aveng Moolmans introduced measuring and monitoring of fuel consumption through fleet management instruments at its surface mining operations.

Awards

» Blue Drop Award

Aveng Water, as a contributor, celebrated the Blue Drop Award that was awarded to Hendrina Municipality. This is the first time that the Blue Drop certification has been achieved for quality drinking water that is reclaimed from treated mine water. The water is treated by Aveng Water at the Optimum Colliery.

» The Transport Africa Green Award

Aveng Manufacturing was awarded The Transport Africa Green Award for its design and development of the Universal Sleeper and Infrabolt fastening system. The design of the sleeper together with the patented fastening system offers the same flexibility in terms of the drilling of the sleepers on-site using a locally sourced timber. In addition, this system has the following advantages:

- Use of local timber resulting in no importation of scarce and expensive hardwood sleepers
- Local production and job creation
- The estimated life of a concrete sleeper is in excess of 50 years versus the limited life of a timber sleeper
- Proudly South African

The system is widely recognised and has received more awards in the past:

- **Construction World 2007**
Holcim Award for “Sustainable Construction” for the Universal Sleeper and Infrabolt
- **Fulton Award 2007**
“Excellence in Concrete Award” for the Universal Sleeper and Infrabolt

» Environmental Award by Building and Construction Authority

McConnell Dowell South East Asia Pty Ltd has been awarded its first environmental award by the Building and Construction Authority. This award recognises progressive builders who make the effort to address environmental and public concerns arising from construction works and serves to develop a more positive image of the industry over time in Singapore. Key environmental features in the projects that formed part of the selection included:

- Beauty World Station and Tunnels Project
 - * North-South orientation of site office to reduce the cooling load required
 - * Harvesting of rainwater for recharge wells
- Beauty World Station and Tunnels Project and the Orchard Underpass Project
 - * Extensive use of green hoardings and noise barriers at project sites
 - * Tree conservation and protection at project sites
- Orchard Underpass Project
 - * Innovative engineering control measures implemented during piling work to reduce noise and vibration

Looking ahead

Key environmental objectives for year ahead	Goals
Continue to roll out and implement the Aveng Group environmental framework	To guide the group's journey towards environmental stewardship
Determine the group carbon and water footprint	To establish an accurate baseline carbon and water footprint for the group that will enable the setting of reduction targets.
Continue with energy efficiency audits at fixed premises	To increase energy efficiency intensity for fixed premises at the group
Continue with increasing the awareness and competency of employees on environmental sustainability	To heighten environmental sustainability awareness and implement optimal environmental practices at operations
Continue with our efforts to ensure all our operations are ISO 14001:2004 certified	To ensure that a comprehensive, structured and systematic approach to environmental management is in place for continued improvement in environmental performance
Continue responding to Carbon Disclosure Project and commence responding to CDP Water Disclosure 2013	To publicly declare and demonstrate our approach and efforts towards managing our impact on climate change at our operations

The strategic focus of human resources within the Aveng Group continues to be the attraction, development and retention of talented employees, professionals and management while entrenching a high performance culture underpinned by the Aveng DNA.

In this regard the human resources function within the Aveng Group strives to be an enabler for the business to achieve sustained high organisational performance by providing line management with effective people sourcing, assessment, development and reward policies, tools and programmes. It also prioritises the identification and development of capable leaders across the various business disciplines to ensure the sustainable organic growth of existing businesses and be in a position to exploit growth opportunities both geographically and in new products or service offerings.

A major focus over the past year has been on rolling out an integrated cultural alignment programme, the Aveng DNA. It strives to embed a set of common, integrated, cultural and behavioural values and norms across the Aveng Group. This intervention is crucial if Aveng is to begin to fully leverage its extensive scale, capabilities, customers and clients, talent and value offering for the benefit of all its businesses such that the sum of its parts is greater than that of its individual components. This is to be achieved without compromising the distinct attributes which have made our various businesses leaders in their respective sectors.

Another area of focus has been the reorganisation of a number of operating businesses to reduce overheads, refocus the businesses on their primary objectives and optimise the organisational structure to operate more effectively and efficiently. In this regard Aveng Manufacturing Steeledale and Aveng Manufacturing Duraset underwent a successful re-organisation during the year which has contributed to their performance turnaround. Aveng Grinaker-LTA has also undergone a major reorganisation to eliminate the highly siloed previous structure and to realign the company to its primary objective of providing quality construction solutions and services to clients in a cost-effective manner. The reorganisation should reposition Aveng Grinaker-LTA to achieve its objective of long-term sustainable growth.

Other key talent management focus areas have been the roll-out of a common performance management programme, entrenching the group-wide succession planning process, implementing the revised remuneration and incentive design programme and continuing to focus the organisation on the achievement of the employment equity and skills development elements of the broad-based black economic empowerment codes.

As the Aveng Group continues on its transformation journey from a holding company to a centre-led group, it has been confronted by a number of organisational challenges including entrenched silo mentality, lack of a group-wide common performance management system, fragmented talent management programmes, duplication of effort and inability to leverage group scale, experience and capability.

Outlined below is how some of these key challenges are being addressed:

Challenges	Responses
The individual businesses have previously operated in silos	The Aveng DNA has been designed to develop common cultural alignment and behaviour standards across the group. The reorganisation of various businesses over the past year has also focused on eliminating the silo organisation structures.
Implementation of performance management not optimal	Strong performance management linked to pay has been implemented. Performance is now becoming accepted as the key differentiator for rewards, including promotion and career progression. Performance contracting and reviewing of performance is monitored on a quarterly basis.
Identifying and developing talent	Group-wide succession planning process implemented with 12 management candidates who were identified over the past two years, having since been appointed to the targeted positions. A growing number of cross-operating group and business unit appointments have also been made over the past year.
Ongoing shortage of business development, commercial and project management skills	A group project management forum comprising senior and experienced project managers from across the group has been established to develop a comprehensive response to this challenge. The group's business development and commercial capabilities have been strengthened with the appointment of experienced business development and commercial executives during the year.

Talent management

Performance management

The performance management programme has been rolled out over the past four years and now covers all first-line, middle and senior management levels. Instilling a high performance culture across the group has gained momentum over the past year with the roll-out of the performance contracting and review process being reviewed quarterly in the operating group remuneration committees. The effectiveness of the implementation of the performance management process is constantly reviewed and

monitored across the group. Formal reports are presented to the Aveng remuneration and nomination committee on a quarterly basis. To ensure that key individual performance outputs are aligned to the business strategy, the balanced scorecard has become a critical instrument in ensuring this alignment.

A number of operating groups have over the past year established talent management committees which review and calibrate the performance reviews of managers across the operating group to ensure fairness and equity as well as alignment of the rating to actual performance. In line with the group's remuneration and incentives policies, monetary rewards are linked to performance for all salaried staff, including the annual salary increase and all performance incentives. Performance is also taken into account in determining readiness for upward mobility in the succession planning process.

It is encouraging to note that almost all operating groups achieved a normal 'bell curve' performance rating distribution at the end of the last financial year. This rating distribution informed both the annual salary increases as well as the incentive pay-outs. Poor performers do not receive any incentive pay.

Succession management

Succession management is a key strategic intervention for ensuring that the organisation identifies, develops and deploys the talent at its disposal to perform and grow on a sustainable basis. Succession management at the Aveng Group is about harnessing all the people management processes of recruitment and assessment, talent management, performance and development, to identify and develop the group's future leadership.

Over the past year, the group held the third group-wide succession review process and focused even more on identifying talent that can be deployed across operating groups. As a result, 12 managers from various operating groups were appointed into positions in other operating groups. This is a significant and exciting development and confirms that the efforts over the past few years of breaking down the silos and introducing common talent management programmes are beginning to yield benefits.

Furthermore, the succession planning process significantly contributed to the seamless leadership transition in a number of the operating groups over the past year, such as Aveng Manufacturing Steeledale, Aveng E+PC, Aveng Moolmans and, more recently, Aveng Grinaker-LTA.

As a further development of the succession planning process, the effectiveness of the process has been further enhanced with the development of templates to capture the readiness organisation charts and individual development plans; guidelines on how to carry out succession engagement discussions; and tools to identify high-potential employees. The readiness organisation charts as well as the status of individual development planning is now formally reviewed per operating group every quarter.

The success of the succession planning process is evident when one considers that the majority of senior appointments made over the past year were candidates who had been identified in the succession planning process. The transformation imperative is taken into account in succession planning.

A critical aspect of the succession planning process is the focus on the development and roll-out of individual development plans of the identified talent, and this is the key focus going forward.

Learning and development framework

Investment in learning and development remains a priority across the Aveng Group. It is, however, imperative that all learning and development initiatives are aligned where possible across the Aveng Group, and these interventions directly support the business strategy.

Despite the tough trading environment and the significantly reduced workload, the Aveng Group has still managed to invest the following resources in learning and development initiatives:

	Number of employees	Cost split (R)	% black employees
Apprentices			
2012			
Total employees	310	4 861 403	
Total black employees	208	3 257 140	67
Total black female employees	17	360 571	8
Learnerships			
Total employees	309	565 835	
Total black employees	198	4 421 892	64
Total black female employees	22	361 416	4
Bursars			
Total employees	125	2 154 468	
Total black employees	39	667 885	31
Total black female employees	9	150 812	7

Leadership development

The Aveng Leadership Development Programme concluded its fourth year with almost 2 000 employees now having completed the programme. During 2012, 386 managers from various levels across the group enrolled for the Aveng Leadership Development Programme. This programme has been updated to incorporate the latest developments, including the Aveng DNA.

The continuation of the McConnell Dowell Leadership Programme, in partnership with the University of Melbourne, which has been specifically designed to develop current and emerging project managers, is progressing well and three of five modules have been completed.

The introduction of the 'Leadership Fitness' stream, a refresher programme for all employees who have completed the programme over the years, will be emphasised in 2012 as it contains all the newly developed leadership interventions, such as Aveng DNA, leadership framework, Aveng brand, balanced scorecard and strategy.

Additional leadership and cultural alignment programmes were implemented during the year, such as *Valuing and Managing Diversity* that encourages cross-cultural learning among the different employees within the Aveng Group and *Crucial Conversations* to equip leaders with the necessary skills to effectively conduct difficult performance conversations.

Graduate development

The Aveng Graduate Development Programme was initiated as a pilot project in July 2011 with 36 graduates from across the South African-based businesses. These graduates have since completed 12 training modules covering both people management and technical skills. Aveng Trident Steel which for the first time in its history recruited 10 graduates, integrated them into the Aveng development programme. An additional 12 graduates have since joined the programme in January following their graduation, bringing the total number of graduates on the programme to 58. McConnell Dowell has 70 graduates on the Australian Graduate Programme.

Senior managers and the qualified engineers who have been appointed mentors are committed to ensuring that all graduates have the guidance needed to achieve professional registration with the Institute of Professional Engineers.

Several internally run courses which match the requirements of the Institute of Professional Engineers and the Engineering Council of South Africa (ECSA) programmes have been successfully delivered. Particular focus is also being given to ensuring that engineers with a few years' experience are also given the opportunity to achieve professional registration.

Skills training and development

Health, safety and environmental training

The scheduling of health, safety and environmental management-related programmes continued across the Aveng Group. McConnell Dowell initiated compliance and competency training to promote the currency of safety skills, which have included CPR and AED courses for project managers and workers.

McConnell Dowell has focused on establishing a training matrix for all positions within the Built Environs. The matrix establishes mandatory technical and leadership skill requirements for each role within Built Environs. In addition, they have been working with the Master Builders Association (South Australia) to develop a nationally accredited training programme for environmental awareness specific to their business. This programme supports the company's ongoing commitment to ensure we continue operating in a way that minimises and reduces our environmental impact. It is anticipated this will be rolled out in the latter half of 2012 to all employees.

Aveng Grinaker-LTA welding school

Aveng Grinaker-LTA Mechanical & Electrical is faced with a myriad of challenges in terms of producing competent welders and, as a result, a welding school was established at the end of 2011 to address this challenge.

The goals and objectives of the welding school are:

- » Increasing the pool of skilled welders
- » Providing appropriate training to both non-skilled and semi-skilled welders
- » Ensuring improved welding productivity levels and quality of welding, including increasing the number of specialist welders
- » Improving the quality of welding by ensuring essential competencies are achieved with regard to proper alignment of skills, knowledge, attitudes and values (SKAVs)
- » Ensuring the transfer of welding skills and increased initial employee entry level throughput

The state-of-the-art welding school has 55 fully equipped welding cubicles of which 45 are earmarked for training and 10 are to be used for the assessment and testing of qualified welders. The facilities also include a fully equipped lecture room for 40 learners as well as office space for the training centre management and supporting staff. It is envisaged that this facility will become operational after the reorganisation of Aveng Grinaker-LTA has been concluded.

Track Master training

Aveng Manufacturing Lennings Rail Services is developing training capability and capacity internally to be more self-reliant and to ensure that its employees are trained and developed to meet the required operating standards and plant manufacturers' requirements.

An application to register a trade for the Track Master has been submitted to the Department of Higher Education and Training. A consultative process with all the relevant stakeholders to develop the learning outcomes and associated assessment for the trade will be initiated with the Quality Council for Trade and Occupations (QCTO) once the request has been approved.

Apprentices and learnerships

The Aveng Group had 322 apprentices training in various engineering disciplines during this financial year, including 206 learners completing learnerships in construction-related disciplines, machine operators and SHE qualifications.

Functional and technical training

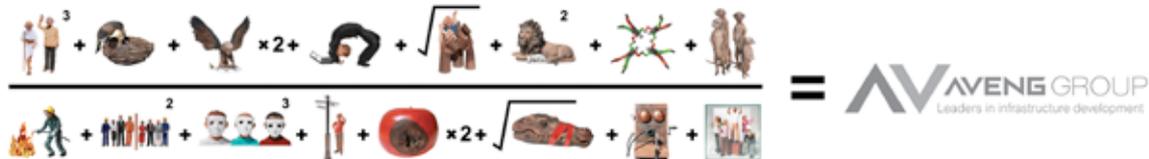
The Aveng Grinaker-LTA Civil Engineering Training Centre and the Aveng Grinaker-LTA Mining Technical Training Centre continue to provide essential artisan skills for the business. Aveng Moolmans has also been accredited by the Mining Qualifications Authority (MQA) to train and qualify employees in a rock-breaking qualification.

Culture alignment – The Aveng Group DNA

Having historically been a loose grouping of diverse, semi-autonomous businesses, the Aveng Group has experienced silo tendencies which have contributed to the unintended consequences of duplication of effort and inability to leverage scale, supplier arrangements, costs and capability. Therefore the

need for a more synergistic “Unity in Diversity” approach to leverage the untapped group synergies, scale and capabilities is being addressed via a number of group initiatives, including the development and embedding of the Aveng DNA. Building a high-performance culture is key to reducing costs in the business and delivering revenue growth. Both cost reduction and revenue growth are to be underpinned by a culture of learning and continuous innovation. The Aveng Group DNA is the glue that permeates throughout the HR Framework and is premised on the themes of people, values and performance. The DNA has been formally launched in Aveng Manufacturing, Aveng Moolmans, Aveng E*PC, Aveng Trident Steel and Aveng Water. It will be launched in the new year in Aveng Grinaker-LTA following the conclusion of the restructuring as well as in McConnell Dowell.

The Aveng Group continues on its journey to leverage group scale talent, experience and capability by implementing group-wide interventions and programmes. This includes relentlessly implementing performance management and succession planning, ensuring that all employees and leaders in critical positions have individual development plans and rolling out the Aveng DNA as the definition of the group’s cultural identity. Talented people are the lifeblood of the group and measures are being put in place to ensure that the Aveng Group attracts and retains the best talent in our industry by affording them the best performance-driven environment within which they can realise their career ambitions.



The Aveng Group recognises transformation as “the right thing to do” and is committed to driving this business and cultural imperative rigorously at all levels across the group. Over the past year the group’s transformation priorities have been focused on instilling a culture of doing business differently to ensure that the necessary interventions are being implemented to redress the historical imbalances in our organisation, particularly with regard to employment equity, skills development and enterprise development.

In this regard Aveng (Africa) and Aveng Trident Steel’s performance against each of the elements of the Construction Charter scorecard was reviewed and a decision was taken to focus the operating business’s efforts on those elements which are under their direct control and where they are currently underperforming. These were determined to be employment equity, skills development and preferential procurement. In an effort to leverage the group’s capability and experiences, as well as maximise economies of scale, it was decided that enterprise development will be best coordinated at group level.

Accordingly, the key transformation priorities for the year were:

- » Continue to improve the group’s performance in terms of employment equity, skills development and enterprise development
- » Significantly develop and increase the representation of black professionals and leaders across the Aveng Group
- » Increase procurement spend among qualifying small enterprises, exempt micro enterprises and black women-owned enterprises
- » Significantly impact enterprise development and socio-economic development through direct engagement in social upliftment programmes, in education and training in particular

BEE rating review

With regard to the scorecard rating, both Aveng (Africa) and Aveng Trident Steel significantly improved their ratings from level 3 to 2 in the case of Aveng (Africa) and from level 5 to level 4 in the case of Aveng Trident Steel.

The table below shows the positive performance of both Aveng (Africa) and Aveng Trident Steel against the various elements of the Construction Charter.

Broad-based black economic empowerment scorecard

	Aveng (Africa)* 2011	Aveng Trident Steel 2011
B-BBEE element		
Ownership	24	24
Management control	7,84	6,66
Employment equity	4,33	3,83
Skills development	11,62	11,78
Procurement	18,78	12,85
Enterprise development	15	2,55
Socio-economic development	5	5
Total	86,56	66,67
Rating	2	4

* Aveng (Africa) consists of Aveng Grinaker-LTA, Aveng Moolmans, Aveng Water, Aveng E*PC and Aveng Manufacturing.

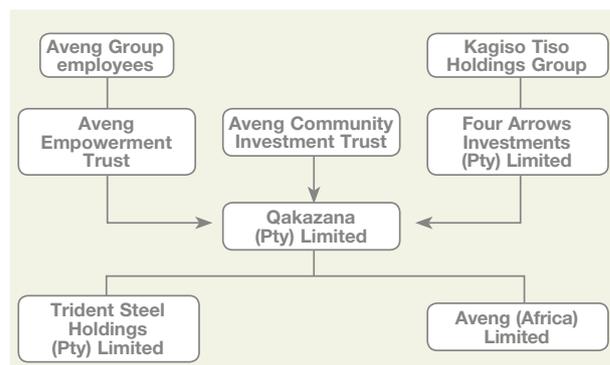
Key highlights for the year:

- » B-BBEE rating is on par with the group’s competitors. The Aveng Group continues to lead the sector on B-BBEE ownership.
- » Significant progress has been made on the composition of management control across all the operating groups. There is a noticeable positive change in the representation of black female executives on the operating group boards.
- » A dedicated preferential procurement function has been established within the central procurement department to not only facilitate procurement from black suppliers but also to educate internal and external stakeholders on B-BBEE and the Aveng preferential procurement process.
- » The necessary structures and processes to review, manage and process the small and micro enterprises development needs have been established. A centre-led enterprise development programme has been launched.
- » As a business imperative, transformation objectives remain an important performance measure for all management across the group and progress against the various targets set is reviewed quarterly in the operating group board meetings.

Ownership

- » Black economic ownership in the Aveng Group is substantial. The Aveng Group was the first group to conclude a high-level black economic empowerment transaction in 2004. The Qakazana Consortium, a broad-based consortium led by Kagiso Tiso Holdings (KTH), holds a 25% interest in Aveng (Africa) Limited (comprising Aveng Grinaker-LTA, Aveng E*PC, Aveng Moolmans and Aveng Manufacturing) and a 25% interest in Aveng Trident Steel Holdings (Pty) Limited.
- » In 2007 the group’s B-BBEE effective ownership credentials were further strengthened by its support of the sale of its 46% stake in Holcim (Africa) (now named Afrisam) in another substantial B-BBEE transaction. As a result, the Aveng Group has already exceeded the targets for ownership set in the Construction Charter of 27,5%.

Members of the BEE consortium



The Aveng black economic empowerment transaction

- » Through the KTH transaction which was born in 2004 and reached maturity this year, empowerment stakeholders – comprising KTH, the Aveng Community Investment Trust and the Aveng Empowerment Trust – have jointly realised gains of R942 million. The design of the beneficiary structure has ensured that the Aveng transaction is truly broad-based empowerment with all eligible employees as well as various communities directly benefiting from it.
- » The Aveng Empowerment Trust, whose beneficiaries are current and retired employees of Aveng (Africa) and Aveng Trident Steel, has benefited to the value of R301 million from the empowerment transaction. As a result approximately 12 900 eligible South African employees of Aveng (Africa) and Aveng Trident Steel during the period December 2004 and December 2011 received their cash benefit some two years earlier than anticipated.
- » This transaction is viewed as a momentous milestone in the history of Aveng and is a very positive outcome as it is in line with the group's commitment to empowering its employees and in the spirit of South Africa's transformation objectives.
- » The success of this transaction has also endowed the Aveng Community Investment Trust, which invests in community development projects, with R301 million to expand and sustain its work in community development and upliftment. This has enabled the Aveng Group to share the financial benefits generated by its operations' performance with various needy communities. The Trustees have focused the community development initiatives around the two key focus areas of technical skills development for unemployed individuals and improvement of maths and science education at secondary school level. Projects supported by the Trust are carefully selected for sustainability and scalability.

Management control

The percentage of black directors on the two boards is:

Aveng (Africa)	78,40% using the Construction Charter calculation tool allowing for ARG
Aveng Trident Steel	66,60% using the Construction Charter calculation tool allowing for ARG

Employment equity and skills development

Employment equity remains the biggest transformation challenge for Aveng. While significant strides have been made in the profile at executive management level, a significant challenge remains in the large first line and middle management layers across the company. Plans are being rolled out to not only address the demographic composition of this important layer, but also to address the cultural transformation challenge to create a conducive environment for the attraction and retention of black talent. While focus is being given to attracting black professional and managerial staff in order to address the group's historical legacy, the ultimate objective is to create an organisation where talented employees of all races and cultures feel at home and reach their full potential.

The group has identified several categories of key skills required across the company which provide opportunity for the appointment of previously disadvantaged individuals. A formal centre-led graduate development programme has been established this year to facilitate the recruitment and development of our graduates into future leadership and management roles. This programme has also set clear guidelines for the awarding of bursaries to ensure that the transformation imperative is addressed.

A formal mentoring and coaching programme is also available to ensure appropriate development and sharing of knowledge to all emerging talent, including black talent, across the group.

With regard to talent development, the group continues to make progress in growing the number of skilled black talent as outlined below:

- » Apprenticeship programme – The total number of apprentices in training for 2012 is 310 of whom 67% are black apprentices. These apprentices are being trained as earthmoving plant mechanics, millwrights, riggers, electricians, boilermakers and auto-electricians and in other trades.
- » The group also offered 309 learnerships in construction supervision, masonry, carpentry and learner miners of whom 64% are black learners.



For more information on skills development go to www.aveng.co.za

In the past two years the group's skills development spend as confirmed by the group's B-BBEE rating agency, EmpowerLogic, against the Construction Charter rules has seen the group investing a total of R152 million in training and development initiatives, with 62% of this being spent on black employees.

Enterprise development

A solid foundation has been put in place during the year, including an in-depth review of black emerging suppliers across the Aveng Group who have demonstrated endurance and the capacity to deliver quality products and services despite the prevailing tough economic climate. The group has put in place the necessary structures and processes to review, manage and support small and micro enterprises (SMMEs) with a view to facilitating their further growth and development into sustainable businesses.

The group has a particular bias towards supporting emerging enterprises that have a direct impact in some way or another on the Aveng value chain. This bias ensures that the emerging suppliers that Aveng does business with become an integral part of our supply chain and in the process their success or failure becomes inextricably intertwined with that of the Aveng Group. The group is dedicated to growing black suppliers as a central part of its business processes and therefore strives to continually facilitate their growth into the broader economy beyond Aveng.

In the past year we identified and directly engaged with 100 out of the many SMMEs within the Aveng value chain by funding a process to empower them. The engagement process entailed the following:

- » A due diligence exercise and a full needs analysis exercise
- » Business scoping and service offerings work-sessions to focus value offerings
- » Strategy sessions to assist in the re-engineering of product offerings
- » Risk analyses and 80 formal enterprise development agreements were signed with the SMMEs
- » Aveng facilitated the development and production of marketing material for all 80 SMMEs
- » A marketing and branding workshop with 155 SMME delegates from the 80 SMMEs

This engagement has enabled Aveng to have a deeper insight into the nature and performance of the various SMMEs in its operations and a baseline for monitoring their performance and growth.

A knowledge sharing summit was arranged in partnership with the Department of Trade and Industry where various SMME stakeholders, including government departments, funding agencies, financial planners, SARS and business consultants advised the SMMEs on how best to access the various benefits offered while also being tax compliant. This was followed by an exhibition where the SMMEs were provided with a platform to exhibit and showcase their offerings to the broader industry. This initiative has resulted in a number of these SMMEs securing new contracts with other companies outside Aveng which will give them growth opportunities and ensure their long-term sustainability. This very successful supplier summit and exhibition received wide media coverage and extremely high ratings from the SMMEs and has set the benchmark for SMME development.

Procurement

The centre-led procurement function has created a dedicated function to drive and manage the preferential procurement function. This function manages the registration and validation of

all black suppliers. One of the benefits of having such a function is the leveraging of economies of scale within the supplier database and the facilitating of regional procurement initiatives which is imperative to the group’s localisation strategy. As part of the centre-led enterprise development programme, all suppliers have been encouraged to ensure full legal and SARS compliance. This has facilitated the procurement process of doing business with the qualifying small enterprises and exempt micro enterprises.

A comprehensive database of all suppliers’ B-BBEE certificates across the group has enabled the group to continuously conduct comprehensive reviews of the B-BBEE credentials of all suppliers. This review has also contributed to more effective and accurate reporting of group spend on black suppliers, while also compelling those who were not compliant to become compliant. Furthermore, as part of the enterprise development initiative of qualifying small enterprises and exempt micro enterprises, Aveng facilitates the B-BBEE verification of these suppliers.

The table below shows the 12 months of procurement spend from black suppliers as per the BEE verification audit report.

Weighted B-BBEE procurement expenditure – All suppliers	R6,2 billion
Weighted B-BBEE procurement expenditure – QSE and micro enterprises	R1,2 billion
Procurement expenditure – Suppliers that are > 50% black owned	R1,3 billion
Procurement expenditure – Suppliers that are > 50% black owned	R239 million

Concluding remarks

The Aveng Group has made significant progress over the past year improving the BEE ratings of both Aveng (Africa) and Aveng Trident Steel to level 2 and 4 respectively and ensuring that the benefits of its empowerment transaction flow directly to the benefit of its employees and needy communities.

Notwithstanding the significant progress made by the Aveng Group over the past year, the organisation still faces a number of challenges in its transformation drive which it intends to address as outlined in the table below:

Challenges	How the challenges will be addressed
1. Employment equity B-BBEE actual score below target	<ul style="list-style-type: none"> » All senior management appointments have to be ratified at group executive level » Specific employment equity targets set for all operating group MDs in their performance contracts. » The people scorecard which monitors vacancies, recruitment, promotions, development and retention of black and female talent is being reviewed quarterly at operating group board meetings.
2. Skills development B-BBEE actual score below target	<ul style="list-style-type: none"> » Skills development plans based on skills plans are being developed per operating group » Performance against this element is linked to the number of black professionals and managers in the group. As that number increases so will this.
3. Enterprise development It is imperative to maintain the momentum on the centre-led programme	<ul style="list-style-type: none"> » While a well-structured centre-led programme has been initiated, it is imperative that the capacity and capability of the operating groups to manage this on the ground in the operations improves if it is to be sustainable. Building capacity in the operating groups will be a key focus going forward.
4. Preferential procurement Multiple procurement systems	<ul style="list-style-type: none"> » A common approach is being developed by the central procurement function which should enhance the control, monitoring and overall effectiveness of this area.
5. Information integrity No consistent data information system	<ul style="list-style-type: none"> » While common reporting templates have been developed, the management of critical mass data will only be fully optimised once the appropriate integrated procurement and HR information systems have been implemented.

Looking ahead

Going forward, the key transformation areas of focus across the group will be:

- » The drive to improve the "people" elements of employment equity and skills development, including a demographic change in management and technical skill levels
- » A noticeable change in the group culture to embrace transformation
- » Continued leadership in socio-economic development and increasing the impact in view of the significant funds from the conclusion of the empowerment transaction that are due to flow into the Aveng Community Development Trust
- » Enhancement of sustainable enterprise development programmes for the group
- » Higher levels of preferential procurement controls through the newly formed preferential procurement department
- » Continued improvement of the data management and reporting on the transformation elements
- » Continued building of operational management understanding and capacity to effectively manage transformation

In line with the Aveng Group's stated commitment to conduct its business in a sustainable manner, the focus over the past year has been on ensuring the scalability and sustainability of the group's CSI initiatives. With the group's broad-based black economic empowerment transaction of 2004 reaching maturity last year, the Aveng Community Investment Trust, which is a beneficiary of the empowerment transaction, has realised R301 million, which will allow us to extend the value generated by our operations to the communities in which we work – a truly exciting prospect. The value created in this way has enabled the group to review its CSI initiatives going forward to ensure that they are sustainable and that they truly capture the group's commitment to a real and lasting legacy.

Philosophy

Over the past few years the Aveng Group has invested significant effort into nurturing relationships with its various partners on its CSI programme. This is in line with the group's guiding principles for CSI investment which are: "partnering with select best practice projects that demonstrate both scalability and sustainability, and building lasting relationships to achieve far-reaching positive impact on beneficiary communities".

The Aveng Group is working to break the cycle of poverty impacting our communities by supporting selected initiatives which focus on improving maths and science education at secondary school level and those which deliver technical skills training to unemployed members of our community. This is in line with South Africa's national developmental priorities; providing unemployed youth with realistic opportunities to contribute to the economy is possibly the most effective way to break the cycle of poverty and unemployment which continues to ravage our country.

Social investment

The Aveng Community Investment Trust (the Community Trust) was established in 2005 as part of the group's black economic empowerment transaction with the Qakazana consortium. The Aveng Group has committed its operating businesses, Aveng (Africa) Limited and Aveng Trident Steel Holdings (Pty) Limited to investing 1% of their headline earnings into CSI activities. Of this funding, 75% has been allocated to the Community Trust and the remaining 25% apportioned to the operating groups to spend on local CSI initiatives in their respective areas of operation.

For the 2011 – 2012 financial year, total social investment for the group was as follows:

Operating group	Investment (R)
Aveng Community Investment Trust	6 925 650 ^A
Aveng E*PC	95 805
Aveng Grinaker-LTA	547 015,92
Aveng Manufacturing	563 396
Aveng Moolmans	383 873,57
Aveng Trident Steel	549 617
Aveng Water*	22 000
McConnell Dowell**	2 951 489
Total	12 038 847

^A Assured, direct contributions.

* Aveng Water is a new operating group and as such will only begin CSI projects in the 2012/2013 financial year.

** AU\$368 425 (Exchange rate = 8,0111 on average for the year ended 30 June 2012).

The Aveng Group continues to view social investment as part of its responsibility to contribute to the development of communities where we conduct business and as a key element of ensuring sustainability of our business, communities and markets. This is why the group has consistently invested in CSI initiatives above the 1% NPAT benchmark.

Year	Total CSI disbursed by the Aveng Group R'000	Percentage of headline earnings (%)
30 June 2010	20 801	1,1
30 June 2011	22 658	1,9
30 June 2012	12 039	2,0

Flagship projects

In 2009, following a decision to adopt a more focused strategy to target initiatives in the sectors of maths and science education, and skills training, the group partnered with four flagship projects. The decision to limit our investment to a few, high impact sustainable programmes was based on an analysis of our CSI efforts which indicated that we were having minimal impact at relatively high cost if we continued the previous practice of funding numerous projects across different sectors. We now have four flagship projects, two in skills development and two in maths and science education. Each of the flagship projects meets the criteria of scalability, sustainability and best practice, adopts holistic approaches to social challenges and includes a wide range of stakeholders in the communities they operate in.

Sector	Project	Description	Aveng's involvement – 2012	Future prospects
Skills training	The Community Building Project	An innovative project to build facilities for schools in needy communities using green building concepts and indigenous African designs, while providing accredited skills training for unemployed members of the local community	The project has delivered five beautiful buildings for disadvantaged schools in Gauteng and KwaZulu-Natal. A centre for children who are orphaned and vulnerable has also been constructed in rural Limpopo. The benefits have been far-reaching: schools and communities now enjoy an increased skills base and trainee builders are transferred to new sites as the project expands	The group will focus on taking this project to scale – presenting it as a possible solution to the classroom infrastructure backlog that the country currently faces with the potential to train thousands of previously unskilled people in the process
Skills training	Ikhaya Fundisa Techniskills Academy (IFTA)	Established in 1982, IFTA is a technical training centre for learners/artisans and artisan assistants, providing training in mechanical, electrical, motor/diesel and boiler making qualifications. The centre also places most of its qualified trainees in learnerships with various employers	The Aveng Group has funded the training of 102 unemployed youths (of which 50% are women) since 2009. Most of these trainees have either been placed in learnerships or in permanent employment in industry	In 2013, the Aveng Group will continue to support training of unemployed youths through this programme
Maths and science education	LEAP Science and Maths School	The LEAP school model selects children from a specific community who have not had access to schooling outside of township schools. Learners are given the opportunity to progress with maths, science and English at the highest levels	The Aveng Group has fully funded one of the LEAP schools – based in Diepsloot – since its establishment in 2009. In 2011 LEAP schools with learners in matric achieved a 94% pass rate, and 74% of LEAP matriculants have gained access to tertiary education	In 2013, the Aveng Group hopes to fund the building of required facilities for the school, using the same green building technique adopted in the Community Building Project, thereby providing facilities and skills for the community of Diepsloot
Maths and science education	Kutlwanong	Kutlwanong is a non-profit organisation that aims to improve performance of high school mathematics and science learners from historically disadvantaged areas	The Aveng Group funded the establishment and operating costs of a new centre in the Nebo district of rural Limpopo	The group continues to fund the centre's running costs and looks forward to the results of the first matriculants of the centre at the end of this year

Looking ahead

The past year has involved sharing ideas, lessons and opportunities with those in government, the private sector and civil society in an effort to deepen and grow the impact of our CSI spend.

Three years following the adoption of our flagship projects, the group is now in a position to take the programme to the next level by exploring ways in which to further develop and maximise any potential synergies and impact of the projects that are being funded. The measuring of the impact of current initiatives as well as their scalability will continue to be a key area of focus over the

course of next year. In addition to this, the administrative capacity of the Community Trust is being reviewed with a view to enhancing it while ensuring that the bulk of the resources continue to be directly spent on the projects. Monitoring of progress will continue to be a priority with the group's principles of building lasting relationships through solid partnerships underpinning the impact assessment.

Planning for impactful growth will form a key part of the group's energies in this space over the course of next year.